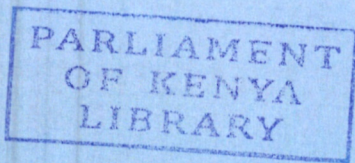


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Thursday 15/6/2017
~~Manager~~

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA INSTITUTE OF SPECIAL
EDUCATION**

**FOR THE YEAR ENDED
30 JUNE 2016**



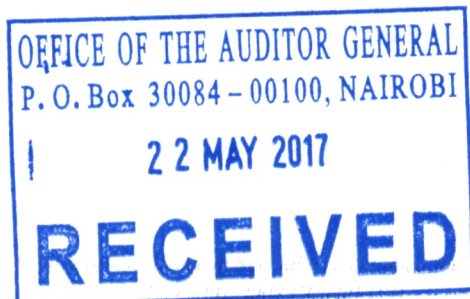


**KENYA INSTITUTE OF SPECIAL EDUCATION
(KISE)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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



RECEIVED
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OFFICE OF THE AUDITOR GENERAL
DEPARTMENT OF FINANCIAL SERVICES



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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I. KEY INSTITUTE INFORMATION AND MANAGEMENT

(a) Background information

Kenya Institute of Special Education (KISE) is a Semi-Autonomous Government Agency of the Ministry of Education, Kenya. It was established through a Legal Notice No. 17 of 14th February 1986. The Institute is currently run by a council appointed by the Minister for Education. The Head of the Institute is the Director who is also the Secretary to the Council.

(b) Principal Activities

The principle functions of KISE are;

1. To conduct training of teachers and other personnel in Special Needs
2. To conduct research in Special Needs
3. To assess children with Special Needs for education support
4. To design, produce, repair and maintain educational resource assistive devices
5. To run an orientation and mobility centre for training and demonstration purpose
6. To function as a resource centre for the production and dissemination of information to the general public on disabilities.

(c) Key Management

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

- The KISE Council
- Director KISE and Secretary to the Council

(d) Fiduciary Management

This key role was vested as follows:

AREA OF TRUST	Responsibility
1. All Institute financial and non-financial assets	Director
2. Title of the Institute's Land	PS Treasury
3. General Administration and Governance	KISE Council
4. Institute Affairs and Operations	Senior Management



(e) Fiduciary Oversight Arrangements

The KISE Council has three committees that meet to deliberate and receive reports on the progress and affairs of the Institute namely:

- Finance and General Purpose committee
- Building and Development committee
- Academic Committee

The Full Council meets quarterly to receive reports from the director as well as the Sub-Committees of the Council.

(f) Institute Headquarters

Kasarani, Thika Superhighway Exit 8
Off Kasarani-Mwiki Rd
P.O. Box 48413 - 00100
Nairobi, KENYA

(g) Institute Contacts

Telephone: (254)724 269 505
E-mail: info@kise.ac.ke
Website: www.kise.ac.ke

(h) Institute Bankers

1. National Bank of Kenya
Harambee Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Kenya Commercial Bank
Ngara Branch and TRM Branch
P.O. Box 60000
City Square 00200
Nairobi, Kenya





I) Independent Auditors

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

j) Principal Legal Adviser

Legal Officer
Ministry of Education Science & Technology
State Department of Education
Jogoo House B
P.O. Box 30040 - 00100














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II. THE COUNCIL MEMBERS






KISE Council was appointed in the month of September 2016. The Council was appointed for a term of 6 months among other reasons to facilitate the merger of KISE, Kenya Education Management Institute (KEMI) and The Centre for Mathematics, Science and Technology Education (CEMASTE) for form the anticipated Kenya School of Education. The Council Members are;

1	Prof. Abdulghaful H. S. El-Busaidy Chairman – KISE Council	Chairman, Supreme Council of Kenya Muslims	
2	Dr. Richard Belio Kipsang' Council Member	Principal Secretary State Department of Education.	
3	Mercy Gathigia Karogo Council Member	Ag. CEO , Kenya National Examination Council	
4	Dr. John Mugo Council Member	Twaweza NGO	
5	Augusta M. Muthigani Council Member	Kenya Conference of Catholic Bishops (KCCB)	
6	Dr. Julius Jwan Council Member	Director , Kenya Institute of Curriculum Development	
7	Mrs. Nancy Macharia Council Member	Chief Executive, Teachers Service Commission	
8	Hon. Josephine Sinyo Council Member	Kenya Law Reform Commission	
9	Grace O. Ogonda Council Member	University of Nairobi	
10	Dr. David Ole Sankok Council Member	Chairman, National Council for Persons with Disability (NCPWD)	
11	E. K. Lagatt OGW Council Member/Secretary	Director KISE	











III. MANAGEMENT TEAM

S/NO		NAMES	DESIGNATION
1.		E.K. Lagatt OGW Holds a Masters in Education from Bristol University, UK and has 33 Years of experience majority of this in management of educational institutions	Director
2.		Benedict Kilei Holds a Masters of Science in Human Resource Management and a Diploma in SNE. Has 26 years of experience.	Deputy Director
3.		Lydia Chege Holds a Masters of Development Studies and a higher Diploma in Psychological Counseling. She has 21 years of experience and was appointed to the office in August 2015	Deputy Director Finance and Administration
4.		Peter Ndichu Holds a Bachelors of Education and a diploma in SNE. Has 28 years of experience spread across teaching, curriculum development and management	Academic registrar
5.		Christopher Lenguris Holds a Bachelor of Education with 21 years of experience	Dean of Students



6.		Daniel Sanoe Holds a Bachelor of Education with 25 years of experience	Deputy Academic Registrar Open and Distance Learning
7.		Flora Malasi Holds a Bachelor of Education and has 25 years of experience.	Deputy Academic Registrar Full Time Program.
8.		Anthony Mwangi: Holds Bachelors in Business Management & CPA (K). Has 16 years of working experience.	Ag. Finance Administration Officer
9.		Bevaline Nyantika: Holds Bcom & CPA Part II. Has 8 years of working experience.	Ag. Internal Auditor
10.		Lucy Maina: Rose from personal secretary to current position. Holds Bachelors in Communication Public Relations and has 5 years experience in the field.	Public Relations Officer
11.		Sarah Ouma: Rose from personal secretary to current position. Holds a Bachelors in Human Resource Management and has 25 years experience.	Human Resource Officer





CHAIRMANS REPORT

Kenya Institute of Special Education Continues to serve as a Regional Centre of Excellence in Special Needs Education & Related services. The commitment to continue enhancing the lives of the persons with Special needs and disabilities has remained high with great results.

The Institute has endeavoured to ensure maximum value is derived from the available resources and has maintained a high level of professionalism in the areas of its mandate.

Though there has been no substantive council to run the Institute, the management has maintained high level consultations including with the office of the Director Basic and Principal Secretary for State Department of Education. This has ensured prudent and appropriate practices are observed in the Institute affairs. We commend the Management for their endeavours that have sustained financial viability of the Institute and setting healthy trends for the future.

We look forward to an enhanced financial performance and position in the coming financial periods

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KISE Council Chairman



IV. REPORT OF THE DIRECTOR

The year under review was challenging for the Institute given the absence of the Council which is a key decision making organ. The Management, however, did endeavour to steer the Institute with prudence and within previously established structures.

Among milestones achieved in the year included the ground breaking and start of the National Psycho-Assessment and Rehabilitation Project. This is a medium term project funded by the GOK and endeavours to provide assessment facilities as well as current assessment technologies in the Kenya and within the region.

The Institute continued to emphasise and articulate its core functions noting an improved funding in training. The Institute managed to attain a surplus of Ksh. 9.4 million for the year under review.

The Institute continues to align its operations and its financial reporting to International Public Sector Accounting Standards (IPSAS). Indeed this is key step toward wholesome reporting of the affairs and status of the Institute.

The financial statements will therefore avail important information to all stakeholders for decision making as they support the Institute and Special Needs Education Programmes.

A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned above the name of the Director.

E.K. Lagatt OGW
Director





V. CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is based on regulations, practices and processes by which Institute is directed and controlled. Corporate governance essentially involves basically balancing the interests of the many stakeholders in the Institute - these include its shareholders, management, customers, suppliers, financiers, government and the society. Since corporate governance also provides the framework for attaining Institute's objectives, it encompasses nearly every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

It is also manner in which the power over and the power of a corporation is exercised in the stewardship of its total portfolio of assets and resources with the primary objective of increasing and sustaining shareholders value while satisfying the needs of all stakeholders in the context of the mission and vision the Institution . The council is committed to ensuring that the Institute is run in a Professional, transparent just and equitable manner. The Institute endeavours to adhere to good corporate governance by adhering to guideline issued by centre of corporate governance's in addition the council committee benchmark its activities with the best practices in the industry.

Institute Vision

A Regional Centre of Excellence in Special Needs Education and Related Services.

Mission Statement

To provide high quality, world class training and research in Special Needs Education, and Produce Educational Materials and Assistive Devices for Persons with Disabilities through excellent services, professionalism and integrity.

The Council

The council of Kenya Institute of special Education is responsible for ensuring that the Institute complies with the law and practices good corporate governance. The Council is charged with providing strategic guidance and effective oversight of management.



Risk Management

The Institute is committed to recognizing risk management as an integral part of internal control. In this regard, the Institute will logically and systematically engage in the process of establishing, identifying, analyzing, evaluating and communicating risks associated with any activity, function or process in a way that will enable it to minimize losses and maximize opportunities.

Council Evaluation

In line with corporate governance principles, the council periodically reviews its performance. The council has put in place measures for evaluation of the Institute's operations in the context of performance contracting. The council and the Institute have undergone several evaluations in keeping with the demands of the signed performance contracts and the results have so far been impressive.





VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Institute has continued to support through sponsorship of education for children with special needs and related activities. We have partnered with other neighbouring institutions as Kasarani Neighbourhood Association to provide relieve in certain areas of the communities around.

The Institute recognizes the importance of nurturing different talents within the youth. With this, the Institute has allowed youth from the neighbouring access to her field for football and fitness activities every evening.

The Institute undertook several Corporate Social Responsibility (CSR) activities over the 2015/2016 financial year.





VII. REPORT OF THE COUNCIL MEMBERS

The Director submits his report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Kenya Institute of Special Education affairs.

Principal activities

The principal activities of KISE are to implement government policies in the areas of special needs and disabilities.

Results

The results of the entity for the year ended June 30, 2016 are set out on page 1

Council Members

The members who served in the Institute Council are appointed by the Cabinet Secretary for the Ministry of Education as per the Legal Notice No 17 of February 1986. The Council has not been reappointed since expiry of term for the previous members in April 2013.

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Public Finance Management (PFM) Act, 2012.

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Director/KISE Council Secretary

Date: 30 September 2016





VIII. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Council Members to prepare financial statements in respect of that Institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year/period and the operating results of the Institute for that year/period. The Members are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. They are also responsible for safeguarding the assets of the Institute.

The Council Members are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2016. 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 Institute;
- (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 Institute;
- (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 Institute'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 and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30, 2016, and of the Institute's financial position as at that date. The Members further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Institute 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 KISE financial statements were approved by the Council on 31st October, 2016 and signed on its behalf by:

Chairman

Director

Council Member



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OFFICE OF THE AUDITOR-GENERAL
REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SPECIAL
EDUCATION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Institute of Special Education set out on pages 1 to 23 which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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.

Management's Responsibility for the Financial Statements

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 such 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.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Institute of Special Education as at 30 June 2016, 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 Education (Kenya Institute of Special Education) Order, 1986 of the Education Act Cap 211 of the Laws of Kenya.

Other Matter

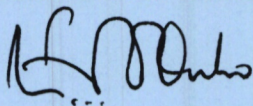
Council of the Institute

Paragraph 4(1) of the Legal notice No.17 of 14 February 1986 states that there shall be a Council known as the Council of the Kenya Institute of Special Education which shall have the responsibility of managing the Institute. Further, Paragraph 6(1) states that the Council shall hold ordinary Council meetings at least three (3) times in each year

However, as previously reported, the Institute operated without a Council and therefore no Council meetings were held during the year, to deliberate on the affairs of the Institute contrary to legal notice No.17 of 14 February 1986.

The Institute's financial statements for the year ended 30 June 2016 have therefore not been approved by the Council contrary to section 6(8) of the Education (Kenya Institute of Special Education) Order, 1986. In addition the management has indicated that the year under review was challenging for the Institute in the absence of the Council which is a key decision making organ. However, the management has indicated that the new Council of the Institute was appointed in September 2016. The Institute was therefore in breach of the law.

In the circumstances, it has not been possible to ascertain that the Institute achieved its mandate effectively and efficiently.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 May 2017



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 KSH	2015 KSH
Revenue from non-exchange transactions			
DONATIONS AND OTHER GRANTS	3	6,878,688	15,681,419
GOK-RECURRENT GRANTS	4	147,465,760	100,521,301
GOK-DEVELOPMENT GRANT	5	0	1,540,000
Total Revenue from non-exchange transactions		154,344,448	117,742,720
Revenue from exchange transactions			
FEEES AND STUDENT CONTRIBUTION	6	74,400,772	65,777,394
HIRE OF FACILITIES AND SERVICES.	7	9,934,836	15,352,958
REVENUE FROM THE FARM	8	(8,492)	246,702
OTHER INCOMES	9	2,294,407	7,252,071
SALE OF LEARNING MATERIALS	10	69,250	21,470
Total Revenue from exchange transactions		86,690,773	88,650,595
Total revenue		241,035,221	206,393,315
Expenses			
STAFF EXPENSES	11	76,004,741	71,643,877
OPERATIONS AND MAINTAINANCE	12	117,597,539	92,845,782
DONATIONS AND OTHER GRANT EXPENSES	13	2,383,608	17,087,747
Provision for Audit fees	14	580,000	580,000
Provision for Depreciation	15	22,117,085	22,009,979
Provision for Bad & Doubtful debts	16	12,472,732	
Loss on disposal of Biological Assets	17	467,055	-
Total expenses		231,622,759	204,167,385
Surplus for the period		9,412,462	2,225,930

The notes set out on pages 7 to 22 form an integral part of the Financial Statements





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 KSH	2015 KSH
Assets			
Current assets			
Cash and cash equivalents	18	73,295,777	62,248,267
Receivables From Exchange Transactions	19a	37,389,502	53,938,041
Receivables from non-exchange transactions	19b	37,333,180	-
Investments	20	-	40,000,000
Total Current assets		148,018,459	156,186,308
Non-current assets			
Property Plant And Equipment	21	2,919,872,546	2,899,385,591
Work in Progress	22	136,719,723	-
Biological Assets	23	685,000	1,795,000
Intangible assets	24	7,542,738	10,405,515
Investment property	25	34,820,500	36,400,000
Total Non-current assets		3,099,640,507	2,947,986,106
Total assets		3,247,658,966	3,104,172,415
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	26	82,726,836	33,273,367
Deferred income	27	20,311,879	36,672,680
Refundable deposits from customers	28	17,197,337	8,615,914
Total liabilities		120,236,051	78,561,961
Capital Reserves & Surplus			
Revenue Reserves	29	82,397,428	72,984,966
Revaluation Reserves	30	2,068,963,405	2,068,963,405
Capital Reserves	31	976,062,082	883,662,082
Total Capital Reserves & Surplus		3,127,422,915	3,025,610,453
Total net assets and liabilities		3,247,658,966	3,104,172,414

Director KISE/Council Secretary
Date: 30th September 2016

Chairman, KISE Council
Date: 30th September 2016



XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Revenue	Capital	Revaluation	Total
	Reserves	Reserves	Reserves	
Balance at July, 01 2014	70,759,036	897,327,292	-	968,086,328
Additions in the year	2,225,930		-	2,225,930
Adjustments in the year		(13,665,210)	2,068,963,405	2,055,298,195
Balance at June, 30 2015	72,984,966	883,662,082	2,068,963,405	3,025,610,453
Balance at July, 01 2015	72,984,966	883,662,082	2,068,963,405	3,025,610,453
Additions in the Year	-	-	-	-
Development Fund	-	92,400,000	-	92,400,000
Surplus for the year	9,412,462	-	-	9,361,549
Balance at June, 30 2016	82,397,428	976,062,082	2,068,963,405	3,127,422,915





XIII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 KSH	2015 KSH
Cash-flows from operating activities			
Receipts			
Surplus for the period		9,412,462	2,225,930
Adjustment for:			
Depreciation		22,117,085	22,009,979
Provision for Bad & Doubtful debts		12,472,732	
Loss on sale of Biological Assets		467,055	-
Investment Income		(1,147,899)	(5,234,686)
Increase in Receivables		(30,829,358)	18,466,192
Increase in Payables		17,112,137	(14,337,781)
Increase in Refundable Deposits		7,719,563	4,785,342
Decrease in deferred Income		(16,360,801)	13,589,052
Net cash-flows from operating activities		20,962,976	41,504,028
Cash flows used in investing activities			
Property Plant and Equipment		(38,137,223)	(36,197,642)
WIP acquisition		(71,269,087)	-
Proceeds from Sale of Biological Assets		642,945	-
Interest Income		1,147,899	5,234,686
Increase/(Decrease) in Investment		40,000,000	(19,642,658)
Net-cash-flows used in investing activities		(67,615,466)	(50,605,614)
Cash-flows from Financing activities			
Development Grant received		57,700,000	-
		57,700,000	-
Net Increase in Cash & Cash Equivalents		11,047,510	(9,101,586)
Cash and cash equivalents as at 1 JULY 2015		62,248,267	71,349,853
Cash and cash equivalents at 30 JUNE 2016		73,295,777	62,248,267





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

	Original budget 2016 Kshs	Adjustments 2016 Kshs	Final budget 2016 Kshs	Actual on comparable basis 2016 Kshs	Performance difference 2016 Kshs	%age
Revenue						
GOK-RECURRENT GRANTS:	146,032,580		147,465,760	147,465,760	0	0%
GOK-DEVELOPMENT GRANTS:	115,400,000		92,400,000	57,700,000	-34,700,000	-38%
DONATION & OTHER GRANT	-		6,878,688	6,878,688	0	0%
FEES AND STUDENT CONTRIBUTION:	70,000,000		70,000,000	74,400,772	4,400,772	6%
HIRE OF FACILITIES AND SERVICES:	10,000,000		10,000,000	9,934,836	-65,164	-0.7%
REVENUE FROM FARM	500,000		500,000	750,162	250,162	50%
OTHER INCOME	8,742,000		8,742,000	2,294,407	-6,498,506	-74%
SALE OF LEARNING MATERIALS	500,000		500,000	69,250	-430,750	-86%
TOTAL INCOME	351,174,580		336,486,448	299,493,875		
EXPENSES						
1. STAFF EXPENSES						
Basic Salaries - Permanent Employees	41,716,244		41,716,244	40,819,819	896,425	2%
Personal Allowances Paid as part of Salary	21,831,000		21,831,000	23,500,936	-1,669,936	-8%
Employer Contributions to Compulsory Health Schemes	10,000,000		10,000,000	9,066,046	933,954	9%
Employer Contributions to Compulsory National Social Security Schemes	3,448,697		3,448,697	2,617,940	830,757	24%
2. OPERATIONS AND MAINTENANCE						
Fuel Oil and Lubricants	2,865,000		2,865,000	1,388,628	1,476,372	52%
Routine Maintenance - Vehicles and other Transport Equipment	1,580,400		1,580,400	1,856,196	-275,796	-17%
Domestic Travel and Subsistence, and other Transportation costs	2,821,354		2,821,354	3,312,989	-491,635	-17%
Foreign Travel and Subsistence, and other Transportation costs	1,066,869		1,066,869	993,540	73,329	7%



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Training Expenses	74,164,282	73,964,282	62,580,761	11,383,521	15%
Communication Supplies and Services	5,565,583	5,565,583	3,938,757	1,626,826	29%
Hospitality Supplies and Services	5,245,761	5,245,761	2,056,872	3,188,889	61%
Utilities Supplies and Services	6,900,000	6,900,000	7,427,502	-527,502	-8%
Scholarship and Sponsorship	5,000,000	5,000,000	5,517,714	-517,714	-10%
Other Operating Expenses	8,900,000	890,000	799,226	90,774	10%
Specialised Materials and Supplies	18,403,200	18,403,200	12,576,711	5,826,489	32%
Purchase of office Equipment and Furniture	130,000	130,000	0	130,000	100%
Office and General Supplies and Services	2,455,390	2,455,390	1,844,691	610,699	25%
Printing, Advertising and information Supplies and Services	2,094,282	2,094,282	2,349,863	-255,581	-12%
Insurance Costs	2,660,000	2,660,000	2,101,348	558,652	21%
Routine Maintenance - Other Assets	4,559,628	4,559,628	7,146,857	-2,587,229	-57%
Purchase of Specialised Plant, Equipment and Machinery	3,000,000	3,000,000	364,304	2,635,696	88%
Capital Development	115,400,000	92,400,000	57,700,000	34,700,000	38%
Donation & other Grant Expenses	-	2,383,608	2,383,608	0	0%
The Farm	720,000	720,000	758,654	-38,654	-5%
Dispensary & ACU	750,000	750,000	595,947	154,053	21%
Dean of Students	1,041,000	761,000	514,840	246,160	32%
Staff houses - Repairs	540,000	540,000	230,792	309,208	57%
Audit Fees	580,000	580,000	580,000	0	0%
Provision for Depreciation	0	20,000,000	22,117,085	-2,117,085	-11%
Provision for Bad & Doubtful debt	0	0	12,472,732	-12,472,732	
Loss on Disposal of Biological Assets	0	0	467,055		
Total Expenses	343,438,690	334,332,298	290,081,413		
Surplus	7,735,890	2,154,150	9,412,462		





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Statement of compliance and basis of preparation

The Institute's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Institute. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

The comparative year was the first time that the IPSAS accrual standard is applied in preparation of the Institutes Financial Statements.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and other charges

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

The Institute 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.





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 Institute.

Interest income

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

Rental income

Rental income arising from investment properties is accounted for on a straight-line basis and included in revenue.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Institute. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Institute differences that would require reconciliation between the actual and comparable amounts as presented in the statement of comparison of budget and actual amounts. The major variances are disclosed as below:

- a) GOK development funds (-38%) – Funds released after end of the financial year.
- b) Hire of Facilities and services income (-49%) – The actual income represents the net income contribution which can be appropriated by the Institute.
- c) Sale of Learning materials (-86%) – There was a remarkable dip in demand of learning materials.
- d) Revenue from the farm (+50%) – The Institute disposed off part of its herd of cattle.
- e) Fuel, Oil and Lubricants (+52%) – The institute was able to roll out measures in respect of management of fleet in addition to having replaced its fleet of vehicles after grounding the old fleet. The Institute generator which is a major consumer was also less used.
- f) Hospitality and services (+61%) – Represents a major cost savings in hospitality.
- g) Purchase of office equipment and furniture (100%) - Purchase of office equipment and furniture was capitalised.
- h) Routine Maintenance - Other Assets (-57%) - The Institute undertook roofing of the old buildings within the Institute.
- i) Purchase of Specialised Plant, Equipment and Machinery (+88%) – Purchases largely capitalised.
- j) Capital Development (+38%) – The work certified as at the end of the financial year and not paid for since the funds had not been received has been accrued as at the end of the Financial year.
- k) Staff houses – Repairs (+57%) – No major repair works done. Only one house was repaired.

c) Investment property

Investment properties are measured initially at fair value. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the fair value model.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service



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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

The Institute in the year under review engaged professionals to value its assets by 30th June 2015 having developed an asset management policy to guide depreciation. The depreciation rates have been applied without backdating the same as the new values were established as at the year under review. New Assets are also depreciated for a full year on acquisition.

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

Whilst Depreciation was previously charged, the Institute has since developed an asset management policy which stipulates rates to be applied as follows:

	Description	Rate of Depreciation
1	Building	2.0%
2	Computers & Electronics	30%
3	Furniture & Fittings	10.0%
4	Plant, Property & Equipment	10.0%
5	Motor Vehicles	25%
6	intangible Asset	20%
7	Investment Property	2.0%
8	Farm Implements	33.3%

e) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Institute. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Institute also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Institute will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Institute. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. The Institute had no active operating leases in the year.

f) Intangible assets

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

The useful life of the intangible assets is assessed as either finite due to changes in technology and hence depreciated at 20% per year on a reducing balance basis.

g) Research and development costs

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

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

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

h) Financial instruments

Financial assets Initial recognition and measurement

Financial assets within the scope of Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

investments or available-for-sale financial assets, as appropriate. The Institute determines the classification of its financial assets at initial recognition.

Financial liabilities Initial recognition and measurement

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

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

- The debtors or an Institute of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

i) Inventories

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

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

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

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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



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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Contingent assets

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

k) Changes in accounting policies and estimates

The Institute recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. In the year under review, the Institute consolidated its operations from the previously segmented approach recommended in IPSAS.

l) Employee Retirement benefit plans

The Institute provides retirement benefits for its employees. A defined contribution scheme under which an Institute and its staff pay is in place. The Institute will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

m) Foreign currency transactions

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

n) Related parties

The Institute regards a related party as a person or an Institute with the ability to exert control individually or jointly, or to exercise significant influence over the Institute, or vice versa. Members of key management are regarded as related parties and comprise the Cabinet Secretary and Principal Secretary- Ministry of Education Science and Technology, Council Member, Director and Senior Managers.





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

o) Cash and cash equivalents

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

p) Significant judgments and sources of estimation uncertainty

The preparation of the Institute'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.

The Management deemed the Director Basic as a standing member of the council and hence signed for the chairperson pending appointment of an Institute Council.

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 Institute
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2016 KSH	2015 KSH
3. DONATIONS AND OTHER GRANTS		
NORHED Project Revenue	733,931	1,852,484
ACU Grant Income	265,293	338,697
Gender Grant Income	361,750	462,132
Graduation Account Income	-	6,106,956
Scholarships Grants Income	5,517,714	6,921,150
Total DONATIONS AND OTHER GRANTS	6,878,688	15,681,419
4. GOK-RECURRENT GRANTS		
Recurrent Expenditure Grant	144,832,580	100,521,301
Recurrent Expenditure Grant Receivable	2,225,180	-
EARC Recurrent Grant Receivable	408,000	-
Total GOK-RECURRENT GRANTS	147,465,760	100,521,301
5. GOK- DEVELOPMENT GRANT		
Development Grant Apportioned	-	1,540,000
Deferred Amount	-	13,860,000
Total GOK-DEVELOPMENT GRANT	-	15,400,000
6. FEES AND STUDENT CONTRIBUTION		
	2016	2015
Activity Fees	511,040	490,000
Administrative Operations Fees	10,050,600	5,383,709
Attachments and Field Visits fees	3,132,900	2,391,500
Boarding (FT) and Utility Fees	12,669,620	11,620,038
Clubs and Societies Fees	67,650	81,500
Computer Fees	109,500	66,500
Exams (KISE)	2,494,750	1,767,700
Graduation Fees	-	1,291,000
Medical Fees	229,905	124,400
Pre Unit Fees	20,823	310,800
Registration Fees	1,115,900	1,207,000
Special Study Paper (SSP) fees	814,500	774,000
Student ID	226,400	165,000
Student Union fees	154,550	67,000
Teaching Practice fees	11,272,668	8,924,000
Term paper	294,500	203,000
Tuition fees	29,844,226	29,814,038
Study Materials fees	915,100	691,200
Library Fees	476,140	405,009
Total FEES AND STUDENT CONTRIBUTION	74,400,772	65,777,394





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2016 KSH	2015 KSH
7. HIRE OF FACILITIES AND SERVICES.		
Income from Hire of Facilities	7,344,325	9,114,531
Income from Consultancy	2,590,511	6,238,427
Total HIRE OF FACILITIES AND SERVICES.	9,934,836	15,352,958
8. REVENUE FROM THE FARM		
Sale of Milk	685,268	898,246
Sale of Horticultural Produce	61,104	-
Sale of Vegetables	3,790	-
Treatment of Cows	(97,600)	(100,201)
Feeds and other expenses	(627,634)	(312,521)
Farm-Livestock Section	-	(235,722)
Seeds & Fertilizer	(33,420)	(3,100)
Total REVENUE/DEFICIT FROM THE FARM	(8,492)	246,702
9. OTHER INCOMES		
Interest Income	1,147,899	5,455,976
Rental Income	855,208	1,645,000
Sale of Obsolete Items	148,150	130
Sale of Water	-	2,965
Assessment and CP Income	143,150	148,000
Total OTHER INCOMES	2,294,407	7,252,071
10. SALE OF LEARNING MATERIALS		
Sale of Audio Visual Devices	-	2,620.00
Sale of Learning materials and resources	42,550.00	1,000.00
Sale of Modules	26,700.00	17,850.00
Total SALE OF LEARNING MATERIALS	69,250.00	21,470.00
11. STAFF EXPENSES		
Basic Salary - Permanent Employees	40,819,819	40,778,306
Employer contribution to Pensions	2,617,940	2,828,338
Personal Emoluments (part of Salary)	23,500,936	20,398,073
Personal Emoluments (Reimbursements)	9,066,046	7,639,160
Total STAFF EXPENSES	76,004,741	71,643,877



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2016 KSH	2015 KSH
12. OPERATIONS AND MAINTAINANCE		
Communication Supplies and Services	3,938,757	2,300,431
Domestic Travel & Subsistence	3,312,989	2,109,131
Foreign Travel & Subsistence	993,540	181,085
Fuel, Oil & Lubricants	1,388,628	2,278,724
Hospitality supplies and Services	2,056,872	2,666,512
Motor Vehicle & General Insurance	2,101,348	2,384,966
Office and General Supplies and Services	1,844,691	1,544,908
Other Operating Expenses	799,227	1,870,701
Printing, advertising and information supplies and services	2,349,863	2,272,005
Routine Maintenance - Other Assets	7,377,649	4,441,930
Routine Maintenance - Vehicles & other Transport Equipment	1,856,196	2,707,526
Scholarships & Sponsorship	5,517,714	483,096
Specialised Materials and Supplies	12,941,015	12,053,659
Training expenses	63,095,601	48,469,290
Utilities Supplies and Stores	7,427,502	6,601,212
ACU AND DISPENSARY	595,947	480,606
TOTAL OPERATIONS AND MAINTENANCE	117,597,539	92,845,782
13. DONATIONS AND OTHER GRANT EXPENSES		
Deferred Graduation Expenses	-	6,106,956
ACU Grant Expenses	-	338,697
Gender Grant Expenses	200,980	462,132
Deferred Scholarship Expenses	-	6,921,150
Norhed Deferred Expenses	-	1,718,812
Deferred Development Expenses	-	1,540,000
Norhed Project Expenses	2,348,111	-
Total DONATIONS AND OTHER GRANT EXPENSES	2,383,608	17,087,747
14. Provision for Audit Fees		
Audit Fees	580,000	580,000
Total Provision for Audit Fees	580,000	580,000
15. Provision for depreciation		
Provision for Depreciation	22,117,085	22,009,979
Total Provision for Depreciation	22,117,085	22,009,979
16. Provision for Bad and Doubtful Debts		
Due from Students Year 2007	298,105	-
Due from Students Year 2008	1,083,870.00	-
Due from Students Year 2009	11,090,757.00	-
TOTAL	12,472,732.00	-

Prior to years 2013/2014, the Institute prepared final accounts under the cash-basis and upon the adoption of the IPSASs (Accrual basis), the Institute recognised all outstanding dues from students. Part of the dues from students has been long outstanding and therefore the Institute came up with a policy to provide for specific provision for bad & Doubtful debts for balances older than 6 years.

**17. Loss on Disposal of Biological Assets****DISPOSALS ACCOUNT**

Biological Assets (Balance B/f)	1,110,000
Proceeds from Sale	(642,945)
Loss on sale of Biological Assets	467,055

2016	2015
KSH	KSH

18. CASH AND CASH EQUIVALENTS

KCB Fee Collection Account	25,341,063	6,874,324
NBK Fee Collection Account	2,957,867	1,806,371
NBK Main Account	18,099,457	16,015,700
NBK KISE Distance Learning Project II A/C	10,737,371	21,938,792
NBK Institute Fund and other Monies	485,282	1,628,326
NBK Investment Account	7,677,899	7,256,280
NBK KISE Key & Caution Money Savings A/C	124,943	125,404
NBK Seminar and Courses Account	3,204,359	3,150,571
NBK Farm Account	1,280,601	2,527,195
KCB- Norhed-Enable Account	2,274,843	209,106
M-Pesa Cash	442,461	197,117
Cash in Hand	669,631	519,081
Total Cash and cash equivalents	73,295,777	62,248,267

19. (a) RECIEVABLES FROM EXCHANGE TRANSACTIONS

Due from Staff and Third parties	9,005,115	10,441,755
Due from Students	40,857,119	43,496,286
Less: Provision for Bad & Doubtful Debts	(12,472,732)	-
Total RECIEVABLES FROM EXCHANGE TRANSACTIONS	37,389,502	53,938,041

(b) RECIEVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016	2015
	KSHS	KSHS
Development Expenditure Grant Receivable	34,700,000	-
Recurrent Expenditure Grant Receivable	2,225,180	-
EARC Recurrent Grant Receivable	408,000	-
RECIEVABLES FROM NON-EXCHANGE TRANSACTIONS	37,333,180	-

20. Investments

Investments (for Institute)	-	40,000,000
Total Investments	-	40,000,000



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. ASSET MOVEMENT SCHEDULE

	Land	Buildings	Motor Vehicles	Computer and Appliances	Furniture & Fittings	Plant & Equipment	Farm Implements	Totals
		2%	25%	30%	10%	10%	33.3%	
Cost	KES	KES	KES	KES	KES	KES	KES	KES
At 01 July 2014	568,000,000	186,330,045	15,823,246	8,474,660	10,693,088	6,322,654	224,359	795,868,052
Additions 2015	-	5,682,623	17,629,551	3,328,050	471,500	-	-	27,111,724
Revaluations 2015	-	-	-	-	-	-	-	-
Disposals 2015	-	-	-	-	-	-	-	-
Transfer/Adjustments	2,082,000,000	18,139,848	-	11,132,632	(4,961,893)	998,943	-	2,107,309,530
At 30 June 2015	2,650,000,000	210,152,516	33,452,797	22,935,342	6,202,695	7,321,597	224,359	2,930,289,306
Additions 2016	-	28,942,757	-	3,963,476	720,990	4,510,000	-	38,137,223
Revaluations 2016	-	-	-	-	-	-	-	-
Disposals 2016	-	-	-	-	-	-	-	-
At 30 June 2016	2,650,000,000	239,095,273	33,452,797	26,898,818	6,923,685	11,831,597	224,359	2,968,426,529
Depreciation and impairment								
At 01 July 2014	-	8,498,504	12,319,011	6,083,211	2,453,095	1,422,597	102,757	30,879,175
Disposals 2015	-	-	-	-	-	-	-	-
At 30 June 2015	-	8,498,504	12,319,011	6,083,211	2,453,095	1,422,597	102,757	30,879,175
As at 01 July 2015	-	8,498,504	12,319,011	6,083,211	2,453,095	1,422,597	102,757	30,879,175
Depreciation 2016	-	4,611,935	5,283,447	6,250,933	447,059	1,040,900	40,534	17,674,808
Disposals 2016	-	-	-	-	-	-	-	-
At 30 June 2016	0	13,110,439	17,602,458	12,334,144	2,900,154	2,463,497	143,291	48,553,983
Net book values								
At 30 June 2016	2,650,000,000	225,984,834	15,850,340	14,564,674	4,023,531	9,368,100	81,068	2,919,872,546
At 30 June 2015	2,650,000,000	201,654,012	21,133,785	16,852,131	3,749,600	5,899,000	97,063	2,899,385,591





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. AMORTISATION SCHEDULE

	Intangible Asset	Investment Property	Work in Progress	Biological Assets
	20%	2.00%		
Cost	Kshs	Kshs	Kshs	Kshs
At 1 July 2014	5,227,968	78,975,000	-	1,120,000
Additions	9,085,918	-	-	-
Transfer/adjustments	-	(39,021,125)	-	675,000
At 30 June 2015	14,313,886	39,953,875	-	1,795,000
As at 1 July 2015	14,313,886	39,953,875	-	1,795,000
Additions	-	-	136,719,723	-
Transfer/adjustments	-	-	-	-
Disposals	-	-	-	(1,110,000)
At 30 June 2016	14,313,886	39,953,875	136,719,723	685,000
Amortisation and impairment				
As at 1 July 2014	1,045,594	1,974,375	-	-
Amortisation	2,862,777	1,579,500	-	-
At 30 June 2015	3,908,371	3,553,875	-	-
As at 1 July 2015	3,908,371	3,553,875	-	-
Amortisation 2016	2,862,777	1,579,500	-	-
At 30 June 2016	6,771,148	5,133,375	-	-
Net book values				
At 30 June 2016	7,542,738	34,820,500	136,719,723	685,000
At 30 June 2015	10,405,515	36,400,000	-	1,795,000



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. BIOLOGICAL ASSETS

	2016 KSH		2015 KSH	
	Number 2016	Value 2016	Number 2015	Value 2015
Dairy Cows	7	325,000	15	1,267,000
Heifers	3	130,000	4	248,000
Calves	6	80,000	4	120,000
Young Bulls	3	150,000	8	160,000
Total		685,000		1,795,000

24. INTANGIBLE ASSETS

This mainly relates to the Enterprise Resource Planning System supplied in modular units over the years by ABNO Soft wares International.

	2016 KSH	2015 KSH
Enterprise Resource Planning System	7,542,738	10,405,515
Total INTANGIBLE ASSETS	7,542,738	10,405,515

25. INVESTMENT PROPERTY

Rental Houses	34,820,500	36,400,000
Total Investment Property	34,820,500	36,400,000

26. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Employee Dues	14,074,886	12,401,244
Creditors & Accruals	68,651,950	20,292,123
TOTAL Trade and Other Payables from Exchange transactions	82,726,836	33,273,367

27. DEFERRED INCOME

	2016 KSH	2015 KSH
Deferred Scholarship Grants	15,781,417	21,299,131
Deferred Gender Main-Streaming Grant	-	291,106
Deferred ACU Grant	-	265,293
Deferred Graduation Account	2,255,619	748,044
Deferred NORHED Project	2,274,843	209,106
Deferred Development Income	-	13,860,000
Total DEFERRED INCOME	20,311,879	36,672,680

28. REFUNDABLE DEPOSITS FROM CUSTOMERS

Key and Caution Money	341,162	399,250
Students Overpayments-other Accounts	16,856,175	8,089,664
Other Deposits	-	127,000
Total REFUNDABLE DEPOSITS FROM CUSTOMERS	17,197,337	8,615,914



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2016	2015
	KSH	KSH
29. REVENUE RESERVES		
Revenue reserves B/F	72,984,966	70,759,036
Surplus for the Year	9,412,462	2,225,930
Revenue Reserves C/D	82,397,428	72,984,966
30. REVALUATION RESERVES		
Revaluation Reserve B/F	2,068,963,405	-
Transfers for the Year	-	2,068,963,405
Revaluation reserves C/D	2,068,963,405	2,068,963,405
31. CAPITAL RESERVES		
Capital Reserve B/F	883,662,082	897,327,292
Transfers for the Year	92,400,000	(13,665,210)
Capital reserves C/D	976,062,082	883,662,082

32. Remuneration to Related parties

The Institute has two categories of Staff: Those employed by KISE Council and those seconded from TSC and PSC. Kshs. 2,030,000 was used for Remuneration of Management staff by the Institute.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
KISE/436/2013/2014(40)	The council /board was constituted in September 2016	For a six months term	Director/ PS MOE	Resolved	

Director KISE/Council Secretary

Date 30.09.2016

Chairman of the Council

Date 30.09.2016

30.2.2.14

30.2.2.14

