

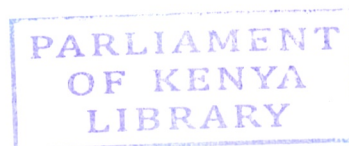
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA INSTITUTE OF MASS
COMMUNICATION

FOR THE YEAR
ENDED 30 JUNE 2016



PAPER LAID
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on Tuesday
13.6.2017
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KENYA INSTITUTE OF MASS COMMUNICATION

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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)

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Institute of mass communication was established in 1961. Its main purpose was to train electronic engineering and technicians for Kenya Broadcasting Corporation. To ensure that the Institute keeps abreast with media market and personnel training requirements, The Government in 2011, transformed KIMC into a Semi-Autonomous Government Agency (SAGA) under legal Notice No.197 of 2011(Amended).

(b) Principal Activities

The principal mandate of the institute is;

- i. Offer training in communication and cinematic arts
- ii. Produce and disseminate mass media products for training and commercial purposes.

(c) Key Management

The day-to-day management of the institute is under the following:

- i. The Director
- ii. Deputy Director
- iii. Managers and Heads of Departments.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director	Hiram Muccheke
2.	Deputy Director	Peter Wakoli

(e) Fiduciary Oversight Arrangements

The oversight for financial management is vested in the three board committees as discussed below;

i).Finance and Administration Committee

The committee is responsible for Financial Management and proper resource allocation in the Institute. The Committee's responsibilities include ensuring overall sound financial reporting, Performance Contracts, Procurement, setting of fees guidelines, budgets and Human Resource issues.

ii).Audit committee

The responsibilities of the Audit committee include reviewing the financial information of the Institute, monitoring the effectiveness of management information and reviewing the internal control systems, deliberating on significant findings arising from both internal and external audits, and reviewing the overall risks facing the Institute.

iii). Training Committee

The committee oversees Policy Issues on Admission of Students, Quality Assurance on Academic Standards, Development of New Courses and Academic Policy.

(f) Institute Headquarters

The Institute is located in;
Uholo Road, South B
Nairobi, Kenya

(g) Institute Contacts

P.O. Box 42422-00100
Telephone: (254) 206551555
Mobile: +254 708 262 895
E-mail: info@kimc.ac.ke
Website: www.kimc.ac.ke

(h) Institute Bankers

Kenya Commercial Bank
KICC Branch
Kencom House
P.O. Box 48400-00100
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE COUNCIL MEMBERS

	Name	Position	Key qualifications	Work experience
1	Prof. Chacha Nyaigotti Chacha	Council Chairman	<ol style="list-style-type: none"> 1. Ph.D., 2. M.Phil. 3. M.A 4. B.E.D-Arts 	<ol style="list-style-type: none"> 1. Full professor since year 1996 2. Board Secretary/CEO- Higher Education loans Board 3. Executive Secretary (CEO)- Inter-University Council for East Africa 4. Board member various Organizations
2	Mr. James Nguo	Council Member	<ol style="list-style-type: none"> 1. MA (Strategic Communications) 	<ol style="list-style-type: none"> 1. 20 years' experience in development sector majoring on information and Knowledge management.
3	MS. Caroline Mutoko	Council Member	<ol style="list-style-type: none"> 1. M.A 	<ol style="list-style-type: none"> 1. Radio Producer/Marketing 2. Marketer
4	Mr. Wycliffe Osundwa	Council Member	<ol style="list-style-type: none"> 1. Dip-Journalism 	<ol style="list-style-type: none"> 1. Ministry of Information (Senior Information Officer) 2. KNA (Chief Photographic Officer) 3. M.P (Mumias) & Assistant Minister Home Affairs & Agriculture 4. Chair, Inter parliamentary Committee on Agriculture, Forestry & Fisheries
5	MS. Farida Karoney	Council Member	<ol style="list-style-type: none"> 1. MBA (Strategy) 2. B.E.D (Science) 3. Post Graduate Dip (Mass communication) 	<ol style="list-style-type: none"> 1. Chief Operating Officer & Editorial Director (Royal Media Services) 2. Senior Management in all leading Media houses in Kenya.
6	Mr. William Abungu	Council Member	<ol style="list-style-type: none"> 1. Customer Service 	<ol style="list-style-type: none"> 1. County Government of Siaya 2. Telkom Kenya (Public relations)
7	Mr. Joel Tirmet	Council Member	<ol style="list-style-type: none"> 1. Dip (International relations) 2. Dip (Security International) 	<ol style="list-style-type: none"> 1. 30 years as a military officer in various positions. <ol style="list-style-type: none"> i. Training ii. Military Intelligence iii. Diplomat & Peace keeping operations

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8	Mr. Charles Kilonzo	Council Member	<ol style="list-style-type: none"> 1. MBA(Strategic Management) 2. BSC (Horticulture) 3. Post Graduate Dip (PR Management) 	<ol style="list-style-type: none"> 1. Management positions in various organizations including; <ol style="list-style-type: none"> i. Live Studios Media ii. Daystar University iii. St. Pauls' University
9	Mrs.Regina Bundi	Alternate PS, Devolution & Planning	<ol style="list-style-type: none"> 1. BA (Sociology) 	<ol style="list-style-type: none"> 1. Ministry of Youth Affairs and Sports 2. Ministry of Devolution & Planning 3. Over 10 years in Civil service
10	Mrs.Jane Njogu	Alternate PS, The National Treasury	<ol style="list-style-type: none"> 1. MSC (Finance) 	<ol style="list-style-type: none"> 1. Financial Analyst
11	Mr. Alphonse M.Mwaa	Alternate PS, Ministry of Education, Science and Technology	<ol style="list-style-type: none"> 1. MSC (Building Services Engineering) 2. BSC (Mechanical Engineering) 	<ol style="list-style-type: none"> 1. Ministry of Education (Deputy Director, Quality Assurance & Standards) 2. Deputy Director (KITI) 3. Lecturer Various Government Technical Institutes 4. Public Service Commission of Kenya
12	Ms. Charity Kagiri	Alternate PS, Ministry of Information, Communication and Technology	<ol style="list-style-type: none"> 1. Advocate(High court of Kenya) 2. Diploma in Law 3. CPS(K) 	<ol style="list-style-type: none"> 1. Advocate of High Court for over 13 years(Litigation, Arbitration & Conveyance) 2. Project Management & Corporate Governance
13	Hiram Mucheke	Director /CEO	<ol style="list-style-type: none"> 1. M.A (Communication studies) 2. B.A 3. Post Graduate Diploma 	<ol style="list-style-type: none"> 1. 32 years' experience in public service. 2. 5 News Editor V.O.K 3. 5 Years senior reporter presidential press service 4. Assistant editor in Chief KBC 5. Senior Principal Lecturer KIMC. 6. Editor in Chief KBC 7. Principal KIMC 8. Current Director KIMC

III. MANAGEMENT TEAM

No	Name	Position	Key Qualifications	Main area of responsibility
1.	Hiram Mucheke	Director/Chief Executive Officer	<ol style="list-style-type: none"> 1. M.A (Communication studies) 2. B.A 3. Post Graduate Diploma 	Overall responsibility for the direction of the organization and administration of programmes and other affairs of the Institute
2.	Peter Wakoli	Deputy Director (Finance & Administration)	<ol style="list-style-type: none"> 1. M.A-Econ 2. B.A-Econ 3. Post Graduate Diploma 	Coordinating the implementation of the Institute's strategic plan, annual departmental plans and performance contracts as well as managing the staff performance appraisal system for the Institute
3.	Emmanuel Korir	Finance Manager	<ol style="list-style-type: none"> 1. MBA(Finance) 2. BBM(Finance & Banking) 3. C.P.A (K) 	Provision of finance and Accounting services to the Institute.
4.	Roselinda Barasa	Human Resource Manager	<ol style="list-style-type: none"> 1. M.A(Labour Management) 2. B.A(Econ & Sociology) 3. Higher Dip(HR) 	Responsible for overall management of human resource in the Institute
5.	Daniel Njuguna	Administration Manager	<ol style="list-style-type: none"> 1. MBA(Supply Chain) 2. B.A 3. Dip (Logistics) 	Coordinating administrative activities in Institute, Supervising and managing development projects and programmes
6.	Albert Musyoka	Chief Internal Auditor	<ol style="list-style-type: none"> 1. MBA(Accounting) 2. B.A.M 3. C.P.A (K) 4. C.I.S.A 	Managing enterprise – wide risks as well as ensuring compliance of the Institute with various statutory and operational requirements
7.	Phyllis Kibagendi	Chief Supply Chain Management Officer	<ol style="list-style-type: none"> 1. MSC (Procurement) 2. BCOM(Accounting) 3. Dip(Supply Chain) 	Planning of Supply Chain Management activities

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8.	Godfrey Kareithi	A.g Registrar-Academics	<ol style="list-style-type: none"> 1. M.A(Communication Studies) 2. B.A (Econ) 3. Post Graduate Diploma 	Coordinating Academic activities in Institute
9.	Paul Kithure	Dean of Students	<ol style="list-style-type: none"> 1. 1.MSC 2. 2.BED(HRM &EDU) 3. 3.Post Graduate Diploma (HRM) 4. 4. Diploma in Special Education. 	Coordinating Student welfare activities in Institute
10.	Jared Manyara	Corporate Communications	<ol style="list-style-type: none"> 1. M.A(Communication Studies) 2. B.A (Econ) 3. Post Graduate Diploma 	Assists the Director in the formulation and execution of a sound communication strategy for the Institute

IV. CHAIRMAN'S STATEMENT

Kenya Institute of Mass Communication (KIMC) is a Semi-Autonomous Government Agency (SAGA) established under Legal Notice No. 197 of 2011 (Amended 2012) with a mandate to offer training in communication and the cinematic arts.

KIMC is arguably the only highly specialized institution in East and Central Africa that has the longest history in training media personnel spanning all the sectors of the media industry.

Over the years, the Institute has grown into one of the most respected institutions of its kind in Africa admitting students not only from Kenya but also from several African countries. It has trained students from countries such as Somalia, Sudan, and Rwanda among others. In terms of quality and diversity in media training, KIMC has few peers in the East and Central Africa.

To date the Institute remains a key catchment for the supply of various working cadre in the media industry. It develops the necessary ICT and Mass Media skills and knowledge that promotes media professionalism and practice.

In the last Financial Year 2015/16, the Institute in consultation with the stakeholders developed a five-year Strategic Plan 2015-19, to serve as a guideline for attainment of its mandate of providing middle level skilled personnel for the ever growing public and private media industry.

The Strategic Plan represents full operationalization of the Cabinet Memorandum on the transformation of Kenya Institute of Mass communication into a Semi-Autonomous Government Agency (SAGA) March 03, 2011.

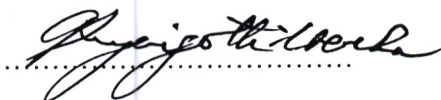
The Strategic Plan prioritizes: physical infrastructure; human capital; equipment and facilities modernization; modernization of transport and institutional Corporate Social responsibility as the key Institute enablers.

If the above priority areas are implemented, KIMC will undoubtedly become a Centre of Excellence in Mass Media training.

In the KIMC council, we are alive to the fact that resources are limited and should therefore be utilized sustainably and prudently.

The resources received in the last FY 2015/16 facilitated the Institute to: train and graduate 400 media practitioners; train 18 officers in short term aptitude courses; undertake capacity building for Council members; develop four curricula; commence the final phase of the hostel; procure some Broadcast training equipment; commence phase II of the tuition block; fully operationalize the degree programme jointly offered with the University of Nairobi; set up an Animation Lab and modernized transport.

On behalf of the KIMC Council, we appeal for an enhanced budgetary support to enable the Institute complete the implementation of the blue print contained in KIMC Strategic Plan 2015-19.



Prof. Chacha Nyaigotti Chacha

Council Chairman

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

This is the pioneer Annual report and financial statements for the Institute. Previously, this annual report was done by the parent ministry of Information, Communications and Technology.

We have been guided by International Public Sector Accounting Standards to prepare these statements. We believe they present a true and fair position of the financial status of the Institute for the year ending June 30th 2016. The Institute continue to face challenges in funding new media training, work environment improvement, staff enhancement, infrastructure development and equipment/facilities modernization due to limited financial resources.

Inadequate funding has made it impossible to build capacity in key areas, notably Accounts, Finance, Audit and Training. It is our projection that, National Treasury will facilitate the Institute to overcome this challenge during the FY 2016/17.

VI. CORPORATE GOVERNANCE STATEMENT

The Institute has, the Council as the apex decision making organ whose functions are provided for in Legal Notice No. 197 of 2011 (Amended 2012) clause 6(1). The Council discharges a number of functions which include (a) administering the property and funds of the Institute in a manner and for purposes that promote the interests of the Institute; ensuring that a proper management structure is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility; and ensuring that the Institute complies with all the relevant laws, regulations, governance practices, accounting procedures and auditing standards.

Internally a number of policy documents have been developed to facilitate Institute corporate governance agenda. They include Human Resource Procedures manual, Career Progression guidelines, Institute Knowledge Management Guidelines, Servicing and Maintenance of assets manual, Finance Management and Controls manual and Institute Procurement Manual. As an Institute we continue to consult and work with SCAC and SRC on matters of governance and remuneration respectively

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Institute has provided for in its calendar annual events to propagate its corporate social responsibility agenda. These events include:

- (a) Annual environmental day. This involves, planting trees within the Institute and along the Institute fence.
- (b) Cultural week. This involves inviting other institutions and members of the public to show case their talents.
- (c) KIMC Film week. This involves allowing students and the public to screen individual video productions.

Hiram Mucheke

Hiram Mucheke

Director/Chief Executive Officer

VIII. REPORT OF THE COUNCIL

The Institute Council submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Institute's affairs.

Principal activities

The principal activity of the Institute is to offer training in Mass media, communication and cinematic arts.

Results

The results of the entity for the year ended June 30, 2016 are set out on page 1-14

Council members

The members of the council who served during the year are shown on page iv

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with the Public Finance Management (PFM) Act, 2013,

By Order of the Council

Director/Chief Executive Officer

N. W. W. W. W.

Nairobi

Date:.....

IX. STATEMENT OF COUNCILS' RESPONSIBILITIES

Section 82 of the Public Finance Management Act, 2013 and section 14 of the State Corporations Act; require the Management to prepare financial statements in respect of the Institute, which give a true and fair view of the state of affairs at the end of the financial period and the operating results for that period. The Management are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Management are also responsible for safeguarding the assets of the Institute.

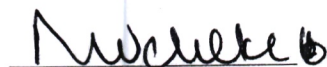
The Management are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial period ended on June 30, 2016. This responsibility includes: (i) maintaining adequate 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 Management 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 Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Management 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 Management 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 Management 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 Institute's financial statements were approved by the Council on 29th September 2016 and signed on its behalf by:



Director/Chief Executive Officer



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF MASS COMMUNICATION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Institute of Mass Communication set out on pages 1 to 14, 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

Report of the Auditor-General on the Financial Statements of Kenya Institute of Mass Communication for the year ended 30 June 2016

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.

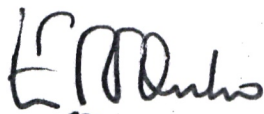
I believe that the audit evidence obtained is sufficient and appropriate to provide a basis of my qualified audit opinion.

Property, Plant and Equipment

Included in the property, plant and equipment balance of Kshs.2,147,273,491 as at 30 June 2016 is land measuring 1.4430 hectares valued at Kshs.1,100,000,000. However available information indicates that part of the Institute's land used as a path linking the Institute's catering unit, male hostel and female hostel has been encroached into by a private developer. The proposed development by the developer will cut off the male hostel and the catering unit, and thus will affect the students and the Institute as a whole adversely. Although the matter has been reported to the National Land Commission, the outcome is unknown. Further, the property, plant and equipment balance of Kshs.2,147,273,491 is understated by an unknown value of assets which were inherited from the parent Ministry after the Institute became autonomous during the year under review. In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs.2,147,273,491 as at 30 June 2016 is fairly stated.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Institute of Mass Communication as at June 30, 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 State Corporation Act Cap 446 and Legal Notice No.197 Order, 2011(Amended 2012).



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

Nairobi

23 March 2017

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XI. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2016

	Notes	2015-2016 Kshs	2014-2015 Kshs
Revenue from non-exchange transactions			
Recurrent grants	2(a)	188,450,000	-
Development grants	2(b)	121,500,000	-
Revenue from exchange transactions			
Tuition and other related fees	3	74,307,115	-
Total revenue		384,257,115	-
Expenses			
Employee costs	4	130,044,499	-
Administration expense	5	71,822,125	-
Council expense	6	7,892,436	-
Repairs and maintenance	7	14,334,476	-
Academic services	8	57,209,322	-
Depreciation and amortization expense	9	42,261,794	-
Audit fees	10	800,000	-
Capital expenses	13&17	58,689,188	-
Total expense		383,053,841	-
Surplus/(Deficit) for the period		1,203,274	-

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

PROF. CHACHA NYAIGOTTI CHACHA

Chacha Nyaiigotti Chacha

CHAIRMAN OF THE COUNCIL

Date.....

HIRAM MUCHEKE

Hiram Mucheke

DIRECTOR

Date.....

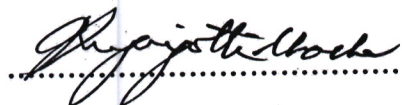
XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

Assets	Notes	2015-2016 Kshs	2014-2015 Kshs
Current assets			
Cash and cash equivalents	11	100,856,159	-
Receivables from exchange transactions	12	1,188,886	-
Inventories	13	33,738,350	-
		135,783,395	-
Non-current assets			
Property, plant and equipment	9	2,147,273,491	-
Total assets		2,283,056,885	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	35,208,342	-
Refundable deposits from customers-caution money	15	958,000	-
Bank Overdraft		-	-
Non-current liabilities		36,166,342	-
Revenue Reserves	16	1,203,274	-
Capital Revaluation Reserve	18	2,245,687,269	-
Total net assets and liabilities		2,283,056,885	-

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


PROF. CHACHA NYAIGOTTI CHACHA



CHAIRMAN OF THE COUNCIL

Date.....

HIRAM MUCHEKE



DIRECTOR

Date.....

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

	Accumulated surplus Kshs	Reserves Kshs	Capital Revaluation reserve Kshs	Total Kshs
Balance as at 30 June 2015	-	-	-	-
Deficit for the period	-	-	-	-
Transfer from accumulated surplus	-	-	-	-
Deferred grants-capital receipts	-	-	-	-
Balance as at 30 June 2015	-	-	-	-
Surplus/deficit for the period	-	1,203,274	2,245,687,269	2,246,890,543
Deferred grants-capital receipts	-	-	-	-
Transfer from accumulated surplus	-	-	-	-
Balance as at 30 June 2016	-	1,203,274	2,245,687,269	2,246,890,543

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XIV. STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2015-2016 Kshs	2014-2015 Kshs
Cash flows from operating activities			
Receipts			
Government Grants	2	309,950,000	-
Tuition and other related fees	3	74,307,115	-
Payments			
Employee costs	4	(130,044,499)	-
Administration expenses	5	(71,822,125)	-
Council expenses	6	(7,892,436)	-
Repairs and Maintenance	7	(14,334,476)	-
Academic services	8	(57,209,322)	-
Capital expenses	13 & 17	(58,689,188)	-
Increase in trade & receivables	12	(1,188,886)	-
Increase in trade & other payables	14	35,208,342	-
Increase in Refundable caution money	15	958,000	-
Net cash flow from operating activities		79,242,524	-
Cash flow from investing activities			
Purchase of non-current assets	9	(32,249,996)	-
Net cash flow from investing activities		(32,249,996)	-
Net Increase/(decrease) in cash and cash equivalents		46,992,528	-
Cash & cash equivalents as start of the year		53,863,631	-
		100,856,159	-
Analysis of balances of cash and cash equivalent			
Cash and bank balances	11	100,856,159	-
Bank overdraft		-	-
Total		100,856,159	-

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2015-2016 Kshs	Adjustments 2015-2016 Kshs	Final budget 2015-2016 Kshs	Actual comparable basis 2015-2016 Kshs	Performance difference 2015-2016 Kshs
Revenue					
Non-exchange transactions					
Recurrent Grants	213,450,000	(15,000,000)	198,450,000	188,450,000	(10,000,000)
Development Grants	135,000,000	(13,500,000)	121,500,000	121,500,000	-
Exchange transactions					
Tuition and other related fees	70,000,000	-	70,000,000	74,307,115	4,307,115
Total revenue	418,450,000	(28,500,000)	389,950,000	384,257,115	(5,692,885)
Expenses					
Total Compensation to employees	135,864,947	(1,711,973)	134,152,974	130,044,499	4,108,475
Council Expenses	9,160,176	-	9,160,176	7,892,436	1,267,740
Administration expenses	67,486,877	(12,618,027)	54,868,850	71,822,125	(16,953,275)
Audit fees	-	-	-	800,000	(800,000)
Repairs and Maintenance	14,938,000	(670,000)	14,268,000	15,134,476	(866,476)
Provision for depreciation & Amortization	-	-	-	42,261,794	(42,261,794)
Academic Services	56,000,000	-	56,000,000	57,209,322	(1,209,322)
Capital expenditure	135,000,000	(13,500,000)	121,500,000	58,689,188	62,810,812
Total expenditure	418,450,000	(28,500,000)	389,950,000	383,053,841	6,896,159
Surplus/(deficit) for the period	-	-	-	1,203,275	(12,589,044)

XVI. NOTES TO THE FINANCIAL STATEMENTS

1.ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a). Statement of compliance and Basis of Preparations

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for State Organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, Kenya Institute of Mass Communication has adopted the pronouncements made by the IPSAS Board in preparation of its current year financial statements. The Institute's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS).

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

b).Reporting Currency

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Institute. The financial statements have been prepared on the accrual basis following the Government's Standard chart of accounts. The accrual basis of accounting recognizes transactions and events when they are incurred

c).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 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 expense in the period in which they arise.

d).Revenue Recognition

i).Revenue from non-exchange transactions

a)Transfers from other government entities

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

b)Grants from Donors

Revenue from donors is recognized when the event occurs and 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 future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

ii).Revenue from exchange transactions

c)Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the Outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to Labour hours incurred to date as a percentage of total estimated Labour hours. Where the contract outcome Cannot be measured reliably, revenue is recognized to the extent that the expense incurred are recoverable.

e).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 entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Variance on budgeted income of 28.5 Million was as a result of revised budgetary allocations by the National treasury. Administration expenses variance of 16.9 Million was significantly affected by huge electricity, water bills and training material costs during the year.

f).Employee Benefits

During the year the Institute contributed 31% of employees basic salary earnings towards defined benefit Scheme .Employee entitlement to annual leave is recognized when they accrue to the employees.

g). Non-Current Assets

Non-Current assets are stated at Cost or valuation less Accumulated Depreciation. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The Institute is collating Assets transferred from the Parent Ministry.

h).Depreciation

Depreciation is calculated on the cost of the non-current assets on a reducing balance basis at annual rates estimated to write off these assets over their expected useful life.

The Depreciation rates used are as follows:

Motor vehicle	25%
Furniture & Fitting	12.5%
Office Equipment & Accessories	12.5%
Computers & Printers	30%
Computer Software	30%
Buildings	2.5%
Land	Nil

i). Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise Cash in hand & Cash book balance as at 30th June, 2016.

j).Other Assets

Other assets have been recognized and carried at original invoice amount less an allowance for any un-collectable amounts. An estimate for doubtful debts is made when collection of full amount is no longer Probable. Bad debts are written off as incurred.

k).Nature and purpose of reserves

The institute creates and maintains reserves in terms of specific requirements.

Revenue reserves

This is made up of all accumulated surplus for the year arising from non-Utilization of allocated grants and other income surplus.

Capital Revaluation Reserves.

The purpose of the reserve was to bring into the books the fair market value of all assets of the Institute that were transferred from the parent ministry on transformation to SAGA status.

l).Changes in accounting policies and estimates.

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

m).Taxation

The Institute is a non-commercial state corporation and is therefore not subject to the corporate tax regime. No corporation tax is therefore provided in these accounts. However the Institute remits all other applicable taxes as and when they fall due.

n).Critical judgments in applying the Institute's Accounting policies

The preparation of the entity's financial statements in conformity with IPSAS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Institute's policies and procedures .Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

o).Consumable stores

All consumable stores procured for use in operations are expensed on purchase through the statement of financial performance .Proper records of receipts and issues of stores items are maintained to avoid abuse.

p).Comparative figures

Comparative figures for the previous financial year are not available, this being the initial year of reporting after the Institute was transformed from being a department in the ministry of Information, communications and technology to a semi-Autonomous Government Agency (SAGA)

q). Related party

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

r).Contingent liabilities

The Institute does not recognize a contingent liability, but discloses details of any contingencies unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. The Institute has a pending court case in which a private developer is claiming ownership of a piece of land reserved for sewer amenities passing through the Institute's property.

s).Subsequent events

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

t).Risk Management

The Institute's risk management strategy recognizes the various risks the Institute is exposed to including credit risk and liquidity risk. This is based on a clear understanding of the risks and continuous risk assessment, measurement and monitoring. The Institute's overall risk management programme focuses on the unpredictable changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance. The Council does not hedge any risks but has in place policies that ensure that any credit advanced is at minimum risk.

Credit Risk

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The Institute's credit risk is attributable to its cash and cash equivalents and trade receivables. The amounts presented in the financial statements are net of allowances for doubtful receivables, estimated by the Institute's management based on their assessment of the economic environment. Both bank balances and trade receivables are fully performing and no debt has been impaired.

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet Institute obligations. The ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for management of the Institute's short, medium and long term funding requirements. The Institute manages liquidity risk by maintaining adequate cash reserves to ensure liabilities are paid as they fall due and to cushion against any liquidity risk.

Capital Risk

The objective of the Institute's capital risk management is to safeguard the Institute's ability to continue as a going concern. The Institute's capital structure comprises of revenue and revaluation reserve

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
2.(a) Recurrent grants		
This denotes money received from the Government to support recurrent expenditure of the the Institute.		
Quarter 1	50,941,846	
Quarter 2	50,783,154	
Quarter 3	50,862,500	
Quarter 4	35,862,500	
	188,450,000	-
2.(b) Development grants		
This denotes money received from the Government to support development expenditure of the Institute		
Quarter 1	33,750,000	
Quarter 2	33,750,000	
Quarter 3	20,250,000	
Quarter 4	33,750,000	
	121,500,000	-
3 Revenue from exchange transactions		
Tuition and other related fees	62,307,115	-
Appropriation in Aid (AIA)	12,000,000	-
Total revenue from exchange transactions	74,307,115	-
4 Employee costs		
Basic pay	77,944,217	
House allowances	24,013,405	
Extraneous allowance	195,000	
Commuter allowance	7,605,448	
Casual wages	3,849,976	
Gratuity & pensions contributions	13,131,765	
Other personnel allowances	3,304,688	
Total employee costs	130,044,499	-

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
5 Administration expense		
Utilities supplies - Electricity	7,835,141	
Utilities supplies - Water & Sewerage	665,670	
Telephone expense	1,296,258	
Internet and ICT infrastructure	242,052	
Postage & courier services	55,596	
Leased communication lines	166,600	
Satellite Access Services	237,150	
Local Travelling and subsistence	1,427,643	
Foreign travel & accommodation	656,170	
Transport	116,200	
Students medical supplies	2,578,678	
Staff training and development	1,891,234	
Printing & publishing	159,490	
subscription to other bodies and periodicals	420,742	
Advertisement and awareness campaigns	174,544	
Trade shows and exhibitions	318,100	
Specialized materials and Supplies	35,205,872	
General Office expense	6,296,683	
Supplies & Accessories for computer services	967,844	
Cleaning and Sanitary Services	1,395,650	
Refined fuels and Lubricants for transport	660,680	
Other Fuels, Cooking gas	1,540,200	
Contracted Guards & Cleaning Services	5,119,878	
Contracted Professional Services	631,440	
Purchase of uniforms & clothing-staff	649,900	
Purchase of Bedding & Linen	95,400	
Bank charges and commissions	67,890	
Catering and accommodation	949,421	
Total administrative expense	71,822,125	-
6 Council expense		
Sitting Allowance	3,040,000	
Subsistence and Accommodation	977,040	
Mileage Reimbursement	657,396	
Honoraria	1,044,000	
Training	2,174,000	
Total council expense	7,892,436	-

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
7 Repairs and maintenance		
Repairs and maintenance equipment & machinery	8,012,219	
Repairs and maintenance of motor vehicle	860,182	
Repairs & Maintenance-office furniture	225,961	
Repairs & Maintenance-Computer & software	252,446	
Repairs and maintenance of buildings	567,520	
Overhaul of plant, machinery & Equipment	3,000,063	
Purchase of Household & Institutional Appliances	240,730	
Purchase of Air conditioners, Fans and Heating appliances	576,000	
Purchase of Fire Fighting Vehicles & Equipment	500,085	
Purchase of ICT Networking & Communications Equipment	99,270	
Total repairs and maintenance	14,334,476	-
8 Academic services		
Teaching and Academic expenses	37,309,334	
Student Projects & Supervision expenses	16,230,807	
Students union expenses	857,500	
Graduation expenses	2,811,681	
Total academic services	57,209,322	-
9 Depreciation and amortization	42,261,794	
10 Audit fees-Office of the Auditor General	800,000	
11 Cash and cash equivalents		
A/C No.1167037944-KCB-Re-current Account	(11,318,395)	
A/C No.1143244362-KCB-Deposits Account	56,117,015	
A/C No.1167037944-KCB-Development Account	56,055,740	
Cash in hand	1,799	
Total cash and cash equivalents	100,856,159	-
12 Receivables from exchange transactions		
Staff debtors(Salary advance)	133,956	
Outstanding Imprest	1,054,930	
Total receivables from exchange transactions	1,188,886	-

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STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	2015-2016	2014-2015
	Kshs	Kshs
13 Inventories		
Equipment-Stores	33,738,350	-
Total inventories	<u>33,738,350</u>	<u>-</u>
14 Trade and other payables from exchange transactions		
Contractor's retention	16,791,855	-
Commissioner of Domestic Taxes (Withholding Tax)	5,152,714	-
Payments due to part-time lecturers	4,096,200	-
Outstanding salaries & wages (WCPS)	1,984,795	-
Provision for audit fee	800,000	-
Total	<u>35,208,342</u>	<u>-</u>
15 Refundable deposits from customers-caution money	<u>958,000</u>	<u>-</u>
This is a provision in recognition of money paid by students in account of caution money		
16 Revenue reserve		
This constitutes the accumulated surplus/deficits over the period the Institute has been in existence		
The figures are made up as follows		
Surplus/deficit for the financial year	1,203,274	-
Bal c/f	<u>1,203,274</u>	<u>-</u>
17 Work in progress includes		
Contracted projects-GoK Funded		
Students hostel and Catering Unit	24,950,838	-
Total	<u>24,950,838</u>	<u>-</u>
18 Capital revaluation reserves		
This is a contra that arose following revaluation of the Institute assets for purpose of accounting.		
The Institute is developing its Asset policy after transformation to a semi-Autonomous government Agency (SAGA).		

9 Property, plant and equipment

Description	Land	Buildings	Furniture & Fittings	Tools & Equipment	Motor Vehicles	Computers	Work in Progress	Computer Software	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2015	1,100,000,000	953,450,944	24,080,278	52,026,816	18,800,000	8,927,250	-	-	2,057,285,288
Additions	-	-	2,446,230	-	4,553,975	-	24,950,838	298,953	32,249,996
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
At 30 June 2016	1,100,000,000	953,450,944	26,526,508	52,026,816	23,353,975	8,927,250	24,950,838	298,953	2,089,535,284
Depreciation and impairment									
At 1 July 2015	-	-	-	-	-	-	-	-	-
Depreciation	-	(23,836,274)	(3,315,814)	(6,503,352)	(5,838,494)	(2,678,175)	-	-	(42,172,108)
Impairment	-	-	-	-	-	-	-	(89,686)	(89,686)
At 30 June 2016	-	(23,836,274)	(3,315,814)	(6,503,352)	(5,838,494)	(2,678,175)	-	(89,686)	(42,261,794)
Net book values									
At 30 June 2016	1,100,000,000	929,614,670	23,210,695	45,523,464	17,515,481	6,249,075	24,950,838	209,267	2,147,273,491
At 30 June 2015	1,100,000,000	953,450,944	24,080,278	52,026,816	18,800,000	8,927,250	-	-	2,157,285,288