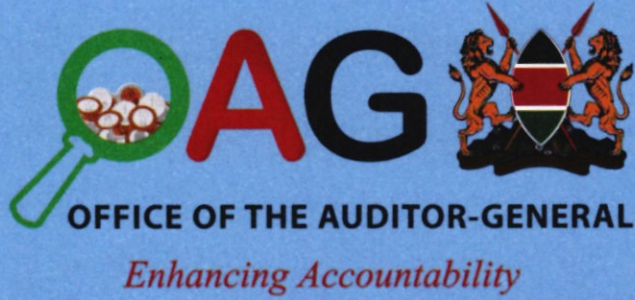


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 12 JUN 2024 Wednesday

TABLED BY: Deputy Majority Party
BY: Miniam modu

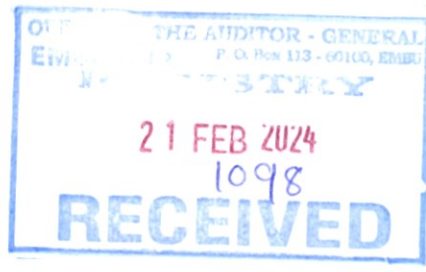
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ON

MERU NATIONAL POLYTECHNIC

FOR THE YEAR ENDED 30 JUNE, 2023



MERU NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE 2023

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

Table of Contents

1.	Acronyms & Glossary of Terms.....	ii
2.	Key entity information and Management	iii
3.	The Council/Board of Governors	vii
4.	Management Team	ix
5.	Chairperson's Statement	x
6.	Report of the Principal	xi
7.	Statement of Performance against Predetermined Objectives	xii
8.	Corporate Governance Statement	xiv
9.	Management Discussion and Analysis	xvi
10.	Environmental and Sustainability Reporting Statement	xvi
11.	Report of the Council/Board of Governors	xviii
12.	Statement of Board of Governors/ Council's Responsibilities	xix
13.	Report of the Independent Auditor.....	xxi
14.	Statement of Financial Performance For The Year Ended 30 June 2023	1
15.	Statement of Financial Position as at 30th June 2023	2
16.	Statement of Changes in Net Asset For The Year Ended 30 June 2023.....	3
17.	Statement of Cash Flows For The Year Ended 30 June 2023.....	4
18.	Statement of Comparison of Budget & Actual amounts For Year Ended 30 June 2023	5
19.	Notes to the Financial Statements	7
20.	Appendices	43

1. Acronyms & Glossary of Terms

BOG	Board of Governors
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
TTI	Technical Training Institute
TTC	Teacher Training College
TVC	Technical Vocational College
Fiduciary Management	Key management personnel who have financial responsibility in the Meru National Polytechnic

2. Key entity information and Management

(a) Background information

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

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

(b) Principal Activities

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

Mission

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

Vision

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

(c) Key Management

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

- Council
- The chief principal- Mr. Mutembei Kigige
- Deputy principal-administration and finance- Mrs. Mercy K.Kirimi
- Deputy principal-academic affairs- Mr. Joseph W.Ng'ang'a
- Dean of students- Mrs. Hellen Gichovi
- Registrar-administration and finance- Mr. Douglas K.Mwiandi
- Registrar-academic affairs- Dr.Joshua Mbijiwe

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Principal	Mr. Mutembei A. Kigige
2.	Deputy Principal (Admin & Finance)	Mrs. Mercy K.Kirimi
3.	Deputy Principal (Academic Affairs)	Mr. Joseph W.Ng'ang'a
4.	Dean of Students	Mrs. Hellen Gichovi
5.	Registrar (Admin & Finance)	Mr. Douglas K.Mwiandi
6	Registrar (Academic Affairs)	Dr.Joshua Mbijiwe

(e) **Fiduciary Oversight Arrangements**

Provided in two tiers;

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

Committee	Members
Audit & Risk Management Committee	1. Chairperson – Suleyman Boru Dida 2. Member – Jenu John 3. Member – The National Treasury Representative.
Finance, Infrastructure & Human Resource Committee	1. Chairperson – Susan Mwebia 2. Member-Eng. Calista Gitobu 3. Member – Andelina M Muthuri 4. Member-Irene Serina Kaparo
Education, Research & Training Committee	1. Chairperson – Jenu John 2. Member – Irene Serina Kaparo 3. Member - Susan Mwebia 4. Member – Eng. Calista Gitobu

(f) Headquarters

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

(g) Meru National Polytechnic Contacts

Telephone (254)0793937581
E-mail: info@merunationalpolytechnic.ac.ke
Website: www.merunationalpolytechnic.ac.ke

(h) Meru National Polytechnic Bankers

1. Cooperative Bank of Kenya,
P.O. Box 1328,
Meru-Makutano, Kenya.
2. Kenya Commercial Bank
P.O Box 2755-60200,
Meru – Makutano, Kenya.
3. Equity Bank Ltd
P.O Box 75104,
Meru – Makutano, Kenya.

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023





(i) Independent Auditors




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

(j) Principal Legal Advisor







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

3. The Council/Board of Governors

NAME	PASSPORT	DATE OF BIRTH	QUALIFICATIONS	EXPERIENCE
1.	 ANTHONY GITAMBU COUNCIL CHAIRPERSON	1951	Ph.D Entrepreneurship Education	Served many years in both private and public sector in managerial and executive positions.
2.	 SUSAN MWEBIA COUNCIL MEMBER	1955	Bachelors of Business Administration, Accounting & Finance	Served Many years in the public sector in various capacities including Deputy Principal administration & Finance
3.	 JENU JOHN COUNCIL MEMBER		Ph.D Strategic Information Systems	Director in rhe directorate of virtual and blended learning- KEMU
4.	 ENG.CALLISTA GITOBU COUNCIL MEMBER	1954	Masters in Education Administration	Former Chief Principal, Member of Council Nyeri Polytechnic, Member of Board of Directors of KUCCPS with over 10 years of experience in academic & administration in public sector

5.	 IRENE SERINA KAPARO COUNCIL MEMBER		Master of Project Management	Served as a program manager in various organisations
6.	 SULEYMAN BORU DIDA COUNCIL MEMBER	1993	Bachelor of Commerce Supplies & Procurement Management.	Registration & Compliance officer at NCA
7.	 ANDERSON MUTEMBEI CHIEF PRINCIPAL/COUNCIL SECRETARY	1967	M.Sc. (Business administration finance option)	Served for many years in the public administration position.

4. Management Team

	Manager	Area of responsibility
1.	 <p>Mr Anderson Mutembei M.Sc. (Business administration finance option)</p>	Chief Principal.
2.	 <p>Mrs. Mercy K. Kirima M.sc(Guidance & Counseling)</p>	Deputy Principal (Admin & Finance)
3.	 <p>Mr. Joseph W. Ng'ang'a M.Sc. (Agricultural Entomology)</p>	Deputy Principal (Academic Affairs)
4.	 <p>Mrs. Hellen Isoka (B.Ed)</p>	Dean of students
5.	 <p>Mr Douglas Kimathi (B Ed.)</p>	Registrar (Admin & Finance)
6.	 <p>Dr. Joshua M. Mbijiwe (Ph.D Educational mgt)</p>	Registrar (Academic Affairs)

5. Chairperson's Statement

It is my great honour to present the annual report of Meru National Polytechnic for the period ended 30th June, 2023. During the year under review Meru National Polytechnic recorded remarkable improvement in its financial and operational performance owing to the coordinated effort of all the key players.

Key activities during the financial year under review:

The following are the key activities that took place during the FY 2022/2023:

Achievements

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

1. Successful mentorship of new TVET institutions to enhance their training capacity.
2. Successful implementation of competency-based education through collaboration with relevant industries.
3. Improved governance and quality through maintenance of accrual financial reporting system and relevant ISO certification
4. Implementation of the 'big 4' agenda as a centre of excellence in construction technology and agricultural technology.
5. Construction of EASTRIP project and New administration and E-Resource Centre.

Key challenge

The major challenge that Meru National Polytechnic has faced during the FY2022-2023 is untimely release of financial resources to develop required infrastructure. Of key concern is the inadequate budgetary allocation due to non-disbursement of recurrent grants and inadequate development grants thus inadequate infrastructure.

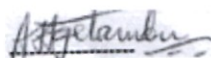
Failure to disburse capitation adequately by the Ministry of Education

Future outlook

Kenya government has set a clear objective towards achievement of the 'big 4' agenda especially in manufacturing. For example, in Meru National Polytechnic technical courses such as plumbing, electrical installations, building technology; electronics and beauty therapy have gained popularity.

The Higher Education Loans Board is currently providing loans and bursaries to students in technical institutes which has led to massive enrolment of students, and is expected to grow exponentially.

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



Anthony Njagi Gitambu

Chairman Polytechnic Council

6. Report of the Principal

It is my pleasure to present the Annual Report and Financial Statements of Meru National Polytechnic for the financial year ended 30th June, 2023

NON-FINANCIAL INFORMATION

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

- I. New administration and E-resource centre block
- II. CCTV Phase II
- III. Additional vehicle for the driving school
- IV. Progress in achievement of EASTRIP Project objectives.

Key challenges

There has been an inadequate financial resource to develop the requisite infrastructure. The budgetary allocation through recurrent grant by the National Government has not been forthcoming. There has also been unexpected reduction of the development grants leading to interruption of work schedules and even delays in projects completion.

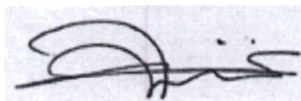
To tackle the problem of small budgetary allocations, the polytechnic has invested in income generating projects in order to supplement funds from the Government of Kenya

Appreciation

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

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

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



Mutembei A Kigige

Chief Principal

7. Statement of Performance against Predetermined Objectives

REVENUES

The funds were received as under: -

Capitation	Ksh98,460,000.00
Mentored institutions	Ksh1,500,000.00

The final approved budget for the year under review was Kshs 901,914,700

Fees was Budget estimate was at ksh519,594,200 but the actual collected amounted to Ksh419,471,108.28 the variance being Ksh 100,123,091.72

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Meru National Polytechnic has six strategic pillars and objectives within its Strategic Plan for the FY 2022/2023 these strategic pillars are as follows:

1. Provision of market driven programs
2. Strengthening the polytechnic financial management systems
3. Upgrading training equipment and physical infrastructure
4. Enhancing a strong and good image of the polytechnic
5. Strengthening the enhanced quality management and information communication technology systems.
6. Increasing collaboration with strategic partners.

Meru National Polytechnic develops its annual work plans based on the above six pillars. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Meru National Polytechnic achieved its performance targets set for the FY 2022/2023 period for its six strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	To provide high quality market driven academic programs.	Developed & approved market driven courses	Introduction of industry need based courses	Competent graduates

Pillar 2:	To strengthen polytechnic financial management systems	Timely & effective financial statements and reports	Acquisition of relevant management information systems	Financial control and compliance with reporting requirements.
Pillar 3:	To upgrade training equipment & polytechnic physical infrastructure	Developed new demonstration farm Shed & newly constructed classrooms	Expansion & renovation of physical infrastructure	Efficient training equipment & increased access to TVET training.
Pillar 4:	To enhance a strong & distinct image of the polytechnic	Prevalence of the best practices in the polytechnic operations	Benchmarking with the best institutions	Adoption of the best practices for seamless operations.
Pillar 5:	To strengthen the enhanced quality management system & enhanced information communication technology (ICT) integration	Ease flow of relevant information	Acquisition of relevant systems & technology	ISO certification & QMS operational manuals
Pillar 6:	To increase collaboration with partners	Developed & operationalization of industrial liaison board	Linking up with industries & developing academic programs based on industry need	Increased on-job trainings

8. Corporate Governance Statement

Introduction

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

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

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

- (ii) **Appointment**

Positions of the council that served during the year under review were advertised, and appointments done by the cabinet secretary, ministry of Education.

Induction and capacity building for council members:

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

- (iii) **Succession plan**

To ensure smooth transition of the polytechnic council, the TVET Act provides that the Cabinet Secretary shall stagger the commencement dates of some members to maintain a proportion of new membership that ensures continuity in the service of the council.

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

Dates of polytechnic council meetings in the ensuing year are decided in advance and scheduled in a work plan. The council holds its regular meetings on need basis to transact planned business

of the polytechnic. However, special meetings of the council may be called when there is business to transact. During the financial year 2022-2023, the council held 2 meetings. Members of the council receive adequate notice and detailed documents on issues to be discussed in good time, to enable them to prepare for the meetings.

(i) Conflict of interest

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

(ii) Remuneration of Meru National Polytechnic Council

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

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

(iii) Ethical standards

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

Meru National Polytechnic regularly conducts integrity awareness, training, corruption risk assessments and enforcement of corruption prevention measures.

The management has established mechanisms for receiving complaints and making follow up on allegations and reported cases of unethical conduct by conducting an objective analysis and taking appropriate actions to control and discourage unethical behaviour. Meru National Polytechnic collaborates with Ethics & Anti-Corruption Commission to entrench a culture of ethics and integrity at the polytechnic.

9. Management Discussion and Analysis

Major risks

Some of the major external risks which may impede the polytechnic in its quest towards a sustainable learning environment and operationalization include:

	Risk	Impact	Mitigation action
1.	Claw back of development funds	Insufficient funds, for infrastructural development hence strained capacity and delayed projects.	Liaison with Ministry to facilitate projects. Funds injections from Income generating projects.

10. Environmental and Sustainability Reporting Statement

Meru National Polytechnic exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on six pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

Sustainability strategy and profile

Meru National Polytechnic has instituted income generating projects to enhance sustainability of the institutional financial requirements as well as complementing training capacity to the students and other stakeholders.

Meru National Polytechnic has continually reviewed its programs to focus on requirements of the labour market and partnered with industries in implementing competency-based training curriculum.

Environmental performance

Meru National Polytechnic has a fully-fledged gardening and environmental department that implements our environmental policy geared towards environmental protection and sustainability.

The polytechnic has planted some indigenous trees, and students participate in environmental conservation programs.

The students have been sensitised on keeping the environment clean and the polytechnic has installed disposal waste bins at various points to avoid pollution.

Meru National Polytechnic has adopted a human resource policy which underpins one of the strategic plan pillars on attracting and retaining competent and qualified staff. Further, it guides on the hiring process, gender ratio, and stakeholders' engagement. The polytechnic engages employees in capacity building programs to enhance employee skills. Meru National Polytechnic has in place Occupational Safety and Health Policy in conformity to OSHA Act of 2007.

Market place practices-

Meru National Polytechnic has put in place deliverables to ensure proper market place practices which are outlined as follows:

- a) Responsible competition practice.
The polytechnic is non-partisan and adheres to the set legislation namely PPADA Act 2015, Ethics & Anti-corruption Act 2011 through implementation of the set practices which include regular prequalification of suppliers and regular oversight and training by the Meru National Polytechnic anti-corruption committee.
- b) Responsible Supply chain and supplier relations
Meru National Polytechnic is committed to an operational service charter developed and certified through the quality management system (QMS) and has installed numerous suggestion boxes for follow up on customer feedback to ascertain the degree of satisfaction.
- c) Responsible marketing and advertisement
Meru National Polytechnic advertises based on approved budget through approved government agencies.
- d) Product stewardship
The polytechnic offers courses that are accredited by Technical and Vocational Education Training Authority (TVETA). Further, Meru National Polytechnic has a fully-fledged quality assurance department mandated to ensuring quality delivery in all our programs.

Corporate Social Responsibility / Community Engagements

Meru National Polytechnic undertakes sensitizing the community members on importance of embracing progressive practices, and on dangers of alcohol and drug abuse. Further, the polytechnic every year sets aside a kitty for corporate social responsibility in the budget. This goes a long way in providing foodstuffs, from time to time, to identified children homes or poverty-stricken families in the community. MNP, also creates awareness in the community for the need of female members of the society in the technical courses. The polytechnic has also constructed and keeps on maintaining bus stop waiting shed next to the main gate. Besides, MNP coordinates testing of BMI, cancer screening & awareness, blood sugar, blood pressure, VCT and sensitization on HIV & non-communicable diseases, stress management and mental health to students, staff and their family members on a quarterly basis.

MNP recognizes trade union and members of staff are free to join any union of their choice. On sports, the polytechnic has various teams which seek for friendly match with neighbouring schools, universities and colleges as and when necessary.

11. Report of the Council/Board of Governors

The Council members submit their report together with the financial statements for the year ended June 30, 2023 which show the state of the Meru National Polytechnic affairs.

Principal activities

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

Results

The results of the Meru National Polytechnic for the year ended June 30, 2023 are set out on page 26-60

Council/Board of Governors

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

Auditors

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

By Order of the Meru National Polytechnic Council

By Order of the Board



Secretary of the Council

12. Statement of Board of Governors/ Council's Responsibilities

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

The Council members are responsible for the preparation and presentation of the Meru National Polytechnic's financial statements, which give a true and fair view of the state of affairs of the Meru National Polytechnic for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Meru National Polytechnic, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the Meru National Polytechnic, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the Meru National Polytechnic's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act, and the TVET Act). The council members are of the opinion that the Meru National Polytechnic's financial statements give a true and fair view of the state of Meru National Polytechnic's transactions during the financial year ended June 30, 2023, and of the Meru National Polytechnic's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the Meru National Polytechnic, which have been relied upon in the preparation of the Meru National Polytechnic's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Principal has assessed the Meru National Polytechnic's ability to continue as a going concern. Nothing has come to the attention of the Council members

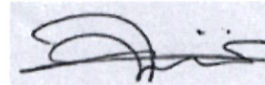
to indicate that the Meru National Polytechnic will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Meru National Polytechnic's financial statements were approved by the Board on 27/09/2023 and signed on its behalf by:

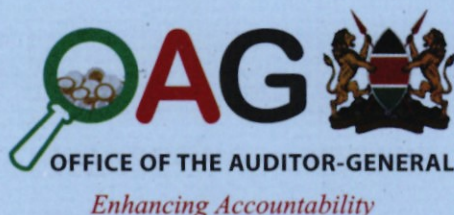


Name: Anthony Njagi Getambu
Chairperson of the Council



Name: Mutembei A. Kigige
Accounting Officer/Principal

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON MERU NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Meru National Polytechnic set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Meru National Polytechnic as at 30 June, 2023, 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 Public Finance Management Act, 2012 and the Meru National Polytechnic Order, 2016.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1 Statement of Financial Position

1.1.1 Non-Disclosure of Library Books

The statement of financial position reflects a balance of Kshs.3,922,789,874 in respect to total assets which excludes unknown value of library books. Further, the Polytechnic does not have a policy guideline on the recognition, measurement and disclosure of library books in the financial statements.

1.1.2 Non-Disclosure of the Untitled and Unvalued Land

The statement of financial position reflects property, plant and equipment balance of Kshs.3,121,128,974 which includes land valued at Kshs.1,365,000,000 as disclosed in Note 31 to the financial statements. The value of land of Kshs.1,365,000,000 however, excludes unvalued and untitled land measuring 5.933 hectares adjacent to the Polytechnic.

1.1.3 Unreconciled Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.403,632,707 which is at variance with the recalculated cash and cash equivalents balance of Kshs.486,574,124 resulting to an unreconciled variance of Kshs.82,941,417.

1.1.4 Inaccurate Current Portion of Receivables from Exchange Transactions

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.393,100,909 being an increase by Kshs.59,669,911 or 18% from Kshs.333,430,998 reported in the previous year.

During the current year under review, the statement of financial performance reflects total revenue balance of Kshs.451,026,743 while the statement of cashflows reflects actual revenue received balance of Kshs.550,986,743 resulting to an excess revenue collection by Kshs.99,960,000 which should have led to a decrease in receivables balance at the

end of the financial year. However, as analyzed above the receivable balance increase by 18% resulting to an unexplained variance of Kshs.159,629,911.

1.1.5 Omission of Retention Monies in the Financial Statements

As disclosed in Note 36 to the financial statements, the statement of financial position reflects a balance of Kshs.9,120,380 being refundable deposits from customers. This amount excludes amounts of Kshs.8,903,355 and Kshs.2,546,350 being retention monies owed to two contractors relating to the construction of the Administration Block at the Institution and Saku Technical and Vocational College, TVC.

1.2 Statement of Financial Performance

1.2.1 Unreconciled Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions balance of Kshs.451,026,743 which includes rendering of services of Kshs.419,471,108. However, the amount of Kshs.419,471,108 is at variance with rendering of services amount of Kshs.427,210,253 reflected in the financial statements for State Department of Vocational Training resulting to an unreconciled variance of Kshs.7,739,145. Further, the revenue balance of Kshs.419,471,108 was not supported with student data on termly enrollment versus actual students who reported in each session. Details of students on industrial attachments, long-holidays, deferments and class attendance registers were also not provided.

Further, the amount of Kshs.419,471,108 decreased from Kshs.479,289,111 from the previous year by Kshs.59,818,003 or 12% whose explanation was not provided.

1.2.2 Unreconciled Revenue from Non-Exchange Transactions

The statement of financial performance reflects transfers from other National Government entities balance of Kshs.99,960,000 which comprise an amount of Kshs.98,460,000 and Kshs.1,500,000 in respect to capitation grants and other mentorship Technical Training Institutes' Grants which is at variance with grants reflected in the financial statements for the State Department of Vocational Training totalling Kshs.105,460,000 comprising of Kshs.98,460,000 and Kshs.7,000,000 in respect to Recurrent and Development Funds respectively. This resulted to unreconciled variance of Kshs.5,500,000.

1.3 Statement of Cash flows

1.3.1 Inaccuracies in the Decrease in Payables Balance

The statement of cash flow reflects Kshs.24,161,457 as decrease in payables. Included in this amount is Kshs.600,000 in respect to Audit fees which was not paid during the year thereby understating the cash and cash equivalents with the same amount. Further, included in the decrease in payables balance of Kshs.24,161,457 is an amount of Kshs.15,414,688 representing previous years unearned fees earned during the year which did not have any effect on the cash outflow as reported. As a result, cash and cash equivalents is understated by the same amount.

1.3.2 Unsupported Cancellation of Accounting Records

Review of the Polytechnic's cash books revealed that there were cancelled receipts and payments amounting to Kshs.97,662,334 and Kshs.250,880 respectively which were not supported with journal entries and necessary documentation and approvals.

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

2. Unsupported Transactions

2.1 Unsupported Examination Fees

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects an amount of Kshs.303,810,711 in respect to use of goods and services which include a balance of Kshs.65,317,970 paid as examination fee. However, supporting schedules showing the name of the student, course, type of exams and the rate were not provided. Further, review of the financial statements and relevant mandatory information revealed that Management did not include the number of students enrolled at the Polytechnic in the preliminary information as required by the Public Sector Accounting Standards Board template. Further, the information in respect to the students under Kenya University and Colleges Central Placement Service and the Private placements were not provided for audit review.

2.2 Unsupported Expenditure on Construction of Baby Care

The statement of financial performance and Note 19 to the financial statements reflects an expenditure of Kshs.16,056,061 under repairs and maintenance which further includes a balance of Kshs.3,405,671 in respect to construction of a baby care Centre. However, the payment vouchers were not supported by contract documents, Bills of Quantities (BQs), invoices and certificates of work done to confirm that the funds were utilized prudently and for the intended purposes. Further, the Inspection and Acceptance Committee Report indicated that only one of the committee members appointed by the Accounting Officer vide appointment letter dated 24 April, 2023 was involved in the inspection, instead, the head of procurement and one of the accountants.

2.3 Unsupported Board Expenses

As disclosed in Note 17 to the financial statements, the statement of financial performance reflects Board/Council expenses amount of Kshs.8,284,458. Examination of the documents provided for audit review revealed that the Board Members were paid allowances for meetings that never took place. There was only one attendance register together with minutes for one full council meeting provided for audit. As a result, it was not possible to confirm the number of meetings held during the year and the attendance to the meeting. Further, it was reported in the financial statements that there were only two meetings conducted during the year.

2.4 Unsupported Trade and Other Payables

As disclosed in Note 35 to the financial statement the statement of financial position reflects trade and other payables balance of Kshs.10,819,166 as at 30 June, 2023.

Included in the balance is an amount of Kshs.2,563,500 being fees paid in advance whose ledgers showing name, date, amount and admission number of the students were not provided for audit review.

2.5 Unsupported Caution Money

The statement of financial position and as disclosed in Note 36 to the financial statements reflects an amount of Kshs.9,120,380 in respect to refundable deposits from customers/students which includes an amount of Kshs.759,961 in respect to caution money. However, current list of the outstanding caution money amounts which should be refunded to the already graduated students and an analysis of the overdue refundable amounts for the previous years was not provided for audit review. In addition, Meru National Polytechnic ought to explore how to surrender the unclaimed caution money to the rightful owners and surrender the outstanding caution money to the Unclaimed Financial Assets Authority (UFAA) any amounts which have not been claimed after a period exceeding two years as provided by the Unclaimed Financial Assets Act, 2011.

In the circumstances, the accuracy and completeness of the caution money could not be confirmed.

3. Employee Costs

The statement of financial performance and Note 16 to the financial statements reflects an amount of Kshs.120,511,807 in respect to employee costs. However, review of records and supporting documents revealed the following unsatisfactory matters:

3.1 Excess Salary Payment

The balance includes an amount of Kshs.1,358,760 paid to an officer who initially has been earning a salary under job group N as a Head of Finance. However, Management noted that the Officer was not qualified for the position and therefore deployed him to head the Security Section under Job Group J which commensurate with his qualifications. However, the officer continued to earn the higher salary of Job Group N instead of Kshs.656,280 under Job group J resulting to excess payment of Kshs.702,480.

3.2 Irregularities in the Payroll

Further, review and data analysis conducted on the payroll however, revealed that there were four (4) employees with duplicate and missing KRA Pin Numbers, seventeen (17) employees with questionable date of birth where some employees are below 18 years while one hundred and forty-three (143) employees with questionable contracts i.e. an employee was issued contract for 33 years hired on 20/11/2020 and the contract to end on 31 October, 2018.

3.3 Unsupported Employee Costs

In addition, the payroll provided lacked payroll deduction codes issued by The National Treasury for all discretionary and non-discretionary deductions and ethnicity. Further, the payroll did not capture the amount of the contributions made by the employer towards the employees.

In the circumstances, the accuracy, regularity and completeness of the employee costs of Kshs.120,511,807 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.901,914,700 and Kshs.550,986,743 respectively resulting to under collection of Kshs.350,927,957 or 39% of the budget. Similarly, the Polytechnic expended Kshs.560,986,743 against an approved budget of Kshs.901,914,700 resulting to an under-expenditure of Kshs.340,927,957 or 38% of the budget.

The under-expenditure affected the planned activities and programs and impacted negatively on service delivery to the public.

My opinion is not modified in respect of 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.

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 the Basis for 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. Failure to Prepare and Provide Project Status Report

Project status report for the works showing projects period, contract sum, the contractor, amount paid and balance, time taken and time remaining, extensions awarded, variations made was not provided for audit review.

In the absence of this report, it was not possible to confirm the projects undertaken by Management and the status.

2. Non-Compliance with the Public Procurement and Asset Disposal Regulations, 2020 - Mentored Institutions

As previously reported, the statement of financial position reflects a balance Kshs.3,121,128,974 in respect to property, plant and equipment which, as disclosed in Note 31 to the financial statements includes work-in-progress additions for the year valued at Kshs.71,442,967. The balance includes an amount of Kshs.33,168,120 being additions of price variations for Saku, Samburu North and Samburu West Technical and Vocational Colleges (TVCs) projects' of Kshs.13,708,623, Kshs.6,626,505 and Kshs.12,832,992 respectively. The variations were not supported with details of extra works and approval by the Accounting Officer contrary to Section 139 of the Public Procurement and Asset Disposal Act, 2012 and Regulation 132(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020 which states that all variations shall be submitted through the Head of a Procurement function to the Accounting Officer for approval.

Further, the projects were advertised and awarded in September, 2015 for a contract period of fifty-two (52) weeks, to be completed by September, 2016. However, review of the records revealed that the Clerk of Works was not engaged to supervise the works. As a result, the materials used, personnel employed at the site, machineries deployed, concrete mix formulae, performance bonds issued, insurances taken and man hours utilized could not be confirmed. Other relevant documents such as title deeds for land, contract agreements, work programs, project drawings, original bid documents for the contractors, monthly meeting minutes, Clerk of works daily log sheets for the works and project material tests results were not provided for audit review. This was contrary to project implementation requirements, Terms of Reference (TOR) from the Ministry of Education. At the time of audit in January, 2024, the three (3) projects were stalled and contractor not on site, seven (7) years after expiry of the contract period

In the circumstances, value for money for the work performed on the three projects could not be confirmed.

3. Proposed Construction of Tuition Block

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.3,121,128,974, which includes an amount of Kshs.71,442,967 in respect to capital work-in-progress additions as disclosed in Note 31 to the financial statements. Further, additions include amount of Kshs.58,163,397 for the construction of tuition block at Meru National Polytechnic awarded to a company at a contract sum of Kshs.89,033,550. However, during the verification of the project conducted in month of January, 2024 the following unsatisfactory matters were noted:

3.1 Variance in Project Plinth Area

The Bills of Quantities had a total plinth area of 809 square metres while the actual measured plinth area was approximately 969 square metres resulting to unexplained

variance of 160 square metres. The reason, approval and cost implications for the work variation were not provided for audit.

3.2 Basement Works Variation

The contractor introduced and constructed basement floor measuring approximately 441 square metres at the site without approval from the Accounting Officer contrary to Section 132(1)(b) of Public Procurement and Asset Disposal Regulations, 2020. The reason, approval and cost implications for the work variation were not provided for audit.

3.3 Slow Work Progress

The project commenced in the month of December, 2021 with a contract period of fifty-two (52) weeks to be completed in the month of December, 2022. At the time of audit in January, 2024, after the lapse of the project completion period, the project was incomplete and the revised completion date and approval for the project extension were not provided for audit.

3.4 Unauthorized Adjustments by Ministry Engineers

Examination of records provided for audit review revealed instances of unexplained/unjustified anomalies which were executed by the Ministry engineers without authority from the Meru National Polytechnic (MNP) as listed below;

- a) Extended Preliminaries - A detailed breakdown on extended preliminaries and authority were not provided to the client by the supervising engineers.
- b) Builders Works to Substructure and Basement - There was unexplained and unapproved additional sum the Bills of Quantities.
- c) Costs of Reinforced Concrete - There were additional costs on the frame and walls on the 1st, 2nd and 3rd floors without approval from the client.
- d) Roof Level Item - A new roof level item which was not in the initial Bills of Quantities was introduced by the engineer and the contractor without prior approval from the client (MNP) on design changes.
- e) Cost of Balustrading - The engineer approved for extra costs on balustrading which surpassed the initial allocation without approval from the client. No explanation, breakdown and justification was provided to the client by the engineer on the cost escalations.
- f) Coping to Wall - Coping to wall item was introduced during construction without justifications for its omission in the initial BQ. No approval was sought by the engineer from the client.
- g) Builders Works to Mechanical and Electrical Works - The supervising engineer did not provide justification and approval for inclusion of mechanical and electrical works to the builders works. These two items were not included in the initial BQ but were approved by the engineer in unclear circumstances.

- h) Project Management Fee - The supervising engineer fully expended the Project Management Fee in unclear circumstances despite the project being 85% complete. Payment of this fee was supposed to tally hand in hand with the project implementation period.
- i) Compensation for Increase in Cost of Materials - An amount of Kshs.8,569,843 was claimed by the contractor as price escalation variation and although it was not paid, the claim was approved by the Ministry engineers as payable. Further, the method used in calculation of the amount and justification was not provided to the client for approval.
- j) Building Doors - There were arithmetical inconsistencies in the summation for the amount payable to the door item in the BQ. No clarification was provided by the supervising engineer to the client on the same.
- k) Site Instructions Records - The project engineer did not provide site instructions book together with the clerks of works daily log sheets. Absence of these documents could have compromised on the construction works approvals, quality and quantity of the works.
- l) Additional Works not in the Contract - Provisional appraisal number one done by the Institution revealed that the project engineer, issued site instructions to the contractor to undertake additional works totalling to Kshs.52,507,363 without the authority and approval of the client.

In the circumstances, value for money for the projects had not been obtained.

4. Irregular Procurement of Training Materials

As disclosed in Note 15 to the financial statements, the statement of financial performance reflects use of goods and services cost totalling Kshs.303,810,711 which includes an amount of Kshs.119,758,972 in respect of training expenses. However, review of payment vouchers totalling Kshs.1,838,153.00 revealed that, although there were evaluations undertaken, the evaluation report and the professional opinions were given by the procurement clerks and not the head of procurement contrary to Regulation 78(2) of the Public Procurement and Asset Disposal Regulations, 2020.

Further, Management paid several transactions through various banks amounting to Kshs.22,297,147 out of which Kshs.19,591,457 was paid through one local commercial bank through sixty (60) transactions. Although Management indicated that the amount was paid to trainers and facilitators, no explanation was provided as why the same was not deposited directly to the beneficiaries' bank accounts. Further, the expenditure was not supported by the back to office reports, attendance schedules and training needs.

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

5. Irregular Composition of Evaluation Committee

Examination of procurement records provided for audit revealed that, tender for the Supply of National Youth Service Training Materials was floated and tender opening done

on 02 June, 2023 and tender evaluation conducted on the same date. However, the Tender Evaluation Committee appointed by the accounting officer consisted of staff from the Procurement Office with the Head of Procurement being the Chairman of the Committee contrary to Regulation 29(1) of Public Procurement and Asset Disposal 2020, Regulations which states that the ad hoc Evaluation Committee established and appointed under Regulation 28 of these Regulations shall consist of —(a) at least three members appointed on rotational basis comprising heads of user departments or their representatives.

Further, the evaluation reports and minutes were signed by only two (2) members contrary to Section 80(7) of The Public Procurement and Asset Disposal Act, 2015, which provides that evaluation reports shall be signed by each member of evaluation committee.

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

6. Inspection and Acceptance Reports not Properly Signed

As disclosed in Note 19 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.16,056,061 under repairs and maintenance which further includes Kshs.13,882,644 and refers to equipment and machinery. However, examination of records and documents provided for audit revealed that the Inspection and Acceptance Reports for the repairs were signed by only two individuals. One of the committee members was not in any of the appointment letters for inspection and acceptance committees.

Further, there was no proof of the repairs having been undertaken by way of pre and post repairs report by the technician detailing out the nature of repairs undertaken or confirmation of works done.

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

7. Irregular Board/Council Meeting

Review of the Board meeting minutes revealed that the Board Members held a meeting on 22 November, 2022 and drew allowances for a meeting which was attended by only three (3) Board Members instead of a minimum four Board Members as stipulated in Chapter 1.8 of Mwongozo the Code of Governance for State Corporation which states that the quorum for Board meeting shall be five members where the total Board Membership is eight to nine and four where the total membership is seven and below.

Further, review of documents including Council Member's personal files revealed that the Council did not have a member who is a financial expert with expertise in financial management or accounting and a member of a professional body that regulates the accounting profession contrary to Section 1.1.6 of Mwongozo (The Code of Governance for State Corporations).

In addition, the Council established three (3) committees namely Finance, Infrastructure and Human Resource Committee, Education Research and Training Committee and Audit and Risk Management Committee. However, the Audit and Risk Management

Committee does not have an expert in finance, even though the Board co-opted the polytechnic auditor in the committee, there was no approval from the oversight body. In addition, the Finance Infrastructure and Human Resource Committee did not have any expert in finance and engineering despite the Board membership having a finance and engineer professionals.

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

8. Lack of Approval of Requisitions

The Institute's Management procured goods and services for different departments amounting to Kshs.166,708,203.32. However, there was no single requisition initiated that was approved the user head of department as stipulated in Regulation 171(1g) of Public Procurement and Asset Disposal, 2020 Regulations which states that the head of the procurement function of a procuring entity shall— ensure that all stores requisitions and issues are approved by the head of the procurement function pursuant to Section 162(4) of the Act.

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

9. Non-Compliance with Ethnicity and Regional Distribution

Review of the master roll revealed that the Polytechnic had a total of 361 employees out of which 188 or 52% were from the dominant ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same community.

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

10. Employees Earnings Below the Statutory Minimum

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs amount of Kshs.120,511,807. Review of the monthly payroll records however, revealed that 5 employees' salary deductions were more than two-thirds ($\frac{2}{3}$) of the basic salary, contrary to Section 19(3) of the Employment Act, 2007 which require that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages. No explanation from Management was provided for the employee earnings below the statutory minimum.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for 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 overall governance were not effective.

Basis for Conclusion

1. Idle Cash Balances

Note 26(a) of the financial statements includes Kshs.403,632,707 in respect to detailed analysis of cash and cash equivalents. During the year under review, the Polytechnic reported two accounts with idle balances. They include Saku Technical Training Institute held in equity Bank with a balance of Kshs.1,154,584 and Moyale Technical Training Institute in Equity Bank with a balance of Kshs.6,266,344.

The unutilized funds have remained constant over the two years and appears idle which could have been invested or used for service delivery in an effective, efficient, economical and transparent manner. Management did not provide satisfactory explanation for the accumulation of the idle cash balances.

In the circumstances, effectiveness of the controls on cash management could not be confirmed.

2. Ineffective Management Information System

As reported earlier, the Meru National Polytechnic migrated its Management Information System to an ERP System in the year 2019. However, it was observed that the system cannot generate any financial statements, ledgers, quarterly reports or budgets. Management has resulted to manual ledgers to produce financial statements manually on excel rendering the MIS system ineffective.

In the circumstances, the reliability of the system could not be confirmed.

3. Lack of Optimal Staffing Levels

The optimal staffing levels of Meru National Polytechnic as per the Strategic and Sustainability Plan 2022-2027 - Part 4.0 on Staff Establishment was five hundred and three (503) comprising of three hundred and five (305) academic staff and one hundred and ninety-eight (198) non-academic staff. However only two hundred and eight one (281) staff were in-post leading to a significant staff shortage of two hundred and twenty-two (222). A sound and adequate personnel is required for an institution for proper service to the citizens and the serious shortage could hinder the institution from meeting its goals.

In the circumstances, it was not possible to confirm whether the Institution could meet its goals.

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

Responsibilities of Management and the Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Polytechnic's ability to continue to sustain the 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 is 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 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with 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 Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Polytechnic to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Polytechnic to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 May, 2024

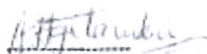
Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

14. Statement of Financial Performance For The Year Ended 30 June 2023

	Notes	2022-2023	2021/2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	6	99,960,000	209,830,000
Grants from Development partners	7	0	0
Transfers from other levels of Government	8	0	0
Public contributions and donations	9	0	0
Total Revenue from non-exchange transactions		99,960,000	209,830,000
Revenue from exchange transactions			
Rendering of services- Fees from students	10	419,471,108.28	479,289,110
Sale of goods	11	19,175,255	9,704,934
Rental revenue from facilities and equipment	12	12,037,440	8,076,950
Finance Income	13	0	0
Miscellaneous income	14	342,940	5,000
Revenue from exchange transactions		451,026,743	497,075,994
Total revenue		550,986,743	706,905,994
Expenses			
Use of goods and services	15	303,810,711	325,500,208
Employee costs	16	120,511,807	119,070,603
Board/Council Expenses	17	8,284,458	9,764,789
Depreciation and amortization expense	18	57,234,514	29,828,326
Repairs and maintenance	19	16,056,061	15,326,576
Contracted Services	20	0	0
Grants and Subsidies	21	0	0
Total expenses		505,897,551	499,490,502
Net Surplus for the year		45,089,192	207,415,492

(The notes set out on pages 23 to 36 form an integral part of the Annual Financial Statements).

The Financial Statements set out on pages 1 to 36 were signed by:



Chairman of Council/Board



Finance Officer

ICPAK No: 27496



Principal


Date 07/02/2024

Date 07/02/2024

Date 07/02/2024

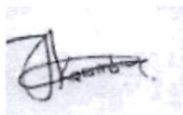
15. Statement of Financial Position as at 30th June 2023

	Notes	2022-2023	2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	26	403,632,707	496,178,257
Current portion of Receivables from exchange transactions	28	231,000	361,000
Receivables from non-exchange transactions	27 (a)	393,100,909	333,430,998
Inventory	29	0	0
Investments in Financials	30	0	0
Total Current Assets		796,964,616	829,970,255
Non-current assets			
Long term receivables from Exchange transactions	27(b)	0	0
Investments	30	0	0
Property, plant and equipment	31	3,121,128,974	3,065,261,567
Intangible assets	32	4,696,284	5,870,354
Investment Property	33	0	0
Total Non-current Assets		3,125,825,258	3,071,131,921
Total assets		3,922,789,874	3,901,102,177
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	35	10,819,166	34,980,623
Refundable deposits from customers	36	9,120,380	8,360,419
Total Current Liabilities		19,939,546	43,341,042
Total liabilities		19,939,546	43,341,042
Net Assets			
Revaluation Reserves		2,258,271,306	2,258,271,306
Accumulated surplus		1,630,285,057	1,585,195,865
Capital Fund		14,293,964	14,293,964
Total Net Assets & Liabilities		3,922,789,874	3,901,102,177



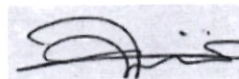
Chairman of Council/Board

Date:07/02/2024



Finance Officer
ICPAK No:27496

Date:07/02/2024



Principal

Date:07/02/2024

16. Statement of Changes in Net Asset For The Year Ended 30 June 2023

	Revaluation Reserve	Accumulated Funds	Capital Grants/Fund	Total
Balance as at July 1, 2021	2,970,912,400	1,377,780,372	14,293,964	4,362,986,736
Restated Adjusted Revaluation	-712,641,094			-712,641,094
Surplus/Deficit for the year		207,415,493		207,415,493
Capital grants received during the year			0	0
Balance as at June 30, 2022	2,258,271,306	1,585,195,865	14,293,964	3,857,761,135
Balance as at July 1, 2022	2,258,271,306	1,585,195,865	14,293,964	3,857,761,135
Revaluation gain	0			0
Surplus/Deficit for the year		45,089,192		45,089,192
Capital grants received during the year			0	0
Balance c/d as at June 30, 2023	2,258,271,306	1,630,285,057	14,293,964	3,902,850,327

17. Statement of Cash Flows For The Year Ended 30 June 2023

		2022-2023	2021-2022
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants		99,960,000	209,830,000
Rendering of services- Fees from students		419,471,108	479,289,111
Increase/Decrease in receivables		-59,539,911	-95,980,584
Increase in payables		-24,161,457	-18,640,208
Sale of goods		19,175,255	9,704,934
Rental revenue from facilities and equipment		12,037,440	8,076,950
Other income, rentals and agency fees		342,940	5,000
Finance Income		0	
Total Receipts		467,285,375	592,285,203
Payments			
Use of goods and services		303,810,711	325,500,208
Compensation of employees		120,511,807	119,070,603
Board/ Council Expenses		8,284,458	0
Repairs and Maintainance		16,056,060.95	0
Other payments			25,091,365
Total Payments		448,663,037	469,662,176
Net cash flows from operating activities	37	18,622,338	122,623,027
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-111,927,850	-46,950,919
Net cash flows used in investing activities		-111,927,850	-46,950,919
Cash flows from financing activities			
Increase in refundable deposits		759,961	1,562,500
Net cash flows used in financing activities		759,961	1,562,500
		-92,545,551	77,234,608
Cash and cash equivalents at 1 July 2021		496,178,257	418,943,648
Cash and cash equivalents at 30 June 2022		403,632,706	496,178,256
Cash and cash equivalents as per the Balance Sheet		403,632,707	496,178,257

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

18. Statement of Comparison of Budget & Actual amounts For Year Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization Difference	Remarks
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Transfers from other Govt entities Govt grants	349,280,000		349,280,000	99,960,000	249,320,000	28	Capitation was received less for the three quarters and none for the fourth quarter.
Rendering of services- Fees from students	519,594,200		519,594,200	419,471,108	100,123,092	81	There was less enrollment of student in the May,2023 intake
Sale of goods	11,000,000		11,000,000	19,175,255.00	-8,175,255	174	Disposal of pigs and calves hence more income was realized
Disposal	40,500		40,500	342,940.00	-302,440	847	More disposal income was realized due to the additional disposal of obsolete equipment.
Rental revenue from facilities and equipment	22,000,000		22,000,000	12,037,440.00	9,962,560	55	There were less activities in the 2 nd and 3 rd quarters.
Total income	901,914,700	0	901,914,700	550,986,743	350,927,957		
Expenses							
Use of Goods and services	555,631,150		555,631,150	303,810,711	251,820,439	55	Decline in student population led to decline in student activities and general utilities.

Employee Cost	145,250,000		145,250,000	120,511,807	24,738,193	83	Due to less enrollment in the May,2023 intake, Many of the Council trainers contracts were not renewed. In addition, there was anticipation of aligning of salaries to that of the PSC which was not done as the council term had expired.
Board/Council Expenses	15,000,000		15,000,000	8,284,458	6,715,542	55	The previous council term of service had lapsed in September 2022 and the replacement was not done until May,2023
Repairs & Maintainance	40,000,000		40,000,000	16,056,061	23,943,939	40	
Development Projects (Capital Expenditure)	146,033,550		146,033,550	111,927,850	34,105,700	77	The construction of the Administration block had slowed leading to extension of the period thus most of the certificates had not been presented for payment.
Total expenditure	901,914,700	0	901,914,700	560,590,887	341,323,813		

19. Notes to the Financial Statements

1. General Information

Meru National Polytechnic is established by and derives its authority and accountability from TVET Act. The Meru National Polytechnic is wholly owned by the Government of Kenya and is domiciled in Kenya. The Meru National Polytechnic's principal activity is Technical training.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Meru National Polytechnic's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note Kshs. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Meru National Polytechnic. The values are rounded off to the nearest shilling. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the TVET Act, (include any other applicable legislation), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of Meru National Polytechnic's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between Meru National Polytechnic's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Meru National Polytechnic provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Meru National Polytechnic.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Meru National Polytechnic's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when</p>

**Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023**

Standard	Effective date and impact:
	<p>IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits. Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of Meru National Polytechnic.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

(The Meru National Polytechnic) did not early-adopt any new or amended standards in year 2022/2023.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Meru National Polytechnic and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Meru National Polytechnic recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

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.

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for FY 2022/2023 was approved by the Council or Board on 22nd December, 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Meru National Polytechnic upon receiving the respective approvals to conclude the final budget. The Meru National Polytechnic's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 7 under section 18 of these financial statements.

c) Taxes

Current income tax

The Meru National Polytechnic is exempt from paying taxes as per schedule xxx of the xxx Act.

Sales tax/ Value Added Tax

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

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

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(Meru National Polytechnic to amend appropriately).Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Meru National Polytechnic. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Meru National Polytechnic also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Meru National Polytechnic will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the

Meru National Polytechnic

Annual Report and Financial Statements for the year ended 30th June 2023

Meru National Polytechnic. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

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

h) Research and development costs

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

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

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

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Meru National Polytechnic does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one Meru National Polytechnic and a financial liability or equity instrument of another Meru National Polytechnic. At initial recognition, the Meru National Polytechnic measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial assets

Classification

The Meru National Polytechnic classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Meru National Polytechnic's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an Meru National Polytechnic has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Meru National Polytechnic classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the Meru National Polytechnic manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The Meru National Polytechnic assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Meru National Polytechnic recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note.

Financial liabilities

Classification

The Meru National Polytechnic classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) Inventories

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

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

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Meru National Polytechnic.

k) Provisions

Provisions are recognized when the Meru National Polytechnic has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Meru National Polytechnic expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Meru National Polytechnic recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Meru National Polytechnic will incur in fulfilling the present obligations represented by the liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

m) Nature and purpose of reserves

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

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

The Meru National Polytechnic provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Meru National Polytechnic pays fixed contributions into a separate Meru National Polytechnic (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

p) Foreign currency transactions

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

q) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

r) Related parties

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Service concession arrangements

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

t) Cash and cash equivalents

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

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)

6. Transfers from other National Government entities

Description	2022-2023	2021-2022
	KShs	KShs
Unconditional grants		
Capitation grants	98,460,000.00	207,330,000.00
Operational grant	-	-
Conditional grants		
Other mentorship tti grants	1,500,000.00	2,500,000.00
Total Government grants and subsidies	99,960,000.00	209,830,000.00

(a) Transfers from other Government entities (Categorized)

Name of the Entity Sending The Grant	Amount recognized to Statement of Financial performance *	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2021/2022
	Kshs	Kshs	Kshs	Kshs	Kshs
State Department of TVET	99,960,000.00	0	0	99,960,000.00	209,830,000.00
Total	99,960,000.00	0	0	99,960,000.00	209,830,000.00

Notes to the Financial Statements (Continued)

7. Grants from Donors and Development Partners

Description	2022/2023	2021/2022
	Kshs	Kshs
JICA- Research Grant	0	0
World Bank Grants	0	0
In-Kind Donations	0	0
Donations transferred to revenue-conditions met	0	0
Other Grants (specify)	0	0
Total Grants from Development Partners	0	0

(a) Reconciliations of grants from donors and development partners

Description	2022/2023	2021/2022
	Kshs	Kshs
Balance unspent at beginning of year	0	0
Current year receipts	0	0
Conditions Met - Transferred to Revenue	0	0
Conditions Yet To Be Met - Remain Liabilities	0	0

8. Transfers from Other Levels of Government

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfer from County	0	0
Transfer from University	0	0
Transfer from Institute	0	0
Total Transfers	0	0

9. Public Contributions and Donations

Description	2022/2023	2021/2022
	Kshs	Kshs
Public Donations	0	0
Donations from Local Leadership	0	0
Donations from Religious Institutions	0	0
Donations from Alumni	0	0
Other Donations	0	0
Total Donations and Contributions	0	0

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)

10. Rendering of Services

Description	2022-2023	2021-2022
	KShs	KShs
Tuition fees	419,471,108.00	477,481,111.00
Graduation	-	1,808,000.00
Total Rendering of Services	419,471,108.00	479,289,111.00

(Provide brief explanation for this revenue)

11. Sale of Goods

Description	2022-2023	2021-2022
	KShs	KShs
Sale of farm produce	12,469,297.00	8,054,204.00
Other – Kitchen sales	6,705,958.00	1,650,730.00
Total Sale of goods	19,175,255.00	9,704,934.00

12. Rental revenue from facilities and equipment

Description	2022-2023	2021-2022
	KShs	KShs
Hire of facilities, conference package and meals	12,037,440.00	8,076,950.00
Total rentals	12,037,440.00	8,076,950.00

Notes to the Financial Statements (Continued)

13. Finance Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Cash investments and fixed deposits	0	0
Interest income from treasury bills	0	0
Interest income from treasury bonds	0	0
Interest from outstanding debtors	0	0
Total finance income	0	0

14. Miscellaneous Income

Description	2022-2023	2021-2022
	KShs	KShs
Income from sale of tender	-	-
Others- disposal of assets	342,940.00	5,000.00
Total Miscellaneous Income	342,940.00	5,000.00

15. Use of Goods

Description	2022/2023	2021/2022
	Kshs	Kshs
Electricity	9,534,805.00	7,413,656.00
Water	249,486.00	146,970.00
Security	6,566,512.00	7,119,971.00
Professional and consultancy services	4,175,536.00	21,858.00
Subscriptions	1,755,603.00	860,731.00
Advertising	2,892,324.00	1,565,681.00
Examination fees	65,317,970.00	-
Covid 19 Mitigation	-	4,003,210.00
Audit fees	600,000.00	600,000.00
Catering, conferences, and delegations	1,827,300.00	4,954,835.00
Travelling and accommodation	31,208,986.00	26,342,979.00
Fuel and oil	13,427,694.00	7,814,041.00
Insurance	641,856.00	778,388.00
Legal expenses	75,000.00	-
Licenses and permits	918,000.00	18,300.00
Postage	54,440.00	-
Rent expenses	8,778,000.00	15,384,720.00
Skills development levies	1,929,918.00	2,023,675.00
Telephone & Internet Expenses	2,820,022.00	3,562,868.33
Training Expenses	119,758,972.00	196,695,783.00
Other (specify)	157,924.00	505,426.00
Administration Cost	4,486,666.00	8,634,719.00
Consumables	26,633,697.00	40,828,448.00
Total Use of goods	303,810,711.00	325,500,208

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)

16. Employee Costs

Description	2022-2023	2021-2022
	KShs	KShs
Salaries and wages	120,511,807.00	119,070,603.00
Total Employee costs	120,511,807.00	119,070,603.00

17. Board/Council Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Directors emoluments	8,284,458.00	9,764,789.00
Total Board/Council Expenses	8,284,458.00	9,764,789.00

18. Depreciation and Amortization expense

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant and equipment	56,060,443.00	28,360,737
Intangible assets	1,174,070.88	1,467,589
Total depreciation and amortization	57,234,513.88	29,828,326.00

19. Repairs and Maintenance

Description	2022-2023	2021-2022
	KShs	KShs
Property	0.00	7,423,248.00
Equipment and machinery	13,882,643.95	6,691,443.00
Vehicles	2,173,417.00	1,211,885.00
Furniture and fittings	-	
Computers and accessories	-	
Total Repairs and Maintenance	16,056,060.95	15,326,576.00

Notes To the Financial Statements (Continued)

20. Contracted Services

Description	2022/2023	2021/2022
	Kshs	Kshs
Actuarial valuations	0	0
Investment valuations	0	0
Property valuations	0	0
Other (specify)	0	0
Total contracted services	0	0

21. Grants and Subsidies

Description	2022/2023	2021/2022
	Kshs	Kshs
Community Development	0	0
Education Initiatives and Programs	0	0
Social Development	0	0
Social benefits expenses	0	0
Community Trust	0	0
Sporting Bodies	0	0
Total Grants and Subsidies	0	0

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

22. Finance Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Borrowings (Amortized Cost)*	0	0
Finance Leases (Amortized Cost)	0	0
Unwinding of Discount from lease liabilities	0	0
Interest on Bank Overdrafts	0	0
Interest on Loans from Commercial Banks	0	0
Total Finance Costs	0	0

(*Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023
Notes To the Financial Statements (Continued)

23. Gain On Sale of Assets

Description	2022/2023	2021/2022
	Kshs	Kshs
Property, Plant and Equipment	0	0
Intangible Assets	0	0
Other Assets not capitalised	0	0
Total Gain On Sale of Assets	0	0

24. Gain/(loss) on Fair Value Investments

Description	2022/2023	2021/2022
	Kshs	Kshs
Fair value on equity investments	0	0
Fair value arising from investment property	0	0
Fair value arising from biological assets	0	0
Fair value- other financial assets (specify)	0	0
Total Gain	0	0

25. Impairment Loss

Description	2022/2023	2021/2022
	Kshs	Kshs
Property, Plant and Equipment	0	0
Intangible Assets	0	0
Total Impairment Loss	0	0

26. Cash and Cash Equivalentents

Description	2022-2023	2021-2022
	KShs	KShs
Current account	403,632,706.55	496,178,257.23
Total cash and cash equivalentents	403,632,706.55	496,178,257.23

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023
Notes To The Financial Statements (Continued)

26 (a). Detailed Analysis of Cash and Cash equivalents

Financial institution	Account number	2022-2023	2021-2022
		KShs	KShs
a) Current account			
Equity Bank (k) ltd - Development a/c	140292473814	36,062,317.23	12,126,140.00
Equity Bank (k) ltd - Farm a/c	1040297152680	1,559,629.20	1,321,059.00
Equity Bank (k) ltd - Production a/c	1040262403577	20,533,619.20	50,618,347.00
Equity Bank (k) ltd - Operations a/c	140292473819	30,062,533.92	136,309,118.23
Equity Bank (k) ltd – EASTRIP a/c	1040279407282	-	
Cooperative Bank - Operations a/c	1129075143100	135,649,721.39	102,171,544.00
Kenya Commercial Bank - Operations a/c	1197847472	78,995,507.91	111,074,087.00
Equity Bank (k) ltd - Fee collection a/c	1040275976049	67,616,638.10	38,649,313.00
Equity Bank (k) ltd - Saku tti a/c	140262845510	1,154,583.60	1,176,444.00
Equity Bank (k) ltd - Moyale tti a/c	140269121212	6,266,343.86	6,266,344.00
Equity Bank (k) ltd - Samburu West a/c	1040262845840	13,662,987.60	19,310,187.00
Equity Bank (k) ltd - Samburu North tti a/c	140269120998	1,775,522.10	7,733,432.00
c) Others(specify)			
Cash in hand		347.00	5,491.00
Mobile money Account		10,292,955.44	9,416,751.00
Sub- total		403,632,706.55	496,178,257.23
Grand total		403,632,706.55	496,178,257.23

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023
Notes to the Financial Statements (Continued)

27. Receivables from Exchange transactions

27 (a) Current Receivables from Exchange transactions

Description	2022-2023	2021-2022
	KShs	KShs
Current receivables		
Total receivables from non-exchange transactions	393,100,909	333,430,998.00

28. Receivables from Non-Exchange transactions

Description	2022-2023	2021-2022
	KShs	KShs
Others-Salary advance	231,000.00	361,000.00
Total receivables from exchange transactions	231,000.00	361,000.00

29. Inventories

Description	2022/2023	2021/2022
	Kshs	Kshs
Consumable stores	0	0
Maintenance stores	0	0
Health Unit stores	0	0
Electrical stores	0	0
Cleaning Materials stores	0	0
Catering stores	0	0
Less: Impairment allowance	0	0
Total Inventories at lower of Cost and Net Realizable Value	0	0

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023
Notes to the Financial Statements (Continued)

30. Investments in financial assets

	2022/2023	2021/2022
	KShs	KShs
a) Investment in Treasury Bills and Bonds		
Financial Institution		
CBK	0	0
CBK	0	0
Grand – Total	0	0

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)

30. Property, Plant and Equipment

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Total Assets during the period ended 30th June 2021	2,591,797,823		60,302,850	59,879,603	26,176,027	110,855,211	954,571,337	3,803,582,851
Depreciation and impairment								
Depreciation charge during the year ended 30th June 2021	0		15,075,712	7,484,950	7,852,808	13,856,901	0	44,270,372
NBV As at 30th June 2021	2,591,797,823		45,227,137	52,394,653	18,323,219	96,998,310	954,571,337	3,759,312,479
Adjustment-Valuations & Revaluations	-283,902,791		10,021,805	-13,981,217		-22,912,237	-381,823,044	-712,641,094
NBV As at 30th June 2021 restated	2,307,895,032		35,205,332	38,413,436	18,323,219	74,086,073	572,748,293	3,046,671,385
Additions during the period ended 30th June 2022	0		0	0	0	0	46,950,919	46,950,919
Total Assets during the period ended 30th June 2022	2,307,895,032		35,205,332	38,413,436	18,323,219	74,086,073	619,699,212	3,093,622,304
Depreciation and impairment								
Depreciation charge during the year ended 30th June 2022	0		8,801,333	4,801,680	5,496,966	9,260,759	0	28,360,737
NBV As at 30th June 2022	2,307,895,032		26,403,999	33,611,757	12,826,253	64,825,314	619,699,212	3,065,261,567
Additions during the period ended 30th June 2023	-942,895,032	946,300,704	23,528,797	1,702,329	11,848,085	0	71,442,967	111,927,850
Total Assets during the period ended 30th June 2023	1,365,000,000	946,300,704	49,932,796	35,314,086	24,674,338	64,825,314	691,142,179	3,177,189,417
Depreciation and impairment								
Depreciation charge during the year ended 30th June 2023	0	23,657,518	12,483,199	4,414,261	7,402,301	8,103,164	0	56,060,443
NBV As at 30th June 2023	1,365,000,000	922,643,186	37,449,597	30,899,825	17,272,037	56,722,150	691,142,179	3,121,128,974

*The Land and buildings have been disclosed separately for the FY 2022/2023 to enable recognition of depreciation of building for the year as Previously land and buildings were combined. The land was valued at Kshs 1,365,000,000 as per the valuation report.

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

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

MENTORED PROJECT	EXPENDED AMOUNT DURING THE YEAR
NEW ADMINISTRATION BLOCK	58,163,397
MOYALE TVC	0
SAKU TVC	0
SAMBURU NORTH TVC	7,632,970
SAMBURU WEST TVC	5,646,600
TOTAL	71,442,967

32. Intangible Assets

Description	2022-2023	2021-2022
	KShs	KShs
Cost		
At beginning of the year	5,870,354.40	7,337,943
Additions	-	0
Cost end of the year	5,870,354.40	7,337,943
Amortization and impairment		
At beginning of the year		
Amortization	1,174,070.88	1,467,589
Amortization at end of the year	1,174,070.88	1,467,589
Less :Impairment loss	-	
At end of the year	-	0
NBV As at 30TH JUNE 2023	4,696,283.52	5,870,354

Notes to the Financial Statements (Continued)

33. Investment Property

Description	2022/2023	2021/2021
	Kshs	Kshs
At beginning of the year	0	0
Additions	0	0
Disposal during the year	0	0
Depreciation	0	0
Impairment	0	0
Gain or loss on fair value- if fair value is elected	0	0
At end of the year	0	0

34. Biological Assets

Description	2022/2023	2021/2022
	Kshs	Kshs
Trees	0	0
Others (Specify)	0	0
Total	0	0

35. Trade and Other Payables

Description	2022-2023		2021-2022	
	KShs		KShs	
Total trade and other payables	10,819,166.32		34,980,623.00	
Ageing analysis:	Current FY	% of the Total	2021/2022	% of the Total
Under one year	10,819,166.32	100	34,980,623.00	100
Total (to tie to totals above)	10,819,166.32	100	34,980,623.00	100

36. Refundable Deposits from Customers/Students

Description	2022-2023	2021-2022
	KShs	KShs
Total deposits	9,120,380	8,360,419

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

37. Cash generated from operations.

Description	2022-2023	2021-2022
	KShs	KShs
Surplus for the year before tax	45,089,192	207,415,492
Adjusted for:		
Development grants	0	0
Depreciation	57,234,514	29,828,326
Increase/Decrease in receivables	-59,539,911	-95,980,584
Increase in payables	-24,161,457	-18,640,208
Net cash flow from operating activities	18,622,338.65	122,623,026.00

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)

38. Financial Risk Management

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

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

(i) Credit risk

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

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

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 (previous year)				
Receivables from exchange transactions	333,689,706	333,689,706	0	0
Receivables from non-exchange transactions	361,000	361,000	0	0
Bank balances	496,178,257	496,178,257	0	0
Total	830,228,963	830,228,963	0	0
At 30 June 2023 (current year)				
Receivables from exchange transactions	438,088,002	438,088,002	0	0
Receivables from non-exchange transactions	231,000	231,000	0	0
Bank balances	403,632,707	403,632,707	0	0
Total	841,951,709	841,951,709	0	0

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

(NB: The totals column should tie to the individual elements of credit risk disclosed in the Meru National Polytechnic's statement of financial position)

Notes to the Financial Statements (Continued)
Financial risk management (continued)

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

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

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 (previous year)				
Trade Payables	0	0	34,980,623	34,980,623
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred Income	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2023 (current year)			34,980,623	34,980,623
Trade Payables	0	0	10,819,166.32	10,819,166.32
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred Income	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	10,819,166.32	10,819,166.32

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)
Financial risk management (continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The Meru National Polytechnic has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Meru National Polytechnic's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial Assets (Investments, Cash, Debtors)	0	0	0
Liabilities			
Trade and Other Payables	0	0	0
Borrowings	0	0	0
Net Foreign Currency Asset/(Liability)	0	0	0

The Meru National Polytechnic manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Notes to the Financial Statements (Continued)
Financial risk management (continued)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Equity
	Kshs	Kshs	Kshs
2023			
Euro	10%	0	0
Usd	10%	0	0
2023			
Euro	10%	0	0
Usd	10%	0	0

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 0 (2023: Kshs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 0 (2023 – Kshs 0)

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)
Financial risk management (continued)

iv) Capital Risk Management

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Revaluation Reserve	2,258,271,306	2,258,271,306
Retained Earnings	1,630,582,990	1,585,195,865
Capital Reserve	14,293,964	14,293,964
Total Funds	3,903,148,260	3,857,761,135
Total Borrowings	0	0
Less: Cash and Bank Balances	-403,632,706.55	-496,178,257.23
Net Debt/(Excess Cash and Cash Equivalents)	3,499,515,553.825	3,361,582,877.77
Gearing	0%	0%

39. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;
- v) XXX

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Notes to the Financial Statements (Continued)

The transactions and balances with related parties during the year are as

Description	2022/2023	2021/2022
	Kshs	Kshs
Transactions with Related Parties		
a) Sales to related parties		
Sales of electricity to govt agencies	0	0
Rent income from govt. agencies	0	0
Water sales to govt. agencies	0	0
Others (specify)	0	0
Total	0	0
B) Purchases from related parties		
Purchases of electricity from kplc	0	0
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. agencies	0	0
Others (specify)	0	0
Total	0	0
b) Grants /Transfers from the Government		
Grants from National Govt	99,960,000	209,830,000
Grants from County Government	0	0
Donations in Kind	0	0
Total	99,960,000	209,830,000
c) Expenses incurred on behalf of related parties		
Payments of Salaries and Wages for xx Employees	0	0
Payments for Goods and Services for XX	0	0
Total		
d) Key Management Compensation		
Directors' emoluments	8,284,458	9,764,789
Compensation to Key Management	0	0
Total	8,284,458	9,764,789

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

40. Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires Meru National Polytechnic to present segmental information of each geographic region or department to enable users understand the Meru National Polytechnic's performance and allocation of resources to different segments)

Notes to the Financial Statements (Continued)

41. Contingent Assets and Contingent Liabilities

Contingent Assets

Description	2022/2023	2021/2022
	Kshs	Kshs
Contingent Assets		
Insurance Reimbursements	0	0
Assets arising from determination of Court Cases	0	0
Reimbursable Indemnities and Guarantees	0	0
Others (Specify)	0	0
Total	0	0

Contingent Liabilities

Description	2022/2023	2021/2022
	Kshs	Kshs
Contingent Liabilities	0	0
Court Case Xxx against (The Meru National Polytechnic)	0	0
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from Contracts including PPPs	0	0
Others (Specify)	0	0
Total	0	0

(Give details)

42. Capital Commitments

Capital Commitments	2022/2023	2021/2022
	Kshs	Kshs
Authorised for	0	0
Authorised and Contracted for	0	0
Total	0	0

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

been authorised by the Meru National Polytechnic but at the end of the year had not been contracted or those already contracted for and ongoing)

Notes to the Financial Statements (Continued)

43. Events After The Reporting Period

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

44. Ultimate And Holding Meru National Polytechnic

The Meru National Polytechnic is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of xxx. Its ultimate parent is the Government of Kenya.

45. Currency

The financial statements are presented in Kenya Shillings (Kshs) and the values are rounded off to the nearest shilling.

20. Appendices

Appendix 1: Implementation Status of Auditor-General Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

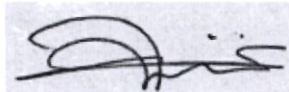
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Non-Disclosure of Library Books	The Polytechnic will make a budgetary allocation and engage a valuer in the next financial year	Not Resolved	June,2024
2.	Non-disclosure of untitled and unvalued land	Follow up for ownership document is being done and thereafter a valuer will be engaged to provide a value for the same.	Not Resolved	June 2024
3.	Unconfirmed Tuition fee revenue	Duplicate reference numbers refers to sponsorship receipts which is then used to disburse funds to the list of the beneficiaries.	Resolved	
4.	Unsupported employee cost-Lack of payroll deduction codes	Follow up will be done with the system vendor to align the codes accordingly	In Progress	
5.	Irregular payment of board- None of the members accepted their appointment in writing	Letters available	Resolved	
6.	Unsupported fuel allowance for Directors- Log books were not	Log books to be requested.	In progress	

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	provided or residence not disclosed.			
7.	Delayed completion of mentored institution	Follow up is being made to ensure release of funds from CDF/Ministry for completion.	Not resolved	2024

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 Meru National Polytechnic 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.



Name: Mutembei A Kigige

Chie Principal
Date 27/09/2023

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Appendix II: Projects Implemented by (The Meru National Polytechnic)

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. 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							
2							
3							

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Appendix III- Inter-Meru National Polytechnic Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary Meru National Polytechnic]

[Insert Address]

The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Meru National Polytechnic] as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2023				Amount Received by [Beneficiary Meru National Polytechnic] (Kshs) as at 30 th June 2023 (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter– Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Meru National Polytechnic:

Name **Sign** **Date**

Meru National Polytechnic
Annual Report and Financial Statements for the year ended 30th June 2023

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Reporting on Disaster Management Expenditure

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments