

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON THE KISUMU NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The Kisumu National Polytechnic as set out on Pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting

Report of the Auditor-General on the Kisumu National Polytechnic for the year ended 30 June, 2021

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The Kisumu National Polytechnic as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. Inaccuracies in Comparative Balances

The statement of financial position and as disclosed in Note 27 to the financial statements reflects opening balances of Kshs.2,082,680 in respect of amounts held for third parties. However, the audited financial statements for 2019/2020 reflects a Nil balance for amounts held for third parties resulting to unexplained variance of Kshs.2,082,680. Further, the statement of financial performance for the year ended 30 June, 2021 reflects Nil balance for revaluation reserve while the audited financial statements for 2019/2020 reflects a revaluation loss of Kshs.432,328,382 resulting to unexplained variance of Kshs.432,328,382

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

2. Transfers from Government Entities

The statement financial performance and corresponding Note 11(a) to the financial statements reflects transfers from Government entities of Kshs.227,607,000. However, the entity's bank statement reflected an amount of Kshs.240,702,000 resulting to an unexplained variance of Kshs.13,095,000. Although Management explained that part of the money was in respect of amounts held for third parties, no evidence was provided to support this explanation.

In the circumstances, the accuracy of transfers from Government entities of Kshs.227,607,000 could not be confirmed.

3. Variances between Financial Statements and Ledger Balances

The statement of financial performance reflects expenditure on use of goods and services, repairs and maintenance and general expenses of Kshs.187,454,029, Kshs.2,308,996 and Kshs.5,048,045 as disclosed in Notes 14,18, and 20 respectively. Variances were however noted between the amounts reflected in the financial statements and amounts reflected in the ledgers as analyzed below:

Account	Ledger Balance (Kshs.)	Financial Statements Balance (Kshs.)	Variance (Kshs.)
Expenses			
Use Goods and Services			
Learning Materials and Training	105,878,805	94,225,720	11,653,085
Local Transport and Travelling	3,759,061	3,550,491	208,570
Medical Related Expenses	3,148,752	2,749,524	399,228
Utility Supplies	7,256,305	6,758,924	497,381
ICT Expenses	1,365,698	522,850	842,848
Industrial Attachment	3,979,744	3,114,366	865,378
Practical Related Expenses	6,314,724	5,406,999	907,725
Development Expenses	23,771,443	22,291,223	1,480,220
Boarding Related Expenses	6,664,594	5,092,377	1,572,217
Contingencies (Hospitality Services)	9,408,151	7,399,760	2,008,391
Repairs and Maintenance			
Repairs and Maintenance - Others	1,321,251	1,262,304	58,947
Repairs and Maintenance - Buildings	884,200	-27,120	911,320
General Expenses			
Application Fees	6,100	-225,900	232,000

21,637,310

In the circumstances, the accuracy of the use of goods and services, repairs and maintenance and general expenses could not be confirmed.

4. Un-Reconciled Employee Costs

The statement of financial performance and corresponding Note 15 to the financial statements reflects an expenditure of Kshs.94,753,221 in respect to employee costs which, includes basic salaries and wages and housing benefits of Kshs.70,232,449 and Kshs.8,774,291 respectively. However, the master payroll and supporting payment vouchers provided for audit reflected expenditure on basic salaries and housing benefits of Kshs.62,945,624 and Kshs.8,347,241 respectively resulting to an unreconciled variance of Kshs.7,286,828 and Kshs.427,050 respectively. Further, the ledger for salaries and wages reflected an amount of Kshs.71,610,937 while the financial statements reflects an amount of Kshs.70,232,449 resulting to an unreconciled difference of Kshs.1,378,488. In addition, an amount of Kshs.5,131,988 paid in respect of security services was erroneously charged to the salaries and wages account.

In the circumstances, the accuracy of the employee cost of Kshs.94,753,221 reflected in the statement of financial performance could not be confirmed.

5. Cash and Cash Equivalents

The statement of financial position and corresponding Note 15 to the financial statements reflects cash and cash equivalents balance of Kshs.143,178,816 which, includes Kshs.124,248,677 held at the Kenya Commercial Bank. However, the bank reconciliation statements reflected bank balances totalling Kshs.125,373,358 resulting to an unreconciled variance of Kshs.1,124,681.

Further, the bank reconciliation statements reflected payments in the cashbook not in the bank statement (unpresented cheques) of Kshs.41,113,531 and receipts in Bank statement not in cashbook of Kshs.56,000. Although the Management explained that all the unpresented cheques had been cleared and the receipts in bank not in cashbook updated in cashbook, no evidence was provided in support of this explanation.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.143,178,816 could not be confirmed.

6. Un-Reconciled Inventories

The statement of financial position and corresponding Note 24 to the financial statements reflects inventories balance of Kshs.3,399,396. However, stock take report provided revealed an unreconciled net variance of Kshs.2,141,639 as analyzed below:

Description	Financial Statements (Kshs.)	Stock Take Report (Kshs.)	Variance (Kshs.)
Cleaning Materials	399,833	154,875	244,958
Medical Supplies	335,984	178,815	157,169
Stationery	2,062,545	4,236,196	(2,173,651)
Catering (Dry Food Stuffs)	601,034	971,149	(370,115)
Total	3,399,396	5,541,035	(2,141,639)

Although the Management explained that the matter was under internal investigation, no evidence was provided in support of this explanation.

In the circumstances, the accuracy of the inventories balance of Kshs.3,399,396 could not be confirmed.

7. Un-Supported Capital Work-In-Progress

The statement of financial position and corresponding Note 28 to the financial statements reflects a balance of Kshs.2,429,806,167 in respect of property, plant and equipment which, includes Kshs.191,766,953 in respect to work-in-progress. The details of the work in progress were however not provided.

In the circumstances, the completeness and accuracy of the work-in-progress balance of Kshs.191,766,953 could not be confirmed.

8. Unsupported Trade and Other Payables

The statement of financial position and corresponding Note 25 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.88,297,149 which includes Kshs.8,299,392 and Kshs.1,351,474 in respect of accounts payable and withholding VAT respectively. However, these balances were not supported with contracts, Local Purchase or Service Orders, and invoices.

In the circumstances, the accuracy, completeness and propriety of trade and other payables balance of Kshs.88,297,149 could not be confirmed.

9. Unsupported Refundable Deposits from Students

The statement of financial position and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.120,924,634 in respect of refundable deposits from customers and students which, includes miscellaneous income and examination fees of Kshs.19,243,646 and Kshs.61,790,658 respectively whose supporting documents were not provided.

In the circumstances, the accuracy, completeness and validity of refundable deposits from customers/students balance of Kshs.120,924,634 could not be confirmed.

10. Un-Accounted for Expenditure

The statement of financial performance reflects expenditure totalling Kshs.5,048,045 in respect to general expenses. The expenditure includes Kshs.117,600 which was paid to three (3) members of staff from the parent ministry during a visit to Rarieda Technical Vocational College. Documents provided revealed that no formal imprest request was made, and the approval for payment was based on an email notification from a team member informing the Polytechnic Management about their intention to visit and do works assessment at Rarieda Technical Vocational College which is mentored by the Polytechnic. Although the Management explained that they requested for the evaluation team from the parent ministry, recommended financial management procedures were not followed as the amount was directly expensed instead of being issued and accounted for as imprest.

In the circumstances, the completeness and accountability of the expenditure of Kshs.117,600 could not be confirmed.

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

Key Audit Matters

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

Other Matter

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Cash Payments

The statement of financial performance and as disclosed in Note 18 to the financial statements reflects repairs and maintenance expenditure of Kshs.2,308,996. However, payments totaling Kshs.2,036,775 were paid in cash. Although the Management explained that the repairs were carried out by staff during the Covid-19 period it was not clear why they were paid since employees are entitled to salaries.

In the circumstances, it was not possible to confirm the regularity of the expenditure.

2. Long Outstanding Imprest

The statement of financial position and corresponding Note 23 to the financial statements reflects receivables from exchange transactions of Kshs.168,517,087 which includes outstanding imprest totalling Kshs.2,470,345 not surrendered at the end of the financial year contrary to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

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

3. Delay in Completion of Projects

The statement of financial position as disclosed in Note 27 to the financial statements reflects an amount of Kshs.7,026,667 which, includes Kshs.3,466,667, being amounts held on behalf of Rarieda Technical and Vocational Centre (TVC). The Polytechnic awarded a contract for the proposed construction of twin workshops, classrooms, and office block for Rarieda Technical Vocational College on 28 January, 2019 at a contract price of Kshs.56,890,755. The initial projected completion period was fifty-two (52) weeks which was estimated to end on 16 April, 2021, but was extended by another twenty-four (24) weeks with new completion date being 24 June, 2021. A status report dated

Report of the Auditor-General on The Kisumu National Polytechnic for the year ended 30 June, 2021

9 April, 2021 provided for audit showed that the contractor had been paid a cumulative amount of Kshs.26,495,419 in respect to four (4) interim certificates.

As at the time of the physical inspection in January, 2022, the project was incomplete and the contractor was not on site. This was about thirty-two (32) weeks after the expiry of revised completion date of 24 June, 2021. The failure to adhere to contract terms may lead to increased project cost.

In the circumstances, value for money on the expenditure of Kshs.26,495,419 could not be confirmed.

4. Irregular Payment of Responsibility Allowance

The statement of financial performance and as disclosed under Note 15 to the financial statements reflects an expenditure of Kshs.94,753,221 in respect to employee costs which includes an expenditure on responsibility allowances amounting to Kshs.5,619,110 paid to various members of staff. Although the payment of this allowance was approved by the Governing Council, Management did not provide evidence of approval by the Salaries and Remuneration Commission.

In the Circumstances, it was not possible to confirm the regularity of the responsibility allowance amounting to Kshs.5,619,110.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weak Controls Over Fuel Expenditure

The statement of financial performance and as disclosed under Note 14 to the financial statements reflects use of goods and services expenditure of Kshs.187,454,029 which includes Kshs.3,550,491 in respect of local transport and travelling. Review of the fleet management system, motor vehicle records and supplier statements for the period under review revealed that there were no requisitions for the fuel drawn by the institution vehicles detailing the date, amount and vehicle drawing fuel. In addition, work tickets for five (5) motor vehicles for eleven (11) months were missing.

Further, in some instances fuel drawn was not recorded in the work tickets. In addition, inconsistencies in the mileage recording were noted and variances between the amount of fuel drawn as per the supplier statements and amounts recorded in the works were also noted.

In the circumstances, it was not possible to confirm whether effective controls on management of fuel were in place.

2. Failure to Maintain a Fixed Assets Register

The statement of financial position reflects property, plant, and equipment net book value of Kshs.2,429,806,167. However, Management did not provide an asset register to confirm the completeness of the various classes of assets reflected in the financial statements.

In the circumstances, it was not possible to confirm whether adequate controls were in place to ensure security and accurate disclosure of assets held by the Polytechnic.

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

Responsibilities of Management and the Governing Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 controls.

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

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

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

The Governing Council is responsible for overseeing the Polytechnic's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Polytechnic to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Polytechnic to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 September, 2022

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

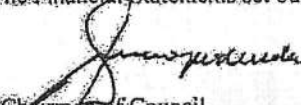
	Note	2020/2021 Shs	2019/2020 Shs
Revenue from non-exchange transactions		Shs	Shs
Transfers from Government Entities	11	227,607,000	280,231,243
Total Revenue from non-exchange transactions		227,607,000	280,231,243
Revenue from exchange transactions			
Rendering of Services	12	282,255,318	281,704,650
Other Income	13	6,690,951	27,965,239
Total Revenue from exchange transactions		288,946,269	309,669,889
Total revenue		516,553,269	589,901,132
Expenses			
Use of goods and services	14	187,454,029	381,009,384
Employee costs	15	94,753,221	86,314,097
Council expenses	16	11,243,608	21,324,315
Depreciation/Amortization	17	70,575,459	80,402,525
Repairs and Maintenance	18	2,308,996	4,139,851
Contracted Services	19	6,487,866	4,439,808
General Expenses	20	5,048,045	14,980,043
Furniture Grants		0	7,917,320
Recurrent Grants Transfers		0	3,245,000
Provision for doubtful debts ; increase/(decrease)	21	114,602,268	(2,169,532)
Total Expenses		492,473,492	601,602,811
Operational Surplus/(deficit) for the year		27,079,777	(11,701,679)
TOTAL SURPLUS /(deficit)		24,079,777	(11,701,679)

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

XIV. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30 2021

	Note	2020/2021	2019/2020
		Kshs	Kshs
Assets			
Current assets			
Cash and Cash equivalents	22	143,178,816	69,083,080
Receivables from exchange transactions	23	168,517,087	152,930,866
Inventories	24	3,399,396	2,808,206
Total current assets		315,095,299	224,822,152
Non-current assets			
Intangible Assets	29	19,022,166	17,035,000
Property, Plant and Equipment	28	2,429,806,167	2,476,819,672
Total non - current assets		2,448,828,333	2,493,854,672
Total assets		2,763,923,632	2,718,676,824
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	88,297,149	174,255,331
Refundable deposits from customers	26	120,924,634	59,296,774
Amounts Held For Third Parties	27	7,026,667	2,082,680
Total current liabilities		216,248,450	235,634,785
Non-current liabilities			
Capital and Reserves			
Retained earnings		(345,871,916)	(410,505,059)
Revaluation Reserve		131,972,968	131,972,968
Capital/Development Grants/ Fund		2,731,574,130	2,731,574,130
Capital Fund		30,000,000	30,000,000
Total Capital Reserve		2,547,675,182	2,483,042,039
Total Liabilities and Capital & Reserves		2,763,923,632	2,718,676,824

The Financial Statements set out on pages 1 to 31 were signed on behalf of the Governing Council by:


Chairman of Council

Date 10/6/2022


Finance Manager
ICPAK No 19908

Date 10/6/2022


Chief Principal

Date 10/6/2022

THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation n reserve	Retained earnings	Capital/Develop ment Grants/Fund	Capital Fund Mentored TTI	Total
Balance b/f at July 1,2020	131,972,968	(410,505,059)	2,731,574,130	30,000,000	2,483,042,039
Prior year Adjustments		40,553,366			40,553,366
Total comprehensive income		24,079,777			24,079,777
Balance c/d as at June 30,2021	131,972,968	(345,871,916)	2,731,574,130	30,000,000	2,547,675,182
Balance b/f as at July 1, 2019	0	33,525,003	2,527,822,120	0	2,561,347,123
Revaluation gain	131,972,968	0	0	0	131,972,968
Prior Year adjustments	0	0	185,411,810	0	185,411,810
Revaluation loss		(432,328,383)			(432,328,383)
Total comprehensive income		(11,701,679)			(11,701,679)
Capital/Development grants received during the year			18,340,200	30,000,000	48,340,200
Balance c/d as at June 30,2020	131,972,968	(410,505,059)	2,731,574,130	30,000,000	2,483,042,039

THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF CASHFLOWS	Note	2020/2021	2019/2020
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	11	227,607,000	280,231,243
Rendering of services- Fees from students	12	282,255,318	281,704,650
Other income	13	6,690,951	27,965,239
Total Receipts		516,553,269	589,901,132
Payments			
Compensation of employees	15	94,753,221	86,314,097
Use of goods and services	14	187,454,029	381,009,384
Council expenses	16	11,243,608	21,324,315
Repairs and Maintenance	18	2,308,996	4,139,851
Contracted Services	19	6,487,866	4,439,808
General Expenses	20	5,048,045	14,980,043
Total Payments		307,295,764	512,207,498
Net cash flows from operating activities		209,257,505	77,693,634
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(25,549,121)	(111,599,533)
Revaluation Adjustments		0	56,837,275
Write off of capitation receivables		(109,612,647)	0
Net cash flows used in investing activities		(135,161,768)	(54,762,258)
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		74,095,736	22,931,376
Cash and cash equivalents at 1 JULY		69,083,080	46,151,704
Cash and cash equivalents at 30 JUNE		143,178,816	69,083,080

THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference
	2020-2021	2020/2021	2020-2021	2020-2021	2020/2021
	Shs	Shs	Shs	Shs	Shs
Revenue					
Capitation	336,120,000	(132,852,080)	203,267,920	227,607,000	24,339,080
Development Grants (GOK)	0	18,340,200	18,340,200	0	(18,340,200)
Students Fees	420,814,065	(165,022,273)	255,791,792	282,255,318	26,463,526
Production Unit(Non Acad)	18,092,088	(5,000,000)	13,092,088	1,463,117	(11,628,971)
Rent Revenue	1,956,000	0	1,956,000	1,080,000	(876,000)
Garment Making	15,000,000	(12,000,000)	3,000,000	33,080	(2,966,920)
Development Rarieda TVC				0	
Other Income	0	7,552,000	7,552,000	4,114,754	(3,437,246)
Total Income	791,982,153	(288,982,153)	503,000,000	516,553,269	13,553,269
Expenses					
Use of Goods and Services	560,084,088	(233,259,568)	326,824,520	163,682,586	163,141,934
Employee Costs	131,872,400	(25,921,120)	105,951,280	94,753,221	11,198,059
Governing Council Expenses	10,000,000	0	10,000,000	11,243,608	(1,243,608)
Repairs and Maintenance	7,152,000	(2,256,000)	4,896,000	2,308,996	2,587,004
Contracted Services	7,552,000	0	7,552,000	6,487,866	1,064,134
General expenses	16,956,000	(12,000,000)	4,956,000	5,048,045	(92,045)
Development	35,364,000	7,456,200	42,820,200	23,771,443	19,048,757
Covid 19 Mitigation	23,001,665	(23,001,665)	0	0	0
Provision for Doubtful debts			0	114,602,268	(114,602,268)
Depreciation & amortisation			0	70,575,459	(70,575,459)
Total Expenses	791,982,153	(288,982,153)	503,000,000	492,473,492	10,526,508
Other gains/(losses)					
Surplus for the period	0	0	0	24,079,777	24,079,777

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

- There was a difference in use of goods due to non-operation in the first quarter July -Sept 2020 due to Covid-19 pandemic
- The institution did not admit in Sept 2020 which is normally the major admission time.
- The non-academic production unit collection was low due to suspension of public gatherings, in person meetings and sports. This affected our revenue on hire of conference facilities and fields.
- The college canteens were not operational for almost half of the year due to Covid -19 effects. This affected our income on rent.
- The department relied on students for production of items for sale. The college was closed for approximately five months due to Covid -19 pandemic.
- Availability of cheap masks affected our mask production project.

The changes in the budget were affected by the line ministry state department of vocational and technical training.

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

III. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kisumu National Polytechnic is established by and derives its authority and accountability from TVET Act of 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's Principal activity is training.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the TKNP's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes.

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

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act chapter 446 Revised edition of 2012 (2010), the TVET Act 2013, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

During the financial year ended 30th June 2022, the Kisumu national polytechnic did not adopt any new/or revised standards.

- ii. Early adoption of standards

The Kisumu National Polytechnic did not early — adopt any new or amended standards in year 2022.

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions (continued)

Rental income

Rental income arising from monthly rental charge on The Kisumu National Polytechnic's staff houses is accounted for on accrual basis and included in revenue.

b) Budget information

The original budget for FY 2021/2022 was approved by the Council on 12th January 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

appropriations of 14 December 2021 on the FY 2021/2022 budget following the Council's approval.

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

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

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

c) Taxes

Current Income Tax

The Kisumu National Polytechnic is exempt from paying taxes as per Income Tax Act 2013 amendment of 2016.

d) Property, plant and equipment

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

The Kisumu National Polytechnic uses reducing balance method of depreciation as per KRA tax rates and our finance policy;

Buildings 2.5%

Motor vehicle 25%

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Furniture & Fittings 12.5%
Computers 33.3%
Library books 5%
Plant & Equipment 20%
Intangible assets 20%

e) Intangible assets

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

f) Research and development costs

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit.

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Inventories

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

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

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

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Inventories (Continued)

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.

h) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) Provisions

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

The Kisumu National Polytechnic uses 25% as provision for doubtful debts.

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

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Contingent liabilities

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

Contingent assets

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

i) Nature and purpose of reserves

The Kisumu National Polytechnic creates and maintains reserves in terms of revenue and capital reserves as reflected in the statement of changes in net assets and equity.

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Kisumu National Polytechnic maintains Service Gratuity account from where it pays retirement benefits for its employees.

l) Foreign currency transactions

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

m) Related parties

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

n) Service Concession Arrangements

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

o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, Bank account balances include amounts held at various commercial banks at the end of the financial year.

p) Comparative Figures

Comparative figures for the previous financial year have been provided to conform to the reporting requirements.

q) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Legal Issues:

	Parties	Matter in brief	Claim	Legal Fees/ Payments Due	Remarks/ Way Forward
1.	George Olilo Mito C/o Mwamu and Company Advocates Vs. The Kisumu National Polytechnic Dated: 12 th July, 2019	Employment and Labour Relations Court at Kisumu ELRC Case No. 171 of 2018. Unfair Termination.	Terminal Dues	Kshs. 345,475 Deposit	Case pending in court
2.	Fred Jonah Ochanda Vs. Kisumu Polytechnic Dated: 29 th March, 2016	Nairobi Employment and Labour Relations Court Cause No. 567 of 2013 – Corruption related case by EACC	Nil	Nil	Case pending in court
3.	Daniel Mbiya Lusi C/o Kenya Human Right Commission Date: 7 th May, 2015	Termination	Wrongful dismissal	Nil	Dormant
4.	Monicah Akinyi Otieno Vs. Governing Council/The Kisumu National Polytechnic	Unfair and wrongful termination/Contempt of Court	Wrongful termination	Not yet confirmed	Active
5. A	Cell Arc System Vs. Kisumu National Polytechnic	Arbitration of Training centre		Not yet confirmed	Active
6.	Paul Otieno Vs. State	Theft of Polytechnic property	N/a	Legal fees payment/Accumul ated salary	Ongoing

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 14

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.

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.

The provisions that are applicable to The Kisumu National Polytechnic are provisions for bad and doubtful debts, provision for depreciation, provision for gratuity and other provisions as may be relevant.

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

(ii) Liquidity risk management

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

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Kisumu Polytechnic's income or the value of its holding of financial instruments. The objective of market risk management is to manage and

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The Kisumu National Polytechnic has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

7. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Ministry of Education;
- iii) Key Management Personnel;
- iv) Governing Council Members;

8. EVENTS AFTER THE REPORTING PERIOD

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

9. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

10. CURRENCY

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

THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. (a) TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES

	2020/2021	2019/2020
Recurrent grants	227,607,000	266,986,243
Furniture Grants		10,000,000
Recurrent Grants (Rarieda TVC)		2,245,000
Recurrent Grants (Lodwar TVC)		1,000,000
Total Government grants and subsidies	227,607,000	280,231,243

(b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

	2020/2021	2019/2020
Development Grant (Rarieda RVC)	0	30,000,000
Library	0	18,340,200
	0	48,340,200

12. RENDERING OF SERVICES

Examination fees	0	49,876,399
Activity fees	19,908,791	14,222,410
Library fees	14,203,500	9,716,600
Registration fees	3,039,300	1,982,155
student union	8,600,202	8,080,072
ICT	14,178,310	9,641,870
Attachment	16,345,800	10,850,500
Contingencies	17,181,950	12,001,120
Production Unit	2,130,994	1,874,060
Repairs and maintenance	5,676,160	3,872,000
EW&C	8,523,680	5,804,000
Practical's	169,390	38,200,126
Student ID	5,364,983	3,493,200
LT&T	8,513,550	5,798,434
Medical	10,138,100	6,551,100
Personal Emoluments	88,680,923	59,497,946
Boarding Fees	5,839,070	15,244,088
Development	30,337,800	19,508,570
KUCCPS	7,657,500	0
Tuition fees	15,765,315	5,490,000
Total Rendering of Services	282,255,318	281,704,650

THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OTHER INCOME

Rent	1,080,000	1,928,221
Tender Application	61,500	21,000
Garment making	33,080	1,272,336
Application	2,412,890	2,168,050
Non-Academic PU	1,463,117	9,158,236
Pay As You Eat System	525,520	11,921,417
Disposal of assets	195,497	129,688
Graduation	14,000	682,000
Driving Lessons	147,750	679,650
S.E.S (Centre fee)	669,357	2,883
Logbook	500	1,758
Supplementary exams	7,980	0
Bursary	15,000	0
KCB PEPEA	64,760	0
Total other income	6,690,951	27,965,239

14. USE OF GOODS AND SERVICES

Practical related expenses	5,406,999	37,820,928
Learning Materials and Training	94,225,720	191,282,591
School Equipment and Supplies	18,457,501	
Production Unit Academic	1,851,829	0
Boarding-Related expenses	5,092,377	34,306,064
Utility Supplies	6,758,924	11,411,059
Contingencies (Hospitality Services)	7,399,760	24,342,466
Examination Fees	0	21,996,070
Medical Related expenses	2,749,524	1,048,519
Printing of ID cards	162,820	2,175,670
Registration related expenses	1,786,900	2,381,635
Library Expenses	563,420	1,740,824
Sports activity expenses	2,800,385	16,644,954
Student Union	7,216,440	4,885,118
Development expenses	22,291,223	0
Industrial attachment	3,114,366	9,399,607
ICT Expenses	522,850	8,598,282
Local Transport and Travelling	3,550,491	12,975,597
KUCCPs expense	3,502,500	0
Total goods and services	187,454,029	381,009,384

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. EMPLOYEE COSTS

Basic salaries/Salaries & Wages	70,232,449	60,673,573
Travel/commuter allowances	4,982,000	4,688,500
Responsibility Allowance	5,619,110	6,332,231
Medical Allowance	1,291,283	1,186,771
Leave/Extraneous Allowance	326,000	0
Housing benefits and allowances	8,774,291	8,513,671
Service Gratuity	2,425,544	4,406,951
Social contributions	1,102,544	512,400
Total Employee costs	94,753,221	86,314,097

16. COUNCIL ALLOWANCES

Transport and subsistence allowances	11,243,608	21,324,315
Total Council Allowances	11,243,608	21,324,315

17. DEPRECIATION AND AMORTIZATION EXPENSE

Property, plant and equipment	65,819,918	80,402,525
Intangible assets	4,755,542	0
Total depreciation and amortization	70,575,459	80,402,525

18. REPAIRS AND MAINTENANCE

Repairs and Maintenance - Motor Vehicles	1,074,865	0
Repairs and Maintenance - Buildings	(27,120)	0
Repairs and Maintenance - Others	1,262,304	4,139,851
Total Repairs and Maintenance	2,308,996	4,139,851

19. CONTRACTED SERVICES

Security Services	3,130,000	3,113,960
Valuation of assets	0	873,448
Legal fees	3,357,866	452,400
Total Contracted Services	6,487,866	4,439,808

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. GENERAL EXPENSES

Application	(225,900)	1,057,600
Garment making	437,565	2,910,410
Other operating expenses	2,057,513	62,000
KNDI	0	280,000
KMLTTB Indexing	0	90,100
Driving lessons	0	1,242,675
Asset disposal costs	0	23,500
Training Expenses	3,000	0
Supplementary (Exam Materials for Resits)	30,000	0
Bank Charges	1,725,331	0
Production Unit - Non Academic	228,036	9,161,058
Pay As You Eat Expenses	792,500	152,700
Total	5,048,045	14,980,043

21. PROVISION FOR DOUBTFUL DEBTS DURING THE YEAR

Specific	108,765,000	0
General Provisions	5,837,268	
	114,602,268	0

TKNP policy on bad and doubtful debts is 25% on debts aged 241 – 361 days, 50% over one year and 80% over 2 years. This Financial year, the Council approved a specific provision of KE 108,765,000

22. CASH AND CASH EQUIVALENTS

KCB	124,248,677	27,859,574
Co-operative Bank 0112912042200	11,650,024	35,356,815
National Bank 4715392000	0	477,550
ABSA bank Rarieda TTI	7,124,862	4,542,077
Cash in hand	0	847,064
Equity Bank	155,254	0
Total cash and cash equivalents	143,178,816	69,083,080

23. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Current receivables		
Student debtors (students fees)	184,826,302	56,576,151
Salary Advances	556,408	670,300
Rent receivables	1,223,256	806,621

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Imprests	2,470,345	834,750
	189,076,311	58,887,822
Provision for bad and doubtful debts	(20,559,224)	(14,721,956)
Net Receivables	168,517,087	44,165,866
Capitation		
B/f	108,765,000	108,765,000
Provision on Capitation	(108,765,000)	
	0	108,765,000
Total current receivables	168,517,087	152,930,866

Notes

1. Capitation due of KES 108,765,000 was provided for in our books in the financial year 2019/2020, in our view this amount is not likely to be recovered from the Government.

24. INVENTORIES

Cleaning materials	399,833	214,980
Medical Supplies	335,984	386,872
Stationery	2,062,545	1,552,899
Catering(dry food stuffs)	601,034	653,455
Total Inventories	3,399,396	2,808,206

25. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accounts Payables	8,299,392	97,562,550
Fees Prepayments	70,470,910	62,532,364
Retention Fees	4,710,726	14,160,417
VAT	3,424,647	0
KND Registration	40,000	0
Withholding VAT	1,351,474	0
Total trade and other payables	88,297,147	174,255,331

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. REFUNDABLE DEPOSITS FROM CUSTOMERS/STUDENTS

Bursary	15,687,308	22,010,006
Miscellaneous	19,243,646	19,266,146
HELB Loan	10,537,622	18,020,622
Examination fees	61,790,658	0
Students Union	13,665,400	0
	120,924,634	59,296,774

27. AMOUNTS HELD FOR THIRD PARTIES

Amounts Held For Third Parties		
Capitation Grants - TVCs	3,560,000	
Recurrent Grants (Rarieda TVC)	3,466,667	2,082,680
	7,026,667	2,082,680

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. PROPERTY, PLANT AND EQUIPMENT

	Land Shs	Buildings	Gift Works	Motor Vehicles	Furniture and fittings	Computers	Library/Books	Plant and Equipment	Capital/Work in Progress	Total Shs
Cost										
At 1st July 2020	1,128,500,000	994,002,490	0	31,727,931	29,560,108	33,013,758	23,982,684	158,663,755	191,766,953	2,591,217,678
Additions			0	0	5,451,418	12,389,650		965,345		18,806,413
At 30 th June 2021	1,128,500,000	994,002,490	0	31,727,931	35,011,526	45,403,408	23,982,684	159,629,100	191,766,953	2,610,024,091
Depreciation										
At 1st July 2020	0	24,830,062	0	7,931,983	3,695,014	10,993,581	3,461,865	63,465,502	0	114,398,007
Depreciation for the year		24,228,811	0	5,948,987	3,914,564	11,468,793	1,026,041	19,232,720	0	65,819,918
At 30th June 2021	0	49,078,873	0	13,880,970	7,609,578	22,462,376	4,487,906	82,698,222	0	180,217,925
NVB June 2021	1,128,500,000	944,923,617	-	17,846,961	27,401,948	22,941,032	19,494,778	76,930,878	191,766,953	2,429,806,167
At 1st July 2019	1,000,000,200	946,590,000	13,114,040	30,940,000	36,558,389	25,669,630	21,271,323	332,958,352	282,679,842	2,689,581,776
Additions		19,077,510	0	1,292,931	5,280,994	3,870,960	2,711,361	3,715,220	62,940,557	98,839,533
Prior Year Adjustment									102,951,784	102,951,784
Transfer from WIP		256,805,230							(256,805,230)	0
Transfer Adjustment		13,114,040	(13,114,040)							0
Revaluation loss/gain	128,499,800	(241,534,290)		(505,000)	(12,279,275)	3,473,168	0	(178,009,817)	0	(300,355,414)

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 th June 2020	1,128,500,000	994,002,490	0	91,727,931	29,560,108	33,013,758	23,982,684	158,663,755	191,766,953	2,591,217,679
Depreciation										
At 1st July 2019	-	23,664,750	327,851	7,735,000	4,569,789	8,547,987	3,326,328	98,324,421	-	146,496,126
Depreciation and revaluation										
Depreciation for the year	0	(23,664,750)	(327,851)	(7,735,000)	(4,569,789)	(8,547,987)	(1,063,597)	(66,591,670)	0	(112,500,644)
		24,850,062	0	7,931,983	3,695,014	10,993,581	1,199,134	31,732,751	0	80,402,525
At 30th June 2020	0	24,850,062	0	7,931,983	3,695,014	10,993,581	3,461,865	63,465,502	0	114,398,007
NVB June 2020	1,128,500,000	969,152,428	-	23,795,948	25,805,094	22,020,177	20,520,819	95,198,253	191,766,953	2,476,819,672
NBV June 2019	1,000,000,200	922,925,250	12,786,189	23,705,000	31,988,600	17,121,643	20,207,726	266,366,682	282,679,842	2,577,281,132
Depreciation rates	0%	2.50%	2.50%	25%	12.50%	33.33%	5%	20%	0%	

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. INTANGIBLE ASSETS-SOFTWARE

Balance b/f	17,035,000	17,035,000
Additions	6,742,708	0
	23,777,708	17,035,000
Amortization b/f	0	0
Amortization charge for the year	4,755,542	0
	4,755,542	0
Total	19,022,166	17,035,000

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX I: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>Council Expenses in excess of the budget</p> <p>Included in the statement of Comparison of budget and actual is budgeted council expense of Kshs.7,000,000 against actual expenditure of Kshs.21,324,315 resulting in unauthorized over-expenditure of Kshs.14,324,315</p> <p>No documentary evidence was made available to show grant of authority to spend over and above the approved estimate by Kshs.14,324,315. There was evidence of application for</p>	<p>The governing council incurred extra expenditure due to unavoidable circumstances, and guided by the TVET Act no. 29 of 2013 Part IV subsection 11.(1) that states..The council shall meet as often as necessary for the transaction of business, but not more than four months shall elapse between the date of one meeting and that of the next meeting."</p> <p>The extra meetings were necessitated by strikes , Covid 19 pandemic and absence of council for some time leading to a backlog in work to be done. A copy of the Act is attached.</p> <p>Local transport and traveling and production unit vote provision was used to finance the extra</p>	Resolved	

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**


NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	re-allocation of funds therefore the Institution acted in breach of the law.	expenditure incurred on council expenses. 6m from LT&T, Production unit activities shelved also The almanac has been drawn and signed by the chairperson and had been put to effective use.		
2.1	Irregular Procurement of Enterprise Resource Planning (ERP) Software	The council approved the budget FY 2019/2020 where ERP was under development fund in the budget The Extra budget of Kshs 5,556,000 was in the financial year 2020/2021 and the software has been paid in full	Resolved	
2.2	Procurement of Computers and Learning Materials	As for the computer items during that time we only had three suppliers in the list of prequalified suppliers. However one never responded see the attached list of prequalified suppliers in the category 2018/2019	Resolved Prequalified suppliers have been expanded to more than three vendors	
2.3.1	Installation of CCTV Surveillance System and Air conditioning in the Library	The air conditioner and CCTVs were installed in the FY 2020/2021 and handed over to the Polytechnic	Resolved	
2.3.2	Unsupported		Resolved and	

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Payment of Provisional Sums		handed over	


Name: Catherine Kelonye

Chief Principal/Council Secretary

Date 10/6/2022

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)
EASTRIP	63340	World Bank	5years	1.08billion	Yes	No
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	ERP	23,896,000	23,777,708	100%	23,896,000	23,896,000	ICT Budget SES
2	LIBRARY EXTENSION	35,501,201.00	35,501,201	100%	28,499,915	35,501,201	GOK
3	RARIEDA TVC	56,890,755.00	26,495,419	47%	GoK Funded	26,495,419	GOK

THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		THE KISUMU NATIONAL POLYTECHNIC		
		Break down of Transfers from the State Department of Technical, Vocational, Education and Training		
FY 2020/2021				
a. Recurrent Grants				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
Capitation (TKNP)	09/11/2020	52,192,500		
Capitation (TKNP)	16/02/2021	52,192,500		
Capitation (TKNP)	31/03/2021	54,217,500		
Capitation (TKNP)	30/06/2021	67,522,500		
Nyakach TVC	16/07/2020	622,500		
Nyakach TVC	09/11/2020	2,475,000		
Lodwar Tvc	21/12/2020	322,500		
Lodwar Tvc	21/12/2020	500,000		
Nyakach TVC	01/03/2021	2,475,000		
Nyakach TVC	22/02/2021	500,000		
Lodwar Tvc	26/02/2021	292,500		
Nyakach TVC	29/03/2021	2,347,500		
Lodwar Tvc	30/06/2021	500,000		
Nyakach TVC	30/06/2021	2,685,000		
Lodwar Tvc	30/06/2021	375,000		
	Total	239,220,000		
b. Development Grants				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
		0		
		0		
		0		
	Total	0		
c. Direct Payments				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
Monitoring and Evaluation	30/06/2021	1,482,000		
	Total	1,482,000		
d. Donor Receipts				
	<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which</u>	

**THE KISUMU NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Date	the amounts relate
WORLD BANK (State Department of Vocational Training)	16/06/2021	115,000,000
Total		115,000,000

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

Finance Manager

Sign



Chief Principal/Council Secretary

Sign



