

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

DATE: 01 MAR 2022

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REPORT

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THE AUDITOR-GENERAL

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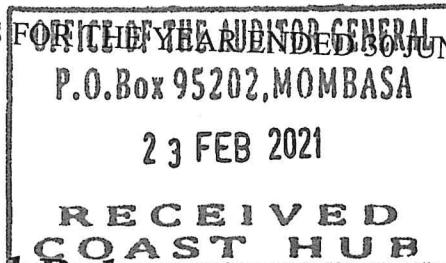
KENYA COAST NATIONAL POLYTECHNIC

FOR THE YEAR ENDED

30 JUNE, 2020



KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020



Kenya Coast National Polytechnic

Kisauni Road, P O Box 81220-80100 Mombasa, Telephone 0712725554, 0710389727
Email: info@kenyacoastpoly.ac.ke Website: www.kenyacoastpoly.ac.ke



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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**

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

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

KCNP has seen tremendous growth in terms of courses offered and the student enrolment from an initial population of 23 students and 24 teaching staff in 1990 to the current 7216 students and 179 teaching staff respectively. The current number of non-teaching staff is 74. This has resulted in a strain on the training facilities whose expansion has unfortunately not matched this student growth. With the outbreak of Covid-19 pandemic has even made it worse. The demands from the market and the changes in curriculum and technology have not been fully matched by additional training facilities in terms of space, equipment and staff.

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

Principal Activities

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

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Vision.

A leading centre of excellence in training.

Mission

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

Mandate

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

Core Functions

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

Core Values

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

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

(b) Key Management

Daily management is carried out under the following key divisions:

- Administration, Finance, Registrar and Academic

(c) 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
1.	Former Chief Principal	Ms Mary M. Muthoka
2.	Current Chief Principal	Mrs Anne M. Mbogo
3.	Deputy Principal-Adm.	Mr. Show Kalama
4.	Deputy Principal- Accad.	Ms Jane Kariuki
5.	Financial Controller	CPA Clerkson O. Bolo
6.	Senior Procurement Officer	Ms Dorothy Nyagitari
7.	Ag Registrar	Mr. Julius Kasuva
8.	Ag .Dean of Students	Mr Elphase Muge

(d) Fiduciary Oversight Arrangements

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

(e) KCNP Headquarter

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

(f) KCNP Contacts

Telephone: 0712725554, 0710389727

E-mail: info@kenyacoastpoly.ac.ke

Website: www.kenyacoastpoly.ac.ke

(g) KCNP Bankers

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

(h) Independent Auditors





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




(i) Principal Legal Adviser

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

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THE COUNCIL/BOARD OF GOVERNORS

<p>1.</p>  <p>Prof. James Felix Kanyua – Chairman D O B 09/09/1949 Id No 13308164</p>	<p>Prof. J F Kanyua is a holder of Doctor of Philosophy in Engineering, M Sc (Mechanical Engineering), B Sc (Mechanical Engineering), Postgraduate Diploma in Energy Technology, has a Certificate in Solar Energy Conversion and Desalination. He was a Senior lecturer at University of Nairobi from 1986 to 1992 during which he was appointed Associate Professor and performed various administrative duties. Currently he is a Professor Department of Mechanical and Automotive Engineering at Technical University of Mombasa.</p>
<p>2</p>  <p>Mr. Osman Varwani – Member D O B 08/12/1974 Id No 13358207</p>	<p>Mr. Osman has a B.S in Computer Science and Information Networking. He has wealth of experience in ICT since 1994 to date. At the moment he is the founder and Managing Director of Innovus Group- Kenya.</p>
<p>3</p>  <p>Dr. Gracie Mullei- Member D O B 18/6/54 Passport NO A1994926</p>	<p>Dr. Gracie is a holder of Bachelor of Education. She has a 5 years' experience in Corporate Governance to date since 2015, She has been engaged in Youth leadership training, Leadership training in various churches. She has been a lecturer in various Institutions, a Manager at world Vision International for 9 years, a Director at world Servant International for 10 years.</p>
<p>4</p>  <p>Mr. Sammy K. Akilimali- Member D O B 8/6/1963 Id No 0722876545</p>	<p>Mr. Sammy has Bachelors Degree in Business Administration (Entrepreneurship) , Ordinary Diploma in Institutional Management, Higher Diploma in Catering, Hotel and Institutional Management and Diploma Business Management. He has 35 years' work experience since 1984 to date.</p>
	<p>vi</p>

<p>5</p>  <p>Eng. Oliver Khabure- Member D O B 8/3/1968 Id No 10043933</p>	<p>Mr. Oliver is a holder of B.Sc in Civil Engineering and Masters in Business Administration. He is a registered consulting engineer and has been in the field for over 25 years.</p>
<p>6</p>  <p>Ms Mary Muthoka- Chief Principal/Secretary D O B 28/11/1964 Id No 8833424</p>	<p>Ms. Mary Muthoka is the former chief Principal. She is a holder of BED- Business studies and Education and MBA in Management and Marketing Management. She has over 10 years' experience in management of TVET Institutions as a Principal.</p>
<p>7</p>  <p>Anne M. Mbogo Mrs- Chief Principal/Secretary D O B 10/10/972 Id No 11592985</p>	<p>Mrs Anne Mwendia Mbogo is the current chief Principal with effect from 23/9/2020. She is a holder of Post Graduate Diploma in Education Management and BED-Home Science and Technology. She has over 6 years' experience in management of TVET Institutions as a Principal.</p>
<p>8.</p>  <p>Mr Mwangi Peter - Member D O B 24/02/1966 Id No 7323021</p>	<p>Mr Mwangi Peter has a Master's Degree in Education Management and Bachelor's Degree in Education (Chemistry and Mathematics). He has experience in the Education Sector of over 30 years and currently is the County Director TVET for Mombasa Region.</p>
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KENYA COAST NATIONAL POLYTECHNIC
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9.







Mr. Julius N. Mwengei- Member
D O B 26/4/1961 Id No 0315024




Mr Julius N. Mwengei is a holder of Masters in Business Administration (Entrepreneurship and Business Consulting), a professionally qualified Certified Public Accountant(CPA(K), a member of Institute of Certified Public Accountants(ICPAK), Institute of Certified Public Secretaries(ICPSK) and Institute of Credit Management(ICM). He has an audit firm where he is the in charge of day to day management affairs since 2009 to date

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MANAGEMENT TEAM

 <p>Ms. Mary Muthoka- Chief Principal/Secretary D O B:28/11/1964 Id No:8833424</p>	<p>Former Chief Principal/Secretary to the Council The Accounting Officer</p>
 <p>Anne M. Mbogo Mrs- Chief Principal/Secretary D O B:10/10/1972 Id No: 11592985</p>	<p>Current Chief Principal/Secretary to the Council The Accounting Officer with effect from 23rd September, 2020</p>
 <p>Mr. Show Kalama – Deputy Principal Administration D O B 30/8/1978 Id No 20883144.</p>	<p>Deputy Principal in charge of Administration</p>
 <p>Ms Jane Kariuki – Deputy Principal- Academic DO B 5/1/1971 Id No 10889552</p>	<p>Deputy Principal in charge of Academic. A holder of M Ed</p>
	<p>ix</p>

KENYA COAST NATIONAL POLYTECHNIC
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		<p>Financial Controller in charge of Account /Finance department. A holder of MBA</p>
	<p>CPA Clerkson Onyango Bolo- Financial Controller Reg. No. 5067 D O B 4/3/1968 Id No 9418429</p>	
		<p>Dean of Students in charge of students' affairs. A holder of a degree in Supplies chain Management</p>
	<p>Ms Elphase Muge –Ag Deans of Students. D O B 28/08/1971 Id No 11605342</p>	
		<p>In Charge of students' admissions and career guidance. A holder of Masters in Instructional Design and Technology</p>
	<p>Mr. Julius Kasuva – Ag Registrar. D O B 20/10/1975 Id No 13522642</p>	


CHAIRMAN'S STATEMENT

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

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

While the mandate of the Polytechnic provides for training highly skilled workforce that is suitable for further professional development through quality inclusive and equitable TVET programs responsive to national and global competitiveness, there have been challenges related to the infrastructural developments as the government has not been providing the requisite capital expenditure. Covid-19 has also multiplied these challenges. The financial statements reflect the financial status of the Polytechnic. More personnel are required for both teaching and Non-teaching staff. Council Members have recruited some staff on part time contracts and sustaining the increase in personal emoluments will however be a challenge unless the government increases its financing for recurrent expenditure.

The Polytechnic Council looks forward to supportive collaboration with the government to ensure continued development of the Kenya Coast National Polytechnic as provided.



Prof. J F Kanyua
Chairman of Council

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REPORT OF THE PRINCIPAL

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

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

The Polytechnic has developed and implemented work place policies to nurture holistic students and staff. Towards this end, KCNP has complied with gender and disability mainstreaming, alcohol and drug abuse prevention and intervention.

Valuation of Non-Current Assets

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

Variances

The Council observed that unfavourable variances on revenue were due to Covid-19 pandemic that made the learning Institutions to close during the fourth quarter of the Financial year 2019/2020. Positive variances on expenditure especially on general, operating, use of goods expenses, and repairs were due to the outbreak of Covid-19 that made most of the activities scaled down. But for employment cost, the Polytechnic establishment for employees is yet to be met. Despite these variations, the council members noted that the general performance had a positive variance which is an indication that the council did not commit funds beyond its revenue limit.

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Sundry Creditors


By the end of the fiscal period, the Polytechnic had unpaid supplies amounting to ksh. 9,261,264. This was due to prolonged processing of documents to facilitate payments by the accounts department and also goods and services acquired at the end of the fiscal period. Hence, the Polytechnic does not have any pending bill.

Upgrade of Accounting Software

The council members noted that for accounting staff to prepare on time financial reports, the accounting software in use must be upgraded and the process of upgrading started in September, 2019 and is still on going. This will assist the accounts staff to work faster and more accurate.

Development Projects

The Polytechnic received a total of ksh. 9,092,250 from the Government as development grant and also collected a total of ksh. 9,787,814 as development funds internally. During The FY 2019/2020 Polytechnic managed to: To finish phase three of Cafeteria block, Upgrade classrooms at the Corner restaurant block in readiness of donated equipment for installation, build students centre block, acquired furniture, Motor vehicle and major renovation of chanadaria hall.


Mrs. Anne M. Mbogo
Chief Principal/Council Secretary

CORPORATE GOVERNANCE STATEMENT

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

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

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

The council provides leadership through oversight, review and guidance whilst setting the strategic direction. It is the primary decision-making body for all matters considered as material to the service. The council is composed of skilled and experienced persons and carry out their functions effectively. Full council meetings are held quarterly while council committees are held frequently as needs may arise.

General Responsibilities

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

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

Council Remuneration

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

Risk Management and Internal Controls

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

Conflict of Interest

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

Compliance

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

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

CORPORATE SOCIAL RESPONSIBILITY

KCNP support and mentor nearby institutions through capacity building of faculty and sharing of resources. This is being done through MOU. The institutions selected that are being supported and mentored are: Ahmed shahame Mwidani TVC, Likoni TVC, Lungalunga TVC, Kaloleni TVC, Weru TVC, Lamu East TVC and Ukunda youth polytechnic among others. Plans are underway to develop the partnership agreements and work plan.

The Mandate of KCNP is to train a highly skilled workforce that is suitable for further professional development through quality, inclusive and equitable TVET programs responsible to national and global competitiveness. To fulfil that the council occasionally award bursary to some needy students.

It is KCNP responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development. It is our undertaking to ensure that KCNP has a credible strategic plan and performance contract that will deliver the desired goals. To fulfil this responsibility, the Management offer short term training and development to its staff.

KENYA COAST NATIONAL POLYTECHNIC
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REPORT OF THE GOVERNING COUNCIL

The Governing Council submit their report together with the audited financial statements for Period ended June 30, 2020 which show the state of The Kenya Coast National Polytechnic's affairs.

Principal activities

The principal activity of the Polytechnic is training

Results

The results of the entity for the year ended 30th June, 2020 are set out on page 1.

COUNCIL OF GOVERNORS

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

Auditors

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

By Order of the Board



Mrs. Anne M. Mbogo
Chief Principal/Council Secretary

Date:8/2/2021.....

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and Section 14 and 15 (1) of the State Corporations Act, require Council members to prepare financial statements in respect of the Polytechnic, which give a true and fair view of the state of affairs of the Polytechnic at the end of the financial year and the operating results of the Polytechnic for that period. The Council are also required to ensure that the Polytechnic keeps proper accounting records which disclose with reasonable accuracy the financial position of the Polytechnic. The Council is also responsible for safeguarding the assets of the Polytechnic.

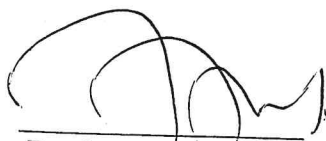
The Council is responsible for the preparation and presentation of the Polytechnic financial statements, which give a true and fair view of the state of affairs of the Polytechnic for and as at the end of the financial year ended on 30 June, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the Polytechnic financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the Polytechnic financial statements give a true and fair view of the state of Polytechnic transactions during the financial year ended June 30, 2020, and of the Polytechnic financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the Polytechnic, which have been relied upon in the preparation of the Polytechnic financial statements as well as the adequacy of the systems of internal financial control.

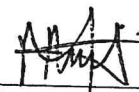
Nothing has come to the attention of the Council to indicate that the Polytechnic will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Polytechnic financial statements were approved by the Council on 8/2/2021 and signed on its behalf by:



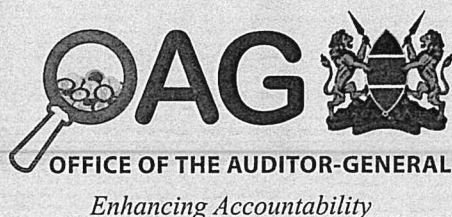
Prof. J F Kanyua
Council Chairman



Mrs. Anne M. Mbogo
Chief Principal/Council Secretary

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE KENYA COAST NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kenya Coast National Polytechnic set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2020, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2020 have the following unsatisfactory matters:

- i) Management discussion and analysis, and the reports on projects implemented and inter-entity transfers are missing from the Polytechnic performance information.
- ii) The statement of cash flows reflects Kshs.57,065,630 and Kshs.28,331,051 in respect of movement on purchase of property, plant and equipment and intangible assets, and work in progress respectively. However, the increases in the assets do not match with the Notes 20 and 21 to the financial statements respectively.
- iii) The statement of comparison of budget and actual amounts has no adjustments and final budget columns.
- iv) There is no explanatory note on the new inventory items valued at Kshs.4,288,928 as disclosed in Note 19 to the financial statements.

- v) Note 20 to the financial statements on property, plant and equipment reflects assets movement for four years instead of two years. Further, depreciation charge has not been disclosed separately from asset costs.
- vi) The header on Note 23 to the financial statements erroneously indicates 2019/2020 for the comparative balance column instead of 2018/2019.

Consequently, the financial statements do not comply with the template issued and published by the Public Sector Accounting Standards Board in June, 2020.

2.0 Accuracy of the Financial Statements

Audit review of the financial statements for year ended 30 June, 2020 revealed that there were some unsatisfactory matters on their accuracy:

- i) The financial statements are not based on a properly maintained accounting ledger system which is able to generate trial balance and financial statements. Consequently, the Institute did not provide a trial balance for audit review.
- ii) Records provided revealed that the Polytechnic omitted receivables from non-exchange transactions of Kshs.21,810,000 from the financial statements in respect of outstanding government grants as at 30 June, 2020.
- iii) The statement of changes in net assets reflects an amount of development grants for mentored institutions of Kshs.20,940,211 out of which Kshs.9,092,250 has been accounted for under capital/development grants/fund instead of the mentored TTI Fund. The Management has not explained the inconsistency in classification of the grants.

In the circumstance, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

3.0 Unaudited Opening Reserves

The statement of changes in net assets for the year ended 30 June, 2020 reflects a closing balance of Kshs.2,217,695,936. As previously reported, included in the balance is Kshs.1,624,919,449 in respect of reserves balance as at 01 June, 2016, being mentored TTI fund of Kshs.221,731,315, fair value adjustment reserve of Kshs.3,000,000, retained earnings of Kshs.77,236,487 and capital development fund of Kshs.1,544,682,962. However, and as previously reported, available information indicates that the financial year 2016/2017 was the first year of preparation of accounts and their audit and this opening balance remains unsupported.

In addition, the statement of changes in net assets includes fair value adjustment of Kshs.13,055,784 and inventory reserve adjustment of Kshs.4,288,928. However, there was no evidence of revaluation of assets and stock taking of the inventory. The basis for adjustments could therefore not be verified.

Consequently, the accuracy, and completeness of the statement of changes in net assets balance of Kshs.2,217,695,936 as at 30 June, 2020 could not be confirmed.

4.0 Unsupported Opening Balance of Cash and Cash Equivalent

The statement of cash flows for the year ended 30 June, 2020 reflects a cash and cash equivalents balance of Kshs.491,302,864. However, as previously reported, the balance includes a brought forward balance of Kshs.153,368,135 as at 01 July, 2016 and which has not been supported.

Consequently, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

5.0 Cash and Cash Equivalents

As disclosed in Note 17 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.491,302,864. However, the following unsatisfactory matters were noted.

5.1 Lack of Cash Books and Bank Reconciliation Statements

During the audit, the Polytechnic Management did not provide for audit review the cashbooks and bank reconciliation statements in support of the reserve fund account with a balance of Kshs.2,109,232, the capital development account with a balance of Kshs.1,152,417 and the caution money account with a balance of Kshs.619,341. This is contrary to Section 68 (2) (b) of the Public Finance Management Act which states that in the performance of a function under subsection (1), an accounting officer shall - ensure that the entity keeps financial and accounting records that comply with this Act. Further, Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015 states that all Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the tenth day of the subsequent month to the National Treasury with a copy to the Auditor-General.

5.2 Uncleared Items in the Bank Reconciliation Statements

5.2.1 Main Current Bank Account

Note 17(a) to the financial statements reflects a main current account balance of Kshs.260,683,843. However, the bank reconciliation statement as at 30 June, 2020 reflects direct bankings amounting to Kshs.15,024,555 without dates or explanations provided as to why they have not been entered in cash book. Further, the bank statements showing when these cheques and deposits were subsequently presented and cleared in the bank were also not provided for audit verification.

5.2.2 Production Unit Account 3

Included in the cash and cash equivalents balance of Kshs.491,302,864 is a Production Unit account balance of Kshs.21,078,480 held in a local bank. However, the supporting bank reconciliation statement as at 30 June, 2020 reflects direct bankings of Kshs.559,710 and the Management did not provide an explanation why the deposits had not been recorded in the cash book.

In the circumstances, existence, accuracy and completeness of the cash and cash equivalents balance of Kshs.491,302,864 as at 30 June, 2020 could not be confirmed.

6.0 Receivables from Exchange Transactions - Lack of an Ageing Analysis

As disclosed in Note 18 to the financial statements, the statement of financial position reflects a balance of Kshs.97,144,290 in respect of receivables from exchange transactions. Included in this balance is student debtors balance of Kshs.75,064,432 which was not supported with an ageing analysis of the outstanding debts. It was therefore not possible to confirm names of the student debtors and how long the debts have been outstanding in order to determine recoverability of the debts.

Further, the receivables from exchange transactions balance of Kshs.97,144,290 was not supported with detailed debtors' schedules. It was also noted that there was no credit policy in place for Management of credit facilities. As such, the basis for granting the credit facility and computing provision for bad debts could not be ascertained.

In addition, the receivables from exchange transactions balance also includes Kshs.4,159,310 in respect of a staff debtor which has remained outstanding since the financial year 2016/2017. However, the Management has not explained why the debt has not been written off.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.97,144,290 could not be ascertained.

7.0 Unsupported Inventories Balance

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.5,740,608 in respect of inventories as at 30 June, 2020. However, the Management does not maintain a proper inventory system for recording movement and recognition of inventory in line with Paragraph 45 of the International Public Sector Accounting Standards (IPSAS) No.12 which states that, "for a service provider, the point when inventories are recognized as expenses normally occurs when services are rendered, or upon billing for chargeable services".

In addition, the inventories balance was not supported with detailed schedules of the inventory. Further, evidence supporting the adjustment of Kshs.4,288,928 was not provided for audit verification.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.5,740,608 as at 30 June, 2020 could not be confirmed.

8.0 Property, Plant and Equipment

8.1 Assets not Valued

As disclosed in Note 20 to the financial statements, the statement of financial position reflects a balance of Kshs.1,691,269,095 in respect of property, plant and equipment which is the net book value as at 30 June, 2020. However, as previously reported, the valuation report showing how the opening balance of Kshs.1,517,436,734 as at

01 July, 2016 was determined was not provided for audit review. Further, considering that some of the assets have been in existence for several years there was no evidence that appropriate depreciation charge was applied to their initial cost.

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

Consequently, valuation, accuracy and existence of property, plant and equipment balance of Kshs.1,691,269,095 as at 30 June, 2019 could not be confirmed.

8.2 Unverified Works for Renovation of Chandaria Hall

Included in property, plant and equipment balance of Kshs.1,691,269,095 and disclosed at Note 20 to the financial statements is Kshs.455,007,483 in respect of buildings which further includes payments totalling Kshs.3,552,431 made to a contractor for renovation of Chandaria hall. However, the payments were not supported with the engineer's certificates of payments to confirm the work done. Further, the inspection report supporting the payment voucher noted unsatisfactory work/defects.

Consequently, the value of work done and the validity of the payment of Kshs.3,552,431 could not be confirmed.

9.0 Unsupported Intangible Assets

As disclosed in Note 21 to the financial statements, the statement of financial position reflects intangible assets-software balance of Kshs.21,350,795 as at 30 June, 2020 and . Included in the balance is a work in progress figure of Kshs.13,222,840 relating to the upgrade of ABNO Software which is the Polytechnic's Management Information System.

Records provided revealed that the Polytechnic entered into a contract agreement with a local firm at a contract sum of Kshs.15,000,000 for the supply, installation, configuring, testing and commissioning of the Enterprise Resource Planning system in order to operationalize the finance, procurement, banking and fifteen other modules. Further, the records indicated that the contractor had been paid a total of Kshs.17,545,000 of the allocated budget of Kshs.15,000,000 as at 30 June, 2020. However, as at the time of audit January, 2021, the modules were not functional, casting doubt about the propriety of the expenditure.

Consequently, the payments may have been made for non-delivered services.

It is also not clear how the over-payment of Kshs.2,545,000 was made over and above the budget amount contrary to Section 17(4) of The Kenya Coast National Polytechnic Order, 2016 which states in part that after the Cabinet Secretary has given his approval, the Council shall not increase any sum provided in the estimates without the consent of the Cabinet Secretary.

Further, the intangible assets-software balance of Kshs.21,350,795 was not supported with an assets register detailing the name of the software, cost, date of acquisition, supplier, purpose, amortization and net book value.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.21,350,795 as at 30 June, 2020 could not be confirmed.

10.0 Unsupported Trade and Other Payables from Exchange Transactions

As disclosed in Note 23 to the financial statements, the statement of financial position as at 30 June, 2020 reflects trade and other payables from exchange transactions balance of Kshs.226,241,832 . However, the balance include payables of Kshs.145,076,576 or 64% which was not supported with a detailed creditors' schedule.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.226,241,832 as at 30 June, 2020 could not be confirmed.

11.0 Mentored Institutions Projects – Lack of Handing Over Reports and Comingled Funds

The statement of financial position as at 30 June, 2020 reflects a balance of Kshs.337,130,116 in respect of mentored institutions projects. Available information revealed that Kenya Coast National Polytechnic was funded by the line Ministry with matching funds from respective local National Government Constituency Funds to construct and equip classrooms and administration block at the following technical training institutes; Ahmed Shahame Mwidani - Changamwe Constituency, Weru - Malindi Constituency, Lamu East - Lamu East Constituency, Lamu West - Lamu West Constituency, Kaloleni - Kaloleni Constituency and Likoni - Likoni Constituency. It was further noted that five the (5) institutes are now operational and the buildings are in use. However, there was no evidence of handing-over of the projects to the institutes' Management.

Further, it was also noted that funds for the mentored institutions are comingled with institution's funds in the Polytechnic's operational (main) bank account despite the existence of separate mentored institution's bank account. It was not possible to confirm the availability of unspent funds for the grants.

Consequently, the validity and completeness of mentored institutions projects/works balance of Kshs.337,130,116 as at 30 June, 2020 could not be confirmed.

12.0 Irregular Remuneration of Council a Member

The statement of financial performance for the year ended 30 June, 2020 reflects an amount of Kshs.5,690,565 in respect of remuneration of Council Members. Included in the expenditure is sitting allowance amounting to Kshs.391,553 paid to the County Director of Technical and Vocational Education and Training (TVET), Mombasa Region. However, there was no evidence that the officer was appointed as a Council Member in line with Mwongozo Guideline Section 11 which provides that 'each Board Member shall be formally appointed to the board through a gazette notice and thereafter an appointment letter'.

Further, available records revealed that the Chief Principal who doubles as Secretary to the Council received a total of Kshs.480,753 as sitting allowances for performing normal work.

Consequently, the Polytechnic made irregular expenditure amounting to Kshs.872,306 on sitting allowances to Council members.

13.0 Doubtful Expenditure on Repairs and Maintenance

The statement of financial performance for the year ended 30 June, 2020 reflects Kshs.28,625,154 in respect of repairs and maintenance. Included in the repairs and maintenance balance, are payments to four (4) contractors for various repair works totalling Kshs.4,829,215. However, the supporting invoices were for the financial year 2018/2019 and were not included in the list of creditors for that year. In addition, it was noted that although the payments were made on 10 January, 2020, the Financial Controller's signature was dated 18 March, 2020, casting doubt on the payment process.

Consequently, the validity of the repairs and maintenance expenditure of Kshs.4,829,215 for the year ended 30 June, 2020 could not be confirmed.

14.0 Use of Goods and Services

As disclosed at Note 16 to the financial statements, the statement of financial performance shows use of goods and services expenditure of Kshs.15,858,371 which includes amounts of Kshs.4,452,588 and Kshs.4,848,090 for part payment of the contract sum for internet services and security costs, respectively. Audit review of the contract agreements revealed that the two contracts expired in February, 2020. However, it was noted that payments amounting to Kshs.972,502 and Kshs.1,707,602 for internet services and security services, respectively were made to the services providers between the months of March, 2020 and June, 2020 after the expiry of the contracts.

Consequently, the validity and completeness of the expenditure totalling Kshs.2,680,104 on internet and security services could not be confirmed.

15.0 Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.457,946,000 and Kshs.323,181,398 respectively resulting to an under-funding of Kshs.134,764,602 or 29% of the budget. Similarly, the Polytechnic expended Kshs.293,772,148 against an approved budget of Kshs.457,216,000 resulting to an under-expenditure of Kshs.163,443,852 or 36% of the budget.

Although the underfunding and underperformance affected the Polytechnic's planned activities and may have impacted negatively on service delivery to the public.

16.0 Unconfirmed Budget Approval Process

The statement of comparison of budget and actual amounts indicates that the Polytechnic had an expenditure budget of Kshs.457,216,000 for the financial year 2019/2020.

However, the Polytechnic Management did not provide evidence that the budget was approved by the respective line Ministry in line with Section 17(4) of The Kenya Coast National Polytechnic Order, 2016 which states that “annual estimates shall be approved by the Council before the commencement of the financial year to which they relate, and shall be submitted to the Cabinet Secretary for approval and after the Cabinet Secretary has given his approval, the Council shall not increase any sum provided in the estimates without the consent of the Cabinet Secretary”.

Consequently, the Management may have incurred expenditure without regard to The Kenya Coast National Polytechnic Order, 2016

17.0 Irregular Payment of Responsibility Allowance

The statement of financial performance for the year ended 30 June, 2019, reflects employee costs total of Kshs.51,417,799. During the year under review, the Polytechnic paid responsibility allowances amounting to Kshs.50,000 per month to three top managers or Kshs.600,000 for the year. However, as previously reported, the allowances were not reflected in the payroll for the officers involved. Further, the Council meeting minutes provided for audit review indicated that the allowance was paid to the managers for performing extra work since they are employees of the Teachers Service Commission. The payment is contrary to the Salaries and Remuneration Commission Circular Ref. No: SRC/ADM/CIR/1/13 Vol.III (126) dated 10 December, 2014 which provides that ‘responsibility allowance should be awarded by the employer and reflected on the payroll’.

In the circumstance, the responsibility allowance paid to the top managers amounting to Kshs.600,000 for the year ended 30 June, 2019 was irregular.

18.0 Failure to Operationalize E-Procurement Platform

The Polytechnic Management had not operationalized the e-procurement method, contrary to Executive Order No.6 of 06 March, 2015, which requires all state corporations and universities to migrate to e-procurement platform. According to the National Treasury Circular No.6/2015, all public entities were supposed to have migrated to the E-procurement platform by June 2015. Further, the Management spent a total of Kshs.17,000,000 in the year under review on upgrade of the Enterprise Resource Programme (ERP) software which includes the procurement module. However, as at the time of audit in January, 2021, the e-procurement portal was not operational.

In the circumstances, the Management is in breach of the law and the value for money for the expenditure of Kshs.17,000,000 could not be confirmed.

19.0 Irregular Attendance of Council Meetings by Non-Member

An audit review of the Council meeting minutes provided, revealed that an officer representing State Department for Vocational and Technical Training attended Council meetings and was paid sitting allowances totaling Kshs.529,855 during the year ended 30 June, 2019. However, the officer was not gazetted as a Council member in line with Mwongozo guidelines Chapter 1(1.1) (11) which states that, “each Board member shall be formally appointed to the Board through a gazette notice and thereafter issued with an

appointment letter". Further, the National Treasury had not appointed a representative to the Council.

In the Circumstances, the Council meetings were not properly constituted and its decisions may be subsequently challenged in a court of law.

20.0 Lack of Policy on Management of Part-Time Classes

As disclosed in Note 15 to the financial statements, the statement of financial performance shows that during the year under audit review, the Polytechnic incurred a total expenditure of Kshs.77,342,810 on operating expenses which includes an expenditure of Kshs.36,389,039 incurred on running of part-time programmes. Available records revealed that both external and internal staff are engaged in the programmes to teach part-time students. However, as previously reported, the approved academic policy showing how the part-time courses are run was not provided for audit verification. It was therefore not clear how part-time programmes, the course contents, minimum academic entry qualifications, minimum student number, course duration, time allocated for the course, qualifications of trainers, fees payable per course and the minimum and maximum workload for each trainer per given period among others were determined.

Further, in the absence of clear policy guidelines, it was not possible to confirm if the full-time tutors were qualified and eligible to undertake part-time courses at the Polytechnic.

In addition, information available indicates that tuition fees collected from part-time courses are shared in the ratio of 70% and 30% respectively between the part-time teachers and the Polytechnic. This implies that tutors are using the Polytechnic's facilities at the expense of service delivery to the students.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and Council Members

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 ability of Kenya Coast National Polytechnic to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the National Polytechnic or to cease operations.

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

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

The Council Members are responsible for overseeing the Kenya Coast National Polytechnic financial reporting process, reviewing the effectiveness of how the entity 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

My responsibility is to conduct an audit of the Kenya Coast National Polytechnic financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance

processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Kenya Coast National Polytechnic 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 February, 2022

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

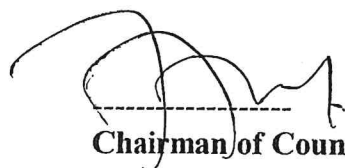
	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government–Capitation	5	98,190,000	39,300,000
Revenue from exchange transactions			
Rendering of services- Fees from students	6	185,956,273	292,302,776
Other Services Rendered	7	31,808,085	45,722,381
Rental revenue from facilities and equipment	8	1,268,500	1,686,000
Other income	9	5,958,540	6,728,760
Total Revenue from exchange transactions		224,991,398	346,439,917
Total revenue		323,181,398	385,739,917
Expenses			
Employee costs	10	51,417,799	56,088,204
Remuneration of Council Members	11	5,690,565	5,510,558
Depreciation	12	37,674,193	37,587,526
Repairs and maintenance	13	28,625,154	27,329,545
General Expenses	14	77,163,256	96,907,409
Operating Expenses	15	77,342,810	107,722,991
Use of Goods and Services	16	15,858,371	12,410,594
Total expenses		293,772,148	343,556,827
Net Surplus for the year		29,409,250	42,183,090

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

KENYA COAST NATIONAL POLYTECHNIC**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020****V. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Notes	2019-2020 Kshs	2018-2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	17	491,302,864	137,624,858
Receivables from exchange transactions	18	97,144,290	157,264,782
Inventory	19	5,740,608	1,451,680
Total current assets		594,187,762	296,341,320
Non-current assets			
Property, plant and equipment	20	1,691,269,095	1,670,994,755
Intangible assets	21	21,350,795	4,327,547
Mentored Institutions Projects/works	22	337,130,116	326,705,216
Total Non-current assets		2,049,750,006	2,002,027,518
Total assets		2,643,937,768	2,298,368,838
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	23	226,241,832	160,867,075
Non-current liabilities			
Total liabilities		226,241,832	160,867,075
Net assets		2,417,695,936	2,137,501,763
Mentored Institutions Grants	24	351,053,177	326,705,216
Reserves	25	32,509,039	19,453,255
Accumulated surplus	26	207,372,933	173,674,755
Capital Fund	27	1,626,760,787	1,617,668,537
World Bank- EASTRIP	28	200,000,000	-----
Total net assets and liabilities		2,417,695,936	2,137,501,763

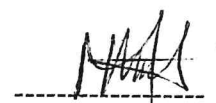
The Financial Statements set out on pages 1 to 5 were signed on behalf of The Polytechnic Council by



Chairman of Council



Financial Controller



Chief Principal/Council Secretary

Date: 8/2/2021

ICPAK No 5067

Date: 8/2/2021

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020

**VI. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR END 30 JUNE
2020**

	Mentored TTI Fund	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At 1 June 2016	221,731,315	3,000,000	77,236,487	1,544,682,962	1,846,650,764
Total comprehensive income- Surplus for the period	-----	-----	20,512,032	-----	20,512,032
Development grants	-----	-----	-----	14,876,733	14,876,733
Development grants for Mentored Institutions	79,607,829	-----	-----	-----	79,607,829
Reserve for the period	-----	1,176,104	-----	-----	1,176,104
Adjustment of Intangible Assets	-----	-----	-----	6,907,000	6,907,000
At 1 July, 2017	301,339,144	4,176,104	97,748,519	1,566,466,695	1,969,730,462
Total comprehensive income- Surplus for the period	-----	-----	33,743,146	-----	33,743,146
Development grants	-----	-----	-----	7,165,000	7,165,000
Development grant for Mentored Institutions	8,624,966	-----	-----	-----	8,624,966
Adjustment in the period	-----	-----	-----	33,533,905	33,533,905
Reserve for the period	-----	2,506,887	-----	-----	2,506,887
Transfer of depreciation/amortisation from capital fund to retained earnings	-----	-----	-----	-----	-----
At 1 July, 2018	309,964,110	6,682,991	131,491,665	1,607,165,600	2,055,304,366
Development grants	-----	-----	-----	10,502,937	10,502,937
Development grant for Mentored Institutions	16,741,106	-----	-----	-----	16,741,106
Surplus for the year	-----	-----	42,183,090	-----	42,183,090
Reserve for the year	-----	12,770,264	-----	-----	12,770,264
At 30 June, 2019	326,705,216	19,453,255	173,674,755	1,617,668,537	2,137,501,763
Development grants for Furniture W.I.P	12,500,000	-----	-----	-----	12,500,000
Development grants	11,847,961	-----	-----	9,092,250	20,940,211
Surplus for the year	-----	-----	29,409,250	-----	29,409,250
Reserve for the year	-----	13,055,784	-----	-----	13,055,784
Inventory Adjustment	-----	-----	4,288,928	-----	4,288,928
At 30 June, 2020	351,053,177	32,509,039	207,372,933	1,626,760,787	2,217,695,936

KENYA COAST NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Cashflowsfromoperatingactivities			
Receipts			
Government grants	5	20,940,211	10,502,937
Government Capitation	5	98,190,000	39,300,000
Government grant for Furniture- Mentored Institution	5	12,500,000	-----
Renderingofservices- Fees from students	6	185,956,273	292,302,776
Other Services Rendered	7	31,808,085	45,722,381
Rentalrevenuefromfacilitiesandequipment	8	1,268,500	1,686,000
Otherincome	9	5,958,548	6,728,760
Mentored Institution grants	22	-----	16,741,106
Decrease/increase in payables	23	65,374,759	43,903,881
Internal Development Fund	25	13,055,784	12,770,264
Inventory Adjustment	26	4,288,928	-----
World Bank- EASTRIP	28	200,000,000	-----
Total Receipts		639,341,088	469,658,105
Payments			
Compensationofemployees	10	51,417,799	56,088,204
RemunerationofCouncil Members	11	5,690,565	5,510,558
Repairsandmaintenance	13	28,625,154	27,329,545
General Expenses	14	77,163,256	96,907,409
Operating Expenses	15	77,342,820	107,722,991
Use of Goods and Services	16	15,858,371	12,410,594
Increase/Decrease in receivable	18	(60,120,492)	110,113,273
Increase in Inventory	19	4,288,928	833,459
Work in Progress	20	-----	8,925,079
Mentored Institution projects/works	22		16,741,106
Total Payments		200,266,401	442,582,218
Netcashflowsfromoperatingactivities		439,074,687	27,075,887
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibleassets		(57,065,630)	(67,540,186)
Work in Progress	20	(28,331,051)	
Netincrease/(decrease)incashandcash equivalents		353,678,006	(40,464,299)
Cashandcashequivalentsat1JULY 2019	17	137,624,858	178,089,157
Cashandcashequivalentsat30 JUNE 2020	17	491,302,864	137,624,858

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VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020
Revenue	Kshs	Kshs	Kshs
Government grants/Capitation	120,000,000	98,190,000	21,810,000
Rendering of services- Fees from students	296,836,000	185,956,273	110,879,727
Other Incomes	41,110,000	39,035,125	2,074,875
Total income	457,946,000	323,181,398	134,764,602
Expenses			
Compensation of employees	103,224,000	51,417,799	51,806,201
Council Members allowances	5,563,000	5,690,565	(127,565)
General, Operating and Use of Goods Expenses	267,646,000	170,364,437	97,281,563
Repairs and Maintenance	45,284,000	28,625,154	16,658,846
Provision of depreciation	35,499,000	37,674,193	(2,175,193)
Total expenditure	457,216,000	293,772,148	163,443,852
Surplus for the period	730,000	29,409,250	(28,679,250)

Explanations on the variances

- The unfavourable variance on revenue were due to Government not remitting full capitation and Covid-19 pandemic.
- Positive Variance on general, operating, use of goods and repairs were due to Covid-19 outbreak that made most of the activities scaled down.
- For employees cost, the Polytechnic yet to meet employee establishment.

IX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards- Accrual (IPSAS). The Polytechnic adopted IPSASA-Accrual in the FY 2019/2020. The accounting policies adopted have been consistently applied to all the years presented.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Revenue from exchange transactions

Rendering of services

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

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

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

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

b) Budget information

The original budget for FY 2019/2020 was approved by the Council Members on 18th February, 2019. Some revisions or additional appropriations were made to the approved budget.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

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

d) Inventories

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

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

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

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

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Kenya Commercial Bank.

f) Comparative figures

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

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 14

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

Description	2019-2020	2018-2019
	KShs	KShs
Unconditional grants		
Operational grant		-----
GOK Capitation received for 2018/2019	39,300,000	
GOK Capitation received	58,890,000	39,300,000
	98,190,000	39,300,000
Conditional grants		
Development grant	9,092,350	10,502,937
Development grant- Kilifi TTI	11,847,861	-----
Total government grants and subsidies	119,130,211	49,802,937

KCNP did not get any operational grant in the financial year 2019/2020. However, KCNP received Capitation totalling to Ksh 98,190,000 out of which, ksh 39,300,000 was for 2018/2019 financial year .

6. RENDERING OF SERVICES-FEE FROM STUDENTS

Description	2019-2020	2018-2019
	KShs	KShs
Tuition fees	84,564,312	103,082,448
Activity fees	6,137,901	9,818,001
Teaching Material fees	1,040,265	9,384,150
Equipment fees	910,374	17,087,378
Local Transport and Travelling fees	4,711,438	13,568,534
Contingencies fees	1,187,634	10,137,242
Part time fees	47,116,304	60,480,813
Registration fees	645,823	583,790
Application fees	378,400	641,410
College Identity Cards fees	1,080,457	1,787,049
Centre fees	5,900	35,715
Electricity fees	6,549,977	13,119,826
Repairs Maintenance and Improvement	7,456,022	13,025,016
Personal Emoluments fees	18,105,248	22,341,682
Attachment fees	2,355,972	4,369,456
Maintenance fees	3,600	55,880
Educational tour fees	1,149,793	2,296,945
Studio Fees	164,210	502,905
Internet fees	461,895	4,567,606
Insurance fees	841,221	2,663,916
T/Shirts fees	590,777	1,796,726
Project fees	381,460	330,030
Laboratory /Facility Fees	70,530	470,708
Multiculation	46,760	155,550
Total revenue from the rendering of services	185,956,273	292,302,776

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. OTHER SERVICES RENDERED

Description	2019-2020	2018-2019
	KShs	KShs
Hire of Hall	1,187,910	461,700
Corner Restaurant	27,476,490	33,682,826
Carpentry and Joinery	-----	2,250
Clothing P. Unit	406,370	1,538,052
KCNP Hostel	2,737,315	6,462,850
Hire of Classroom	-----	358,000
Hire of Vehicle	-----	120,000
Conference income	-----	10,000
Hire of equipment	-----	50,000
GUS Training	-----	3,000,000
Practical fee	-----	36,703
Total revenue from other services rendered	31,808,085	45,722,381

8. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2019-2020	2018-2019
	KShs	KShs
Swimming Pool	810,000	1,080,000
KCNP House Rent	8,500	66,000
KCNP Mini shops	450,000	540,000
Total rentals	1,268,500	1,686,000

9. OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Production Unit	-----	5,206
Transcript/Supplementary	-----	30,300
Tender	48,200	35,800
Library charges	98,680	-----
Miscellaneous revenue	9,700	255,006
Graduation	500	-----
Excursion	-----	2,350
KUCCPS Registration	-----	38,700
Food and Beverage Training	-----	270,180
Fixed Deposit Interest	5,801,460	2,634,173
Marketing and Graduation	-----	2,423,445
KETTISO Games	-----	1,033,600
Total other income	5,958,540	6,728,760

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	41,136,795	46,853,590
Employee related costs-contributions to pensions and medical aids	1,851,804	2,632,814
Commuting allowances	1,092,000	521,400
Housing benefits and allowances	3,337,200	3,080,400
Provision for retirement benefit	4,000,000	3,000,000
Employee costs	51,417,799	56,088,204

11. REMUNERATION OF COUNCIL MEMBERS

Description	2019-2020	2018-2019
	KShs	KShs
Chairman's Honoraria		-----
Council emoluments		-----
Sitting and Transport allowances		5,510,558
Total Council emoluments	5,690,565	5,510,558

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

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	34,190,784	35,732,863
Intangible assets	3,483,409	1,854,663
Investment property carried at cost		
Total depreciation and amortization	37,674,193	37,587,526

13. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Buildings-Property	14,308,730	14,256,589
Equipment and machinery	8,810,982	7,153,963
Vehicles	625,889	296,715
Furniture and fittings	569,792	171,800
Computers and accessories	34,800	178,560
Other	4,274,961	5,271,918
Total repairs and maintenance	28,625,154	27,329,545

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. GENERAL EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Transport Travelling and Subsistence	15,419,036	10,968,344
Marketing and Graduation	7,749,738	14,038,426
Insurance	2,079,055	5,930,732
Staff medical insurance	5,037,491	-----
Legal expenses	343,632	4,241,728
Staff Capacity Building	7,807,475	7,740,626
Consumables	18,428,474	23,028,319
Staff and Students activity	3,798,929	8,300,897
MMUST Program		2,456,849
KETTOSO Games	72,200	1,503,690
Provision of Audit fee	600,000	600,000
Project expenses		489,150
Tender Expenses	460,000	-----
ISO expenses	62,640	
Board Registration	60,000	
Provision of Bad debt 20% of 76,222,932	15,244,586	17,608,648
Total	77,163,256	96,907,409

15. OPERATING EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Contingencies Expenses	6,509,331	8,580,328
Attachment	3,284,037	1,710,075
Corner restaurant	21,950,544	29,281,996
Part Time expenses	36,389,039	56,726,313
Education tour	484,450	676,956
Production Unit		34,120
Planning and Policy Development	1,697,220	408,600
Mentoring Expenses		898,015
Internal committee allowance	2,128,733	6,312,487
Disposal expenses		16,000
MSA C.G. Sponsored		270,000
Corporate Social Responsibility	4,116,378	1,748,650
Students Identity Cards		588,360
Bank charges	783,078	471,091
Total	77,342,810	107,722,991

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Internet services	4,452,588	1,921,178
Water and Electricity	6,318,912	6,137,592
KCNP Hostel	3,176	21,000
Security costs	4,848,090	3,782,234
Carpentry and Joinery		128,000
Clothing P.U	55,605	420,590
Pharmacy Board Licence	180,000	-----
Total	15,858,371	12,410,594

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Current account	289,126,116	133,309,704
Others- Savings account and Cash in hand	3,971,265	4,315,154
	293,097,381	137,624,858
World Bank EASTRIP	198,205,483	
Total cash and cash equivalents	491,302,864	137,624,858

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

Financial institution	Account number	2019-2020	2018-2019
		KShs	
a) Current account			
Kenya Commercial bank			
Main Account- A/C 1	1106525027	260,683,843	58,110,204
College Fund Account – A/C 2	1106525183	5,119,680	19,782,114
Production Unit- A/C 3	1106525051	21,078,480	53,131,033
Lamu West (Mpeketoni) TTI	1106496795	1,241,374	1,251,739
Weru TTI	1160509670	221,904	232,269
Lamu East TTI	1160509964	378,231	383,271
Kaloleni TTI	1160510067	369,857	374,897
Ahmed Shahame TTI	1160509506	32,747	44,177
		289,126,116	133,309,704
b) Equity Bank			
KCNP (EASTRIP-Project)	0250279469130	198,205,483	-----
		487,331,599	133,309,704
b) Others(specify)			
Savings Accounts			
Kenya Commercial bank			
Reserve Fund	1104912325	2,109,232	2,119,596
Capital Development	1104913992	1,152,417	1,162,782
Caution Money	1104950367	619,341	621,472
		3,880,990	3,903,850
c) Cash in hand		90,275	411,304
Grand total		491,302,864	137,624,858

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Currentreceivables		
Student debtors	75,064,432	93,536,553
Other exchange debtors-	89,500	89,500
Advances	461,500	337,900
KCNP Mini Shop	258,500	306,000
Swimming Pool	900,000	450,000
Staff Debtor- Robert wangila	4,159,310	4,159,310
GUS Training MSA County Government	5,143,195	5,143,195
Weru TTI Operations	2,125,535	2,125,535
Ahmed Shahame Operations	3,007,601	3,007,601
Dishonoured Cheque	209,987	285,674
NYS Students Fund	-----	47,603,554
LungaLunga TTI	396,719	219,960
Antarc Limited	870,500	-----
Kaloleni TTI	174,599	-----
Kilifi TTI	33,000	-----
EASTRIP	2,135,207	-----
Likoni TTI	2,155	-----
Imprest	2,112,550	-----
Totalcurrentreceivables	97,144,290	157,264,782

19. INVENTORIES

Description	2019-2020	2018-2019
	KShs	KShs
Food and Beverage Training stores	30,940	26,305
Corner restaurant stores	167,371	352,898
Main Store-Procurement	1,073,846	432,527
Clothing Section	1,856,984	639,950
Carpentry and Joinery	132,467	
Applied science/Medical	557,924	
Electrical	83,760	
Mechanical	146,075	
Building and Civil engineering	289,240	
Maintenance	112,555	
Electrical	1,014,930	
Library	50,495	
Examination	138,853	
Business	46,778	
Mechanical Automotive	38,390	
Totalinventories	5,740,608	1,451,680

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets S. Pool	Plant and equipment	Capital Work in progress	Total
Cost		Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	1,072,835,948	271,047,838	7,210,469	12,050,928	12,224,200	4,310,991	137,756,360		1,517,436,734
Additions		34,389,991		2,887,486	373,230	755,605	3,953,096	30,064,512	72,423,920
Depreciation		6,108,760	1,802,617	1,867,302	3,779,229	126,665	17,713,682		31,398,255
At 1 July 2017	1,072,835,948	299,329,069	5,407,852	13,071,112	8,818,201	4,939,931	123,995,774	30,064,512	1,558,462,399
Work in progress		30,064,512						(30,064,512)	
Additions		89,741,731		8,291,638	3,083,680		4,664,516		105,781,565
Depreciation		8,382,706	1,351,963	2,670,344	3,570,564	123,498	16,082,536		32,181,611
At 1 July 2018	1,072,835,948	410,752,606	4,055,889	18,692,406	8,331,317	4,816,433	112,577,754		1,632,062,353
Additions		20,830,570		9,217,928	8,358,000	177,000	27,156,688	8,925,079	74,665,265
Depreciation		8,631,663	1,013,972	3,488,792	5,006,795	124,836	17,466,805		35,732,863
Net book values									
At 30 June 2019	1,072,835,948	422,951,513	3,041,917	24,421,542	11,682,522	4,868,597	122,267,637	8,925,079	1,670,994,755
At 30 June 2019		23,123,129	4,168,552	8,026,438	12,356,588	374,999	51,263,023		99,312,729
Total Cost	1,072,835,948	446,074,642	7,210,469	32,447,980	24,039,110	5,243,596	173,530,660	8,925,079	1,770,307,484
Additions		32,374,053	11,170,000	5,838,310	277,450		122,000	4,683,311	54,465,124
Work in progress		8,925,079						(8,925,079)	
At 30 June 2020	1,072,835,948	487,373,774	18,380,469	38,286,290	24,316,560	5,243,596	173,652,660	4,683,311	1,824,772,608
Depreciation									
At 1 July 2019		23,123,129	4,168,552	8,026,438	12,356,588	374,999	51,263,023		99,312,729
Depreciation		9,243,162	2,156,728	3,782,482	3,587,992	121,715	15,298,705		34,190,784
At 30 June 2020		32,366,291	6,325,280	11,808,920	15,944,580	496,714	66,561,728		133,503,513
Net book values									
At 30 June 2020	1,072,835,948	455,007,483	12,055,189	26,477,370	8,371,980	4,746,882	107,090,932	4,683,311	1,691,269,095

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At 30 June 2020		32,366,291	6,325,280	11,808,920	15,944,580	496,714	66,561,728		133,503,513
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Work in Progress

This are Corner Restaurant block upgrade of classrooms for equipment installation (Ksh 4,683,311) and acquisition of furniture for mentored institutions see note 22, (Ksh 10,424,900) which at the end of fiscal period had not been completed.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. INTANGIBLE ASSETS- SOFTWARE

Description	2019-2020	2018-2019
	KShs	KShs
At beginning of the year 1 July 2018	4,327,547	4,382,210
Additions- Mobile application		1,800,000
Amortization 30%		(1,854,663)
At end of the year 30 June 2019		4,327,547
Additions: Windows and Antivirus	7,283,817	
Addition: MIS Upgrade- W.I.P	13,222,840	
Amortization 30% on ksh 11,611,364	(3,483,409)	
At end of the year 30 June 2020	21,350,795	4,327,547

22. MENTORED INSTITUTIONS PROJECTS/WORKS

	Ahmed Shahame TTI	Weru TTI	Lamu East TTI	Lamu West TTI	Kaloleni TTI	Likoni TTI	Total
Cost		Shs	Shs	Shs	Shs	Shs	Shs
At 1 June 2016	58,943,101	42,122,695	34,957,061	12,543,287	17,172,341	10,553,020	176,291,505
Additional certificates	8,816,168	9,292,537	20,393,127	26,529,083	29,267,107	30,749,617	125,047,639
At 30 th June 2017	67,759,269	51,415,232	55,350,188	39,072,370	46,439,448	41,302,637	301,339,144
Additional certificates	-----	-----	-----	8,624,966	-----	-----	8,624,966
At 30 th June 2018	67,759,269	51,415,232	55,350,188	47,697,336	46,439,448	41,302,637	309,964,110
Additional certificates	-----	-----	-----	-----	-----	16,741,106	16,741,106
At 30 th June 2019	67,759,269	51,415,232	55,350,188	47,697,336	46,439,448	58,043,743	326,705,216
Furniture Purchase	-----	-----	-----	-----	-----	-----	10,424,900
At 30 th June 2020	67,759,269	51,415,232	55,350,188	47,697,336	46,439,448	58,043,743	337,130,116

23. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2019-2020
	KShs	KShs
Suppliers	9,261,264	33,396,803
Student union Fund	172,323	208,458
Pocket Money	8,290	8,290
Soma Sacco ltd	22,077	22,077
CDF/HELP/Trust/KENHA Bursary	11,453,441	9,290,778
Provision of Audit fee	2,400,000	1,800,000
Provision of Bad debt	43,430,188	28,185,602
Provision of bad debt- Robert Wangila 100%	4,159,310	4,159,310
Examination	25,013,288	13,307,162
Caution Money	7,424,095	6,844,530
Matuga TTI	-----	10,000,000
Retention for Construction works- Mentored	14,273,279	21,371,945

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Prepaid Fees	40,503,876	29,881,235
Mentored Institutions grants	11,167,566	2,390,885
NYS Sponsored Students	55,957,321	
Lamu East TTI	402,064	
Labsset	593,450	
Total trade and other payables	226,241,832	160,867,075

24. MENTORED INSTITUTIONS GRANTS

	Ahmed Shahame TTI	Weru TTI	Lamu East TTI	Lamu West TTI	Kaloleni TTI	Likoni TTI	Total
Cost		Shs	Shs	Shs	Shs	Shs	Shs
At 1 June 2016	48,291,819	41,644,485	45,392,523	39,700,000	36,702,488	10,000,000	221,731,315
Grants from MOHEST	3,902,760	-----	4,366,327	-----	2,832,792	21,121,825	32,223,704
Grants from NG-CDF	10,000,000	10,000,000	10,000,000	-----	10,000,000	10,000,000	50,000,000
At 30th June 2017	62,194,579	51,644,485	59,758,850	39,700,000	49,535,280	41,121,825	303,955,019
Grants from MOHEST	-----	-----	-----	15,141,082	-----	10,000,000	25,141,082
At 30th June 2018	62,194,579	51,644,485	59,758,850	54,841,082	49,535,280	51,121,825	329,096,101
At 30th June 2019	62,194,579	51,644,485	59,758,850	54,841,082	49,535,280	51,121,825	329,096,101
Grants from MOHEST	-----	-----	-----	-----	-----	8,776,681	8,776,681
Grants for Furniture	-----	-----	-----	-----	-----	-----	12,500,000
MOHEST grant for Kilifi TTI	-----	-----	-----	-----	-----	-----	11,847,961
At 30th June 2020	62,194,579	51,644,485	59,758,850	54,841,082	49,535,280	59,898,506	362,220,748
Payable/Mentored Institution note no. 23							(11,167,566)
Total grants based on certificates							351,053,177

25. RESERVE

Description	2019-2020	2018-2019
	KShs	KShs
Balance b/f 1/7/2019	19,453,255	6,682,991
Retirement Provision		
Add provision for the period	4,000,000	3,000,000
Less Payments	(732,030)	(3,000,000)
Development Fund		
Add receipt for the period	9,787,814	12,770,264
Total reserve	32,509,039	19,453,255

26. ACCUMULATED SURPLUS

Description	2019-2020	2018-2019
	KShs	KShs
Balance b/f 1/7/2018	173,674,755	131,491,665
Inventory Adjustment	4,288,928	-----
Surplus for the period	29,409,250	42,183,090

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Total Accumulated surplus	207,372,933	173,674,755
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27. CAPITAL FUND

Description	2019-2020	2018-2019
	KShs	KShs
Balance b/f 1/7/2019	1,617,668,537	1,607,165,600
Development grant		
Add receipt for the period	9,092,250	10,502,937
Adjustment in the period		
Cafeteria block phase two		
Medical Laboratory block		
Total Capital fund	1,626,760,787	1,617,668,537

28. WORLD BANK- EASTRIP

Description	2019-2020	2018-2019
	KShs	KShs
Equity Bank Account-0250279469130 20/2/2020	200,000,000	-----

29. EMPLOYEE BENEFIT OBLIGATIONS

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

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

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

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Guidance Notes:

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

Chief Principal/ Secretary to the Council

Date.....

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 EASTRIP	6334-KE	W.WORLD BANK	5 YEARS	1,080,000,000	YES	YES
2.						

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	EASTRIP	1,080,000,000	1,794,517	0.897%	200,000,000	1,794,517	WORLD BANK
2	-----	-----	-----	-----	-----	-----	-----
3	-----	-----	-----	-----	-----	-----	-----

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APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Mentored Inst. grants	Receivables	Others - must be specific	
Ministry of Education	27/9/2019	Development	4,000,000	-----	4,000,000	-----	-	-----	-----
Ministry of Education	27/9/2019	Development	11,847,961	-----	-----	11,847,961	-----	-----	-----
Ministry of Education	27/9/2019	Development	5,092,250	-----	5,092,250				
Ministry of Education	27/9/2019	Development	12,500,000	-----	12,500,000				
Ministry of Education	31/10/2019	Development	8,776,681	-----	-----	8,776,681	-----	-----	-----
Ministry of Education	4/10/2019	Capitation	39,300,000	39,300,000	-----	-----	-----	-----	-----
Ministry of Education	18/10/2019	Capitation	28,042,500	28,042,500	-----	-----	-	-----	-----
Ministry of Education	10/06/2020	Capitation	30,847,500	30,847,500	-----	-----	-----	-----	-----
Total			140,406,892	98,190,000	21,592,250	20,624,642	-----	-----	-----

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