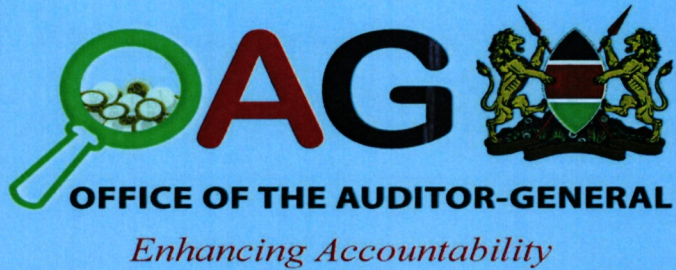


REPUBLIC OF KENYA

PARLIAMENT
OF KENYA
LIBRARY



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 02 MAR 2023

DAY:

Thursday

OF

TABLED
BY:

Leader of the Majority Party

CLERK-AT
THE-TABLE:

Jayne Kemerele

THE AUDITOR-GENERAL

ON

THE KISUMU NATIONAL POLYTECHNIC

**FOR THE YEAR ENDED
30 JUNE, 2021**



TECHNICAL AND VOCATIONAL EDUCATION TRAINING (TVET),
THE KISUMU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2021

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Institution was started in 1967 as a Technical Secondary School. The first batch of students was admitted at Sigalagala Technical and Trade School while they awaited the completion of the school at Kisumu. The then Minister for Education, the late Dr. Taita Towett officially opened the school in 1971.

In 1986, the institution became a Technical Training Institute. This was the time, when the philosophy of Education was to facilitate Social and Economic development of rural areas. The aim of this was to produce practical oriented human resource, competent in application of technical skills. This was the time when the 8.4.4. Curriculum of Education and training in Kenya was being implemented. Institutions at such levels were therefore required to cater for the needed technical skills.

In 1996, the institution became a National Polytechnic and was inaugurated on 21st June 1997 by His Excellency the President, the late Hon. Daniel Toroitich Arap Moi.

This gave rise to a new legal entity/ institution with the mandate to provide training, conduct research and offer consultancy as per the Legal Notice No. 113 of 22nd August 2014. A Council is its governing body and responsible for providing leadership and strategic direction. The Polytechnic management is headed by a Principal who reports directly to the Council.

The Kisumu National Polytechnic has 11(Eleven) academic departments and 9(Nine) non-academic departments.

Quality Policy

As an ISO certified institution, The Kisumu National Polytechnic is committed to providing affordable, accessible, and sustainable and quality training by ensuring our services are effective and efficient and meet the customer needs and expectations. The Kisumu National Polytechnic is committed to complying with requirements of ISO 9001:2015 Quality Management Systems. To achieve this, the polytechnic has established Quality Objectives which shall be reviewed from time to time for continuous improvement.

The key Quality Objectives seek to: -

- i. Achieve and maintain a level of quality training which enhance the institutions' reputation with customers.
- ii. Ensure compliance with the TVET Act 2013 and other relevant statutory and safety requirements.
- iii. Endeavour to always maximize customer satisfaction with services provided by The Kisumu National Polytechnic.

(b) Principal Activities

Mandate

The Polytechnic is mandated to offer courses at Certificate, Diploma and Higher Diploma levels in various disciplines. The Polytechnic mainly produces middle level human resources that are well equipped with technical and business skills required in industry, informal sector and service sectors.

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The institution produces technicians and technologists who are expected to play a major role towards the attainment of the Kenya's Vision 2030.

The TKNP Strategic Plan (2020–2024) has envisaged the development and implementation of technology degrees that will be offered in collaboration with existing recognized Universities.

Vision

To be a world class polytechnic in the provision of technical, vocational, entrepreneurship training and research.

Mission

To provide high quality technical, vocational, entrepreneurship training, research and innovation in partnership with stakeholders to produce globally competitive graduates

Core Values

- Teamwork
- Integrity
- Quality
- Innovation
- Environmental Stewardship

Motto

Industry Succeeds

The Principal activities of the National Polytechnic shall be to:

- Provide directly, or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education;
- Participate in technological innovation as well as in the discovery, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social cultural, scientific, and technological development;
- Contribute to industrial and technological development of Kenya in collaboration with industry and other organizations through transfer of technology;
- Examine and make proposals for new diploma courses and subjects of study, institutes, departments, resource and research and innovation;
- Promote and establish a culture of innovation in engineering and technology, and technology transfer amongst staff and students;
- Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya;
- Provide a multi-level system of post-secondary school education and training programmes relevant to the needs of the community covering a wide range of fields and

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levels with provision for recognition of prior learning and flexibility of transition between programmes;

- Provide high quality educational, research, residential, commercial, cultural, social, recreational, sporting and other facilities;
- Advance knowledge and its practical application by research and other means, the dissemination of outcomes of research by various means, and the commercial exploitation of search results;
- Promote critical enquiry within the polytechnic and in the general community;
- Participate in commercial ventures and activities;
- Foster the general welfare of all staff and students;
- Provide opportunities for development and further training for staff of the National Polytechnic;
- Develop and provide educational, cultural, professional technical and vocational services to the community and in particular the fostering of corporate social responsibility;
- Provide programmes, products and services in ways that reflect the principles of equity and social justice;
- Facilitate student mobility between different programmes at different technical training institutions, and other National Polytechnics;
- Conduct examinations for and grant such academic awards as provided under this Order;
- Collaborate with recognized universities for the conduct and award of degree programmes in technology;
- The National Polytechnic shall have powers to grant higher diplomas, diplomas, certificates, or other academic qualifications which may, for the time being, be authorized by the Academic Policy of the National Polytechnic.
- Subject to this Order, the National Polytechnic may award scholarships, bursaries and prizes and make other awards which may be provided for by the Academic Policy.

(c) Key Management

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

- Governing Council
- Accounting officer/Principal
- Principal's Management Committee
- Heads of Department

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(d) Fiduciary Management

The key management personnel who held office during the 4th quarter period ended 30TH JUNE 2021 and who had direct fiduciary responsibility were:

S/No	Designation	Name
1.	Chief Principal	Catherine K.Kelonye
2.	Deputy Principal Administration	Charles Opiyo
3.	Deputy Principal Academics	Linda Ayuku
4.	Dean of Students	Jane Awino Ochung
5.	Registrar Administration	George Luvaha
6.	Registrar Academics	Maureen Marienga
7.	Finance Manager	Paul Maher
8.	Supply Chain Manager	Milton Obote Omollo
9.	Human Resource Manager	Maurice Ominde
10.	Internal Auditor	Barrack Oluoch
11.	EASTRIP Centre Coordinator	Dr.Asaka Nyangara

(e) Fiduciary Oversight Arrangements

Council Committees	Members	
Finance, Infrastructure and Resource Mobilization (FIRM) Committee	Alex Kazongo	Committee Chair
	Rajeev Arora	Member
	Geoffrey Kibanda	Member
Audit, Risk and Compliance (ARC) Committee	Nelson Otieno Aloys	Committee Chair
	Roseline Odede	Member
	Geoffrey Kibanda	Member
Education, Research and Training Committee	Lilian Mainye	Committee Chair
	Roseline Odede	Member
	Fanuel Onyango	Member

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)





- (f) Headquarters
P.O. Box 143-40100
Technology Road
Kisumu, KENYA
- (g) Contacts
Telephone :(254) 0723446773
E-mail: info@kisumupoly.ac.ke
Website: www.kisumupoly.ac.ke
- (h) Bankers
1. Kenya Commercial Bank
Oginga Odinga Street
P.O. Box 17-40100
Kisumu, Kenya
 2. Co-operative Bank
Kampala Street
P.O. Box 1511-40100
Kisumu, Kenya
 3. National Bank
Oginga Odinga Street
P.O. Box 1152-40100
Kisumu, Kenya
 4. Absa Bank Kenya PLC
Oginga Odinga Street
P. O. Box 831- 40100
Kisumu Kenya
 5. Equity Bank
Oginga Odinga Street
P. O. Box
Kisumu Kenya
- (i) Independent Auditors
Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

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- (j) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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II. THE COUNCIL

No.	Member/ Director	Details
1.	 Eng. Meshack Kidenda, MBS, HSC, FIEK, RCE - CHAIRMAN	Date of Birth: June, 1956 Engineer Kidenda is a highly experienced registered Consulting Engineer, a Fellow of the Institution of Engineers of Kenya and an Associate Member of the Chartered Institute of Arbitrators. He holds a BSc. degree in Civil Engineering from the University of Nairobi and a MSc. in Traffic Engineering from University of Birmingham. Eng. Kidenda's vast experience in Public Service spans well over 37 years where he has served in various capacities including as Chief Engineer (Roads), Director of Industrial Training and as the first Director General of the Kenya National Highways Authority – KeNHA. Eng. Kidenda also serves as a board member at the National Transport and Safety Authority(NTSA)
2.	 Catherine Kelonye, COUNCIL SECRETARY/ CHIEF PRINCIPAL	Mrs.Catherine K.Kelonye is the Secretary to The Council and The Chief Principal of The Kisumu National Polytechnic. She holds Master's in Education-Curriculum and Instruction, Bachelor of Education Science (Mathematics). She previously worked at Sigalagala National Polytechnic from May 2010 and became an acting Principal/Council Secretary at Sigalagala National Polytechnic from August 2019 to September 2020.She is currently the Chief Principal.
3.	 CPA Nelson Aloys MEMBER	Date of birth: October, 1956 Mr. Nelson O. Aloys is a CPA (K) with years of experience in the insurance and vast corporate sector. He holds a BSc in Business Administration, an MBA in Management Information Systems and an MSc, Development Finance. He is also a director at Waumini Insurance brokers. Nelson is actively involved in youth empowerment and development activities.
4.		Date of birth: February, 1974 Ms. Lilian Mainye is a seasoned HR professional with a Bachelor of Arts in Geography & Sociology (University of Nairobi), a Higher National Diploma In HRM, a Diploma HRM and she is an active Member of IHRM. She is HR professional with over 15 years' vast experience in the hospitality and telecommunication sector.

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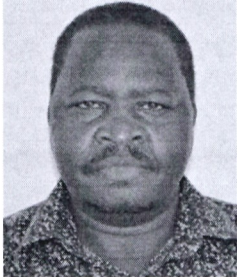


	Lilian Mainye, MEMBER	
5.	 CPA Alex Kazongo, MEMBER	<p>Date of birth: 1965</p> <p>Mr. Alex Kazongo has a wealth of experience in public service, corporate governance and financial management having served as a board member in several high profile state corporations and listed companies for cumulative 20 years.</p> <p>Alex holds Bachelor of Commerce (University of Nairobi), MBA (United States International University), CPA (K) and Management Development (University of Cape Town)</p> <p>Mr. Kazongo is a seasoned member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Directors (IOD)</p> <p>Alex also serves as Board Chairman of Mawego Technical Training Institute.</p>
6.	 Rajeev Arora, MEMBER	<p>Date of Birth: October, 1951</p> <p>Mr. Rajeev Arora is a Specialist in Advocacy, Investment, Trade Promotion, Industrial Parks and Development cluster with a Hons in Agriculture and Economics. Mr. Arora is The Technical Centre for Agricultural and Rural Cooperation's (CTA) Value Chain Advisor to the Cabinet Secretary and Ministry of Industry, Trade and</p> <p>Cooperative. He served as the Executive Director African Cotton & Textile Industries Federation (ACTIF). Mr. Arora has over 36 years of experience in managing 100 per cent export-oriented facilities, and overseeing vertically. He has experience consulting for 24 African countries as well as 4 Asian countries, including Bangladesh, Hong-Kong, India, Kenya, Tanzania, USA and Zambia in developing integrated manufacturing in apparels and working with government institutions for conducive policy development for investment and trade.</p>
7.	 Roseline Odede MCIARB, MIACP, LL.M., LLB. MEMBER	<p>Date of birth: March, 1967</p> <p>Ms. Roseline Odede is an Advocate of the High Court of Kenya with over twenty years' experience in private legal practice and strategic leadership in various professional organizations. She currently practices as a Certified Professional Mediator and an Independent Legal Consultant. Ms. Roseline is a member of the African Union Commission Panel of Experts, has been a Council member of Law Society of Kenya, East Africa Law Society and Commonwealth Lawyers Association. She has also served on the Council of Legal Education, as Vice Chairperson of the Judges and Magistrates Vetting Board Kenya, and is currently a Council Member of FIDA(K). She is also the Honorary Legal Counsel for the Kenya Medical Association Eldoret. Ms Odede holds a Master's degree in Law, from Witwatersrand University, South Africa, and a LLB degree from the University of Nairobi. She is a Member of the Chartered Institute of Arbitrators, and a certified mediator.</p>

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8.	 <p>Geoffrey Kibanda MEMBER</p>	<p>Date of Birth:1967</p> <p>Mr. Geoffrey Kibanda serves at the National Treasury, Pensions Departments and represents the Principal Secretary to the National Treasury. He has vast experience in personnel and HR issues and holds a Master of Business Administration (HR).</p>
9.	 <p>Fanuel Onyango County Director MEMBER</p>	<p>Date of Birth:1960</p> <p>Mr. Onyango is a TVET County Director. He holds a Master's degree in Business Administration (HRM) from Kenyatta University. He has vast experience as an educationist and trainer in TVET institutions. He has served as an administrator in the Ministry of Education in various capacities. His last station was The Kitale National Polytechnic where he served as The Chief Principal until 2020. He is currently the TVET County director, Kisumu/Siaya County.</p>

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III. MANAGEMENT TEAM

No.	Member/ Director	Details
1.	 Catherine K. Kelonye	Chief Principal
2.	 CPA Charles Opiyo	Deputy Principal Administration
3.	 Linda Ayuku	Deputy Principal Academics
4.	 Jane Awino Ochung	Dean of Students

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5.	 Maureen Marienga	Registrar Administration, Planning & Development
6.	 George Luvaha	Registrar Academics
7.	 CPA Paul Maher	Finance Manager
8.	 Milton Obote Omollo	Supply Chain Manager
9.	 Human Resource Manager	Human Resource Manager

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	Maurice Ominde	
10.	 CPA Barrack Oluoch	Internal Auditor
11.	 Dr. Asaka Nyangara	EASTRIP Centre Coordinator

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IV. CHAIRMAN'S STATEMENT



Eng. Meshack Kidenda

The Kisumu National Polytechnic is focussed on its vision towards being a world class Polytechnic in the provision of technical, vocational, entrepreneurial training and research. The Institution has continued to discharge its mandate by working closely with the National Government through The State Department of Vocational Training under the Ministry of Education in the implementation of its mandate.

The Kisumu National Polytechnic mainly produces quality human resources who are well equipped with technical and business skills required in industries, informal sector and service sectors. The Institution has earned the trust of stakeholders, guided by our motto of “Industry Succeeds” and through open and honest dialogue with the stakeholders. We learn the dynamic needs of our stakeholders and view these needs as opportunities to improve; and work towards the creation of new services in response to changing times.

The Council undertakes to continually redouble the efforts to improve and expand the services based on core values. We believe that accumulating dialogue with the stakeholders will yield opportunities to increase our corporate values through creation of new services.

As a Council, we continually embrace the Mwongozo code of governance, oversee and provide significant input into a number of important developments during the year relating to infrastructure and policies. There has been an ongoing capacity building sponsored by the Governing Council for both teaching and non-teaching staff. Today, we boast of a more vibrant and cohesive staff.

Through the engagement in the performance contracting exercise, we have continued to gain significant strides in financial discipline, stewardship and service delivery. Our programs and core mandate of teaching, research and innovation, and cross cutting issues such as disability mainstreaming, gender mainstreaming, corruption prevention, competence development, national cohesion and national values among others.

Over time, The Kisumu National Polytechnic continues to develop policies to guide operations in various departments and established the internal quality assurance office to guide in providing products that meet customer requirements and applicable statutory and regulatory requirements. The institution has also adopted an online registration process for students to enhance efficiency and as a Covid-19 containment measure. During the year the Institution carried out a successful QMS ISO 9001:2015 surveillance audit to improve on processes.

Since 2018 we have been engaged in the East Africa Skills for Transformation and Regional Integration Project (EASTRIP) supported by World Bank whose objective is ‘To increase the access and improve the quality of TVET programs in selected Regional TVET Centres of Excellence and to support regional integration’.

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In addition, we are engaged in Blue Skills Training for Employment Project (B-STEP) - a Skills Initiative for Africa (SIFA) of the African Union Commission supported by the German Government to strengthen occupational prospects of young people in Africa. SIFA aims to improve employment opportunities for young people in Africa. Specifically, the objective of the SIFA Financing Facility is 'to increase quality and innovation in practical, employment-oriented skills development through the implementation of sustainable, nationally and regionally relevant skills development initiatives.

During the year, with resilience the institution has managed the following achievements even with a backdrop of challenges of financial constraints and Covid-19 pandemic.

Among our major achievements are:

- Laid more than 1.5 kms of fibre optic cable besides utilization of ICT for curriculum and service delivery
- Installed 71 CCTV cameras at strategic locations and construction of the perimeter wall which is nearly complete.
- Full integration of Enterprise Resource Planning (ERP)
- Increased students enrolment

Continuous evaluation of training programs.

We have experienced a number of challenges which include:

Negative impact of Covid-19 pandemic leading to reduced revenue

Future Outlook

Covid-19 pandemic exposed our weak spot in delivery of curriculum; the institution is embarking on a major investment in e-learning infrastructure. As an institution we still have a lot to accomplish and our dream is to be an international recognised centre of excellence.

Meshack Kidenda,



MBS, HSC, FIEK, RCE – COUNCILCHAIRMAN

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V. REPORT OF THE PRINCIPAL

Introduction



Catherine K. Kelonye

It's my pleasure to present the Annual financial statements of The Kisumu National Polytechnic. The period under review is from 1st July, 2020 to 30th June, 2021.

The Kisumu national polytechnic is a vibrant institution, which offers great opportunities for the young people of Kenya. It is our goal to make each and every trainee to succeed. We offer our trainees the best possible opportunities to become confident, thoughtful young people who are prepared for any future challenges, in an exciting and increasingly global world.

The student enrolment stands at twelve thousand seven hundred and twenty (12,720) of which seven thousand three hundred and eighty six (7,386) male and five thousand three hundred and thirty four (5,334) female.

The number of students enrolled in Science, Engineering and Technology (SET) Courses consist of nine thousand six hundred and eighty three (9,683) of which three thousand two hundred and ninety five (3,295) are female and six thousand three hundred eighty eight (6,388) male.

Currently the Kisumu National Polytechnic offers one hundred and fifty eight (158) courses which are examined by various bodies including: Kenya National Examination (KNEC), National Industrial Training Authority (NITA), Kenya Accountants and Secretaries National Examinations Board (KASNEB), Cisco certification; and Competency Based Education and Training - Curriculum Development, Assessment and Certification Council (CBET-CDACC).

Operational Results

During the year under review, the Polytechnic reported a surplus of Kes.27, 142,045 against a deficit of Kes (11,701,679) in 2019/2020. This was as a result of the increase in the student population and the goodwill of the government through capitation, National government constituency development fund and higher education loans board.

Status of Projects

During the year under review, the Polytechnic managed to undertake various projects which were funded by the government and by internally generated funds. The resource centre (library) is near completion and will be put to use in the next financial year.

The completion status of ongoing projects is as shown below: -

	Project	Total Project Cost	Total spent to date	Completion % to date	Budget	Actual Received	Sources of Funds
1	LIBRARY	33,501,201	30,154,083	85	36,680,400	36,680,400	GOK 2018/2019
2	RARIEDA TVC	56,890,755	26,495,419	46	-	33,466,667	GOK/ Rarieda CDF
3	UNISOL SOFTWARE	23,896,000	23,896,000	100	23,896,000	-	FEES
4	WALL FENCE				5,000,000	-	FEES

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5	CABBRO WORKS		8,480,000	100	4,000,000	-	FEES
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Out of the 33,466,667 received for Rarieda TVC project, an amount of Kes. 26,495,419 was used on the construction of buildings at the TVC and the balance of Kes. 6,971,248 was held. The project is currently under review by the Ministry of Education State department for Vocational and Technical Education.

Challenges

The Polytechnic lacks adequate lecture halls, laboratories, workshops, computers and other equipment for teaching and learning purposes to accommodate the increasing student population.

COVID-19 Pandemic

In the Financial Year 2020-2021, the entire world was faced with the COVID19 pandemic and the Kisumu National Polytechnic was not spared either. This called for innovative ways of curbing the spread to ensure continuity of business programs. It is in this regard that we embarked on the journey towards ISO 22301:2019(Business Continuity Management System (BCMS) to put in place mechanisms to mitigate challenges such as the Covid-19 pandemic. Additionally, the Polytechnic embarked on ISO/IEC 2700-2013(Information Security Management System (ISMS)) implementation and certification journey. The goal of ISMS is to minimize risk and ensure business continuity by pro-actively limiting the impact of a security breach. These interventions are deliberate and are aimed at managing the polytechnic's policies, procedures and processes and to promote continual improvement within.

Fees Arrears

Fees collection is still a major concern. All institutions were closed due to Covid-19 pandemic, this reduced students' fees collection by 33%. The Polytechnic's total fees arrears was Kes129,674,777 by 30th June 2021.

The Polytechnic continues to prudently manage its financial resources.

Automation of services

Currently the Polytechnic services are fully automated courtesy of ABNO software solutions. The following modules are fully operational.

- Finance Module
- Procurement and Stores Module
- Human Resource and Payroll Module
- Student Management Module
- Student Academic and Examination Module
- Accommodation Module
- Staff and Student Portal
- Time tabling Module

Achievements

The Polytechnic continues to be a regional centre of excellence for textile technology funded by World Bank under East Africa Skills for Transformation and Regional Integration Project (EASTRIP).

Through research and innovation, Water hyacinth harvester was fabricated and accorded international recognition.

I am pleased to mention that our development partners namely; World Bank through EASTRIP sponsored the development of 6 CBET short courses in the Department of Textiles and Clothing. These include:(i)

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Sewing Machine Technician; (ii) Embroidery Machine Operator; (iii) Screen Printing; (iv) Free Hand Cutting; (v) Garment Making; and (vi) Soft Furnishing – Interior Decoration.

Canadian partners through Young African Works (YAW-K) and Kenya Education for Employment Program (KEFEP) sponsored the development of 4 CBET courses, namely: Food Production (Culinary Arts) Level 5 (domiciled in the Hospitality and Institutional Management Department) and Industrial Plant Operations and Maintenance levels 4, 5, and 6 (domiciled in the Mechanical Engineering Department). We have also been able to mount 16 other CBET programs through the acquisition of Occupational Standards from CDACC making the total number of CBET programs mounted to stand at 20. TKNP is committed to increase this number by at least 7 more CBET programs by June 2022.

Governance

The Governing Council executed their duties well during the year. The meeting attendances are stated under corporate governance statement. There were no conflicts of interest recorded during the year under review. The Polytechnic is managed by the Principal's Management Committee (PMC) which comprise of all top management staff. During the year, the PMC also executed their role well.

Conclusion

Finally, I would like to express my special thanks to the Polytechnic stakeholders, special mention goes to the staff who worked tirelessly to ensure smooth operation of the institution. Going forward, the Polytechnic stands by its mission "To provide high quality technical, vocational, entrepreneurship training, research and innovation in partnership with stakeholders to produce globally competitive graduates".



Catherine K. Kelonye

CHIEF PRINCIPAL/COUNCIL SECRETARY.

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VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The Kisumu National Polytechnic has ten strategic pillars and objectives within its Strategic Plan for the 2020-2024. These strategic pillars are as follows:

TKNP Strategic Objectives

The strategic objectives are:

- Pillar 1: To Provide Quality Higher Education and Technical Training
- Pillar 2: To Strengthen Mobilization and Management of Resources
- Pillar 3: To Promote Quality Research, Science and Technology
- Pillar 4: To Attract, Develop and Retain Human Resource
- Pillar 5: To Improve Corporate Governance and Image
- Pillar 6: To Enhance Risk and Disaster Preparedness
- Pillar 7: To develop Partnerships and Linkages
- Pillar 8: To promote Environmental Sustainability
- Pillar 9: To Improve Organizational Capacity for Open, Distance and Flexible Learning
- Pillar 10: To Strengthen Institutional Policy on Women in Technical Education

The Kisumu National Polytechnic develops its annual work plans based on the above 10 pillars. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Kisumu National Polytechnic achieved its performance targets set for the FY 2020/2021 period for its 10 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: To Provide Quality Higher Education and Technical Training	Develop Certificate, Diploma and Degree courses	Implementation and Monitoring reports	Implementing and monitoring CBET programmes	Level 4, 5, 6 of CBET programmes implemented and 6 short courses in Textile Technology curriculum developed
	Offer relevant technology degree programmes in collaboration with recognized universities	Implementation and Monitoring reports	Jointly implementing and monitoring degree programmes	Not yet
Pillar 2: To Strengthen Mobilization and Management of Resources	Improving Revenue Base	Availability of annual Budget Statements	Compliance with Budgetary estimates	In place
		Amount of collection from Production Unit	Strengthen Production Unit Collection	Hampered by Covid -19 Pandemic
		Records of fee for students	Strengthen fee payment	ERP in place to monitor fee

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				collection and bank integration is implemented
Reduce operational cost	Number of core activities outsourced	Outsourcing core activities such as security and washroom services.	Security /washroom services outsourced	
	% of sensitized staff	Specialized staff sensitized	Capacity building done for Staff	
	Availability of procurement plan and set budgetary levels	Quarterly monitoring of expenditure	Quarterly review reports through ERP.	
Diversification of sources of funds	Number of partnership agreements	Strengthen partnership with industry	MoU with industries in place both local and international	
Acquire and modernize teaching and learning equipment	Presence of equipment installed in identified labs and classroom	Equip workshops and laboratories	Partially done by institution and donations.	
	Number of walkways improved	Improve internal roads and walkways	Improved and still ongoing	
	Length of wall constructed	Construction of perimeter wall fence	Ongoing	
	Availability of alternative exit and driveway	Construct driveway and gate 2	In consultation with County government	
	Availability of maintained and serviceable ICT equipment	Maintain ICT equipment	Equipment were serviced and are maintained	
Pillar 3: To Promote Quality Research, Science and Technology	Promote research activities	More research funding	Lobby for more research funding from the ministry	Application for research fund done.
		Availability of Monitoring and Evaluation reports	Monitor and evaluate the operationalization of research policy	Done
	Enhance collaboration with the industry and commerce	No. of proposals written	Multi-disciplinary proposal writing	Multi-disciplinary was held
		No of proposals patented	Patent research innovations	Not yet done
	Integrate ICT in management,	<ul style="list-style-type: none"> ▪ Timely generation of 	Roll out management information system	Done

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	learning and teaching programmes	<ul style="list-style-type: none"> ▪ student reports ▪ No. of modules integrated Enhanced sharing of information		
	Continual of ICT equipment in line with changing technology	Availability of new ICT infrastructure	Improve ICT infrastructure	Done
	Expand existing ICT infrastructure to address e-learning requirements	No. of servers purchased. No. of firewall units purchased. No. of smart power backups purchased.	Revamp data room	In progress
		No. of buildings connected No. of outdoor WiFi points set up.	Extend the local LAN	Done
		No. of designed e-learning policies and guidelines. No. of staff trained on e-learning.	Review and operationalize the e-learning framework	Done
		No. of Learning Management Systems (LMS) acquired. No. of LMS installed and customized. No. of integrated third-party applications and plugins. No. of other support accessories acquired.	Acquire and setup primary requirements for e-learning	Done
Pillar 4: To Attract, Develop and Retain Human Resource	Attract competent Human Resource	Availability of new scheme of service	Review remuneration package	Implemented Public Service Scheme
	Develop Human Resource capacity	TNA Report	Conduct a training needs assessment	Done continuously
		No. of trained staff	Conduct staff trainings	Done continuously
		Workshops and seminar reports	Conduct seminar and workshops	Done continuously
Retention of staff	Reviewed Policy	Review of Human	Not yet done	

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			Resource Policies	
Pillar 5: To Improve Corporate Governance and Image	Adhering to organizational policies and legal provisions	No. of sensitized staff	Sensitization of staff on policies and legal provision	Done continuously
	Establish management and administrative structure	Appointment of various officers	Implement proposed organizational structure	Structure to be aligned
		No of staff sensitized	Sensitization of staff on the organogram	Continuously being done
Pillar 6: To Enhance Risk and Disaster Preparedness	Strengthen risk assessment activities	Availability of risk evaluation report	Risk evaluation	Not yet done
	Enhance risk treatment measures	Availability of reports	Prepare a report on risk to Governing Council and stakeholders	Not yet done
	Training and sensitization	No. of training programmes	Training and sensitization programme	Done
		No of staff trained	Carrying out training of staff	Done
Pillar 7: To develop Partnerships and Linkages	Improve linkages with other institutions of higher learning	No. of exchange programmes in place	Start exchange programmes	Continuously done
		No. of benchmarking programmes	Carry out benchmarking	Continuously done
		No. of seminars conducted	Conduct seminars	Continuously done
		No. of workshops conducted	Conduct workshops	Continuously done
	Strengthen collaboration with research institutions	No. of collaborations established	Establish more collaboration	Continuously done
		No. of research proposals developed	Develop research proposals	Continuously done
	Strengthen partnership with NGO's, commerce and industry	No. of students and staff attached	Conduct student and staff industrial attachment	Continuously done
		No. of shows and exhibitions participated in	Participate in shows and exhibitions	Continuously done
Pillar 8: To promote Environmental Sustainability	Strengthening environmental programmes	Audit reports	Carry out environmental audit and impact assessment	Continuous process
	Establish a waste	No. of staff sensitized	Sensitization on	Continuous

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	management system		waste management policy	process
Pillar 9: To Improve Organizational Capacity for Open, Distance and Flexible Learning	Develop course content for at 3 programs on ODFL	TNA report	Conduct TNA in informal	Continuously done
		No. of staff trained	Sensitization and training of staff	Continuously done
		M&E Report	Conduct M&E on ODFL	Continuously done
Pillar 10: To Strengthen Institutional Policy on Women in Technical Education (WITED)	Sensitize and strengthen staff & public awareness on WITED	No. of workshops conducted	Conduct internal workshops on WITED	Continuously done

VII. CORPORATE GOVERNANCE STATEMENT

The Kisumu National Polytechnic is committed to upholding the highest standards of corporate governance as key to the enhancement of the business performance; the Governing Council seeks to discharge its duties and responsibilities in the best interest of the organization, its stakeholders, customers, development partners and the wider community. Our corporate values and ethics are entrenched in our strategic plan 2020-2024 and we are focused towards transforming and accelerating growth in value for the benefit of both the Government and stakeholders.

Responsibilities of the Council

The council shall: -

Promote the objectives of the institution.

Monitor and evaluate the implementation of strategies, policies, and management criteria and plans of The Kisumu National Polytechnic.

Set strategic directions for institution.

Ensure that The Kisumu National Polytechnic complies with all the relevant laws, regulations, governance practices, accounting and auditing standards.

Constantly review the viability and financial sustainability of The Kisumu National Polytechnic once every year.

Approve budgets and other financial statements.

Monitor and evaluate performance against strategic objectives.

Institute performance and succession plan.

Mobilize resources both nationally and internationally.

Ensure that a proper management structure is in place and to make sure that the structure functions to maintain corporate integrity, reputation and responsibility.

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Composition of the Council

There is a Council of the Polytechnic which consists of nine persons appointed by the Cabinet Secretary as follows –

Chairperson;

The Principal Secretary in the Ministry for the time being responsible for the technical and vocational education and training;

The Principal Secretary in the Ministry for the time being responsible for Finance;

Five members appointed by the Cabinet Secretary on the basis of their knowledge and experience in either- (i) Leadership and Management; (ii) Financial Management; (iii) Industry; (iv) Engineering; (v) Information Communication Technology; or (vi) Law, and

The Chief Principal, who is an ex-officio member of the Council.

All council members are subject to reappointment in accordance with the TVET Act 2013 and the Ministry of Education guideline.

The council has three (3) Committees with specific delegated responsibilities; these are Audit, Risk and Compliance Committee, Finance, Infrastructure and Resource Mobilization Committee and Education, Research & Training Committee.

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Composition of the Council and attendance

S/No	Name	Position	Member and Number of Committees	
			Chairperson	No. of Committees
1.	Eng. Meshack Kidenda	Chairman	Full Council	
2.	Lilian Mainye	Committee Chair	Education, Research Training	1
3.	CPA Nelson Aloys Otieno	Committee Chair	Audit, Risk& Compliance	1
4.	CPA Alex Kazongo	Committee Chair	Finance, Infrastructure &Resource Mobilization	1
5.	Mr.Rajeev Arora	Member	Finance, Infrastructure &Resource Mobilization and Education, Research Training	2
6.	Fanuel Onyango	County Director	Education, Research Training and Finance, Infrastructure &Resource Mobilization	2
7.	Geoffrey Kibanda	Treasury Rep	Audit, Risk& Compliance and Finance, Infrastructure &Resource Mobilization	2
8.	Roseline Odede	Member	Audit, Risk& Compliance	1
9.	Catherine Kelonye	Secretary	Education, Research Training and Finance, Infrastructure &Resource Mobilization	2

2020/2021 COUNCIL MEETING ATTENDANCE

DATE OF MEETING	Eng. Meshack Kidenda	Alex Kazongo	Fanuel Onyango	Joseph Sunguti	Chanzu Lomolo	Geoffrey Kibanda	Lilian Mainye	Nelson Otieno Aloys	Rajeev Arora	Roseline Odede	Catherine K.Kelonye
16/07/2020	✓	✓		✓	✓	✓	✓	✓	✓	✓	
21/07/2020	✓	✓			✓		✓	✓	✓		
10/08/2020	✓										
17/08/2020	✓	✓		✓	✓	✓	✓	✓	✓	✓	
10/09/2020	✓	✓		✓			✓	✓	✓	✓	
25/09/2020	✓	✓		✓		✓	✓	✓	✓	✓	✓
16/11/2020	✓	✓				✓	✓	✓	✓	✓	✓
14/01/2021	✓	✓		✓		✓	✓	✓	✓	✓	✓
27/01/2021	✓	✓		✓		✓	✓	✓	✓	✓	✓
29/04/2021	✓	✓	✓		✓		✓	✓	✓	✓	✓

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16/05/2021	✓	✓	✓		✓		✓	✓		✓	✓
17/05/2021	✓	✓	✓		✓		✓	✓		✓	✓
18/05/2021	✓	✓	✓		✓		✓	✓		✓	✓

FINANCE, INFRASTRUCTURE AND RESOURCE MOBILIZATION(FIRM) COMMITTEE

DATE OF MEETING	LILIAN MAINYE	CATHERINE KELONYE	RAJEEV ARORA	CHANZU LOMOLO	ALEX KAZONGO	FANUEL ONYANGO	GEOFFREY KIBANDA	JOSEPH SUNGUTI
9/7/2020	✓		✓		✓			✓
20/07/2020	✓		✓	✓	✓			✓
11/09/2020	✓		✓	✓	✓			
23/09/2020	✓	✓	✓		✓			
07/01/2021	✓		✓		✓			✓
08/01/2021	✓		✓		✓			✓
08/04/2021		✓			✓	✓		

AUDIT, RISK AND COMPLIANCE COMMITTEE

DATE OF MEETING	ROSELINE ODEDE	NELSON O. ALLOYS	GEOFFREY KIBANDA	BARACK OLUOCH	PAMELA MAJIWA
09/09/2020					
20/11/2020	✓	✓	✓	✓	
06/01/2021	✓	✓	✓	✓	
15/02/2021	✓	✓	✓	✓	
19/04/2021	✓	✓	✓	✓	

EDUCATION, RESEARCH AND TRAINING COMMITTEE

DATE OF MEETING	RAJEEV ARORA	FANUEL ONYANGO	Roseline Odede	Chanzu Lomolo	Catherine Kelonya	Lilian Mainye	Nelson Aloys	Joseph Sunguti	Geoffrey Kibanda	KAZONGO ALEX	Aloys Nelson
30/07/2020	✓		✓			✓		✓	✓	✓	✓
21/10/2020	✓		✓		✓	✓	✓	✓	✓	✓	
05/01/2021	✓		✓		✓	✓	✓	✓	✓	✓	
07/04/2021	✓	✓			✓	✓					

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Induction and Continuous Professional Development

On appointment, the council receives induction training covering the organizations programmes and operations. Key risky areas are also highlighted during the induction. The induction includes specific sessions with the relevant personnel across units especially on finance and infrastructure, procurement procedures, human resource related issues, corporate governance and regulatory bodies under which the organization operates.

In the year 2020/2021 council members were trained by ICPAK, Institute of Internal Auditors and KATTI on governance.

Council Meetings

The full council meets at least once every quarter and at other times, as they may determine to be appropriate, chaired by the chairman. The other committees also meet every quarter to get the progress of the institution which is finally discussed at a full council meeting. The committees are chaired by appointed chair persons.

Notification and Conflict of Interest

The Council members are required to bring to the attention of the chairman any circumstances that might lead to a conflict of interest, whether real or potential. At each council or committee meeting council members declare any conflict of interest and such is appropriately recorded in a register.

Remuneration

The Kisumu National Polytechnic Council is paid sitting allowance, subsistence and transport as per Salaries and Remuneration Commissions rates, which is done through a circular by head of Public Service.

Council Secretary

The Council Secretary who is the Chief Principal of the Institution is responsible for ensuring good information flows within the council and its committees and is shared with the senior management.

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VII. MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

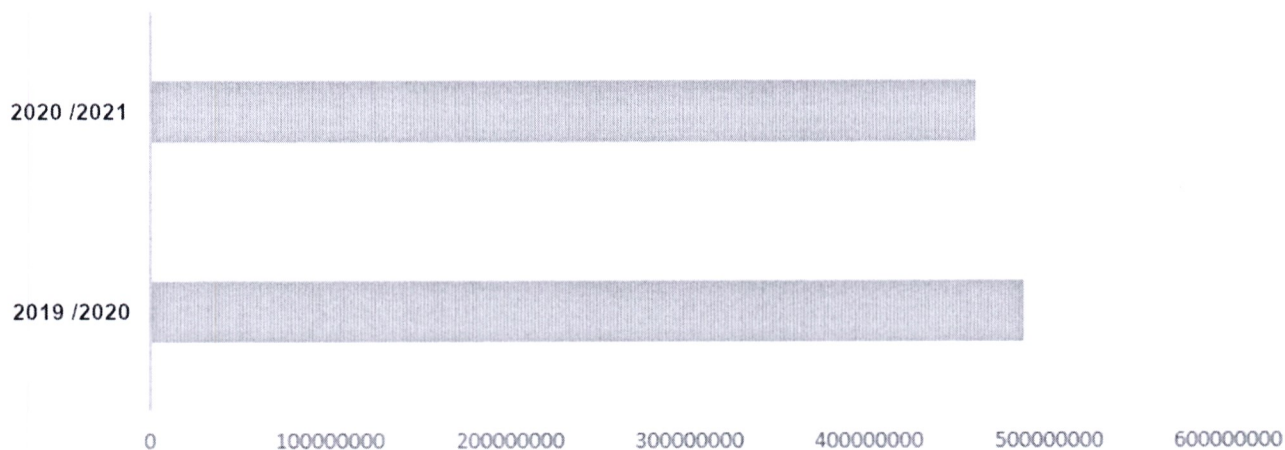
This discussion and analysis provide an overview of the financial position and results of activities of The Kisumu National Polytechnic for the year ended 30th June 2021 and the comparative information for the year ended 30th June 2020. This overview has been prepared by management and should be read in conjunction with the financial statements and the foot notes.

FINANCIAL HIGHLIGHTS

Revenue

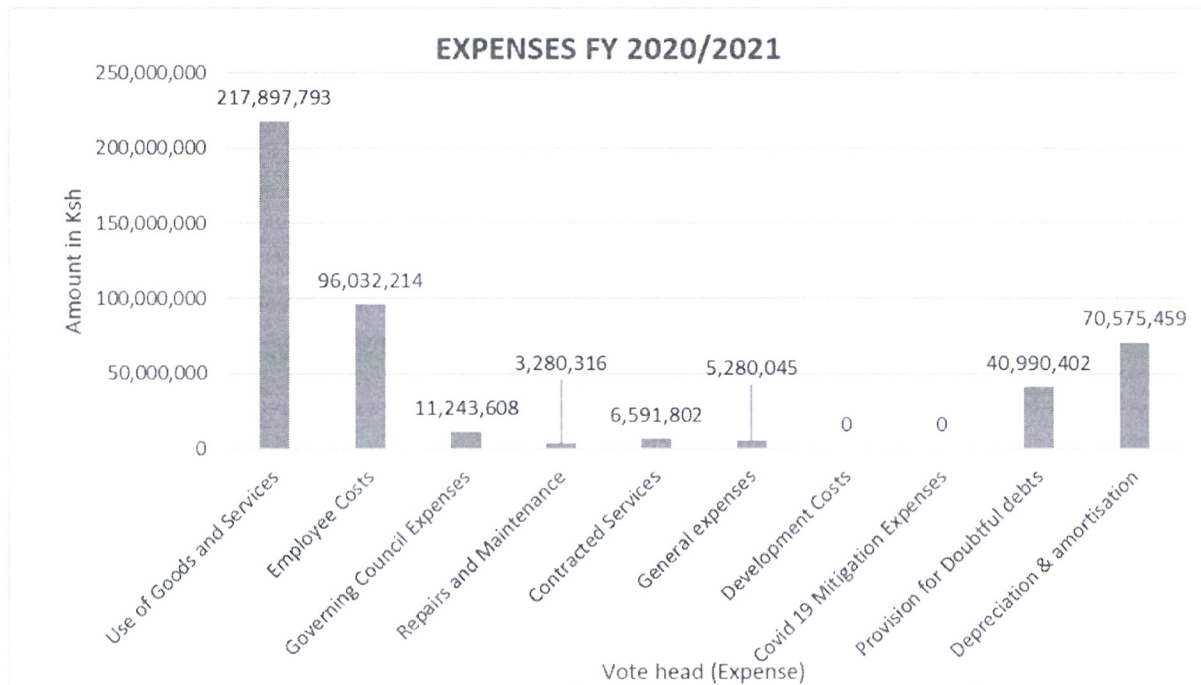
TKNP's revenue has shown steady increase over the years. This has been attributed to a steady increase in student numbers and Government capitation. The enrolment has increased as a result of increased financing to TVET education over the years, the government input has boosted the enrolment and as a consequence the revenue base.

TOTAL REVENUE



The total revenue for FY 2020/2021 recorded a reduction of 12% from FY 2019/2020 due the effects of COVID 19 pandemic on the economy. The reduction was because of the closure of the institution and the deferment of courses by some students.

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There was an overall decrease in expenditure of 24.8% due to closure of the institution as a result of Covid-19. During the financial year 2020/2021 employee costs increased by 11%.

During the FY 2020/2021 TKNP acquired additional assets worth Kes 18,806,413.

Compliance with Statutory Requirements

By the end of the year, the Kisumu National Polytechnic had paid all its statutory requirements (NSSF, NHIF, PAYE and all withholding taxes). The Polytechnic as KRA agent is mandated to withhold taxes on all payments made to contractors and remitting the same to KRA as stipulated by law. The Polytechnic operates under legal frame works necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- The Kisumu National Polytechnic order, 2014
- TVET Act, 2013
- PFM Act, 2012
- Public Procurement and Assets Disposal act, 2015 and regulations of 2020.
- IPSAS standards.
- All other relevant laws in its operation (regular circulars from the Treasury and Ministry of Education)

The Polytechnic has its internal policies it uses to guide its operation. These policies are in line with all the relevant laws stated above and only direct the specific operations on how tasks are handled.

These policies are; TKNP Finance Policy, TKNP Procurement Policy, TKNP Academic Policy and TKNP Human Resource Policy

Major Risks faced by The Kisumu National Polytechnic.

The Polytechnic faces competition for students, staff and financial resources from the other TVET institutions. This has been aggravated by the steady growth in the number of TVET institutions.

The Polytechnic financial assets are trade receivables as well as cash and short-term deposits which arise directly from its operations. The Polytechnic has financial liabilities comprising trade and other

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payables.

The Polytechnic has exposure to the following risks:

- i) Liquidity risks
- ii) Credit risks

The Council has overall responsibility for the establishment and oversight of the Polytechnic's risk management framework. The Polytechnic's risk management policies are established to identify and analyze the risks faced by the Polytechnic, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in economic conditions and the organization's activities. The Principal oversees how management monitors compliance with the Polytechnic's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Polytechnic.

Liquidity Risk

Liquidity risk is the risk that the Polytechnic will not be able to meet its financial obligations as they fall due. The Polytechnic's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Polytechnic's reputation. Typically, the Polytechnic ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. All liquidity policies and procedures are subject to review and approval by the Council. All capital investments are funded by the Government.

The Polytechnic faces a liquidity risk of non-receipt of capitation grants.

Credit Risk

Credit risk is the risk of financial loss to the Polytechnic if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The Polytechnic receives fees from students which minimizes the credit risk exposure.

The Polytechnic has a Finance Policy on fees payment which defines how and when fees are supposed to be paid hence minimal credit risk. On average more than 80% of the Polytechnic's receivables are fully performing.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Kisumu National Polytechnic has established a team to ensure that the environment is well maintained and sustained in accordance to the national environmental standards in Kenya. Environmental sustainability is core to the institution as it's creates an impact on the growth and development of students. It's therefore vital to continually carry out environmental impact assessment.

The Council is keen on activities carried out within the institution and its environs to ensure conducive learning environment and to mitigate health hazards that may arise.

Sustainability strategy and profile

The Kisumu National Polytechnic has recognised the significance of environmental sustainability. It has therefore established policies and programmes needed to tackle the impact at local and national level.

The institution approach to sustainability is integrated with student training, research and innovation and other co-curriculum activities.

Environmental performance

The Kisumu National Polytechnic has reviewed global best practise and guidelines including the International Public Sector Accounting Standards (IPSAS), the institution strives be a responsible business representing the highest standards of ethics and professionalism in order to minimise environment risks impact and adopted sustainable ways in line with laws and regulations pertaining to the same. Our proactiveness is manifested by emphasizing and recognizing human rights locally and globally by actively engaging with our communities through volunteering, community service, pro-bono service and philanthropy.

The institution has adhered to upholding all legal and regulatory requirements, and the willingness to observe, acknowledge, and respect community values and laws in safeguarding our natural environment. TKNP has embraced periodic environmental fumigation, disposal of wastes and outsourced sanitation services to keep the environment safe and clean.

Employee welfare

The Kisumu National Polytechnic recognises good working relationship with staff and seeks to treat all staff fairly without any discrimination. As an institution, it ensures that it create a conducive work place and training environment that is transparent and open. All members of the TKNP are required to conduct their activities in accordance with our codes and policies, including our Acceptable Use Policy and Anti-Harassment Policy, as they are implemented and updated from time to time.

The institution requires human resource to act according to the highest standards of independence, objectivity, confidentiality, honesty and integrity as well as other legal and regulatory requirements, which extend to the protection of human right, the right of persons with disability and the prohibition of forced labour and human trafficking.

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In the quest to aversion risk, health and safety of our employees and community, we ensure that we respect basic human right of all the people and provide the necessary safety standards. During the year we have put measures to safeguard the livelihood of staff including observation of Covid-19 protocols, safety of local and indigenous people, and we respect the basic human rights of all people involved in our business. TKNP is dedicated to protecting human rights. The commitments to equal opportunity employment and will always abide by fair labour practices in our establishment.

Our policies, practices, programs, activities, and decisions regarding employment, hiring, assignment, promotion, compensation, volunteerism, and internships are not based on a person's race, colour, sex, age, creed, national origin, disability status, military status, sexual orientation, source of income, parental status, housing status, or other protected status.

Market place practices-

The Kisumu National Polytechnic embraces diversity and inclusion which is entrenched in our mission statement. The institution core values have continuously improved training and work performance .Good polices touching on fair competition, anti-corruption and non-partism have enabled smooth relationships in the organisation and stakeholders

TKNP has qualified supply chain officers with diversified roles and responsibilities. As a result of the skills and knowledge they participate according to procurement standards and regulations to ensure the processes are effective and efficient and totally adhered to.

During tendering process, there is openness and transparency which creates trust and improve good will and customer-supplier relationship. The supplier and supply chain relation is perfectly respectable by having prompt communication and feedback to avoid misunderstanding between them thus supply of quality goods. Product stewardship is enhanced by safeguarding consumer rights and interests.

Our purchasing policy and procedures take sustainability and ethical sourcing into consideration throughout all stages of the procurement cycle. The institution encourages our teams to support small and medium businesses to minimize carbon footprint and support local economies. We encourage our purchasing teams to consider ethical sourcing and sustainability across all purchases i.e. office supplies, consumer goods, technology, hardware, and other capital equipment purchases. TKNP expects our suppliers to treat workers and employees with respect and fairness.

Corporate Social Responsibility / Community Engagements

In reference to our mission statement, TKNP recognizes an expectation to have a positive impact on our community, and we promote this expectation through philanthropy, pro-bono service work, volunteering, and community service.

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Our institution initiates and supports community investments and educational programs, and our volunteering and philanthropy is driven through an internal team called the Governing Council. The council is tasked with identifying organizations, volunteer events and day of service activities, donations and philanthropic funding candidates to support, and organizing all of these activities is part of an internal community effort inside the institution. In order to provide greater focus for all



During the year 2020/2021, TKNP donated tree seedlings to neighbouring Joyland Special School.

Through these programs (internal and external) we proactively improve our community and promote a culture of responsibility and giving across our institution. TKNP volunteer events throughout the community but also hosts events on behalf of other organizations..

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X. REPORT OF THE COUNCIL

The Council members submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Kisumu National Polytechnic's affairs.

The principal activities of the entity are

- Provide directly, or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education;
- Participate in technological innovation as well as in the discovery, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social cultural, scientific, and technological development;
- Contribute to industrial and technological development of Kenya in collaboration with industry and other organizations through transfer of technology;
- Examine and make proposals for new diploma courses and subjects of study, institutes, departments, resource and research and innovation;
- Promote and establish a culture of innovation in engineering and technology, and technology transfer amongst staff and students;
- Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya;
- Provide a multi-level system of post-secondary school education and training programmes relevant to the needs of the community covering a wide range of fields and levels with provision for recognition of prior learning and flexibility of transition between programmes;
- Provide high quality educational, research, residential, commercial, cultural, social, recreational, sporting and other facilities;
 - Advance knowledge and its practical application by research and other means, the dissemination of outcomes of research by various means, and the commercial exploitation of search results;
 - Promote critical enquiry within the polytechnic and in the general community;
 - Participate in commercial ventures and activities;
 - Foster the general welfare of all staff and students;
- Provide opportunities for development and further training for staff of the National Polytechnic;
- Develop and provide educational, cultural, professional technical and vocational services to the community and in particular the fostering of corporate social responsibility;
- Provide programmes, products and services in ways that reflect the principles of equity and social justice;
- Facilitate student mobility between different programmes at different technical training institutions, and other National Polytechnics;
- Conduct examinations for and grant such academic awards as provided under this Order;
- Collaborate with recognized universities for the conduct and award of degree programmes in technology;
- The National Polytechnic shall have powers to grant higher diplomas, diplomas, certificates, or other academic qualifications which may, for the time being, be authorized by the Academic Policy of the National Polytechnic.
- Subject to this Order, the National Polytechnic may award scholarships, bursaries and prizes and make other awards which may be provided for by the Academic Policy

The results of the entity for the year ended June 30th 2021 are set out from page 1

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COUNCIL

The members of the Council who served during the year are shown on page xxx. During the year 2020/2021 no council member retired/ resigned and none was appointed.

Auditors

The Auditor General is responsible for the statutory audit of the Kisumu National Polytechnic in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Kisumu National Polytechnic for the year ended June 30, 2021

By Order of the Council



The Kisumu National Polytechnic
Chief Principal /Council Secretary
Kisumu

Date... 10/6/2022

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XI. STATEMENT OF THE COUNCIL MEMBERS' RESPONSIBILITIES

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

The council members are responsible for the preparation and presentation of the Kisumu National Polytechnic's financial statements, which give a true and fair view of the state of affairs of the Kisumu National Polytechnic for and as at the end of the financial year (period) ended on June 30, 2021. 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 entity; (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 Kisumu National Polytechnic; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

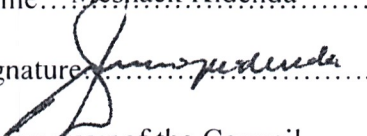
The council members accept responsibility for The Kisumu National Polytechnic's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TVET Act. The council members are of the opinion that the The Kisumu National Polytechnic's financial statements give a true and fair view of the transactions during the financial year ended June 30, 2021, and the financial position as at that date. The council members further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

Financial statements were approved by the Council on 10/6/2022 and signed on its behalf by:

Name... Meshack Kidenda

Name... Catharine Kelonye

Signature 

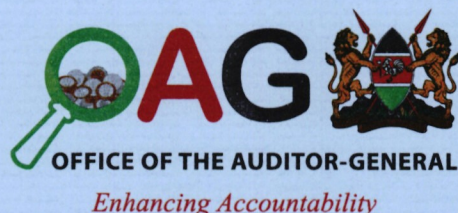
Signature 

Chairperson of the Council

Accounting officer/Chief Principal

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KISUMU NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The Kisumu National Polytechnic as set out on Pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2021, 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

Report of the Auditor-General on the Kisumu National Polytechnic for the year ended 30 June, 2021

policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The Kisumu National Polytechnic as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. Inaccuracies in Comparative Balances

The statement of financial position and as disclosed in Note 27 to the financial statements reflects opening balances of Kshs.2,082,680 in respect of amounts held for third parties. However, the audited financial statements for 2019/2020 reflects a Nil balance for amounts held for third parties resulting to unexplained variance of Kshs.2,082,680. Further, the statement of financial performance for the year ended 30 June, 2021 reflects Nil balance for revaluation reserve while the audited financial statements for 2019/2020 reflects a revaluation loss of Kshs.432,328,382 resulting to unexplained variance of Kshs.432,328,382

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Transfers from Government Entities

The statement financial performance and corresponding Note 11(a) to the financial statements reflects transfers from Government entities of Kshs.227,607,000. However, the entity's bank statement reflected an amount of Kshs.240,702,000 resulting to an unexplained variance of Kshs.13,095,000. Although Management explained that part of the money was in respect of amounts held for third parties, no evidence was provided to support this explanation.

In the circumstances, the accuracy of transfers from Government entities of Kshs.227,607,000 could not be confirmed.

3. Variances between Financial Statements and Ledger Balances

The statement of financial performance reflects expenditure on use of goods and services, repairs and maintenance and general expenses of Kshs.187,454,029, Kshs.2,308,996 and Kshs.5,048,045 as disclosed in Notes 14,18, and 20 respectively. Variances were however noted between the amounts reflected in the financial statements and amounts reflected in the ledgers as analyzed below:

Account	Ledger Balance (Kshs.)	Financial Statements Balance (Kshs.)	Variance (Kshs.)
Expenses			
Use Goods and Services			
Learning Materials and Training	105,878,805	94,225,720	11,653,085
Local Transport and Travelling	3,759,061	3,550,491	208,570
Medical Related Expenses	3,148,752	2,749,524	399,228
Utility Supplies	7,256,305	6,758,924	497,381
ICT Expenses	1,365,698	522,850	842,848
Industrial Attachment	3,979,744	3,114,366	865,378
Practical Related Expenses	6,314,724	5,406,999	907,725
Development Expenses	23,771,443	22,291,223	1,480,220
Boarding Related Expenses	6,664,594	5,092,377	1,572,217
Contingencies (Hospitality Services)	9,408,151	7,399,760	2,008,391
Repairs and Maintenance			
Repairs and Maintenance - Others	1,321,251	1,262,304	58,947
Repairs and Maintenance - Buildings	884,200	-27,120	911,320
General Expenses			
Application Fees	6,100	-225,900	232,000

In the circumstances, the accuracy of the use of goods and services, repairs and maintenance and general expenses could not be confirmed.

4. Un-Reconciled Employee Costs

The statement of financial performance and corresponding Note 15 to the financial statements reflects an expenditure of Kshs.94,753,221 in respect to employee costs which, includes basic salaries and wages and housing benefits of Kshs.70,232,449 and Kshs.8,774,291 respectively. However, the master payroll and supporting payment vouchers provided for audit reflected expenditure on basic salaries and housing benefits of Kshs.62,945,624 and Kshs.8,347,241 respectively resulting to an unreconciled variance of Kshs.7,286,828 and Kshs.427,050 respectively. Further, the ledger for salaries and wages reflected an amount of Kshs.71,610,937 while the financial statements reflects an amount of Kshs.70,232,449 resulting to an unreconciled difference of Kshs.1,378,488. In addition, an amount of Kshs.5,131,988 paid in respect of security services was erroneously charged to the salaries and wages account.

In the circumstances, the accuracy of the employee cost of Kshs.94,753,221 reflected in the statement of financial performance could not be confirmed.

5. Cash and Cash Equivalents

The statement of financial position and corresponding Note 15 to the financial statements reflects cash and cash equivalents balance of Kshs.143,178,816 which, includes Kshs.124,248,677 held at the Kenya Commercial Bank. However, the bank reconciliation statements reflected bank balances totalling Kshs.125,373,358 resulting to an unreconciled variance of Kshs.1,124,681.

Further, the bank reconciliation statements reflected payments in the cashbook not in the bank statement (unpresented cheques) of Kshs.41,113,531 and receipts in Bank statement not in cashbook of Kshs.56,000. Although the Management explained that all the unpresented cheques had been cleared and the receipts in bank not in cashbook updated in cashbook, no evidence was provided in support of this explanation.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.143,178,816 could not be confirmed.

6. Un-Reconciled Inventories

The statement of financial position and corresponding Note 24 to the financial statements reflects inventories balance of Kshs.3,399,396. However, stock take report provided revealed an unreconciled net variance of Kshs.2,141,639 as analyzed below:

Description	Financial Statements (Kshs.)	Stock Take Report (Kshs.)	Variance (Kshs.)
Cleaning Materials	399,833	154,875	244,958
Medical Supplies	335,984	178,815	157,169
Stationery	2,062,545	4,236,196	(2,173,651)
Catering (Dry Food Stuffs)	601,034	971,149	(370,115)
Total	3,399,396	5,541,035	(2,141,639)

Although the Management explained that the matter was under internal investigation, no evidence was provided in support of this explanation.

In the circumstances, the accuracy of the inventories balance of Kshs.3,399,396 could not be confirmed.

7. Un-Supported Capital Work-In-Progress

The statement of financial position and corresponding Note 28 to the financial statements reflects a balance of Kshs.2,429,806,167 in respect of property, plant and equipment which, includes Kshs.191,766,953 in respect to work-in-progress. The details of the work in progress were however not provided.

In the circumstances, the completeness and accuracy of the work-in-progress balance of Kshs.191,766,953 could not be confirmed.

8. Unsupported Trade and Other Payables

The statement of financial position and corresponding Note 25 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.88,297,149 which includes Kshs.8,299,392 and Kshs.1,351,474 in respect of accounts payable and withholding VAT respectively. However, these balances were not supported with contracts, Local Purchase or Service Orders, and invoices.

In the circumstances, the accuracy, completeness and propriety of trade and other payables balance of Kshs.88,297,149 could not be confirmed.

9. Unsupported Refundable Deposits from Students

The statement of financial position and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.120,924,634 in respect of refundable deposits from customers and students which, includes miscellaneous income and examination fees of Kshs.19,243,646 and Kshs.61,790,658 respectively whose supporting documents were not provided.

In the circumstances, the accuracy, completeness and validity of refundable deposits from customers/students balance of Kshs.120,924,634 could not be confirmed.

10. Un-Accounted for Expenditure

The statement of financial performance reflects expenditure totalling Kshs.5,048,045 in respect to general expenses. The expenditure includes Kshs.117,600 which was paid to three (3) members of staff from the parent ministry during a visit to Rarieda Technical Vocational College. Documents provided revealed that no formal imprest request was made, and the approval for payment was based on an email notification from a team member informing the Polytechnic Management about their intention to visit and do works assessment at Rarieda Technical Vocational College which is mentored by the Polytechnic. Although the Management explained that they requested for the evaluation team from the parent ministry, recommended financial management procedures were not followed as the amount was directly expensed instead of being issued and accounted for as imprest.

In the circumstances, the completeness and accountability of the expenditure of Kshs.117,600 could not be confirmed.

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

Key Audit Matters

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

Other Matter

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Cash Payments

The statement of financial performance and as disclosed in Note 18 to the financial statements reflects repairs and maintenance expenditure of Kshs.2,308,996. However, payments totaling Kshs.2,036,775 were paid in cash. Although the Management explained that the repairs were carried out by staff during the Covid-19 period it was not clear why they were paid since employees are entitled to salaries.

In the circumstances, it was not possible to confirm the regularity of the expenditure.

2. Long Outstanding Imprest

The statement of financial position and corresponding Note 23 to the financial statements reflects receivables from exchange transactions of Kshs.168,517,087 which includes outstanding imprest totalling Kshs.2,470,345 not surrendered at the end of the financial year contrary to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

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

3. Delay in Completion of Projects

The statement of financial position as disclosed in Note 27 to the financial statements reflects an amount of Kshs.7,026,667 which, includes Kshs.3,466,667, being amounts held on behalf of Rarieda Technical and Vocational Centre (TVC). The Polytechnic awarded a contract for the proposed construction of twin workshops, classrooms, and office block for Rarieda Technical Vocational College on 28 January, 2019 at a contract price of Kshs.56,890,755. The initial projected completion period was fifty-two (52) weeks which was estimated to end on 16 April, 2021, but was extended by another twenty-four (24) weeks with new completion date being 24 June, 2021. A status report dated

9 April, 2021 provided for audit showed that the contractor had been paid a cumulative amount of Kshs.26,495,419 in respect to four (4) interim certificates.

As at the time of the physical inspection in January, 2022, the project was incomplete and the contractor was not on site. This was about thirty-two (32) weeks after the expiry of revised completion date of 24 June, 2021. The failure to adhere to contract terms may lead to increased project cost.

In the circumstances, value for money on the expenditure of Kshs.26,495,419 could not be confirmed.

4. Irregular Payment of Responsibility Allowance

The statement of financial performance and as disclosed under Note 15 to the financial statements reflects an expenditure of Kshs.94,753,221 in respect to employee costs which, includes an expenditure on responsibility allowances amounting to Kshs.5,619,110 paid to various members of staff. Although the payment of this allowance was approved by the Governing Council, Management did not provide evidence of approval by the Salaries and Remuneration Commission.

In the Circumstances, it was not possible to confirm the regularity of the responsibility allowance amounting to Kshs.5,619,110.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weak Controls Over Fuel Expenditure

The statement of financial performance and as disclosed under Note 14 to the financial statements reflects use of goods and services expenditure of Kshs.187,454,029 which, includes Kshs.3,550,491 in respect of local transport and travelling. Review of the fleet management system, motor vehicle records and supplier statements for the period under review revealed that there were no requisitions for the fuel drawn by the institution vehicles detailing the date, amount and vehicle drawing fuel. In addition, work tickets for five (5) motor vehicles for eleven (11) months were missing.

Further, in some instances fuel drawn was not recorded in the work tickets. In addition, inconsistencies in the mileage recording were noted and variances between the amount of fuel drawn as per the supplier statements and amounts recorded in the works were also noted.

In the circumstances, it was not possible to confirm whether effective controls on management of fuel were in place.

2. Failure to Maintain a Fixed Assets Register

The statement of financial position reflects property, plant, and equipment net book value of Kshs.2,429,806,167. However, Management did not provide an asset register to confirm the completeness of the various classes of assets reflected in the financial statements.

In the circumstances, it was not possible to confirm whether adequate controls were in place to ensure security and accurate disclosure of assets held by the Polytechnic.

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

Responsibilities of Management and the Governing Council

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 controls 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 controls.

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

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

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

The Governing Council is responsible for overseeing the Polytechnic's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Polytechnic's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Polytechnic to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Polytechnic to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

30 September, 2022

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

		2020/2021	2019/2020
	Note	Shs	Shs
Revenue from non-exchange transactions		Shs	Shs
Transfers from Government Entities	11	227,607,000	280,231,243
Total Revenue from non-exchange transactions		227,607,000	280,231,243
Revenue from exchange transactions			
Rendering of Services	12	282,255,318	281,704,650
Other Income	13	6,690,951	27,965,239
Total Revenue from exchange transactions		288,946,269	309,669,889
Total revenue		516,553,269	589,901,132
Expenses			
Use of goods and services	14	187,454,029	381,009,384
Employee costs	15	94,753,221	86,314,097
Council expenses	16	11,243,608	21,324,315
Depreciation/Amortization	17	70,575,459	80,402,525
Repairs and Maintenance	18	2,308,996	4,139,851
Contracted Services	19	6,487,866	4,439,808
General Expenses	20	5,048,045	14,980,043
Furniture Grants		0	7,917,320
Recurrent Grants Transfers		0	3,245,000
Provision for doubtful debts : increase/(decrease)	21	114,602,268	(2,169,532)
Total Expenses		492,473,492	601,602,811
Operational Surplus/(deficit) for the year		27,079,777	(11,701,679)
TOTAL SURPLUS /(deficit)		24,079,777	(11,701,679)

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

XIV. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30 2021

	Note	2020/2021	2019/2020
Assets		Kshs	Kshs
Current assets			
Cash and Cash equivalents	22	143,178,816	69,083,080
Receivables from exchange transactions	23	168,517,087	152,930,866
Inventories	24	3,399,396	2,808,206
Total current assets		315,095,299	224,822,152
Non-current assets			
Intangible Assets	29	19,022,166	17,035,000
Property, Plant and Equipment	28	2,429,806,167	2,476,819,672
Total non - current assets		2,448,828,333	2,493,854,672
Total assets		2,763,923,632	2,718,676,824
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	88,297,149	174,255,331
Refundable deposits from customers	26	120924,634	59,296,774
Amounts Held For Third Parties	27	7,026,667	2,082,680
Total current liabilities		216,248,450	235,634,785
Non-current liabilities			
Capital and Reserves			
Retained earnings		(345,871,916)	(410,505,059)
Revaluation Reserve		131,972,968	131,972,968
Capital/Development Grants/ Fund		2,731,574,130	2,731,574,130
Capital Fund		30,000,000	30,000,000
Total Capital Reserve		2,547,675,182	2,483,042,039
Total Liabilities and Capital & Reserves		2,763,923,632	2,718,676,824

The Financial Statements set out on pages 1 to 31 were signed on behalf of the Governing Council by:


Chairman of Council

Date: 10/6/2022


Finance Manager
ICPAK No 19908

Date: 10/6/2022


Chief Principal

Date: 10/6/2022

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve	Retained earnings	Capital/Development Grants/Fund	Capital Fund Mentored TTI	Total
Balance b/f at July 1, 2020	131,972,968	(410,505,059)	2,731,574,130	30,000,000	2,483,042,039
Prior year Adjustments		40,553,366			40,553,366
Total comprehensive income		24,079,777			24,079,777
Balance c/d as at June 30, 2021	131,972,968	(345,871,916)	2,731,574,130	30,000,000	2,547,675,182
Balance b/f as at July 1, 2019	0	33,525,003	2,527,822,120	0	2,561,347,123
Revaluation gain	131,972,968	0	0	0	131,972,968
Prior Year adjustments	0	0	185,411,810	0	185,411,810
Revaluation loss		(432,328,383)			(432,328,383)
Total comprehensive income		(11,701,679)			(11,701,679)
Capital/Development grants received during the year			18,340,200	30,000,000	48,340,200
Balance c/d as at June 30, 2020	131,972,968	(410,505,059)	2,731,574,130	30,000,000	2,483,042,039

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XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF CASHFLOWS	Note	2020/2021	2019/2020
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	11	227,607,000	280,231,243
Rendering of services- Fees from students	12	282,255,318	281,704,650
Other income	13	6,690,951	27,965,239
Total Receipts		516,553,269	589,901,132
Payments			
Compensation of employees	15	94,753,221	86,314,097
Use of goods and services	14	187,454,029	381,009,384
Council expenses	16	11,243,608	21,324,315
Repairs and Maintenance	18	2,308,996	4,139,851
Contracted Services	19	6,487,866	4,439,808
General Expenses	20	5,048,045	14,980,043
Total Payments		307,295,764	512,207,498
Net cash flows from operating activities		209,257,505	77,693,634
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(25,549,121)	(111,599,533)
Revaluation Adjustments		0	56,837,275
Write off of capitation receivables		(109,612,647)	0
Net cash flows used in investing activities		(135,161,768)	(54,762,258)
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		74,095,736	22,931,376
Cash and cash equivalents at 1 JULY		69,083,080	46,151,704
Cash and cash equivalents at 30 JUNE		143,178,816	69,083,080

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XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance difference	
	2020-2021	Shs	2020/2021	Shs	2020-2021	Shs	2020-2021	Shs	2020/2021	Shs
Revenue										
Capitation	336,120,000		(132,852,080)		203,267,920		227,607,000		24,339,080	
Development Grants (GOK)	0		18,340,200		18,340,200		0		(18,340,200)	
Students Fees	420,814,065		(165,022,273)		255,791,792		282,255,318		26,463,526	
Production Unit(Non Acad)	18,092,088		(5,000,000)		13,092,088		1,463,117		(11,628,971)	
Rent Revenue	1,956,000		0		1,956,000		1,080,000		(876,000)	
Garment Making	15,000,000		(12,000,000)		3,000,000		33,080		(2,966,920)	
Development Rarieda TVC							0			
Other Income	0		7,552,000		7,552,000		4,114,754		(3,437,246)	
Total Income	791,982,153		(288,982,153)		503,000,000		516,553,269		13,553,269	
Expenses										
Use of Goods and Services	560,084,088		(233,259,568)		326,824,520		163,682,586		163,141,934	
Employee Costs	131,872,400		(25,921,120)		105,951,280		94,753,221		11,198,059	
Governing Council Expenses	10,000,000		0		10,000,000		11,243,608		(1,243,608)	
Repairs and Maintenance	7,152,000		(2,256,000)		4,896,000		2,308,996		2,587,004	
Contracted Services	7,552,000		0		7,552,000		6,487,866		1,064,134	
General expenses	16,956,000		(12,000,000)		4,956,000		5,048,045		(92,045)	
Development	35,364,000		7,456,200		42,820,200		23,771,443		19,048,757	
Covid 19 Mitigation	23,001,665		(23,001,665)		0		0		0	
Provision for Doubtful debts			0		0		114,602,268		(114,602,268)	
Depreciation & amortisation			0		0		70,575,459		(70,575,459)	
Total Expenses	791,982,153		(288,982,153)		503,000,000		492,473,492		10,526,508	
Other gains/(losses)										
Surplus for the period	0		0		0		24,079,777		24,079,777	

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- There was a difference in use of goods due to non-operation in the first quarter July -Sept 2020 due to Covid-19 pandemic
- The institution did not admit in Sept 2020 which is normally the major admission time.
- The non-academic production unit collection was low due to suspension of public gatherings, in person meetings and sports. This affected our revenue on hire of conference facilities and fields.
- The college canteens were not operational for almost half of the year due to Covid -19 effects. This affected our income on rent.
- The department relied on students for production of items for sale. The college was closed for approximately five months due to Covid -19 pandemic.
- Availability of cheap masks affected our mask production project.

The changes in the budget were affected by the line ministry state department of vocational and technical training.

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XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kisumu National Polytechnic is established by and derives its authority and accountability from TVET Act of 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's Principal activity is 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. 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 TKNP's accounting policies. The areas involving a higher degree of judgment 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 *TKNP*.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act chapter 446 Revised edition of 2012 (2010), the TVET Act 2013, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

During the financial year ended 30th June 2022, the Kisumu national polytechnic did not adopt any new/or revised standards.

- ii. Early adoption of standards

The Kisumu National Polytechnic did not early – adopt any new or amended standards in year 2022.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

Rental income arising from monthly rental charge on The Kisumu National Polytechnic's staff houses is accounted for on accrual basis and included in revenue.

b) Budget information

The original budget for FY 2021/2022 was approved by the Council on 12th January 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

appropriations of 14 December 2021 on the FY 2021/2022 budget following the Council's approval.

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

c) Taxes

Current Income Tax

The Kisumu National Polytechnic is exempt from paying taxes as per Income Tax Act 2013 amendment of 2016.

d) Property, plant and equipment

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

The Kisumu National Polytechnic uses reducing balance method of depreciation as per KRA tax rates and our finance policy;

Buildings 2.5%

Motor vehicle 25%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Furniture & Fittings 12.5%
Computers 33.3%
Library books 5%
Plant & Equipment 20%
Intangible assets 20%

e) 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

f) Research and development costs

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

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

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

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Inventories (Continued)

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

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

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

h) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Provisions

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

The Kisumu National Polytechnic uses 25% as provision for doubtful debts.

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

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

Contingent liabilities

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

Contingent assets

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

i) Nature and purpose of reserves

The Kisumu National Polytechnic creates and maintains reserves in terms of revenue and capital reserves as reflected in the statement of changes in net assets and equity.

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

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

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

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The Kisumu National Polytechnic maintains Service Gratuity account from where it pays retirement benefits for its employees.

l) 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.

m) Related parties

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

n) Service Concession Arrangements

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

i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, Bank account balances include amounts held at various commercial banks at the end of the financial year.

j) Comparative Figures

Comparative figures for the previous financial year have been provided to conform to the reporting requirements.

k) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Legal Issues

	Parties	Matter in brief	Claim	Legal Fees/ Payments Due	Remarks/ Way Forward
1.	George Olilo Mito C/o Mwamu and Company Advocates Vs. The Kisumu National Polytechnic Dated:12 th July, 2019	Employment and Labour Relations Court at Kisumu ELRC Case No. 171 of 2018. Unfair Termination	Terminal Dues	Kshs. 345,475 Deposit	Case pending in court
2.	Fred Jonah Ochanda Vs. Kisumu Polytechnic Dated:29 th March, 2016	Nairobi Employment and Labour Relations Court Cause No. 567 of 2013 – Corruption related case by EACC	Nil	Nil	Case pending in court
3.	Daniel Mbuya Lusi C/o Kenya Human Right Commission Date:7 th May,2015	Termination	Wrongful dismissal	Nil	Dormant
4.	Monicah Akinyi Otieno Vs. Governing Council/The Kisumu National Polytechnic	Unfair and wrongful termination/Contempt of Court	Wrongful termination	Not yet confirmed	Active
5. A	Cell Arc System Vs.Kisumu National Polytechnic	Arbitration of Training centre		Not yet confirmed	Active
6.	Paul Otieno Vs.State	Theft of Polytechnic property	N/a	Legal fees payment/Accumul ated salary	Ongoing

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of The Kisumu 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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 14

Useful lives and residual values

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

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

Provisions

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

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

The provisions that are applicable to The Kisumu National Polytechnic are provisions for bad and doubtful debts, provision for depreciation, provision for gratuity and other provisions as may be relevant.

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6. FINANCIAL RISK MANAGEMENT

The Kisumu National Polytechnic activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Polytechnic'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 polytechnic 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 Kisumu Polytechnic's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Kisumu 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.

The Management assesses the credit rating 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.

(ii) Liquidity risk management

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

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Kisumu Polytechnic's income or the value of its holding of financial instruments. The objective of market risk management is to manage and

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Kisumu Polytechnic'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 Kisumu Polytechnic's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Kisumu National Polytechnic has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

7. RELATED PARTY BALANCES

Nature of related party relationships

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

- i) The National Government;
- ii) The Ministry of Education;
- iii) Key Management Personnel;
- iv) Governing Council Members;

8. EVENTS AFTER THE REPORTING PERIOD

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

9. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

10. CURRENCY

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

	<u>2020/2021</u>	<u>2019/2020</u>
Recurrent grants	227,607,000	266,986,243
Furniture Grants		10,000,000
Recurrent Grants (Rarieda TVC)		2,245,000
Recurrent Grants (Lodwar TVC)		1,000,000
Total Government grants and subsidies	227,607,000	280,231,243

(b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

	<u>2020/2021</u>	<u>2019/2020</u>
Development Grant (Rarieda RVC)	0	30,000,000
Library	0	18,340,200
	0	48,340,200

12. RENDERING OF SERVICES

Examination fees	0	49,876,399
Activity fees	19,908,791	14,222,410
Library fees	14,203,500	9,716,600
Registration fees	3,039,300	1,982,155
student union	8,600,202	8,080,072
ICT	14,178,310	9,641,870
Attachment	16,345,800	10,850,500
Contingencies	17,181,950	12,001,120
Production Unit	2,130,994	1,874,060
Repairs and maintenance	5,676,160	3,872,000
EW&C	8,523,680	5,804,000
Practical's	169,390	38,200,126
Student ID	5,364,983	3,493,200
LT&T	8,513,550	5,798,434
Medical	10,138,100	6,551,100
Personal Emoluments	88,680,923	59,497,946
Boarding Fees	5,839,070	15,244,088
Development	30,337,800	19,508,570
KUCCPS	7,657,500	0
Tuition fees	15,765,315	5,490,000
Total Rendering of Services	282,255,318	281,704,650

**THE KISUMU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OTHER INCOME

Rent	1,080,000	1,928,221
Tender Application	61,500	21,000
Garment making	33,080	1,272,336
Application	2,412,890	2,168,050
Non-Academic PU	1,463,117	9,158,236
Pay As You Eat System	525,520	11,921,417
Disposal of assets	195,497	129,688
Graduation	14,000	682,000
Driving Lessons	147,750	679,650
S.E.S (Centre fee)	669,357	2,883
Logbook	500	1,758
Supplementary exams	7,980	0
Bursary	15,000	0
KCB PEPEA	64,760	0
		-
Total other income	6,690,951	27,965,239

14. USE OF GOODS AND SERVICES

Practical related expenses	5,406,999	37,820,928
Learning Materials and Training	94,225,720	191,282,591
School Equipment and Supplies	18,457,501	
Production Unit Academic	1,851,829	0
Boarding Related expenses	5,092,377	34,306,064
Utility Supplies	6,758,924	11,411,059
Contingencies (Hospitality Services)	7,399,760	24,342,466
Examination Fees	0	21,996,070
Medical Related expenses	2,749,524	1,048,519
Printing of ID cards	162,820	2,175,670
Registration related expenses	1,786,900	2,381,635
Library Expenses	563,420	1,740,824
Sports activity expenses	2,800,385	16,644,954
Student Union	7,216,440	4,885,118
Development expenses	22,291,223	0
Industrial attachment	3,114,366	9,399,607
ICT Expenses	522,850	8,598,282
Local Transport and Travelling	3,550,491	12,975,597
KUCCPs expense	3,502,500	0
Total goods and services	187,454,029	381,009,384

**THE KISUMU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. EMPLOYEE COSTS

Basic salaries/Salaries & Wages	70,232,449	60,673,573
Travel/commuter allowances	4,982,000	4,688,500
Responsibility Allowance	5,619,110	6,332,231
Medical Allowance	1,291,283	1,186,771
Leave/Extraneous Allowance	326,000	0
Housing benefits and allowances	8,774,291	8,513,671
Service Gratuity	2,425,544	4,406,951
Social contributions	1,102,544	512,400
Total Employee costs	94,753,221	86,314,097

16. COUNCIL ALLOWANCES

Transport and subsistence allowances	11,243,608	21,324,315
Total Council Allowances	11,243,608	21,324,315

17. DEPRECIATION AND AMORTIZATION EXPENSE

Property, plant and equipment	65,819,918	80,402,525
Intangible assets	4,755,542	0
Total depreciation and amortization	70,575,459	80,402,525

18. REPAIRS AND MAINTENANCE

Repairs and Maintenance - Motor Vehicles	1,074,865	0
Repairs and Maintenance - Buildings	(27,120)	0
Repairs and Maintenance - Others	1,262,304	4,139,851
Total Repairs and Maintenance	2,308,996	4,139,851

19. CONTRACTED SERVICES

Security Services	3,130,000	3,113,960
Valuation of assets	0	873,448
Legal fees	3,357,866	452,400
Total Contracted Services	6,487,866	4,439,808

**THE KISUMU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. GENERAL EXPENSES

Application	(225,900)	1,057,600
Garment making	437,565	2,910,410
Other operating expenses	2,057,513	62,000
KNDI	0	280,000
KMLTTB Indexing	0	90,100
Driving lessons	0	1,242,675
Asset disposal costs	0	23,500
Training Expenses	3,000	0
Supplementary (Exam Materials for Resits)	30,000	0
Bank Charges	1,725,331	0
Production Unit - Non Academic	228,036	9,161,058
Pay As You Eat Expenses	792,500	152,700
Total	5,048,045	14,980,043

21. PROVISION FOR DOUBTFUL DEBTS DURING THE YEAR

Specific	108,765,000	0
General Provisions	5,837,268	
	114,602,268	0

TKNP policy on bad and doubtful debts is 25% on debts aged 241 – 361 days, 50% over one year and 80% over 2years. This Financial year, the Council approved a specific provision of KE 108,765,000

22. CASH AND CASH EQUIVALENTS

KCB	124,248,677	27,859,574
Co-operative Bank 0112912042200	11,650,024	35,356,815
National Bank 4715392000	0	477,550
ABSA bank Rarieda TTI	7,124,862	4,542,077
Cash in hand	0	847,064
Equity Bank	155,254	0
Total cash and cash equivalents	143,178,816	69,083,080

23. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Current receivables		
Student debtors (students fees)	184,826,302	56,576,151
Salary Advances	556,408	670,300
Rent receivables	1,223,256	806,621

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Imprests	2,470,345	834,750
	189,076,311	58,887,822
Provision for bad and doubtful debts	(20,559,224)	(14,721,956)
Net Receivables	168,517,087	44,165,866
Capitation		
B/f	108,765,000	108,765,000
Provision on Capitation	(108,765,000)	
	0	108,765,000
Total current receivables	168,517,087	152,930,866

Notes

1. Capitation due of KES 108,765,000 was provided for in our books in the financial year 2019/2020, in our view this amount is not likely to be recovered from the Government.

24. INVENTORIES

Cleaning materials	399,833	214,980
Medical Supplies	335,984	386,872
Stationery	2,062,545	1,552,899
Catering(dry food stuffs)	601,034	653,455
Total Inventories	3,399,396	2,808,206

25. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accounts Payables	8,299,392	97,562,550
Fees Prepayments	70,470,910	62,532,364
Retention Fees	4,710,726	14,160,417
VAT	3,424,647	0
KND Registration	40,000	0
Withholding VAT	1,351,474	0
Total trade and other payables	88,297,147	174,255,331

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Bursary	15,687,308	22,010,006
Miscellaneous	19,243,646	19,266,146
HELB Loan	10,537,622	18,020,622
Examination fees	61,790,658	0
Students Union	13,665,400	0
	120,924,634	59,296,774

27. AMOUNTS HELD FOR THIRD PARTIES

Amounts Held For Third Parties		
Capitation Grants - TVCs	3,560,000	
Recurrent Grants (Rarieda TVC)	3,466,667	2,082,680
	7,026,667	2,082,680

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Civil Works	Motor Vehicles	Furniture and fittings	Computers	Library/Books	Plant and Equipment	Capital Work in Progress	Total
	Shs			Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost										
At 1st July 2020	1,128,500,000	994,002,490	0	31,727,931	29,560,108	33,013,758	23,982,684	158,663,755	191,766,953	2,591,217,678
Additions			0	0	5,451,418	12,389,650		965,345		18,806,413
At 30 th June 2021	1,128,500,000	994,002,490	0	31,727,931	35,011,526	45,403,408	23,982,684	159,629,100	191,766,953	2,610,024,091
Depreciation										
At 1st July 2020	0	24,850,062	0	7,931,983	3,695,014	10,993,581	3,461,865	63,465,502	0	114,398,007
Depreciation for the year		24,228,811	0	5,948,987	3,914,564	11,468,795	1,026,041	19,232,720	0	65,819,918
At 30 th June 2021	0	49,078,873	0	13,880,970	7,609,578	22,462,376	4,487,906	82,698,222	0	180,217,925
NVB June 2021	1,128,500,000	944,923,617	-	17,846,961	27,401,948	22,941,032	19,494,778	76,930,878	191,766,953	2,429,806,167
At 1st July 2019	1,000,000,200	946,590,000	13,114,040	30,940,000	36,558,389	25,669,630	21,271,323	332,958,352	282,679,842	2,689,781,776
Additions	-	19,027,510	0	1,292,931	5,280,994	3,870,960	2,711,361	3,715,220	62,940,557	98,839,533
Prior Year Adjustment									102,951,784	102,951,784
Transfer from WIP		256,805,230							(256,805,230)	0
Transfer /Adjustment		13,114,040	(13,114,040)							0
Revaluation loss/gain	128,499,800	(241,534,290)		(505,000)	(12,279,275)	3,473,168	0	(178,009,817)	0	(300,355,414)

**THE KISUMU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30th June 2020	1,128,500,000	994,002,490	0	31,727,931	29,560,108	33,013,758	23,982,684	158,663,755	191,766,953	2,591,217,679
Depreciation										
At 1st July 2019	-	23,664,750	327,851	7,735,000	4,569,789	8,547,987	3,326,328	98,324,421	-	146,496,126
Depreciation and revaluation										
Depreciation for the year	0	(23,664,750)	(327,851)	(7,735,000)	(4,569,789)	(8,547,987)	(1,063,597)	(66,591,670)	0	(112,500,644)
At 30th June 2020	0	24,850,062	0	7,931,983	3,695,014	10,993,581	1,199,134	31,732,751	0	80,402,525
At 30th June 2020	0	24,850,062	0	7,931,983	3,695,014	10,993,581	3,461,865	63,465,502	0	114,398,007
NVB June 2020	1,128,500,000	969,152,428	-	23,795,948	25,865,094	22,020,177	20,520,819	95,198,253	191,766,953	2,476,819,672
NBV June 2019	1,000,000,200	922,925,250	12,786,189	23,205,000	31,988,600	17,121,643	20,207,726	266,366,682	282,679,842	2,577,281,132
Depreciation rates	0%	2.50%	2.50%	25%	12.50%	33.33%	5%	20%	0%	

**THE KISUMU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. INTANGIBLE ASSETS-SOFTWARE

Balance b/f	17,035,000	17,035,000
Additions	6,742,708	0
	23,777,708	17,035,000
Amortization b/f	0	0
Amortization charge for the year	4,755,542	0
	4,755,542	0
Total	19,022,166	17,035,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX I: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>Council Expenses in excess of the budget</p> <p>Included in the statement of Comparison of budget and actual is budgeted council expense of Kshs.7,000,000 against actual expenditure of Kshs.21,324,315 resulting in unauthorized over-expenditure of Kshs.14,324,315 . No documentary evidence was made available to show grant of authority to spend over and above the approved estimate by Kshs.14,324,315 .There was evidence of application for</p>	<p><i>The governing council incurred extra expenditure due to unavoidable circumstances, and guided by the TVET Act no. 29 of 2013 Part IV subsection 11.(1) that states.. 'The council shall meet as often as necessary for the transaction of business, but not more than four months shall elapse between the date of one meeting and that of the next meeting.'</i></p> <p><i>.The extra meetings were necessitated by strikes , Covid 19 pandemic and absence of council for some time leading to a backlog in work to be done. A copy of the Act is attached.</i></p> <p><i>Local transport and traveling and production unit vote provision was used to finance the extra</i></p>	Resolved	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	re-allocation of funds therefore the Institution acted in breach of the law.	<i>expenditure incurred on council expenses. 6m from LT&T, Production unit activities shelved also The almanac has was drawn and signed by the chairperson and had been put to effective use.</i>		
2.1	Irregular Procurement of Enterprise Resource Planning (ERP) Software	<i>The council approved the budget FY 2019/2020 where ERP was under development fund in the budget The Extra budget of Kshs 5,556,000 was in the financial year 2020/2021 and the software has been paid in full</i>	Resolved	
2.2	Procurement of Computers and Learning Materials	<i>As for the computer items during that time we only had three suppliers in the list of prequalified suppliers. However one never responded see the attached list of prequalified suppliers in the category 2018/2019</i>	Resolved	Prequalified suppliers have been expanded to more than three vendors
2.3.1	Installation of CCTV Surveillance System and Air conditioning in the Library	The air conditioner and CCTVs were installed in the FY 2020/2021 and handed over to the Polytechnic	Resolved	
2.3.2	Unsupported		Resolved and	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Payment of Provisional Sums		handed over	



Name: Catherine Kelonye

Chief Principal/Council Secretary

Date 10/6/2022

**THE KISUMU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
EASTRIP	63340	World Bank	5years	1.08billion	Yes	No
2						

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	ERP	23,896,000	23,777,708	100%	23,896,000	23,896,000	ICT Budget SES
2	LIBRARY EXTENSION	35,501,201.00	35,501,201	100%	28,499,915	35,501,201	GOK
3	RARIEDA TVC	56,890,755.00	26,495,419	47%	GoK Funded	26,495,419	GOK

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		THE KISUMU NATIONAL POLYTECHNIC		
Break down of Transfers from the State Department of Technical, Vocational, Education and Training				
FY 2020/2021				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Capitation (TKNP)	09/11/2020	52,192,500	
	Capitation (TKNP)	16/02/2021	52,192,500	
	Capitation (TKNP)	31/03/2021	54,217,500	
	Capitation (TKNP)	30/06/2021	67,522,500	
	Nyakach TVC	16/07/2020	622,500	
	Nyakach TVC	09/11/2020	2,475,000	
	Lodwar Tvc	21/12/2020	322,500	
	Lodwar Tvc	21/12/2020	500,000	
	Nyakach TVC	01/03/2021	2,475,000	
	Nyakach TVC	22/02/2021	500,000	
	Lodwar Tvc	26/02/2021	292,500	
	Nyakach TVC	29/03/2021	2,347,500	
	Lodwar Tvc	30/06/2021	500,000	
	Nyakach TVC	30/06/2021	2,685,000	
	Lodwar Tvc	30/06/2021	375,000	
		Total	239,220,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Monitoring and Evaluation	30/06/2021	1,482,000	
		Total	1,482,000	
d.	Donor Receipts			
		<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which</u>

**THE KISUMU NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Date</u>		<u>the amounts relate</u>
WORLD BANK (State Department of Vocational Training)	16/06/2021	115,000,000	
	Total	115,000,000	

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

Finance Manager

Sign



Chief Principal/Council Secretary

Sign



