
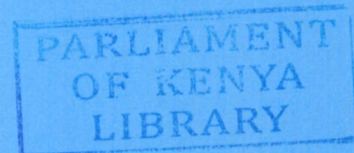


REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 FEB 2022	DAY: THUR
TABLED BY: LOM	THE AUDITOR-GENERAL
CLERK-AT THE TABLE: B. Inzofu	



OF

THE AUDITOR-GENERAL

ON

SIGALAGALA NATIONAL POLYTECHNIC

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



THE SIGALAGALA NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2019

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

**THE SIGALAGALA NATIONAL POLYTECHNIC
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KEY POLYTECHNIC INFORMATION AND MANAGEMENT

(a) Background information

Sigalagala National Polytechnic (SNP) was founded in 1950 and has evolved within a span of over sixty nine years to become a leading Polytechnic in Kenya under the Ministry of Education. It is the third oldest Technical and Vocational Training Institute in this country after the current Kabete National Polytechnic and Machakos Technical Training Institute .

SNP was started in 1950 as Nyanza Technical and Trade School on a 33-acre piece of land. It inherited land and buildings from gold miners who had been operating there since 1930s. It became a National Technical School in 1967 offering ordinary level technical competencies and programs including Kenya Certificate of Education (KCE) till when all such schools were turned into Technical Training Institutes (TTIs) in the late 80s.

The institution was made a National Polytechnic on May 30th, 2016 by the Cabinet Secretary for Education Science and Technology in exercising the powers conferred by section 26(2) of the TVET Act, 2013 through a legal notice No.90 known as Sigalagala National Polytechnic Order of 2016, and currently offers Competency Based Training (CBET) besides those of Kneec and Kasneb. Other than the Main Campus the Polytechnic currently has other campuses; Kakamega Town Campus and Maturu Campus.

(b) Principal Activities.

The mandate of the Polytechnic, as contained in the Sigalagala National Polytechnic Order of 2016 are/is to;

- a) Offer training to students in technical courses and business courses as per the industry needs and examined by Kneec, Kasneb and CBET courses.
- b) Provide an excellent educational experience to attract and retain students who, regardless of their background, will succeed at the Polytechnic and become graduates of influence
- c) Continuously improve our research performance and, through our research, deliver social dividends.
- d) Be a sustainable institution of TVET Training

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- e) Enhance our engagement with the entire Republic of Kenya and to consolidate our reputation as one of the country's most engaged Polytechnic
- f) Contribute to industrial and technological development of society in collaboration and partnership with industry and other organizations;
- g) Develop quality and relevant programmes for diplomas and certificates and Artisan;
- h) Inculcate and promote a culture of innovation, critical inquiry and creativity in art, science, technology, engineering, and education, amongst staff, students, and society;
- i) Develop an institution of excellence in teaching, training, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application to society;
- j) Provide a multi-level system of education and training that is 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 educational levels;
- k) Provide high quality facilities for educational, research, residential, commercial, cultural, social, recreational, sporting, and other activities;
- l) Facilitate student mobility between programmes of study at different Polytechnics;
- m) Participate in commercial ventures and activities that promote the objectives of the Polytechnic;
- n) Foster the general welfare of staff, students, and the community;
- o) Provide opportunities for development and further training for the staff of the institution;
- p) Develop and provide educational, cultural, professional, technical and vocational services to the community, and in particular foster corporate social responsibility;
- q) Facilitate the development, provision, and expansion of services, programmes, and other products in ways that are easily accessible and which reflect the principles of equity and social justice;
- r) Conduct examinations, and grant such academic awards as may be provided for in the Statutes, and to syndicate examinations for awards at other institutions as may be approved by Kneec;
- s) Determine who may teach, what may be taught, and how it may be taught in the Polytechnic;
- t) Promote social-economic development in line with the country's development agenda; and

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Our Vision

A premier technical training, research and innovation institution relied upon by industry.

Our Mission

To provide innovative industry responsive technical skills training for sustainable development.

Our Motto

Skills to Transform livelihoods.

Core Values

Sigalagala National Polytechnic is guided by:

- **Integrity** – Committed to acting in an honest, accountable and transparent manner in all our undertakings.
- **Professionalism** – Committed to the highest levels of achievement obtainable through competence and critical skills.
- **Teamwork** -Embrace collaboration both within the Council and with all partners in the provision of services.
- **Efficiency** – Strive to achieve the highest value of benefit from the deployment of resources, particularly to the TVET graduates and industry.
- **Transparency**- Ensure timely disclosure and access of adequate information to allow for active Public participation in the Council's processes.
- **Good Governance**-Committed to the protection of stakeholders' rights and the enforceability of contracts with service providers.
- **Accountability**- responsible for decisions and actions, including stewardship of public funds and performance through clarity of responsibilities and roles.
- **Equality and gender** _ committed to ensuring non-discrimination and fairness in all undertakings.

Our Strategic Direction

1. Quality training for sustainable development
2. Resource mobilization and management
3. Research, Innovation and Technology
4. Cooperate Governance, Partnerships and linkages for effective service delivery

**THE SIGALAGALA NATIONAL POLYTECHNIC
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(a) Key Management

The day-to-day management of the institution is under the following key organs:

- The Governing council
- Principal/Council Secretary
- Management board
- Heads of department

a) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

Principal – Mrs. Catherine Kelonye
DP Administration – Mr. Patrick Ngore
Chief Finance Officer – Mr. Christopher Oselu
Procurement officer – Mr. Ignatius Muhati
Store officer - Mrs. Fadhila Ramadhan

b) College Location

Country: Kenya
County: Kakamega
Sub County: Shinyallu
Location: Khayega
Street: Kisumu/ Kakamega road

c) Polytechnic Contacts

Telephone: 0726 - 806105
E-mail: sigalagala@yahoo.com
Website: www.sigalagala.ac.ke

**THE SIGALAGALA NATIONAL POLYTECHNIC
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d) Polytechnic Bankers

i.	Barclays Bank- GOK Operation Account	-	8042543
ii.	Barclays Bank – College Fund Account	-	8043551
iii.	Barclays Bank – Savings Account	-	8256911
iv.	Kenya Commercial Bank – Buses Loan Account	-	1149686693
v.	Kenya Commercial Bank – GOK Development Account	-	1234829517
vi.	Co-operative Bank – Town Campus Account	-	01120098473700
vii.	Co-operative Bank – Enterprises(PU) Account	-	01139098473702
viii.	National Bank – Mentored Institutions Account	-	01037017738900
ix.	National Bank – Examination Account	-	01021071653900
x.	Equity Bank - Fees collection account	-	0500277394606
xi.	Mpesa – Fees collection	-	Pay bill No. 908008

e) Independent Auditors

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

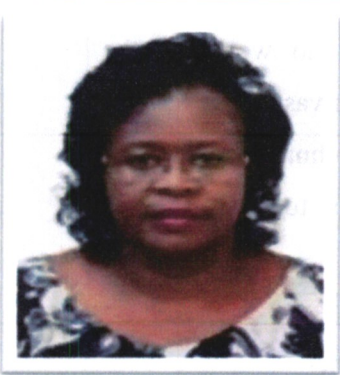

f) Principal Legal Adviser

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

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COUNCIL MEMBERS' INFORMATION



(a) Members of Governing Council

	<p>Catherine Muyeka Mumma - Council Chairperson Joined as a council chairperson in October 2016. Holds LLM, University of London (Queen Mary and Westfield's College) LLB (Hons), University of Nairobi, Diploma in Legal Studies - the Kenya School of Law. Catherine is a Seasoned Human Rights practitioner with over 20 years of experience working with government, independent and constitutional organs and other civil societies, shaping policy and legislative frameworks on human rights, monitoring and advocating for implementation of human rights principles.</p>
	<p>Peris Alera Muniafu - Council member Joined as a council member in October 2016 . Peris is a Banker with over twenty years' experience in Banking. She holds a Bachelor of Science Degree and a Masters in Strategic Management from USIU-A. She has experience in Project Management having participated in several projects within the Bank including Hay Group Job evaluation, Branch Power and KRA/NBK integration. She is a certified Custodian from IFF (UK), a certified Trustee from Humber University (Canada) and COI and sits on the council of NBK Staff Pension Fund as a trustee. She has experience in Insurance having been instrumental in the setup of Banc assurance in the Bank and holds a certificate of Proficiency in Insurance from College of Insurance. She is a Certified Career coach from AOEC career Consultants, a vice chair of NBK Culture Change Program and currently training on organizational leadership.</p>

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	<p>Simiyu Doreen Nanjala - Council member Joined as a council member in October 2016. Doreen holds B.sc in Information Sciences-Library and Information Studies from Moi University. She is a professional librarian who works at the Catholic University of Eastern Africa. She has a vast knowledge in management and also an alumnus of the Polytechnic. She is a role model to student and always encourages them to work hard to achieve success in life.</p>
	<p>Eng. John Mokaya Ombengi - Council member Joined as a council member in October 2016. He holds a B.sc. Eng. (Hons) University of Nairobi. Eng. Ombengi has been involved in drawing and updating master plans in various organizations across the country and has specialized skills acquired over the years while in the employment of Nairobi City Council and consulting engineering firms. Eng. Ombengi is a registered Civil and Structural Engineer with 40 years' post graduate practical experience in all aspects of Civil and Structural Engineering projects from feasibility studies through design, construction supervision and commissioning of works. He is conversant with GOK, World Bank, KFW procurement procedures and FIDIC Conditions of Contract.</p>
	<p>Joseph M. Imbwaga - Council member Joined as a council member in October 2016. He is a retired administrator who has vast experience in public management having served in various areas as district officer and district commissioner. He has attended many management courses and officiated many successful projects in Kenya. His knowledge in public administration is an asset to the council in matters of arbitration and public awareness. He holds BA in public administration from the University of Nairobi.</p>

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	<p>Ronoh Obed Kipruto - Council member</p> <p>Joined as a council member in October 2016. He is a professional banker with wide range of experience in public finance having worked as Branch Manager at Juhudi Kilimo for the last 6 years. He had previously worked for various firms in the field of accounting and finance. Mr. Rono holds Bachelor of Business Management – Accounting Option from Moi University. His knowledge in accounting is essential in council monitoring system for good governance</p>
	<p>Mrs. Catherine Kelonye - Council Secretary</p> <p>She joined the council in July 2019 as acting principal</p> <p>She holds bachelor degree in education and master degree in education from Masinde Muliro University of Science and Technology</p> <p>Madam Catherine has over 30 years’ experience in teaching mathematics having taught in Nyangori boys and Kheveye girls before coming to Sigalagala Polytechnic.</p>

**THE SIGALAGALA NATIONAL POLYTECHNIC
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b) Council Committees

The council does oversight role through the use of committees in various areas with composition Stated below;

NAME OF THE COMMITTEE	MEMBERS
Finance and Operations Committee	<ol style="list-style-type: none"> 1. Mrs. Peris Muniafu - Chair 2. Mr. Joseph Sunguti - Member 3. Eng. John Ombengi - Member 4. Mr. Joseph Imbwaga - Member
Audit Committee	<ol style="list-style-type: none"> 1. Mr. Obed Rono - Chair 2. Mr. Joseph Sunguti - Member 3. M/s. Doreen Simiyu - Member 4. Mr. Joseph Imbwaga - Member
Education, Training & Research Committee	<ol style="list-style-type: none"> 1. Eng. John Ombengi - Chair 2. Mr. Obed Rono - Member 3. Mr. Joseph Sunguti - Member 4. Mr. Joseph Imbwaga - Member

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c) Council meetings Attendance

COUNCIL AND COUNCIL COMMITTEE MEETING ATTENDANCE AS AT 30TH JUNE, 2019

FULL COUNCIL

NO.	NAME	1 ST QUARTER	2 ND QUARTER	2 ND QUARTER	3 RD QUARTER	3 RD QUARTER	4 TH QUARTER
		DATE	DATE	DATE	DATE	DATE	DATE
			23 rd November, 2018	21 st DEC. 2018	1 st February 2019	19 th February 2019	14 th May 2019
1	Mrs Catherine Mumma	-	✓	✓	✓	✓	✓
2	Mr. Joseph Imbwaga	-	✓	✓	✓	✓	✓
3	Mrs Peris Muniafu	-	✓	✓	✓	✓	✓
4	Mr. Obed Kipruto	--	✓	✓	✓	✓	✓
5	Ms. Doreen Simiyu	-	✓	✓	✓	✓	✓
6	Mr. Joseph Sunguti	-	✓	✓	✓	✓	✓
7	Mrs. Catherine Kelonye	-	-	=	=	=	✓
8	Eng John Ombegi	-	-	✓	✓	-	✓

FINANCE AND OPERATIONS COMMITTEE MEETING ATTENDANCE AS AT 30TH JUNE 2019

NO.	NAME	1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER
		DATE	DATE	DATE	DATE
			31 ST October, 2018	31 st January 2019	15 th April 2019
1	Mr. Joseph Imbwaga	-	✓	✓	✓
2	Mrs Peris Muniafu	-	✓	✓	✓
3	Mr. Joseph Sunguti	-	✓	✓	✓
4	Mrs. Catherine Kelonye	-	✓	✓	✓
5	Eng John Ombegi	-	✓	✓	-

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MANAGEMENT BOARD MEMBERS

Section 11 of the Sigalagala Polytechnic Order calls for the establishment of the management board which comprises of the following;

- Principal who shall be the chairperson
- Deputy Principal in-charge of finance and administration who shall be the secretary
- Deputy Principals
- Registrar in charge of administration
- Finance officer
- Such other members of the senior management as the council may determine

During the year under audit, Sigalagala National Polytechnic had the listed below who served as the management board members

Management Board Members

Manager's name, and key profession/academic qualifications	Indicate the main area of responsibility – without details
 <p>Mrs. Catherine Kelonye M. Ed B. Ed</p>	<ul style="list-style-type: none"> • She is the Acting Principal and the accounting officer of the Polytechnic • Head of the institutions. • Oversee day to day running of the polytechnic

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Mr. Patrick Ngore. – Trainer
B. Science

Deputy Principal Administration

In charge of administrative programmes


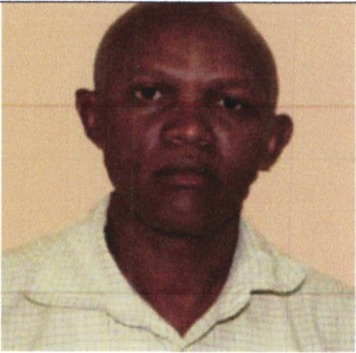



Mrs. Anne Mutsami
B. Ed (Sciences)
M. Sc (Microbiology)

Deputy Principal Academic

Head of all academic programmes in the polytechnic.

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 <p>CPA. Christopher Oselu.- Accountant MBA (Finance) B. Com (Finance) CPAK</p>	<ul style="list-style-type: none"> • He is the Chief Finance Officer • Head of Finance and Accounts • Advisor to the principal on matters of finance operations and required regulations on financial management
 <p>Mr. Wilberforce Manoah Jahonga B. Education</p>	<ul style="list-style-type: none"> • He is the Polytechnic's Acting Registrar • In charge of admission and career guidance • Oversee the management of examinations
 <p>Mr. Lucas Wegesa. - Trainer Dip. Tech Education</p>	<ul style="list-style-type: none"> • He is the dean of students • In charge of students' affairs • Oversee functions at co-curricular and sports activities • Oversee operations at the polytechnic kitchen

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Fred Carter
Dip. HRM

- He is the Human Resource Manager
- In charge of human resource and staff development

**THE SIGALAGALA NATIONAL POLYTECHNIC
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COUNCIL CHAIR'S STATEMENT

The Council of Sigalagala National Polytechnic has presided over the transition from its former status as a technical training institute to the National Polytechnic that has set the vision of becoming “*a premiere technical training, research and innovation institution to be relied upon by industry*”. The council’s current focus is, therefore, to steer SNP towards the achievement of this vision by laying a strong foundation of sound policies and systems for the institution.

The council has reviewed the institutional policy framework to align it to the Constitution of Kenya 2010, the vision 2030 and the TVET Act. In this regard, the strategic plan for the years 2018- 2023 has been developed and adopted to steer on the delivery of the Vision and Mission of SNP. Various policies have also been put in place including the Academic Policy, the Human Resources Policy, the Finance Policy, and Procurement Policy to give clear guidance on how business is conducted within the National Polytechnic. Under process is the development of guidelines for implementing these policies and the development of other pending policies including are the ICT, Monitoring and evaluation, Audit, communication among others. The Council is also committed to strengthening the SNP operational system to ensure greater accountability in operations at all levels. The establishment of the office of the internal auditor has been approved and recruitment of the officer commenced. The council members and senior management have gone through the Mwangozo training and similar trainings will continue to strengthen the systems all round.

In regard to the building Infrastructure, SNP facilities date back to the inception date of the institution over 50 years back and are in poor condition that makes them unsuitable and not fit for purpose for the current institutional needs. In order to correct this, the council has resolved to prioritise the development of an institutional Master Plan that will provide planning for the growth of the institution for the future. This activity will entail the;

- Topographical survey of the institution including the determination of the integrity of all existing buildings and the usability of the existing buildings.
- Developing the master plan including drawings of the buildings required to provide services to a community of up to 20,000 learners.
- Develop the architectural drawings for buildings in the proposed master plan.
- Determining the budget for implementing the master plan.
- Developing a fundraising strategy.

The council was unable to carry out all its full activities for a number of reasons including inadequate funds and the prolonged transitional issues affecting the entire TVET sector. The key activities for functionalising the institution were carried out as reflected in this report. The TVET laws are being refined including the streamlining of the human resource operations. The council is hopeful that the situation will settle and the council shall carry out its full mandate including the employment of the necessary staff component to effectively deliver on its core mandate.

The council has entrusted the day to day running of the institution to the management headed by the Principal whom together with the staff ensures that policies put in place by the council are implemented and periodic reports in all operational areas are presented to the council to oversee delivery on set targets set.

The council is also under performance contract with the ministry of education on various parameters and is keen on monitoring delivery on the PC set targets. We are hopeful for continued

Chairperson Catherine M. Mwanje Date 10/5/2020 Sign [Signature]

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REPORT OF THE PRINCIPAL

The Sigalagala National Polytechnic uses government fiscal year as their financial year. The period under review was between July 2018 to June 2019.

Operational results

The Polytechnic operated with a surplus of Kshs,1,855,866 which incorporates surplus from their town campus of Kshs. 3,200,065 after provision for depreciation on its non-current assets of Kshs.57,318,561

The average student population rose from 2,321 during the previous year to 4,368 in the year 2017/2018.

The increase in population was due to the following factors;

- Government direction on capitation of Kshs, 30,000 per student which enabled many students to access free training in TVET institutions
- Easy access to Helb loans that can now enable many students to pay college fees using these Helb loans and bursaries at a cost of Kshs. 40,000 per year,
- Polytechnic marketing strategies that enabled students to understand the need to access TVET trainings
- Introduction of various courses that are market oriented and enables students to be absorbed in industry easily.(market oriented courses).

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 Polytechnic in their budget for the year was to receive a total of Kshs. 100,000,000 from the government to undertake various projects during the year, but only a total of Kshs. 5,444,625 was received. This made the polytechnic to reduce on the projects by suspending some projects and only concentrated on completion of projects that were on going as listed below.

The Sigalagala National Polytechnic is still mentoring a new Technical and Vocational college at Chanzezywe in vihiga county. The project is almost complete with just some few touches remaining.

The Sigalagala National Polytechnic intends to hand over the project back to the ministry by the end of the first quarter in the year 2019/2020.

The projects undertaken during the year and their levels of completion are as stated below;

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Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Completion of institutional workshop	39,500,000	37,113,964	100%	10,900,000	9,029,547	Gok A-in-A
2	Loan repayments	16,882,498	10,715,297	65.5%	5,000,000	4,007,860	A-in-A
3	Installation of ERP	15,000,000	4,000,000	65%	10,000,000	4,000,000	Gok A-in-A
4	Wall fence around Adm. block	11,857,520	0	0%	10,200,000	0	A-in-A
5	Construction of Chanzeywe Tvc	57,500,000	50,333,181	87.5%	17,173,455	14,767,206	Gok

The Polytechnic still lacks key facilities like tuition facilities and workshop facilities for teaching and learning to accommodate the increasing student population. The proposed cost and plans for these facilities are attached in the annex.

Fees arrears

The major challenge the Polytechnic faced during the year was poor fees collection following changes in mode of fees payment as directed by the government. In this new arrangement, students were to be enrolled on account that they were referred to Polytechnic by KUCCPS and the government was to pay for them Kshs. 30,000 and Helb to fund the balance. This programme did not go well and led to the polytechnic being owed a lot of money from students up to date.

The National Youth Service programme still remains a challenge to the Polytechnic. By the end of the financial year NYS still owed the polytechnic huge sum of money as arrears for their students who are at the polytechnic

The Polytechnic total fees arrears owed by various entities was Ksh.143,391,144 which is shown below;

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Automation

The Polytechnic is undergoing a lot of automation by installing Abno Unisl ERP. This will be used by all departments in the Polytechnic for both financial and academic programmes. It will contain the following modules:

- Finance module
- Procurement and stores module
- Human Resource and payroll module
- Student management (registrar) module
- Student Academic and Examination module
- Accommodation module
- Staff and student portal
- Time tabling module

The implementation of the above software had challenges running from current hardware position as well as training of users on these programmes.

The Polytechnic intends to complete the process in the next two financial years so as to make Sigalagala National Polytechnic fully compliant with the ERP.

Donations

During the year under review, the Sigalagala National Polytechnic received Hospitality Management Equipment from the government through Chinese firm – Avic International Corporation. These equipment will boost training within the department since they are the only ones available in western Kenya.

By the end of the financial year, Avic International was still in the process of assembling these equipment and offering training to our trainers who will be training students on these machines.

The government has also not given the polytechnic the cost of these equipment so that they can be inserted in the values of Property Plant and Equipment.

Collaborations


The Polytechnic through the state department of TVET has collaboration with Durham College in Canada through a project called KEFFEP. This programme is sponsored by Canadian government through the ministry.

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Governance

The Polytechnic through governing council executed their duties well during the year. The meeting attendances are stated above under council profile. There were no conflict of interest reported on them during the year under review

The polytechnic also internally operated under management board which comprise of all top management staff. During the year under review, the Management board also executed their role well and there were no conflict of interest reported.


Catherine Kelonye
Principal

Date.....27/9/2019

**THE SIGALAGALA NATIONAL POLYTECHNIC
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CORPORATE GOVERNANCE STATEMENT

We believe in good corporate governance as an organisation. The Council provides leadership through oversight, review and guidance whilst setting the strategic direction. It is the primary decision-making body for all matters considered as material to the service.

The Council has the appropriate mix of skills, knowledge and experience to perform its role effectively.

Council meetings are held quarterly and they have formal schedule of matters specifically reserved for deliberation. The Polytechnic ensures that it provides the necessary resources and expertise to the governing council to assist the ministry in their decision-making and as such, they are regularly consulted on key policy matters.

General Responsibilities

The Council has a duty to the people of Kenya to ensure that the Sigalagala National Polytechnic achieves its objectives efficiently and effectively and in compliance with PFM Act, 2012, TVET Act 2013 and Polytechnic order 2016.

Statutory powers of the Polytechnic include:

- To ensure that proper management structure is in place and the management maintain the corporate integrity, reputation and responsibility
- To monitor and evaluate the implementation of strategies, policies and management plans of the polytechnic
- To constantly review the viability and financial sustainability of the polytechnic.
- To ensure that polytechnic complies with all the relevant laws

Risk Management and Internal Controls

The council has overall responsibility for the establishment and oversight of the Polytechnic's risk management frame works. The risk Management Policies are established to identify and analyse the risks faced by the polytechnic and to set appropriate risk limits and controls, and to monitor adherence to these limits. Risk Management policies and systems are reviewed regularly to reflect changes in operating conditions, legislation and services offered. Subsequently, the polytechnic

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Identifies and manages risk through in-house risk review enhanced by compliance, internal and external audits.

The Polytechnic as in place a system of internal controls with defined procedures, financial and operational control to ensure that resources are safe guarded; transactions authorised, validated and reported in line with International Public-Sector Accounting Standards.

Conflicts of interest

All council members are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Polytechnic's business. The council has established robust process requiring members to disclose outside business interests before they are entered into.


Compliance

The council confirms that it is satisfied that the Polytechnic has adequate resources to continue operating for the foreseeable future. For this reason, it continues to adopt the going Concern basis when preparing the financial statements.

The Council is satisfied that the Polytechnic as to the best of their knowledge complied with all relevant laws and conducted its business affairs in accordance with the law in particular to the PFM act 2012, TVET act 2013 and Polytechnic order 2016



Mrs. Catherine M. Mumma
Chair Council



Mrs. Catherine K. Kelonye
Acting Principal

**THE SIGALAGALA NATIONAL POLYTECHNIC
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MANAGEMENT DISCUSSION AND ANALYSIS

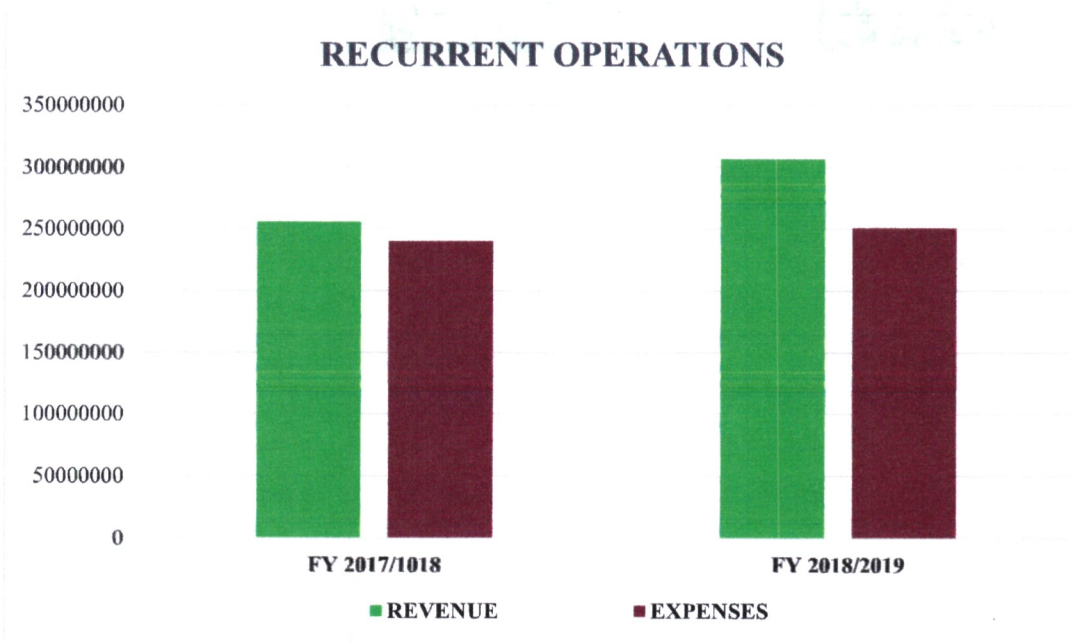
The Polytechnic operational and Financial Performance

Generally, the Polytechnic operated at a net surplus of Ksh. 1,855,866 during the financial year.

This was majorly due to the factors below;

- Reduction on expenditure.
- Reduction on wastage due to operational structure introduced in the college
- Increase in students' population which reduces marginal cost of operation.

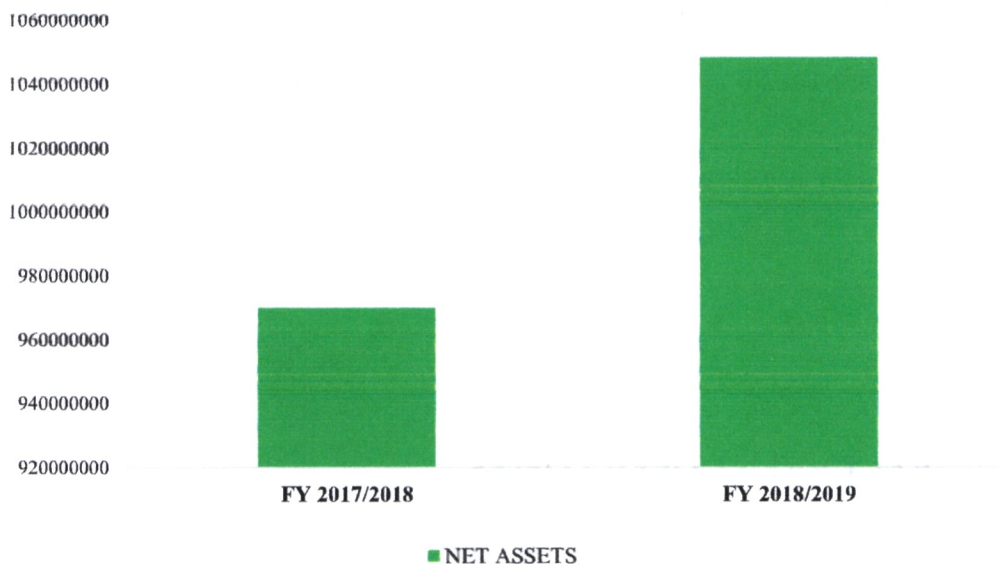
The increase in recurrent revenue and recurrent expenditure for the last two years is as below;



The nets assets base of the polytechnic also grew over the last two years. This is an indication that the polytechnic is growing well and the going concern is guaranteed. The growth is as expressed on the chart below;

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MOVEMENT IN NET ASSETS



Compliance with Statutory Requirements

By the end of the year, the Sigalagala National Polytechnic had paid all its statutory requirements in terms of NSSF, NHIF, PAYE and all withholding taxes from contractors and suppliers it was mandated to pay to KRA. The polytechnic has been withholding taxes on all payment made to contractors and remitting them to KRA when due. The polytechnic is operating under legal frame works necessary under public sector requirement such as;

- The Constitution of Kenya, 2010
- The Sigalagala National Polytechnic order, 2016
- TVET Act, 2013
- PFM Act, 2012
- Procurement and Assets Disposal act, 2015
- IPSAS standards.
- All other relevant laws in its operation (regular circulars from treasury and ministry of education)

The polytechnic has also internal policies it uses in 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; finance policy, procurement policy, academic policy and human resource policy

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Key Projects the Polytechnic is Implementing

The polytechnic is implementing various projects during the year 2018/2019 which are partly funded by the GOK and internally generated funds.

The Polytechnic received a total of Ksh. 5,444,625.00 from the government as development grant and also collected a total Ksh. 11,660,406 as development funds from internally generated funds.

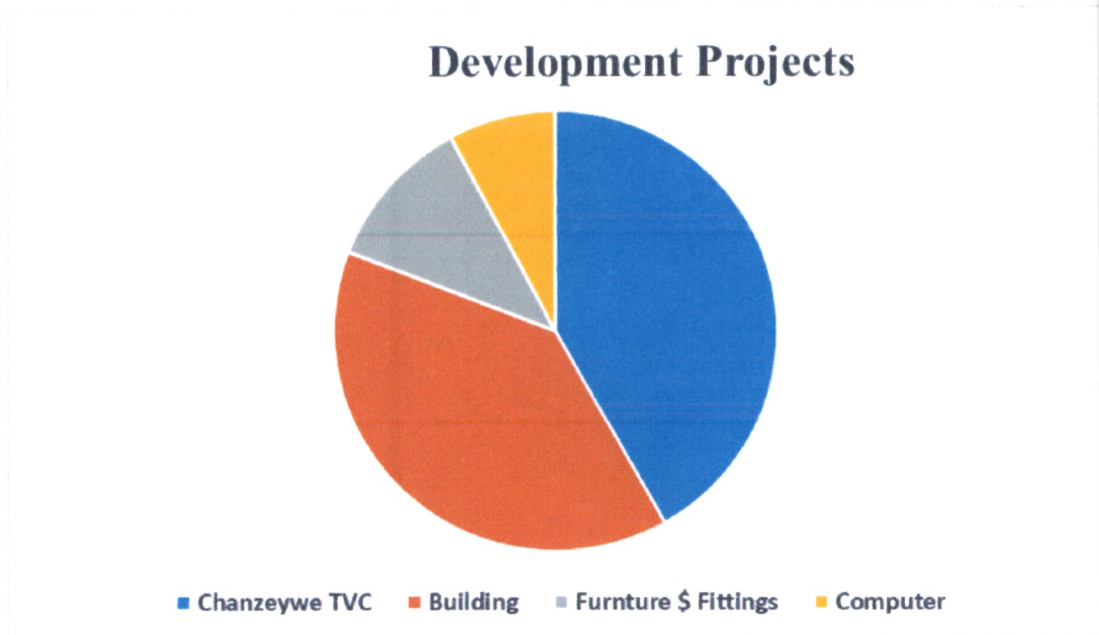
Mentorship Funds received during the financial year amounted to Kshs. 17,173,455

The projects implemented during the year under review are as below;

- Construction of perimeter wall fence around the Polytechnic administration blocks which had a budget line of Kshs. 10,200,000 was at the procurement stage by the end of the year. Advertisement was already done and evaluation was under way by the close of the financial year
- Completion of the Institutional Management Workshop which is used to house Chinese equipment for hospitality training at a cost of Ksh.13,230,856. This building is co-founded by the GOK in conjunction with the Polytechnic internally generated funds.
- Repayment of the bank loan at a cost of Kshs.4,007,860
- The Polytechnic is also overseeing the construction of new technical and vocational centre at Vihiga County called Chanzeywe Technical Vocational College where a total of kshs.17,173,455 was received from the government for the completion of the same project. and a total of Kshs. 14,767,206 was paid to the contractor within the year under review
- During year under review, the Polytechnic incurred an additional purchase of the following Assets;
 - i. Buildings of Kshs. 13,230,856,
 - ii. Furniture and Fittings of Kshs. 3,849,840
 - iii. Computers of Ksh. 2,648,000.
 - iv. Chanzeywe of Kshs. 14,767,206

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The chart below shows the proportionate development funds expenditure during the year



Major risks the Polytechnic is facing;

Operational Risks

The Polytechnic faces competition for resources including; students, staff and financial resources.

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 payables.

The Polytechnic has exposure to the following risks:

- i) Market risks
- ii) Liquidity risks
- iii) 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

**THE SIGALAGALA NATIONAL POLYTECHNIC
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Market Risk Management

Interest Rate Risk

The Polytechnic has an interest on borrowings or investments. The Polytechnic paid an interest of Kshs 1,208,376 on the loan it has with Barclays bank and Kenya commercial bank as per rates prescribed by the Central Bank of Kenya during the year.

Foreign Currency Risk

The Polytechnic undertakes certain transactions denominated in foreign currencies, mainly the US Dollar and Canadian Dollar. This results in exposures to exchange rate fluctuations. The balances impacted in this regard are the balance due to payments in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing matching of assets and liabilities. The polytechnic has so far opened a dollar account with Kenya commercial bank to mitigate this risk

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 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.

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 student's fees payment policy which defines how and when fees are supposed to be paid hence minimizes credit risk.

All the Polytechnic's receivables are fully performing and are expected to be repaid.

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Material Arrears and Financial Obligations

The Polytechnic had substantial fees arrears owed by various entities totalling to Ksh. 143,391,144 which had not been received by the year end;

- National youth service - Kshs. 93,286,980
- Africa development bank - Kshs. 7,804,950
- Lapsset corridor - Kshs. 543,140
- Self-Sponsored students - Kshs. 41,756,074

The Polytechnic Financial Probity and Governance Issues

The Polytechnic is governed by a Council appointed by the Cabinet Secretary for education, who are independent overseers of the running of the Polytechnic. They hold quarterly meetings to discuss management affairs of the Polytechnic. The full council has sub-committees who also meet quarterly to oversee operations in their respective areas. The council oversees the financial operations of the Sigalagala National Polytechnic through its sub - Committee on Finance and Administration. The committee met and discussed the accounts for the financial year 2018/2019. The committee noted that the financial report under review is the second to be presented under the new International Public Sector Accounting Standards Accruals basis. (IPSAS Accruals). As directed by treasury to all public tertiary institutions. The following issues were observed;

Variiances

The council observed that positive variance on revenue was due to increased number of students' population which reflected in more revenue collection. Negative variance on expenditure was due to increase in expenditure due to increased population which had stretched needs. The council however noted that the general performance had a positive variance a sign that the Polytechnic did not commit beyond its revenue limit.

Un-paid Creditors.

By the end of the year the college had unpaid creditors amounting to Ksh. 40,823,211.00 this was due huge arrears the college had which was contributed by delayed funding from Kenya National Youth Service who were to pay fees for their students at the college and other students are not on any sponsorship.

**THE SIGALAGALA NATIONAL POLYTECHNIC
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Use of ERP to prepare Final Accounts

The council had recommended the use of Enterprise Resource Planning (ERP) to do the accounts for efficiency and ease of work for the accounts staff. The Polytechnic is installing an ERP by the name *Unisol* which will assist accounts staff in accounting and will make work faster and more accurate going by the complexity of the work as required by the standard.

The polytechnic has so far implemented the following modules;

- Finance module
- Procurement module
- Student management module
- Hostel module

Once all the modules are installed they will generally change the Polytechnic operational efficiency and faster processing of date for use.

By order of the council

Mrs. Catherine Kelonye

Principal/Secretary to the Council



**THE SIGALAGALA NATIONAL POLYTECHNIC
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CORPORATE SOCIAL RESPONSIBILITY STATEMENT

During the year under review, Sigalagala National Polytechnic had some activities to the locals to uplift their lively hoods. These activities were as below;

- Joint Mock Examinations for all primary schools surrounding the College and the best overall school was awarded by our College.
- The institution is also constructing an Incinerator at Kambiri Health Centre situated at Shinyallu sub- County which will assist the community in disposing off of used injections and other hazardous items at the health facility.
- During the year, the polytechnic trained 100 members of the community on Baking Technology skills sponsored by ADB Bank, this was mainly to improve on their baking skills hence they can be self-employed and assist the Government in achieving the big four Agenda.
- The Polytechnic has also offered free training to locals on cheaper way of constructing modern houses

**THE SIGALAGALA NATIONAL POLYTECHNIC
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REPORT OF THE COUNCIL

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

Principal activities

The principal activities of the Sigalagala National Polytechnic is to offer training and research in technical fields.

Results

The results of the polytechnic for the year ended June 30 2019 are set out on page 1-5

GOVERNING COUNCIL

The members of the Council who served during the year are shown on page viii - x
During the year 2018/2019 no council member retired nor replaced.

Auditors

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

By Order of the Council


Secretary

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

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

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

The governing council are responsible for the preparation and presentation of the polytechnic's financial statements, which give a true and fair view of the state of affairs of the Polytechnic for and as at the end of the financial year ended on June 30, 2019

These responsibilities include:

- (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 polytechnic;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the 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 polytechnic's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act, and the TVET Act) – entities should quote applicable legislation as indicated under).

The council members are of the opinion that the polytechnic's financial statements give a true and fair view of the state of polytechnic's transactions during the financial year ended June 30, 2019 and of the polytechnic's financial position as at that date.

**THE SIGALAGALA NATIONAL POLYTECHNIC
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The council members further confirm the completeness of the accounting records maintained for the polytechnic, which have been relied upon in the preparation of the polytechnic's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Polytechnic's financial statements were approved by the full council on 17/9/2019 and signed on its behalf by:



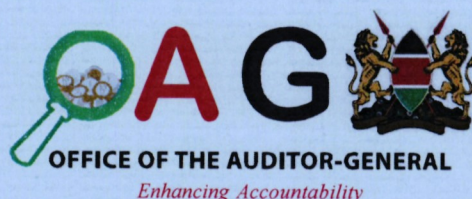
Council chair



Council secretary

REPUBLIC OF KENYA

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



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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Sigalagala National Polytechnic set out on pages 1 to 44, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Sigalagala National Polytechnic as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Technical and Vocational Education and Training (TVET) Act, 2013.

Basis for Qualified Opinion

1.0 Cash and Cash Equivalents

1.1 Un-Supported Balances

The statement of financial position reflects a cash and cash equivalents balance totalling Kshs.91,052,079 as at 30 June, 2019 comprised of bank and cash at hand balances totalling Kshs.90,784,042 and Kshs.268,037 respectively, as further disclosed in Note 20 to the financial statements.

However, bank reconciliation statements for two bank accounts with balances totalling Kshs.29,888,668 as at 30 June, 2019 were not provided for audit review. As a result, the accuracy and completeness of the cash and cash equivalents balance totalling Kshs.91,052,079 as at 30 June, 2019, could not be confirmed.

1.2 Variances Between Financial Statements and Cash Book Balances

Bank balances in respect of two bank accounts totalling Kshs.5,833,243 were at variance with the reconciled cash book balances as shown below:

Bank Account No.	Amount as per Financial Statements (Kshs.)	Amount as per Reconciliation (Kshs.)	Variance (Kshs.)
1234829519	79,758	174,660	(94,902)
01139098473702	5,753,485	5,555,202	198,283

Further, the bank statement for Account No.1149686693 as at 30 June, 2019, reflected a balance of Kshs.734,068 as at 30 June, 2019 but the respective cash book and bank reconciliation statements were not provided for audit review. As a result, the accuracy and completeness of the balance could not be confirmed.

1.3 Outstanding Reconciling Items

Audit review of the bank reconciliation statements for Mentor Institutions bank account for the month of June, 2019 reflected an un-credited deposit of Kshs.4,554,534 which had remained outstanding since July, 2018. The nature of the balance and reasons for its non-clearance was not explained.

Further, the bank reconciliation statement for the College Fund account for the month of June, 2019 reflected a balance of Kshs.32,511,725 whereas the bank confirmation certificate reflected a balance of Kshs.34,319,054 as at 30 June, 2019 resulting to an unexplained variance of Kshs.1,807,329 between the two records.

In view of these anomalies, it was not possible to confirm the accuracy and completeness of the cash and cash equivalents balance totalling Kshs.91,052,079 as at 30 June, 2019.

2.0 Trade and Other Payables from Exchange Transactions

The trade and other payables from non-exchange transactions balance totalling Kshs.81,276,248 reflected in the statement of financial position as at 30 June, 2019 includes trade payables totalling Kshs.40,823,211, as further disclosed in Note 27 to the financial statements. However, the supporting schedule provided for audit reflected balances totalling Kshs.48,818,255 resulting to an unexplained variance of Kshs.7,995,044. Further, the trade payables balance totalling Kshs.40,823,211 included payables totalling Kshs.26,328,274 relating to 2017/2018 and earlier years. No explanation was provided for their non-clearance and consequently, it was not possible to confirm whether the trade payables balance totalling Kshs.81,276,248 as at 30 June, 2019 was fairly stated.

3.0 Borrowings

The statement of financial position reflects long-term loans totalling Kshs.6,167,201 as at 30 June, 2019, as disclosed in Note 30 to the financial statements. Although the Note

indicates that loan repayments made during the year under review totalled Kshs.4,007,860, the schedule provided for audit reflected repayments totalling Kshs.3,647,546 resulting to an unexplained variance of Kshs.360,314.

Consequently, the accuracy of the long-term borrowings balance totalling Kshs.6,167,201 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Sigalagala 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. I have determined that there are no key audit matters to report in the year under review.

Other Matter

Budget Control and Performance

Budget records indicated that the Polytechnic had a revenue budget of Kshs.373,290,000 in the year under review, but realised Kshs.306,686,327 resulting in under-collection of Kshs.66,603,673 or 18% of the budget. The records further indicated that expenditure for the year totalled Kshs.250,711,965 against the budget of Kshs.373,290,000 resulting to an under-expenditure of Kshs.22,578,035 or approximately 33% of the budget.

Failure to collect revenue as planned resulted in under-expenditure which in turn constrained implementation of programmes and activities planned for the year.

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, I confirm that, nothing 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

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 procedures performed, except for the matters described in the 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 believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Lack of Risk Management Policy

During the year under review, the Polytechnic operated without a documented risk management policy. As a result, Management lacked objective means to identify, measure and mitigate operational and other risks that could disrupt the operations of the Polytechnic.

In addition, Management had not set up an Information Technology Steering Committee, strategic and data recovery plans and business continuity plans contrary to Regulation 165(1) (a)-(b) of the Public Finance Management (National Government) Regulations, 2015.

As a result, the risk of loss of electronic data and disruption of operations on occurrence of unfavourable events was high.

2.0 Weak Internal Audit Department

Review of the internal audit function indicated that it had one internal auditor. However, no Charter there was no Charter defining the scope, responsibilities and purpose of the internal audit unit and no annual work plan to guide its operations. Therefore, the function was not properly established as required by Regulation 160 and 161 of the Public Finance Management (National Government) Regulations, 2015.

Consequently, the Unit lacked sufficient authority to execute its mandate .

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

Responsibilities of Management and 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

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 dissolve the Polytechnic, or cease its 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 financial reporting process, reviewing the effectiveness of how the Polytechnic 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to continue as a going concern. 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 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 control that are identified during the audit.

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

31 December, 2021

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

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Revenue from Non-Exchange Transactions			
GOK Operation Grant	6	49,815,000	50,250,000.00
		49,815,000	50,250,000
Revenue from Exchange Transactions			
Rendering of services- Fees from students	7	196,872,270	154,402,885
Sale of goods	8	55,875,210	46,264,309
Rental revenue from facilities and equipment	9	3,956,372	4,271,190
Finance Income	10	99,475	-
Other income	11	68,000	84,000
Revenue from Exchange Transactions		256,871,327	205,022,384
Total Revenue		306,686,327	255,272,384.00
Expenses			
Use of goods & Services	12	111,510,395	94,604,248
Employee costs	13	49,619,597	36,709,391
Depreciation & Amortization	14	57,318,561	-
Repairs and maintenance	15	19,495,003	18,631,715
General expenses	16	68,786,694	88,844,062
Finance costs	17	1,300,276	784,542
Total expenses		308,030,526	239,573,958
Gross Surplus		-1,344,199	15,698,426
Gain from Town campus	18	3,200,065	59,502
Net Surplus for the year		1,855,866	15,757,928

The notes set out on pages 6 to 35 form integral part of the Annual Financial Statements.

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019


	Notes	2018/2019 Kshs.	2017/2018 Kshs.
Assets			
Current assets			
Cash and Cash Equivalents	20	91,052,079	34,439,731
Receivables from Exchange Transactions	21	145,582,897	104,624,033
Inventories	22	1,736,030	2,096,345
Total Current Assets		238,371,006	141,160,109
Non-current assets			
Property, Plant and Equipment	24	805,717,820	828,540,478
Intangible Assets	25	4,000,000	-
Biological Assets	26	112,000	224,000
Total Non- Current Assets		809,829,820	828,764,478
Total Assets		1,048,200,826	969,924,587
Liabilities			
Current Liabilities			
Trade Payables from Exchange Transactions	27	81,276,248	55,663,885
Refundable deposits from customers	28	35,766,629	15,229,245
Total Current Liabilities		117,042,877	70,893,130
Non-Current Liabilities			
Non-current provisions	29	1,285,523	1,285,523
Capital and Reserves			
Borrowings	30	6,167,201	10,175,061
Accumulated Funds		923,705,225	887,570,873
Total Capital and Reserves		929,872,426	897,745,934
Total Net Assets and Liabilities		1,048,200,826	969,924,587

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Sigalagala National Council by:



Council Chairperson

Date 27/9/2019



Chief Finance Officer
ICPAK No 15907

Date 27/9/2019



Principal

Date 27/9/2019

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

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

	Capital Reserve	Retained Earnings	Capital/ Development Grants/Fund	Mentored Institution	Total
At July 1, 2017	16,994,459	16,514,912	58,630,778	0	92,140,149
Revaluation gain	692,699,414	-	-	-	692,699,414
Fair value adjustment on quoted investments	-	-	-	-	0
Total comprehensive income	-	15,757,928	-	-	15,757,928
Development grants received during the year	1,924,590	-	44,722,247	40,326,545	86,973,382
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-
At June 30, 2018	711,618,463	32,272,840	103,353,025	40,326,545	887,570,873
At July 1, 2018	711,618,463	32,272,840	103,353,025	40,326,545	887,570,873
Revaluation gain	-	-	-	-	-
Total comprehensive income	-	1,855,866	-	-	1,855,866
Capital/Development grants received during the year	-	-	17,105,031	17,173,455	34,278,486
At June 30, 2019	711,618,463	34,128,706	120,458,056	57,500,000	923,705,225

THE SIGALAGALA NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2019

		2018/2019	2017/2018
	Note	Kshs.	Kshs.
Cash Flows from Operating Activities			
Receipts			
Government. grants	6	49,815,000	50,250,000
Rendering of services - Fees from students	7	196,872,270	154,402,885
Sale of goods	8	55,875,210	46,264,309
Rental Revenue from hire of facilities	9	3,956,372	4,271,190
Finance income	10	99,475	0
Other income	11	68,000	84,000
Surplus from town campus	18	3,200,065	59,502
Total Receipts		309,886,392	255,331,886
Payments			
Use of goods and services	12	-111,510,395	-94,604,248
Employees costs	13	-49,619,597	-36,709,391
Repairs and Maintenance	15	-19,495,003	-18,631,715
General Expenses	16	-68,786,694	-88,844,062
Finance costs	17	-1,300,276	-784,542
Total payments		-250,711,965	-239,573,958
Net cash flows from Operating Activities		59,174,427	15,757,927
Cash flows from Investing Activities			
Acquisition of PPE	24	-19,728,696	-35,688,991
Acquisition of intangible assets	25	-4,000,000	-
Expenditure on Chanzeywe Tvc	24	-14,767,206	-35,565,875
Net cash flows used in Investing Activities		-38,495,902	-71,254,866
Cash flows from Financing Activities			
Development Fees		17,105,031	44,722,247
Repayment of borrowings	30	-4,007,860	-3,471,262
Grants for Chanzeywe Tvc		17,173,455	40,326,545
General Provisions		-	-1,285,523
Disposal of Cattle	26	112,000	-
Net cash flows used in Financing Activities		30,382,626	80,271,633
Changes in movement in Current Asset/Liabilities			
Trade Payables from Exchange Transactions	27	25,612,363	3,946,556
Receivables from Exchange Transactions	21	-40,958,865	-33,636,299
Refundable Deposits from Customers	28	20,537,384	2,075,565
Reserves		-	1,924,590
Increase in Inventories	23	360,315	-1,000,918
Net changes in working capital		5,551,198	-26,690,506
Net increase in cash and cash equivalents		56,612,348	-1,915,813
Cash and cash equivalents at 1 July 2018		34,439,731	36,355,544
Cash and cash equivalents at 30 June 2019		91,052,079	34,439,731

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

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

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	%
OPERATIONS ACTIVITIES						
Revenue	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants - Operations	50,250,000	0	50,250,000	49,815,000	-435,000	1%
Rendering of services- Fees from students	153,202,468	127,837,532	281,040,000	196,872,270	-84,167,730	33%
Sale of goods	50,000,000	-11,000,000	39,000,000	55,875,210	16,875,210	43%
Rental revenues from hire of equipment	10,000,000	-7,000,000	3,000,000	3,956,372	956,372	28%
Finance income	100,000	0	0	99,475	99,475	100%
Other income	100,000	0	0	68,000	68,000	100%
Total income	263,652,468		373,290,000	306,686,327		
Expenses						
Compensation of employees	57,152,468	22,047,532	79,200,000	49,619,597	29,580,403	37%
Use of Goods and services	120,000,000	60,312,814	180,312,814	111,510,395	68,802,419	44%
Finance costs	1,500,000	0	1,000,000	1,300,276	-300,276	13%
Repairs and maintenance	20,000,000	12,400,000	32,400,000	19,495,003	12,904,997	40%
General expenses	65,000,000	15,377,186	80,377,186	68,786,694	11,590,492	14%
Provision for acquisition of assets	-	-	-	-	-	0
Total operation expenses	263,652,468		373,290,000	250,711,965		
PROJECTS						
Government grants - development	100,000,000	-94,000,000	6,000,000	5,444,625	-555,375	9%
Development funds A-in-A	9,000,000	12,600,000	21,600,000	11,660,406	-9,939,594	5%
EXPENDITURE	109,000,000		27,600,000	17,105,031		
Development projects	109,000,000	-81,400,000	27,600,000	23,728,696	3,871,304	14%

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

STUDENT COUNCIL

Revenues	4,500,000	6,300,000	10,800,000	6,517,264	4,282,736	40%
Expenditure	4,500,000	6,300,000	10,800,000	6,078,262	4,721,738	40%

MENTORSHIP PROJECTS (Projects done for others Institution)

Mentorship funds	17,173,455	-	17,173,455	17,173,455	0	0
Mentorship projects Expenditure	17,173,455	17,173,455	17,173,455	17,767,206	0	0

Explanations on the variances.

Generally the polytechnic operated within the budget lines in both revenues and expenses except for few cases mentioned below;

- Hire of equipment and other income – the Polytechnic did not achieve its budget collection due to reduction in some programmes they run i.e. CBC trainings were cancelled and KISE trainees reduced in numbers
- Development funds – this collection went below the budgeted figures because the ministry changed structure and ion the new structure development fees was reduced from Kshs. 4,500 to 3,000 per year per student. This reduction affected expenditure on development as the polytechnic had to slow on development commitment to avoid huge bills at the end of the year.
- Missing on the revenue collection budget was due to change of government policy on fees payments where the government was to pay for each student fees in form of capitation. By the end of the year, the government had not paid capitation totalling to Kshs. 49,815,000
- On missing target on expenditure, when the government capitation delayed, the polytechnic had also to reduce its operations so as not to have a lot of unpaid creditors which would take the polytechnic to court.

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Sigalagala National Polytechnic is established by and derives its authority and accountability from Sigalagala National Polytechnic Order of 2016 and TVET act of 2013. The Polytechnic is wholly owned by the Government of Kenya and is domiciled in Kenya. The Polytechnic principal activity is to offer technical training and research on industry need and solution to problems facing industries in Kenya and east Africa.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 This is not applicable because the Sigalagala National Polytechnic does not operate under public combination

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The Sigalagala National Polytechnic does not involve in financial instruments hence this IPSAS 41 does not apply.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The Sigalagala National Polytechnic is yet to get into social benefit like pensions and others. During the year under review. The IPSAS 42 does not apply to the Polytechnic

iii. Early adoption of standards

The Polytechnic adopted IPSAs accruals in the year 2016/2017 hence are still within adoption period under IPSAS 33.

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

ii) Revenue from exchange transactions

Rendering of services

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 polytechnic.

Interest income

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

Rental income

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

b) Budget information

The original budgets for year 2018/2019 was approved by the Council on 22/6/2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The additional appropriations are added to the original budget by the polytechnic upon receiving the respective approvals in order to conclude the final budget.

The polytechnic's budget is prepared on same 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.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued Taxes)

Current income tax

The Polytechnic is exempted from paying taxes as per income Act. But it assist KRA in revenue collections by withholding taxes such as PAYE, VAT, Withholding taxes on contractors , professional and consultancies as per regulations in place

Sales tax/ Value Added Tax

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

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

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

c) Investment property

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

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

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

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

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 polytechnic recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Polytechnic used the depreciation rates as per their finance policy on non-current assets as below;

Description	Rate
Buildings	2%
Machinery & Equipment	12.5%
Furniture & Fittings	12.5%
Moto vehicle	25%
Computers	33.3%
Loose tools	50%
Total	

e) Leases

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

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

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

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

f) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Research and development costs

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

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

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

h) Financial instruments

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 Polytechnic determines the classification of its financial assets at initial recognition.

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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 Polytechnic.

j) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Polytechnic creates and maintains reserves in terms of specific requirement.

The reserves maintained in the Polytechnic include;

- ***Capital reserves*** – represent the values of asserts that were in the polytechnic up to the year 2016
- ***Revenue reserves*** - balances of surpluses accumulated over the years
- ***Capital grant reserves*** - represent development grant from then exchequers from the year 2016 to date.

- ***Development reserve*** - represent development funds from internally generated funds accumulated from the year 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Changes in accounting policies and estimates

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

m) Employee benefits Retirement benefit plans

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

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

q) Service concession arrangements

The Polytechnic analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Polytechnic recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets,

it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Polytechnic also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the 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 Polytechnic based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Polytechnic. Such changes are reflected in the assumptions when they occur. IPSAS 1

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 Polytechnic
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2018/2019	2017/2018
	Kshs	Kshs
Unconditional grants		
1 st Capitation Grant	12,250,500	12,562,500
2 nd Capitation Grant	37,564,500	12,562,500
3 rd Capitation Grant	-	12,562,500
4 th Capitation Grant	-	12,562,500
	<u>49,815,000</u>	<u>50,250,000</u>
Conditional grants		
Library grant	-	-
Hostels grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Learning facilities grant	-	-
Other organizational grants	-	-
Total Government Grants And Subsidies	<u>49,815,000</u>	<u>50,250,000</u>

TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Polytechnic sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2017-2018
	KShs	KShs	KShs	KShs	KShs
Sigalagala National Polytechnic	49,815,000	-	5,444,625	55,259,625	62,000,000

THE SIGALAGALA NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. RENDERING OF SERVICES

Description	2018/2019	2017/2018
	Kshs	Kshs
Activity fees	14,372,686	10,012,424
Tuition fees	62,593,875	40,136,564
Administrative fees	12,633,291	10,260,950
Ict levy	4,021,913	7,694,205
RMI	17,338,099	11,458,141
EWC	11,177,539	5,195,463
L.T&T	15,465,907	5,742,965
Library	5,995,681	1,093,981
Medical	443,148	2,258,693
Personal Emoluments	32,651,656	19,678,579
Council trainers	13,272,964	10,412,447
PTA	973,591	18,698,500
Practicals	5,931,920	11,759,973
Total	196,872,270	154,402,885

8. SALE OF GOODS

	2018/2019	2017/2018
	Kshs	Kshs
Driving school	513,040	403,420
PU - Training	1,484,960	10,651,479
PU – food & beverage	3,134,869	1,187,662
PU - others	5,470,729	1,700
Farm revenues	131,945	234,175
Guest house revenues	91,600	474,550
Research funds	122,550	0
Graduation fees	-	664,140
Pay as you eat services	26,150,130	15,035,470
Hostel services	18,775,387	17,611,713
Total	55,875,210	46,264,309

THE SIGALAGALA NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

	2018/2019	2017/2018
	Kshs	Kshs
Kise Programme	2,546,420	3,929,560
Staff Houses Rent Income	1,054,432	341,630
Bus hire	355,520	0
Total	3,956,372	4,271,190

10. FINANCE INCOME

Description	2018/2019	2017/2018
	Kshs	Kshs
savings deposits interest	99,475	-
Interest from outstanding debtors	-	-
Total Finance Income	99,475	-

11. OTHER INCOME

Description	2018/2019	2017/2018
	Kshs	Kshs
Income from sale of tender	68,000	84,000
Skills development tlevy	-	-
Income from disposal of assets	-	-
Total	68,000	84,000

12. USE OF GOODS AND SERVICES

Description	2018/2019	2017/2018
	Kshs	Kshs
Tuition Expenses	32,810,271	34,834,530
Activity Expenses	12,210,723	8,738,600
Administration Expenses	38,014,217	35,784,778
Ict Expenses	2,633,550	4,135,674
LT&T	12,353,812	3,912,689
Library	448,990	1,050,015
Electricity& Water	11,751,348	5,005,161
Medical	1,287,484	1,142,801
Total	111,510,395	94,604,248

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

13. EMPLOYEE COSTS

Description	2018/2019	2017/2018
	Kshs	Kshs
Salaries to Non-academic staff	33,085,950	22,887,683
Salaries to academic staff	12,963,454	13,821,708
Casual wages	318,600	-
Pension and Service gratuity	172,461	-
KRA PAYE	3,079,132	-
Total	49,619,597	36,709,391

14. DEPRECIATION AND AMORTIZATION EXPENSE

Description	Rate	2018/2019	2017/2018
		Kshs	Kshs
Buildings	2%	10,257,817	-
Machinery & Equipment	12.5%	15,421,356	-
Furniture & Fittings	12.5%	6,938,743	-
Moto vehicle	25%	5,521,500	-
Computers	33.3%	6,485,318	-
Loose tools	50%	12,693,827	-
Total		57,318,561	-

15. REPAIRS AND MAINTENANCE

Description	2018/2019	2017/2018
	Kshs	Kshs
Buildings	8,290,497	-
Furniture and fittings	251,940	-
Computers and accessories	556,668	-
Others	10,395,898	-
Total	19,495,003	18,631,715

THE SIGALAGALA NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. GENERAL EXPENSES

Description	2018/2019	2017/2018
	KShs	KShs
Advertising	1,310,740	-
Driving school expenses	-	904,078
PU Training	115,625	10,158,689
Hostel	13,146,639	14,447,479
KISE	642,586	3,939,800
Tender	41,000	1,415,560
PAYE	22,191,538	15,654,966
PU others	2,506,087	385,520
Farm Expenditure	555,080	378,390
Practicals	13,323,668	9,879,324
Baking Technology	-	1,231,564
Performance Contract	2,297,849	6,553,380
Food & Beverage PU Expenses	1,644,670	565,040
Guest House Expenses	43,865	712,087
PTA	300,000	17,475,113
Curriculum Development	1,559,344	1,299,391
Graduation	-	3,843,681
Research and innovations	9,108,003	-
Total	68,786,694	88,844,062

17. FINANCE COSTS

Description	2018/2019	2017/2018
Bank charge on Mentored Institutions	19,900	6,683
Interest on loan	1,280,376	777,859
Total	1,300,276	784,542

18. Town campus operations

<u>Income Statement</u>	<u>2018/2019</u>	<u>2017/2018</u>
Income		
Activity	1,202,946	976,750
Administrative cost	788,030	517,940
Attachment	25,660	523,850
Development	513,320	791,440
Exams	2,747,403	2,364,290
Library	434,954	78,950

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Practicals	333,080	588,940
RMI	1,303,430	1,190,975
Student council	498,709	374,650
Tuition	7,939,026	13,502,790
Arrears	265,380	62,000
Graduation Fees	-	162,850
Registration	-	335,550
Council Trainers	298,430	15,730
EWC	764,770	5,400
Personal Emoluments	2,141,900	22,250
Development	-	14,080
Medical	28,050	1,800
Buss Account	410	10,800
Caution Money	1,500	67,600
LT&T	688,700	6,700
Hostel	2,252,495	5,000
ICT Levy	247,165	8,000
	<u>22,228,193</u>	<u>21,628,335</u>
Expenses		
Activity	-	28,350
Admission	7,124,381	8,614,751
Exams	3,149,398	2,974,833
Tuition	8,005,386	9,827,803
Attachment	20,600	55,400
RMI	-	41,196
EWC	9,826	10,000
Personal Emoluments	546,558	16,500
Council Trainers	151,979	-
Advance	20,000	-
	<u>19,028,128</u>	<u>21,568,834</u>
Surplus	<u>3,200,065</u>	<u>59,502</u>

19. Transfer of Town Campus Surplus

Total Surplus	-	Kshs. 3,200,065
Transferred to statement of performance	-	Kshs. 3,200,065

Balance **0.00**

THE SIGALAGALA NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20.DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

Description	2018/2019	2017/2018
	KShs	KShs
a) Current account		
Barclays bank A/c No.009- 8043551	30,854,443	12,807,222
Barclays bank A/c No.009- 8043543	1,743,429	530,676
Co-operative bank A/c No. 01139098473702	5,753,485	-
Co-operative bank A/c No.01120098473700	4,828,681	2,450,208
National bank A/c No. 01021071653900	11,433,626	12,069,772
National bank A/c No. 01037017738900	6,201,952	4,753,888
Kenya Commercial Bank A/c No. 1234829517	79,758	-
Equity Bank, A/c No. 0500277394606	9,583,620	205,573
Barclays bank A/c No.009- 825691(savings A/c)	20,305,048	-
	90,784,042	32,817,339
b) Others		
Cash in transit	-	-
Cash in hand	268,037	5,157
M –pesa	0	1,617,235
Sub – Total	268,037	1,622,392
Grand total	91,052,079	34,439,731

21.RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018/2019	2017/2018
	KShs	KShs
Current Receivables		
Student debtors	143,391,144	100,383,982
Alumni Association	163,280	151,280
Mumias west Tvc	-	400,248
SabatiaTvc	493,490	-
Un-cleared imprests	-	2,571,540
Total Current Receivables	144,047,914	103,507,050
Non-current receivables		
Staff Advance payments	1,499,113	1,081,113
Teaching staff association b/f	35,870	35,870
Total	1,534,983	1,116,983
Total Receivables	145,582,897	104,624,033

THE SIGALAGALA NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. INVENTORIES

Description	2018/2019	2017/2018
	KShs	KShs
Consumable stores	611,700	637,016
Maintenance stores	143,372	423,560
Health Unit stores	61,584	-
Electrical stores	208,700	375,893
Cleaning materials stores	140,200	-
Catering stores	403,000	659,876
CBT workshop	167,474	-
	1,736,030	2,096,345

23. INVESTMENTS

Description	2018/2019	2017/2018
	KShs	KShs
a) Investment in Savings Account - BBK		
Financial institution		
Opening balance	205,573	185,199
Add: Banking	20,000,000	-
Add: Interest Accrued	99,475	20374
Closing balance transferred to cash and cash equivalent	20,305,048	205,573

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

24. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Loose Tools	Machinery & equipment	Capital Work in progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1 July 2017	-	56,541,567	5,697,585	-	-	-	-	0	62,239,152
Additions	-	33,964,625	4,249,121	-	-	-	-	35,565,875	73,779,621
Disposals	-	-	-	-	-	-	-	-	-
Valuation	54,000,000	409,153,808	12,139,294	51,660,100	16,809,900	25,387,653	123,370,850	-	-
At 30th June 2018	54,000,000	499,660,000	22,086,000	51,660,100	16,809,900	25,387,653	123,370,850	35,565,875	-
Additions	-	13,230,856	-	3,849,840	2,648,000	-	-	14,767,206	34,495,902
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
At 30th June 2019	54,000,000	512,890,856	-	55,509,940	19,457,900	25,387,653	123,370,850	50,333,081	863,036,380
Depreciation and impairment									
At 1 July 2017	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
At 30th June 2018	-	-	-	-	-	-	-	-	-
Depreciation	-	10,257,817	5,521,500	6,938,743	6,485,318	12,693,827	15,421,356	-	57,318,560
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30th June 2019	-	10,257,817	5,521,500	6,938,743	6,485,318	12,693,827	15,421,356	-	57,318,560
Net book values									
At 30th June 2018	54,000,000	499,660,000	22,086,000	51,660,100	16,809,900	25,387,653	123,370,850	-	828,540,478
At 30th June 2019	54,000,000	502,633,039	16,564,500	48,571,198	12,972,582	12,693,827	107,949,494	-	805,717,820

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. INTANGIBLE ASSETS-SOFTWARE

Description	2018/2019	2017/2018
	KShs	KShs
Cost		
At the beginning of the year	-	-
Additions	4,000,000	-
At the end of the year	4,000,000	-
Additions- Internal Development	-	-
At the end of the year	4,000,000	-
Amortization and Impairment	-	-
NBV	4,000,000	-

26. Biological Assets

Balance as at 1/8/2018 -	224,000
Additions during the year -	0
Disposal during the year -	112,000
Balance as at 30 /6/20189 -	112,000

27. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018/2019	2017/2018
	KShs	KShs
Trade Payables	40,823,211	36,559,689
Fees paid in Advance	38,466,960	12,786,920
Production Unit	1,505,000	1,505,000
Attachment	485,537	2,437,120
Maturu Campus	-1,488,236	469,156
Chanzeywe Tvc	1,483,776	1,906,000
Total	81,276,248	55,663,885

28. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Description	2018/2019	2017/2018
	KShs	KShs
Consumer Deposits		
Caution Money	8,825,851	8,807,841
Bursaries	11,469,871	5,501,229
Helb Loan	12,374,022	-
Student Council	2,234,976	1,795,974
Examination	-666,117	-875,799
Mumias Tvc	1,528,026	-
	35,766,629	15,229,245

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. NON-CURRENT PROVISIONS

Description	2018/2019	2017/2018
	KShs	KShs
Balance at the beginning of the year	1,285,523	-
Additional Provisions	-	1,285,523
Provision utilised	-	-
Change due to discount and time value for money	-	-
Less: Current portion	-	-
Total	1,285,523	1,285,523

30. BORROWINGS

The borrowing was a loan from KCB in the year 2017 to purchase a 67 seater bus and Barclays bank in the year 2016/2017 to purchase a 26 seater mini buses and a van for the polytechnic use

Description	2018/2019	2017/2018
	KShs	KShs
Balance at beginning of the period	10,175,061	13,646,323
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-4,007,860	-3,471,262
Balance at end of the period	6,167,201	10,175,061

a) ANALYSIS OF DOMESTIC BORROWINGS

Description	2018/2019	2017/2018
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from KCB	3,858,641	5,735,973
Kenya Shilling loan from Barclays Bank	2,308,560	4,439,088
Total balance at end of the year	6,167,201	10,175,061

b) BREAKDOWN OF LONG AND SHORT TERM BORROWINGS

Description	2018/2019	2017/2018
	KShs	KShs
Short term borrowings (current portion)	-	-
Long term borrowings	6,167,201	10,175,061
Total	6,167,201	10,175,061

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. FINANCIAL RISK MANAGEMENT

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	104,624,033	30,971,002	73,653,031	-
Bank balances	34,234,158	34,234,158	-	-
Total	138,858,191	65,205,160	73,653,031	-
At 30 June 2019				-
Receivables from exchange transactions	145,582,897	73,007,162	72,575,735	-
Bank balances	91,052,079	91,052,079	-	-
Total	236,634,976	164,059,241	72,575,735	-

THE SIGALAGALA NATIONAL POLYTECHNIC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the polytechnic under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	-	25,205,099	30,458,786	55,663,885
Current portion of borrowings	-	-	-	-
Provisions	-	-	1,285,523	1,285,523
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total		25,205,099	31,744,309	56,949,408
At 30 June 2019				
Trade payables	-	7,355,384	73,920,864	81,276,248
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	7,355,384	73,920,864	81,276,248

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

(iii) Market risk

The council has put in place an internal audit function to assist it in assessing the risk faced by the 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 polytechnic's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a) Foreign currency risk

The 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.

	Ksh	Other currencies	Total
At 30 June 2019			
Assets			
Financial assets (investments, cash, debtors)	238,203,532	-	238,203,532
Liabilities			
Trade and other payables	117,042,877	-	117,042,877
Borrowings	6,167,201	-	6,167,201
	123,210,078	-	123,210,078

However, during the year under review, the polytechnic did not operate in any foreign currencies that would expose the polytechnic under foreign currency risk.

The polytechnic has since opened a dollar account to mitigate this risk in case it occurs

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b). Interest rate risk

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

Management of interest rate risk

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

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

iii) Capital Risk Management

The objective of the Sigalagala National Polytechnic's capital risk management is to safeguard the Councils' ability to continue as a going concern. The polytechnic capital Structure comprises of the following funds:

	2018/2019	2017/2018
	Kshs	Kshs
Retained earnings	33,961,232	32,272,840
Capital reserve	712,903,986	712,903,986
Capital grants	50,432,304	44,987,679
Development Grant	70,025,752	58,365,346
Mentorship programme	57,500,000	40,326,545
Total funds	924,823,274	888,856,396
Total borrowings	6,167,201	10,175,061
Less: cash and bank balances	-91,052,079	-34,439,731
Net debt/(excess cash and cash equivalents)	-84,884,878	-24,264,670
Gearing Level	0.7%	1.15%

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32. RELATED PARTY TRANSACTION

Nature of related party relationships

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

- i) The National Government
- ii) The Parent Ministry
- iii) Governing Council
- iv) Key management

	2018/2019	2017/2018
	Kshs	Kshs
a) Grants from the Government		
Grants from National Govt	55,259,625	62,000,000
Grants from County Government	-	-
Donations in kind	-	-
Total	55,259,625	62,000,000

33. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	2018/2019	2017/2018
	Kshs	Kshs
Court case against former Sigalagala Polytechnic employees	1,285,523	1,285,523
Total	1,285,523	1,285,523

Former employees who were rendered redundant after the campus they were working for was closed went to court to seek compensation for wrongful termination.

The case is still on-going and should it be ruled in their favour then the polytechnic shall use this contingency to pay them.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. CAPITAL COMMITMENTS

Capital commitments	2018/2019	2017/2018
	Kshs	Kshs
Authorised and contracted for fencing of administration block and new workshop.	11,857,520	-
Total	11,857,520	-

35. EVENTS AFTER THE REPORTING PERIOD

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

36. ULTIMATE AND HOLDING POLYTECHNIC

The Sigalagala National Polytechnic is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education, state department of technical and vocational training.

Its ultimate parent is the Government of Kenya.

37. Currency

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

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APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

Ref. No. on External Audit Report	Issue/observations From Auditor	Management Comments	Focal Point person to resolve the issue(Name and designation)	Status (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1	<p>Late Submission of Financial Statements</p> <p>It was noted that the Polytechnic submitted the financial statements for the year under review on 4 January 2019, three (3) months after the statutory timeline of 30th September.</p>	<p>First time submission of financial statements to the office of the Auditor General was delayed due to unavoidable circumstances.</p> <p>The subsequent ones like FY 2018/2019 was done on time and we shall continue to do our submission timely.</p>	<p>Principal Chief Finance Officer</p>	Not Resolved	30.9.2019
2	<p>Inventories</p> <p>The inventory balance of Kshs.2,096,345 was not supported with the necessary supporting documents such as the bin cards, stock sheets and stock count certificates. Further, the three stock taking reports availed for review, dated 20 June 2018, 4 July 2018 and 28 October 2018 are outside the period under review and cannot support the inventory balance as at 30 June 2018</p>	<p>We have attached copies of stock-sheets and stock count certificates.</p> <p>We have also attached the right reports at the year end as the reports presented during that audit time were management departmental reports</p>	<p>Principal Procurement officer</p>	Resolved	30.9.2019
3	<p>Receivables from Exchange Transactions</p> <p>Included in the receivables from exchange transactions figure of Kshs.104,624,033 is Kshs.100,383,982 in respect of fee arrears</p>	<p>The figure taken from the system was from the year 2012 up to the year June 2018. We have attached comprehensive total of fees arrears as at June 2018 which has a total Kshs.100,383,982</p>	<p>Chief finance officer</p>	Resolved	30.9.2019

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	<p>as disclosed under note 15 to the financial statements. However, the detailed fees arrears indicated in the debtors' movement reflected a balance of Kshs.77,388,442 there by resulting to an un reconciled variance of Kshs.22,995,540. This has resulted into huge fees arrears balances in the Polytechnic whose recovery may be doubtful and this may negatively impact on the operations of the Polytechnic</p>			
4	<p>Property, Plant and Equipment The balance of Kshs.828,540,478 was not supported with a detailed fixed assets register. The financial statements reflect non-current assets balance of Kshs.828,540,478, however, due to lack of an assets register, details such as nature of assets, dates of acquisition, cost, identification number, current value, current location/user, accumulated depreciation, depreciation charge for the year and net book value were missing. it was not possible to ascertain the accuracy and completeness of the property, plant and equipment balance of Kshs.828,540,478 reflected in the financial statements as at 30 June 2018.</p>	<p>Assets register has been developed showing clearly the acquisition year. Location of the assets as well as depreciation on the assets and shows clearly value of assets at the end of each year.</p>	Resolved	30.9.2019
5	<p>Bank Loan The financial statements reflected bank loan balance of Kshs.10,175,061 disclosed under note 19 secured by the Polytechnic</p>	<p>The lacking correspondences queried have been provided; Loan agreement between sigalagala national polytechnic and KCB for a</p>	Resolved	30.9.2019

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	from two local commercial banks for purchase of motor vehicles. The management did not avail for audit review the loan records and necessary correspondences with the financiers on the loan balances as at 30 June 2018.	asset financing loan . Loan agreement form between Sigalagala National Polytechnic and Barclays bank for asset financing loan		
	Other Matters			
1.1	There was no evidence that the budget estimates were forwarded to the Parent Ministry after consideration by the Polytechnic's Council.			
1.2	Incomplete Budget Estimates , it was noted that the budget estimates presented for audit review did not disclose the revenue expected from government (GOK) grants, production unit training, Kenya Institute of Specialized Education (KISE), driving school fees, farm, sale of tender documents and Pay As You Eat.	Budget had reflected net proceeds from production unit but what the auditor reported were receipts and expenses resulting into net proceeds shown in the budget	Chief finance Officer	Resolved
1.3.1	Unexplained Budget Variations	Explanations have been given	Chief finance Officer	Resolved
2	Items Not Captured in the Budget- Rendering of Services			
	Report On Lawfulness And Effectiveness In Use Of Public Resources			
1	Property, Plant and Equipment As at 30 June 2018, the perimeter wall was 90% complete but electrical fence has not been fixed besides both internal and	We are reviewing the entire process and will do project appraisal	Procurement officer	Not resolved

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	external plastering on greater part of the wall not completed. In the circumstances, the procurement process for erection and completion of the Polytechnics perimeter wall was irregular.				
2.1	Single Sourced Firms Some companies which supplied items worth Kshs.8,389,895 were single sourced, while others were not in the list of registered suppliers.	These single sourced firms were supermarkets and other whole sell shops for item that were not tendered	Procurement officer	Not resolved	
2.2	Unsupported Payments it was noted that the rendering services figure of Kshs.46,906,092 includes payments for procurement of goods and services, totalling Kshs.3,468,990 which were not supported.	Support documents provided for verifications	Chief finance officer	Resolved	
2.3	Non-Compliance with Procurement Regulations Included in the rendering services figure of Kshs.46,906,092 were various payments totalling Kshs.1,716,600 made to a private individuals who were not in the Polytechnic's approved list of prequalified suppliers for 2016-2018 for supply of maize and beans	The suppliers were sourced through quotations though they were trading with their personal names	Procurement officer	Not resolved	
2.4	Cash Purchases Included in the rendering of services figure of Kshs.46,906,092 was cash advance of Kshs.1,006,350 made to various staff for cash purchases of various items for office use, the advance holders were not given advances through office imprest	These persons were given cash for purchase for items not tendered through imprest system and they surrendered within the imprest time limit.	Chief finance officer Procurement officer	Resolved	30.9.2019

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3	<p>Lack of Loan Agreements It was observed that three loans were received from two banks. However, the related contract agreements were not availed for audit review and as a result, it was not possible to confirm the terms of repayment.</p>	Loan agreement provided	Principal Chief finance officer	Resolved	30.9.2019
	<p>Report on effectiveness of internal controls, risk management and governance</p>				
1	<p>Oversight and Governance Structure The Polytechnic does not have an internal audit department which is required to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in National government entities and give</p>	Internal auditor employed Internal control policies are in place	Principal	Resolved	1/7/2019
2	<p>Weaknesses in Internal Controls It was observed that the Polytechnic management has weaknesses in their internal controls. There were no</p> <ul style="list-style-type: none"> • Human resource manual document • Risk management policy 	Human resource policy and manual is in place	Human Resource officer	Resolved	30/7/2019
3	<p>Other Considerations At the time of audit, there were two cases in court whose outcome had not been determined. The two cases were not disclosed in the financial statements as contingent liabilities and if ruled in favour of the complainant may have a negative impact on the institution.</p>	Provision was made of Kshs. 1,285,523 to take care of these cases in case the Polytechnic lose these court cases	Chief finance officer Human Resource officer	Resolved	10/1/2018

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4	<p>Store Records The stores management in the polytechnic is poor as it was not possible to reconcile the receipts, issues and balances in the stores.</p>	Employed a more qualified store keeper and acquisition of the use of ERP to manage store	Procurement officer	Resolved	30/9/2019
5	<p>Institutional Cheque Signing by Council Members contrary to the guidelines, during audit it was noted from the council minutes dated 18 December 2017 at minute No.04/SNP/C/18, that the council chairman and two other council members are cheque signatories for the institution on all bank accounts held which should not be the case.</p>	<p>Signing of the cheques have been reverted to the management staff of the Polytechnic The staff signing cheques currently are;</p> <ul style="list-style-type: none"> • Principal • Deputy principal administration • Chief finance officer 	Principal	Resolved	31/1/2020

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APPENDIX II: PROJECTS IMPLEMENTED BY THE POLYTECHNIC

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completi on % to date	Budget	Actual	Sources of funds
1	Completion of institutional workshop	39,500,000	37,113,964	100%	10,900,000	9,029,547	Gok A-in-A
2	Loan repayments	16,882,498	10,715,297	65.5%	5,000,000	4,007,860	A-in-A
3	Installation of ERP	15,000,000	4,000,000	65%	10,000,000	4,000,000	Gok A-in-A
4	Wall fence around Adm. block	11,857,520	-	0%	10,000,000	-	A-in-A

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APPENDIX III: INTER-POLYTECHNIC TRANSFERS

	POLYTECHNIC NAME:	THE SIGALAGALA NATIONAL POLYTECHNIC		
	Break down of Transfers from the State Department of Technical and Vocational Training			
	FY 2018/2019			
a.	Re-current Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		5/10/2018	12,250,500	2018/2019
		18/2/2019	37,564,500	2018/2019
		Total	49,815,000	
b.	Development Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		26/7/2018	1,623,749	2017/2018
		15/10/2018	1,910,438	2018/2019
		11/3/2019	1,910,438	2018/2019
		Total	5,444,625	

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

*Chief Finance officer
Sigalagala National Polytechnic*

Sign

*Principal
Sigalagala National Polytechnic*

Sign

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date Received As per bank statement	Nature: Re-current/Development/Others	Total Amount. KSHS.	Where Recorded/Recognized					Total Transfers during the Year KSHS.
				Statement of Financial Performance KSHS.	Capital Fund KSHS.	Deferred Income KSHS.	Receivables KSHS.	Others - must be specific KSHS.	
Ministry of Education	05/10/2018	Re-current	12,250,000	12,250,500	-	-	-	-	12,250,000
"	18/02/2019	Re-current	37,564,500	37,564,500	-	-	-	-	37,564,500
Ministry of Education	26/07/2018	Development	1,623,750	-	1,623,750	-	-	-	1,623,750
"	15/10/2018	Development	1,910,438	-	1,910,438	-	-	-	1,910,438
"	11/03/2019	Development	1,910,437	-	1,910,437	-	-	-	1,910,437
Total			55,259,125	49,815,000	5,444,625	-	-	-	55,259,125