

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Paper Laid on the
Table of the House
by the Leader of

REPORT the Majority Party
[Hon. Aden Duale]

PARLIAMENT
OF KENYA
LIBRARY

OF on Tuesday
26th June 2018

THE AUDITOR-GENERAL [Afternoon]

ON

**THE FINANCIAL STATEMENTS OF
KENYA INSTITUTE OF MASS
COMMUNICATION**

**FOR THE YEAR
ENDED 30 JUNE 2017**



KENYA INSTITUTE OF MASS COMMUNICATION

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ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30 2017**

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

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Table of Contents

Page

I.	KEY ENTITY INFORMATION AND MANAGEMENT	ii
II.	THE COUNCIL MEMBERS	iv
III.	MANAGEMENT TEAM.....	viii
IV.	CHAIRMAN'S STATEMENT	xi
V.	REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xii
VI.	CORPORATE GOVERNANCE STATEMENT.....	xiii
VII.	MANAGEMENT DISCUSSION AND ANALYSIS.....	xiii
VIII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xiv
IX.	REPORT OF THE COUNCIL	xv
X.	STATEMENT OF COUNCILS' RESPONSIBILITIES	xvi
XI.	REPORT OF THE INDEPENDENT AUDITOR	xvii
XII.	STATEMENT OF FINANCIAL PERFORMANCE.....	1
XIII.	STATEMENT OF FINANCIAL POSITION.....	2
XIV.	STATEMENT OF CHANGES IN NET ASSETS.....	3
XV.	STATEMENT OF CASH FLOWS	4
XVI.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XVII.	NOTES TO THE FINANCIAL STATEMENTS	6

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

The principal mandate of the institute is;

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

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

i). Finance and Administration Committee

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

ii). Audit committee

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

iii). Training Committee

The committee oversees policy issues on admission of students, Quality assurance on Academic standards, development of new courses and academic policy.

(f) Institute Headquarters

P.O. Box 42422-00100
Kenya Institute of Mass Communication
Uholo Road
Nairobi, KENYA

(g) Institute Contacts

Telephone :(254) 206551555
E-mail: info@kimc.ac.ke
Website: www.kimc.ac.ke

(h) Institute Bankers

Kenya Commercial bank
Kencom House
P.O. Box 48400
G.P.O 00100
Nairobi, Kenya

(i) Independent Auditors





Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser





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

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017





II. THE COUNCIL MEMBERS

	Name	Position	Key qualifications	Professional profile
1	 <p>Prof. Chacha Nyaigotti Chacha</p>	Council Chairman	<ol style="list-style-type: none"> 1. P.H.D, 2. M.Phil. 3. M.A 4. B.E.D-Arts 	<ol style="list-style-type: none"> 1. Full professor since year 1981 2. Board Secretary/CEO- Higher Education loans Board 3. Executive Secretary (CEO)- Inter-University Council for East Africa 4. Board member various Organizations
2	 <p>Mr. James Nguo</p>	Council Member	<ol style="list-style-type: none"> 1. MA (Strategic Communications) 	<ol style="list-style-type: none"> 1. 20 years' experience in development sector majoring on information and Knowledge management.
3	 <p>Ms. Caroline Mutoko</p>	Council Member	<ol style="list-style-type: none"> 1. M.A 	<ol style="list-style-type: none"> 1. Radio Producer/Marketing 2. Marketer
4	 <p>Hon. Wycliffe Osundwa</p>	Council Member	<ol style="list-style-type: none"> 1. Dip-Journalism 	<ol style="list-style-type: none"> 1. Ministry of Information(Senior Information Officer) 2. KNA(Chief Photographic Officer) 3. M.P (Mumias) & Assistant Minister Home Affairs & Agriculture 4. Chair, Inter parliamentary Committee on Agriculture, Forestry & Fisheries



KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

5	 <p>Ms. Farida Karoney</p>	Council Member	<ol style="list-style-type: none"> 1. MBA(Strategic) 2. B.E.D(Science) 3. Post Graduate Dip(Mass communication) 	<ol style="list-style-type: none"> 1. Chief Operating Officer & Editorial Director(Royal Media Services) 2. Senior Management in all leading Media houses in Kenya.
6	 <p>Mr. William Abungu</p>	Council Member	<ol style="list-style-type: none"> 1. Customer Service 	<ol style="list-style-type: none"> 1. County Government of Siaya 2. Telkom Kenya (Public relations)
7	 <p>COL. (Rtd) Joel Tirmet</p>	Council Member	<ol style="list-style-type: none"> 1. Dip(International relations) 2. Dip(Security International) 	<ol style="list-style-type: none"> 1. 30 years as a military officer in various positions. <ol style="list-style-type: none"> i. Training ii. Military Intelligence iii. Diplomat & Peace keeping operations
8	 <p>Mr. Charles Kilonzo</p>	Council Member	<ol style="list-style-type: none"> 1. MBA(Strategic Management) 2. BSC (Horticulture) 3. Post Graduate Dip (PR Management) 	<ol style="list-style-type: none"> 1. Management positions in various organizations including; <ol style="list-style-type: none"> i. Live Studios Media ii. Daystar University iii. St. Pauls' University

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017




9		Alternate PS, Devolution & Planning	1. BA (Sociology)	<ol style="list-style-type: none"> 1. Ministry of Youth Affairs and Sports 2. Ministry of devolution & Planning 3. Over 10 years in Civil service
Mrs. Regina Bundi				
10		Alternate PS, The National Treasury	1. MSC and Finance	1. Finance Analyst
Mrs. Jane Njogu				
11		Alternate PS, Ministry of Education, Science and Technology	<ol style="list-style-type: none"> 1. MSC (Building Services Engineering) 2. BSC (Mechanical Engineering) 	<ol style="list-style-type: none"> 1. Ministry of Education (Deputy Director, Quality Assurance & Standards) 2. Deputy Director (KITI) 3. Lecturer Various Government Technical Institutes 4. Public Service Institute of Kenya
Mr. Alphonse M. Mwaa				
12		Alternate PS, Ministry of Information, Communication and Technology	<ol style="list-style-type: none"> 1. Advocate(High court of Kenya) 2. Diploma in Law 3. CPS(K) 	<ol style="list-style-type: none"> 1. Advocate of High Court for over 13 years(Litigation, Arbitration & Conveyance) 2. Project Management & Corporate Governance
Ms. Charity Kagiri				

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017





13		Director /CEO	<ol style="list-style-type: none"> 1. M.A (Communication studies) 2. B.A 3. Post Graduate Diploma 	<ol style="list-style-type: none"> 1. 32 years' experience in public service. 2. 5 News Editor V.O.K 3. 5 Years senior reporter presidential press service 4. Assistant editor in Chief KBC 5. Senior Principal Lecturer KIMC. 6. Editor in Chief KBC 7. Principal KIMC 8. Current Director KIMC
	Ms. Hiram Mucheke			
14		Corporation Secretary	<ol style="list-style-type: none"> 1. LLM 2. LLB 3. CPS(K) 	<ol style="list-style-type: none"> 1. 9 years post-admission experience in legal practise 2. 9 years CPS practise 3. Legal officer of at Catholic University for 4 years
	Ms. Angela Kiptoo			

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017




III. MANAGEMENT TEAM

No	Name	Position	Key Qualifications	Main area of responsibility
1.	 Mr. Hiram Mucheke	Director/Chief Executive Officer	<ol style="list-style-type: none"> 1. M.A (Communication studies) 2. B.A 3. Post Graduate Diploma 	Overall responsibility for the direction, organization and administration of programmes and other affairs of the Institute
2.	 Mr. Peter Wakoli	Deputy Director (Finance & Administration)	<ol style="list-style-type: none"> 1. M.A-(Int. Devt) 2. M.A-Econ 3. B.A-Econ 4. Post Graduate Diploma 	Coordinating the implementation of the Institute's strategic plan, annual departmental plans and performance contracts as well as managing the staff performance appraisal system for the Institute
3	 Ms. Angela Kiptoo	Corporation secretary	<ol style="list-style-type: none"> 1. LLM 2. LLB 3. CPS (K) 	In consultation with the Director provide secretarial services to the board and board committees.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4.	 <p>Mr. Emmanuel Korir</p>	Finance Manager	<ol style="list-style-type: none"> 1. MBA(Finance) 2. BBM(Finance & Banking) 3. C.P.A (K) 	Provision of finance and Accounting services to the Institute.
5.	 <p>Ms. Rosalinda Barasa</p>	Human Resource Manager	<ol style="list-style-type: none"> 1. M.A(Labour Management) 2. B.A(Econ & Sociology) 3. Higher Dip(HR) 	Responsible for overall management of human resource in the Institute
6.	 <p>Mr. Albert Musyoka</p>	Chief Internal Auditor	<ol style="list-style-type: none"> 1. MBA(Accounting) 2. B.A (Agribusiness) 3. C.P.A (K) 4. C.I.S.A 	Managing enterprise – wide risks as well as ensuring compliance of the Institute with various statutory and operational requirements
7.	 <p>Ms. Phyllis Kibagendi</p>	Chief Supply Chain Management Officer	<ol style="list-style-type: none"> 1. MSC (Procurement) 2. BCOM(Accounting) 3. Dip(Supply Chain) 	Planning of Supply Chain Management activities

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

IV. CHAIRMAN'S STATEMENT

I take great pleasure in presenting to you once again the Annual report and financial statements for Kenya Institute of Mass communication for the year ended 30th June 2017. Some of the milestones I wish to highlight include;

Recruiting and Training students in mass Communication.

The Institute recruited 460 students into various courses in September 2016 and graduated a total of 400 students during the month of November 2016 after successfully completing various courses in Diploma and certificate.

Production and dissemination of products in communication and cinematic arts for education and info-tainment,

During the year 60 productions in communication and cinematic arts for education and info-tainment was produced and disseminated.

Annual budget & Strategic plan

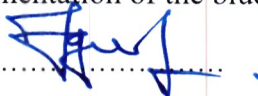
In the current Financial Year 2016/17, the Institute continued to implement its strategic plan in consultation with the stakeholders. The Strategic Plan prioritizes: physical infrastructure; human capital; equipment and facilities modernization; modernization of transport and institutional Corporate Social responsibility as the key Institute enablers.

If the above priority areas are implemented, KIMC will undoubtedly become a centre of excellence in mass media training.

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

The resources received in the FY 2016/17 facilitated the Institute to: train and graduate 400 media practitioners; train 18 officers in short term aptitude courses; capacity build Council members; develop four curricula; commence the final phase of the hostel which is currently at 70% complete; procure some broadcast training equipment; complete phase II of the tuition block; fully operationalize the degree programme jointly offered with the University of Nairobi; set up an Animation Lab and modernized transport by procuring the directors Car.

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



Prof. Chacha Nyaigotti Chacha

Council Chairman

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

In the Financial year 2016/2017, the Institute intensified implementation of its mandate in line with priorities set out in the strategic plan 2015-2019. Highlights of key achievements are presented hereunder.

Academics programmes.

During the year under review the Institute admitted 460 students to undertake various courses in Diploma and certificates, 400 hundred students graduated in the same year having satisfied the board of examiners to be awarded various certificates and diplomas. Three curricular was reviewed during the year.

Infrastructure.

- The 3rd floor of the tuition block was completed.
- The 405 bed capacity catering unit is 82% complete.

Modernisation of training equipment

- Television and Film equipment was modernised by acquiring cameras and editing suites
- Radio training equipment was modernised by acquiring Mac Pro computer for digital broadcasting.
- Rehabilitation of the television studio was done by acquiring one talk back system.
- Acquisition of customized 14 seater van.

Institutional Capacity

In the Financial year 2016/2017, the Institute was allocated Kshs 322.45 M to finance its operations. In the same period the Institute recruited additional 7 staff members. At the end of the year staff establishment stood at 96. The Institute continued to modernize its operational environment through Automation to enhance efficiency and effectiveness.

Challenges

The Institute faced a number of challenges in the implementation of its mandate. These included inadequate funding, human resources constraints which is currently at 40%, change in technology which has implications on the training equipment, marketability of courses and graduates. It is our projection that, National Treasury will facilitate the Institute to overcome these challenges during the FY 2017/18.

Finally, I wish to appreciate the Government, council and staff in discharging the Institute's mandate.



Hiram Mucheke

Director/Chief Executive Officer

VI. CORPORATE GOVERNANCE STATEMENT

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

The council provides oversight arrangements through various committees. The committees are;

- a. Finance and Administration Committee
- b. Audit committee
- c. Training Committee

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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis provides an overview of the financial position and results of activities of the Institute for the year ended June 30, 2017. Comparative information for the year ended June 30, 2016, has been provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes that follow this section. Kenya Institute of Mass Communication is a semi-Autonomous Government Agency (SAGA) established under legal notice No. 197 of 2011 (Amended 2012).

The Institute consisting of two major divisions; Academic and Finance and Administration

Academic Division

The Academic affairs department is organized into five divisions, namely;

- i. Television and Radio production
- ii. Film and Animation
- iii. Journalism and public relations
- iv. Engineering
- v. Graduate and post graduate

Finance and Administration

- i. Human Resource Management
- ii. Finance and Accounting
- iii. Administration

Financial Highlights

For the fiscal year ended June 30, 2017

- The Institute received Kshs 195.45 M from the exchequer and raised 11.9 M from internal revenue to finance its recurrent operations and Kshs 115M to finance its capital expenditure
- The Institute collected Kshs 76 M from fees and short courses out of which Kshs 11.9M was appropriated as AIA.
- Total cumulative recurrent expenditure was Kshs 319 M and capital costs was Kshs 133M.

Summary of financial performance is as summarized below;

	FY 2016/17 Kshs 'million'	FY 2015/16 Kshs 'million'
Total revenue	386	384
Total expenses	319	383
Surplus/Deficit	67	1

Capital Activities

One of the critical factors in sustaining the quality of the Institute's academic and research programs is the development and renewal of its capital assets. The Institute continues to implement its long-range plan to modernize its older teaching and research facilities, construct new facilities and fund its deferred maintenance obligations.

Capital additions primarily consist of replacement, renovation and new construction of academic, research and investment in training equipment and information technology.

During the financial year ended 30th June 2017 the following major projects were undertaken;

Project	Item Particulars	Cost in Kshs 'Million'
1.	Modernization of media training facilities	65
2.	405 bed capacity hostel (Catering unit Annex)	68
	Total project cost in the year	133

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

IX. REPORT OF THE COUNCIL

The Institute Council submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Institute's affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2017 are set out on page1-19

Council members

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

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Section 23 of the Public Audit Act, 2015.

By Order of the Council

Corporation Secretary


.....

Nairobi

Date: 26/7/2018
.....

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF MASS COMMUNICATION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Institute of Mass Communication set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2017, 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 Institute of Mass Communication as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis)] and comply with the State Corporation Act Cap 446 and Legal notice No.197 Order, 2011(Amendment 2012)

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As previously reported, included in the property, plant and equipment balance of Kshs.2,259,588,272 as at 30 June 2017 is land measuring 1.4430 hectares valued at Kshs.1,100,000,000. However, available information indicates that part of the Institute's land used as walk path linking the Institute's catering unit, male hostel and female hostel has been encroached into by a private developer. The proposed development by the developer will cut off the male and female hostel and the catering unit, and thus will affect the students and the Institute as a whole adversely. Although the matter has been reported to the National Land Commission, and a case is pending before a court of law, the outcome is unknown. Further, the property, plant

Report of the Auditor-General on the Financial Statements of Kenya Institute of Mass Communication for the year ended 30 June 2017

and equipment balance of Kshs.2,259,588,272 is understated by an unknown and unvalued assets which were inherited from the parent Ministry after the Institute became autonomous in 2015/2016 financial year. In addition, the Institute has a fleet of Motor vehicles valued at Kshs.18,800,000 and whose ownership documents were not availed for audit review. In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs.2,259,588,272 is fairly stated.

2. Uncompleted Project - Construction of Kitchen/Dining

On 20 May 2016 the Institute entered and signed a Contract No. KIMC/01/2015-2016 with a construction company for construction of modern kitchen and dining hall at a contract price of Kshs.115,925,052 for duration of fifty two (52) weeks ending on 8 June 2017. Available information indicate that the contract price was varied by 25% or Kshs.28,980,902 to Kshs.144,905,954 while the duration varied by twenty six weeks (26) ending 7 December 2017. In addition, examination of documents revealed that a total of Kshs.112,613,442.00 or approximately 78% of the revised contract sum had been paid to the contractor leaving a balance of Kshs.32,292,513 with lapsed time of over three months. A physical inspection on the project during the time of audit revealed that the project is still incomplete and was way behind schedule. No satisfactory explanation was provided as to why the project was not completed in time and whether the unpaid balance of Kshs.32,292,513 will be sufficient to complete the project. Further, available information revealed that Electrical works and Mechanical, Plumbing, drainage, ventilation and solar works had been tendered for separately at a cost of Kshs.3,784,546 and Kshs.15,082,702 respectively and claims by the contractors had not been honoured. It is not clear if the project will be completed and when the stakeholders will obtain value for money. In the circumstances, the propriety of the expenditure of Kshs.112,613,442 on construction of kitchen and dining hall for the year ended 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Institute of Mass Communication in accordance with ISSAI 30 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. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern basis of accounting unless the management either intends to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

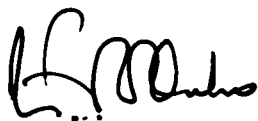
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Institute's 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 or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease as a going concern or to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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.



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

Nairobi

19 April 2018

Report of the Auditor-General on the Financial Statements of Kenya Institute of Mass Communication for the year ended 30 June 2017

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XII. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2017

	Notes	2016-2017 Kshs	2015-2016 Kshs
Revenue from non-exchange transactions			
Recurrent grants	2(a)	207,433,500	200,450,000
Development grants	2(b)	115,000,000	121,500,000
Revenue from exchange transactions			
Tuition and other related fees	3	64,107,948	62,307,115
Total revenue		386,541,448	384,257,115
Expenses			
Employee costs	4	128,774,942	130,044,529
Administration expense	5	60,871,580	71,822,125
Council expense	6	13,549,218	7,892,436
Repairs and maintenance	7	14,689,039	14,334,476
Academic services	8	46,917,456	57,209,322
Depreciation and amortization expense	9	52,911,629	42,261,794
Audit fees	10	800,000	800,000
Capital expenses	17	73,257,282	58,689,188
Total expense		391,771,146	383,053,870
Deficit/(Surplus) for the period		(5,229,698)	1,203,274

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XIII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

Assets	Notes	2016-2017	2015-2016
Current assets		Kshs	Kshs
Cash and cash equivalents	11	21,966,458	100,856,159
Receivables from exchange transactions	12	715,914	1,188,886
Inventories	13	-	33,738,350
		22,682,372	135,783,395
Non-current assets			
Property, plant and equipment	9 (a)	2,259,588,272	2,146,974,538
Intangible assets	9(b)	6,399,139	298,953
Total assets		2,288,669,784	2,283,056,886
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	42,174,135	35,208,343
Refundable deposits from customers-caution money	15	1,029,000	958,000
		43,203,135	36,166,343
Net assets		2,245,466,649	2,246,890,543
Revenue Reserves	16	29,711,926	1,203,274
Capital Revaluation Reserve		2,215,754,723	2,245,687,269
Total net assets and liabilities		2,288,669,784	2,283,056,886

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Council by:

Director
Hiram Mucheke


.....

Date 26/02/2018

Head of Finance
Emmanuel Korir
ICPAK No:9271


.....

Date 26/02/2018

Chairman of the Council
Prof. Chacha Nyaigotti Chacha


.....

Date 26/02/2018

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XIV. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2017

	Accumulated surplus	Capital reserve	Total
	Kshs	Kshs	Kshs
Balance as at July 2015	-	-	-
Surplus/deficit for the period	1,203,274	2,245,687,269	2,246,890,543
Adjustments/Restatement	-	-	-
Transfer from accumulated Surplus	-	-	-
Deferred grants-capital receipts	-	-	-
Balance as at 30 June 2016	1,203,274	2,245,687,269	2,246,890,543
Surplus/deficit for the period	(5,229,698)	-	(5,229,698)
Adjustments/Restatement	33,738,350	(29,932,546)	(3,805,804)
Transfer from accumulated Surplus	-	-	-
Deferred grants-capital receipts	-	-	-
Balance as at 30 June 2017	29,711,926	2,215,754,723	2,245,466,649

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XV. STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	2016-2017	2015-2016
	Kshs	Kshs
Cash flows from operating activities		
Receipts		
Government Grants	322,433,500	309,950,000
Tuition and other related fees	64,107,948	74,307,115
Total receipts	386,541,448	384,257,115
Payments		
Employee costs	128,774,942	130,044,529
Administration expenses	60,871,580	71,822,125
Council expenses	13,549,218	7,892,436
Repairs and Maintenance	14,689,039	14,334,476
Academic services	46,917,456	57,209,322
Total payments	264,802,235	281,302,888
Net cash flow from operating activities	121,739,214	102,954,227
Cash flow from investing activities		
Purchase of non-current assets	(96,385,746)	(32,249,996)
Capital works in progress	(73,257,282)	(24,950,838)
Decrease in non-current receivables	(34,162,435)	1,239,135
Net cash flow used in investing activities	(203,805,463)	(55,961,699)
Cash flow from Financing activities		
Increase in deposits	3,176,549	-
Net cash flow from financing activities	3,176,549	-
Net Increase/(decrease) in cash and cash equivalents	(78,889,701)	46,992,528
Cash & cash equivalents as start of the year	100,856,159	53,863,631
Cash & cash equivalents as 30 June	21,966,458	100,856,159

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final budget 2016-2017 Kshs	Actual comparable basis 2016-2017 Kshs	Performance difference 2016-2017 Kshs
Revenue					
Non-exchange transactions					
Recurrent Grants	207,450,000	-	207,450,000	207,433,500	(16,500)
Development Grants	230,000,000	(115,000,000)	115,000,000	115,000,000	-
Exchange transactions					
Tuition and other related fees	63,000,000	-	63,000,000	64,107,948	1,107,948
Total revenue	500,450,000	(115,000,000)	385,450,000	386,541,448	1,091,448
Expenses					
Compensation to employees	127,802,183	-	127,802,183	128,774,942	(972,759)
Council Expenses	8,544,000	-	8,544,000	13,549,218	(5,005,218)
Administration expenses	67,984,834	-	67,584,834	60,871,580	6,713,254
Audit fees	-	-	400,000	800,000	(400,000)
Repairs and Maintenance	22,118,983	-	22,118,983	14,689,039	7,429,944
Depreciation & Amortization	-	-	-	52,911,629	(52,911,629)
Academic Services	44,000,000	-	44,000,000	46,917,456	(2,917,456)
Capital expenditure	230,000,000	(115,000,000)	115,000,000	73,257,282	41,742,718
Total expenditure	500,450,000	(115,000,000)	385,450,000	391,771,146	(5,921,146)
Surplus/(deficit) for the period	-	-	-	(5,229,698)	7,012,594

Budget notes

- i. Changes in the budget is as a result of budget allocation reduction by the National treasury
- ii. Total actual on comparable basis does not tie to the statement of financial performance due to difference in accounting basis, the Institute prepares its budget on cash basis but the financial statements are on accrual basis.
- iii. Accrued expenses is as summarised below:
 - (a) Pension contribution Kshs 10,684,789
 - (b) Depreciation and Amortization Kshs 52,911,629
- iv. Council expenses exceeded budgeted expenditure as a result of re-classification of Chief executive officers salary under council expenses.
- v. Capital expenditure items are mainly dependent on the certificates obtained from public works on works certified.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p>The Institute adopted IPSAS in the year ended 30 June 2016 and therefore provisions of first time adoption of accrual basis does apply to the Institute.</p>
IPSAS 35: Consolidated Financial Statements	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare</p>

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	<p>consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
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ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019:</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p>

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2017

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a).Revenue Recognition

i).Revenue from non-exchange transactions

a)Transfers from other government entities

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

b)Grants from Donors

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

ii).Revenue from exchange transactions

c)Rendering of services

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

b).Budget Information

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c).Employee Benefits

The Entity provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (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.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

d). Non-Current Assets

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

e). Depreciation

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

The Depreciation rates used are as follows:

Motor vehicle	25%
Furniture & Fitting	12.5%
Office Equipment & Accessories	12.5%
Computers & Printers	30%
Computer Software	30%
Buildings	2.5%
Land	0%

f). Cash and cash equivalents

Cash and cash equivalents comprise cash in 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 Kenya Commercial bank at the end of the financial year.

g). Provisions

Provisions are recognized when the Entity 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 Entity 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.

h). Nature and purpose of reserves

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

i. Revenue reserves

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

ii. Capital Revaluation Reserves.

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

i). Changes in accounting policies and estimates.

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

j).Taxation

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

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

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

l).Consumable stores

All consumable stores procured for use in operations are expensed on purchase through the statement of Financial performance. Proper records of receipts and issues of stores items are maintained to avoid abuse. Prior year inventory related to equipment was expensed, these cost has been capitalized and transferred to property, plant and equipment.

m).Comparative figures

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

n).Related party

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise of the members of the Council and the Management team. Remuneration paid to the Council members and senior management was for services rendered during normal business course and were not in any way on favourable terms than would have been on transactions done at an arm's length.

o).Contingent liabilities

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

p).Subsequent events

There has been no event subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

q).Risk Management

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

Credit Risk

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

Liquidity Risk

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

Capital Risk

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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.

- (a) The Institute is still collating its Assets transferred from the Parent ministry, the values of these assets may change significantly as some of the equipment such as video cameras has become obsolete due to technological changes. The cost of land may also go up significantly as the general land prices within Nairobi has gone up significantly in the last 5 years since the last valuation was done.
- (b) Cost of library books has been recognized in the statement of comprehensive income, useful life of library books and its residual value may change based on the assessment of experts employed by the Institute or relevance of the information contained in the books, this may necessitate recognition in the statement of financial position.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017

	2016-2017	2015-2016
	Kshs	Kshs
2(a) Recurrent grants		
This denotes money received from the Government to support recurrent expenditure of the the Institute.		
Quarter 1	48,862,500	50,941,846
Quarter 2	48,862,500	50,783,154
Quarter 3	48,862,500	50,862,500
Quarter 4	48,862,500	35,862,500
A.I.A	11,983,500	12,000,000
	207,433,500	200,450,000
	207,433,500	200,450,000
2(b) Development grants		
This denotes money received from the Government to support development expenditure of the the Institute.		
Quarter 1	115,000,000	33,750,000
Quarter 2	-	33,750,000
Quarter 3	-	20,250,000
Quarter 4	-	33,750,000
	115,000,000	121,500,000
	115,000,000	121,500,000
3 Revenue from exchange transactions		
Tuition and other related fees	64,107,948	62,307,115
Total revenue from exchange transactions	64,107,948	62,307,115
	64,107,948	62,307,115
4 Employee costs		
Basic pay	77,929,068	77,944,217
House allowances	26,449,319	24,013,405
Extraneous allowance	180,744	195,000
Commuter allowance	7,781,712	7,605,448
Casual wages	3,274,542	3,849,976
Gratuity & pensions contributions	10,684,789	13,131,795
Other personal allowances	2,474,768	3,304,688
Total employee costs	128,774,942	130,044,529
	128,774,942	130,044,529

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017

	2016-2017	2015-2016
	Kshs	Kshs
5 Administration expense		
Utilities supplies - Electricity	7,713,425	7,835,141
Utilities supplies - Water & Sewerage	1,019,707	665,670
Telephone expense	2,142,912	1,296,258
Internet and ICT infrastructure	896,648	242,052
Postage & courier services	50,000	55,596
Leased communication lines	-	166,600
Satellite Access Services	60,725	237,150
Local Travelling and subsistence	2,689,455	1,427,643
Foreign travel & accommodation	457,690	656,170
Transport	-	116,200
Medical supplies	612,347	2,578,678
Staff training and development	2,948,055	1,891,234
Printing & publishing	755,412	159,490
subscription to other bodies and periodicals	484,409	420,742
Advertisement and awareness campaigns	650,400	174,544
Trade shows and exhibitions	745,800	318,100
Specialised materials and Supplies	1,119,985	11,281,995
Education & Library Supplies	1,267,826	-
General Office expense	5,446,452	6,296,682
Supplies & Accessories for computer services	721,200	967,844
Cleaning and Sanitary Services	841,000	1,395,650
Refined fuels and Lubricants for transport	666,600	660,680
Cooking gas	1,236,160	1,540,200
Contracted Guards & Cleaning Services	2,972,040	5,119,878
Contracted Professional Services	5,574,269	631,440
Purchase of uniforms & Graduation Gowns	1,393,209	649,900
Purchase of Bedding & Linen	148,900	95,400
Bank charges and commissions	23,760	67,890
Catering and Hostel Services	18,233,194	24,873,299
Total administrative expense	60,871,580	71,822,125
6 Council expense		
Sitting Allowance	3,631,000	3,040,000
Hospitality & Accommodation	1,275,650	977,040
Mileage Reimbursement	1,605,768	657,396
Honoraria	1,044,000	1,044,000
Training	1,717,800	2,174,000
CEO Salary	4,275,000	-
Total council expense	13,549,218	7,892,436

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017

	2016-2017	2015-2016
7 Repairs and maintenance	Kshs	Kshs
Repairs and maintenance of equipment & machinery	3,979,970	8,012,219
Repairs and maintenance of motor vehicle	824,730	860,182
Repairs & Maintenance of office furniture	440,725	225,961
Repairs & Maintenance of Computer & software	-	252,446
Repairs and maintenance of buildings	4,288,034	567,520
Overhaul of plant, machinery & Equipment	-	3,000,063
Purchase of workshop tools, spares & Equipment	879,530	-
Purchase of Household & Institutional Appliances	-	240,730
Purchase of Air conditioners, Fans and Heating appliances	-	576,000
Purchase of Fire Fighting Vehicles & Equipment	-	500,085
Purchase of ICT Networking & Communications Equipment	4,276,050	99,270
Total repairs and maintenance	14,689,039	14,334,476
8 Academic services		
Teaching & Academic expenses	29,561,233	37,309,334
Student Projects & Supervision	7,365,847	16,230,807
Extra-Curriculum & Students union	7,433,669	857,500
Graduation expense	2,556,707	2,811,681
Total academic services	46,917,456	57,209,322
9 Depreciation and amortization		
a).Property, Plant and equipment	51,018,793	42,261,794
b).Intangible assets	1,892,836	-
Total depreciation and amortization	52,911,629	42,261,794
10 Audit fees-Auditor General	800,000	800,000
11 Cash and cash equivalents		
A/C No.1167037944-KCB-Re-current Account	5,465,199	(11,318,395.00)
A/C No.1143244362-KCB-Deposits Account	7,196,391	56,117,015.00
A/C No.1167037944-KCB-Development Account	9,304,869	56,055,740.00
Cash in hand	-	1,799
Total cash and cash equivalents	21,966,458	100,856,159
12 Receivables from exchange transactions	Kshs	Kshs
Staff debtors(Salary advance)	147,714	133,956
Outstanding imprest	568,200	1,054,930
Total receivables from exchange transactions	715,914	1,188,886
13 Inventories		
Equipment-Stores	-	33,738,350
Total inventories	-	33,738,350

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017

	2016-2017	2015-2016
	Kshs	Kshs
14 Trade and other payables from exchange transactions		
Contractor's retention	17,070,826	16,791,855
Pension & Gratuity	10,684,789	5,152,714
Commissioner of Domestic Taxes (PAYEE)	3,248,428	-
Payments due to Part-time lecturers	6,558,654	4,096,200
Outstanding salaries & wages(WCPS)	3,011,437	1,984,795
Provision for audit fee	1,600,000	800,000
Total	42,174,134	35,208,342
15 Refundable deposits from students		
Student deposits	958,000	980,000
Receipts	388,000	431,000
Refunds	(317,000)	(453,000)
Total deposits	1,029,000	958,000
16 Revenue reserve		
Balb/f	1,203,245	-
Adjustment/restatement	33,738,350	
Surplus/deficit for the financial year	(5,229,698)	1,203,274
Bal c/f	29,711,926	1,203,274
17 Work in progress		
Opening Work in progress	24,950,838	-
Addition	73,257,282	24,950,838
Total	98,208,120	24,950,838

Work in progress includes cost incurred on the catering unit annex, it is 68% complete

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

9(a)

Non-Current Assets

Description	Land		Buildings		Furniture & Fittings		Tools & Equipment		Motor Vehicles		Computers		Work in Progress		Computer software		Total		
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	
Cost																			
At 1 July 2015	1,100,000,000	953,450,944	24,080,278	52,026,816	18,800,000	8,927,250	24,950,838	2,157,285,288											
Additions	-	-	2,446,230	-	4,553,975	-	24,950,838	32,249,996											
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2016	1,100,000,000	953,450,944	26,526,508	52,026,816	23,353,975	8,927,250	24,950,838	2,189,535,284											
Additions	-	1,712,750	2,433,700	74,524,850	4,277,030	7,337,230	73,257,282	163,542,842											
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2017	1,100,000,000	955,163,694	28,960,208	126,551,666	27,631,005	16,264,480	98,208,120	2,352,779,173											
Depreciation & impairment																			
At 1 July 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(23,836,274)	(3,315,814)	(6,503,352)	(5,838,494)	(2,678,175)	-	(42,172,108)											
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2016	-	(23,836,274)	(3,315,814)	(6,503,352)	(5,838,494)	(2,678,175)	-	(42,261,794)											
At July 2016	-	(23,836,274)	(3,315,814)	(6,503,352)	(5,838,494)	(2,678,175)	-	(42,261,794)											
Depreciation	-	(23,283,186)	(3,205,549)	(15,006,039)	(5,448,128)	(4,075,892)	-	(51,018,793)											
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2017	-	(47,119,459)	(6,521,363)	(21,509,391)	(11,286,622)	(6,754,067)	-	(93,190,901)											
Netbook values																			
At 30 June 2017	1,100,000,000	908,044,235	22,438,845	105,042,275	16,344,383	9,510,414	98,208,120	2,259,588,272											
At 30 June 2016	1,100,000,000	929,614,670	23,210,695	45,523,464	17,515,481	6,249,075	24,950,838	2,147,273,491											

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

9(b) Intangible assets-Software
Description

	2016-2017	2015-2016
Cost	Shs	Shs
At the beginning of the year	298,953	-
Additions	-	298,953
Disposals		
At the end of the year	298,953	298,953
Additions	6,100,186	-
At 30 June 2017	6,399,139	298,953
Amortization and impairment		
At the beginning of the year	(89,686)	-
Amortization	(1,892,836)	(89,686)
At the end of the year	(1,982,522)	(89,686)
Net book values	4,416,617	209,267