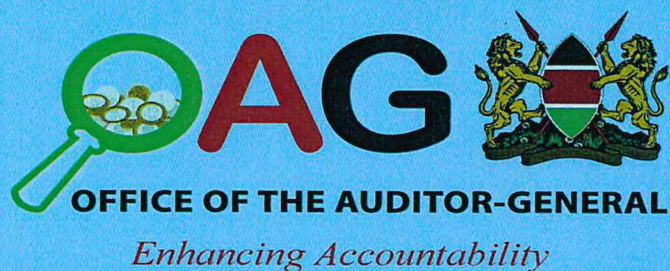



REPUBLIC OF KENYA



|  |                                    |
|--|------------------------------------|
| <br><b>THE NATIONAL ASSEMBLY</b><br><b>REPORT</b><br><b>DATE: 22 SEP 2021</b> |                                    |
| <b>PAPERS LAID</b>   |                                    |
| <b>DAY: Wednesday</b>  |                                    |
| <b>TABLED BY:</b>  | Chief Whip<br>Hon. Wangari Maathai |
| <b>CLERK-AT THE TABLE:</b>   | Christine Njiru                    |

**THE AUDITOR-GENERAL**

**ON**

**KABETE NATIONAL POLYTECHNIC**

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







# KABETE NATIONAL POLYTECHNIC

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## Annual Report & financial Statements for the Year Ended

**30 June, 2019**

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





**KABETE NATIONAL POLYTECHNIC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2019**

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**I. KEY POLYTECHNIC INFORMATION AND MANAGEMENT**

**(a) Background Information**

Kabete National Polytechnic was established in 1924 as a Native Industrial Training Depot (NITD) offering trade courses. It was later converted into a military barrack to accommodate the 2<sup>nd</sup> World War soldiers (1939 – 1945). After the 2<sup>nd</sup> World War, it reverted to offering Trade courses for Primary level graduates (Standard 8) under the Ministry of Education.

The then trade courses were Artisan in Masonry and Carpentry, Fitters, Mechanics, Welders and Electricians. The courses took three years. In 1956 a Secondary school section was introduced in addition to the artisan courses. These programmes took five (5) years, one year was meant for orientation and the four years for pursuing a General Certificate of Education (GCE London).

In 1963, the secondary section was transferred to the current Nakuru High School and the Polytechnic remained to offer only Government Trade Tests, which took a duration of two years. From 1968-1972, the NITD offered City and Guilds of London Examination and the East Africa Pre-technician Certificate Examination of Kenya. The courses took three years. Later these programmes were stopped and the Polytechnic adopted a four year programme on basic Engineering and Building Trade course (unit 820) leading to the former East Africa Certificate of Education (EACE). The last group in this category took their examinations in 1987. In 1985, the school was converted into a Technical Training Institute at the advent of the current 8-4-4 system of education.

In exercising the powers conferred by Section 26(2) of the Technical and Vocational Education and Training Act 2013, the Cabinet Secretary for Education Science and Technology on August 2016, issued a legal notice No. 92 known as Kabete National Polytechnic *Order, 2016* giving rise to a new legal Polytechnic or Institution with a broader mandate anchored in the laws of the Republic of Kenya.



**(b) Principal Activities**

**a) VISION**

*"VISION: A model Polytechnic in technical and vocational, education and training (TVET), research and innovation*

**b) MISSION**

*"MISSION: To provide quality education, training, research and innovation in partnership with stakeholders globally*

The core business of the Polytechnic is provided for by a legal notice No. 92 for Kabete National Polytechnic known as Kabete National Polytechnic **Order, 2016**. The Notice provides in Part II section 4 (1) the functions and objectives of the Polytechnic, which include;

The objects and functions of the National Polytechnic shall be to:-

1. Provide, directly or in collaboration with other institutions of higher learning, facilities for technical trainers in technological, professional, scientific education;
2. Participate in technological innovation and in the discovery, transmission and enhancement of knowledge for economic, social, cultural, scientific, and technological development;
3. Contribute to industrial and technological development of Kenya, in collaboration with the industry and other organizations, through transfer of technology;
4. Promote and establish a culture of innovation in engineering and technology and technology transfer amongst staff and trainees;
5. Develop an institution with excellence in teaching, training, scholarship, entrepreneurship, research, consultancy, community service, among other educational services and products, with emphasis on technology and its development, impact and application within and outside Kenya;
6. Provide a multi-level system of post-secondary school education and training programmes relevant to the needs of the community, covering a wide range of fields and levels with

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provision for recognition of prior learning and flexibility of transition between programmes;

7. Provide high quality education, research, residential, commercial, cultural, social, recreational, sporting and other facilities;
  8. Advance knowledge and its practical application by research and other means, the dissemination of outcome of research by various means and the commercial exploitation of research results;
  9. Promote critical inquiry within the Polytechnic and in the general community;
  10. Participate in commercial ventures and activities;
  11. Foster the general welfare of all staff and trainees;
  12. Provide opportunities for development and further training for staff of the Polytechnic;
  13. Develop and provide educational, cultural, professional, technical and vocational services to the community and in particular, foster corporate social responsibility;
  14. Provide programmes, products and services in ways that reflect the principles of equity and social justice;
- 
15. Facilitate student mobility between different programmes at different technical training institutions and other national polytechnics;
  16. Conduct examinations and grant such academic awards as may be provided under this Order; and
  17. Collaborate with recognized universities for the conduct and award of degree programmes in technology.

**(c) Key Management**

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

- i. Polytechnic Management Board.
- ii. The principal who is the Accounting Officer.



**(d) Fiduciary Management**

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

| Name of the Staff             | Responsibility  |
|-------------------------------|---|
| Mr. Charles N. Akach          | Principal - Chairman                                    |
| Mrs. Florence W. Wakaba       | Deputy Principal – Finance & Administration – Secretary |
| Mr. Joseph T. Kobia           | Deputy Principal – Quality Assurance Secretary.         |
| Mr. Nickson Otara Oreti       | Registrar.  |
| Mr. Fred Njoroge Ngina        | Dean of Students  |
| Mr. Moses M. Ndung'u          | Finance Officer.  |
| Mrs Joan Adoyo                | Procurement Officer.                                    |
| Mrs. Caroline Wamaitha Kimani | Human Resource Officer.                                 |

**(e) Fiduciary Oversight Arrangements**

The Key fiduciary oversight arrangements exists between the Polytechnic and the organs listed below.

1. Audit and Risk Committee of the Polytechnic Council
  - i. Coordinate matters and review of the performance management tools. (Performance contracts, ISO procedures.)
  - ii. Audit Polytechnic's processes including ISO, PC and other management processes.
  - iii. Prepare audit reports quarterly and report to the full Council.
  - iv. Advice the Council on audit reports both internal and external.
2. Public Procurement Oversight Authority (PPOA)
3. Office of the Auditor-General
4. Ethic & Anti-Corruption Commission (EACC)

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**KEY POLYTECHNIC INFORMATION AND MANAGEMENT (Continued)**

**(f) Polytechnic Headquarters**

Kabete National Polytechnic  
P.O. Box 29010 – 00625  
Nairobi

**(g) Polytechnic Contacts**

Telephone : (254) 713338683  
E-mail: principalkabete@gmail.com/kabete.financedpt@gmail.com  
**info@kabetetenationalpolytechnic.ac.ke**  
Website: [www.kabetetenationalpolytechnic.ac.ke](http://www.kabetetenationalpolytechnic.ac.ke)

**(h) Polytechnic Bankers**

- |    |  |     |   |
|----|--|-----|---|
| i. | Standard Chartered Bank<br>P.O. Box 48231-00100<br>Nairobi, Kenya. | ii  | Co-operative Bank of Kenya<br>P.O. Box 30001-00100<br>Nairobi, Kenya. |
|    |  | iii | Equity Bank<br>P.O. Box 75104-00200<br>Nairobi, Kenya.                |

**(i) Independent Auditors**

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

**(j) 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 POLYTECHNIC GOVERNING COUNCIL**



**Hon. Justice Aaron Ringera – Chairperson**

Hon. Justice Ringera was appointed the Chairperson of the Kabete National Polytechnic Council in 2016. He is currently a part-time Judge of the East Africa Court of Justice and an Arbitrator, accredited mediator and a Legal Consultant. He was a former Head, Solicitor General of Kenya and a Judge of both High Court and the Court of Appeal of Kenya. He is a graduate from the University of Nairobi.

He is decorated by the president of Kenya with an Award of Elder of Burning Spear (EBS)



**Mr. Charles N. Akach – Principal**

Mr. Charles Akach has been a principal since 2005. He was posted to Kabete National Polytechnic in September, 2016. He holds a Bachelor of Commerce Degree (Accounting Option), Post Graduate diploma in Education Economics, Master degree in Educational Administration and Management.

He is a Kenya Association of Technical Training Institutions (KATTI) Trustee, he is also a Board Member of Association of Technical University & Polytechnic in Africa, formally CAPA in charge of resource mobilisation



**Dr. Wilson K. Sitonik**

Dr. Sitonik was appointed a member of the Kabete National Polytechnic Council in 2016. He is an Information Systems specialist. He is a graduate of Cornell University (Ph.D.), USA and University of Nairobi (B.Sc (Hon) and M.sc. Dr.

Dr. Sitonik was a lecturer at the University of Nairobi and is a founder and Executive Director of the Advanced Information Technology and Economic Consultants (AITEC)

He has been actively involved in consultancy services in several fields

He was the director of Government Information Technology (GITS) Department within the Ministry of Finance



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**Mrs Grace Wairimu Gachango**

Mrs. Grace Gachango was appointed a member of the Kabete National Polytechnic Council in 2016. She Holds a Master Degree in Counselling Psychology at Kenyatta University She holds a Bachelor Degree in Education (B.Ed) and Post Graduate Diploma in Population Studies at the University of Nairobi.



**Mr. Hendra .P. Modi**

Mr. HIP Modi was appointed a member of the Kabete National Polytechnic Council in 2016.

Mr. Modi is a graduate of University of Calcutta in Bachelor of Law (LB) and a Bachelor of Commerce (B. Com) and Honours in Advanced Accounting, Auditing, Costing and Taxation. He is a Certified Public Account of Kenya.

He is currently a group Director of Steel Africa Ltd, Gal sheet Kenya Ltd., Bihari Forwarders Ltd and Bihari Insurance Brokers Ltd.



**Dr. Josephine Wright**

Dr. Wright was appointed a member of the Kabete National Polytechnic Council in 2016.

She holds a Masters of Science Degree in Tropical Veterinary Science from Edinburgh University Scotland.

She also holds a Bachelor's Degree in Veterinary Medicine from the University of Nairobi.



**Mr. John Oriri Onyango**

Mr. Oriri Onyango was appointed a member of the Kabete National Polytechnic Council in 2016.

He is a graduate of University of Bombay India LL.B Degree. He also holds a Bachelor's Degree in Arts -Political Science. He was a former State Counsel at the Attorney Generals Chambers as well as The Assistant Director of Public Prosecution.



## **MANAGEMENT TEAM**



**Mr. Charles N. Akach – Principal**

Mr. Charles Akach has been a principal since 2005. He was posted to Kabete National Polytechnic in September, 2016. He holds a Bachelor of Commerce Degree (Accounting Option), Post Graduate diploma in Education Economics, Master Degree in Educational administration and Management. He is a Kenya Association of Technical Training Institutions (KATTI) Trustee, he is also a Board Member of Association of Technical University & Polytechnic in Africa, formally CAPA in charge of resource mobilisation



**Ms. Florence W. Wakaba**

Ms Wakaba is currently serving as the Deputy Principal In-Charge of Administration & Finance. She is a graduate of JKUAT. She holds a Bachelor's Degree in Purchasing and Supplies Management. She has a diploma in Technical Education from Kenya Technical Trainers College (KTTC). She was a Deputy Dean of Students. She has undertaken Senior Management Course (SMC) and Strategic Leadership Development Programme (SLDP) from the Kenya School of Government



**Mr. Joseph Kobia Thaimuta**

Mr. Kobia is the current Deputy Principal in charge of academics. He holds a Bachelors of Education –Chemistry and Mathematics. He was former deputy Dean of Students. He is Pursuing MSC (Chemistry). He has undertaken Senior Management Course (SMC) from the Kenya School of Government



**Mr. Nickson Oreti Otara**

He is the current Registrar of the Polytechnic. He holds a Bachelor's Degree in Commerce<sup>1</sup> and M.Com- Banking & Business Economics. He has undertaken Senior Management Course (SMC) from the Kenya School of Government



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**Mr. Fred Njoroge Ngina**



Mr. Ngina is the current Dean of Students. He holds a Higher Diploma in Technical Education. He has been a teacher since 1986. He was appointed Head of Entrepreneurship Section thereafter Head of Liberal Department.

He has undertaken Senior Management Course (SMC) from the Kenya School of Government

**Mr. Moses Mwangi Ndung'u**



Mr. Mwangi is the current Finance Officer. He is a graduate of Moi University and holds a Bachelors Degree in Business Management Finance Option. He is a CPA II Graduate and is persuing Part III

He was a former Accountant in the Ministry of Roads.

He has undertaken Senior Management Course (SMC) from the Kenya School of Government

**Mrs. Joan R. Adoyo**



Mrs Adoyo is the current Procurement Officer. She holds a Bachelor's degree in Business Management –Purchasing and Supplies from Moi University.

She has an Advanced Certificate in Supplies Management.

She has undertaken Senior Management Course (SMC) from the Kenya School of Government

**Mrs. Caroline W. Kimani**



Mrs Kimani holds a Bachelor degree in Sociology from Egerton University, she also has Diploma II in Human Resources Management and Certified Secretary Part II

She has undertaken Senior Management Course (SMC) from the Kenya School of Government

## II. CHAIRMAN'S STATEMENT

It is with great pleasure that I present this financial report for the last financial year ended 30 June 2019. Following the elevation of the Institution into a National Polytechnic, on 2016, we are excited to present our first financial reports and financial statements. The status brought along several opportunities; increased enrolment; government support, network, linkages and collaborations. Along with these were also high levels of expectations from the student community, employees and other stakeholders.

### Operating Environment

Indeed my Council is aware that the Polytechnic came into being at a time when the higher education sector has changed drastically with a historical record of increased numbers of higher education Institutions in the country. Inevitably, with the number of students qualifying to join University, National Polytechnic and Technical & Vocational Colleges increasing significantly over the years, the ever changing government policies, the operating environment is becoming extremely competitive. In response to this growing demand and the existing operating environment, we have to be prepared to increase physical facilities that would give us a competitive advantage.

### Strategic Plan

During the period under review, the strategic plan being implemented has envisioned to address the emerging challenges and take advantage of the existing opportunities in the operating environment.

The Strategic Plan provides a clear roadmap to the Polytechnic Council and Management during the period 2018-2023 of the Polytechnic's development. The projects and activities for the year were therefore undertaken as per the strategic plan. It is expected that the Government would contribute significantly towards the realization of our dreams as envisaged in the plan in terms of provision of the required financial resources.

Other avenues to fund the planned expansion of the physical facilities and infrastructure would also be explored with the main focus being centred on resources mobilization and strategic initiatives.

The Polytechnic nevertheless continued to expand and improve its requisite physical facilities as a result of increased population in terms of student and staff numbers.

I am therefore pleased to report that in the 2018/19 financial year a number of projects were initiated and one completed and converted into use.

During the year under review, phase I project of the **high mast flood lights** was initiated, the first phase of **CCTV project** was also initiated at the Administration Block, Students Hostels and students walkways.



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**Conclusion**

I strongly believe that with all the planned strategies as envisaged, it is apparent that the future of the Polytechnic is bright and secure. Our commitment as a Council is to continue setting the right tone at the top which is geared towards the realization of the Polytechnic's vision and mission.

Finally, on behalf of the Council, I take this opportunity to thank the principal for his guidance and support during the year. To the Management, staff and students of Kabete National Polytechnic, I appreciate the commitment and hard work exhibited during the year. I also wish to thank the government, and all our stakeholders for their unwavering support. It is our expectation that the peaceful and productive environment witnessed during the year will continue into the coming year.



Hon. Justice Aaron Ringera (RTD) EBS, FCI Arb

**CHAIRMAN OF COUNCIL**

Date: 30.09.2019



### III. REPORT OF THE PRINCIPAL

I am pleased to present my report for the 2018/2019 financial year which ended on 30 June 2019. Indeed in the last three years, the higher education sector witnessed a rapidly changing operating environment characterized by stiff competition, changing customer demands and declining resource allocations to public universities.

Despite the many challenges now inherent in this new operating environment, the Polytechnic continued to discharge its mandate of teaching, research and outreach successfully throughout the year. By 30 June 2019, the student enrolment stood at 13,575 (Table 1). This figure comprises of Diploma, Certificates and Artisans students. The student population is projected to continue growing due to marketing strategies in place.

*Table 1: Students Enrolment per Department.*

| S/no         | Department                            | Diploma      | Certificate  | Artisan    | Total         |
|--------------|---------------------------------------|--------------|--------------|------------|---------------|
| 1.           | Electrical And Electronic Engineering | 676          | 442          | 178        | 1,296         |
| 2.           | Mechanical Engineering                | 1,349        | 1,350        | 25         | 2,724         |
| 3.           | Building & Civil Engineering          | 1,504        | 1594         | 60         | 3,158         |
| 4.           | Applied Science                       | 823          | 93           | 0          | 916           |
| 5.           | Computer Studies                      | 673          | 1,054        | 21         | 1,748         |
| 6.           | Business Studies                      | 2,607        | 459          | 0          | 3,066         |
| 7.           | Liberal Studies                       | 213          | 39           | 11         | 263           |
| 8.           | Hospitality                           | 99           | 265          | 40         | 404           |
| <b>TOTAL</b> |                                       | <b>7,944</b> | <b>5,296</b> | <b>335</b> | <b>13,575</b> |

The 2<sup>nd</sup> graduation ceremony of the Polytechnic was successfully held on 11th October, 2018, with a total of 898 students graduating distributed as follows.

*Table 2: Graduands distribution for 3 years*

| Year         | 2016        | 2018       | Totals      |
|--------------|-------------|------------|-------------|
| Diploma      | 815         | 732        | 1547        |
| Crafts       | 217         | 146        | 363         |
| Artisans     |             | 20         | 20          |
| <b>Total</b> | <b>1032</b> | <b>898</b> | <b>1930</b> |

#### Collaborations and MOU's

During the 2018/2019 financial year Thirteen (13) collaborations /MOU were drafted with various partners. The MOUs were mainly on collaborations in research, teaching, capacity building, sharing of facilities, exchange of staff and students. As a higher institution of learning, research and teaching this is a good effort in the right direction for the Polytechnic.

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**Financial Performance**

As in the previous years, the main source of funding to the Polytechnic during the period under review was school fees with a contribution of a total of Kshs 537,467,102 for recurrent expenditure purposes and Kshs 4,782,107.00 for Development Expenditure. In addition, the Polytechnic generated a sum of Kshs 41,056,289 from Income Generating Activities (IGA's), Catering and other Incomes. Also the Polytechnic received Kshs 12,250,500 from the Ministry of Education being the capitation, Kshs 1,505,193.75 for development and Ksh 10,000,000.00 from Githunguri CDF for the construction of Githunguri T.V.C. However, at the end of the financial year the Polytechnic had not received revenues from the following sources:

| Description  | 2018-2019          | 2017-2018         |
|--|--------------------|-------------------|
|  | KShs               | KShs              |
| <b>Current receivables- From Non-Exchange Transactions</b> |                    |                   |
| Exchequer Capital Grant Receivable                         | 3,010,388          |                   |
| M.o.E - Githunguri TVC                                     | 20,000,000         |                   |
| M.o.E - Ruiru TVC  | 20,000,000         |                   |
| CDF Ruiru - Ruiru TVC                                      | 10,000,000         |                   |
| Exchequer Capitation Receivable                            | 117,411,258        |                   |
| <b>Total current receivables</b>                           | <b>170,421,646</b> | <b>-</b>          |
| <b>Current receivables-From Exchange Transactions</b>      |                    |                   |
| Student debtors  | 88,380,782         | 32,191,955        |
| Rent debtors   | 8,825,702          | 6,576,545         |
| KPLC Lease   | 210,000            |                   |
| <b>Total current receivables</b>                           | <b>97,416,484</b>  | <b>38,768,500</b> |
| <b>Non-current receivables</b>                             |                    |                   |
| Advance payments-Salary                                    | 225,500            | 422,063           |
| <b>Total receivables</b>                                   | <b>97,641,984</b>  | <b>39,190,563</b> |
| <b>Grad Total</b>  | <b>268,063,630</b> | <b>39,190,563</b> |

**Conclusion**

On behalf of the Polytechnic Management Board, I take this opportunity to thank the Government for its support during the period under review. I also appreciate the financial material and moral support of our collaborators, partners and other stakeholders during the year. The Council provided the desired guidance and support during the year which was way beyond expectations and which I highly appreciate. To the Management team, all staff and students and I also wish to sincerely thank them for the peace, hard work and discipline exhibited throughout the year. It is my desire that we should continue working together as a team in the new financial year and beyond.



Charles N. Akach  
**PRINCIPAL**

30/6/2019.  
 DATE



#### **IV. CORPORATE GOVERNANCE STATEMENT**

The Polytechnic Council was appointed by the Cabinet Secretary Ministry of Education, Science and Technology with effect from 26 September 2016 for a term of three years, there are 7 Council members comprising of the Chairman, one member representing Principal Secretary Ministry of Education, five (5) independent members and an *ex-officio* member who is the Principal and also secretary to Council since 2016.

The Council is assisted in execution of its functions by the following four committees:

##### **1. Meeting of the Council and its Committees**

###### **Polytechnic Council Meetings**

The meetings of the Polytechnic Council are held at least once every quarter in a calendar year. In order to facilitate the smooth running of its affairs, the Polytechnic Council establishes such committees with the membership and with such terms of reference as it may deem fit. The Chairperson may at any time upon request by a majority of the members call special meeting of the Council. During the year 2018/19 the Council and its Committees held a total of 23 meetings (both ordinary and special meetings.) The record of meetings attendance of the Polytechnic Council and its committees is as tabulated (Table 3)

Table 3. Councils' and its Committee Meetings

| Name of Committee   | No. of regular meetings | No. of special meetings |
|---|-------------------------|-------------------------|
| 1. Council  | 5                       | 1                       |
| 2. Audit and Risk   |                         | 2                       |
| 3. Quality Assurance, ICT, Staff Development & Discipline | 3                       | 3                       |
| 4. Finance, Planning, & Administration                    | 3                       | 3                       |
| 5. Estate Management & Works                              | 1                       | 2                       |
| <b>Total</b>  | <b>12</b>               | <b>11</b>               |

###### **Committee of the Polytechnic Council**

In order to facilitate the smooth running of its affairs, the Polytechnic Council establishes such committees with the membership and with such terms of reference as it may deem fit. The following committees were in place during the year 2019.

- i. Finance Planning and Administration
- ii. Audit And Risk
- iii. Quality Assurance, ICT, Staff Development & Discipline
- iv. Estate Management & Works

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The Polytechnic Council nominates the Chairperson of each committee of the Council provided that in the absence of the Chairperson of any committee, the members present and constituting a quorum may elect one person from among them to chair the meeting. The Chairperson of the Polytechnic Council and the Principal are ex-officio members of every committee of the Council.

**Finance Planning and Administration Committee**

- i. Preparing annual estimates of revenue and expenditure for the Polytechnic and incurring expenditure on behalf of the Polytechnic.
- ii. Receiving on behalf of the polytechnic, fees, grants, subscriptions, donations, bequests or other moneys and to make disbursement to the Institution or other bodies or persons.
- iii. Determining the fees payable and prescribing conditions under which fees may be remitted in part or in whole in accordance with the guidelines developed under the provisions of the Polytechnic Order.
- iv. Mobilizing resources for the Polytechnic.
- v. Proposing, spear-heading and coordinating all development projects in the Polytechnic.
- vi. Administering and managing the property of the Polytechnic.
- vii. Preparing comprehensive annual reports on all areas of their mandate including education and training services and submits the same to the Council.
- viii. Report all its proceedings as an agenda to the Council through its chair.
- ix. Recruitment of the staff members.

**Quality Assurance, ICT, Staff Development and Discipline Committee**

- i. Overseeing the conduct of education and training in the Polytechnic in accordance with the provisions of the Polytechnic Order and any other written law.
- ii. Promoting and maintaining standards, quality and relevance in education and training in the Polytechnic in accordance with this order and any other written law (Academic Policy, Polytechnic rules etc.)
- iii. Making regulations governing the Polytechnic and discipline of the staff and students.
- iv. Overseeing programmes for training and make representations thereon to the Council in case of any shortfall.
- v. Discussing internal and external examinations.
- vi. Approving collaboration or association with other institutions and industries in and outside Kenya subject to prior approval by the Council.
- vii. Encouraging, nurturing and promoting academic and democratic culture, dialogue and tolerance in the Polytechnic.
- viii. Establish mechanisms for monitoring and evaluating services and programmes in accordance with the Polytechnic Order to ensure standards, quality and relevance in the provision of programmes and management of the Polytechnic on a continuous basis.
- ix. Handle any disciplinary issues in the Polytechnic.
- x. Provide leadership and support to the staff development process.



- xi. Oversee staff development activities that will provide staff learning and development opportunities.
- xii. Develop and monitor the results of staff development activities.
- xiii. Facilitating the monitoring process to ensuring proper use of resources aimed at staff development activities.
- xiv. Developing programmes for rewarding good performance and sanctioning under performance.

#### **Audit and Risk Committee**

- i. Coordinate matters and review of the performance management tools. (Performance contracts, ISO procedures.)
- ii. Audit Polytechnic's processes including ISO, PC and other management processes.
- iii. Prepare audit reports quarterly and report to the full Council.
- iv. Advise the Council on audit reports both internal and external.

#### **Estate Management and Works Committee**

- i. To provide vision and leadership for the planning, implementation and management of the infrastructural and information technologies that support learning teaching and administration within the Polytechnic.
- ii. Direct and manage improvements, repairs, new projects, strategic plans, policies and programs in the Polytechnic.

### **2. Roles and Functions of the Council**

- i. To ensure that proper management structure is in place and that the management maintain the corporate integrity, reputation and responsibility of the Polytechnic
- ii. To monitor and evaluate the implementation of the strategies, policies and management plans of the Polytechnic
- iii. To constantly review the viability and financial sustainability of the Polytechnic once in every year
- iv. To ensure that the Polytechnic complies with all the relevant laws, regulations, governance practices and accounting and auditing standards

### **3. Induction Training**

The TVET Act No. 29 of 2013 Section 28 and 29 establishes and gives mandate to the Councils and Board of Governance to manage the TVET institutions on behalf of the cabinet Secretary.

It is a requirement that the Governing Council members understand their functions and conduct through induction program, well, and hence need for induction.

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In the 2018/2019 FY Council attended one (1) training from 11<sup>th</sup> to 13<sup>th</sup> April, 2019 at Morendat Institute of Oil and Gas - Naivasha. The following topics were covered:

- i. Role of Governing Council in TVET institution
- ii. Policies , Laws and TVET reforms
- iii. Corporate Governance in TVET Institutions
- iv. Financial Management in TVET Institutions
- v. Procurement and Assets Disposal in TVET Institutions
- vi. Human Resource Management
- vii. Project Management

**4. Council Remuneration**

The Polytechnic Council members do not receive a salary. They are however paid a sitting allowance for every meeting attended. The sitting allowance paid to the council members is disclosed in note 11 of the financial statements

**Shared Believe**

The Polytechnic Council and management have a shared believe that corporate governance is a continuous process and that good corporate governance must be embedded in our culture to support our values of discipline, high moral standards and integrity which are fundamental to the long term success and sustainability of our mandate as an institution of higher learning.



Hon. Justice Aaron Ringera (RTD) EBS, FCI Arb  
**CHAIRMAN OF COUNCIL**

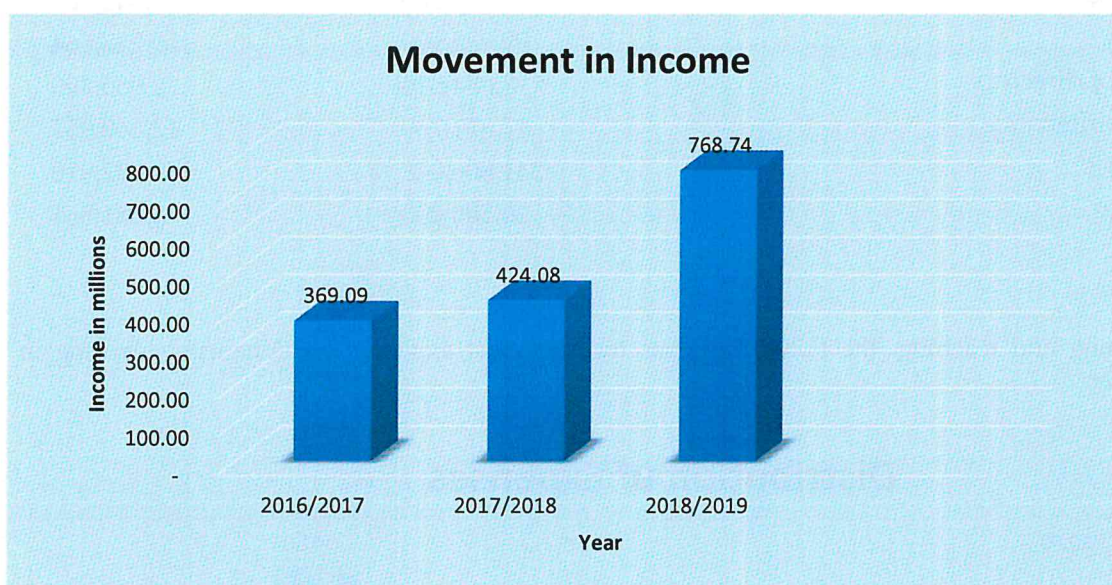
Date: 30.09.2019

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**V. MANAGEMENT DISCUSSION AND ANALYSIS**

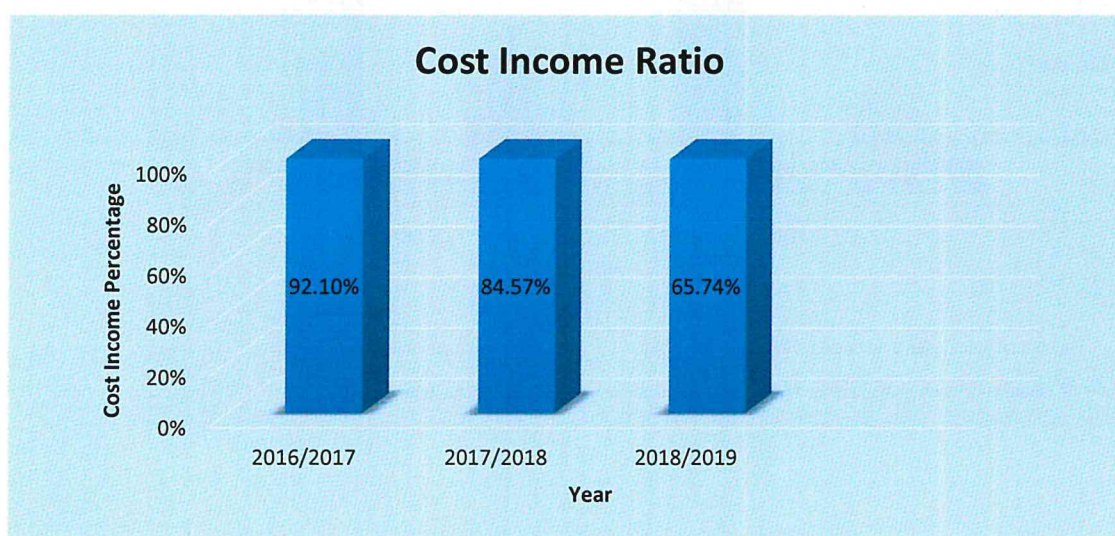
**Movement in Income**

Total income has grown to Kshs 768.74 million as at 30 June, 2019. This is consistent with the objective of growing income.



**Cost Income Ratio**

It shows the percentage of operating expenses used to generate income (excluding finance income and cost). The ratio as at 30 June, 2019 was 65.74% which was better than average ratio for the last 2 years of 88.34%.



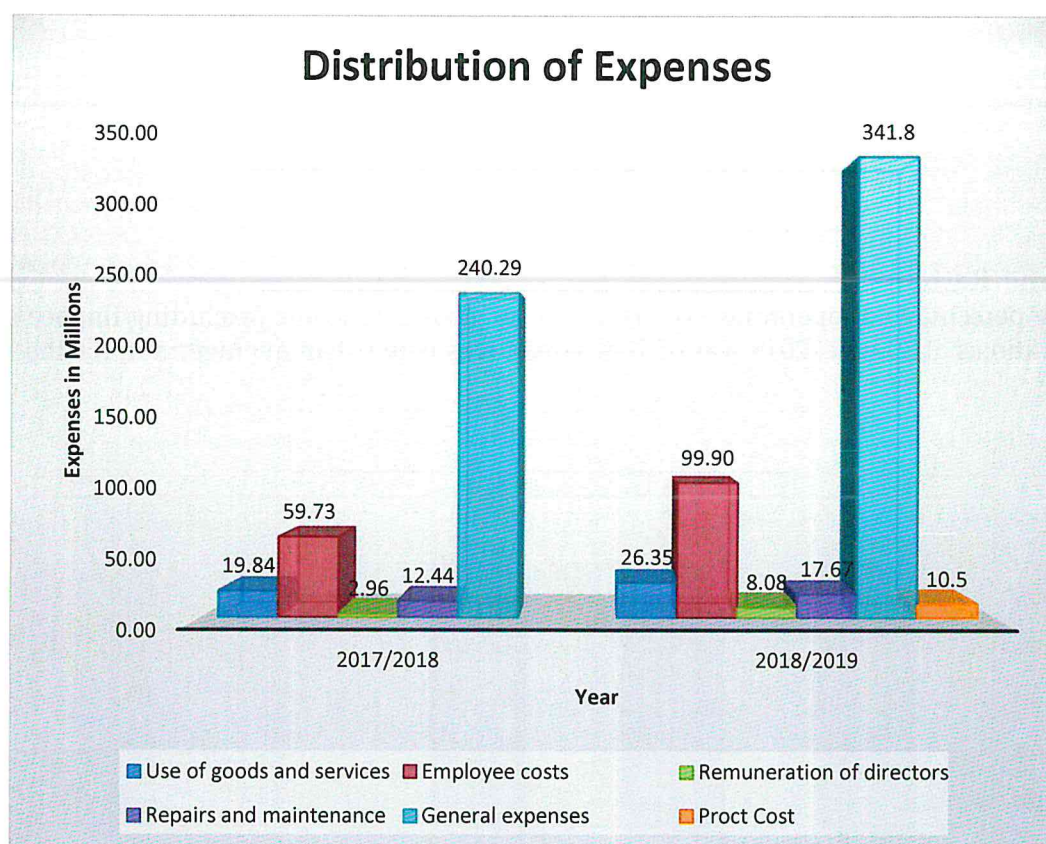


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**Distribution of Expenses**

| Expenditure               | 2018/2019   | 2017/2018   |
|---------------------------|-------------|-------------|
|                           | Kshs        | Kshs        |
| Use of goods and services | 26,351,200  | 19,844,967  |
| Employee costs            | 99,925,990  | 59,727,564  |
| Remuneration of directors | 8,084,514   | 2,955,400   |
| Repairs and maintenance   | 17,671,769  | 12,440,957  |
| General expenses          | 341,806,048 | 258,802,910 |
| Project Expenses          | 10,500,000  | 3,681,861   |

To excel in learning and teaching, the Polytechnic has focused most expenses on enhancing teaching in a progressive manner





## **VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

This statement is about how the Kabete National Polytechnic takes into account of its economic social and environmental impact in the way it operates as a business. By demonstrating our commitments to corporate social responsibility we aim at align our business values, purpose and strategy with the needs of our clients, whilst embedding such responsible and ethical principle into everything we do.

The elements of this statement cover our approach in dealing with our clients, the local community, partners and other stakeholders in an effort to support, reducing any negative effects in water use and other business usage in terms of environmental impact.

### **Environment**

Protection of the environment in which we live and operate is part of our organizational cultural values and principles and we consider it to be a sound business practice. Care for the environment is one of our key responsibilities and an important part of the way in which we do business.

We commit to:

- i. Provide a frame work for planning and sustainable management of The Polytechnic environment.
- ii. Strengthen the institutional and individual capacity for effective management of the environment.
- iii. Ensure sustainable management of the Polytechnic's environment and its surrounding.
- iv. Ensure cooperation, collaboration, partnerships and participation in the protection conservation and management of the environment by all stakeholders.

Application of these principles and practices will make a significant contribution to the Polytechnics environmental sustainability programs.

The Management therefore ensures that the Polytechnic reduces the environmental impact by:

- i. Engaging with staff, students and the surrounding communities to encourage environmentally sustainable behaviours.
- ii. Planting of trees to minimize greenhouse gas emissions in operations and work towards carbon neutrality.
- iii. Minimizing use of natural resources such as water, on-renewable energy and paper.
- iv. Following the waste hierarchy- avoid or minimize, reduce, reuse, recycle and then dispose off correctly as the last option.
- v. Minimizing the use of hazardous substances
- vi. Encouraging sustainable practices in relation to design, transport and travel, procurement and catering.

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**Local Community**

As part of Corporate Social Responsibility, the Polytechnic participates in community programs and activities that involve encouraging staff and students participation in community activities. Our students were involved in cleaning up exercise in "N" Market.

**CLIENTS**

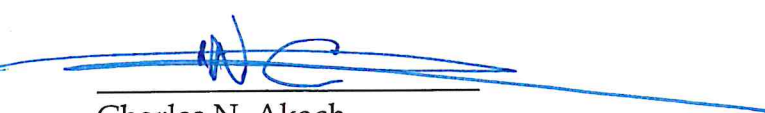
The management also ensured that we dealt responsibly, openly and fairly with clients and partners/stakeholders as defied in our service charter by:

- i. Serving our clients with dignity, courtesy and respect.
- ii. Continuously providing efficient and effective service.
- iii. Adhering to ethical and equitable service provision
- iv. Enhancing transparency, integrity and accountability
- v. Observing the principle of natural justice.
- vi. Maintaining appropriate confidentiality
- vii. Discharging our duties professionally and with due diligence and ensuring delivery of affordable quality education.

**Responsibility**

The operational and ultimate responsibility for the commitment to our Corporate Social Responsibility principles lies with the Council and the top management. Every employee of Polytechnic is expected to give their full co-operation to the above principles in their activities at work. Clients or stakeholders are also expected to apply our environmental principles.

The effectiveness of the policy statement will be monitored and reviewed regularly by the Council Management to ensure the Polytechnic continued compliance with any relevant legislation to meet new legal requirements and to identify areas in need of improvement. We will also ensure that all changes will be brought to the attention of all employees as necessary.

  
Charles N. Akach  
PRINCIPAL

30/9/2019.

DATE

## **VII. REPORT OF THE COUNCIL**

The Polytechnic Council submits its report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Polytechnic's affairs.

### **Principals Activities**

The principal activities of the Polytechnic continue to be the provision of quality education, training, research and innovation in partnerships with stakeholders globally.

### **Results**

The results of Kabete National Polytechnic for the year ended 30 June, 2019 are set out on page 1 (one) to 21 (twenty one).

### **Polytechnic Council Members**

The members of the Polytechnic council who served during the year are shown on page (vii)

### **Auditors**

The auditor General is responsible for the statutory audit of the Polytechnic in accordance with Section 68(2) (k) of the Public Finance Management (PFM) Act, 2012.

By Order of the Council



Charles N. Akach  
PRINCIPAL

DATE

30/9/2019.



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**VIII. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (*Section 14 of the State Corporations Act, and Section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013*) require the 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/period and the operating results of the Polytechnic for that year/period. The Council members 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 members are also responsible for safeguarding the assets of the *Polytechnic*.

The Council members are responsible for the preparation and presentation of the *Polytechnic's* 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 (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Polytechnic; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Polytechnic*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the *Polytechnic's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*the State Corporations Act, and the TVET Act*). The council members are of the opinion that the *Polytechnic* financial statements give a true and fair view of the state of *Polytechnic* transactions during the financial year ended 30 June, 2019, and of the *Polytechnic's* financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the *Polytechnic*, which have been relied upon in the preparation of the *Polytechnic's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the council members to indicate that the *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 30<sup>th</sup> September 2019, and signed on its behalf by:



Hon. Justice Aaron Ringera (RTD) EBS, FCIArb  
CHAIRMAN OF COUNCIL



Charles N. Akach  
PRINCIPAL



Dr. Wilson Sitonik  
COUNCIL MEMBER



# REPUBLIC OF KENYA

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NAIROBI

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

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

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

In my opinion, except for the effects 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 Kabete National Polytechnic as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Property, Plant and Equipment

The statement of financial position as at 30 June, 2019 reflects property, plant and equipment balance of Kshs.122,289,466. However, the Management of the Polytechnic did not provide for audit review the asset register and basis for valuation of assets in line with the International Public Sector Accounting Standard (IPSAS) 17 on Property, Plant and Equipment which prescribes the accounting treatment for property, plant, and equipment so that users of financial statements can discern information about an entity's investment in its property, plant, and equipment and the changes in such investment. IPSAS 17 covers the principal issues in accounting for property, plant, and equipment which include the recognition of the assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognized in relation to them.

In the circumstances, the accuracy and completeness of the property plant and equipment balance of Kshs.122,289,466 as at 30 June, 2019 could not be confirmed.



## **2.0 Polytechnic Land**

The statement of financial position as at 30 June, 2019 reflects property plant and equipment balance of Kshs.122,289,466. Review of the Board Minutes and the Polytechnic land file revealed that the Kabete National Polytechnic was allocated land under Grant no I.R. 23463 for a period of 99 years from 1 January, 1967 registered in the name of Board of Governors of Kabete Technical School measuring 52.6 acres. It was further revealed that there has been a long running dispute between the Polytechnic and the St Joseph's Anglican Church of Kenya - Kabete which claims ownership of five (5) acres of the Polytechnic land on which the Church stands. This dispute is subject to three court cases which have been concluded.

In addition, the National Lands Commission investigated the matter and concluded that the Church has no legal claim on the land and that the alleged title held by the Church was fraudulently obtained. The Polytechnic Council and Management have not demonstrated action taken to secure the land and ensure that the land is registered in the name of the Polytechnic as required by Section 3(2)(b) of the Kabete National Polytechnic Order 2016.

Consequently, ownership of the Polytechnic land could not be confirmed.

## **3.0 Receivables from Exchange Transactions - Rent Debtors**

The statement of financial position and as disclosed under Note 17 to the financial statements reflects receivables from exchange transactions balance of Kshs.97,641,984. Included in this balance is rent debtors amount of Kshs.8,825,702. A review of the aging analysis of the rent records revealed that an amount of Kshs.7,843,498 had been outstanding for over one year with some rent debtors going back to 2007. Further, included in the rent debtors are amounts of Kshs.1,034,000 in respect of a deceased officer and Kshs.4,421,745 in respect of officers who either retired or moved out of the staff houses. Management did not provide explanations why the amounts due had not been recovered from the affected staff members or written off from the books of accounts.

In addition, included in the receivable's balance is an amount of Kshs.210,000 relating to rent receivable from Kenya Power and Lighting Company Limited for the lease of land for a power substation at an annual rent of Kshs.70,000. Management did not explain measures taken to recover the outstanding rent.

In the circumstances, the recoverability of the outstanding debtors is in doubtful and the receivables balances may be mis-stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kabete 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 are no key audit matters to report in the year under review.

## **Other Matter**

### **Budget Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.479,883,396 and Kshs.768,142,129 respectively resulting in over collection of revenue by Kshs.288,258,733. The over collection of revenue was due to the new government policy of subsidizing Technical Vocational Education Training (TVET) Institutions by Kshs.30,000 per student annually. This has led to an increased enrollment in the TVET Institutions.

Similarly, the Polytechnic had an approved expenditure budget of Kshs.447,932,868 against an actual expenditure of Kshs.505,361,363 resulting in net over expenditure of Kshs.57,428,495. The Polytechnic has attributed this to the increased enrollment due to the new government policy on subsidies to TVET Institutions.

## **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, I confirm that, nothing 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**

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 audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

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.

## **Responsibility of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Polytechnic's ability to continue 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 liquidate the Polytechnic or to cease operations.

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

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

The Council is responsible for overseeing the Polytechnic's financial reporting process, reviewing the effectiveness of how 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

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



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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**06 September, 2021**

**KABETE NATIONAL POLYTECHNIC**  
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**X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

|  | Notes | 2018-2019          | 2017-2018          |
|--|-------|--------------------|--------------------|
|  |       | Kshs               | Kshs               |
| <b>Revenue from non-exchange transactions</b>    |       |                    |                    |
| Transfers from the Nat. Govnt' - Recurrent Grant |       |                    | 50,250,000         |
| Transfers from the Nat. Govnt' - Capitation      | 5     | 190,161,758        | -                  |
| Public contributions and donations               | 6     | 50,000             | -                  |
|  |       | <b>190,211,758</b> | <b>50,250,000</b>  |
| <b>Revenue from exchange transactions</b>        |       |                    |                    |
| Rendering of services- Fees from students        | 7     | 536,874,082        | 347,459,109        |
| Income Generating Activities                     | 8     | 22,413,931         | 11,391,966         |
| Other income                                     | 9     | 18,642,358         | 14,982,372         |
|  |       | <b>577,930,371</b> | <b>373,833,447</b> |
| <b>Total revenue</b>                             |       | <b>768,142,129</b> | <b>424,083,447</b> |
| <b>Expenses</b>                                  |       |                    |                    |
| Use of goods and services                        | 10    | 26,351,200         | 19,844,967         |
| Employee costs                                   | 11    | 99,925,990         | 59,727,564         |
| Remuneration of directors                        | 12    | 8,084,514          | 2,955,400          |
| Repairs and maintenance                          | 13    | 17,671,769         | 12,440,957         |
| General expenses                                 | 14    | 341,806,048        | 258,802,910        |
| Project Expenses                                 | 15    | 10,500,000         | 3,681,861          |
| Finance Cost                                     | 16    | 1,021,842          | 1,201,300          |
|  |       | <b>505,361,363</b> | <b>358,654,959</b> |
| <b>Total expenses</b>                            |       | <b>505,361,363</b> | <b>358,654,959</b> |
| <b>Net Surplus for the year</b>                  |       | <b>262,780,766</b> | <b>65,428,488</b>  |

The notes set out on pages 6 to 21 form an integral part of the Annual Financial Statements.

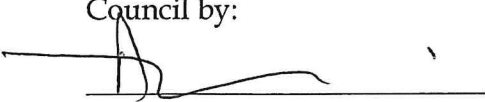


**KABETE NATIONAL POLYTECHNIC**  
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**XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2019**

|   | Notes | 2018-2019          | 2017-2018          |
|---|-------|--------------------|--------------------|
|   |       | Kshs               | Kshs               |
| <b>ASSETS</b>                                       |       |                    |                    |
| <b>Current assets</b>                               |       |                    |                    |
| Cash and cash equivalents                           | 24    | 56,624,635         | 34,604,472         |
| Receivables from exchange transactions              | 17    | 97,641,984         | 39,190,563         |
| Receivables from non-exchange transactions          | 18    | 170,421,646        | -                  |
|   |       | <b>324,688,266</b> | <b>73,795,035</b>  |
| <b>Non-current assets</b>                           |       |                    |                    |
| Property, plant and equipment                       | 19    | 122,289,466        | 73,331,345         |
|   |       | <b>122,289,466</b> | <b>73,331,345</b>  |
| <b>TOTAL ASSETS</b>                                 |       | <b>446,977,731</b> | <b>147,126,380</b> |
| <b>LIABILITIES</b>                                  |       |                    |                    |
| <b>Current liabilities</b>                          |       |                    |                    |
| Trade and other payables from exchange transactions | 20    | 63,473,577         | 32,047,283         |
| Refundable deposits from customers                  | 21    | 47,948,922         | 47,803,971         |
|   |       | <b>111,422,498</b> | <b>79,851,254</b>  |
| <b>Non-current liabilities</b>                      |       |                    |                    |
| Bank Loan   | 22    | 6,311,957          | 7,099,919          |
| Total Non-Current Liability                         |       | <b>6,311,957</b>   | <b>7,099,919</b>   |
| <b>TOTAL LIABILITIES</b>                            |       | <b>117,734,456</b> | <b>86,951,172</b>  |
| <b>NET ASSETS</b>                                   |       | <b>329,243,276</b> | <b>60,175,208</b>  |
| Capital Fund  | 23    | 34,722,613         | 28,435,312         |
| Revenue Reserve                                     | 25    | 294,520,663        | 31,739,896         |
| <b>TOTAL NET ASSETS AND LIABILITIES</b>             |       | <b>329,243,276</b> | <b>60,175,208</b>  |

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

  
Hon. Justice Aaron Ringera (RTD) EBS, FCI Arb  
Akach

Chairman of Council

Date: 30.09.2019

  
Mr. Moses Mwangi Ndugu

Finance Officer

Date: 30th Sep 2019

  
Mr. Charles N.

Principal

Date: 30/9/2019

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**XII. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2019**

| Column1   | Revaluation<br>reserve | Fair value<br>adjustment<br>reserve | Retained<br>earnings | Capital/<br>Development<br>Grants/Fund | Total       |
|---|------------------------|-------------------------------------|----------------------|--|-------------|
| At July 1, 2017                                     |                        |                                     | -34,249,991          | 14,372,236                             | -19,877,755 |
| Capital/Development grants received during the year | -                      | -                                   | -                    | 9,235,496                              | 9,235,496   |
| Internally generated during the year                |                        |                                     | 65,989,887           | 4,827,580                              | 4,827,580   |
| Surplus for the period                              | -                      | -                                   | 31,739,896           | 28,435,312                             | 60,175,208  |
| At June 30, 2018                                    | 0                      | 0                                   | 31,739,896           | 28,435,312                             | 60,175,208  |
| At July 1, 2018                                     |                        |                                     | 31,739,896           | 28,435,312                             | 60,175,208  |
| Capital/Development grants received during the year | 0                      | 0                                   | 31,739,896           | 28,435,312                             | 60,175,208  |
| Internally generated during the year                | -                      | -                                   | -                    | 6,287,302                              | 6,287,302   |
| Surplus for the period                              | 0                      | 0                                   | 262,780,766          | 34,722,614                             | 262,780,766 |
| At June 30, 2019                                    | 0                      | 0                                   | 294,520,662          | 34,722,614                             | 329,243,276 |



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

| Column1  | Note  | 2018-2019            | 2017-2018           |
|--|-------|----------------------|---------------------|
|  |       | Kshs                 | Kshs                |
| <b>Cash flows from operating activities</b>                  |       |                      |                     |
| <b>Receipts</b>  |       |                      |                     |
| Transfers from other Government entities/Govt. grants        | 5     | 190,161,758          | 50,250,000          |
| Public contributions and donations                           | 6     | 50,000               | -                   |
| Rendering of services- Fees from students                    | 7     | 536,874,082          | 347,459,109         |
| Income Generating Activities                                 | 8     | 22,413,931           | 11,391,966          |
| Other income   | 9     | 18,642,358           | 14,982,372          |
| <b>Total Receipts</b>  |       | <b>768,142,129</b>   | <b>424,083,447</b>  |
| <b>Payments</b>  |       |                      |                     |
| Use of goods and services                                    | 10    | 26,351,200           | 19,844,967          |
| Compensation of employees                                    | 11    | 99,925,990           | 59,727,564          |
| Council Expenses   | 12    | 8,084,514            | 2,955,400           |
| Repair Maintenance & Improvement                             | 13    | 17,671,769           | 12,440,957          |
| General Expenses   | 14    | 341,806,048          | 258,802,910         |
| Project Cost- Mentored TVC's                                 | 15    | 10,500,000           | 3,681,861           |
| Finance cost   | 16    | 1,021,842            | 1,201,300           |
| <b>Total Payments</b>  |       | <b>505,361,363</b>   | <b>358,654,959</b>  |
| <b>Net cash flows from operating activities</b>              |       | <b>262,780,766</b>   | <b>65,428,488</b>   |
| <b>Cash flows from investing activities</b>                  |       |                      |                     |
| Increase in Receivable from Exchange Transactions            | 17    | (58,451,421)         | (19,433,847)        |
| Increase in Receivable from Non-Exchange Transactions        | 18    | (170,421,646)        |                     |
| Purchase of property, plant, equipment and intangible assets | 19    | (48,958,121)         | (38,622,041)        |
| Increase in Trade & Other Payables                           | 20&21 | 31,571,244           | 16,544,988          |
| <b>Net cash flows used in investing activities</b>           |       | <b>(246,259,943)</b> | <b>(41,510,900)</b> |
| <b>Cash flows from financing activities</b>                  |       |                      |                     |
| Government Capital Grant                                     | 5     | 1,505,194            | 9,235,496           |
| Repayment of borrowings                                      | 22    | (787,961)            | (18,020,597)        |
| Capital Grant (Internally Generated)                         | 23    | 4,782,108            | 4,827,580           |
| <b>Net cash flows used in financing activities</b>           |       | <b>5,499,340</b>     | <b>(3,957,521)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>22,020,163</b>    | <b>19,960,067</b>   |
| Cash and cash equivalents at 1 July                          | 24    | 34,604,472           | 14,644,405          |
| Cash and cash equivalents at 30 June                         | 24    | <b>56,624,635</b>    | <b>34,604,472</b>   |



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**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

| Column1  | Original budget<br>2018-2019<br>Kshs | Adjustments<br>2018-2019<br>Kshs | Final budget<br>2018-2019<br>Kshs | Actual on comparable basis<br>2018-2019<br>Kshs | Performance difference (%)<br>2018-2019 |
|--|--------------------------------------|----------------------------------|-----------------------------------|---|---|
| <b>Revenue</b>                                   |                                      |                                  |                                   |   |   |
| Transfers from other Govt entities Govt grants   | 50,250,000                           |                                  | 50,250,000                        | 190,161,758                                     | 278.43                                  |
| Public contributions and donations               | -                                    |                                  | -                                 | 50,000  | #DIV/0!                                 |
| Rendering of services- Fees from students        | 375,349,590                          |                                  | 375,349,590                       | 536,874,082                                     | 43.03                                   |
| Income Generating Activity                       | 24,736,000                           |                                  | 24,736,000                        | 22,413,931                                      | 9.39                                    |
| Other Income                                     | 29,547,806                           |                                  | 29,547,806                        | 18,642,358                                      | 36.91                                   |
| Gains on disposal, rental income and agency fees |                                      |                                  |                                   |   |   |
| <b>Total income</b>                              | <b>479,883,396</b>                   | <b>-</b>                         | <b>479,883,396</b>                | <b>768,142,129</b>                              | <b>60.07</b>                            |
| <b>Expenses</b>                                  |                                      |                                  |                                   |   |   |
| Use of Goods and services                        | 27,997,000                           |                                  | 27,997,000                        | 26,351,200                                      | 5.88                                    |
| Employees Costs                                  | 78,377,300                           | 15,420,500                       | 93,797,800                        | 99,925,990                                      | 6.53                                    |
| Council Expenses                                 | 6,294,200                            | 1,580,000                        | 7,874,200                         | 8,084,514                                       | 2.67                                    |
| Repairs and Maintenance                          | 12,288,200                           | 3,875,000                        | 16,163,200                        | 17,671,769                                      | 9.33                                    |
| General expenses                                 | 288,124,826                          | 12,954,000                       | 301,078,826                       | 341,806,048                                     | 13.53                                   |
| Project Expenses                                 |                                      |                                  | -                                 | 10,500,000                                      | #DIV/0!                                 |
| Finance Cost                                     | 1,021,842                            |                                  | 1,021,842                         | 1,021,842                                       | -                                       |
| <b>Total expenditure</b>                         | <b>386,106,368</b>                   | <b>33,829,500</b>                | <b>419,935,868</b>                | <b>505,361,363</b>                              | <b>20.34</b>                            |
| <b>Surplus for the period</b>                    | <b>93,777,028</b>                    | <b>- 33,829,500</b>              | <b>59,947,528</b>                 | <b>262,780,766</b>                              | <b>338.35</b>                           |

**Budget notes**

1. Transfer from Government – the Polytechnic initially was receiving operational grant of Kshs 12250,500 per quarter. During the Financial year, the government stated giving the Polytechnic Capitation based on the number of students placed by KUCCPS.
2. Rendering of services – huge variance is as a high enrolment rate by the student as a result of Government students placement policy
3. Compensation to employees- due to huge student population, the polytechnic had to engage more staff both trainers and non-trainers
4. General expenses- the huge variance is as a result of huge population and high costs of operation

## XV. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Kabete National Polytechnic is established by and derives its authority and accountability from Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and the Technical and Vocational Education and Training Act, 2013 Act*). The Polytechnic is wholly owned by the Government of Kenya and is domiciled in Kenya. The Polytechnic's principal activity is provision of quality education, training, research and innovation in partnerships with stakeholders globally.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Polytechnic's* 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 PFM Act, the State Corporations Act, the TVET Act, and International Public Sector Accounting Standards (IPSAS). 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 (IPSAS 23)

###### **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 Polytechnic 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 (IPSAS 9)

###### **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

##### iii. 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 Polytechnic.

#### b) Budget Information

The original budget for FY 2018/2019 was approved by the Council or Board on *12<sup>th</sup> February, 2019*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Polytechnic budget is prepared on accrual basis, all planned costs and income are presented in a single statement to determine the needs of the Polytechnic. As a result of adoption of accrual basis for budgeting purposes, there are no basic timing or difference that would require reconciliation between the actual and comparable amounts and amount presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **c) Property, Plant & Equipment**

All property, plant and equipment are stated at cost no depreciation has been charged since the valuation of polytechnic is underway. All repair and maintenance costs are recognized in surplus or deficit as incurred.

#### **d) Related Parties**

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

#### **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 Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **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.

#### **g) Subsequent Events**

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

#### 4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the 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 Polytechnic based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Polytechnic. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

##### **Useful Lives and Residual Values**

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

- The condition of the asset based on the assessment of experts employed by the Polytechnic
- The nature of the asset, its susceptibility and adaptability to change in Technology and process
- 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

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**5. TRANSFERS FROM NATIONAL GOVERNMENT MINISTRIES**

| <i>Description</i>                                     | <i>2018-2019</i>   | <i>2017-2018</i>  |
|--|--------------------|-------------------|
|  | <b>KShs</b>        | <b>KShs</b>       |
| <i>Revenue from Exchange Transaction</i>               |                    |                   |
| <i>Government Capitation</i>                           | 129,661,758        |                   |
|  | <b>129,661,758</b> | <b>-</b>          |
| <i>Revenue from Non - Exchange Transaction</i>         |                    |                   |
| <i>Government Recurrent Grant</i>                      |                    | 50,250,000        |
| <i>Library grant</i>                                   |                    |                   |
| <i>Construction of Perimeter Wall</i>                  | 4,515,581          | 14,063,076        |
| <i>Githunguri CDF-Construction of Githunguri TVC</i>   | 10,000,000         |                   |
| <i>Githunguri M.o.E-Construction of Githunguri TVC</i> | 20,000,000         |                   |
| <i>Githunguri CDF-Construction of Githunguri TVC</i>   | 20,000,000         |                   |
| <i>Naivasha TVC</i>                                    | 500,000            |                   |
| <i>Githunguri CDF-Construction of Ruiru TVC</i>        | 10,000,000         |                   |
|  | <b>65,015,581</b>  | <b>14,063,076</b> |
| <i>Total government grants and subsidies</i>           | <b>194,677,340</b> | <b>14,063,076</b> |



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5 (b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

| Name of the Entity sending the grant | Amount<br>recognized to<br>Statement of<br>Comprehensive<br>Income | Amount<br>recognized in<br>capital fund. | Total Grant<br>income during<br>the year | Amount<br>recognized to<br>Statement of<br>Comprehensive<br>Income2 | Amount<br>recognized in<br>capital fund.2 | Total Grant<br>income during<br>the year2 |
|--------------------------------------|--|--|--|---|---|---|
|                                      | 2018/2019  | 2018/2019                                | 2018/2019                                | 2017/2018   | 2017/2018                                 | 2017/2018                                 |
|                                      | KShs   | KShs                                     | KShs                                     | KShs  | KShs                                      | KShs                                      |
| M.o.E - Capitation                   | 129,661,758  |  | 129,661,758                              |   | -   | -   |
| M.o.E - Recurrent Grant              |  |  | -  | 50,250,000  |   | 50,250,000                                |
|                                      | 129,661,758  | -  | 129,661,758                              | 50,250,000  | -   | 50,250,000                                |
| Conditional Grant                    |  |  | -  |   |   | -   |
| Construction of Perimeter Fence      |  | 4,515,581                                | 4,515,581                                |   | 9,235,496                                 | 9,235,496                                 |
| CDF Githunguri                       | 10,000,000   |  | 10,000,000                               |   |   | -   |
| M.o.E-Construction of Githunguri TVC | 20,000,000   |  | 20,000,000                               |   |   | -   |
| Githunguri CDF                       | 20,000,000   |  | 20,000,000                               |   |   | -   |
| Naivasha TVC                         | 500,000  |  | 500,000                                  |   |   | -   |
| M.o.E-Construction of Ruiru TVC      | 10,000,000   |  | 10,000,000                               |   |   | -   |
|                                      | 60,500,000   | 4,515,581                                | 65,015,581                               | -   | 9,235,496                                 | 9,235,496                                 |
| Total                                | 190,161,758  | 4,515,581                                | 194,677,340                              | 50,250,000  | 9,235,496                                 | 59,485,496                                |

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**6. PUBLIC CONTRIBUTIONS AND DONATIONS**

| <i>Description</i>                               | <i>2018-2019</i> | <i>2017-2018</i> |
|--|------------------|------------------|
|  | KShs             | KShs             |
| <i>Donation from a Kabete N.P Council Member</i> | 50,000           | -                |
| <i>Total donations and sponsorships</i>          | 50,000           | -                |

**7. RENDERING OF SERVICES**

| <b>Description</b>                                  | <b>2018-2019</b>   | <b>2017-2018</b>   |
|---|--------------------|--------------------|
|   | KShs               | KShs               |
| Tuition fees  | 81,556,202         | 63,511,676         |
| Personal Emolument Fees                             | 74,245,373         | 61,414,627         |
| Boarding Equipment and Stores Fees                  | 20,687,220         | 34,116,549         |
| Local Transport and Travelling Fees                 | 20,287,376         | 16,868,238         |
| Electricity Water & Conservancy Fees                | 33,016,731         | 25,870,980         |
| Repair Maintenance & Improvement Fees               | 16,391,487         | 13,627,367         |
| Contingency Fees                                    | 4,285,119          | 4,183,122          |
| Application Fees                                    | 2,151,880          | 2,364,843          |
| Hostel Registration Fees                            | 9,440,724          | 7,030,911          |
| Book Fund Fees                                      | 5,107,624          | 4,296,382          |
| Bus Fund Fees                                       | 13,847,386         | 9,632,680          |
| Insurance Fees                                      | 15,535,629         | 3,761,610          |
| Student Union Fees                                  | 2,388,877          | 3,169,213          |
| Library Fees  | 5,376,314          | 5,823,026          |
| Activity Fees                                       | 15,134,270         | 14,051,594         |
| Medical Fees  | 5,859,216          | 4,935,197          |
| Security Fees                                       | 16,551,906         | 13,375,750         |
| Student ID Fees                                     | 548,770            | 345,290            |
| Administration Fees                                 | 8,279,015          | 7,773,394          |
| Attachment Fees                                     | 8,041,208          | 4,911,950          |
| Pharmacy & Poisons Board Fees                       | 457,150            | 186,350            |
| Internet Fees                                       | 7,852,100          | 4,888,400          |
| Examination Fees                                    | 54,485,313         | 40,450,615         |
| Examination Materials Fees                          | 3,583,448          | 855,405            |
| Lappset Sponsorship                                 | 773,020            |                    |
| KCB Sponsorship                                     | 2,037,700          |                    |
| NYS Sponsorship                                     | 41,043,108         |                    |
| Helb Student Loan                                   | 30,801,986         | 70                 |
| Helb Student Bursary                                | 28,207,215         | 3,910              |
| CDF - Constituency Development Fund                 | 8,563,564          | 9,960              |
| Equity Foundation                                   | 337,150            |                    |
| <b>Total revenue from the rendering of services</b> | <b>536,874,082</b> | <b>347,459,109</b> |

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**8. INCOME GENERATING ACTIVITIES (IGA's)**

| <i>Description</i>                                   | <i>2018-2019</i>  | <i>2017-2018</i>  |
|--|-------------------|-------------------|
| <b>INCOME</b>  | <b>KShs</b>       | <b>KShs</b>       |
| Tuition Equipment & Stores Fees - Part-Time Students | 12,178,196        | 6,996,786         |
| Hire of Facilities                                   | 9,111,415         | 3,317,260         |
| Catering Income                                      | 162,500           | 150,000           |
| Examination Centre Fees                              | 961,820           | 927,920           |
| <b>TOTAL INCOME</b>                                  | <b>22,413,931</b> | <b>11,391,966</b> |

**9. OTHER INCOME**

| <i>Description</i>                    | <i>2018-2019</i>  | <i>2017-2018</i>  |
|---------------------------------------|-------------------|-------------------|
|                                       | <b>KShs</b>       | <b>KShs</b>       |
| Pay-As-You-Eat (PAYE)                 | 15,957,077        | 14,921,361        |
| Income from sale of tender            | 115,000           | 5,000             |
| Graduation Fees                       | 977,960           | 4,000             |
| Damages                               | 62,817            | 52,011            |
| Income from disposal of assets        |                   |                   |
| House Rent for the year-Trainers      | 982,204           |                   |
| House Rent for the year- Non-Trainers | 547,300           |                   |
| <b>Total other income</b>             | <b>18,642,358</b> | <b>14,982,372</b> |

**10. USE OF GOODS AND SERVICES**

| <i>Description</i>             | <i>2018-2019</i>  | <i>2017-2018</i>  |
|--------------------------------|-------------------|-------------------|
|                                | <b>KShs</b>       | <b>KShs</b>       |
| Electricity                    | 11,685,799        | 10,601,213        |
| Security                       | 11,837,731        | 8,670,234         |
| Professional services          | 1,997,420         | 573,520           |
| Subscriptions                  | 830,250           | -                 |
| <b>Total good and services</b> | <b>26,351,200</b> | <b>19,844,967</b> |

**11. EMPLOYEE COSTS**

| <i>Description</i>              | <i>2018-2019</i> | <i>2017-2018</i> |
|---------------------------------|------------------|------------------|
|                                 | <b>KShs</b>      | <b>KShs</b>      |
| Salaries and Wages              | 33,922,707       | 59,727,564       |
| Travelling Allowance            | 4,856,500        |                  |
| Housing benefits and allowances | 13,744,437       |                  |
| Medial Allowance                | 1,141,594        |                  |
| Employers NSSF                  | 304,200          |                  |



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|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| <i>Leave Allowance</i>       | 564,400           |                   |
| <i>Gratuity</i>              | 2,241,112         | -                 |
| <i>Part-time Teaching</i>    | 43,151,040        | -                 |
| <b><i>Employee costs</i></b> | <b>99,925,990</b> | <b>59,727,564</b> |

**12. COUNCIL EXPENSES**

| <i>Description</i>                      | <i>2018-2019</i> | <i>2017-2018</i> |
|---|------------------|------------------|
|   | <b>KShs</b>      | <b>KShs</b>      |
| <i>Chairman's Honoraria</i>             | 1,045,714        | -                |
| <i>Sitting Allowances</i>               | 5,083,200        | 2,955,400        |
| <i>Other allowances</i>                 | 1,955,600        |                  |
| <b><i>Total director emoluments</i></b> | <b>8,084,514</b> | <b>2,955,400</b> |

**13. REPAIRS AND MAINTENANCE**

| <i>Description</i>                           | <i>2018-2019</i>  | <i>2017-2018</i>  |
|--|-------------------|-------------------|
|  | <b>KShs</b>       | <b>KShs</b>       |
| <i>Repair and Cleaning of Septic Tanks</i>   | 341,000           | 241,500           |
| <i>Repair of Equipment &amp; Machineries</i> | 2,207,929         | 1,478,050         |
| <i>Repair of Furniture</i>                   | 916,335           | 512,860           |
| <i>Repair &amp; Maintenance of Buildings</i> | 10,178,531        | 8,082,397         |
| <i>Maintenance of Ground</i>                 | 1,828,186         | 547,200           |
| <i>Rewiring of Buildings</i>                 | 2,199,788         | 1,578,950         |
| <i>Other</i>                                 |                   |                   |
| <b><i>Total repairs and maintenance</i></b>  | <b>17,671,769</b> | <b>12,440,957</b> |

**14. GENERAL EXPENSES**

| <i>Description</i>                                  | <i>2018-2019</i>  | <i>2017-2018</i>  |
|---|-------------------|-------------------|
|   | <b>KShs</b>       | <b>KShs</b>       |
| <i>Administration costs</i>                         | 27,998,196        | 24,231,293        |
| <i>Boarding Equipment &amp; Stores</i>              | 17,138,166        | 5,130,798         |
| <i>Catering Expenses</i>                            | 47,419,280        | 38,798,688        |
| <i>Conference Expenses</i>                          | 1,185,800         | -                 |
| <i>Examination Costs</i>                            | 71,193,888        | 41,190,019        |
| <i>Fees Refund</i>                                  | 6,637,082         | 5,880,283         |
| <i>Transport &amp; Travelling</i>                   | 9,142,861         | 5,702,772         |
| <i>Library</i>                                      | 1,967,117         | 1,817,683         |
| <i>Staff Costs</i>                                  | 24,469,813        | 12,734,840        |
| <i>Students Expenses</i>                            | 31,189,111        | 21,993,894        |
| <i>Training Equipment &amp; Stores</i>              | 83,333,034        | 81,608,630        |
| <i>Interest on Loan</i>                             | -                 | -                 |
| <b><i>Income Generation Activities Expenses</i></b> | <b>20,131,700</b> | <b>19,714,011</b> |

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|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| <i>Total general expenses</i> | <b>341,806,048</b> | <b>258,802,910</b> |
|-------------------------------|--------------------|--------------------|

**15. PROJECT COST - MENTORED TVC's**

| <i>Description</i>      | <b>2018-2019</b> | <b>2017-2018</b> |
|-------------------------|------------------|------------------|
|                         | <b>KShs</b>      | <b>KShs</b>      |
| <i>Naivasha T.V.C</i>   | 500,000          | 3,681,861        |
| <i>Githunguri T.V.C</i> | 10,000,000       |                  |

**16. FINANCE COST.**

| <i>Description</i>                 | <b>2018-2019</b> | <b>2017-2018</b> |
|------------------------------------|------------------|------------------|
|                                    | <b>KShs</b>      | <b>KShs</b>      |
| <i>Interest on Loan - NIC Bank</i> | 1,021,842        | 1,201,300        |
|                                    | <b>1,021,842</b> | <b>1,201,300</b> |

**17. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

| <b>Description</b>               | <b>2018-2019</b>  | <b>2017-2018</b>  |
|----------------------------------|-------------------|-------------------|
|                                  | <b>KShs</b>       | <b>KShs</b>       |
| <b>Current receivables</b>       |                   |                   |
| Student debtors                  | 88,380,782        | 32,191,955        |
| Rent debtors                     | 8,825,702         | 6,576,545         |
| KPLC Lease                       | 210,000           |                   |
| <b>Total current receivables</b> | <b>97,416,484</b> | <b>38,768,500</b> |
| <b>Non-current receivables</b>   |                   |                   |
| Advance payments-Salary          | 225,500           | 422,063           |
| <b>Total receivables</b>         | <b>97,641,984</b> | <b>39,190,563</b> |

**18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

| <b>Description</b>                 | <b>2018-2019</b>   | <b>2017-2018</b> |
|------------------------------------|--------------------|------------------|
|                                    | <b>KShs</b>        | <b>KShs</b>      |
| <b>Current receivables</b>         |                    |                  |
| Exchequer Capital Grant Receivable | 3,010,388          |                  |
| M.o.E - Githunguri TVC             | 20,000,000         |                  |
| M.o.E - Ruiru TVC                  | 20,000,000         |                  |
| CDF Ruiru - Ruiru TVC              | 10,000,000         |                  |
| Exchequer Capitation Receivable    | 117,411,258        |                  |
| <b>Total current receivables</b>   | <b>170,421,646</b> | <b>-</b>         |

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**19. PROPERTY PLANT & EQUIPMENT**

| Column1                        | Land and<br>Buildings | Motor vehicles | Furniture and<br>fittings | Computers | Other Assets<br>(Specify) | Plant and<br>Equipment | Capital<br>Works-in-<br>Progress | Total         |
|--------------------------------|-----------------------|----------------|---------------------------|-----------|---------------------------|------------------------|----------------------------------|---------------|
| Cost                           | Shs                   | Shs            | Shs                       | Shs       | Shs                       | Shs                    | Shs                              | Shs           |
| At 1July 2017                  | 24,320,388.0          | 10,388,916.0   |                           |           |                           |                        |                                  | 34,709,304.0  |
| Additions                      | 27,430,801.8          | 11,191,239.3   |                           |           |                           |                        |                                  | 38,622,041.1  |
| At 30th June 2018              | 51,751,189.8          | 21,580,155.3   | -                         | -         | -                         | -                      | -                                | 73,331,345.1  |
| Additions                      | 48,958,120.5          |                |                           |           |                           |                        |                                  | 48,958,120.5  |
| At 30th June 2019              | 100,709,310.3         | 21,580,155.3   | -                         | -         | -                         | -                      | -                                | 122,289,465.6 |
| Depreciation and<br>impairment |                       |                |                           |           |                           |                        |                                  |               |
| At 30th June 2019              | -                     | -              | -                         | -         | -                         | -                      | -                                | -             |
| Net book values                |                       |                |                           |           |                           |                        |                                  |               |
| At 30th June 2018              | 51,751,189.8          | 21,580,155.3   | -                         | -         | -                         | -                      | -                                | 73,331,345.1  |
| At 30th June 2019              | 100,709,310.3         | 21,580,155.3   | -                         | -         | -                         | -                      | -                                | 122,289,465.6 |



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**20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

| Description                           | 2018-2019         | 2017-2018         |
|---------------------------------------|-------------------|-------------------|
|                                       | KShs              | KShs              |
| Trade payables                        | 63,473,577        | 32,047,283        |
| Other payables- Prepaid Fees          |                   |                   |
| <b>Total trade and other payables</b> | <b>63,473,577</b> | <b>32,047,283</b> |

**21. REFUNDABLE DEPOSITS FROM CUSTOMERS/ STUDENTS**

| Description                         | 2018-2019         | 2017-2018         |
|-------------------------------------|-------------------|-------------------|
|                                     | KShs              | KShs              |
| Consumer deposits-Prepaid fees      | 266,150           | 201,650           |
| Student Caution Money               | 27,397,680        | 17,749,655        |
| Helb Student Loan                   | 14,746,044        | 18,481,747        |
| Helb Student Bursary                | 3,757,768         | 4,090,710         |
| CDF - Constituency Development Fund | 1,080,780         | 4,239,446         |
| Equity Foundation                   | 35,500            | 372,650           |
| TVET Scholarship                    | 665,000           | 665,000           |
| Lappset                             |                   | 180,000           |
| KCB Foundation                      |                   | 1,823,113         |
|                                     |                   |                   |
| <b>Total deposits</b>               | <b>47,948,922</b> | <b>47,803,971</b> |

**22. BORROWING**

| Description  | 2018-2019        | 2017-2018        |
|--|------------------|------------------|
|  | KShs             | KShs             |
| Balance at beginning of the period                 | 7,099,919        | 25,120,515       |
| Repayments of domestics borrowings during the year | - 787,961        | - 18,020,597     |
|  |                  |                  |
| Balance at end of the period                       | <b>6,311,957</b> | <b>7,099,919</b> |

**23. CAPITAL FUND**

| Description                 | 2018-2019         | 2017-2018         |
|-----------------------------|-------------------|-------------------|
|                             | KShs              | KShs              |
| Balance b/f 1st July, 2018  | 28,435,312        | 14,372,236        |
| Government Capital Grant    | 1,505,194         | 9,235,496         |
| Internally Generated        | 4,782,108         | 4,827,580         |
| Balance b/f 30th June, 2019 | <b>34,722,613</b> | <b>28,435,312</b> |

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**24 (a) CASH AND CASH EQUIVALENT**

| <i>Description</i>     | <b>2018-2019</b> | <b>2017-2018</b> |
|------------------------|------------------|------------------|
|                        | <b>KShs</b>      | <b>KShs</b>      |
| <i>Current account</i> | 56,624,635       | 34,604,472       |

**24 (b) CASH AND CASH EQUIVALENT**

| <i>Financial institution</i>              | <i>Account number</i> | <b>2018-2019</b>  | <b>2017-2018</b>  |
|---|-----------------------|-------------------|-------------------|
| <i>a) Current account</i>                 |                       |                   |                   |
| <i>Cash In Hand</i>                       |                       | 227,613           | 138,285           |
| <i>Standard Chartered - Main A/c</i>      | 0102096956200         | 5,577,373         | 629,682           |
| <i>Standard Chartered -IGA A/c</i>        | 0102096956201         | 8,012,420         | 5,150,833         |
| <i>Co-op - Fees Collection A/c</i>        | 01129038542700        | 19,994,794        | 14,959,437        |
| <i>Co-op - Examination A/c No.</i>        | 01129038542701        | 19,171,320        | 10,117,674        |
| <i>Co-op - Development A/c</i>            | 01129038542702        | 2,168,438         | 394,886           |
| <i>Co-op - Naivasha T.V.C A/c</i>         | 01129038542703        | 726,842           | 741,042           |
| <i>Equity Bank - PAYE A/c No.</i>         | 0630272453978         | 275,461           | 1,969,058         |
| <i>NIC Bank -Bus Loan Account A/c No.</i> | 1,004,250,067         | 470,374           | 503,574           |
| <b>Total</b>                              |                       | <b>56,624,635</b> | <b>34,604,471</b> |

**25. REVENUE RESERVE**

| <i>Description</i>                    | <b>2018-2019</b> | <b>2017-2018</b> |
|---------------------------------------|------------------|------------------|
|                                       | <b>KShs</b>      | <b>KShs</b>      |
| <i>Balance b/f 1st July, 2018</i>     | 31,739,896       | -                |
| <i>Surplus/(Deficit) for the year</i> | 263,373,786      | 65,989,887       |
| <i>Balance b/f 30th June, 2019</i>    | 295,113,682      | 31,739,896       |

**26. CASH GENERATED FROM OPERATIONS**

| <i>Column1</i>                                  | <b>2018-2019 KShs</b> | <b>2017-2018 KShs</b> |
|---|-----------------------|-----------------------|
| <i>Surplus for the year before tax</i>          | 263,373,785.91        | 65,989,886.99         |
| <i>Adjusted for:</i>                            |                       |                       |
| <i>Finance cost</i>                             |                       |                       |
| <i>Working Capital adjustments</i>              | 263,373,785.91        | 65,989,886.99         |
| <i>Increase in inventory</i>                    |                       |                       |
| <i>Increase in receivables</i>                  | (229,466,087.20)      | (19,995,246.99)       |
| <i>Increase in deferred income</i>              |                       |                       |
| <i>Increase in payables</i>                     | 31,571,244.23         | 16,380,458.24         |
| <i>Increase in payments received in advance</i> |                       | 164,530.00            |

## 27. FINANCIAL RISK MANAGEMENT

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

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

### (i) Credit Risk

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

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

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

|   | Total amount |
|---|--------------|
|   | Kshs         |
| <i>At 30 June 2018</i>                            |              |
| <i>Receivables from exchange transactions</i>     | 39,190,563   |
| <i>Receivables from non exchange transactions</i> | -            |
| <i>Bank balances</i>                              | 34,604,472   |
| <i>Total</i>                                      | 73,795,035   |
| <i>At 30 June 2019</i>                            |              |
| <i>Receivables from exchange transactions</i>     | 98,235,004   |
| <i>Receivables from non exchange transactions</i> | 170,421,646  |
| <i>Bank balances</i>                              | 56,624,635   |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit Risk (continued)

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

The Council sets the Polytechnic credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity Risk Management

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

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

**LIQUIDITY RISK**

|                        | Less than 1 month | Between 1-3 months | Over 5 months | Total      |
|------------------------|-------------------|--------------------|---------------|------------|
|                        |                   |                    |               | Total      |
|                        | Kshs              | Kshs               | Kshs          | Kshs       |
| <i>At 30 June 2018</i> |                   |                    |               |            |
| <i>Trade payables</i>  |                   |                    |               | 32,047,283 |
| <i>Total</i>           | -                 | -                  | -             | 32,047,283 |
| <i>At 30 June 2019</i> |                   |                    |               |            |
| <i>Trade payables</i>  |                   |                    |               | 63,473,577 |

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**29. FINANCIAL RISK MANAGEMENT (Continued)**

**iii) Capital Risk Management**

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

|  | 2018-2019   | 2017-2018  |
|--|-------------|------------|
|  | Kshs        | Kshs       |
| <i>Retained earnings</i>                           | 295,113,682 | 31,739,896 |
| <i>Capital reserve</i>                             | 34,722,613  | 28,435,312 |
| <i>Total funds</i>                                 | 329,836,295 | 60,175,208 |
| <i>Less: cash and bank balances</i>                | 56,624,635  | 34,604,472 |
| <i>Net debt/(excess cash and cash equivalents)</i> | 273,211,660 | 25,570,736 |

**30. EVENTS AFTER THE REPORTING PERIOD**

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

**31. ULTIMATE AND HOLDING POLYTECHNIC**

The Polytechnic is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**32. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

