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REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA COAST NATIONAL POLYTECHNIC

**FOR THE YEAR ENDED
30 JUNE, 2018**



KenyaCoast National Polytechnic

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2018

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



I. Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT ii

THE COUNCIL MEMBERS v

MANAGEMENT TEAM vii

CHAIRMAN’S STATEMENT ix

REPORT OF THE PRINCIPAL x

CORPORATE GOVERNANCE STATEMENT xiii

REPORT OF THE COUNCIL GOVERNING COUNCILxiv

STATEMENT OF THE COUNCIL MEMBERS’ RESPONSIBILITIES xv

REPORT OF THE INDEPENDENT AUDITORS ON KENYA COAST N. POLYTECHNICxvi

IV. STATEMENT OF FINANCIAL PERFORMANC FOR THE YEAR ENDED 30 JUNE 2018.. 1

V. STATEMENT OF FINANCIAL POSITION AS AT 2018 2

VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2018....3

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018.....4

VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018 5

IX. NOTES TO THE FINANCIAL STATEMENTS6

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS21

APPENDIX II: PROJECTS IMPLEMENTED BY THE POLYTECHNIC22

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES23

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
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89
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93
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96
97
98
99
100

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Coast National Polytechnic (KCNP) is located in the coastal town of Mombasa. It was established in 1950 as a Technical High School. Upon the introduction of the 8-4-4 system of education, it was elevated to a middle level Technical College (Mombasa Technical Training Institute) in 1984 to provide technical training for the middle level workforce for both the private and public sectors of the economy. In 2016 the institution was officially up-graded to a National Polytechnic (Kenya Coast National Polytechnic) via the Legal Notice 88 of the Technical Vocational Education and Training (TVET) Act (No. 29 of 2013). The trainees in the Polytechnic are drawn from secondary school leavers, graduates from other tertiary institutions, employees on part-time release basis and the informal (Jua Kali) sector.

KCNP is managed by a Council whose members are appointed by the Government to represent the community, industrialists, professionals and various governmental departments. The Principal serves as the Secretary to the Council. The Institution operates under the Education Act, the TVET Act and other relevant laws. It offers Curriculum Developed by the Kenya Institute of curriculum development (KICD), the National Industrial Training Authority (NITA), KCNP, KASNEB, MMUST offers courses at Artisan, Craft, Diploma, Higher National Diploma and Degree levels (in conjunction with recognised Universities), plus short-term certificate courses in the part-time programme. All the courses offered at Craft and Diploma levels incorporate Entrepreneurship Training and Industrial Attachment to prepare the trainees for formal and self-employment. The examining bodies are the Kenya National Examinations council (KNEC), NITA, Kenya Accountants and Secretaries National Examination Board (KASNEB), Masinde Muliro University of Science and Technology (MMUST), KCNP among others. KCNP is a member of the Kenya Association of Technical Training Institutions (KATTI) amongst others.

KCNP has seen tremendous growth in terms of courses offered and the student enrolment from an initial population of 23 students and 24 teaching staff in 1990 to the current 4500 students and 97 teaching staff respectively. This has resulted in a strain on the training facilities whose expansion has unfortunately not matched this student growth. The demands from the market and the changes in curriculum and technology have not been fully matched by additional training facilities in terms of space, equipment and staff.

KCNP is taking full advantage of its staff enhanced capacity in terms of calibre, physical facilities, wide spectrum of courses, unique location close to Central Business District (CBD) of Mombasa, major industries, commercial organizations, existing transport infrastructure and housing.

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

KEY ENTITY INFORMATION AND MANAGEMENT(continued)

Principal Activities

The principal activity of Kenya Coast National Polytechnic is to offer TVET programmes in line with industry or market needs both in long and short term basis.

Vision.

A leading centre of excellence in training.

Mission

To produce highly competent graduates for the modern world of work.

Mandate

To train highly skilled workforce that is suitable for further professional development through quality inclusive and equitable TVET programs responsive to national and global competitiveness

Core Functions

- To implement training in TVET programs.
- To carry out research programs.
- To develop and transfer science, technology and innovation into products and services.
- To benchmark with other institutions and liaise with industry
- To adopt programs that address the needs of the local community

Core Values

KCNP's Core Values include the following among others:-

- Honesty, integrity and transparency
- Quality leadership, excellence, innovativeness and creativity.
- Consultative decision-making
- World-class programmes and standards
- Respect for human and gender rights
- Professionalism, team spirit and discipline

(b) Key Management

Daily management is carried out under the following key divisions:

- Administration, Finance, Registrar and Academic

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

KEY ENTITY INFORMATION AND MANAGEMENT(continued)

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Principal	Ms Mary M. Muthoka
2.	Deputy Principal-Adm.	Mr. Show Kalama
3.	Deputy Principal- Accad.	Ms Monica Wangare
4.	Financial Controller	CPA Clerkson O. Bolo
5.	Procurement Officer	Ms RosaliaNdzombo
6.	Registrar	Mr. Patrick Ntiba
7.	Dean of Students	Ms Jane Kariuki

(d) Fiduciary Oversight Arrangements

- Finance and Human Resource and infrastructure Committee of the Council
- Audit and Risk Committee of the Council
- Education, Training and Research Committee of the Council
- Full Council
- Academic Board

(e) KCNP Headquarter

P.O. Box 81220- Code 80100
 Kisauni Road- Tononoka
 Mombasa, Kenya

(f) KCNP Contacts

Telephone: 0712725554, 0710389727

E-mail: info@kenyacoastpoly.ac.ke

Website: www.kenyacoastpoly.ac.ke

(g) KCNP Bankers

1. KCB Bank Kenya ltd
 Nkrumah Road
 P.O. Box 902540
 Treasury Square 4088
 Mombasa, Kenya

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

KEY ENTITY INFORMATION AND MANAGEMENT (continued)





(h) Independent Auditors

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

(i) Principal Legal Adviser

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





KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018
THE COUNCIL/BOARD OF GOVERNORS

<p>1.</p>  <p>Mr. Osman Varwani – Chairman D O B 08/12/1974 Id No 13358207</p>	<p>Mr. Osman has a B.S in Computer Science and Information Networking. He has wealth of experience in ICT since 1994 to date. At the moment he is the founder and Managing Director of Innovus Group- Kenya.</p>
<p>2</p>  <p>Dr. Gracie Mullei- Member D O B 18/6/54 Passport NO A1994926</p>	<p>Dr. Gracie is a holder of Bachelor of Education. She has a 5 years experience in Corporate Governance to date since 2015, She has been engaged in Youth leadership training, Leadership training in various churches. She has been a lecturer in various Institutions, a Manager at world Vision International for 9 years, a Director at world Servant International for 10 years.</p>
<p>3</p>  <p>Mr. Sammy K. Akilimali- Member D O B 8/6/1963 Id No 0722876545</p>	<p>Mr. Sammy has Bachelors Degree in Business Administration (Entrepreneurship) , Ordinary Diploma in Institutional Management, Higher Diploma in Catering, Hotel and Institutional Management and Diploma Business Management. He has 35 years work experience since 1984 to date.</p>
<p>4</p>  <p>Eng. Oliver Khabure- Member D O B 8/3/1968 Id No 10043933</p>	<p>Mr. Oliver is a holder of B.Sc in Civil Engineering and Masters in Business Administration. He is a registered consulting engineer and has been in the field for over 25 years.</p>



KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

<p>5</p>  <p>Ms Mary Muthoka- Chief Principal/Secretary D O B 28/11/1964 Id No 8833424</p>	<p>Ms. Mary Muthoka is the chief Principal. She is a holder of BED- Business studies and Education and MBA in Management and Marketing Management. She was a Chief Principal for 6 years at the then Machakos Technical Training Institute which now is a University. She has been a Chief Principal since September, 2014 to date.</p>
<p>6</p>  <p>Mr Jackson Andai - Member. D O B 11/9/1961Passport No. AK0137973</p>	<p>Mr. Jackson Andai is a holder of Masters of Business, Taught in TVET Institutions for 12 years, worked in Ministry of Education as Quality Assurance, Projects and field services Officer. Currently County Director VET, Mombasa in charge of Coast Region</p>
<p>7.</p>  <p>Ms Salma Mohamed Rashid - Member D O B 8/8/1979 Id No 21727211</p>	<p>Ms. Salma is a holder of Masters of Business Administration, Bachelor of Commerce and a Certified Public Accountant of Kenya (CPA). She has wealth of experience in Banking Industry for 14 years since 2006 to date.</p>
<p>8.</p>  <p>Ms. Malika Omar- Member D O B 29/10/76 Id No 14493425</p>	<p>Ms. Malika is a holder of Bachelors of Science Degree in International Business Administration, Advance Diploma in Shipping and Advanced Diploma in Business Information System. She is the Managing Director of Modern Maritime Services Ltd</p>

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018
MANAGEMENT TEAM

 <p>Ms. Mary Muthoka- Chief Principal/Secretary D O B:28/11/1964 Id No:8833424</p>	<p>Chief Principal/Secretary to the Council The Accounting Officer</p>
 <p>Mr. Show Kalama – Deputy Principal Administration D O B 30/8/1978 Id No 20883144.</p>	<p>Deputy Principal in charge of Administration</p>
 <p>Ms. Monica Wangare – Deputy Principal Academics. D O B 16/5/1959 Id No 7201351</p>	<p>Deputy Principal in charge of Academic. A holder of MBA(Strategic Management)</p>
	<p>Financial Controller in charge of Account /Finance department. A holder of MBA</p>

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

<p>CPA Clerkson Onyango Bolo- Financial Controller Reg. No. 5067 D O B 4/3/1968 Id No 9418429</p>	
<p> Ms Jane Kariuki –Deans of Students. D O B 5/1/1971 Id No 10889552</p>	<p>Dean of Students in charge of students' affairs . A holder of M.Ed</p>
<p> Mr. Patrick Ntiba – Registrar. D O B 22/3/1961 Id No 1003154</p>	<p>In Charge of students admissions and career guidance</p>

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

CHAIRMAN'S STATEMENT

The Kenya Coast National Polytechnic (KCNP) has passed through four transitional levels. The various phases it has undergone so far reflect the Government of Kenya's concerted efforts in promoting education and training in line with the dynamic technological and industrial growth in Kenya and in Africa.

The transition of the Polytechnic has seen the growth of the Polytechnic programmes, the staff and student population, physical infrastructure and ICT. The increase of these resources without a balanced growth in financial support from the exchequer has however come with a number of challenges. It has been difficult to provide commensurate teaching resources with the growth in student numbers while the Polytechnic has also not been able to concentrate on the key areas of research and technology transfer as required.

While the mandate of the Polytechnic provides for training highly skilled workforce that is suitable for further professional development through quality inclusive and equitable TVET programs responsive to national and global competitiveness, there have been challenges related to the infrastructural developments as the government has not been providing the requisite capital expenditure. The financial statements reflect the financial status of the Polytechnic. More personnel are required for both teaching and Non teaching staff. Council Members have recruited some staff on part time contracts and sustaining the increase in personal emoluments will however be a challenge unless the government increases it's financing for recurrent expenditure. The Polytechnic Council looks forward to supportive collaboration with the government to ensure continued development of the Kenya Coast National Polytechnic as provided.



Mr. Osman Varwani
Chairman of Council

REPORT OF THE PRINCIPAL

The Kenya Coast National Polytechnic, as part of its expansion strategy, has developed market driven programmes that address national priorities in the fields of Business, Engineering, Science and Technology. Currently, the Polytechnic is offering over forty academic programs in diverse fields and continues to develop new programmes especially at higher diploma. KCNP is committed to the advancement of knowledge through responsible research and scholarship addressing important current scientific, social, and cultural questions. Our emphasis on research, innovation, linkages and collaboration with various stakeholders in the industry improves our visibility nationally.

To balance the development of new programmes and demand for Polytechnic education, the Polytechnic management, in consultation with the council, has continued to develop its human resource especially the teaching staff short training programmes.

The Polytechnic has developed and implemented work place policies to nurture holistic Students and Staff. Towards this end, KCNP has complied towards gender and equality mainstreaming and alcohol and drug abuse prevention and intervention. We assure our partners in the industry that the Polytechnic has been in the steady growth trend and is ready to be in the driver's seat in the transformation of technical education.

The financial year under audit started in the period 1st July 2017 to 30th June 2018. During this period The Polytechnic had done transition from being Technical Training Institute to National Polytechnic.

The new Polytechnic order required The Polytechnic to be in a category of State Corporation hence to keep the accounting documents in line with IPSAS accrual basis. This posed a lot of challenge staking into account that the period under audit, all accounting documents were kept under cash basis where fixed assets were not taken into account. Therefore, the change had some implications such as: changing accounting records to accruals, Valuation of fixed assets, quarterly reporting and acute manpower in the accounts department. As a result of these, preparation of books had to delay since capacity building from treasury was needed for change to commence.

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

Valuation of Non Current Asset.

The valuation of fixed assets is yet to take place. However, values reported are deemed costs gathered by experts from building and finance department from old records based on reasonable estimates. Therefore, by the time of preparation of these accounts, The Polytechnic could not be able to find the exact value of its fixed assets. Once valuation is done then the exact values shall be incorporated into the subsequent books of account.

Variances.

The council observed that positive variances on revenue were due to increase in the number of students' population as it is reflected in the revenue receipt. Negative variances on expenditure were due to the increase in expenditure as a result of population increase which necessitated increase in expenses. Despite these variations, the council members noted that the general performance had a positive variance which is an indication that the council did not commit funds beyond its revenue limit.

Sundry Creditors.

By the end of the fiscal period, the Polytechnic had unpaid supplies amounting to ksh. 10,998,360. This was due to prolonged processing of documents to facilitate payments by the accounts department and also goods and services acquired at the end of the fiscal period. Hence, the Polytechnic does not have any pending bill at all.

Upgrade of Accounting Software

The council members noted that for accounting staff to prepare on time financial reports required, the Accounting Software in use must be upgraded hence recommended the upgrade. This will assist the accounts staff to work faster and more accurate of the reports prepared considering the fact that the standard has complicated what is required.

Development Projects

The Polytechnic received a total of ksh. 7,165,000 from the Government as development grant and also collected a total of ksh. 13,951,903 as development funds internally. With these amounts together with reserves and savings brought forward, The Polytechnic managed to:

Build Cafeteria block phase one and two and Renovate Media Laboratory.

Kenya Coast National Polytechnic was one of the Polytechnics in the Country that was given the task of mentoring and to supervise the construction of twin workshops and classrooms for six technical institutions on behalf of the Ministry of Education. These technical institutions are: Ahmed Shahame Mwidani Technical Training Institute, Weru Technical Training Institute, Lamu East Technical Training Institute, Lamu West (Mpeketoni) Technical Training Institute,

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

Kaloleni Technical Training Institute and Likoni Technical Training Institute. The total amount received from the Ministry of Education during this financial year is Ksh 25,141,082. The total amount received so far from the Ministry of Education since the inception as from September, 2014 is Ksh 279,096,101.

Handwritten signature

Ms. Mary M. Muthoka

Chief Principal/Council Secretary

CORPORATE GOVERNANCE STATEMENT

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

The Governing Council is appointed by the Government of Kenya through the Cabinet Secretary, Ministry of Education, science and technology to oversee their interest in the long-term health and the overall success of the business and its financial strength in order to discharge its mandate in training. The Governing Council serves as the ultimate decision making body of the Polytechnic, except for those matters reserved to or shared with the Government of Kenya. The Governing Council selects and oversees the members of senior management, who are charged by the Governing Council with conducting the business of the Polytechnic in line with the Technical, Vocational, Education & Training Act of 2013 and the constitution of the Republic of Kenya.

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

The 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 is composed of skilled and experienced persons and carry out their functions effectively. Full council meetings are held quarterly while council committees are held frequently as needs may arise.

General Responsibilities

The council has a duty to the people of Kenya to ensure that the Kenya Coast National Polytechnic achieves its objectives efficiently and effectively and in compliance with PFM Act 2012, TVET Act 2013 and Polytechnic order 2016. Some of the statutory powers of the polytechnic are:

- To ensure that proper management structure is in place and the management maintain the corporate integrity, reputation and responsibility.

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

- To monitor and evaluate the implementation of strategies, policies and management plans of the polytechnic.
- To consistently review the viability and financial sustainability of the polytechnic.
- To ensure that The Polytechnic complies with all the relevant laws.

Council Remuneration

The council members are paid a sitting allowance and travelling expenses for meeting attended.

Risk Management and Internal Controls

The council has overall responsibility for the establishment and oversight of The Polytechnics risk management frameworks. The risk management policies are established to identify and analyse the risk faced by The Polytechnic and to set appropriate risk limits and controls to monitor adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in operating conditions, legislations and services offered. The polytechnic identifies and manage risk through in-house risk review enhanced by compliance, internal and external audits.

Conflict of Interest

All council members are under a duty to avoid conflict of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with The Polytechnic business transactions.

Compliance

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

The council is satisfied that The Polytechnic has to the best of their knowledge, comply with all relevant laws and conduct its business affairs in accordance with the law in particular to the PFM Act 2012, TVET Act 2013 and Polytechnic order 2016.

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018
REPORT OF THE GOVERNING COUNCIL

The Governing Council submit their report together with the audited financial statements for Period ended June 30, 2018 which show the state of The Kenya Coast National Polytechnic's affairs.

Principal activities

The principal activity of the Polytechnic is training

Results

The results of the entity for the year ended 30th June, 2018 are set out on page 1.

COUNCIL OF GOVERNORS

The members of the Council who served during the year are shown on page. VI to VII

Auditors

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

By Order of the Board

MM

Ms. Mary M. Muthoka
Chief Principal/Council Secretary

Date: 5/12/2019

KENYA COAST NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and Section 14 and 15 (1) of the State Corporations Act, require Council Members 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 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 is also responsible for safeguarding the assets of the Polytechnic.

The Council is responsible for the preparation and presentation of the Polytechnic 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 30 June, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the Polytechnic financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the Polytechnic financial statements give a true and fair view of the state of Polytechnic transactions during the financial year ended June 30, 2018, and of the Polytechnic financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the Polytechnic, which have been relied upon in the preparation of the Polytechnic financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the 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 financial statements were approved by the Council on 5/12/2019 and signed on its behalf by:



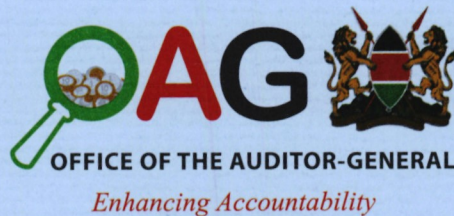
Mr. Osman Varwani
Council Chairman



Mary M. Muthoka
Chief Principal/Council Secretary

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KENYA COAST NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kenya Coast National Polytechnic set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Kenya Coast National Polytechnic as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Kenya Coast National Polytechnic Order, 2016 and the Public Finance Management Act, 2012

Basis for Adverse Opinion

1.0 Accuracy of the Financial Statements

The audit of the financial statements for the year ended 30 June, 2018 revealed the following unsatisfactory matters:

1.1 Unsupported Opening Reserves

The statement of changes in net assets for the year ended 30 June, 2018 reflects a balance of Kshs.2,055,304,366. As previously reported, this balance includes an opening balance of Kshs.1,846,650,764 in respect of the opening reserves balance as at 01 June, 2016, being fair value adjustment reserve of Kshs.3,000,000, Mentored TTI grant of Kshs.221,731,315, retained earnings of Kshs.77,236,487 and capital/development grants/fund of Kshs.1,544,682,962. However, available information

indicates that the financial year 2016/2017 was the first year of preparation of accounts and their audit and the opening balance remains unsupported.

Consequently, the accuracy and completeness of the statement of changes in net assets with a total balance of Kshs.2,055,304,366 as at 30 June, 2018 could not be confirmed.

1.2 Unsupported Balances in the Statement of Cash flows

The statement of cash flows for the year ended 30 June, 2018 reflects a cash and cash equivalents balance of Kshs.178,089,157 as at 30 June, 2018. However, the balance includes an opening balance of Kshs.153,368,135 being the cash and cash equivalents as at 01 July, 2016 which has not been supported. Further, the statement of cashflows reflects an increase in payables of Kshs.37,547,357 instead of Kshs.31,974,584 as per Note 23 to the financial statements resulting to a variance of Kshs.5,572,773 and which has not been explained or reconciled.

In addition, the statement reflects unsupported internal development fund amount of Kshs.13,951,903 under receipts.

Consequently, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2018 could not be confirmed.

2.0 Unsupported Revenue and Expenditure

The statement of financial performance for the year ended 30 June, 2018 reflects total revenue of Kshs.261,836,115 and total expenses of Kshs.228,092,969. However, these amounts include revenue of Kshs.211,586,115 and expenditure of Kshs.56,581,264 which were not supported with the relevant schedules, receipt vouchers and payment documents as detailed below:

Item	Note	Amounts as per Financial Statements (Kshs.)	Unsupported Amount (Kshs.)
Revenue			
Rendering of Services - Fees from Students	6	175,517,088	175,517,088
Other Services Rendered	7	29,762,032	29,762,032
Rental Revenue from Facilities and Equipment	8	1,123,500	1,123,500
Other Income	9	5,183,495	5,183,495
Sub-Total		211,586,115	211,586,115
Expenditure			
Employee Costs	10	35,683,176	35,683,176
Repairs and Maintenance	13	21,379,690	20,594,868
General Expenses	14	47,740,583	40,000
Operating Expenses	15	73,679,173	263,220
Sub-Total		178,482,622	56,581,264

In the circumstances, the accuracy and completeness of the statement of financial performance for the year ended 30 June, 2018 could not be confirmed.

3.0 Cash and Cash Equivalents

As disclosed in Note 17 to the financial statements, the statement of financial position as at 30 June, 2018 reflects cash and cash equivalents balance of Kshs.178,089,157. The audit of the cash and cash equivalents revealed following unsatisfactory matters:

3.1 Lack of Cash Books and Bank Reconciliation Statements

The Cash and Cash equivalents balance includes savings accounts balances of reserve fund balance of Kshs.1,985,126, capital development balance of Kshs.1,073,847 and caution money balance of Kshs.522,537 whose supporting cash books and bank reconciliation statements were not provided for audit review.

Consequently, the savings account balances could not be confirmed.

3.2 Non-Disclosure of Bank Overdraft

Note 17 (a) to the financial statements reflects a current account balance of Kshs.23,997,535 which is net of a negative cash book balance of Kshs.11,870,092. This is contrary to International Public Sector Accounting Standard 1 on presentation of financial statements which prohibits the setting-off of negative cashbook balance against positive bank balances. The standard requires negative cash book balances to be presented under liabilities.

Further, the bank reconciliation statement for June, 2018 reflects unpresented cheques totaling Kshs.13,489,799 whose dates of issue and names of payees were not disclosed nor indicated. In addition, the figure is different from the re-casted figure of Kshs.13,403,317 by Kshs.86,482, a difference which has not been explained or reconciled. In addition, the bank reconciliation statement as at 30 June, 2018 reflects direct bankings amounting to Kshs.15,178,083 without dates, names of drawers and amounts deposited nor explanations provided as to why they have not been entered in cash book. Bank statements to show when these cheques and deposits were subsequently presented and cleared in the bank were also not availed for audit verification.

Further, the authority from The National Treasury to overdraw the bank account was not provided for audit review, contrary to Section 82(7) of the Public Finance Management (National Government) Regulations, 2015 which provides that 'No official government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit, authorized by The National Treasury'. Paragraph 8 of the regulations provides that 'the authority shall be conveyed in writing to the responsible Accounting Officer'.

Consequently, the accuracy and completeness of the bank overdraft could not be confirmed.

3.3 Bankings not Recorded in Cashbook – College Fund Account 2

Included in the cash and cash equivalents balance of Kshs.178,089,157 is College Fund account balance of Kshs.2,739,797 and Production Unit account balance of

Kshs.30,862,615. However, the supporting bank reconciliation statement as at 30 June, 2018 reflects direct bankings of Kshs.715,596.50 and Kshs.416,635 respectively whose non-recording in cash book has not been explained.

Consequently, accuracy of the bank balances reflected in the statement of financial performance could not be confirmed.

3.4 Unsupported Fixed Deposit Account

The statement of financial position as at 30 June, 2018 reflects cash and cash equivalents balance of Kshs.178,089,157. Included in the balance is fixed deposit account balance of Kshs.150,000,000 whose support certificate of investment was not availed for audit verification.

3.5 Unsupported Cash in Hand

Included in the cash and cash equivalents balance of Kshs.178,089,157 is cash in hand balance of Kshs.510,112 which was not supported with a cash survey certificate as at 30 June, 2018.

In the circumstances, existence, accuracy and completeness of the cash and cash equivalents balance of Kshs.178,089,157 as at 30 June, 2018 could not be confirmed.

4.0 Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2018 reflects a balance of Kshs.47,151,509 in respect of receivables from exchange transactions. Audit verification of the receivables from exchange transactions balance revealed the following anomalies:

4.1 Lack of Ageing Analysis

Included in receivables from exchange transactions balance of Kshs.47,151,509 and as disclosed in Note 18 to the financial statements is student debtors balance of Kshs.22,953,897 (2016/2017 - Kshs.20,351,915) which, as previously reported, was not supported with an ageing analysis of the outstanding debts. In the absence of an ageing analysis, it was not possible to confirm how long the debts have been outstanding. Further, the receivables from exchange transactions balance of Kshs.47,151,509 includes Kshs.4,159,310 in respect of a staff debtor. Available information indicates that the debt relates to fraud committed by the staff member and which was a subject of a court case which was determined in favour of the staff. However, it was not clearly explained why the debt has not been written off considering the Management did not appeal against the judgement.

Further, the receivables from exchange transactions balance of Kshs.47,151,509 includes Kshs.20,038,302 which was not supported with a detailed debtors' schedule. Also, there was no credit policy in place for Management of credit facilities. As such, the basis for granting credit facility and computing provision for bad debts could not be ascertained.

4.2 Unaccounted for Refundable Deposits

As previously reported, the financial statements for the period ended 30 June, 2018 have excluded an undetermined amount of refundable cash deposits to service providers for various services including water, electricity, internet, telephone and radio frequencies. Although the Management has argued that they are unable to trace documentation on the deposits, no efforts appear to have been made to trace the same for the purposes of determining balances.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions of Kshs.47,151,509 as at 30 June, 2018 could not be ascertained.

5.0 Inaccuracies in Inventories Balance

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.618,221 in respect of inventories as at 30 June, 2018. This balance includes Kshs.582,953 brought forward from the financial year 2016/2017 in respect of food and beverage, training stores and corner restaurant stores. However, as previously reported, there was no evidence that closing inventories including consumables and teaching materials in all the nine (9) course departments and teaching workshops have been accounted for in the financial statements. Further, Management did not maintain a proper inventory system for recording movement and recognition of inventory in line with Paragraph 45 of the International Public Sector Accounting Standards (IPSAS) 12(45) which states that, for a service provider, the point when inventories are recognized as expenses normally occurs when services are rendered, or upon billing for chargeable services.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.618,221 as at 30 June, 2018 could not be confirmed.

6.0 Property, Plant and Equipment

6.1 Lack of Valuation of Assets

The statement of financial position as at 30 June, 2018 reflects a balance of Kshs.1,632,062,353 in respect of property, plant and equipment. However, as previously reported, the valuation report showing how the opening balance of Kshs.1,517,436,734 as at 01 July, 2016 was determined was not provided for audit. Further, considering that some of the assets have been in existence for several years there was no evidence that appropriate depreciation charge was applied to their initial cost.

In addition, the Management has not maintained an assets register of all assets owned by the Polytechnic. It was, therefore, not possible to determine the number, costs, depreciation, locations and status of the assets.

As a result, valuation, accuracy and existence of property, plant and equipment balance of Kshs.1,632,062,353 as at 30 June, 2018 could not be confirmed.

6.2 Ownership of Land and Motor Vehicles

As disclosed in Note 20 to the financial statements, the statement of financial position shows a property, plant and equipment balance of Kshs.1,632,062,353 which includes

Kshs.832,486,760 in respect of land in Shanzu and Kshs.240,349,188 in respect of Town land all totalling Kshs.1,072,835,948. However, as previously reported, according to the land title deed for Shanzu land, the parcel of land measures about twenty-two (22) hectares and is owned by the Polytechnic. However, available information indicates that the land has been encroached by squatters who have put up permanent structures. Although the Management confirmed that the National Land Commission had issued a notice to the squatters to vacate the land, no action had been taken by the time of audit in the month of August 2019 and the squatters continue to occupy the land. The possible impairment as a result of the encroachment has however not been provided for in the financial statements.

Further, the town land is the property on which the Polytechnic presently stands. Available information also indicates that the land is registered in the name of the County Government of Mombasa. It was also noted that the same parcel of land has four (4) public primary schools and two (2) secondary schools. In addition, the Polytechnic has four (4) motor vehicles valued at Kshs.4,055,889 and whose log books are registered in the name of the defunct Mombasa Technical Training Institute.

Consequently, it has not been possible to ascertain the ownership and fair presentation of property, plant and equipment balance of Kshs.1,632,062,353 as at 30 June, 2018.

7.0 Unsupported Intangible Assets

The statement of financial position as at 30 June, 2018 reflects a balance of Kshs.4,382,210 in respect of intangible assets. However, the balance is not supported with an assets register detailing name of the software, cost, date of acquisition, supplier, purpose, amortization and net book value.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.4,382,210 as at 30 June, 2018 could not be confirmed.

8.0 Unsupported Trade and Other Payables from Exchange Transactions

As disclosed in Note 23 to the financial statements, the statement of financial position as at 30 June, 2018 reflects trade and other payables from exchange transactions balance of Kshs.116,963,194. Included in the balance are suppliers' balances amount of Kshs.10,998,360 whose ageing analysis was not provided for audit verification. It was therefore not possible to confirm how long the liabilities have been outstanding. Further, the trade and other payables from exchange transactions balance of Kshs.116,963,194 includes Kshs.105,964,834 which was not supported with a detailed creditors' schedule.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.116,963,194 as at 30 June, 2018 could not be confirmed.

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

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

Emphasis of Matter

Note 2 of the significant accounting policies, on statement of compliance and basis of preparation, states that the Polytechnic adopted IPSAS Accrual in the financial year 2016/2017 and therefore the provisions of IPSAS 33 (first time adoption of IPSAS Accrual) apply to the Polytechnic.

It should be noted that these financial statements are transitional statements from cash basis accounting framework to IPSAS Accrual. Therefore, the audit is cognizant of IPSAS 33 (First time adoption of accrual basis) which grants the Polytechnic certain exemptions for fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs for a period of at least three (3) years before full compliance.

My opinion is not modified in respect to this matter.

Key Audit Matters

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

Other Matters

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.262,002,520 and Kshs.194,033,268 respectively resulting to an under-expenditure of Kshs.67,969,252 or 26% of the budget. The underperformance affected the Polytechnic's planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Late Submission of the Financial Statements for Audit

The financial statements for the financial year 2017/2018 were submitted to the Auditor-General on 16 September, 2019, eleven (11) months after the statutory submission

deadline of 30 September, 2018. This is contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 which requires all accounting officers to prepare financial statements for each financial year and within three months after the end of the financial year, submit them to the Auditor-General for audit.

The Management is therefore in breach of the law.

2.0 Employee Costs

The statement of financial performance for the year ended 30 June, 2018, reflects employee costs total of Kshs.35,683,176. Audit verification revealed the following anomalies:

2.1 Flawed Recruitment Process

As reported in the year 2016/2017, the Polytechnic had twenty-eight (28) non-teaching staff and one hundred and thirty (130) outsourced part-time teachers on its payroll. However, the process of recruitment for the various cadres of staff including job advertisements, shortlisting, interviews, and appointment were not provided for audit verification. It was therefore not clear whether the vacancies were declared by the Council and recruitment done competitively. In the absence of competitive selection, the best candidates may not have been selected.

2.2 Non-Compliance with the Law on Income Tax

As reported in the year 2016/2017, included in employee costs of Kshs.35,683,176 for the year ended 30 June, 2018 are salaries amounting to Kshs.9,312,331 paid to part-time teachers and casuals. However, there was no evidence that the salaries were subjected to income tax deductions in line with Section 37 of the Income Tax Act (Cap 470).

Consequently, the Polytechnic to penalties and fines by the Kenya Revenue Authority.

2.3 Non-Compliance with the One Third of Basic Salary Rule

During the year ended 30 June, 2018, seven (7) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016. The Management has not given an explanation for failure to comply with the policy.

In the circumstances, the Polytechnic Management were in breach of law.

2.4 Irregular Acting Appointments

As previously reported, audit verification of staff files and payrolls revealed that the Chief Principal appointed ten (10) heads of department in acting capacities for periods beyond the stipulated six (6) months. It was further noted that the officers continued acting in the various positions during the year under review as detailed below:

No.	Department	Date of Appointment to Acting Position	Duration
1.	Head of Department Electrical and Electronics Engineering	06 January, 2016	3 years
2.	Head of Department Information and Communication	10 May, 2010	9 years
3.	Head of Department Applied Sciences	27 February 2015	4 years
4.	Head of Department Medical Sciences	03 October, 2016	5 years
5.	Building and Civil Engineering	14 October, 2017	2 years
6.	Mechanical and Automotive Engineering	01 November, 2016	3 years
7.	Head of Department Secretarial and Liberal Studies	18 May, 2017	2 years
8.	Head of Department Hospitality and Tourism	17 July, 2017	2 years
9.	Examinations Officer	31 August, 2010	9 years
10.	Human Resource Officer	01 October, 2018	8 months

This is contrary Section C.14(1) of Public Service Commission Human Resource Policies and Procedures Manual which prohibits an officer from acting in a position for more than 6 (six) months. It was not clear why the positions were not competitively filled by either confirming the acting staff or advertising the vacancies.

Consequently, the Management was breach of the law.

3.0 Irregular Payment of Responsibility Allowance

During the year under review, the Polytechnic paid responsibility allowance of Kshs.50,000 per month to three top managers or Kshs.600,000 per year which was not reflected on payroll, as previously reported in the audit of the financial year 2016/2017. Further, the Council meeting minutes provided for audit review indicated that the allowance was paid to the managers for performing extra work since they are employees of Teachers Service Commission. However, payment of the allowance is contrary to the Salaries and Remuneration Commission Circular Ref. No: SRC/ADM/CIR/1/13 Vol.III (126) of 10 December, 2014 which provides that 'responsibility allowance should be awarded by employer and reflected on payroll'. Therefore, the responsibility allowance should have been paid by the Teachers Service Commission.

In the circumstances, responsibility allowance paid to the top managers amounting to Kshs.600,000 for the year ended 30 June, 2018 was irregular.

4.0 Irregular Investment in Fixed Deposits

As disclosed in Note 17 to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.178,089,157 which includes Kshs.150,000,000 in respect of investment in fixed deposits in Kenya Commercial Bank Limited. However, the investment is contrary to the National Treasury Circular Ref: DMD 4/02 'H' (63) dated 26 March, 2018 which directed all State Corporations and Semi-Autonomous Government Agencies (SAGAs) to invest surplus funds in Treasury Bills and/or Bonds.

In the circumstances, the validity and value for money for fixed deposits of Kshs.150,000,000 as at 30 June, 2018 could not be confirmed.

5.0 Irregularities in Imprests Management

As previously reported, Management issued imprests to various staff to undertake various activities. However, audit examination of support payment vouchers revealed that imprest requests are not formally made through imprest warrants as per Regulation 91(2) of the Public Finance Management (National Government) Regulations, 2016 which states that, "the officer authorized to hold and operate an imprest shall make a formal application for the imprest through an imprest warrant". Further, the Management did not maintain imprests register to record names of staff, warrant numbers and dates and amounts of imprest as required by Regulation 93(4)(c) of the Public Finance Management (National Government) Regulations, 2016.

In the circumstances, it was not possible to keep track of imprests issued and Management was in breach of law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, , because of the significance of the matters discussed in the Basis for Adverse Opinion and Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and governance were not effective.

Basis for Conclusion

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised on attendance of council meetings by a non-member, delayed appointment of the chief principal and the deputy principal, lack of an academic board and council members who are signatories to bank accounts. Further, there were other issues on lack of segregation of duties, failure to fully operationalise the enterprise management system and low staffing levels against the staff establishment. However, the Management has not resolved the issues.

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 overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 skepticism throughout the audit. I also:

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 February, 2022

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government–Recurrent Grants	5	50,250,000	77,711,582
Revenue from exchange transactions			
Rendering of services- Fees from students	6	175,517,088	122,920,224
Other Services Rendered	7	29,762,032	27,199,908
Rental revenue from facilities and equipment	8	1,123,500	1,014,000
Other income	9	5,183,495	10,683,169
Total revenue from exchange transactions		211,586,115	161,817,301
Total revenue		261,836,115	239,528,883
Expenses			
Employee costs	10	35,683,176	26,681,525
Remuneration of Council Members	11	4,040,362	2,841,000
Depreciation and Amortization	12	34,059,701	33,470,355
Repairs and maintenance	13	21,379,690	16,871,395
General Expenses	14	47,740,583	55,865,398
Operating Expenses	15	73,679,173	70,576,180
Use of Goods and Services	16	11,510,284	12,710,998
Total expenses		228,092,969	219,016,851
Net Surplus for the year		33,743,146	20,512,032

The notes set out on pages 6 to 20 form an integral part of the Annual Financial Statements.

V. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2017-2018 Kshs	2016-2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	17	178,089,157	164,010,971
Receivables from exchange transactions	18	47,151,509	25,488,705
Inventory	19	618,221	582,953
Total current asset		225,858,887	190,082,629
Non-current assets			
Property, plant and equipment	20	1,632,062,353	1,558,462,399
Intangible assets	21	4,382,210	4,834,900
Mentored Institutions Projects/works	22	309,964,110	301,339,144
Total Non-current assets		1,946,408,673	2,864,636,443
Total assets		2,172,267,560	2,054,719,072
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	23	116,963,194	84,988,610
Non-current liabilities			
Total liabilities		116,963,194	84,988,610
Net assets		2,055,304,366	1,969,730,462
Mentored Institutions Grants	24	309,964,110	301,339,144
Reserves	25	6,682,991	4,176,104
Accumulated surplus	26	131,491,665	97,748,519
Capital Fund	27	1,607,165,600	1,566,466,695
Total net assets and liabilities		2,055,304,366	1,969,730,462

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



Chairman of Council

Date: 5/12/2019



Financial Controller

ICPAK No 5067
Date: 5/12/2019



Chief Principal/Council Secretary

Date: 5/12/2019

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR END 30 JUNE
2018

	Mentored TTI Grant	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At 1 June 2016	221,731,315	3,000,000	77,236,487	1,544,682,962	1,846,650,764
Total comprehensive income-Surplus for the period	-----	-----	20,512,032	-----	20,512,032
Development grants	-----	-----	-----	14,876,733	14,876,733
Development grants for Mentored Institutions	79,607,829	-----	-----	-----	79,607,829
Reserve for the period	-----	1,176,104	-----	-----	1,176,104
Adjustment of Intangible Assets	-----	-----	-----	6,907,000	6,907,000
At 1 July, 2017	301,339,144	4,176,104	97,748,519	1,566,466,695	1,969,730,462
Total comprehensive income-Surplus for the period	-----	-----	33,743,146	-----	33,743,146
Development grants	-----	-----	-----	7,165,000	7,165,000
Development grant for Mentored Institutions	8,624,966	-----	-----	-----	8,624,966
Adjustment in the period	-----	-----	-----	33,533,905	33,533,905
Reserve for the period	-----	2,506,887	-----	-----	2,506,887
Transfer of depreciation/amortisation from capital fund to retained earnings	-----	-----	-----	-----	-----
At 30 June, 2018	309,964,110	6,682,991	131,491,665	1,607,165,600	2,055,304,366

Adjustment to Capital ksh 33,533,905 was as a result of capitalized assets funded from development funds. These are Cafeteria ksh 29,460,000 and Medical laboratory block ksh 4,073,905.

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2018

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants	5	57,415,000	92,843,878
Rendering of services- Fees from students	6	175,517,088	122,920,224
Other Services Rendered	7	29,762,032	27,199,908
Rental revenue from facilities and equipment	8	1,123,500	1,014,000
Other income	9	5,183,495	10,685,169
Decrease/Increase in payables	23	37,547,357	76,373,935
Mentored Institution grants	24	25,141,082	82,223,704
Internal Development Fund	25	13,951,903	6,471,731
Total Receipts		345,641,457	419,732,549
Payments			
Compensation of employees	10	35,683,176	26,681,525
Remuneration of Council Members	11	4,040,362	2,841,000
Repairs and maintenance	13	21,379,690	16,871,395
General Expenses	14	47,740,583	55,865,398
Operating Expenses	15	73,679,173	70,576,180
Use of Goods and Services	16	11,510,284	12,710,998
Increase/Decrease in receivable	18	21,662,804	25,488,705
Increase/Decrease in Inventory	19	35,268	582,953
Work in Progress	20	-----	30,064,512
Mentored Institution projects/works	22	8,624,966	125,047,639
Total Payments		224,356,306	366,730,305
Net cash flows from operating activities		121,285,151	53,002,244
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(107,206,965)	(42,359,408)
Net increase/(decrease) in cash and cash equivalents		14,078,186	10,642,836
Cash and cash equivalents at 1 JULY 2017	17	164,010,971	153,368,135
Cash and cash equivalents at 30 JUNE 2018	17	178,089,157	164,010,971

VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018
Revenue	Kshs	Kshs	Kshs
Government grants	120,000,000	50,250,000	(69,750,000)
Rendering of services- Fees from students	102,544,000	175,517,088	72,973,088
Other Income	61,450,000	36,069,027	25,380,973
Total income	283,994,000	261,836,115	22,157,885
Expenses			
Compensation of employees	72,298,000	35,683,176	36,614,824
Council Members allowances	2,980,000	4,040,362	(1,060,362)
General, Operating and Use of Goods Expenses	165,066,520	132,930,040	32,136,480
Repairs and Maintenance	21,658,000	21,379,690	278,310
Total expenditure	262,003,472	194,033,268	
Surplus for the period	21,990,528	67,802,847	

Explanations on the variances.

- The negative variance in Government grants was due to a reduction in grant remittances.
- Positive Variance in fees from students was due to growth in students' population.
- Due to growth of students' population more facilities were to be either improved or expanded hence increased repair expenses

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Coast National Polytechnic is established by and derives its authority and accountability from the Public Finance Management Act, 2012. KCNP is wholly owned by the Government of Kenya and is domiciled in Kenya. The Polytechnic principal activity is Training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, 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 KCNP accounting policies.

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

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards- Accrual (IPSAS). The Polytechnic adopted IPSASA-Accrual in the FY 217/2018 and therefore, provisions of IPSAS 33 (First-time adoption of IPSAS-Accrual) apply to the Polytechnic. The accounting policies adopted have been consistently applied to all the years presented.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2017/2018 was approved by the Council Members on 21st April, 2017. No revisions or additional appropriations were made to the approved budget.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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.

d) 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.

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

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

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

e) 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 Kenya Commercial Bank.

f) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY**

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2017-2018	2016-2017
	KShs	KShs
Unconditional grants		
Operational grant	50,250,000	77,711,582
	50,250,000	77,711,582
Conditional grants	-----	
Development grants	7,165,000	15,132,296
Other organizational grants	-----	-----
Total government grants and subsidies	57,415,000	92,843,873

6. RENDERING OF SERVICES-FEE FROM STUDENTS

Description	2017-2018	2016-2017
	KShs	KShs
Tuition fees	51,176,610	37,454,952
Activity fees	5,382,672	6,075,701
Teaching Material fees	12,807,900	6,324,927
Equipment fees	9,837,923	8,678,252
Local Transport and Travelling fees	7,715,183	3,159,554
Contingencies fees	8,530,363	3,193,581
Part time fees	35,953,476	37,717,549
Registration fees	623,940	398,385
Application fees	972,253	705,520
College Identity Cards fees	1,634,359	814,565
Centre fees	-----	3,000
Electricity fees	7,152,558	3,084,204
Repairs Maintenance and Improvement	7,554,351	-----
Personal Emoluments fees	8,693,592	4,100,545
Attachment fees	948,740	834,375
Maintenance fees	266,880	2,966,548
Educational tour fees	1,072,253	675,889
Studio Fees	88,650	-----
Internet fees	9,512,816	3,723,717
Insurance fees	2,693,910	1,771,650
T/Shirts fees	2,024,499	1,103,750
Project fees	105,850	133,560
Media Press Card	4,400	-----
Laboratory /Facility Fees	763,910	-----
Total revenue from the rendering of services	175,517,088	122,920,224

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. OTHER SERVICES RENDERED

Description	2017-2018	2016-2017
	KShs	KShs
Hire of Hall	455,800	666,200
Corner Restaurant	19,569,056	24,239,528
Carpentry and Joinery	123,000	-----
Clothing P. Unit	1,191,181	-----
Mombasa County Government	5,143,195	-----
Secretarial Training Workshop	120,000	-----
KCNP Hostel	3,159,800	1,763,480
Hire of Field	-----	530,700
Total revenue from other services rendered	29,762,032	27,199,908

8. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2017-2018	2016-2017
	KShs	KShs
Swimming Pool	890,000	600,000
KCNP House Rent	113,500	113,500
KCNP Mini shops	120,000	300,500
Total rentals	1,123,500	1,014,000

9. OTHER INCOME

Description	2017-2018	2016-2017
	KShs	KShs
Production Unit	-----	1,172,298
Transcript/Supplementary	11,300	8,100
Certificate replacement	1,510	-----
Show and Exhibitions	405,550	-----
Tender	267,000	19,000
Library charges	88,507	5,520
Hire of Equipment	189,650	61,000
Miscellaneous revenue	88,650	121,372
Mentoring fund	600,000	2,385,828
Excursion	5,750	4,500
KUCCPS Registration	-----	30,900
Food and Beverage Training	-----	109,261
Fixed Deposit Interest	3,525,578	6,641,310
Marketing and Graduation	-----	124,080
Total other income	5,183,495	10,683,169

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE COSTS

	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	28,725,564	20,391,512
Employee related costs-contributions to pensions and medical aids	355,812	388,063
Commuting allowances	521,400	564,850
Housing benefits and allowances	3,080,400	3,337,100
Provision for retirement benefit	3,000,000	2,000,000
Employee costs	35,683,176	26,681,525

11. REMUNERATION OF COUNCIL MEMBERS

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	-----	-----
Council emoluments	-----	-----
Sitting and Transport allowances	4,040,362	2,841,000
Total Council emoluments	4,040,362	2,841,000

12. DEPRECIATION AND AMORTIZATION EXPENSE(ALSO SEE NOTE 20)

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	32,181,611	31,398,255
Intangible assets	1,878,090	2,072,100
Investment property carried at cost		-----
Total depreciation and amortization	34,059,701	33,470,355

13. REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Buildings-Property	12,405,952	8,100,337
Equipment and machinery	2,231,633	3,035,163
Vehicles	784,822	860,043
Furniture and fittings	399,020	561,223
Computers and accessories	1,186,040	207,337
Other	4,372,223	4,107,292
Total repairs and maintenance	21,379,690	16,871,395

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Transport Travelling and Subsistence	9,841,909	10,800,966
Marketing and Graduation	7,010,059	7,982,714
Insurance	2,354,866	1,672,511
Legal expenses	40,000	58,000
Staff Capacity Building	2,320,000	4,669,558
Consumables	14,975,701	16,414,813
Staff and Students activity	4,828,852	4,699,768
Provision of Audit fee	600,000	600,000
Provision of bad debt-Robert Wangila 100%	-----	4,159,310
Provision of Bad debt 20% of 28,845,981	5,769,196	4,807,758
Total general expenses	47,740,583	55,865,398

15. OPERATING EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
College Identity Card	-----	331,356
Contingencies Expenses	9,837,445	10,682,304
Attachment	1,430,075	513,000
Corner restaurant	22,225,633	16,412,578
Part Time expenses	34,459,061	33,751,758
Education tour	584,900	380,923
Production Unit	263,220	2,725,553
Planning and Policy Development	893,790	3,436,129
Mentoring Expenses	499,135	1,773,379
Internal committee allowance	2,106,529	559,200
Corporate Social Responsibility	1,379,385	10,000
Total operating expenses	73,679,173	70,576,180

16. USE OF GOODS AND SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Internet services	2,837,161	2,380,683
Water and Electricity	4,409,780	6,711,075
KCNP Hostel	2,000,653	411,600
Security costs	2,262,690	3,207,640
Total use of goods and services	11,510,284	12,710,998

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs	KShs
Current account	23,997,535	161,118,809
Fixed Deposit account	150,000,000	
Others- Savings account and Cash in hand	4,091,622	2,892,162
Total cash and cash equivalents	178,089,157	164,010,971

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

Financial institution	Account number	2017-2018	2016-2017
		KShs	
a) Current account			
Kenya Commercial bank			
Main Account- A/C 1	1106525027	(11,870,092)	122,441,079
College Fund Account – A/C 2	1106525183	2,739,797	736,539
Production Unit- A/C 3	1106525051	30,862,615	9,301,654
Lamu West (Mpeketoni) TTI	1106496795	1,220,882	106,714
Weru TTI	1160509670	233,334	3,358,113
Lamu East TTI	1160509964	384,335	3,102,105
Kaloleni TTI	1160510067	375,962	1,896,357
Ahmed Shahame TTI	1160509506	50,702	20,176,248
		23,997,535	161,118,809
b) Others(specify)			
Savings Accounts			
Kenya Commercial bank			
Reserve Fund	1104912325	1,985,126	1,505,037
Capital Development	1104913992	1,073,847	652,864
Caution Money	1104950367	522,537	280,264
		3,581,510	2,438,165
c) Fixed Deposit Account		150,000,000	-----
d) Cash in hand		510,112	453,997
Grand total		178,089,157	164,010,971

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Current receivables		
Student debtors	22,953,897	20,351,915
Other exchange debtors-	748,889	748,889
Advances	378,900	186,210
Pocket Money	-----	18,000
CDF Bursary	-----	24,380
Staff Debtor- Robert wangila	4,159,310	4,159,310
GUS Training MSA County Gervament	5,143,195	
Weru TTI Operations	2,625,535	
Ahmed Shahame Operations	3,007,601	
Dishonoured Cheque	100,000	
NYS Students Fund	8,034,182	
Total current receivables	47,151,509	25,488,705

19. INVENTORIES

Description	2017-2018	2016-2017
	KShs	KShs
Food and Beverage Training stores	18,280	20,640
Corner restaurant stores	272,297	562,313
Main Store	327,644	-----
Total inventories	618,221	582,953

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. PROPERTY, PLANT AND EQUIPMENT

Cost	Land		Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Other Assets S. Pool		Plant and equipment		Capital Work in progress		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 June 2016	1,072,835,948		271,047,838		7,210,469		12,050,928		12,224,200		4,310,991		137,756,360					1,517,436,734
Additions	-----		34,389,991		-----		2,887,486		373,230		755,605		3,953,096					72,423,920
Depreciation	-----		6,108,760		1,802,617		1,867,302		3,779,229		126,665		17,713,682					31,398,255
At 30 th June 2017	1,072,835,948		299,329,069		5,407,852		13,071,112		8,818,201		4,939,931		123,995,774					1,558,462,399
Work in progress			30,064,512															
Additions			89,741,731		-----		8,291,638		3,083,680		-----		4,664,516					
Depreciation			8,382,706		1,351,963		2,670,344		3,570,564		123,498		16,082,536					
At 30 June 2018	1,072,835,948		410,752,606		4,055,889		18,692,406		8,331,317		4,816,433		112,577,754					1,632,062,353

Work in Progress

This is Class room block extension which at the end of fiscal period it had not been completed.

Depreciation on property, plant and equipment is recognized in the income statement on a cost reduction basis to write down the cost of each asset.

Building	2%
Swimming Pool	2.5%
Plant and Equipment	12.5%
Motor Vehicles	25%
Computers and Other Electronics	30%
Furniture and Fittings	12.5%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. INTANGIBLE ASSETS- SOFTWARE

Description	2017-2018	2016-2017
	KShs	KShs
Cost		
At beginning of the year 1 July 2017	4,834,900	2,827,000
Additions	1,425,400	4,080,000
Amortization 30%	1,878,090	2,072,100
At end of the year 30 June 2018	4,382,210	4,834,900

22. MENTORED INSTITUTIONS PROJECTS/WORKS

	Ahmed Shahame TTI	Weru TTI	Lamu East TTI	Lamu West TTI	Kaloleni TTI	Likoni TTI	Total
Cost		Shs	Shs	Shs	Shs	Shs	Shs
At 1 June 2016	58,943,101	42,122,695	34,957,061	12,543,287	17,172,341	10,553,020	176,291,505
Additional certificates	8,816,168	9,292,537	20,393,127	26,529,083	29,267,107	30,749,617	125,047,639
At 30 th June 2017	67,759,269	51,415,232	55,350,188	39,072,370	46,439,448	41,302,637	301,339,144
Additional certificates	-----	-----	-----	8,624,966	-----	-----	8,624,966
At 30 th June 2018	67,759,269	51,415,232	55,350,188	47,697,336	46,439,448	41,302,637	309,964,110

23. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Suppliers	10,998,360	10,128,405
Student union Fund	84,176	14,068
Pocket Money	8,290	21,290
NYS Students Fund	-----	490,190
Soma Sacco ltd	22,077	-----
CDF/HELP Bursary	1,266,736	2,350,543
Provision of Audit fee	1,200,000	600,000
Provision of Bad debt	10,576,954	4,807,758
Provision of bad debt- Robert Wangila	4,159,310	4,159,310
Examination	13,095,376	16,345,720
Caution Money	5,594,815	4,160,390
Retentions for Construction works- Mentored	20,707,916	24,324,847
Prepaid Fees	30,117,193	14,970,214
Mentored Institutions grants	19,131,991	2,615,875
Total trade and other payables	116,963,194	84,988,610

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. MENTORED INSTITUTIONS GRANTS

Cost	Ahmed Shahame TTI	Weru TTI	Lamu East TTI	Lamu West TTI	Kaloleni TTI	Likoni TTI	Total
		Shs	Shs	Shs	Shs	Shs	Shs
At 1 June 2016	48,291,819	41,644,485	45,392,523	39,700,000	36,702,488	10,000,000	221,731,315
Grants received from MOHEST	3,902,760	-----	4,366,327	-----	2,832,792	21,121,825	32,223,704
Grants received from NG-CDF	10,000,000	10,000,000	10,000,000	-----	10,000,000	10,000,000	50,000,000
At 30 th June 2017	62,194,579	51,644,485	59,758,850	39,700,000	49,535,280	41,121,825	303,955,019
Grants received from MOHEST	-----	-----	-----	15,141,082	-----	10,000,000	25,141,082
At 30 th June 2018	62,194,579	51,644,485	59,758,850	54,841,082	49,535,280	51,121,825	329,096,101
Payable/Mentored Institution note no. 23							
Total grants based on certificates							(19,131,991)
							309,964,110

25. RESERVE

Description	2017-2018	2016-2017
	KShs	KShs
Balance b/f 1/7/2017	4,176,104	
Retirement Provision		
Balance b/f 1/6/2016		3,000,000
Add provision for the period	3,000,000	2,000,000
Less Payments	(1,392,809)	
	1,607,191	
Development Fund		
Balance b/f 1/6/2016		14,293,583
Add receipt for the period	13,951,903	6,471,731
Medical laatory repair adjustment	1,647,793	
	15,599,696	20,765,314
Less Payments		
Swimming pool renovation		(755,605)
Hostel renovation		(6,541,379)
Chandaria hall perimeter wall		(1,662,500)
Applied science block repair		(1,490,712)
Food and beverage Toilet		(1,294,903)
Medical laboratory repair		(2,545,226)
College perimeter wall		(7,298,885)
Cafeteria phase two	(14,700,000)	
Total reserve	6,682,991	4,176,104

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. ACCUMULATED SURPLUS

Description	2017-2018	2016-2017
	KShs	KShs
Balance b/f 1/7/2017	97,748,519	77,236,487
Surplus for the period	33,743,146	20,512,032
Total Accumulated surplus	131,491,665	97,748,519

27. CAPITAL FUND

Description	2017-2018	2016-2017
	KShs	KShs
Balance b/f 1/7/2017	1,566,466,695	1,544,682,962
Development grant		
Balance b/f 1/6/2016		15,323,105
Add receipt for the period	7,165,000	15,132,296
Adjustment in the period		-----
Cafeteria block phase two	29,460,000	-----
Medical Laboratory block	4,073,905	-----
		30,455,401
Less Payments		
CCTV installation		(2,250,784)
Chandaria hall audio installation		(542,445)
Cafeteria phase one block		(7,056,766)
Chandaria hall Renovation		(5,728,673)
Intangible assets		
MIS software b/f		2,827,000
ABNO system software		4,080,000
Total Capital fund	1,607,165,600	1,566,466,695

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	20xx-20xx	20xx-20xx
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-----	-----	-----	-----	-----
Non-current benefit obligation	-----	-----	-----	-----	-----
Total employee benefits obligation	-----	-----	-----	-----	-----

The Polytechnic has not started operating defined benefit scheme for full-time employees.

	2016-2017
	KShs
Valuation at the beginning of the year	-----
Changes in valuation during the year	-----
Valuation at end of the year	-----

The Polytechnic contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1080 per employee per month.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Chief Principal/ Secretary to the Council

Date.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	NONE						
2	NONE						
3	NONE						

**KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

APPENDIX VI: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Mentored Inst. grants	Receivables	Others - must be specific	
Ministry of Education	13/10/2017	Recurrent	12,562,500	12,562,500					
Ministry of Education	06/06/2018	Development	7,165,000		7,165,000				
Ministry of Education	04/12/2017	Recurrent	12,562,500	12,562,500					
Ministry of Education	27/03/2018	Recurrent	12,562,500	12,562,500					
Ministry of Education	25/04/2018	Recurrent	12,562,500	12,562,500					
Ministry of Education		Ahmed TTI							
Ministry of Education		Weru TTI							
Ministry of Education		Lame East TTI							
Ministry of Education		Lamu West TTI	15,141,082			15,141,082			
Ministry of Education		Kaloleni TTI							
Ministry of Education		Likoni TTI	10,000,000			10,000,000			
Total			82,556,082	50,250,000	7,165,000	25,141,082			