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THE AUDITOR-GENERAL

ON

KISII NATIONAL POLYTECHNIC

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



THE KISII NATIONAL POLYTECHNIC

ANNUAL REPORT AND FINANCIAL

STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2019

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kisii National Polytechnic was founded on 19th December 1971 as Gusii Institute of Technology in Kisii town at a meeting of Abagusii Leaders' conference attended by representative from all walks of life.

It was registered in 1972 under the Education act cap 212 of Laws of Kenya with the objective of providing technical education and training for youths. The initial courses were secretarial and Building technology. Since then more courses have been introduced and currently K.N.P offers a total of seventy four at Artisan, certificate, Diploma and Higher Diploma Levels.

The institution was moved from St. Vincent Centre in Kisii town, where it was initially housed, to the current site in 1980 where it occupies 16.95 hectares of land. The first buildings to be put up were two workshops (wood work technology and mechanical engineering), a typing pool, Dining hall and a hostel.

In 1983 with the new facilities in place other new courses were added to the curriculum. The rest of this were courses in building trades which included carpentry and joinery, plumbing, masonry and electrical installation. The institution has continued to grow thanks to Donor assistance from various bodies and organisations.

The institution was elevated to a national polytechnic in May 2016 through Legal Notice No. 93.

The Kisii National polytechnic currently offers various faculties namely Business studies, Computer Studies, Mechanical Engineering, Electrical and Electronics Engineering, Building and Civil Engineering, Communication and development, applied sciences, Health sciences And Agricultural and Environmental Sciences

Currently the institution boasts of a student population of over 7000 students, over 300 trainers and 125 Non Trainers from all over the country. The institution has also expanded its infrastructures like completion of modern library, Mechanical, I.M.S and Electrical workshop. Currently working on third and final phase of modern Tuition complex at a cost of over 180,000,000.

The Kisii National Polytechnic is a hub of activities where people work together to transform dreams into skills for life. We look forward to taking the polytechnic to the higher level of training individual in order to further their goals and to benefit Kenya.

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(a) Principal Activities

The mandate of the polytechnic is to develop an institution with excellence in teaching, Training Scholarship, Entrepreneurship, Research, Consultancy, Community services and products with emphasis on technology, its development, impact and application within and outside Kenya.

Vision

To be a preferred training institution, for technical and vocational skills development

Mission

To develop highly qualified, globally competitive and innovative human resource by providing quality training, applied research & extension and entrepreneurship skills that are responsive to market demands.

Key Management

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

- Governing council members
- Accounting officer/ Principal
- Management
- Heads of Departments

(b) Fiduciary Management

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

No.	Designation	Name	period
1.	Principal	Mr. Athanas Mokaya	1 st July 2018- 11 th March 2018
2.	Principal	Mr. Daniel Nyariki Onywoki	12 th March to-date
2.	Head of Finance	Elizabeth Orwasa	
3.	Head of Procurement	Judith Mogere	

(c) Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance and General Purpose Committee	<ol style="list-style-type: none"> 1. Mr. Japhet Ngetich – Chairperson 2. Mr. Daniel Nyariki – Secretary 3. Ms. Maureen Anyango - Member 4. Ms. Olivia Andongo - Member
Audit and Risk Management Committee	<ol style="list-style-type: none"> 1. Zachary Ogamba – Chairperson 2. Evarastus Gichana – Secretary 3. Jackson Obara - Member 4. Jane Nyachoka - Member
Education and Research Committee	<ol style="list-style-type: none"> 1. Maureen Anyango – Chairperson 2. Olivia Andongo – Member 3.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Entity Headquarters

KISII NATIONAL POLYTECHNIC
P.O. Box 222
KISII-KEROKA ROAD
KISII, KENYA

(e) Entity Contacts

Customer Care Desk
Telephone: 058-76906/0700876991
E-mail: infokisiipoly.ac.ke
Website: www.kisiipoly.ac.ke

(f) Entity Bankers

1. Co-operative Bank of Kenya
Kisii Branch.




(g) Independent Auditors

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

(h) Principal Legal Adviser

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

THE GOVERNING COUNCIL

 <p>MR. AMIN SHAMJI CHAIRPERSON</p>	<p>1. Amin M. Shamji</p> <ul style="list-style-type: none"> - Council Chairman - DOB:23/08/1964 - Holds a Bsc Civil Engineering from Kansas State University – USA - Has wide experience in Civil Engineering and Business Management. - He is currently serving as the Technical Director A. Jiwa Shamji Ltd (AJs) - Associated Auto Center Ltd (AAC)
 <p>MR. ZACHARY AYIEKO MEMBER</p>	<p>. Ayieko Zachary Ogamba</p> <ul style="list-style-type: none"> - DOB – September, 1955 - Holds a bachelor of commerce accounting option from the University of Nairobi - He is a registered member of the Certified Public Accountants of Kenya ICPAK. - Presently pursuing MBA at the University of Nairobi. - Has a wealth experience in Financial management where he has served in various capacities i.e Chief Executive Officer Rural Electrification Authority, - Managing Director KPL. - He is currently a managing Director Power hive E.A Ltd. - He chaired ARMC of the KNP Council during the financial year under review
 <p>MR. JAPHET NGETICH MEMBER</p>	<p>DOB – 8 May, 1973</p> <ul style="list-style-type: none"> - Holds MBA (Strategic Management) Moi University, Bsc Electrical and Electronics from JKUAT, Dip (Tqm) Kenya Institute of Management, OE Blackbelt - Presently pursuing MA in Monitoring and Evaluation at Maseno University - Has a wealth of experience in Business, Engineering and quality Management. - He is currently the General Manager, Kisii Bottlers. - He chaired the Finance and General Purpose Committee of the Polytechnic, - Governing Council, during the financial year under review.



MR. JACKSON OBARA
MEMBER

JACKSON OBARA

D.O.B – 1956

- He holds a bachelor of commerce (accounting option) from the University of Nairobi. In addition he is a certified information systems auditor and a certified information security manager.
- He has a wealth experience in enterprise management, information and project management.



MS OLIVIA ADONGO
MEMBER



D.O.B – 11/11/1962

- Holds a master in education.
- MBA – Marketing and bachelors of education (Art) – Economics and Commerce all from University of Nairobi.
- Currently pursuing PhD – strategic management.
- She is currently, COUNTY DIRECTOR TVET, Kisii, Nyamira and Migori.







MS. JANE NYANCHOKA
MEMBER

- Holds an LLM degree from the university of Nairobi and LLB degree from the University of Nairobi, diploma from the Kenya school of law. Presently pursuing PhD from the University of Surety UK.
- She holds a vast experience in law and she is enrolled to the role of Advocates of the high court whereby she has worked in public sector corporate legal secretaries and legal private practice.

<p>MS. MAUREEN ANYANGO MEMBER</p> 	<p>DOB - 04/02/1978 - Holds a bachelor of Arts in Secretarial Management and Administration from Kisii University</p>
<p>MR. DANIEL NYARIKI PRINCIPAL</p> 	<p>Profession: B. Ed (Science) Maths/Physics Date of birth:-26/12/1964 Institution -Kenyatta university Experience- 30years of which 20 years as a principal</p>

MANAGEMENT TEAM

 <p>MR. DANIEL NYARIKI PRINCIPAL</p>	<p>Profession: B. Ed (Science) Maths. Physics</p> <p>Date of birth:-26/12/1964</p> <p>Institution –Kenyatta university</p> <p>Experience- 30years of which 20 years as a principal</p>
 <p>MR. PAUL MOTONI DEPUTY PRINCIPAL ACADEMIC</p>	<p>Level of Education: Bachelor of Education science</p> <p>Institution: Egerton University(Njoro)</p> <p>Date of Appointment-22/03/2019</p>
 <p>MR. OMAE A. JOHN DEPUTY PRINCIPAL ADMINISTRATION</p>	<p>DIP.ED. – Kagumo TTC</p> <p>B.ED - Kenyatta University</p> <p>Masters - Mount Kenya University(On-Going)</p> <p>Date Of Appointment-22/03/2019</p>
 <p>MR. NICODEMUS MIRIOBA DEAN OF STUDENT</p>	<p>Education: Degree Bachelor of Science</p> <p>Institution: Egerton University</p> <p>Date of Appointment-22/03/2019</p>

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MS. BEATRICE NYAREKI
REGISTRAR ACADEMICS

Year of birth:- 27/08/1972

Date of appointment:- 02/02/2013

Education level:- Masters in Education with
Guidance and Counselling



MS. ELIZABETH N. ORWASA
FINANCE OFFICER

Education:- CPAK, BCOM in Accounting

Institution:- Kisii University

Date of appointment: March 2014

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30TH JUNE 2019

CHAIRMAN'S STATEMENT
REPORT OF THE GOVERNING COUNCIL CHAIR FOR THE PERIOD
ENDED 30TH JUNE 2019

Foreword

It is my gratitude to present the Annual Report and Financial Statement of Kisii National Polytechnic (KNP) for the financial year ended 30th June, 2019.

The Kisii National Polytechnic envisages a pivotal role as the preferred training institution for technical and vocational skills development and it is therefore our mandate to work towards achieving this vision. We further commit ourselves as a polytechnic to develop highly qualified, globally competitive and innovative human resource by providing quality Training, applied Research & extension and Entrepreneurship skills that are responsive to market demands.

The Kisii National Polytechnic takes cognizance of the global clarion call of sustainable development and our nation's development agenda as defined in the "Big Four" and the vision 2030. We have, in coming up with this report has been guided by these noble intents.

The polytechnic seeks linkages with industry and other higher education institutions both within and outside of our country. These will help in spurring growth and responsiveness to our vision and mission as a technical institution.

I wish to appreciate the government of Kenya and organizations like the Higher Education Loans Board (HELB) for continuing to support our trainees in paying their fees. An increasing number have difficulties in meeting their cost of education and HELB as well as other bursary providers have assisted in ensuring our trainees pursue their studies. We appeal for further support from the private sector and non-governmental organizations.

The polytechnic council would like to appeal to the government to consider enhancing our recurrent and capital development grants to enable the polytechnic meet its financial obligations.

Sign.-----


AMIN SHAMJI
CHAIR, GOVERNING COUNCIL

THE KISII NATIONAL POLYTECHNIC
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30TH JUNE 2019

REPORT OF THE PRINCIPAL FOR THE PERIOD ENDED 30TH JUNE 2019

I am indeed pleased to present the Annual Report and Financial Statement of Kisii National Polytechnic (KNP) for the financial year ended 30th June, 2019.

NON-FINANCIAL INFORMATION

Background

The Kisii National Polytechnic is located within Kisii Municipality about 1.5 km south east of Kisii Township, Kisii County. The Institution was founded in 1971 as Gusii Institute of Technology to offer training in Technical Education and Business Studies. It was upgraded to a national polytechnic in 2016.

Departments and Courses

The institution currently offers 96 courses across 10 academic departments namely;

- Computer studies,
- Electrical and Electronics Engineering,
- Mechanical and Automotive Engineering,
- Building and Civil Engineering,
- Communication and Development Studies,
- Food and Beverage Studies,
- Clothing and Textile Studies,
- Health Sciences, Applied Sciences,
- Agricultural and Environmental Studies,
- Business Studies

The courses are offered at four levels of Artisan, Craft, Diploma and Higher National Diploma.

Trainees and Staff

The present admission strength stands at 8,231 trainees who are served by 243 teaching and 120 non-teaching staff. The Institution has students and staff from all parts of the country. The population is expected to continue increasing rapidly due to the high demand for tertiary education in the country and the fact that the institution has a national appeal in its status as a national polytechnic.

Best Practice

Kisii National Polytechnic has embraced best practice in its service delivery by investing in a 5 year strategic plan. The vision of the Institution is *“To be the preferred training institution for Technical and Vocational skills development”*. This vision is

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well informed by its mission *“To develop highly qualified, globally competitive and innovative human resource by providing quality Training, Applied Research & Extension and Entrepreneurship skills that are responsive to market demands”*.

To ensure service delivery as envisaged in its vision and mission statements the institution uses performance contracting where targets are set by all departments and staff and are used to inform and measure performance. KNP also holds graduation ceremony annually to celebrate and confer awards to graduates of the institution. About 1,000 trainees graduated in October 2018.

The institution also carries out regular surveys on customer satisfaction, employee satisfaction, Training Needs Analysis among others to help inform on interventions that will ensure growth within the polytechnic.

The institution’s service delivery is also informed by Quality Management System. The Kisii National Polytechnic is ISO 9008:2015 certified.

Co-Curricular and Extra-Curricular Activities

Kisii National Polytechnic has a vibrant co-curricular and extra-curricular system which enables the trainees to develop themselves in ways beyond the conventional curriculum. The institution has over the years defined its place in research and innovation by participating annually in the national science week, Kenya Association of Technical Training Institutions (KATTI) research conference and in the regional and national TVET fairs where the polytechnic has won accolades by taking podium positions. The polytechnic also participates in games and sports and music and drama which proffer the trainees with prowess in psychomotor skills.

INITIATIVES FOR FY2019/20

In the FY2019/20 Kisii National Polytechnic will initiate the following projects to enable define its place in the community.

Garage: The Mechanical Engineering department will establish a car repair and maintenance center that will offer services to the general public at a fee. The center which is projected to hold 10 automobiles at a time will operate exactly like any other business entity. It will be situated at the mechanical engineering premises.

Restaurant: The Catering and hospitality department will start a restaurant that will cater for the public. The same will provide meals and refreshments to staff, students and the public at a fee. The restaurant shall be housed at the department.

Library: In the FY2019/20 the institution library will start offering library services to the public at a fee. This will enable students and other members of the community find

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30TH JUNE 2019

ample time in their reading and examination preps. The library currently seats up to 600 and is equipped with books in all disciplines, computers and e-learning facilities.

Training: KNP has also come up with training courses that are flexible in time and distance to enable access to many clients especially the working populace. At least 5 such courses will be rolled out in the FY2019/20.

Polytechnic roads and walkways: The KNP shall in the current financial year also upgrade its roads and walkways to help enable easy movement and hygiene in the compound. Laying of cobral blocks will be done by use of the Building and Civil Engineering department

MAIN CHALLENGES

The main challenges the institution is facing that are militating against intended growth initiatives include the following;

(a) Land for Expansion

The institution sits on 16.9 hectares of land which is not sufficient for the population of staff and trainees owing to the facilities needed to comfortably inform learning in the institution. The institution however has a land dispute with Kenya Agricultural Research Institute (KARI) where the latter is occupying a piece of land for which Kisii National Polytechnic has a title deed and is therefore the rightful owner.

(b) Other challenges

The institution having been an institute of technology and not a technical training institute has in the past experienced low growth in facilities as compared to student population. This therefore means that a number of necessary facilities and infrastructure are not sufficient. These include the following;

- Infrastructure including Classrooms, Workshops, Hostels all of which are insufficient in in number and state. Currently the institution can only house 600 trainees as borders. The few classrooms and workshops also mean that lessons have to go late into the evening.
- Fencing of the compound. Currently there is no permanent perimeter fence which exposes the institution to insecurity for the reason that the institution is only 1 km away from the CBD.

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- Shortage of trainers. The high student population has also seriously challenged our staff sufficiency meaning that a large portion of our budget has to go to salaries of governing council employed staff. We request that we be allotted more funds as we await the ministry to increase recruitment of staff.

CONCLUSION

The foregoing elicits the place of KNP and its endeavors on growth and responsiveness to the community. It is not possible for the polytechnic to achieve the initiatives listed and the growth that it anticipates without partnership and support from the government, both national and county, the industry and other stakeholders.

It is our humble request to the government and other stakeholders to partner with us in this and many other initiatives to help propel the growth of this premier institution in the region in providing skill based training to our youth and inform growth and industrialization and employment opportunities for our region and our nation.

CORPORATE GOVERNANCE STATEMENT

The governing council of Kisii national polytechnic is responsible and accountable to the government of Kenya through the ministry of education, science, and technology for ensuring that the polytechnic complies with the TVET Act 2013.

The functions of the governing council;

- (i) Manage the property and funds of the polytechnic in a manner and for purposes which shall promote the best interests of the polytechnic.
- (ii) Receive on behalf of the polytechnic and the mentored institutions monies from the ministry.
- (iii) Provide for the welfare of the staff and students of the polytechnic.
- (iv) Enter into associations with other polytechnics, universities and Technical Training Institutions
Whether within or outside Kenya as the council may deem necessary and appropriate.

Induction and Training

In the financial year 2018/19 the governing council attended an induction workshop in Naivasha for four days.

Succession

In the same financial year the principal Mr. Athanas Mokaya retired and was replaced by Mr Daniel Nyariki on March 12th 2019.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The polytechnic is committed in giving back to the society by responding to the immediate needs of the society. During the financial year 2018/19 the polytechnic reached out to the community in the following ways;

Visited and assisted the Kisii children's home with foodstuff and other supplies.

Assisted in cleaning Kisii town and its environs.

Gave out the polytechnic grounds to a number of institutions for use in enhancing their activities.

REPORT OF THE COUNCIL

The polytechnic operations are geared to offer the best services to its customers in line with the strategic plan and the core mandate.

Review of the strategic plan

The polytechnic initiated the process of reviewing its strategic plan to cover the period 2019-2024.

This has given the polytechnic a noble opportunity to align all its objectives and plans in order to remain relevant in the field of training. Among areas under review includes; academic programmes, infrastructure, human capacity, customer satisfaction, the big 4 agenda initiative and resource mobilization.

Student Enrolment

The polytechnic has experienced high student enrolment of recent years. During the year under review the polytechnic has attained growth in population of 8, 4200 from 4,400 during the period 2016/2017. The polytechnic is looking for ways of expanding its facilities in order to cater for the experienced increase in enrolment of trainees.

Training programmes

The polytechnic has initiated development of new curricula geared towards introduction of CEBET training which is in line with job market demand. The polytechnic has initiated more than five collaborations with industries to help the trainees gain experience while on training.

Principal activities

The principal activities of the entity are Ref Page iv

COUNCIL/BOARD OF GOVERNORS.

The members of the Board /Council who served during the year are shown on page vi.

Auditors

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

Sign-----

By Order of the Board

DANIEL NYARIKI
PRINCIPAL

THE KISII NATIONAL POLYTECHNIC
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STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS' RESPONSIBILITIES

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

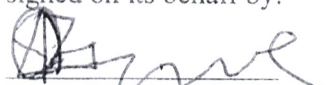
The council members are responsible for the preparation and presentation of the financial Kisii National Polytechnic statements, which give a true and fair view of the state of affairs of the for an Kisii National Polytechnic d as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Kisii 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 Kisii National Polytechnic 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. The council members are of the opinion that the Kisii National Polytechnic financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2019, and the financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Kisii National Polytechnic which have been relied upon in the preparation of the Kisii National Polytechnic financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the council members to indicate that the Kisii 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 financial statements were approved by the Board on 29/10/11 2019 and signed on its behalf by:


Council Member


Council Member

THE KISII NATIONAL POLYTECHNIC
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30TH JUNE 2019

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

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	1	200,205,497.00	49,886,948.00
Total Revenue from non-exchange transactions		200,205,497.00	49,886,948.00
Revenue from exchange transactions			
Rendering of services- Fees from students	2	247,195,500	190,168,856.00
Finance income - external investments	3	1,994,521.00	
Other income	4	10,556,974.00	
Revenue from exchange transactions		276,928,861.00	190,168,856.00
Total revenue		477,134,358.00	240,055,804.00
Expenses			
Use of goods and services	5	219,595,805.13	142,472,945.90
Employee costs	6	58,929,648.79	45,552,250.00
other development expenditure	7	43,812,940.00	
Grants and subsidies	8	51,771,053.10	14,722,352.00
Finance costs	9	70,150.00	-
Depreciation	16	42,134,593.38	
Total expenses		416,314,190.40	202,747,547.90
Other gains/(losses)			
Net Surplus for the year		60,820,167.61	37,308,256.10

The notes set out on pages 10 to 17 form an integral part of the Annual Financial Statements.

THE KISII NATIONAL POLYTECHNIC
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30TH JUNE 2019

**STATEMENT OF BOARD OF GOVERNORS/ COUNCIL MEMBERS'
RESPONSIBILITIES**

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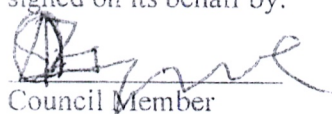
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Approval of the financial statements

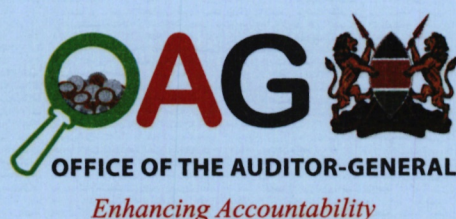
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Council Member


Council Member

REPUBLIC OF KENYA

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



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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisii National Polytechnic set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kisii National Polytechnic as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,231,900,227. The balance includes an amount of Kshs.10,986,000 paid for motor vehicles which were purchased, delivered and received by the Polytechnic without an inspection report from the State Department for Transport and Public Works. Further, additions to buildings totalling Kshs.6,700,000 were not supported with adequate relevant documents.

Consequently, the accuracy and completeness of the additional property, plant and equipment valued to Kshs.17,686,000 as at 30 June, 2019 could not be confirmed.

2. Unsupported Refundable Deposits from Customers

As disclosed in Note 15, the statement of financial position reflects refundable deposits from customers balance of Kshs.25,772,874. However, this balance was not supported with relevant documents including the schedules, reconciliations of student deposits, additions and payments received during the year.

Consequently, the accuracy, completeness and validity of the refundable deposits from customers of Kshs.25,772,874 reflected in the statement of financial position for the year ended 30 June, 2019 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-compliance with Public Sector Accounting Standards Board (PSASB) Template

The Annual Report and Financial Statements availed for audit did not use the correct statement of comparison of budget and actual amounts and did not disclose follow up on audit recommendations. This is contrary to the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

Consequently, the Management is in breach of the law.

2. Irregular Procurements

Review of the approved annual procurement plan for the year under review revealed that expenditure amounting to Kshs.13,456,000 incurred on purchase of various items under property plant and equipment and purchase of ICT equipment and installation of website for Kshs.9,170,000 were not included in the approved annual procurement plan. This was done contrary to the provisions of section 53 of the Public Procurement and Asset Disposal Act, 2015.

Consequently, the Management is in breach of the law.

3. Stalled Project

The statement of financial performance reflects transfer from National Government - grants/gifts in kind of Kshs.200,205,497. The amount includes Kshs.56,688,818 which was transferred to Riamo Technical Training Institute for a building construction project. The contract agreement for the project did not specify the duration of the contract and the contract sum was varied from the initial amount of Kshs.48,627,834 to Kshs.56,688,818, resulting in a seventeen percent variation. Relevant approvals for the variation were not provided for audit review contrary to the Public Procurement and Asset Disposal Act, 2015.

Physical verification of the project carried out on the 24 September, 2019 revealed that the electrical, plumbing, painting works and fire-fighting equipment were not in place. Further, the building had multiple cracks visible, an indications of poor workmanship.

In the circumstances, the regularity and value for money of the amount of Kshs.56,688,818 for the project could not be ascertained.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Long Outstanding Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs.17,181,866. This balance relates to receivables from the National Government State Department for Youth Affairs for sponsored NYS trainees that has been outstanding for more than 180 days. There was no evidence of any correspondence between the institution and the State Department seeking to be paid the amount. The Polytechnic lacks a clear policy and strategy on debts management spelling out modalities of recovering of outstanding debts, when a debt becomes bad and doubtful, and when a bad debt is to be written off.

In the circumstances, I am unable to confirm existence of effective debt management and control mechanisms.

2. Lack of Risk Management Policy

During the year under review, the Polytechnic did not have a Risk Management Policy to ensure that all operations were performed within the approved risk tolerance levels. There was no documented Disaster Recovery Plan to deal with loss of data or information in case of systems failures or to protect the Information Communication Technology infrastructure in the event of a disaster.

In the circumstances, I am unable to confirm readiness of management to respond in case of a risk.

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 Governing Council

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 September, 2021

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

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

	Note s	2018/2019	2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	1	200,205,497	49,886,948.00
Total Revenue from non-exchange transactions		200,205,497	49,886,948.00
Revenue from exchange transactions			
Rendering of services- Fees from students	2	264,377,366	190,168,856.00
Finance income - external investments	3	1,994,521	
Other income	4	10,556,974	
Revenue from exchange transactions		276,928,861	190,168,856.00
Total revenue		477,134,358	240,055,804.00
Expenses			
Use of goods and services	5	219,595,805.13	142,472,945.90
Employee costs	6	58,929,648.79	45,552,250.00
other development expenditure	7	43,812,940	
Grants and subsidies	8	51,771,053.10	14,722,352.00
Finance costs	9	70,150	-
Depreciation	16	42,134,593.38	
Total expenses		416,314,190.40	202,747,547.90
Other gains/(losses)			
Net Surplus for the year		60,820,167.61	37,308,256.10

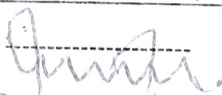
The notes set out on pages 10 to 17 form an integral part of the Annual Financial Statements.

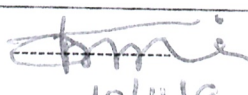
THE KISII NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2019

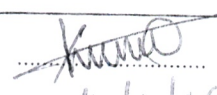
II. STATEMENT OF FINANCIAL POSITION AS AT
30 JUNE 2019

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents		209,831,139.59	133,614,440.00
Receivables from exchange transactions		17,181,866.00	-
Receivables from non-exchange transactions		86,040,000.00	-
Inventories		2,703,833.00	-
Total Current Assets		315,756,838.59	133,614,440.00
Non-current assets			
Property, plant and equipment		1,231,900,226.63	-
WIP			8,406,357.00
Total Non-current Assets		1,231,900,226.63	8,406,357.00
Total assets		1,547,657,065.22	142,020,797.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	58,827,414.00	22,138,518.00
Refundable deposits from customers	15	25,772,874.00	4,212,674.00
Payments received in advance			-
Total Current Liabilities		84,600,288.00	26,351,192.00
Capital and Reserves			
Reserves		1,358,345,352.80	
Accumulated surplus		156,687,447.99	101,541,116.85
Capital Fund		13,648,936.00	13,648,936.00
Total Capital and Reserves		1,463,056,777.22	115,190,052.85
Total Liabilities and Capital & Reserves		1,547,657,065.22	141,541,244.85

The Financial Statements set out on pages 1 to 14 were signed on behalf of the Institute Council/ Board of Governors by:


 Date: 10/11/19
 Chairman of G.C


 Date: 10/11/19
 Principal


 Date: 10/11/19
 Finance Officer

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

III. STATEMENT OF CHANGES IN NET ASSETS FOR THE
YEAR ENDED 30 JUNE 2019

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Developm ent Grants/Fu nd	Total
Balance b/f at July 1, 2018					-
Revaluation gain					-
Fair value adjustment on quoted investments					-
Total comprehensive income		37,308,256.10			37,308,256.10
Capital/Development grants received during the year					-
Transfer of depreciation/amortisation from capital fund to retained earnings					-
Balance c/d as at June 30, 2019	-		-	-	37,308,256.10
Balance b/f as at July 1, 2019	-	-	-	-	
Valuation		1,231,900,226.6 3			1,231,900,226.63
Total comprehensive income		60,820,167.61			126,445,126.18
Capital/Development grants received during the year					-
Transfer of depreciation/amortisation from capital fund to retained earnings					-
Balance c/d as at June 30, 2019	-	1,358,345,352.8 0	-	-	1,358,345,352.80

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

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

		2018/2019	2017/2018
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	1	200,205,497	49,886,948.00
Rendering of services- Fees from students	2	264,377,366	190,168,856.00
Rental revenue from facilities and equipment			
Finance income	3	1,994,521.00	-
Other income, rentals and tender fee , hire of facility	4	10,556,974.00	-
Total Receipts		477,134,358	240,055,804.00
Payments			
Compensation of employees	6	58,929,648.79	45,552,250.00
Use of goods and services	5	219,595,805.13	142,472,945.90
Finance cost	9	70,150.00	-
Other development expenditure	7	43,812,940.00	14,722,352.00
Grants and subsidies paid		51,771,053.10	
Refund of Tuition fees	16	-	
Total Payments		374,179,597.02	202,747,547.90
Net cash flows from operating activities		102,954,760	37,308,256.10
Investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
8		65,164,732.51	8,406,357.00
Increase in investments			
Net cash flows used in investing activities		65,164,732.51	- 8,406,357.00
Financing activities			
Increase in deposits		38,426,671	
Net cash flows used in financing activities		38,426,671	-
Net increase/(decrease) in cash and cash equivalents			
		76,216,699.49	28,901,899.10
Cash and cash equivalents at 1 July 2018		133,614,440.10	121,967,641.00
Cash and cash equivalents at 30 June 2019	28	209,831,139.59	133,614,440.10

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

I. STATEMENT OF BUDGET VS ACTUAL FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from other Govt entities Govt grants	165,000,000.00	16,500,000.00	181,500,000.00	200,205,497	18,705,497.00
Public contributions and donations			-		
Rendering of services- Fees from students	221,810,600.00	14,000,000.00	235,810,600.00	264,377,365	28,566,765.00
Sale of goods			-		
Finance Income	-		-	1,994,521.00	
Other Income	15,332,000.00	-	15,332,000.00	10,556,974.00	-4,775,026.00
Gains on disposal, rental income and agency fees			-		
Total income	402,142,600.00	30,500,000.00	432,642,600.00	477,134,358	44,491,758.00
Expenses					
Compensation of employees	54,038,750.00	5,000,000.00	59,038,750.00	58,929,648.79	109,101.21
Use of Goods and services	288,103,850.00		272,603,850.00	219,595,805.13	53,008,044.87
Finance costs	500,000.00		500,000.00	70,150.00	429,850.00
Rent paid			-		-
other development expenses	35,000,000.00	22,500,000.00	57,500,000.00	43,812,940.00	13,687,060.00
Grants and subsidies paid	24,500,000.00	15,500,000.00	43,000,000.00	51,771,053.10	- 3,153,051.10
Total expenditure	402,142,600.00	43,000,000.00	432,642,600.00	374,179,597.02	64,081,004.98
Surplus for the period	-	- 12,500,000.00		102,954,760	90,454,760

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kisii National Polytechnic entity is established by and derives its authority and accountability from TVET Act. The entity is Semi-Autonomous Government Agency and is domiciled in Kenya. The entity’s principal activity is training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, 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 *Kisii National Polytechnic* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Kisii National Polytechnic*.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>(The standard is not relevant to our entity)</i>

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and fines

The entity recognizes revenues from fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

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

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

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the KNP Governing council. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

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

c) Property, plant and equipment

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

The depreciation is calculated on the reducing balance to write down the cost of each asset to its estimated useful life using the following rates.

Land	- 0%
Buildings	- 2.5%
Motor Vehicles	- 25%
Furniture/Fittings	- 12%
Computers	- 30%
Plant & Computers	- 12.5%

d) 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.

e) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value

through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

h) **Research and development costs (Continued)**

i) **Financial instruments (Continued)**

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

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i) Inventories

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

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

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

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) Changes in accounting policies and estimates

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

m) 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.

n) Related parties

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

o) 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.

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p) Comparative figures

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

q) Subsequent events

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

4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

**SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY (Continued)**

Provisions

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

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

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FY 2018/2019 Financial Statements
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS

Fiscal Year	FY/2018/19	FY/2017/18
Currency	Kshs	Kshs
1 Transfers from National Government Ministries		
Unconditional grants		
Operational grant/capitation	86,040,000	49,886,948
Accrued grant/capitation	86,040,000	
Conditional grants		
institution mentorship	25,585,595	
Administration block grant	2,745,936	
Total Government grants and subsidies	200,411,531	49,886,948
2 Rendering of Services		
Tuition fees	231,364,276	190,168,856
Development Allocation	15,831,224	
Accrued revenue - fees debtors	17,181,866	
Total Rendering of Services	264,377,366	190,168,856
3 Finance Income		
Cash investments and fixed deposits	1,994,521	
Total Finance Income	1,994,521	
4 Other income		
Hire of Facilities	402,450	
Income from sale of tender	10,000	
Library Fine	10,680	
Damages	25,519	
Rental income	123,500	
Pay As You Eat	9,984,825	

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	Total other income	10,556,974	-
5	Use of Goods and Services		
	Activity	6,629,600	6,221,608
	Attachment expenses	1,266,300	2,319,400
	Boarding Equipment & store	2,355,096	3,392,948
	Collaboration Expenses	296,083	-
	Contigencies costs	25,884,231	13,645,358
	Driving	-	10,200
	Electricity Water & Conservance	5,153,467	3,611,628
	Graduation Expenses	809,490	-
	Insurance	1,252,748	1,464,727
	Internet/ICT	3,137,000	1,601,100
	Laboratory Equipment and Practicals	141,400	368,900
	Local Transport and travelling	30,846,000	10,711,730
	Medical Expenses	501,364	1,727,421
	Security	2,788,543	-
	Production Unit	295,759	2,517,418
	Repair Maintanance & Improvement	4,960,295	6,543,571
	School Equipment & stores	58,229,396	69,174,005
	Student ID	1,503,807	747,550
	Workshop Equipment and Practical	11,067,013	5,256,718
	Pay As You Eat	15,114,119	13,038,664
	Caution Money	359,900	-
	Driving	-	120,000
	Students Council	5,710,733	-
	Examination Expenses	33,542,660	
	Sundry creditors	5,382,371	
	Cleaning services	2,368,430	
	Total good and services	219,595,805	142,472,946

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6 Employee Costs

Salaries and wages	52,170,939	45,552,250
N.S.S.F Contribution	4,923,960	-
N.H.I.F Contribution	1,834,750	-
Total Employee costs	58,929,649	45,552,250

7 Other development Expenditure

Total other development Expenditure	43,812,940	-
	43,812,940	-

8 Grants and Subsidies

Development Expenses(Admin block)	2,539,902	
Development Expenses	10,000,000	
Operational Expenses(Mentorship-Borabu TTI, Kendege TVC and Site visit)	39,613,149	14,722,352
Total grants and subsidies	51,771,053	14,722,352

9 Finance Costs

Bank charges	70,150	
Total finance costs	70,150	-

10 Cash and Cash Equivalents

Co-Op Bank-Borabu TTI	370,516.90	
Co-Op Bank-Riamo TTI	6,193,263.60	
Co-Op Bank-KNP	129,315,341	133,614,440
Co-op bank - Kitutu Masaba	4,822,363	
Cash at hand	5,676	
Co-op bank Development A/C	7,369,138	
Co-op bank fixed deposit	50,000,000	

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	Co-op bank savings account	123,036	
	Co-op bank operations a/c	11,631,807	
	Total cash and cash equivalents	209,826,341	133,614,440
11	Receivables from Exchange Transactions		
	Current receivables		
	Student debtors	17,181,866	
	Total current receivables	17,181,866	-
12	Receivables from Non-exchange transactions		
	Current receivables		
	Government Grants/Capitation	86,040,000	
	Total current receivables	86,040,000	-
13	Inventories		
	Consumable stores	2,703,833	
	Total Inventories	2,703,833	-
14	Trade and other Payables from Exchange Transactions		
	Trade payables Direct Creditors	18,820,000	16,396,783
	Prepaid fee	27,265,399	27,265,399
	Retention money	12,742,015	
	Total trade and other payables	58,827,414	43,662,182
15	Refundable deposits from customers/students		
	Examination Fund	18,158,698	2,222,685
	School Farm	333,366	333,366
	Bursary Fund	534,700	534,700
	Student Council	884,566	69,389
	Uniform Fund	15,650	15,650
	Caution money	4,533,104	4,169,464

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KETTISO Account	1,312,790	1,312,790
Total deposits	25,772,874	4,212,674

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16. PROPERTY, PLANT AND EQUIPMENT

	Land		Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Capital Work in progress		Total
	Shs	Shs						Shs	Shs	
Cost			2.50%	25.00%	13%	30%	12.50%		0	
At 1 July 2018	525,000,000.00		486,193,075.00	23,954,134.00	10,114,903.00	7,280,000.00	119,022,957.00	42,353,707.00		1,213,918,776.00
Additions			6,700,000.00	10,986,000.00		9,170,000.00		33,260,044.00		65,164,732.51
Disposals			-	-	-	-	-	-	-	-
At 30 th June 2019	525,000,000.00		492,893,075.00	34,940,134.00	10,114,903.00	16,450,000.00	119,022,957.00	75,613,751.00		1,279,083,508.51
Depreciation and impairment										
At 1 July 2018			-	-	-	-	-	-	-	-
Depreciation charge			12,322,326.88	8,735,033.50	1,264,363.00	4,935,000.00	14,877,870.00			42,134,593.38
Depreciation on Disposal										
At 30 June 2019			12,322,326.88	8,735,033.50	1,264,363.00	4,935,000.00	14,877,870.00			42,134,593.38
Net book values										

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At 30 th June 2019	525,000,000.00	480,570,748.13	26,205,100.50	8,850,540.00	11,515,000.00	104,145,087.00	75,613,751.00	1,231,900,226.63
<i>[Include brief description of WIP as a footer]</i>								

17. **Contingent Liability.**

Kisii National Polytechnic has a land dispute with Coffee research, and the case is in court and ongoing. During the year under review no expense was incurred in relation to the case. Estimated contingent liability is dependent on the outcome of case when it will come to completion.