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REPUBLIC



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 FEB 2021

DAY.

THURSDAY

OF

PARLIAMENT
OF KENYA
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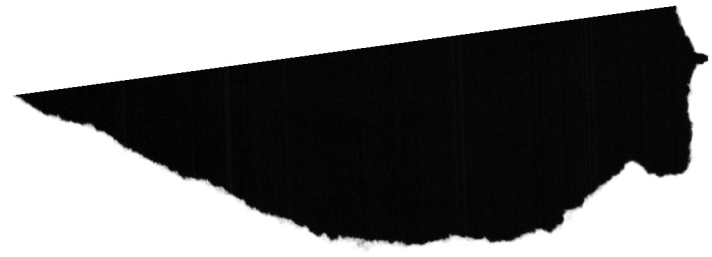
Leah Wayne

THE AUDITOR-GENERAL

ON

**KENYA INSTITUTE OF SPECIAL
EDUCATION**

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



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KENYA INSTITUTE OF SPECIAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2019

 THE NATIONAL ASSEMBLY PAPERS LAID	
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Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)



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 Legal Notice No. 17 of 14th February 1986. The Institute is currently run by a Council appointed by the Cabinet Secretary for Education. The Chief Executive Officer of the Institute is the Director.

(b) Principal Activities

The principle functions of KISE are;

- (i) Conduct teacher training courses for teachers in various fields of education for children with special needs.
- (ii) Conduct in-service courses for personnel working in all fields of Special Needs Education.
- (iii) Prepare and conduct correspondence courses for personnel in the field of Special Needs Education.
- (iv) Run an Educational Assessment and Functional Centre for the training of teachers of children with special needs.
- (v) Run an Orientation and Mobility (O & M) centre for training and demonstration purposes.
- (vi) Run a model training unit for the integration of children with special needs into regular schools.
- (vii) Run a pre-school department where training and stimulation of young children with special needs can be carried out for the purpose of teacher training.
- (viii) Act as a resource centre for the production and dissemination of information to the general public on special needs and disabilities.
- (ix) Run a documentation and resource centre on special needs and disabilities.
- (x) Conduct research on Special Needs Education.
- (xi) Maintain, repair, design, produce and assemble educational resources and assistive devices for persons with special needs.

(c) Key Management

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

- Director KISE
- Senior Management

(d) Fiduciary Management

In the year under review, this key role was vested as follows:

AREA OF TRUST	OFFICE
1. All Institute financial and non-financial assets	Director
2. Title of the Institute's Land	CS The National Treasury
3. Strategy 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
- Audit and Risk Committee
- Academic and Research 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: +254208007977
Mobile: +254724 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

Directorate of Legal Services
Ministry of Education
Jogoo House B
P.O. Box 30040 – 00100
Nairobi, Kenya



II. VISION, MISSION AND CORE VALUES

VISION STATEMENT

An inclusive Kenyan society in which every child with special needs and disability accesses quality education and achieves their fullest human potential.

MISSION STATEMENT

To facilitate service provision for persons with special needs and disabilities through human capital development, research, functional assessment, rehabilitation, inclusive education practices, technology and production of learning and assistive materials.

CORE VALUES

- Excellence,
- Professionalism,
- Integrity,
- Respect,
- Courtesy,
- Stewardship,
- Tolerance and
- Empathy



III. THE BOARD OF DIRECTORS

1. Dr. John Kabutha Mugo: Chairman of the KISE Council

John is the Executive Director at Zizi Afrique Foundation, an organization that supports the improvement of learning for children and youth in Africa. He brings on board a wealth of leadership and management experience following his service as Regional Director at Twaweza East Africa, and leading the regional Uwezo learning assessment. In addition to this, he also is the chair of the German KAAD scholarship Commi-ttee in Kenya and a member of several school Boards of Management. John believes in development of



competencies of the youth to access, create, retain jobs, live fulfilling lives and contribute to the common good of society. At Uwezo he collaborated with countries in East Africa, West Africa, Latin America and Asia to influence the shaping of the Global Reading Movement through citizen led assessments of education systems while at Twaweza East Africa he led Africa's first Nationally representative mobile phone public survey in which he experimented with potential of citizens in creating change. In his passion for special needs education he has been instrumental in the development of Learning materials for the KISE Distance Learners programme besides lecturing and serving as Senior Lecturer and Head of Department-Special Needs Education at Kenyatta University. There, he led several projects advocating for inclusion and equity in education. John is widely published and holds a PhD in Special Needs Education from University Hanover, Germany.



2. Augusta Muthigani

Augusta represents the religious fraternity in her capacity as the National Executive Secretary, Commission of Education and Religious Studies, Kenya Conference of Catholic Bishops-General Secretariat. In this role she coordinates education activities for over 8000 Catholic Private and sponsored public schools in Kenya. Her significant experience in education policy development, engagement, improving quality access, retention and transition and innovative, evidence-based interventions and research has seen her serve unconditionally, as member of the KISE Council for more than twenty years. She also coordinates and supervises various skills building and values development programmes targeting youth in Kenyan schools. Muthigani is also President of the Board International Catholic Education Association, participates in the Committee on Child Protection and was more recently appointed to serve in the National Steering Committee Coordinating Curriculum reforms in Kenya. She also plays an advisory role to the National Council of Churches, of Kenya, Supreme Council of Muslims in Kenya and the Hindu Council in Kenya. Muthigani, an alumni of Catholic University of East Africa, holds a Masters Degree in Religious Education and a Bachelor of Education degree from Kenyatta University. She is currently enrolled with the International Leadership University -Nairobi for her Doctorate studies in Education Leadership,



3. Josephine Macomereh Oliwa

Josephine, the alternate member to the Chief Executive Officer of Teachers Service Commission, serves as the Staffing Officer for special needs Education Teachers at the Commission. She brings on board a wealth of experience from the teaching and administration sectors in education. Her long association with KISE began in 2006. During her five year tenure at the institute she played a dual role: as a specialist Lecturer in the Education for Learners with Visual Impairment and the Manager Human Resource. Her keen interest in and commitment to the welfare of staff and KISE, made her participate in the development of the strategic plan 2006-2011 and the HIV and AIDS in addition to initiating the development of a customized code of ethics. She began her career at Moi Girls Nairobi in 1986 and over time she was promoted to Senior Teacher and retained at the school to serve the interest of female learners with visual Impairment. Josephine, holds a Diploma (Kiswahili and History) in Education from Kagumo Teachers Training College, Bachelor of Education





in Special Education from Kenyatta University, and a Master of Business Administration in Human Resource Management.

4. Fredrick Haga

Fredrick is the alternate member to the Principal Secretary, Ministry of Education. He currently is the Director, Directorate of Special Needs Education. Initially he had served as an Education Administrator, a position to which he was appointed in 2012. While at the Ministry he has been key in development of the Sector Policy for learners and trainees with special needs that was launched in 2018. With a career spanning over 22 years, he has also worked as a secondary school teacher in various schools prior to working as a Curriculum Developer at the Kenya Institute of Curriculum development. An ardent Disability advocate, he has engaged in leadership of disability rights movements both locally and internationally. Locally he led the Kenya Union of the Blind and the United Disabled Persons of Kenya and served as a Board of trustees of the National development Fund for persons with Disabilities. Internationally he was the Executive Director of the African Union of the Blind (AFUB) where he was instrumental in the organization of the AFUB General Assembly held in Bangkok, Thailand in 2012. His key interests include education for learners with disability, evaluation and assessment of functional disability in addition to utilization of assistive technology in education and daily lives of persons with disabilities. Fredrick a holder of a Bachelor of Education Degree from Kenyatta University undertook his postgraduate studies in Inclusive Education and Special Education at the University of Monash, Australia.



5. Hellen Obande

Hellen a Program Manager, Partnerships and Networks at Africa Platform for Social Protection, is also a human rights activist with special interest in women, children and disability rights. Her career has spanned over 15 years service in several Non-governmental Organizations including working as Executive Director of Association of Media Women in Kenya and as Executive Director of the United Disabled persons of Kenya (UPDK) the umbrella organization for persons with disabilities in Kenya. too. Hellen has also worked as a Radio and Television talk-show host and producer at the Kenya Broadcasting corporation. She has vast experience in project management, planning and implementation as well as research and policy advocacy with a strong understanding of human rights and communication in Africa. She holds a Bachelor of Arts Degree in Anthropology from Moi University, a





postgraduate diploma in Mass Communication from the Kenya Institute of Mass Communication and Master of Arts degree in Women and gender studies from San Francisco State University, California. Hellen is passionate about promoting social justice and human rights in Africa among vulnerable populations in Africa,

6. Prof. Peter Oracha

Peter is an Associate Professor of Special Needs Education-Sign Language Option at Maseno University. For the past 20 years he has developed and given lectures in special needs education, inclusive education, Deaf Education and Deaf Culture, Bilingualism in deaf education, sign language linguistics, sign language interpretation, and educational Audiology and Assessment. He has held various positions within education sector. He has served as chairman of various schools in the Lake region of Kenya



besides serving as a tutor at Machakos Teachers Training College and as a Headteacher of Maseno school for the Deaf. His interest in community welfare has seen him serve as a member of the Synod Committee, Maseno South Diocese and as an external examiner for various universities in Kenya. Most recently, in liaison with KISE, he was the Lead Consultant for The Commonwealth of Learning Teachers Futures Programme that is a pilot project, introducing Secondary School teachers to inclusive education in order to improve transition rates of learners with disabilities from Primary schools to Secondary schools. Peter is widely published in the area of Hearing Impairment and Sign Language and holds a PHD in Special needs Education from University of Hamburg, Germany.

7. Grace Ogonda

Grace is a Lecturer of Psychology, University of Nairobi focusing on special education and several psychology. She started her career as a Chemistry and Biology Teacher and later pursued studies that established her as a special needs education expert. Throughout her teaching career that spans over 35 years she has not only served at as lecturer and an examiner at KISE and Makerere University but also been key in Curriculum development for Diploma in Special Needs Education,



development of Learning materials for KISE's Distance Learning programme and Functional Assessment tools being utilized By Curriculum Support Officers in Kenya. Grace also served as a Member of the first ever Task Force on special Needs Education that produced the "Kochung Report." Her other contributions are service as an Editor of a special Needs Education Journal in Uganda. She has also been engaged in various researches focusing on special needs education besides offering



consultancies in the same. Previously she has worked as a Lecturer at Maseno University, Kenyatta University and the Kenya Institute of Special Education. Grace holds B.Ed Science from the University of Nairobi, a Diploma in Learning Disabilities -Copenhagen, two post graduate degrees in Special Education from University of Manchester and Teacher Education from Kenyatta University. She is Currently pursuing her doctoral studies at the University of Nairobi.

8. Dr. Julius Jwan

Julius is the serving Director at the Kenya Institute of Curriculum Development (KICD). Previously, he worked as the Director -Programmes and Technical Services at the National Cohesion and Integration Commission (NCIC), a Lecturer at Moi University and a teacher at a teacher training college and a secondary school. In the interest of his profession, he has published widely on educational leadership and management in peer reviewed journals and book chapters. Since winning the British Educational Leaderships, Management and Administration Society for the Best Doctoral Thesis Award in 2011, he has published three textbooks on educational leadership and management and qualitative research methods. He holds a PHD in Educational Leadership & Management and a Master's of Science Degree in Educational Research Method from the United Kingdom. He has a second Masters of Philosophy in Education Communication and Management from Norway and another Master's Degree in Linguistics from Maa University and a Bachelor of Education Degree from the same University.



9. Dr. Mercy G. Karogo MBS

Mercy, has since March 2016 served as the acting Chief Executive Officer of the Kenya National Examinations Council. She rose through the ranks at the Kenya Institute of Curriculum development to serve as Ag, Director after stints as senior Deputy Director, Deputy Director Technical, Industrial, Vocational and Entrepreneurship and Head of Department Curriculum and Research Services. Mercy has also worked in various capacities in the Ministry of State for Youth Affairs. She is also serving on Boards of Management of three Kenyan Parastatals namely Kenya Institute of Curriculum Development, Kenya National Commission for UNESCO(NATCOM) and the Kenya Wildlife Training Institute among others. Her contribution to education also includes publishing of chapters in Commerce textbooks for Students. Mercy holds a doctoral degree in Business Administration and





Management from Dedan Kimathi University of Technology, a Master of Science (Entrepreneurship) from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Education in Business Studies and Economics from University of Nairobi.

10. Beldine Omolo

Beldine is Socio-economic and public finance management specialist with over 20 years' experience in policy development and management in the public service. Areas of proficiency include macro- economic policy, fiscal policy, budgeting, competition policy and law, and advocacy and awareness programmes. She is currently an Assistant Director of Budget-National Treasury and the alternate member to the PS National Treasury. She holds a Masters of Arts in Economics- University of Nairobi, a Bachelor of Commerce in Business Administration and a Certificate on Research Methods and Computer Applications



11. Mutiso T. Wambua: Director

Mr. Wambua is the Director of the Kenya Institute of Special Education and serves as the council Secretary. He began his teaching career in 1985 and rose into administrative roles as deputy teacher and later as Chief Principal in various secondary schools. His last working station was Mumbuni Boys High School, where he served until June 2017 when he joined the Institute. He is a holder of a Bachelor of Education Degree Science from Kenyatta University is currently undertaking his postgraduate studies in in Management and Organizational Development at the United States International University-Africa.





MANAGEMENT TEAM

PROFILES OF KISE MANAGEMENT

1. Mutiso T. Wambua: Director



Mr. Wambua is the Director of the Kenya Institute of Special Education. He began his teaching career in 1985 and rose into administrative roles as deputy teacher and later as Chief Principal in various secondary schools. Reflecting on his 8-year tenure at Mumbuni Boys High School, where he served until June 2017, he did not only ensure teacher development but

also inculcated a culture of discipline that saw the school witness improved academic performance. As a high performing principal not only was he granted the Machakos County, Teacher of the Year 2014 award and was also received a Head of State Commendation. It is in the same spirit of being true to service, true to country and belief in transformational leadership that in his two years at KISE he oversaw the completion of the National Psycho-educational Assessment and Research Centre, enhancement of security systems, a revamped fulfillment of the Institute's mandate, strengthening partnerships with stakeholders in addition to improvement of employee welfare. Mutiso a holder of a Bachelor of Education Degree Science from Kenyatta University is currently undertaking his postgraduate studies in in Management and Organizational Development at the United States International University-Africa.



2. Margaret Githanga: Deputy Director-Finance and Admin.

Born 1964, Margaret is the Deputy Director -Finance & Administration. She has vast knowledge in organizational standards, administrative processes and regulations in the education sector. This experience spans over 30 years in which she has served as a teacher, a teacher trainer and manager. Her commitment to the transition of learners and persons with visual impairment, led to her appointment as the Lead Coordinator (KENYA) of the NORHED partnership project funded by NORAD (Norwegian Agency for Research and Development). Margaret holds a Bachelor of Education degree from Kenyatta University, Nairobi. She attained her Master of Philosophy in Special Needs Education, from University of Oslo (UiO), Norway and is currently pursuing doctorate studies in special needs education at the same university.



3. Peter Ndichu Mburu: Deputy Director-Programmes

Peter has over 31 years in the education sector having served as a teacher of mathematics, a curriculum developer in addition to managing the academic programmes. To advance his career interests he has participated in development of materials for the Distance Learning programme, special needs education consultancies in addition to taking proficiency training in inclusive education and low vision assessment and management. Peter holds a Bachelor's Degree in Education from Kenyatta University and an Advanced Diploma in Special Needs Education from the Institute of Education-University of London.



4. Lydia Chege: Manager-ARC

Lydia was Born in 1970. She is currently the senior manager in charge of Research Assessment and partnership. Besides she is a professional teacher, project manager and counselor. She holds a Higher Diploma in Psychological Counselling- Kenya Institute of Professional Counsellors, Bachelor of Education from Moi University and Masters in Development Studies and currently pursuing a Ph.D at St. Pauls University. She has been passionate about research and has been instrumental in steering the Institute's research mandate.





5. Daniel Sanoe: Academic Registrar

Born in 1966, Daniel works as an academic registrar. He is vastly experienced in special needs education. He worked previously in educational Assessment Centre. An alumnus of KISE, Sanoe holds a Diploma in Special Needs Education. And a Bachelor of Education degree in Special Needs Education from Kenyatta University.



6. Christopher Lenguris: Dean of Students

Christopher was born in 1965 and has over 30 years of teaching service experience across various Educational Institutional including Primary, Educational Assessment and Resource Centre and Teacher Training at KISE. He has a wide range of knowledge and experience in institutional management, assessment of learners with special needs and quality management. He has attended various courses organised by the Ministry of Education, Kenya Education Staff Institute, Kenya School of Government and National Quality Institute. He has represented the Institute in various fora within and outside Kenya. He holds a Bachelor's Degree in Special Education, two Diploma Certificates in Special Education and a Certificate in Primary Teacher Education and is a student pursuing Post-Graduate Studies in Research and Evaluation.



7. Dr. Lynette Ong'era: Deputy AR-Admissions

She has over 23 years of experience in teacher training in Special Needs Education.



She has authored, co-authored and edited several training modules for training Diploma in Special Needs Education through distance learning. She has held different leadership positions in the Institute. She holds a PhD in Education-Special Needs Education from Kenyatta University, a master's degree in Professional Studies-Emotional and Behaviour Difficulties from the University of Birmingham, UK, a BA degree in Economics and Education from the University of Lucknow, India and a post graduate Diploma in Mental Retardation from the National Institute for the Mentally Handicapped-Secunderabad, India besides other management and leadership courses.



8. Flora Malasi: Deputy AR-Training

Flora Maghuwa Nyali Malasi is the **Deputy Academic Registrar** and a lecturer at Kenya Institute of Special Education (KISE). She is currently collaborating with Jyvaskyla University and Niilo- Maki Institute in Finland on classroom research on eTALE Africa project which targets teacher professional development. She is also a member of the national technical team, TUSOME on early grade reading literacy programme of the ministry of education (MoE). Flora trained as a primary school teacher and holds a Diploma in Special Needs Education, B.Ed. (Special Needs) Kenyatta University, and MSc in Autism Spectrum Disorders - Queens University Belfast, Diploma in Learning Disabilities- Niilo Maki Institute, Finland and currently undertaking a PhD in Special Needs Education at Maseno University.



9. Mr. Johannah Mweu: Deputy AR-Exams

Born in 1964, Johannah is the **Deputy Academic Registrar Examinations**, He has served in various management positions at different institutions of learning. His keen interest in special needs education has enabled him articulate. He is an adviser for special needs in education advocacy efforts at the National Assessment Systems for Monitoring Learner Achievement (NASMLA) programme at the Kenya National Examination Council. Johanna's experience spans teaching in regular primary schools, teacher training, curriculum development, research, examination, and management. He holds a PTE Certificate from Machakos Teachers College a Diploma in Special Education from KISE (Kenya), and among other and a Masters in Education Degree in Professional Development from The University of Leeds (UK),



10. Antony Mwangi: Finance Manager

Head of Finance, Accounts and Planning: The Finance Manager, Antony Mwangi was born in 1978. He joined the Institute in 2004 and has held the position since 2013. He has over 20 years of progressive experience in the finance and accounting field having worked in both private and public sectors. Antony a certified public accountant CPA (K), holds a Bachelor degree in International Business Management from Mount Kenya University and is currently pursuing postgraduate studies in Corporate Management at Kenya College of Accountancy.





11. Sarah Adede Ouma: Senior Human Resource Manager

Sarah, a certified member of the Institute of Human Resource Management is the Senior Human Resource Management Officer. She has extensive experience in managing people, fostering effecting workplace relationships and performance management. As an advocate for employees, she has been involved in ISO certifications implementation, to ensure that KISE grows an effective organizational culture that embraces effective procedures in addition to prudent risk management. Besides working in the education sector she has also worked as an administrative executive in the manufacturing sector, non-governmental organization and a multinational Company. Sarah holds a Bachelor of Arts degree in Human Resource Management from Kenyatta University and is currently pursuing postgraduate studies in Human Resource Management at Jomo Kenyatta University.



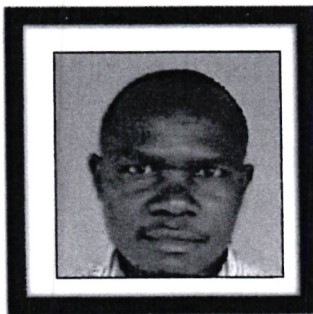
12. Lucy Muthoni: Senior Corporate Communication Officer

Born 1975, Lucy is the Senior Corporate Communication Officer. Previously she served as an administrative She has served previously worked for Kambui School for the Deaf. Lucy a member Board of Management at Limuru Girls High School is also a member of Public Relations Society of Kenya (PRSK) and a Certified Trustee. She holds an undergraduate qualification in Communication and Public Relations and is currently pursuing her Masters in Communication and Public Relations at the University of Nairobi.



13. Nicholas Ayiesa: Internal Auditor

Born in 1985, Nicholas is the Internal Auditor. He has extensive training in Enterprise Risk Management and Information System Management Security. He began his career at KISE and has over the years served as an accountant and planning officer. Nicholas holds CPA part Two, Diploma in Accountancy from Technical University of Kenya, a Bachelor of Commerce degree (Finance option) from KCA University and a Masters of Business Administration (Finance Option) from United States International University-Africa.





I. CHAIRMAN'S REPORT



On behalf of the Council of Kenya Institute of Special Education, I am honoured to present the Annual Report and Financial Statements for the financial year ended June 30, 2019. During the year under review, KISE continued to play its rightful role in providing services to persons with special needs and disabilities, in the areas of personnel development, research in special needs, assessment of children with special needs and disabilities, modelling inclusive education, and habilitation and rehabilitation of persons with visual impairments, speech difficulties and cerebral palsy. The Institute, being the heartbeat of matters special education,

recognises the support given to this aspect of the country's education. The positive perception of the necessary interventions in regard to learning and training of persons with special needs and disabilities, remain strong pillars, towards realization of the Sustainable Development (SDG) Goal 4 on inclusivity. The Institute will stay on the lead part in this pursuit.

Strategy

The year saw the launch and start of implementation of the reviewed Strategic Plan 2018-2022. The Institute in this process revised its vision and mission to underline its intent to impact the community and create an inclusive Kenyan society.

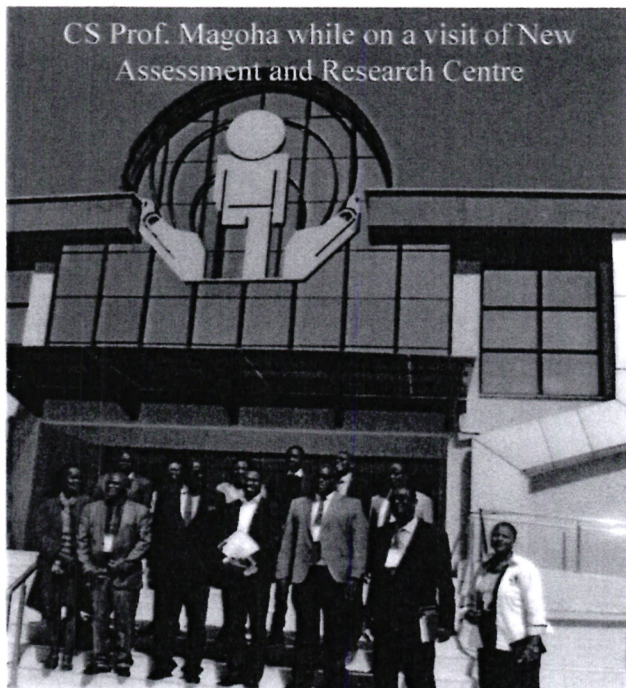
The revised Strategic Plan is anchored on the Social Pillar of Vision 2030, MTP III and Government's Big 4 agenda. Key strategies include:

- Improving access to our training programmes and services through establishing nine more training centres and expanding outreach activities to six counties. Further, the boarding capacity of the Institute has been expanded by refurbishing an old

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building to a modern hostel with a capacity of 100 beds. This especially benefitted trainees with special needs and disabilities.

- The quality of our training programmes has been enhanced by reviewing of short courses and well as increased reference materials in the library in form of books and journals. This also went a long way in enhancing research, which was also accelerated by development of the Institute's Research Policy.
- The Institute emphasizes the need to integrate ICT in service delivery of special needs education and related services. The institute has expanded access to technologies and, developed local solutions especially for persons with visual impairments.
- It has been the intention of the Council to have the Institute's legal status reviewed to bring it in tandem with the current legal framework and practice. The Council has facilitated the drafting of a Bill that will upgrade the Institute to corporate status if enacted. The Council appreciates the goodwill that this matter is receiving among stakeholders and hope that the conversation will yield the anticipated new status.



Risk Management

The Council acknowledges the threats posed by uncertainty surrounding Institute's strategic objectives. It has undertaken to lead the path of risk management in the Institute to ensure that the intended strategic goals are attained. The inherent opportunities are also deemed important for our exploitation so as to receive the full value of the environment in which we operate. In guiding the management, an Enterprise Risk Management Policy Framework was developed and launched for implementation in the year. The policy identified the various players and tools

appropriate for monitoring and evaluation of the risk management strategies by the Council. The Risk and Audit Committee of the Council was assigned the role to receive and evaluate the reports every quarter.



Projects

Appropriate infrastructure is critical for full exploitation of opportunities available for the Institute. The Council has continued to improve the existing facilities, most of which were established over 30 years ago. In the year under review, we celebrate that construction of the National Assessment and Research Centre was completed at a total cost of KES. 614 million. The centre aims to contribute to the realization of the Big 4 health agenda. The journey of preparing the rooms in respect of interior works to make them friendly for the services long anticipated by Kenyans with special needs and disabilities has started. The equipping of the Centre was also begun in the year and operations took off at a small scale. We celebrate the fact that during the year, the numbers of assessed children grew from 1577 to 1650 while the number of persons rehabilitated at the Institute also increased from 2145 to 2300. We appreciate the Government of Kenya for funding, and so giving its citizens, a Centre, unique not only in Africa, but even beyond. Persons with disabilities will now have a one stop facility that attends to all areas of special needs and disabilities. It is acknowledged that there are stakeholders who have expressed support for the Centre in respect to equipping and operations. The National Research Fund granted KES. 34 million towards equipping while Kenya-Re delivered equipment valued above KES. 10 million with a commitment to support some operations under the "Niko Fiti" campaign.

Future Outlook

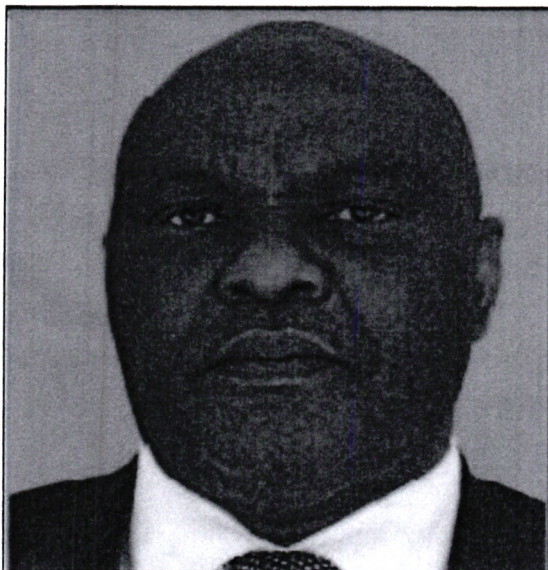
The Institute looks forward to a near future that is vibrant and a heavier demand of our services in Kenya and beyond. We are committed to supporting the Competency Based Curriculum (CBC) to work for all learners with special needs and disabilities, and nudge for inclusive teacher training in the country. We anticipate to finalize on equipping the new Assessment Centre by 2021, but at the earliest possible. We believe that the legal status of the Institute will be reviewed to unlock access to more support and improved effective structure for our operations. We hope to recruit additional specialists in areas of special needs and disabilities to help meet the expanded operations. We will continue to work with various stakeholders to keep the special needs education flag high. We appreciate all who are and willing to walk with us on this journey.

Dr. John Mugo, Ph.D

KISE Council Chairman



II. REPORT OF THE DIRECTOR



The Institute's financial performance for the period under review saw an improved level of activities by the Institute. The Revenue grew by 10%, from 288 million the previous year to 318 million this year. The expenditure level also grew by 32 million to 303 million representing a 12% change. The Institute was able to comply with Government intention to settle all obligations to its suppliers and had no pending bills at the close of the financial year. The Institute reported a surplus of 15 million down from 18 million reported the previous year.

The Institutes commitment to deliver on its mandate has remained strong with growing level of output. In the year under review, it continued to deliver and provide various specialized services and support to persons with special needs and disabilities in the country. Our experts also supported various government programs and policy formulation through sharing of their experience, research, and documented information. Institute officers have been involved in CBC development and implementation activities. All institute trainers are CBC compliant and ten (10) of them are National Master Trainers. We believe that this participation will ease CBC curriculum implementation where learners with special needs and disabilities are concerned.

Education and Training

The Institute trained and graduated 520 diploma trainees to support the education sector; over 1200 certificate graduates were also trained. The mode of delivery has continued to be flexible allowing for partners to support training of personnel on areas of interest across the country; National Council for Persons With



Disabilities (NCPWD) sponsored training of 384 Government officers in Kenyan Sign Language. This brought the number of Diploma graduates of the Institute to 20,968 and 9910 for certificates.

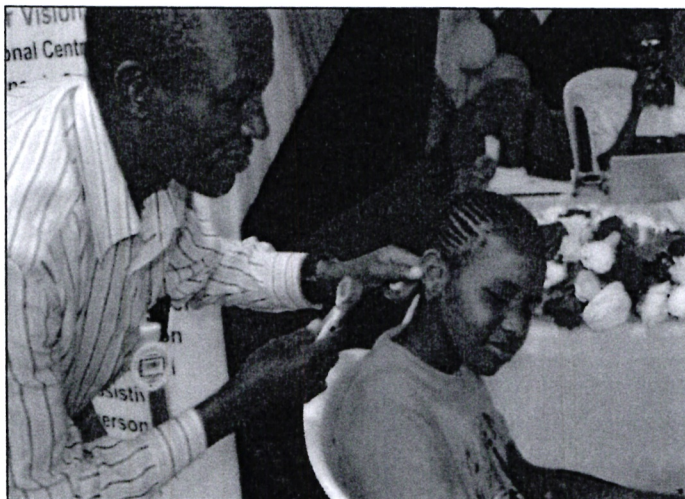


The total enrolment indicated an upward trend in the financial year for both diploma and certificate courses. It was noted that Kenyan Sign Language course has gained greater preference. In addition, the Model Inclusive pre-primary school boasted an enrolment of 67 learners. It admitted learners with and without special needs and disabilities and the learning has also been made CBC compliant.

In recognition and promotion of gifts and talents, the Institute supported co-curricular activities for its trainees. In the review period, our teams participated and excelled in both athletics and ball games, with the goal ball men's team emerging winners and women's team ranked third at the National level, a number of athletic items also reached the National Level. The Institute sports day was celebrated as a social event for the Institute community which saw many exercise their diverse gifts.

Under the linkages and partnerships, the Institute carried out various activities as agreed with respective partner institutions. With Commonwealth of Learning, a project on Inclusive education for Secondary school level was initiated. The National Youth Service also sponsored over 140 trainees for certificate in Early Childhood Development and Education (ECDE) with special needs. This improved our revenues for the year, however, the program may not be continued in the coming year due to policy change by the Ministry of Education.

Functional Assessment



The construction and practical completion of the GoK funded National Assessment and Research Centre in the year under review, has expanded the Institutes capacity to provide assessment and intervention services to persons with special needs and disabilities. The Centre was partially operationalized in March 2019. A total of 1706 persons were served in the year under review up

from 1577 in the previous year. Further, 1821 children received rehabilitation and habilitation services at the Centre, for visual impairments, speech difficulties and cerebral palsy. The numbers will significantly increase once equipping is completed in the coming financial years. The Centre also enhanced research in special needs and disabilities, and training of assessment officers to serve the county and sub-county level assessment centres.

Outreach and awareness creation programs reached 1238 parents and guardians of children with special needs and disabilities in 6 counties of Kiambu, Nairobi, Isiolo, Samburu, Kwale and Nakuru. It also strengthened the services at the County assessment centres of the areas visited. This was an increase from 917 reported the previous year where four counties were reached.

Research, Data Management and Innovation

Research has continued to inform policy and decision making in the area of special needs and disabilities. The Institute undertook research in various areas of interest in the year. Two major studies were carried out namely: *"Situational analysis of inclusive education practices in Technical and Vocational Training institutions in Kenya"*, and *"The role of Teachers in identification and support of learners with learning disabilities in primary schools in Kenya"*. The findings of these studies have been disseminated to stakeholders.

Specialized Learning Resources, Assistive Devices and Technology

Marketing and awareness creation enhanced access to the services in production of Education resources. The Institute produced and distributed 1,101 items on orders valued at Kes. 2,291,970 in the financial year, up from Kes. 1,217,497 in the previous year.

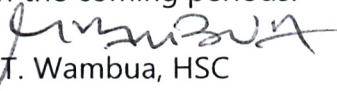


Staff welfare

The Institute has continued to support its staff in times of needs. The 150 employees of the KISE Council enjoy a comprehensive medical insurance cover and have a pension scheme in place. In addition, staff with health issues are supported through psycho-social support programmes covering nutrition and counselling. This continues to improve their corporate citizenship and enhance productivity.

Conclusion

The achievements of the year under review indicated a positive base for continued improvement. The Quality Management Standard; ISO 9001:2015, under which the Institute was re-certified in the year will continue to assure that our operations are anchored towards customer satisfaction. We look forward to serving the country and the region better in the coming periods.


Mutiso J. Wambua, HSC

Director

III. CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Kenya Institute of Special Education is conscious of its responsibility in developing a culture that adheres to sound principles of good corporate governance. This is echoed by Institute Core Values which include; Excellence, Professionalism, Integrity, Respect, Courtesy, Stewardship, Tolerance and Empathy. In pursuit of provision of quality services to the stakeholders, the Institute's core values are guided by Public Officers Ethics Act, Code of Governance for State Corporations guidelines as stipulated in Mwongozo (2015), Leadership and Integrity Act (2012), Constitution of Kenya and the Institute policies.

COMPOSITION OF THE COUNCIL MEMBERS

As at 30th June 2019, the Institute had 11 council members appointed by the Cabinet Secretary Ministry of Education for a term of three years with effect from May, 2018. Members are drawn from various professional fields with unique skills, experience, expertise and proficiency. The Council comprises Chairperson, four (4) independent members, representatives from the Ministry of Education (MoE), The National Treasury, Teachers Service Commission (TSC), Kenya National Examination Council (KNEC), Kenya Institute of Curriculum Development (KICD) and the Director, who is the Secretary. The composition complies with the gender rule by having five (5) women and inclusivity through representation of persons with disabilities. The Council has the following committees which conducts their business as guided by the Institute almanac and submits their reports to the full council: Risk and Audit, Finance and General Purpose and, Academic and Research.

ROLE OF COUNCIL MEMBERS

The legal notice No. 17 of 1986 stipulates the functions of the Council. It also establishes specific roles of the Council and respective Committees. The main role as per the notice and the Council charter is to provide Institute's strategic direction and sustainability. The Council's oversight role has brought on board more transparent and clear procedures, structures and systems which has given the Institute an effective, prudent, integrated and consistent way of achieving its mandate.

COUNCIL MEMBER MEETINGS

Even though the day to day running of the Institute is vested in the Director, the Council and respective committee meet regularly as dictated by the Institute requirements to provide guidance on Strategy, Risk, Performance and Financial Management. As at 30th June, 2019, the council member's attendance was as indicated in the table below;



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

a) Full Council

S/N	NAMES	COUNCIL MEMBERSHIP	Q1	Q2	Q3	Q4	TOTAL	%
1	Dr. John Mugo	Chairperson	■	■	■	■	4	100%
2	Mr. Fred Haga	Member	■	■	■		3	75%
3	Ms. Elizabeth Obande	Member				■	1	25%
4	Ms. Augusta M. Muthigani	Member		■	■		2	50%
5	Ms. Beth Kahuthia	Member		■	■		2	50%
6	Ms. Josephine Oliwa	Member	■	■	■		3	75%
7	Prof. Peter Oracha Adoyo	Member	■	■	■	■	3	75%
8	Ms. Beldine Omollo	Member	■	■	■	■	4	100%
9	Ms. Grace O. Ogonda	Member	■	■	■		3	75%
10	Ms. Hellen Mudora Obade	Member	■	■	■	■	4	100%
11	Mr. Mutiso T. Wambua, HSC	Secretary	■	■	■	■	4	100%
12	Dr. David Njengere	Member	■	■	■		3	75%

b) Risk and Audit Committee

S/N	NAMES	COUNCIL MEMBERSHIP	Q1	Q2	Q3	Q4	TOTAL	%
1	Ms. Hellen Mudora Obade	Chairperson	■	■	■	■	4	100%
2	Ms. Augusta M. Muthigani	Member	■	■	■		3	75%
3	Ms. Beth Kahuthia	Member		■		■	2	50%
4	Bevaline Nyantika*	Secretary	■				1	25%
5	Ayiesha N. Ohese*	Secretary		■	■	■	3	75%

*Ayiesha N. Ohese replaced Bevaline Nyantika who was acting as Internal Auditor.

c) Finance and General Purpose Committee

S/N	NAMES	COUNCIL MEMBERSHIP	Q1	Q2	Q3	Q4	TOTAL	%
1	Ms. Grace O. Ogonda	Chairperson		■	■	■	3	75%
2	Mr. Fred Haga	Member		■	■		2	25%
3	Ms. Beldine Omollo	Member		■	■	■	3	75%
4	Mr. Mutiso T. Wambua, HSC	Secretary		■	■	■	3	75%



d) Academic and Research Committee

S/N	NAMES	COUNCIL MEMBERSHIP	Q1	Q2	Q3	Q4	TOTAL	%
1	Prof. Peter Oracha Adoyo	Chairperson					3	75%
2	Ms. Elizabeth Obande**	Member						0%
3	Dr. David Njengere**	Member					3	
3	Ms. Beth Kahuthia	Member					2	50%
4	Ms. Josephine Oliwa	Member					3	75%
5	Mr. Mutiso T. Wambua, HSC	Secretary					3	75%

** Dr. David Njengere was replaced by Ms. Elizabeth Obande as KNEC representative after the 3rd quarter.

RISK MANAGEMENT

In the year under review, the council in recognition of volatility of the business environment, sponsored training of Institute staff on Information System Management Security (ISMS) and Enterprise Risk Management (ERM) which later translated to development of Institute Risk Management Policy Framework. The policy is aimed at guiding the Institute on Risk identification, assessment and mitigation.

During the period under review, the Institute undertook risk assessment and developed appropriate safeguards and mitigation measures as indicated below;

a) Project risk

During the year under review, the Institute was able to complete construction of one of the best National Assessment and Research Centre within the region. This project is aimed at providing appropriate technologies for effective assessment and placement of persons with disabilities covering complex disabilities like neurological, audio logical and sensory impairments, learning disability, gifted and talented. Due to complexity of the project, Institute was likely to face inappropriate implementation of the building designs and especially the specialized blocks and therapeutic swimming pool. This risk was mitigated by close consultation between the Institute and specialized experts.

b) Health and safety risk

One of the mandates of the Institute is to carry out research in areas of Special Needs and Disabilities. During the year under review, the Institute undertook various research assignments that saw the Institute sent some officers to hostile and risky areas for data



collection and supervision. In such cases, the Institute mitigated safety and health related risks by seeking services of the security officers and securing a medical insurance cover for the assigned staff. Further the Institute provided health and safety gears to staff whose areas of operations exposed them to risks.

c) Financial risk

During the year under review, The National Treasury announced raft of austerity measures which included cutting back on non-crucial budget allocations in key state departments and freezing some spending. The institute budget allocation was reduced by almost a quarter. This was likely to cause financial constrains to the Institute. The Institute mitigated this risk by rationalizing its budget and diversifying sources of revenue. This was achieved by public private partnership through grant proposal writing and linkages aimed at raising funds and resources for specific operational areas.

d) Operational risk

Operational risks are largely related to operations whose failure could lead to significant disruption of the Institutes continuity. In the period under review, the Institute was faced by succession issues as a result of many specialist staff retiring. This has a risk of leaving the Institute without appropriate replacements which could affect its operations. To arrest this risk, the Institute undertook staff capacity building and initiated mentoring of new staff.

Some of the government policies could also affect the operations of the Institute; for example, the policy directive on suspension of certificate training in ECDE and P1. The reduced this risk by expanding its other training programs especially the Kenyan Sign Language (KSL). Further, we initiated discussions with KICD on curriculum development for new programs such as Diploma in KSL. The review of the legal status was initiated with a hope of enhancing the service areas for the Institute.

e) Reputational risk

Like any other organization KISE is a potential candidate of negative publicity that may come with public perceptions or even uncontrollable events. This may have a huge impact because it can shift institute`s corporate image landscape, affects achievement of its mandate and even worse, it may affect customer/clients opinions. With this in mind, the Institute has a reputational risk management plan. This is through management of Institute social media pages and handle, investment in publicity and advertisement. Additionally, the Institute has developed a customer service charter and established systems for quality control of its services.

f) Quality Risk

This is risk that may come as a result of causing harm or injury to clients while undertaking assessment and rehabilitation to persons with special needs and disabilities. To safeguard and cushion against such risk, the Institute has invested more in training of assessment officer, procured modern assessment equipment's and expanded health facility to a full dispensary with capacity to handle any emergency and injuries that may come as a result of physiotherapy sessions in the Centre. In addition, the therapeutic swimming pool and Gym within the assessment centre poses emerging risks like drowning and injuries. The Institute has restricted access to those areas, hired qualified gym and swimming pool instructors and installed emergency alarm systems.

g) Compliance risk

The Institute receives very sensitive client information, especially those who come for assessment services. This therefore means that information if not well managed could exposure the Institute legal challenges related to breach of privacy. The same risk arises if inappropriate advisory is given to clients leading to harm or injury on clients while on our facilities. To address this risk, the Institute ensured that staff are trained on information security and importance of operating in accordance with industry laws and regulations, internal policies or prescribed best practices. We have also taken necessary insurance cover against injuries to staff.

STAKEHOLDERS INTEREST

The Institute is cognizant that stakeholders expect transparency and disclosure of information that may affect them. During the period under review, the Council put in place mechanisms that ensured that the stakeholders' interests are not violated. This was done through meeting its obligation within agreed timelines, adhering to contract and partnership agreement, taking care of staff welfare through provision of conducive working environment, enhancement of staff medical cover and psychosocial support, and reporting to government through appropriate reporting media.



IV. MANAGEMENT DISCUSSION AND ANALYSIS

The Training Program:

The key mandate for the Institute is to capacity build the country’s personnel towards effective management of persons seeking services especially in the education sector. The chart below shows the trend in level of trainees graduated by the Institute between FY2015 and FY 2019. It is generally observed that in the current, the increase in the uptake of courses offered by the Institute with particular interest in Kenyan Sign Language.

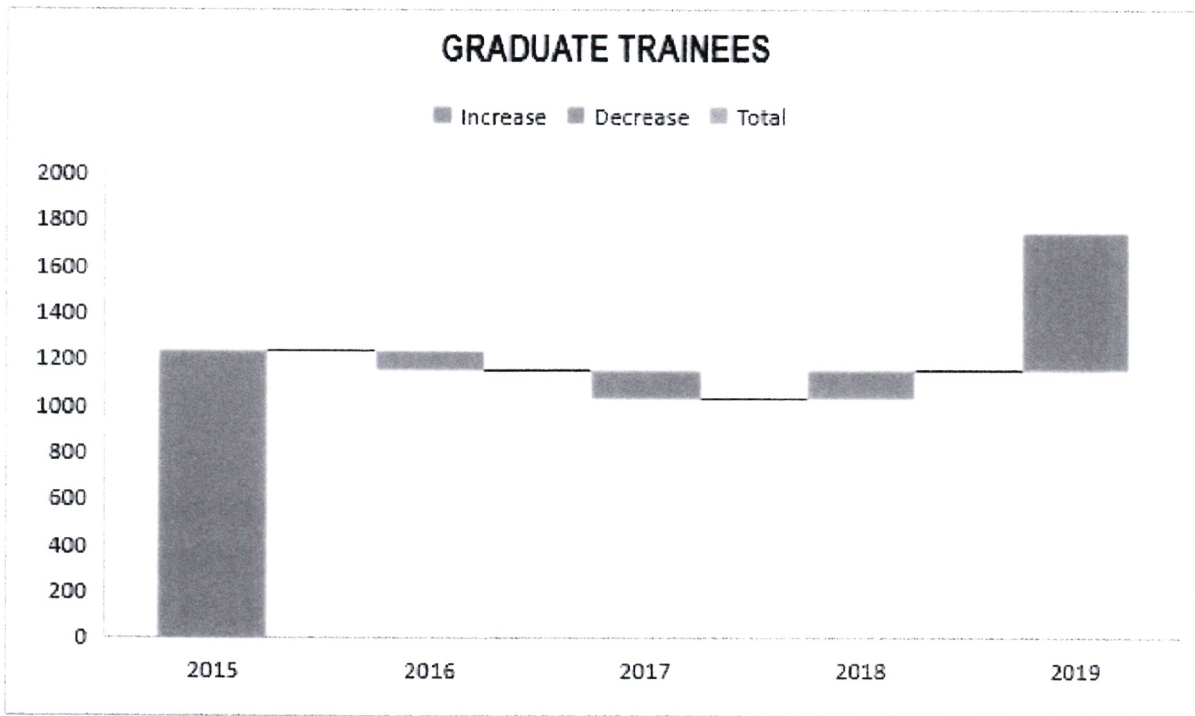


Figure 1: Trend in Number of Trainees Graduated by the Institute

Functional Assessment Program

The Assessment mandate demands that the Institute conducts functional assessment of children with special needs and disability, provides placement, and management advisory to parents to teachers. The numbers have continually increased, and more than doubled over the 5 year period, mainly due to enhanced awareness of the services, outreach activities as well as the eventual start of services at the New National Assessment Centre. The Institute hopes to report higher numbers with full operationalization and publicity of the services at the new centre.

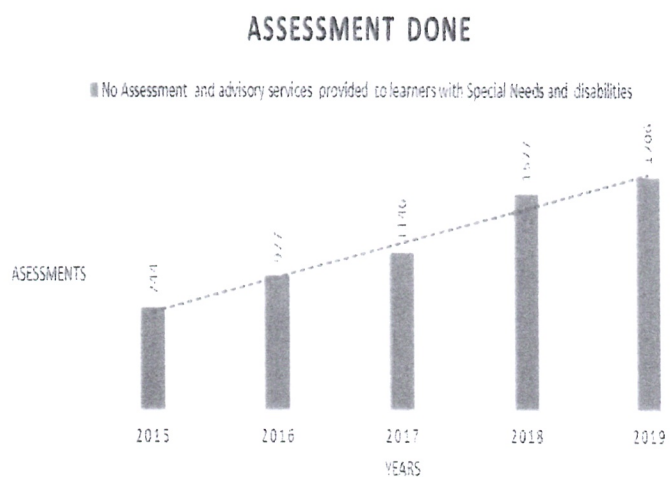


Figure 2: Growth in number of functional assessments conducted



Institute Revenues

The Institute total revenues recorded an improvement over the last 5 years. The recurrent provision has been relatively stable as well as the level of A-in-A. However, the Development allocation has oscillated a bit but has facilitated the construction of the National Psycho-educational Assessment Centre which is now in the equipping stage. The Institute hopes to raise more A-in-A so as to meet the expected growth in operating costs at the Assessment Centre.

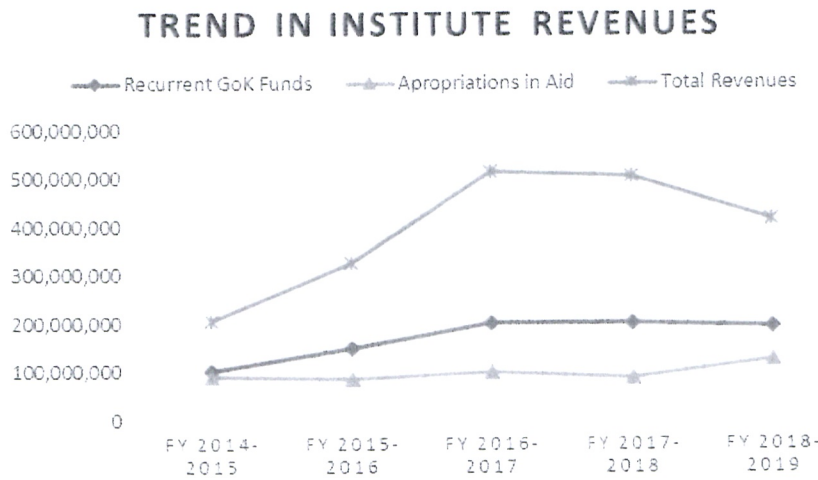


Figure 3: Trend in Institute Revenues

Institute Expenditure trends

The Expenditure levels have been on an upward trend. The staff costs grew by 29% over the 5 years driven mainly by regulatory requirements to set up a staff medical scheme and enhanced pension provision. Operation and Maintenance have largely been driven by the demand in our services and is in direct proportion to the A-in-A trend. Other expenses have also seen a bit of growth, indicating enhances activities related to partners and stakeholders in SNE and disability related services. The Institute hopes to welcome more partnerships through our linkage office.

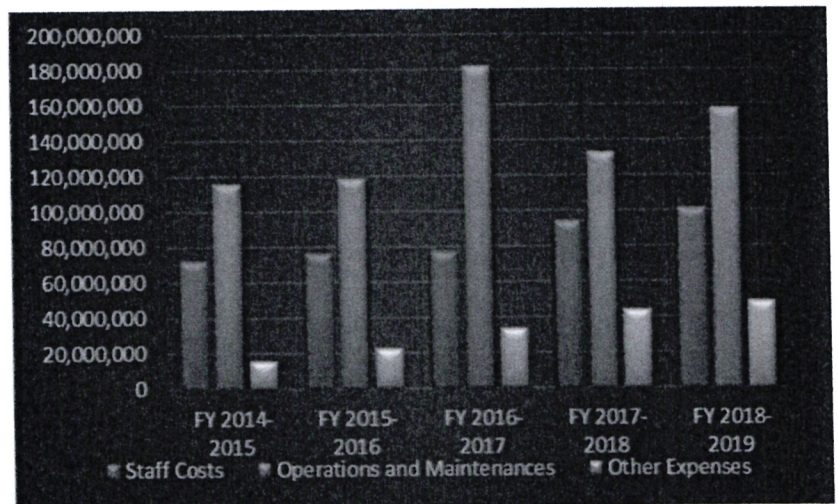
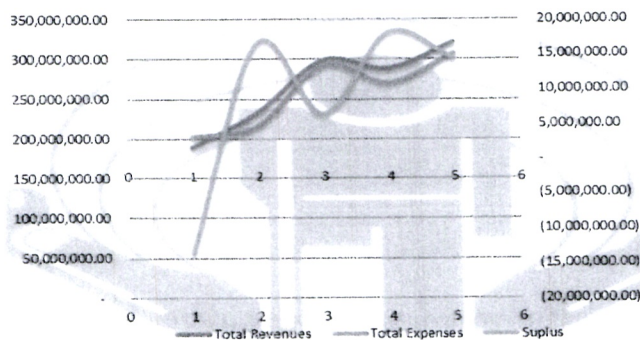


Figure 4: Institute expenditure levels



The Overall bottom-line has been a surplus across the last five years except FY2014-15 when a deficit was incurred. The surplus has however, been marginal and just enough to allow for a reserve to cushion the Institute during financial difficulties that may occur.

Figure 5: Institute Surplus Levels



Institute Assets and Financial Base

The Institute has continued to post a strong and improving financial base over the last five years. Driven by the GoK investment in the establishment of the National Assessment Centre and enhancement of various facilities by the Institute, the financial base grew to Kes 3.8 billion in the year under review.

Chart on Distribution of Fixed Assets

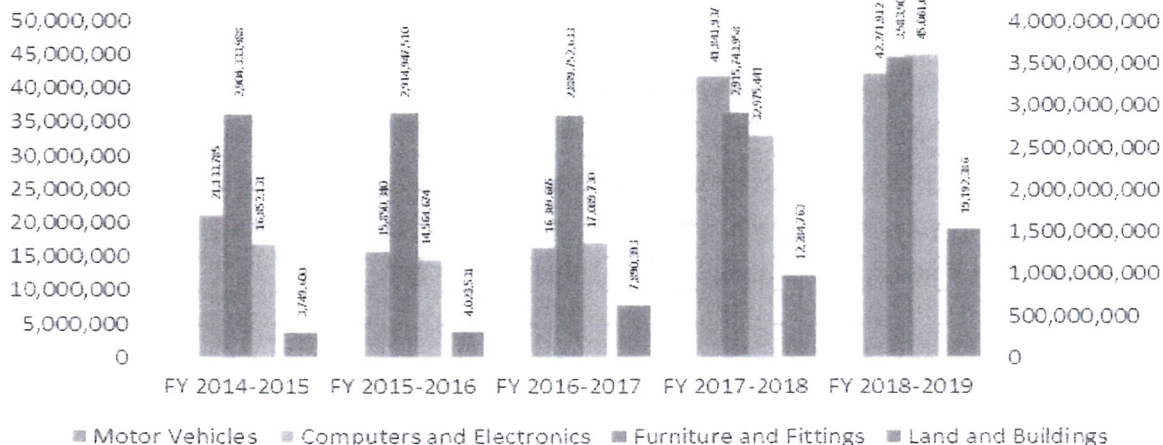


Figure 6: Institute Assets by category

There was a significant growth in the amount attributable to furniture, Computers and electronics as well as buildings as the Institute invests in the establishment of the Assessment Centre.



Figure 7: The Newly Constructed KISE National Psycho-Educational Assessment Centre



V. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

At Kenya Institute of Special Education (KISE), we consider the broader interests of society by taking responsibility for the impact of our Institutes' activities. We believe our responsibility extends beyond the obligation to comply with legislation, to voluntarily take action to improve the quality of life among local communities and society at large as well as to protect the environment.

The Institutes' corporate social responsibility includes community engagement, employee respect, support for human rights and extension of environmental good practice. The institute intends to contribute and achieve its CSR by engaging with community groups as requested from time to time. The KISE Council is responsible for decision-making on the Institute's community social responsibilities priorities.

Stakeholders Engagement

The Institute closely collaborates with stakeholders including government agencies and non-profit organizations in engaging communities. In the period under review, we pursued initiatives aligned with the focus areas outlined by Institute's Mission, Vision and Values. In this vein, the Institute supported organizations and Institutions that support learners and persons with disabilities. In the year 2018/2019, the Institute took part in the



Cerebral Palsy walk, an initiative of Cerebral Palsy of Kenya, Agape Walk an initiative of Agape Centre, a private local home for children with special needs and climbing mount Longonot an initiative of Kenya Society for the Blind. Towards these initiatives, the Institute donated Kes.50,000 to each of the above organisations.

Figure 8: KISE staff and students taking part in climbing Mount Longonot in partnership with KSB

Education

The Institute has continued to promote education by offering scholarships to bright but underprivileged students transitioning from primary to secondary school. During the financial year 2018/2019, KISE partnered with Kasarani Neighbourhood Association (KNA) to provide scholarship to a needy but bright pupil from



Roysambu Primary school who transited to Pangani Secondary School.

Figure 9: Handing over books and stationeries to one of the scholarship beneficiaries

Community Engagement

KISE as an Institute is committed to enhancing the quality of life for the youth in the neighbouring community. In the year under review, the Institute trained 138 youth in computer proficiency lessons through a programme dubbed Innovate Kenya. The programme targets youth from the neighbourhood who are through with Secondary education awaiting to join Tertiary Education.

The Institute recognizes the importance of nurturing different talents within the youth and proper health care to all. Towards this, the Institute allows access to her field for football



and fitness activities every evening to the residents in the neighbourhood who jog in the KISE field every morning and evening. Private schools without playing field also have access to KISE field as need arises.

Figure 10: KISE staff taking part in Agape School for Special Needs walk



VI. REPORT OF THE COUNCIL MEMBERS

The Council submits its report together with the audited financial statements for the year ended June 30, 2019 which disclose the state of affairs of Institute.

Principal activities

The principal activities of KISE are to provide advisory services in formulation and implementation government policies in the areas of special needs and disabilities, review and research on practices addressing special needs education and related services and provide support and interventions to persons with special needs and disabilities within its mandate.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 1 of the Institute's financial statements. The report indicated a stronger financial base with the asset base growing from Kes. 3.6 billion to over 3.8 billion.

Council Members

The members who served in the Institute Council during the year under review were appointed for three year term in May 2018. Their activities were guided by the Council Charter and adequately guided the management of the Institute towards the good performance noted for the year. Though the Institute reported a lower surplus of 15 million, down from 18 million the previous year, the Institute was able to serve and deliver more on its mandate as compared to the previous period.

Auditors

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

Director/KISE Council Secretary

Date: September 30, 2019

STATEMENT OF DIRECTORS' 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 for year ending June 30, 2019. The responsibility includes:

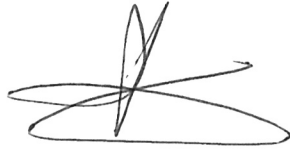
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute;
- (iii) designing, 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 budget 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 Council Members 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, 2019, 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.

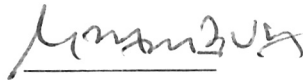
Nothing has come to the attention of the Council Members to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Institute financial statements were discussed and approved by the Council on September 26, 2019 and signed on its behalf by:



Chairman



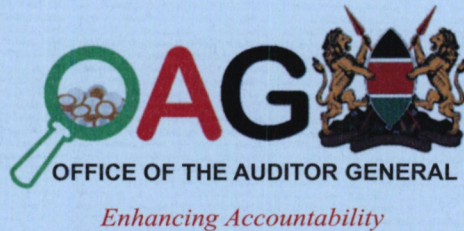
Director



Council Member

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SPECIAL EDUCATION FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Institute of Special Education set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Institute of Special Education as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Education (Kenya Institute of Special Education) Order, 1986 of the Education Act, Cap 211 of the Laws of Kenya.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budget Control and Performance

The Institute had a budget provision of Kshs.396,305,842 during the financial year 2018/2019. The Institute received Kshs.446,156,333 thereby exceeding the budgetary provision by Kshs.49,850,491. However, a review of the collections revealed under- collections of Kshs.3,569,300 and Kshs.4,090,785 on donation and other grants and hire of facilities respectively. The under collection of Kshs.7,660,085 implies non-delivery of planned goods and services to the Kenya Education Sector stakeholders.

Further, the Institute exceeded the budgeted expenditure on routine maintenance-vehicles and other transport equipment and training expenses by Kshs.378,985 and Kshs.4,915,957 respectively. Management has explained that the over-expenditure was as a result of fluctuations in the cost of fuel, high maintenance costs and engagement of more staff to train on distance learning programs. However, the over-expenditure totalling to Kshs.5,294,942 was not approved by the Council or the parent Ministry.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause to cease the Institute to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

11 February, 2021


**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

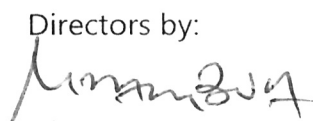
	Note	2019 KES	2018 KES
Revenue from non-exchange transactions			
Donations and Other Grants	6	4,281,700	1,013,378
GoK-Recurrent Grants	7	192,954,842	199,180,157
Total Revenue From Non-Exchange Transactions		197,236,542	200,193,535
Revenue From Exchange Transactions			
Fees And Student Contribution	9	91,294,732	78,613,990
Hire of Facilities And Services.	10	22,909,216	6,226,885
Other Incomes	11	5,778,388	2,389,480
Sale of Learning Materials	12	1,512,945	1,218,497
Total Revenue From Exchange Transactions		121,495,281	88,448,852
Total Revenue		318,731,823	288,642,387
Expenses			
Staff Expenses	13	101,077,194	94,107,704
Operations And Maintenance	14	155,665,995	132,877,144
KISE Council Expenses	15	985,259	864,314
Donations And Other Grant Expenses	16	5,004,703	856,150
Audit Fees	17	650,000	580,000
Provision For Depreciation	18	32,901,216	28,714,176
Provision For Bad & Doubtful Debts	19	6,802,996	12,534,006
Total Expenses		303,087,363	270,533,494
Surplus For The Period		15,644,459	18,108,893

The notes set out on pages 7 to 32 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 KES	2018 KES
Assets			
Current assets			
Cash and cash equivalents	20	136,934,735	125,462,882
Receivables From Exchange Transactions	21	63,992,657	33,925,746
Receivable Deposits	22	1,492,418	292,418
Total Current assets		202,419,810	159,681,046
Non-current assets			
Property Plant And Equipment	23(a)	3,570,175,876	2,911,789,966
Work in Progress	23(b)	-	553,470,690
Investment property	23(b)	30,082,000	31,661,500
Intangible assets	24	-	1,817,184
Total Non-current assets		3,600,257,876	3,498,739,340
Total assets		3,802,677,686	3,658,420,386
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	28,145,574	39,766,947
Deferred income	26	26,228,101	18,398,069
Refundable deposits from customers	27	4,874,930	3,976,530
Prepaid Fees	28	20,108,085	16,026,814
Total liabilities		79,356,690	78,168,360
Capital Reserves & Surplus			
Revenue Reserves	29	120,470,998	104,826,539
Revaluation Reserves	30	2,068,963,405	2,068,963,405
Capital Reserves	31	1,533,886,592	1,406,462,082
Total Capital Reserves & Surplus		3,723,320,995	3,580,252,026
Total net assets and liabilities		3,802,677,686	3,658,420,386

The Financial Statements set out on pages 1 to 32 were signed on behalf of the Board of Directors by:



Director
Mutiso T. Wambua



Finance Manager
Anthony C. Mwangi
ICPAK Member 13996



Chairman of the Board
Dr. John Mugo



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Revenue Reserves KES	Capital Reserves KES	Revaluation Reserves KES	Total KES
Balance at June, 30 2017		86,717,646	1,191,462,082	2,068,963,405	3,347,143,133
Balance at July, 01 2017		86,717,646	1,191,462,082	2,068,963,405	3,347,143,133
Additions in the Year		-	-	-	-
Development Fund Surplus for the year		- 18,108,893	215,000,000 -	- -	215,000,000 18,108,893
Balance at June, 30 2018		104,826,539	1,406,462,082	2,068,963,405	3,580,252,026
Balance at July, 01 2018		104,826,539	1,406,462,082	2,068,963,405	3,580,252,026
Additions in the Year		-	-	-	-
Development Fund Adjustments Surplus for the year	32	- - 15,644,459	127,424,510 -	- -	127,424,510 - 15,644,459
Balance at June, 30 2019		120,470,998	1,533,886,592	2,068,963,405	3,723,320,995


**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 KES	2018 KES
Cash-flows from operating activities		
Surplus for the period	15,644,459	18,108,893
Adjustment for:		
Depreciation	32,901,216	28,714,176
Provision for Bad & Doubtful debts	6,802,996	12,534,006
Increase/Decrease in Receivables	(36,869,907)	8,123,314
Increase/Dec in Receivable Deposits	(1,200,000)	-
Increase/Decrease in Payables	(11,621,373)	(19,118,055)
Increase/Decrease in deferred Income	7,830,032	(395,978)
Increase/Decrease in Refundable Deposits	898,400	3,877,630
Increase/Decrease in Prepaid Fees	4,081,271	5,022,874
Net cash-flows from operating activities	18,467,095	56,866,860
Cash flows used in investing activities		
Property Plant and Equipment	(56,177,168)	(22,782,583)
WIP acquisition	(78,242,584)	(238,587,828)
Proceeds from Sale of Assets	-	-
Interest Income	-	-
Increase/(Decrease) in Investment	-	-
Net-cash-flows used in investing activities	(134,419,752)	(261,370,411)
Cash-flows from Financing activities		
Development Grant received	127,424,510	215,000,000
	127,424,510	215,000,000
Net Increase in Cash & Cash Equivalents	11,471,853	10,496,449
Cash and cash equivalents as at 1 JULY 2018	125,462,882	114,966,433
Cash and cash equivalents at 30 JUNE 2019	136,934,735	125,462,882

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

	Original budget 2018-2019 KES	Adjustments 2018-2019 KES	Final budget 2018-2019 KES	Actual on comparable basis 2018-2019 KES	Performance difference 2018-2019 KES	%age
Revenue						
Donations And Other Grants	7,851,000		7,851,000	4,281,700	(3,569,300)	-45%
GoK-Recurrent Grants	192,563,620		192,954,842	192,954,842	-	0%
Development Grant	185,000,000	(92,500,000)	92,500,000	127,424,510	34,924,510	38%
Fees And Student Contribution	74,771,724		70,000,000	91,294,732	21,294,732	30%
Hire of Facilities And Services.	27,000,000		27,000,000	22,909,216	(4,090,785)	-15%
Other Incomes	5,000,000		5,000,000	5,778,388	778,388	16%
Sale of Learning Materials	1,000,000		1,000,000	1,512,945	512,945	51%
Total income	493,186,344		396,305,842	446,156,333	49,850,491	
Expenses						
Development Grant-To Capital Reserve	92,500,000		92,500,000	127,424,510	34,924,510	
Hospitality Supplies and Services	1,852,000		1,852,000	1,488,029	363,971	20%
Office and General Supplies and Services	1,750,000		1,750,000	1,623,013	126,987	7%
Routine Maintenance - Other Assets	3,580,000		3,580,000	3,254,720	325,280	9%
Communication Supplies and Services	4,969,000		4,969,000	4,920,012	48,988	1%
Printing, Advertising and information Supplies and Services	3,990,000		3,990,000	3,763,758	226,242	6%
Routine Maintenance - Vehicles & other Transport Equipment	2,050,000		2,050,000	2,428,985	(378,985)	-18%
Other Operating Expenses	37,500,000		37,500,000	37,996,543	(496,543)	-1%
KISE Council Expenses	1,700,000		1,700,000	985,259	714,741	42%
Basic Salary - Permanent Employees	62,477,390		62,477,390	55,119,887	7,357,503	12%
Wellness Expenses	450,000		450,000	399,005	50,995	11%
Domestic Travel & Subsistence	4,397,000		4,397,000	4,374,601	22,399	1%

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Employer contribution to Health Schemes	13,300,000	13,300,000	12,911,752	388,248	3%
Employer contribution to Pensions Schemes	9,000,000	9,000,000	8,550,796	449,204	5%
Foreign Travel & Subsistence	1,000,000	1,000,000	29,730	970,270	97%
Fuel, Oil & Lubricants	2,122,000	2,122,000	2,042,744	79,256	4%
INSURANCE EXPENSES	1,630,000	1,630,000	1,407,887	222,113	14%
Personal Emoluments (Part of Salary)	25,000,000	25,000,000	24,494,759	505,241	2%
Specialised Materials and Supplies	15,162,230	15,162,230	11,391,650	3,770,581	25%
Training Expenses	66,248,494	66,248,494	71,164,451	(4,915,957)	-7%
Utilities Supplies and Services	9,800,000	9,800,000	9,380,867	419,133	4%
Donations and other Grant Expenses			5,004,703		
Provision for Audit fees			650,000		
Provision For Bad & Doubtful Debts			6,802,996		
Provision for Depreciation			32,901,216		
Total	360,478,114	-	360,478,114	430,511,873	
Surplus				15,644,459	

**NOTES TO THE FINANCIAL STATEMENTS****1. GENERAL 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 financial management of the Institute are guided by the Public Finance Management Act 2012, The Education Act, 2015, the State Corporations Act (Cap 446), circulars of The National Treasury as well as the Institutes Finance Policy.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

The Institute did not have a case of business combinations in the year under review

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

The Institute will align itself for adoption of the revised IPSAS 41 and 42 by the intended timeline.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. 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.

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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:

Variance between budget and actual for the FY 2018/19

VOTEHEAD	BUDGET	ACTUAL	%AGE	REMARKS
Income				
	KES	KES		
Donations And Other Grants	7,851,000	4,281,700	-45%	The Institute secured lesser donations as expected
Development Grant	92,500,000	127,424,510	38%	The Institute received funding of 34.9m towards the equipping of Assessment Research Centre
Fees And Student Contribution	70,000,000	93,887,772	30%	The Institute realized growth in the number of students enrolled in our programs
Hire of Facilities And Services.	27,000,000	22,909,216	-15%	The Institute has reported net income under this item
Other Incomes	5,000,000	5,778,388	16%	Interest income from call deposit investment.
Sale of Learning Materials	1,000,000	1,512,945	51%	The Institute sold more learning materials in the year under review
Expenses				
Hospitality Supplies and Services	1,852,000	1,502,829	20%	The Institute realized savings out of austerity measures
Routine Maintenance – Vehicles	2,050,000	2,431,617	-18%	The Institute Spent more owing to fluctuation in the cost of Fuels and maintenance costs
Foreign Travel & Subsistence	1,000,000	29,730	97%	The Institute did not send staff outside the Country in the year under review
KISE Council Expenses	1,700,000	1,208,062	42%	This represents a saving under this item
Basic Salary - Permanent Employees	62,477,390	55,119,887	12%	This savings arise from an anticipated recruitment of Assessment and Research Centre staff delayed until last quarter of the year.
Wellness Expenses	450,000	399,005	11%	This represents a saving under this item.
Specialised Materials and Supplies	15,162,230	11,391,650	25%	The Institute realized savings out of austerity measures
Insurance Expenses	1,630,000	1,407,887	14%	This represents a saving under this item.
Training Expenses	66,248,494	73,016,058	-10%	As number of students enrolled in our programs increased, the Institute engaged more staff especially in our Distance Learning programs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**c) Taxes*****Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where The Institute operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable



- When receivables and payables are stated with the amount of sales tax included

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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 cost model and are depreciated over a 30-year period.

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 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.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, The 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.

f) Leases

Finance leases are leases that transfer substantially all of the 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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

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.

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.

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**i) Financial instruments***Financial assets**Initial recognition and measurement*

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when The 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.

j) Impairment of 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 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 that which can be reliably estimated. Evidence of impairment may include the following indicators:

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****k) Financial liabilities*****Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The 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 borrowing

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

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

i) 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 labor 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**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.

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) Nature and purpose of reserves

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

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 are applied prospectively if retrospective application is impractical.

m) Employee benefits**Retirement benefit plans**

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**n) 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.

o) Related parties

The Institute 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 Institute, or vice versa. Members of key management are regarded as related parties and comprise the Council members, the Director and senior managers.

p) Service concession arrangements

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

s) Subsequent events

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



5. 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. State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by The 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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18 and 19.

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



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2019	2018
	KES	KES
6. DONATIONS AND OTHER GRANTS		
NORHED Project Revenue	4,194,300	14,000
NPEARC Partner Contributions	87,400	999,378
Total DONATIONS AND OTHER GRANTS	4,281,700	1,013,378
7. GOK-RECURRENT GRANTS		
Recurrent Expenditure Grant	192,632,348	199,000,000
MOE EARC Funding (to KISE)	322,494	180,157
Total GOK-RECURRENT GRANTS	192,954,842	199,180,157
8. DEVELOPMENT GRANT		
GoK Development Grant	92,500,000	215,000,000
National Research Fund	34,924,510	-
Total DEVELOPMENT GRANT	127,424,510	215,000,000
9. FEES AND STUDENT CONTRIBUTION		
Activity Fees	512,400	592,000
Administrative Operations Fees	3,462,950	7,319,680
Attachments and Field Visits fees	1,063,000	3,274,500
Clubs and Societies Fees	104,640	49,000
Computer Fees	45,500	90,500
Exams (KISE)	1,302,400	2,785,450
Medical Fees	810,050	398,500
Pre Unit Fees	1,063,800	1,348,600
Registration Fees	2,296,250	953,700
Special Study Paper (SSP) fees	1,104,050	1,311,000
Student ID	26,500	198,200
Student Union fees	341,200	194,000
Teaching Practice fees	6,304,200	10,597,380
Term paper	1,000	222,000
Tuition fees	61,346,572	27,097,230
Boarding Fee (FT)	6,153,650	13,146,104
Study Materials fees	499,500	1,150,700
Utility Fees	3,163,610	5,764,640
P.E. Kits Fees	1,427,600	844,300
Library Fees	265,860	528,756
KNEC Examination fees	-	747,750
Total FEES AND STUDENT CONTRIBUTION	91,294,732	78,613,990
10. HIRE OF FACILITIES AND SERVICES		
In the year under review, the Institute secured an MOU with National Youth Service (NYS) and National Council for Persons with Disabilities (NCPWD) to train. This boosted income from Consultancy.		
Income from Hire of Facilities	6,291,199	4,670,163
Income from Consultancy	16,618,017	1,556,721

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Total HIRE OF FACILITIES AND SERVICES.	22,909,216	6,226,884
11. OTHER INCOMES		
Interest Income	2,584,718	-
Rental Income	2,049,000	1,836,000
Sale of Obsolete Items	143,770	7,980
Braille Transcription	889,600	399,550
Sale of Tender	28,000	33,050
Assessment and CP Income	83,300	112,900
Total OTHER INCOMES	5,778,388	2,389,480
12. SALE OF LEARNING MATERIALS		
Sale of Learning materials and resources	1,511,945	1,217,497
Sale of Modules	1,000	1,000
Total SALE OF LEARNING MATERIALS	1,512,945	1,218,497
13. STAFF EXPENSES		
Basic Salary - Permanent Employees	46,997,510	50,239,042
Basic Salary - Contractual Staff	8,122,377	-
Employer contribution to Pensions Schemes	8,550,796	8,102,963
Employer contribution to Health Schemes	12,911,752	23,826,400
Personal Emoluments (Part of Salary)	24,494,759	11,939,299
Total STAFF EXPENSES	101,077,194	94,107,704
14. OPERATIONS AND MAINTENANCE		
Domestic Travel & Subsistence	4,374,601	4,399,347
Foreign Travel & Subsistence	29,730	1,260,007
Fuel, Oil & Lubricants	2,042,744	1,693,843
Insurance Expenses	1,407,887	1,368,993
Office and General Supplies and Services	1,623,013	1,498,562
Other Operating Expenses	37,996,543	26,887,458
Printing, advertising and information supplies and services	3,763,758	3,162,291
Routine Maintenance - Other Assets	3,254,720	2,911,303
Communication Supplies and Services	4,920,012	4,487,320
Wellness Expenses	399,005	383,406
Routine Maintenance - Vehicles & other Transport Equipment	2,428,985	1,895,929
Training expenses	71,164,451	58,694,569
Specialised Materials and Supplies	11,391,650	13,431,724
Utilities Supplies and Services	9,380,867	7,167,516
Hospitality supplies and Services	1,488,029	3,634,878
Total OPERATIONS AND MAINTENANCE	155,665,995	132,877,143
15. KISE COUNCIL EXPENSES		
Sitting allowance	640,102	417,754
Transport	89,300	42,200



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Accommodation	105,000	317,800
Meal Allowance	16,417	-
Airtime	76,440	86,560
Other Expenses	58,000	-
Total KISE COUNCIL EXPENSES	985,259	864,314
16. DONATIONS AND OTHER GRANT EXPENSES		
EARC Grant Expenses	485,500	856,150
Norhed Deferred Expenses	4,519,203	-
Total DONATIONS AND OTHER GRANT EXPENSES	5,004,703	856,150
17. AUDIT FEES		
Audit fees for the year under review are expected to grow by 12%	650,000	580,000
Total AUDIT FEES	650,000	580,000
18. Provision for Depreciation		
Provision for Depreciation B/F	102,308,000	73,593,824
Depreciation Charge for the Year	32,901,216	28,714,176
Provision for Depreciation C/F	135,209,216	102,308,000
19. Provision for Bad and Doubtful Debts		
Provision for Bad Debt Balance B/F	35,953,996	23,419,990
Provision for Bad Debt for the Year	6,802,996	12,534,006
Provision for Bad Debt Balance C/D	42,756,992	35,953,996
20. CASH AND CASH EQUIVALENTS		
NBK Main Account	483,153	469,832
NBK KISE Distance Learning Project II A/C	10,520,223	8,765,657
NBK KISE Key & Caution Money Savings A/C	124,943	124,943
NBK Institute Fund and other Monies	8,617,275	10,892,319
NBK Investment Account	60,244	7,860,244
NBK Farm Account	1,342,824	1,342,824
NBK Fee Collection Account	2,374,607	1,197,862
CASH IN HAND	105,550	257,526
M-Pesa-851201 & 851200	14,842,127	5,392,045
KCB Fee Collection Account	459,129	80,887,547
KCB- Norhed-Enable Account	4,711,560	5,050,722
NBK Seminar and Courses Account	20,102	3,221,362
KCB Call Deposit Account I (DL)	93,273,000	-
Total CASH AND CASH EQUIVALENTS	136,934,735	125,462,882
21. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Due from Staff & Third Parties	29,982,460	14,514,186
Due from Students	76,767,189	55,365,556
Less: Provision for Bad & Doubtful Debts	(42,756,992)	(35,953,996)



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Total RECEIVABLES FROM EXCHANGE TRANSACTIONS	63,992,657	33,925,746
22. RECEIVABLE DEPOSITS		
Rent Deposit	292,418	292,418
Vivo Energy Fuel Deposit	500,000	-
Bank Guarantee - Vivo Energy	700,000	-
TOTAL RECEIVABLE DEPOSITS FROM SUPPLIERS	1,492,418	292,418

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 (a) 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 2017	2,650,000,000	239,809,523	36,571,405	29,952,494	10,985,307	12,744,787	224,359	2,980,287,875
Additions 2017/2018	-	-	5,270,532	3,022,947	1,299,456	13,189,648		22,782,583
Transfer/Adjustments								
At 30 June 2018	2,650,000,000	239,809,523	41,841,937	32,975,441	12,284,763	25,934,435	224,359	3,003,070,458
As at 01 July 2018	2,650,000,000	239,809,523	41,841,937	32,975,441	12,284,763	25,934,435	224,359	3,003,070,458
Additions 2018/2019	-	35,372,459	429,975	12,085,606	6,907,623	1,381,505	-	56,177,168
Transfer from WIP	-	631,713,274	-	-	-	-	-	631,713,274
Disposals 2018/2019	-	-	-	-	-	-	-	-
At 30 June 2019	2,650,000,000	906,895,256	42,271,912	45,061,047	19,192,386	27,315,940	224,359	3,690,960,900
Depreciation and impairment								
Depreciation 2017/2018	0	22,362,879	30,331,971	27,577,842	4,736,542	6,046,900	224,359	91,280,492
At 30 June 2018	-	22,362,879	30,331,971	27,577,842	4,736,542	6,046,900	224,359	91,280,492
As at 01 July 2018	-	22,362,879	30,331,971	27,577,842	4,736,542	6,046,900	224,359	91,280,492
Depreciation 2018/2019	-	5,333,669	8,202,544	11,705,056	1,673,929	2,589,334	-	29,504,532
Disposals 2018/2019	-	-	-	-	-	-	-	-
At 30 June 2019	0	27,696,549	38,534,514	39,282,897	6,410,471	8,636,234	224,359	120,785,024
Net book values								
At 30 June 2019	2,650,000,000	879,198,707	3,737,398	5,778,149	12,781,915	18,679,706	0	3,570,175,875
At 30 June 2018	2,650,000,000	217,446,644	11,509,967	5,397,599	7,548,221	19,887,535	0	2,911,789,966



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 (b) Amortisation Schedule

	Intangible Asset	Investment Property	Work in Progress
	20%	2%	
Cost	KES	KES	KES
At 1 July 2017	14,313,886	39,953,875	327,416,868
Additions 2017/2018	-	-	258,395,154
Transfer/adjustments	-	-	(32,341,332)
Disposals	-	-	-
At 30 June 2018	14,313,886	39,953,875	553,470,690
As at 1 July 2018	14,313,886	39,953,875	553,470,690
Additions	-	-	78,242,584
Transfer to PPE	-	-	(631,713,274)
At 30 June 2019	14,313,886	39,953,875	-
Amortisation and impairment			
As at 1 July 2017	9,633,925	6,712,875	-
Amortisation 2017/2018	2,862,777	1,579,500	-
At 30 June 2018	12,496,702	8,292,375	-
As at 1 July 2018	12,496,702	8,292,375	-
Amortisation 2018/2019	1,817,184	1,579,500	-
At 30 June 2018	14,313,886	9,871,875	-
Net book values			
At 30 June 2019	-	30,082,000	-
At 30 June 2018	4,679,961	33,241,000	553,470,690



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. INTANGIBLE ASSETS

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

	KES	KES
	-	1,817,184
Enterprise Resource Planning System	-	1,817,184

25. TRADE & OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Creditors & Accruals	28,145,574	39,766,947
TOTAL Trade and Other Payables from Exchange transactions	28,145,574	39,766,947

26. DEFERRED INCOME

Deferred Scholarship Grants	8,881,982	10,608,967
Deferred Norhed-Enable Project	4,926,465	5,050,722
Deferred Graduation Account	1,928,166	2,738,380
Deferred Students Accomodation	10,491,488	-
Total DEFERRED INCOME	26,228,101	18,398,069

27. REFUNDABLE DEPOSITS FROM CUSTOMERS

Key and Caution Money	503,752	210,100
Other Deposits	2,474,530	2,474,530
SPONSORSHIP	1,509,428	1,291,900
KNEC Fees Account	387,220	-
Total REFUNDABLE DEPOSITS FROM CUSTOMERS	4,874,930	3,976,530

28. PREPAID FEES

Student Prepaid Fees	20,108,085	16,026,814
TOTAL PREPAID FEES	20,108,085	16,026,814

29. REVENUE RESERVES

Revenue reserves B/F	104,826,539	86,717,646
Surplus for the Year	15,644,459	18,108,893
Revenue Reserves C/D	120,470,998	104,826,539

30. REVALUATION RESERVES

Revaluation Reserve B/F	2,068,963,405	2,068,963,405
Transfers for the Year	-	-
Revaluation reserves C/D	2,068,963,405	2,068,963,405

31. CAPITAL RESERVES

Capital Reserve B/F	1,406,462,082	1,191,462,082
Capital Fund	92,500,000	215,000,000
National Research Fund	34,924,510	-
Capital reserves C/D	1,533,886,592	1,406,462,082



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

32. DEVELOPMENT FUND

In the year under review, the Institute received 92.5m from GoK for equipping Assessment and Research Centre. A further 34.9m was received from National Research Fund towards the same Project and has been credited in favour of GoK in Capital Reserves.

MOE Development Fund	92,500,000	215,000,000
National Research Fund	34,924,510	-
TOTAL Development Fund	127,424,510	215,000,000

33. CAPITAL RISK MANAGEMENT

Revaluation reserve		-
Revenue earnings	15,644,459	18,108,893
Capital reserve	92,500,000	215,000,000
Total funds	108,144,459	233,108,893
Total borrowings	59,248,605	78,168,360
Less: cash and bank balances	136,934,735	125,462,882
Net debt/(excess cash and cash equivalents)	77,686,130	47,294,522

34. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Total amount	Fully performing	Past due	Impaired
	KES	KES	KES	KES
At 30 June 2019				
Receivables from exchange transactions	106,749,649	62,320,218	69,879,742	44,429,431
Receivables from non-exchange transactions	-	-	-	-
Bank balances	136,963,273	136,963,273	125,462,882	-
Total	243,712,922	199,283,491	195,342,624	44,429,431
At 30 June 2018				
Receivables from exchange transactions	69,879,742	33,925,746	65,412,159	35,953,996
Receivables from non-exchange transactions	349,309	-	349,309	-
Bank balances	125,462,882	125,462,882	114,966,433	-
Total	195,691,933	159,388,628	180,727,901	35,953,996

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

The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	-	2,019,712	26,125,863	28,145,575
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	26,228,101	26,228,101
Employee benefit obligation	-	-	-	-
Total	-	2,019,712	52,353,964	54,373,676
At 30 June 2018				
Trade payables	-	3,431,138	36,335,809	39,766,947
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	18,398,069	18,398,069
Employee benefit obligation	-	-	-	-
Total	-	3,431,138	54,733,878	58,165,016

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The entity's only foreign currency denominated monetary assets held at the end of the reporting period were bank balance of US\$ 46,250.10 (Equivalent Kes. 4,711,559.75). There was no foreign currency denominated liabilities at the end of reporting period.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Director KISE/Council Secretary

Date.....*June 2019*



Chairman of the Council

Date.....


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY
Projects

Kenya Institute of Special Education implemented the Construction & Equipping of National Psycho-Education Assessment Centre Project. The project building works were completed and handed over on 18th December 2018.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Construction & Equipping of National Psycho-Education Assessment Centre	1066102100	GOK	36 months	769,000,000	No	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction & Equipping of National Psycho-Education Assessment Centre	769,000,000	631,713,274	82%	769,000,000	631,713,274	GOK



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		Kenya Institute of Special Education		
Break down of Transfers from the State Department of Education				
FY 2018/2019				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		22.08.2018	49,140,905	2018/2019
		29.10.2018	182,598	2018/2019
		07.12.2018	47,175,269	2018/2019
		28.3.2019	48,158,087	2018/2019
		16.05.2019	48,158,087	2018/2019
		12.06.2019	139,896	2018/2019
		Total	192,954,842	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		13.11.2018	46,250,000	2018/2019
		24.01.2019	46,250,000	2018/2019
		Total	92,500,000	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A			
		Total		

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

Finance Manager
Kenya Institute of Special Education

Head of Accounting Unit
Ministry of Education

Sign

Sign-----



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education		Recurrent	192,954,842	192,954,842			192,954,842		192,954,842
Ministry of Education		Development	92,500,000	92,500,000	92,500,000				92,500,000
Total			285,454,842	285,454,842	92,500,000		192,954,842		285,454,842