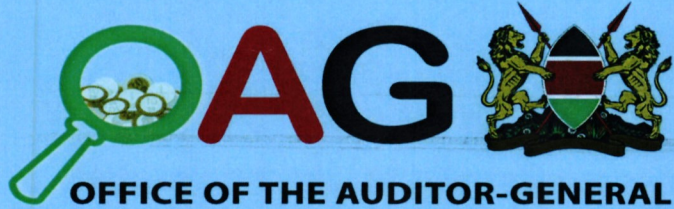


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 10 AUG 2021

DAY:
Tuesday

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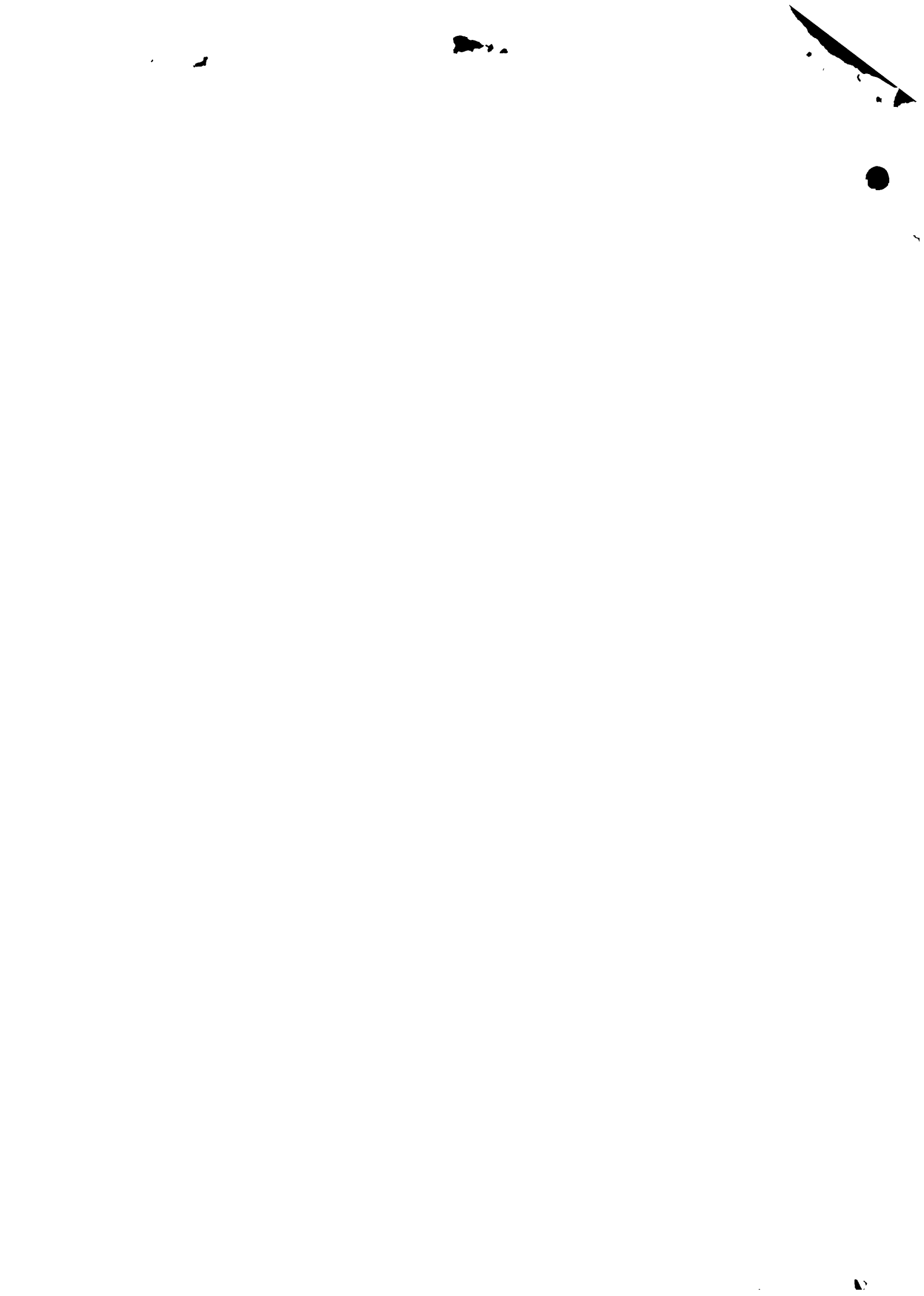
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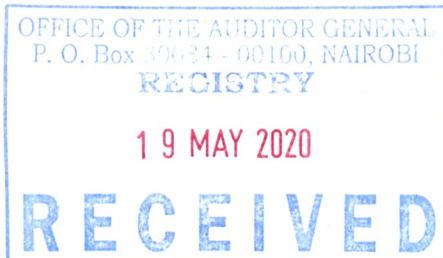
THE AUDITOR-GENERAL

ON

**KENYA EDUCATION MANAGEMENT
INSTITUTE**

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





KENYA EDUCATION MANAGEMENT INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2019

Prepared in accordance with the Accrual Basis of accounting method under the international public sector

Accounting standards (IPSAS)

KENYA EDUCATION MANAGEMENT INSTITUTE

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

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KEY ENTITY INFORMATION AND MANAGEMENT**(a) Background information**

The Institute is established as the capacity building agency of the Ministry of Education. The address of its registered office is L.R. No 209/3464, Mtama Road Parklands, P.O. Box 62592 00200, Nairobi.

The Institute was given mandate under Legal Notice no. 19 of 2010 to provide regular and systematized educational management and administration training for all categories of educational management and administration personnel in the education service.

Under the legal notice no. 163 of 2011 the Institute changed its name from Kenya Education Staff Institute (KESI) to Kenya Education Management Institute (KEMI)

(b) Principal Activities

The Institute is a body corporate under the Ministry of Education mandated to strengthen the capacity and capabilities of all serving and future educational managers and administrators.

(c) Key Management

Mrs. Grace Ngaca (Director) up to 16 th October, 2019)	Mr. Kepher O. Ogwang
Dr. Maurice O. Odondo (Ag. Director from from 16 th October, 2019)	Ms. Grace Wahura
Mr. Richard Thomi (DD/CSD)	Mr. Daniel K. Mbugua
Mr. Samuel O. Mawega	Mr. Wycliffe W. Wasike
Mr. Stephen Barkwang	Mr. Newton W. Wangusi
Ms. Purity Kibui	Mr. Stephen Choge
Mr. Vincent Koech	Ms. Nancy Musembi

(d) Fiduciary Management

Prof. Eunice Mutitu (UoN) (Chairperson)	Mr. Saul Barasa (Kibabii TTC)
Dr. Kipsang R. Belio P.S. M.O.E	Mrs. Nancy Macharia (TSC)
Mr. Kahi Indimuli (KSSHA)	Mr. Nicholas Gathemia (KEPSHA)
Dr. Julius Jwan (KICD)	Mr. Samuel Gitonga (Private Sector)
Mrs Mutheu Kasanga (Private Schools)	
Mr. Timothy Atuti (Aberdare TTC)	
Mrs. Grace Ngaca (Ag. Director KEMI)	

(e) Entity Headquarters

L.R. No. 209/3464
Mtama Road,
P.O Box 62592 00200,
NAIROBI.

(f) Entity Contacts

Telephone: 0718 518422
E-mail: info@kemi.ac.ke
Website: www.kemi.ac.ke

(g) Bankers

National Bank of Kenya
Harambee Avenue Branch
P.O Box 41862
Nairobi

Equity Bank Ltd,
Tom Mboya Branch,
P.O Box 10369
Nairobi

(h) Independent Auditors

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

(i) Principal Legal Advisers

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

THE BOARD OF DIRECTORS

**Prof. Eunice Mutitu**

Prof. Eunice Mutitu born in 1951 is the Chairperson of the Kenya Education Management Institute Council. She holds a PhD in Plant Pathology, M.Sc. in Plant Pathology, and B.Sc. in Agriculture all from the University of Nairobi. She is a Fulbright Scholar of the Pennsylvania State University in USA and Visiting Scientist of DSMZ, Germany. She is currently a Lecturer at the faculty for Agriculture, the University of Nairobi. She has wide experience in administration having served as Director of the Board of Post Graduate Studies, Coordinator of various University projects and Chairperson, Department of Crop Protection at the University of Nairobi.

**Director of the Kenya Education Management Institute, Grace Ngaca. (Joined March 2017 up to 16th October, 2019)**

Grace W. Ngaca, is the Director of the Kenya Education Management Institute. She holds a Master's Degree in Counselling from the University of Nairobi. Post graduate Diploma in Education from Kenyatta University. Bachelor of Arts degree from university of Nairobi. She has wide experience in education management and training having worked for the Ministry of Education head office from 2007 and taught in various schools unto the level of Deputy Principal at Alliance Girls High School.

**Ag. Director from 16th October, 2019 Dr. Maurice O. Odondo, PhD Business Administration, Master of Business Administration, B.Ed (Arts).**

He is the Acting Director, Kenya Education Management Institute (KEMI). Prior to his appointment, Dr. Odondo was the Deputy Director Training, Research and Consultancy Department. He previously acted as Deputy Director Corporate Services Department and Head of School of Management Division at the Institute. He was a Member Representative (MR) of Quality Management Systems for the Institute and coordinator of ISO 9001:2015. He has 24 years' experience in the education sector having contributed in various capacities. He holds a Bachelor Degree in Education (Arts) from Moi University, Master of Business Administration from Kenyatta University and Doctor of Philosophy in Business Administration from JKUAT. Dr. Odondo is a member of Kenya Association for Public Administration and Management (KAPAM). He is a renowned trainer in leadership and management, an author of education management books; he has published in various Journals and presented papers in national and international educational conferences. He champions provision of quality, relevant and inclusive education to humanity



Dr. Belio R. Kipsang

Dr. Belio R. Kipsang is the Principal Secretary Ministry of Education Science & Technology/State Department of Education. He holds a PhD degree in Education (Education Administration and Planning) from Catholic University of Eastern Africa, Masters of Arts degree in Economics and Bachelor's degree in Education (Business and Economics) both from University of Nairobi. He previously served as Managing Trustee/Chief Executive Officer Coffee Development Fund, Deputy CEO and Head of Operations Higher Education Loans Board. He is a Council Member at Mt. Kenya University and Cooperative University College. He is also a board member Finance Alliance for Sustainable Trade, Council Member Advisory Council for Coffee Initiative, Government Delegate International Coffee Organization and chair Operations Committee, Association of African Higher Education Financing Agencies.



Mrs Nancy Njeri Macharia

Mrs. Macharia was employed by the Teachers Service Commission in May 1987 as a teacher of English and literature and taught in various schools before joining the TSC secretariat in 1995 as a staffing officer. She rose through the various ranks in the secretariat until her current appointment as the Commission Secretary in July 2015. She has worked in the education sector for more than 28 years. She holds a Master of Education (Policy and Management) degree from Bristol University, UK and a Bachelor of Education degree in English/Literature from Kenyatta University. Mrs Macharia has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formation, Information Communication Technology (ICT), Proactive Management and Business Excellence Models, among others. In addition, she is a member of the Kenya Association of Public Administration Management (KAPAM) and Institute of Directors.



Ms. Mutheu Kasanga

Ms. Mutheu Kasanga is the Chairperson of Kenya Private Schools Association, Board Member at East Africa Science and Technology Commission, and a Member Board of Trustee, Lukenya University. She holds a M.Ed Management from Oxford Brookes University and a B.Ed from the University of Nairobi. She also Chairs the Education Sector Board at the Kenya Private Sector Alliance and has been a Director at Lukenya Schools for over 17 years.



Mr. Saul Barasa

Mr. Saul Barasa is the Chairperson of Kenya Teachers Colleges Principals Association (KTCPA). He holds a B.Ed (Arts) from Kenyatta University. He is currently the Chief Principal of Kibabii Diploma Teachers Training College.



Mr. Nicholas Gathemia

Mr. Nicholas Gathemia is the current National Chairman of the Kenya Primary Schools Headteachers Association (KEPSHA) and one of the founders of KEPSHA. He is currently the Headteacher of Lavington Primary School and a Board Member of Peer Counsellors' Association (PCA.)

He holds a Higher Diploma in Education and has over 30 years' experience as a Headteacher.



Mr. Samuel G. Mutungi

Mr. Samuel G. Mutungi, born in 1955, holds a M.Sc. (Business Systems Analysis and Design) from the City University (London) and a B.Ed (Mathematics and Business Studies) from University of Nairobi. He is currently a Consultant in ICT and Banking. He has wide experience in banking having worked as a Director at Co-operative Bank of Kenya for over 16 years. He has 8 years' experience as a Computer Services Manager at Glaxo East Africa. In addition he has been a lecturer for over 6 years at Kenya Polytechnic. He is a Fellow of the Kenya Institute of Bankers and Fellow Kenya Computer Society and a member of Paul Harris Fellow (Rotary International).



Dr. Julius Jwan up to February, 2020

Dr Julius Jwan is the Director/CEO at the Kenya Institute of Curriculum Development (KICD). He holds a PhD Degree in Educational Leadership & Management and a Master of Science (MSc) Degree in Educational Research Methods – both from the UK. He also holds a Master of Philosophy (MPhil) Degree in Education Communication & Management from Norway and another Master Degree in Linguistics from Moi University where he also graduated with a Bachelor of Education Degree.

Prior to joining KICD, he was the Director – Programmes and Technical Services at the National Cohesion and Integration Commission (NCIC). He was also lecturer at Moi University and a teacher at a secondary school and Teachers' Training College.



Mr. Indimuli Kahi

Mr. Indimuli Kahi OGW is the current president African Confederation of Principals National Chairman of Kenya Secondary Schools' Heads Association (KESSHA). He is also a council member of the International Confederation of Principals.

He holds a Masters of Business Administration (MBA) in Strategic Management from University of Nairobi and a Bachelor's Degree in Education (B.Ed.) from Kenyatta University.



Mr. Timothy Atuti

Mr. Timothy Atuti is the Vice Chairperson of Kenya Teachers Colleges Principals Association (KTCPA).

He holds a Masters in Project Planning and Management from the University of Nairobi and B.Ed (Arts) from Egerton University. He is currently the Principal of Borabu Teachers Training College.

MANAGEMENT TEAM



Director of the Kenya Education Management Institute, Grace Ngaca. Up to 16th October, 2019)

Grace W. Ngaca is the Director of the Kenya Education Management Institute. She holds a Master's Degree in Counselling from the University of Nairobi. Post graduate Diploma in Education from Kenyatta University. Bachelor of Arts degree from university of Nairobi. She has wide experience in education management and training having worked for the Ministry of Education head office from 2007 and taught in various schools unto the level of Deputy Principal at Alliance Girls High School.



Ag. Director from 16th October, 2019 Dr. Maurice O. Odondo, PhD (Business Administration), MBA (Entrepreneurship) B.Ed (Arts).

He is currently the Acting Director, Kenya Education Management Institute (KEMI). Prior to his appointment, Dr. Odondo was the Deputy Director Training, Research and Consultancy Department. He previously acted as Deputy Director Corporate Services Department and Head of School of Management Division at the Institute. He was a Member Representative (MR) of Quality Management Systems for the Institute and coordinator of ISO 9001:2015. He has 24 years' experience in the education sector having contributed in various capacities.

He holds a Bachelor Degree in Education (Arts) from Moi University, Master of Business Administration from Kenyatta University and Doctor of Philosophy in Business Administration at JKUAT. Dr. Odondo is a member of Kenya Association for Public Administration and Management (KAPAM). He is a renowned trainer in leadership and management, an author of education management books; he has published in various Journals and presented papers in national and international educational conferences. He champions provision of quality, relevant and inclusive education to humanity



Deputy Director - Corporate Services, Mr. Richard Thomi, MBA, B.Com (Accounting option), CPA (K).

Reporting to the Director, the Deputy Director is responsible for finance Strategy & Planning in the Institute. He is responsible for all financial aspects of the Institute, both operational and strategic including ensuring effective financial management and financial control and for the performance of operational finance at KEMI.



Head of Human Resource Training, Mrs Peris Toroitich.

A trainer at Kenya Education Management Institute (KEMI). She is currently the Head of department of Human Resource and Entrepreneurship in the Institute. She holds a degree in Education (BED) majoring in Economics. She holds a master's degree in Business Administration majoring in Human Resource Management from Daystar University and higher Diploma in Human Resource Management from Institute of Human Resource Management (IHRM).



Head of Media, Research and Marketing, Mr. Wycliffe W. Wasike, M.A (Communication), B.Ed.

Responsible for planning and implementation of the media, research and Consultancy, and marketing programs of the Institute. In charge of ensuring effective communication, publicity and M&E towards achieving corporate objectives. In addition he is in charge of the Corporate Social Responsibility (CSR) program. Departments: Media, Research and Consultancy, Marketing.



Head of ICT Training, Ms. Purity Gathigia Kibui, M.A (Education Philosophy), M.ED (Education Administration), B.Ed

Responsible for managing the ICT programs of the Institute. In charge of planning, sourcing and implementing the ICT programs. In addition she is the ISO 9001:2008 QMS Management Representative and a member of the ICT integration team of the Ministry of Education, Science and Technology. Departments: ICT and ISO.



Head of Finance & Accounts, Ms. Grace Wahura, B.Com (Finance), CPA (K).

Responsible for the Institute's finances. In charge of planning, sourcing and managing financial resources to achieve corporate objectives. Responsible for the prudent use of institutional resources including credit management. Departments: Accounts and Credit management.



Head of ICT Maintenance, Mr. Vincent Koech, MSc (Computer Science), BSc (Information Technology), Diploma (Information Technology), MCITP, CCNA, ISMS & QMS.

Responsible for ICT Systems Administration and Maintenance. With over 10 years' experience in the field of ICT. His main ICT Research areas of interest include but not limited to: - Artificial Intelligence, Design & Analysis of Algorithms and Information Security Management Systems.



Head of Procurement Training, Mr. Stephen Choge.

Stephen Choge is currently a trainer at Kenya Education management Institute (KEMI) and the HOD Finance & Supply Chain Management. He holds a master of education in Planning Management and Administration, B.ED and Certificate in Primary Teacher Education and currently he is pursuing PhD in Educational Planning.



Head of Admissions, Mr. Stephen Barkwang.

The HOD Admissions and currently pursuing PhD in Education Administration at Kenyatta University. He holds Master of Education Management from the Egerton University and Bachelors of Education (Arts) from University of Nairobi. He specializes in Education Management, Curriculum Management, Education for Sustainable Development, Contemporary issues in Education Management, Best management Practices in Education Management and Innovations.



Head of Administration, Mr. Newton Wekesa Wangusi, Executive MBA (Human Resource Management and General Administration), Certified Public Secretaries of Kenya (CPS K).

Responsible for administrative operations of the Institute. In charge of optimized administration and maintenance of programs to achieve corporate objectives. Ensures efficient and synchronized administration and maintenance operations. Departments: Transport, Grounds and Customer Care.



Head of Hospitality Training, Ms. Nancy Kaseki Musembi

Nancy Kaseki Musembi is the Hospitality Manager for the Kenya Education Management Institute. She holds a Higher National Diploma in Catering and Accommodation Management, BSc Hospitality Management and currently pursuing Master's Degree in Hospitality Management. Nancy is in charge directing and co-ordinating all activities at the centre by directly supervising all section heads and ensuring proper completion of all tasks in the various sections. Supervising and advising all human resource matters pertaining to the, supervision, discipline, training and development of staff.



Head of KLRC, Ms. Caroline Gicuku Nyaga

Caroline Nyaga is the Head of Unit LRC, Admissions and examinations, IFLA 2013 Fellow.

She holds a BSC Information Science from Moi University and currently pursuing Masters of Philosophy in information Science.



Head of Human Resource, Mr. Kepher Owino Ogwang, Higher Diploma in Human Resource Management.

Responsible for human capital planning, recruitment, performance management, reward, wellness and employee relations. In charge of legal affairs and safeguarding the Institutes interests. In addition, he is responsible for compensation administration, staff housing and registry.



Head of Internal Audit, Mr. Samuel Ochieng Mawega, CPA Part III

Responsible for the provision of Internal Auditing and advisory services to internal Management, assisting in controlling risk and monitoring compliance. In addition, he is the secretary to the Audit Committee of the Board. Member of ICPAK.



Head of Procurement, Mr. Daniel Mbugua. Up to 8th November, 2019

Responsible for the procurement and inventory management in the institute. In charge of purchasing, supply chain and logistics to achieve corporate objectives. In addition he is the secretary to the Tender Committee of the Institute.

CHAIRPERSON'S STATEMENT

We are pleased to showcase our successes for 2018/2019 in this annual report. The institute increased its focus on capacity development in education management by improving access to training programs while improving quality. These programs we know drive education quality and have the greatest impact on education service delivery.

KEMI's proven strategy - well executed by a strong management team and 91 employees contributed to the success of the institute's capacity development program.

Effective corporate governance was and continues to be an important foundation for KEMI's strong performance and is fundamental to our success. Corporate governance provides proper oversight and accountability, strengthens internal and external relationships, and builds trust with our clientele.

I would like to thank the KEMI council and management team for the achievements made in 2018/2019. I am truly privileged to work with this team, which brings commitment and enthusiasm to work and carries it forward to enrich our clientele.

Thank you, our education managers, for your confidence in us, which helps fuel the momentum towards an ever brighter future for KEMI.

Looking forward, we recognize not only the accomplishments of this institution, but also recognize the immense opportunities that lie ahead. As a Council we reemphasize our commitment towards transforming the education sector through innovative capacity development programs.

As we now direct our attention to 2019/2020, we look forward to the future because we are confident that KEMI will remain focused on delivering strong results.



Prof. Eunice Mutitu
Chairperson
KEMI COUNCIL

DIRECTOR STATEMENT

Much of our work in Kenya Education Management Institute (KEMI) focuses on developing the capacity of education managers to meet the 21st century challenges. As we present our 2018/2019 annual report, it is worth pausing to consider a question fundamental to KEMI'S mission: Why capacity development? At KEMI our capacity development program is about understanding the issues that inhibit education managers from realizing educational goals while enhancing their knowledge and skills that will enable them to achieve measurable and sustainable results.

We have always focused on capacity development which takes place both at individual and constitutional level. At individual level we develop and enhance the managerial knowledge and skills of education managers; while at the institutional level, we concentrate on facilitating educational managers towards developing managerial tools such as policies, strategic plans aimed at modernizing their educational institutions.

It is worth noting that in the previous years, 84% of School heads and Deputies have been taken through the Diploma in Education Management. In regard FY 2018/2019, the Institute has made great achievements in inducting the newly appointed heads of schools and deputies. Groups that were taken through the Diploma in Education Management include among others; Quality Assurance and Standards Officers, Adult Education Officers and Technical and Vocational Managers.

We are confident that operational and financial performance will improve further during 2019/2020 enabling us to achieve our set targets for the year.

In conclusion, I am grateful to our staff and participants of our programs for their dedicated efforts and for the way they have embraced our new culture of innovation and excellence. Special gratitude goes to the Ministry of Education (MOE), Teachers Service Commission and Development partners for their continued support.



Dr. Maurice Odondo

Ag. Director/CEO

CORPORATE GOVERNANCE STATEMENT

The Council is committed to excellence in corporate governance, transparency and accountability. This is essential for the long term performance and sustainability of our institution, and to protect and enhance the interests of our clients and other stakeholders. The Council regularly reviews the governance arrangements as well as developments in the education sector, expectations and regulations. The council recognizes its mandate to direct and be held accountable for building the capacity of managers in the education sector.

Compliance

The Council is compliant with the provisions of but not limited to the following Acts and regulations: KEMI Legal Notice 19/2010, Education Act No. 14 of 2013, Occupational Safety Health Act and Public Procurement & Disposal Act 2005.

Council composition

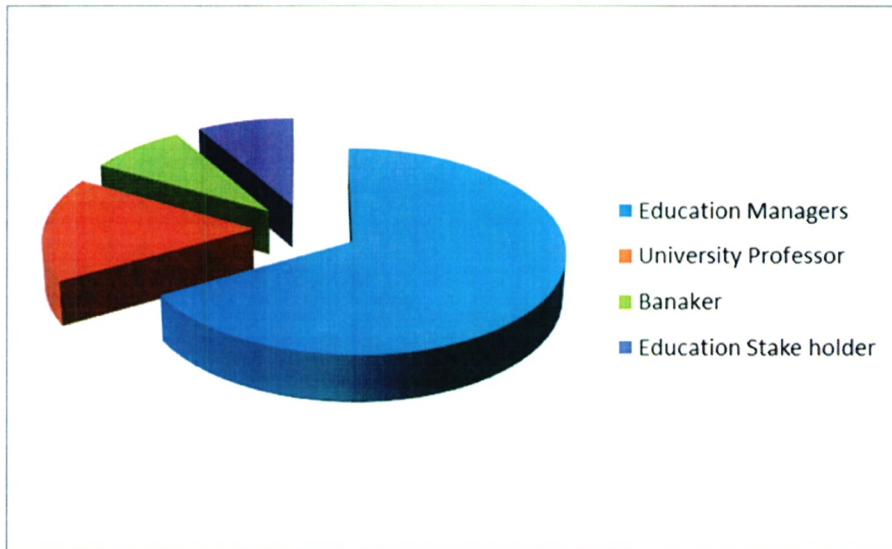
The Council consists of 11 members led by a non-executive and independent Chairperson as follows:

No	Name	Position
1.	Prof. Eunice Mutitu	Chairperson
2.	Dr. Belio Kipsang	PS/MOEST
3.	Mrs. Grace W. Ngaca	Director/KEMI up to
4.	Mr. Julius Jwan	Director/KICD
5.	Mrs. Nancy Macharia	Secretary/CEO/TSC
6.	Mr. Kahi Indimuli	Representative Kenya Secondary School Heads Association
7.	Mr. Nicholas Gathemia	Representative Kenya Primary School Heads Association
8.	Mr. Timothy Atuti	Representative Kenya Association for Primary Teachers Training Colleges
9.	Mr. Saul Barasa	Representative Kenya Diploma Colleges Principals Association
10.	Mrs. Mutheu Kasanga	Representative Kenya Private schools association.
11.	Mr.Samuel G. Mutungi	Two persons, not being civil servants, appointed by the Cabinet Secretary by virtue of their knowledge in matters related to education
	Prof. Eunice Mutitu	

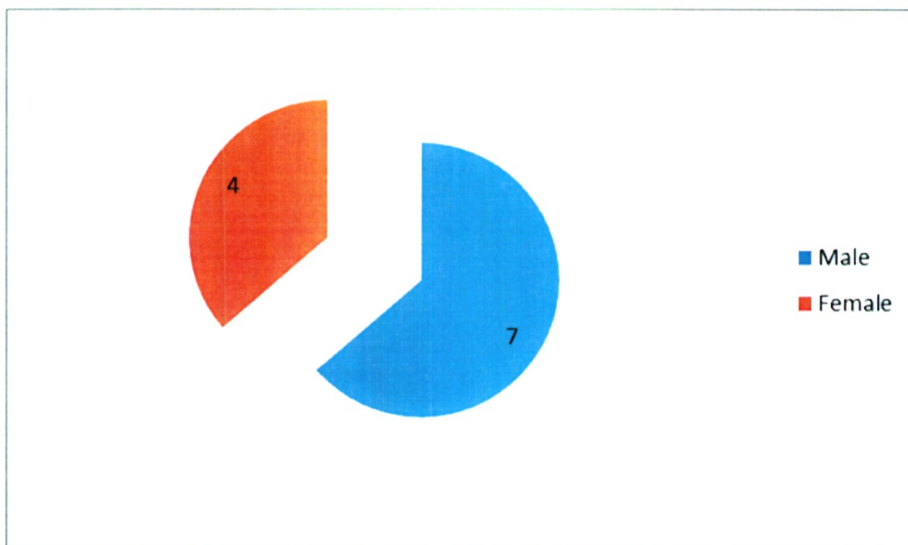
Council diversity

The Council diversity is as follows:

The professional diversity of the board is presented below:



The gender diversity of the Council is illustrated below:



The biographies of the Council members are published in subsequent pages.

Separation of powers

The independence of the Council from the institutions corporate management is ensured by the separation of the functions of the Chairperson and the Director/CEO and a clear definition of their responsibilities. This helps the institution in achieving an appropriate balance of power, increased accountability and improved decision-making.

Responsibilities of the Council

The responsibilities of the Council are spelt out in the KEMI Legal Notice 19/2010. The functions and powers of the Council shall be to-

1. Formulate, with the approval of the Cabinet Secretary, policies pertaining to the management and implementation of the objects of the Institute;
2. Administer the property and funds of the Institute in such manner and for such purposes as shall best promote that interests of the Institute; Provided that the Council shall not dispose of the immovable property of the Institute without the approval of the Cabinet Secretary;
3. Receive, on behalf of the Institute, donations, endorsements, gifts, grants or other monies, and other monies, and to make legitimate disbursements therefrom;
4. Borrow, generate and raise funds for the purposes of the Institute;
5. Appoint suitable staff of the Institute upon such terms and conditions as it may determine;
6. Receive reports from the Director or any officer of the Institute in respect of financial and other circumstances of the Institute, and to direct any action to be taken by the Director or such officer;
7. Establish facilities in any place (whether in or outside Kenya) for the better discharge of its functions and responsibilities under this Act; and purpose of the Institute.

Each council member is aware of the Institutions vision, mission, and core values and participates in deciding on the structure and procedures to achieve the strategic objectives of the institute.

On quarterly basis, the Council considers reports from the board committees, operational reports from the Director/CEO of the institute including specific proposals on strategic issues.

Council Remuneration

Council Allowances are paid in line with the State Corporations Regulations Circular No.OP/CAB.9/21/2A/III/43 dated 23rd November 2004 as follows:

Position	Current Allowance (Kshs.)
Chairperson	80,000.00 per month
Chairperson/Committee	20,000.00 per sitting
Members	15,000.00 per sitting

Conflict of interest and Declaration of interest

Council members have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the institution.

Each member of the board is obligated to fully disclose to the Council any real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly.

Council members must declare any conflict of interest they may have, and in certain circumstances, they must abstain from participating in any discussion or voting on matters in which they have a material personal interest.

Council members from Institutions that were undertaking training programs that were in conflict with those of KEMI were requested not to do so.

Board Committees

The Council is made up of 5 committees:

1. Audit
2. Business/Strategy/Development
3. Training

4. Finance and General Purpose Committee
5. Human Resource Development

Report of the Chairperson of the Audit Committee



Mrs. Nancy Macharia - Chairperson

Membership:

The Audit Committee is made up of the following members:

1. Mrs. Nancy Macharia - Chairperson
2. Ms. Mutheu Kasanga
3. Mr. Samuel Gitonga Mutungi
4. Mr. Kahi Indimuli
5. Mr. Samuel Mawega

Mandate:

The Audit Committee:-

- (i). Reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncements;
- (ii). Assesses if generally accepted accounting principles have been consistently applied within preparation of preliminary announcements and interim financial statements;
- (iii). Is responsible for the internal audit and risk management function by ensuring management acts on audit and risk management reports;
- (iv). Confirms that all regulatory compliance is considered in the preparation of financial statements; and
- (v). Reviews the process for monitoring compliance with the Institute's ethical guidelines.

Report of the Chairperson of the Business/Strategy/Development Committee



Mr. Samuel G. Mutungi - Chairperson

Membership

The Business/Strategy/Development Committee is made up of the following members:

1. Mr. Samuel G. Mutungi - Chairperson
2. Dr. Belio R. Kipsang
3. Ms. Mutheu Kasanga
4. Mr. Saul Baraka
5. Mrs. Grace W. Ngaca

Mandate

The Strategy Committee:

- (i). Assists the Board in discharging its oversight duties with respect to the overall strategic direction of the Institution, operational performance and organizational health;
- (ii). Reviews the Institution's Strategy and investment policies and makes recommendations to the Board on strategy adjustment. It also assesses the progress of the Institution's Strategy execution through identification of priority areas. The Committee monitors, evaluates and oversees the Institution's health including the review of financial and business plans and the overall Institution Performance Management System.

Report of the Chairperson of the Training Committee



Ms. Mutheu Kasanga - Chairperson

Membership

The Training Committee is made up of the following members:

1. Ms. Mutheu Kasanga - Chairperson
2. Mrs. Nancy Macharia
3. Mr. Kahi Indimuli
4. Mr. Nicholas Gathemia
5. Mrs. Grace W. Ngaca

Mandate:

The training committee:

- (i). Assists the Board in discharging its oversight duties with respect to the overall strategic direction of the capacity development program of the institute;
- (ii). Review the progress of the institutions capacity development programs and give advice and recommendations in relation to these programs..

Report of the Chairperson of the Finance and General Purposes Committee



Dr. Julius O. Jwan - Chairperson

Membership

The Finance and General Purpose Committee is made up of the following members

1. Dr. Julius O. Jwan - Chairperson
2. Dr. Belio Kipsang
3. Mr. Saul Barasa
4. Mr. Timothy Atuti
5. Mrs. Grace W. Ngaca

Mandate:

The committee:-

- (i). Assists the council in discharging its oversight duties with respect to the overall financial health and integrity of the organization.
- (ii). Reviewing the financial plans and policies of the institution and monitoring the financial performance of the institution.

Report of the Chairperson of the Human Resource Development Committee



Mr. Kahi Indimuli

Membership

The Human Resource Committee is made up of the following members:

1. Mr. Kahi Indimuli - Chairperson
2. Dr. Julius O. Jwan
3. Mrs. Nancy Macharia
4. Mr. Nicholas Gathemia
5. Mrs. Grace W. Ngaca

Mandate

The Committee monitors the policies and practices of KEMI in relation to the Human Resources, offers advice and recommendations on the Institute's human resource strategies, initiatives and policies; and the recruitment and remuneration of staff.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Management is committed to excellence in corporate governance, transparency and accountability. This is essential for the long term performance and sustainability of our institution, and to protect and enhance the interests of our clients and other stakeholders. The management regularly reviews the management arrangements as well as developments in the education sector, expectations and regulations. The management recognizes its functions to plan, organize coordinate and direct capacity building of managers in the education sector.

REPORT OF THE DIRECTORS/COUNCIL**FOR THE YEAR ENDED 30 JUNE, 2018**

The Council submit their report together with the audited financial statements for the year ended 30 June, 2018 which shows the state of the entity affairs.

Principal activities

The Principal activity of the institute is that of training education managers in the Education sector.

RESULTS FOR THE YEAR

	<u>2019</u>	<u>2018</u>
	Kshs	Kshs
Deficit/Surplus for the year	(15,813,636)	13,173,578
Deficit/Surplus for the year carried to retained earnings	(15,813,636)	13,173,578

BY ORDER OF THE COUNCIL

Ag. DIRECTOR

COUNCIL CHAIR

STATEMENT OF COUNCIL'S RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE, 2019

The State Corporation's Act requires the Council to prepare financial statements for each year, which give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of its operating results for that year. It also requires the council to ensure the Institute keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute. They are also responsible for safeguarding the assets of the Institute.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the State Corporation's Act. The council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the institute and of its operating results.

The council further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by the council on 02/04/2020 and signed on its behalf by:



Ag. Director



Council Chair

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Education Management Institute set out on pages 1 to 13, 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 amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Education Management Institute 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 Education Act and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

1.1 Unverified Electronics Data Processing Equipment

As previously reported, the property, plant and equipment balance of Kshs.2,363,038,735 includes Electronics Data Processing (EDP) equipment valued at Kshs.2,419,237 issued to the Ministry of Education staff who had been seconded to the Institute. Available information indicates that the total amount of Kshs.2,419,237 was recovered from the employees but the Ministry had only remitted Kshs.1,399,800 to the Institute. Management has not provided an explanation for failure to recover the outstanding balance of Kshs.1,019,437 as at 30 June, 2019.

1.2 Encroached Land

As previously reported, the property, plant and equipment balance includes an amount of Kshs.2,050,000,000 being the value of the Institute's parcel of land at Kayole in Nairobi which has been partially encroached by informal settlers. Management contracted a law firm on 18 October, 2010 to seek court orders for the eviction of the informal settlers and

notice of eviction was issued on 28 November, 2017. Management also sought for the intervention of the parent Ministry to evict the informal settlers but the matter has not been resolved.

Consequently, the existence, ownership and accuracy of the reported property plant and equipment balance of Kshs.2,363,038,735 could not be confirmed.

2.0 Long Outstanding Receivables

As disclosed in Note 9 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.45,529,308 as at 30 June,2019. Included in the balance are debts totalling Kshs.29,395,696 or 51% which, as previously reported, have been outstanding for over six (6) years. Although Management has made a provision of Kshs.1,408,123 for the bad and doubtful debts, the provision is not adequate.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.209,447,450 and Kshs.141,847,100 respectively resulting to an under-funding of Kshs.67,600,350 or 32% of the budget. Similarly, the Institute's expenditure amounted to Kshs.157,660,736 against an approved budget of Kshs.195,368,247 resulting to an under-expenditure of Kshs.37,707,511 or 19% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

2.0 Unresolved Prior Year Audit Matters

Various prior year audit issues remained unresolved as at 30 June, 2019. Management has not provided reasons for the delay in resolving the prior year audit issues.

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, 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 overall 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 the Management is aware of the intention to terminate the Institute or 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 Institute 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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

13 July, 2021

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

	<u>Notes</u>	<u>2019</u> Kshs	<u>2018</u> Kshs
Revenue from non - exchange transactions	2	88,994,138	92,000,000
Revenue from exchange transactions	3	52,852,962	98,687,744
		<hr/>	<hr/>
Total Revenue		141,847,100	190,687,744
Expenses			
Staff Costs	4	77,017,174	80,804,573
Administrative expenses	5	76,999,895	95,581,939
Council Expenses	6	3,615,140	1,075,000
Finance Cost	7	28,528	52,656
		<hr/>	<hr/>
Total Expenses		157,660,736	177,514,167
		<hr/>	<hr/>
Deficit / Surplus for the year		(15,813,636)	13,173,578

The notes set out on pages 9 to 14 form an integral part of these Financial Statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	<u>Notes</u>	<u>2019</u> Kshs	<u>2018</u> Kshs
Assets			
Current assets			
Cash and cash equivalent	8	48,803,934	69,655,964
Receivables from exchange transactions	9	45,529,308	36,909,124
Total Current Assets		94,333,242	106,565,087
Non - current assets			
Property, plant and equipment	10	2,363,038,735	2,366,019,857
Total Non-Current Assets		2,363,776,914	2,366,019,857
Total assets		2,457,371,977	2,472,584,944
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	11	4,108,921	3,508,252
Total Current Liabilities		4,108,921	3,508,252
Non-Current liabilities		-	-
Total Liabilities		4,108,921	3,508,252
Reserves and Surplus			
Revaluation Reserve	12 (i)	2,284,463,085	2,284,463,085
Capital Reserve	12(ii)	44,164,375	44,164,375
Retained earnings	12(iii)	124,635,596	140,449,232
Total Net Reserves & Surplus		2,453,263,056	2,469,076,692
Total Net Assets and Liabilities		2,457,371,977	2,472,584,944

Ag. Director KEMI
Name: Dr. Maurice O. Odondo

Sign 


Date .. 02/04/2020

Head of Finance
Name: Richard Thomi

ICPAK M/NO: 6785

Sign 

Chairman of the Board
Name: Prof. Eunice Mutitu

Sign 

Date .. 02/04/2020

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

	REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
As At July 1, 2017	2,284,463,085	44,164,375	127,275,655	2,455,903,115
Development Grant	-	-	-	-
Surplus for the year	-	-	13,173,578	13,173,578
As At June 30, 2018	<u><u>2,284,463,085</u></u>	<u><u>44,164,375</u></u>	<u><u>140,449,233</u></u>	<u><u>2,469,076,693</u></u>
As At July 1, 2018	2,284,463,085	44,164,375	140,449,233	2,469,076,693
Development Grant	-	-	-	-
Deficit for the year	-	-	(15,813,636)	(15,813,636)
As At June 30, 2019	<u><u>2,284,463,085</u></u>	<u><u>44,164,375</u></u>	<u><u>124,635,597</u></u>	<u><u>2,453,263,057</u></u>

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

	<u>Notes</u>	<u>2019</u> Kshs	<u>2018</u> Kshs
Cash flows from Operating Activities			
Net Deficit/Surplus before tax		(15,813,636)	13,173,578
<i>Adjustment for:</i>			
Depreciation	10	14,179,216	13,522,165
<i>Operating (Deficit)/Surplus before working capital changes</i>		(1,634,420)	26,695,743
Increase/Decrease in debtors	9	(8,620,184)	10,696,850
Decrease in payables	11	600,669	(164,190)
<i>Cash generated from operations</i>		(9,653,936)	37,228,403
Net cash from operating activities		(9,653,936)	37,228,403
Cash flows from Investing Activities			
Purchase of Fixed Assets	10	(11,198,093)	(5,310,660)
Development Grant received		-	-
<i>Net cash used in investing activities</i>		(11,198,093)	(5,310,660)
Cash flows from Financing Activities		-	-
Net Increase in cash and cash equivalents		(20,852,029)	31,917,743
Cash and cash equivalents			
At the beginning of the year		69,655,964	37,738,221
At the end of year		48,803,934	69,655,964

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Adjustments	Final budget	Actual on Comparable Basis	Performance Difference	Variance	Reason
	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Revenue							
Government of Kenya (GOK)	92,000,000	(1,840,000)	90,160,000	88,994,138	1,165,862	1	
Government of Kenya - Development Grant	-	-	-	-	-		
Income Generating Activities	119,287,450	-	119,287,450	52,852,962	66,434,488	56	The Institute did not train as anticipated due to delay in constitution of BOM's and launching of EMC by MOE, Restriction of training to holidays only, Lack of funding by MOE for the diploma and court cases that have affected launching of the TPD
Total Income	211,287,450	(1,840,000)	209,447,450	141,847,100	67,600,350		
Recurrent Expenditures							
Staff cost							
Basic Salaries	49,350,000.00	-	49,350,000.00	45,751,525	3,598,475	7	Did not recruit as anticipated
House allowance	17,000,000.00	-	17,000,000.00	15,673,500	1,326,500	8	Did not recruit as anticipated
Leave allowance	430,000.00	-	430,000.00	344,000	86,000	20	Did not recruit as anticipated
Entertainment,Extreneous,Risk & Other Allowances	1,200,000.00	-	1,200,000.00	1,224,047	(24,047)	-2	
Commuter allowance	5,400,000.00	-	5,400,000.00	4,932,000	468,000	9	
Employers NSSF	290,000.00	-	290,000.00	196,200	93,800	32	Did not recruit as anticipated
Employers Pension	9,000,000.00	-	9,000,000.00	7,980,938	1,019,062	11	Did not recruit as anticipated
Casual Wages	1,000,000.00	-	1,000,000.00	914,965	85,035	9	
Sub Totals	83,670,000.00	0.00	83,670,000.00	77,017,174.10	6,652,825.90		
Finance cost	50,000.00	-	50,000.00	28,528	21,473	43	

KENYA EDUCATION MANAGEMENT INSTITUTE

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

Operating & maintenance of motor vehicles	2,000,000.00	-	2,000,000.00	1,531,537	468,463	23	The vehicle that need major repairs was not repaired as the amount quoted in the Report from Public Works was less than that given by the dealer
Refined fuel & lubricants for transport	3,000,000.00	-	3,000,000.00	1,980,600	1,019,400	34	Reduced travel due to curtailed tutorials
Foreign Travel	1,000,000.00	1,500,000	2,500,000.00	1,750,491	749,509	30	Reduced Funds
Domestic Travel	1,800,000.00	600,000	2,400,000.00	2,140,689	259,311	11	Reduced Funds
Postal & Telegram	50,000.00	-	50,000.00	9,900	40,100	80	Use of technology in communication services
Insurance cover	7,000,000.00	-	7,000,000.00	5,831,180	1,168,820	17	Increased NHIF rates
Vehicle insurance	500,000.00	(500,000)	0.00	-	-	0	Challenge in insuring GK vehicles
Workman compensation	300,000.00	-	300,000.00	318,473	(18,473)	-6	
Telephone & Airtime	1,000,000.00	-	1,000,000.00	290,000	710,000	71	Use of bulk SMS and short codes when dealing with participants instead of calling them
Board Expenses	3,500,000.00	-	3,500,000.00	3,615,140	(115,140)	-3	
Electricity	4,900,000.00	-	4,900,000.00	4,317,831	582,169	12	Reduced use of the hostels
Water & Sewerage	1,500,000.00	-	1,500,000.00	1,383,970	116,030	8	Reduced use of the hostels
Internet Services	1,200,000.00	-	1,200,000.00	1,172,196	27,804	2	
Sub Totals	111,470,000	1,600,000	113,070,000	101,387,708	11,682,292		

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

	Original Budget	Adjustments	Final budget	Actual on	Performance	Variance	Reason
	Kshs	Kshs	Kshs	Comparable Basis	Difference		
Recurrent Expenditures							
Gas & Other fuel	700,000.00	500,000	1,200,000.00	942,130	257,870	21	Increased charcoal prices
Printing & Publishing	350,000.00	-	350,000.00	365,300	(15,300)	-4	
Purchase of uniforms/ curtains	1,500,000.00	-	1,500,000.00	1,199,086	300,914	20	Reduced number of staff requiring uniforms
Human Resource Development	2,500,000.00	-	2,500,000.00	2,154,370	345,630	14	Increased staff training needs
Advertisement.CSR,Publicity & Inst Clinic	2,000,000.00	-	2,000,000.00	1,270,894	729,106	36	Reduced funding from GOK
Plant & Machinery maintenance	2,000,000.00	-	2,000,000.00	1,297,279	702,721	35	Reduced funding from GOK
Building & Stations maintenance & Garbage disposal	4,000,000.00	-	4,000,000.00	4,022,634	(22,634)	-1	
Other operating expenses	250,000.00	-	250,000.00	10,423	239,577	96	
Contracted Professional services & Security Allowance	4,500,000.00	-	4,500,000.00	4,189,020	310,980	7	Reduced funding from GOK
Library Services	1,033,450.00	-	1,033,450.00	641,080	392,370	38	Less participation of trainee
Office stationery	1,200,000.00	-	1,200,000.00	706,950	493,050	41	Reduced hire of KEMI facilities
Food & Ration	16,800,000.00	(3,000,000)	13,800,000.00	8,922,080	4,877,921	35	
Audit fee	660,000.00	-	660,000.00	660,000	-	0	
Training Programs	29,962,000.00	(5,000,000)	24,962,000.00	9,875,002	15,086,998	60	Less participation of trainee
Depreciation	14,600,000.00	(57,203)	14,542,796.94	14,179,216	363,581	2	
Consultancy Services	2,000,000.00	3,000,000.00	5,000,000.00	4,810,300	189,700	3,794	
EDP Expenses	800,000.00	800,000.00	800,000.00	760,660	39,340	4,9175	

KENYA EDUCATION MANAGEMENT INSTITUTE

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

Increase in provision for receivables	0.00	0.00	0.00	266,604	-	0	Reduced funding from GOK
Research & Development	2,000,000.00	0.00	2,000,000.00	-	2,000,000	100	
Sub Totals	86,855,450	(3,757,203)	82,298,247	56,273,028	26,291,823		
Total Recurrent Expenditure	198,325,450	(2,157,203)	195,368,247	157,660,736	37,974,115		
Surplus for the period	12,962,000	317,203	14,079,203	(15,813,636)	29,626,235		
Development Expenditures							
Purchase of Plant & Machinery	2,300,000.00	-1,940,000.00	360,000.00	-	360,000	100	The Institute was not funded for development
Purchase of Furniture & Fittings	200,000.00	0.00	200,000.00	39,900	160,100	80.05	The Institute was not funded for development
ICT & Media Equipment	2,712,000.00	2,500,000.00	5,212,000.00	319,980	4,892,020	93.860706	The Institute was not funded for development
Minor Alterations	5,000,000.00	-2,500,000.00	2,500,000.00	447,783	2,052,217	82.08868	The Institute was not funded for development
Construction Works	6,000,000.00	5,000,000.00	11,000,000.00	2,480,938	8,519,062	77.446018	The Institute was not funded for development
Motor Vehicles	10,000,000.00	-1,500,000.00	8,500,000.00	7,909,492	590,508	6.9471529	
Total Development	26,212,000	1,560,000	27,772,000	11,198,093	16,573,907		
Total Budget	224,537,450	(597,203)	223,140,247	168,858,829	54,548,022		

XIV. NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 30 JUNE, 2019****1.1 Statement of compliance and basis of preparation – IPSAS 1**

The financial statements are prepared in compliance with International Public sector accounting standards (IPSAS). The financial statements are presented in functional currency, Kenya Shillings (Kshs), which is the functional and reporting currency of the Institute.

The accounting policies have been consistently applied in all years presented.

The financial statements have been prepared on the basis of historical cost unless stated otherwise.

The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

1.2 Summary of Significant Accounting Policies

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

1.2.1 Depreciation

All property, plant and equipment are initially recorded at cost. Depreciation is calculated to write off the cost of asset in equal annual instalments over their estimated useful lives. Annual rates generally in use applied on a reducing balance basis are:

Furniture & Fittings & equipment	12.5%
Motor Vehicles	25.0%
EDP Equipment	33.0%
Plant & Machinery	10.0%
Building	2.5%

1.2.2 Payables

Payables are stated at nominal value.

1.2.3 Receivables

Receivables are stated at the expected realisable value. Provision for Bad and Doubtful Debts has been provided at the rate of 3% of the Annual Receivables.

1.2.4 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and bank balance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2019</u> Kshs	<u>2018</u> Kshs
2 REVENUE FROM NON-EXCHANGE TRANSACTIONS		
Ministry of Education	88,994,138	92,000,000
	<u>88,994,138</u>	<u>92,000,000</u>
3 REVENUE FROM EXCHANGE TRANSACTIONS		
Training Fees Income	26,508,491	39,955,501
Hire of Facility	15,784,702	51,798,825
Rent Income	9,181,580	5,466,520
Consultancy	-	570,400
Bookshop	20,400	22,000
Conference	-	-
Printing Press	738,840	226,820
Sundry Income	348,709	10,848
Staff Lunch	214,500	306,000
Decrease in Provision for receivables	-	330,830
Farm Produce	43,740	
Graduation Exhibition	12,000	
	<u>52,852,962</u>	<u>98,687,744</u>
4 STAFF COSTS		
Salaries	45,751,525	47,613,059
House Allowance	15,673,500	15,960,250
Medical Allowances	-	-
Leave Allowance	344,000	376,000
Commuter Allowance	4,932,000	5,028,000
Entertainment,Extreuous.Risk &Other Allowances	1,224,047	756,737
Employer NSSF	196,200	221,000
Employer Pension	7,980,938	10,278,202
Casual Wages	914,965	571,325
	<u>77,017,174</u>	<u>80,804,573</u>
5 ADMINISTRATIVE EXPENSES		
Contracted Professional Services	3,965,020	3,460,800
Security Allowance	224,000	125,000
Provision for audit fees	660,000	1,320,000
Provision for audit fees 2018/2019	-	-
Motor Vehicle Repairs	1,531,537	1,742,158
Refined Fuel and Lubricants	1,980,600	2,091,610
Maintenance & Repairs of Buildings	4,003,734	5,727,111
Maintenance of Plant, Machinery & Equipment	1,297,279	1,371,230
Gas	36,950	26,650
Other Fuels	905,180	1,040,050
Domestic Travel	2,140,689	1,534,720
Foreign Travel	1,750,491	-
Insurance Cover	6,149,653	6,569,452
Telephone, Postage & Internet	1,472,096	1,207,956
Electricity and water	5,701,801	6,232,124
Library, Newspapers & Magazines	641,080	875,120
Garbage Disposal	18,900	19,350
Stationery	706,950	699,189
Food & Rations	8,922,080	12,925,835
Staff Uniform	1,199,086	-
Printing	365,300	65,207
Advertisement, CSR & Publicity	1,164,340	1,107,175
Training Programs Expenditure	9,875,002	31,015,513
Consultancy	4,810,300	-
Human Resource Development	2,154,370	1,295,960
Other Operating expenses	10,423	239,904
EDP Expenses	760,660	1,367,660
Increase for provision for receivables	266,604	-
Depreciation : Property plant and equipment (Note 10)	14,179,216	13,522,165
Institute Clinic	106,554	-
	<u>76,999,895</u>	<u>95,581,939</u>

* Training Fees Income is accounted for on cash basis and not when earned

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2019</u> Kshs	<u>2018</u> Kshs
6 COUNCIL EXPENSES		
Sitting Allowance	2,655,140	595,000
Honoraria	960,000	480,000
Total (Appendix I)	<u>3,615,140</u>	<u>1,075,000</u>
7 FINANCE COSTS		
Bank charges	<u>28,528</u>	<u>52,656</u>
8 CASH AND CASH EQUIVALENTS		
Bank balances		
National Bank - AC 600	4,224,072	1,588,765
National Bank - AC 601	17,352,327	58,383,959
National Bank - AC 6-00	31,952	41,132
Equity Bank AC	9,903,587	7,692,517
Cash in hand	16,021	29,536
Mpesa AC	<u>17,275,975</u>	<u>1,920,054</u>
	<u>48,803,934</u>	<u>69,655,964</u>
9 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
FAWE Kenya	15,000	150,000
Aga Khan University	127,780	106,900
Kepsha	1,077,388	1,077,388
K.I.C.D	776,407	121,239
Nairobi Bottlers	171,000	171,000
KNATCOM	4,949,260	4,342,070
MOEST	13,130,144	12,826,222
Maasai Mara (Narok University)	449,326	449,326
Rent	1,617,930	1,565,676
Telkom Kenya	1,215,000	1,215,000
APHRC	2,964,475	271,277
Technical University (Kenya Polytechnic)	9,122,400	9,122,400
Kenya Hockey Union	525,000	525,000
Kenya School of Government	418,035	418,035
Ministry of Sports, Culture & Arts	2,380,000	2,469,088
Zinga Technologies	313,250	313,520
Garissa County Government	1,790,000	1,790,000
Laxman	85,000	119,000
NACADA	537,802	537,802
KLB	340,500	340,500
Azim Sameja	119,200	119,200
Lutheran World Federation	400,000	-
County Education Board - Vihiga	916,000	-
Teachers Service Commission (TSC)	324,800	-
Chrisco Church	511,000	-
Ministry of Interior & Cordination of Persons	680,108	-
Vocational Training Centre	951,200	-
Education Development Trust	973,050	-
NAKONEK	56,376	-
TOTAL	46,937,431	38,050,643
Provision for Bad and Doubtful debts @ 3%	1,408,123	1,141,519
Less Increase in Provision for bad and doubtful debts		
	<u>45,529,308</u>	<u>36,909,124</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 PROPERTY, PLANT AND EQUIPMENT

Cost	LAND		BUILDING		PLANT & MACHINERY		MOTOR VEHICLE		FURNITURE & FITTINGS		COMPUTER & OTHER EQUIPMENT		TOTAL	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2017	2,050,000,000	317,475,200	19,964,330	7,830,000	29,238,897	38,747,173	2,463,255,600							
Additions for the year	-	-	-	4,900,000	50,000	360,660	5,310,660							
As At 30 June 2018	2,050,000,000	317,475,200	19,964,330	12,730,000	29,288,897	39,107,833	2,468,566,260							
Additions for the year	-	2,928,721	-	7,909,492	39,900	319,980	11,198,093							
As At 30 June 2019	2,050,000,000	320,403,921	19,964,330	20,639,492	29,328,797	39,427,813	2,479,764,353							
Depreciation														
As At 1 July 2017	-	23,063,263	9,768,878	3,425,625	17,865,690	34,900,782	89,024,238							
Depreciation 2017/18	-	7,360,298	1,019,545	2,326,094	1,427,901	1,388,327	13,522,165							
As At 30 June 2018	-	30,423,561	10,788,423	5,751,719	19,293,591	36,289,109	102,546,403							
Depreciation 2018/19	-	7,249,509	917,591	3,721,943	1,254,401	1,035,772	14,179,216							
As At 30 June 2019	-	37,673,070	11,706,014	9,473,662	20,547,992	37,324,881	116,725,619							
Net book values														
As At 30 June 2019	2,050,000,000	282,730,851	8,258,316	11,165,830	8,780,805	2,102,932	2,363,038,735							
As At 30 June 2018	2,050,000,000	287,051,639	9,175,907	6,978,281	9,995,306	2,818,724	2,366,019,857							

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2019</u> Kshs	<u>2018</u> Kshs
11 TRADE AND PAYABLES FROM EXCHANGE TRANSACTIONS		
GARISSA HIGH SCHOOL	738,000	738,000.00
CMC MOTORS GROUP LTD	-	1,450,252.00
AUDIT FEE	660,000	1,320,000.00
KENYA SCHOOL OF GOVERNMENT	90,000	
KISTAR ENTERPRISES	2,173,138	
TIFFCOM TECHNOLOGY LIMITED	447,783	
	<u>4,108,921</u>	<u>3,508,252.00</u>
12 NET ASSETS		
i Revaluation Reserve		
Balance b/f	2,284,463,085	2,284,463,085
Gain/Loss on Revaluation	-	-
Total	<u>2,284,463,085</u>	<u>2,284,463,085</u>
ii Capital Reserve		
Balance b/f	44,164,375	44,164,375
Development Grant	-	-
Total	<u>44,164,375</u>	<u>44,164,375</u>
iii Retained Earnings		
Balance b/f	140,449,232	127,275,654
Surplus/Deficit for the year	(15,813,636)	13,173,578
Total	<u>124,635,596</u>	<u>140,449,232</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 CONTINGENT LIABILITY

Litigation is in process against KEMI relating to unfair dismissal of former staff. The outcome of these cases has not been determined.

14 MEMBER OF STAFF

- i. Permanent - 67
- ii. Contract - 5
- iii. Casuals - 3

15 FINANCIAL RISK MANAGEMENT

- i. **Market Risk** - KEMI does not own Financial Instruments in Foreign Currency hence it is not exposed to Market Risk
- ii. **Price Risk** - KEMI Does not hold any Financial Instruments subject to Price Risk
- iii. **Credit Risk** - This arises from outstanding receivables. It is the risk that counterparty will default on the contractual obligation, resulting in financial loss. KEMI's credit risk is managed by the Head of Income Generating Projects by ensuring that relevant documentation is obtained before any engagement, to allow follow up on such payments.
- iv. **Operational Risk** - This is Risk that can arise from ordinary business activities, in KEMI's case from Trainings. The number of participants in the main Training Programme (ODFL) has been decreasing, with fewer participants enrolling for the same. This Risk is being managed by the Deputy Director Training through introduction of new programmes hence diversification.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor in their letter 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)
1.1	Land & Ownership	The Management contracted a Law firm to seek court orders to evict the squatters.	Procurement Officer	Partially resolved	As soon as possible
2.0	Receivables from Exchange Transactions	Demand letters have been sent to the debtors requiring the settlement of the outstanding debts as soon as possible	Internal Audit Officer	Partially resolved	As soon as possible
Emphasis of Matter	Ineligible Administrative Expenses	The money in question was received by KESI in 2009. By virtue of being a department, KESI's expenses were accounted for by MOEST.	Internal Audit Officer	Accounting officer of MOEST authorized KESI to make the payments.	Closed