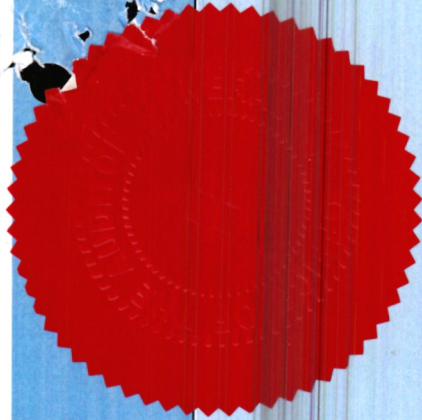


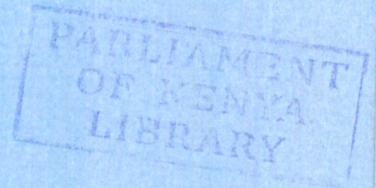
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 07 MAY 2019	DAY: TUE
TABLED BY:	LOM
CLERK-AT THE-TABLE:	Mr. Lemuna



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA INSTITUTE OF SPECIAL EDUCATION

FOR THE YEAR ENDED
30 JUNE 2018





KENYA INSTITUTE OF SPECIAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 2018**

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



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I. KEY INSTITUTE INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

The principle functions of KISE are;

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

(c) Key Management

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

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

(d) Fiduciary Management

This key role was vested as follows:

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





(e) Fiduciary Oversight Arrangements

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

- Finance and General Purpose committee
- Audit, Risk Governance and Compliance Committee
- Projects and Development committee
- Academic, Research and Standards Committee

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

(f) Institute Headquarters

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

(g) Institute Contacts

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

(h) Institute Bankers

1. National Bank of Kenya
Harambee Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Ngara Branch and TRM Branch
P.O. Box 60000
City Square 00200
Nairobi, Kenya





i) Independent Auditors

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

j) Principal Legal Adviser

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













ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

II. THE COUNCIL MEMBERS







KISE Council was appointed in the month of May 2018. The Council was appointed for a term of 3 years. The Council Members are;

1	Dr. John Mugo Chairman – KISE Council PHD Edu, Masters of Special Edu, Bachelor of Edu (Arts)	Twaweza NGO	
2	Dr. Richard Belio Kipsang' Council Member PHD Edu, Masters Of Arts (Econ), Bachelor of Edu (Buss & Econ)	Principal Secretary State Department of Education.	
3	Mercy Gathigia Karogo Council Member MSC Enterpreurship, Bed (Buss & Econ) DIP (Tech Edu)	Ag. CEO , Kenya National Examination Council	
4	Augusta M. Muthigani Council Member Masters of Arts (religious studies), Bachelor of Edu (Arts), HDIP (HR)	Kenya Conference of Catholic Bishops (KCCB)	
5	Dr. Julius Ouma Jwan Council Member PHD (Edu & leadership), MSC (Edu & Research), MPhil (Edu), Masters (Linguistics), Bed	Director , Kenya Institute of Curriculum Development	
6	Mrs. Nancy Macharia Council Member Masters Edu (policy & mgt), Bachelor of Edu (Eng & Lit)	Chief Executive, Teachers Service Commission	
7	Prof. Peter Oracha Adoyo Council Member PHD SNE, MSC , Post Graduate Dip in deaf studies, DIP SNE	Maseno University	
8	Beldine Omolo Council Member	National Treasury	
9	Grace O. Ogonda Council Member Masters in Edu (SNE). Med (Teacher Edu), Bed Sc, Dip edu (LD), DIP edu (MLE)	University of Nairobi	
10	Hellen Mudora Obande Council Member		
11	Wambua T. Mutiso HSC Masters of Edu, Bachelors in Edu (Science)	Director KISE /Secretary From 1 st July 2017	










III. MANAGEMENT TEAM

S/NO	PHOTO	NAMES	DESIGNATION
1.		Wambua T. Mutiso Holds a Bachelor in Education and has over 30 Years of experience majority of this in management of educational institutions	Director from July 1 st 2017
2.		Peter Ndichu Holds a Bachelors of Education and a diploma in SNE. Has 29 years of experience spread across teaching, curriculum development and management	Academic registrar
3.		Margaret M. Githang'a PHD (EDU) Student, MPHIL(Educ), BED	Deputy Director Finance and Administration
4.		Daniel Sanoe Holds a Bachelor of Education with 26 years of experience	Deputy Academic Registrar Open and Distance Learning
5.		Christopher Lenguris Holds a Bachelor of Education with 22 years of experience	Dean of Students
6.		Dr. Lynett K. Ongera Holds a Ph.D in Education: SNE with 22 years of experience	Deputy Academic Registrar Open and Distance Learning





7.		<p>Flora Malasi Holds a Masters of Education and has 25 years of experience.</p>	<p>Deputy Academic Registrar Full Time.</p>
8.		<p>Anthony Mwangi: Holds Bachelors in Business Management & CPA (K). Has 17 years of working experience.</p>	<p>Ag. Finance Manager</p>
9.		<p>Bevaline Nyantika: Holds Bcom & CPA Part II. Has 9 years of working experience.</p>	<p>Ag. Internal Auditor</p>
10.		<p>Lucy Maina: Rose from personal secretary to current position. Holds Bachelors in Communication Public Relations and has 6 years experience in the field.</p>	<p>Public Relations Officer</p>
11.		<p>Sarah Ouma: Rose from personal secretary to current position. Holds a Bachelors in Human Resource Management and has 26 years experience.</p>	<p>Human Resource Officer</p>



CHAIRMAN'S REPORT

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

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

In the year under review the Council was appointed on temporal six (6) renewable tenures to facilitate the smooth running of the Institute, however in the month of May 2018 a substantive KISE Council was appointed for a period of three (3) years. The Council continued to consult with the management in order to provide leadership and direction to the Institute. This has ensured prudent and appropriate practices are passed on from the past, present into the future affairs of the entity. We commend the Council their endeavours that have sustained financial viability of the Institute and setting healthy trends for the future.

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

KISE Council Chairman





IV. REPORT OF THE DIRECTOR

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

Among milestones achieved in the year included the achievement of over 90% implementation of National Psycho-Education Assessment and Rehabilitation Project. This is a medium term project funded by the GOK and endeavours to provide assessment facility, assessment services as well as use of current assessment technologies to alleviate rehabilitative challenges in the Kenya and within the region.

The Institute continued to emphasise and articulate its core functions noting an improved funding in training. The Institute managed to attain a surplus of Ksh. 18.1 million for the year under review. This was as a result of austerity measures in order to make enough savings as we look forward to convert an existing building into a hostel facility.

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

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

Wambua T Mutiso HSC

Director





V. CORPORATE GOVERNANCE STATEMENT

Introduction

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

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

Institute Vision

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

Mission Statement

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

The Council

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





Risk Management

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

Council Evaluation

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





VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

The Institute continued to undertake Corporate Social Responsibility (CSR) through outreach and assessment activities in the financial year under review.





VII. REPORT OF THE COUNCIL MEMBERS

The Director submits his report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Kenya Institute of Special Education affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1

Council Members

The members who served in the Institute Council during the year under review were appointed on a renewable six months term by the Cabinet Secretary for the Ministry of Education as per the Legal Notice No 17 of February 1986. However, the KISE Council was formally appointed for three year term in May 2018.

Auditors

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

Director/KISE Council Secretary
Date: 30 September 2018

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VIII. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

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

The Council Members are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Institute;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30, 2018, and of the Institute's financial position as at that date. The Members further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

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Approval of the financial statements

The KISE financial statements were approved by the Council on 17 SEPT. 2018 and signed on its behalf by:

Chairman

Director

Council Member



REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SPECIAL EDUCATION FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Institute of Special Education set out on pages 1 to 22 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Institute of Special Education as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Education (Kenya Institute of Special Education) Order, 1986 of the Education Act, Cap 211 of the Laws of Kenya.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Institute of Special Education 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 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. I have determined that there are no Key Audit Matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Report of the Auditor-General on the Financial Statements of Kenya Institute of Special Education for the year ended 30 June 2018

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.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the 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 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.

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant

legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

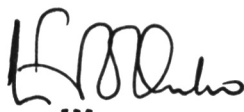
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

09 April 2019



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 KSH	2017 KSH
Revenue from non-exchange transactions			
Donations and Other Grants	3	1,013,378	227,030
GoK-Recurrent Grants	4	199,180,157	199,349,309
Total Revenue From Non-Exchange Transactions		200,193,535	199,576,339
Revenue From Exchange Transactions			
Fees And Student Contribution	6	78,613,990	88,297,290
Hire of Facilities And Services.	7	6,226,884	7,566,961
Revenue From The Farm	8	-	(170,995)
Other Incomes	9	2,389,480	2,197,379
Sale of Learning Materials	10	1,218,497	21,500
Profit on Disposal Of Assets	11	-	2,414,248
Total Revenue From Exchange Transactions		88,448,852	100,326,383
Total Revenue		288,642,387	299,902,722
Expenses			
Staff Expenses	12	94,107,704	76,837,531
Operations And Maintenance	13	132,877,143	180,161,895
KISE Council Expenses	14	864,314	1,049,635
Donations And Other Grant Expenses	15	856,150	889,344
Provision For Audit Fees		580,000	580,000
Provision For Depreciation	16	28,714,176	25,039,841
Provision For Bad & Doubtful Debts	17	12,534,006	10,947,258
Loss on Disposal Of Biological Assets	18	-	77,000
Total Expenses		270,533,493	295,582,504
Surplus For The Period		18,108,893	4,320,218

The notes set out on pages 7 to 19 form an integral part of the Financial Statements





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 KSH	2017 KSH
Assets			
Current assets			
Cash and cash equivalents	19	125,462,882	114,966,433
Receivables From Exchange Transactions	20	34,218,164	41,992,169
Receivables from non-exchange transactions	21	-	349,309
Total Current assets		159,681,046	157,307,911
Non-current assets			
Property Plant And Equipment	22 (a)	2,911,789,966	2,913,279,282
Work in Progress	22 (b)	553,470,690	327,416,868
Investment property	22 (b)	31,661,500	33,241,000
Intangible assets	23	1,817,184	4,679,961
Total Non-current assets		3,498,739,340	3,278,617,111
Total assets		3,658,420,386	3,435,925,022
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	24	39,766,947	58,885,002
Deferred income	25	18,398,069	18,794,047
Refundable deposits from customers	26	20,003,344	11,102,840
Total liabilities		78,168,360	88,781,889
Capital Reserves & Surplus			
Revenue Reserves	27	104,826,539	86,717,646
Revaluation Reserves	28	2,068,963,405	2,068,963,405
Capital Reserves	29	1,406,462,082	1,191,462,082
Total Capital Reserves & Surplus		3,580,252,026	3,347,143,133
Total net assets and liabilities		3,658,420,386	3,435,925,022



Finance Manager

CPA No. 13996

Date: 30th September 2018


Director KISE/Council Secretary

Date: 30th September 2018





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Revenue Reserves	Capital Reserves	Revaluation Reserves	Total
Balance at June, 30 2016	82,397,428	976,062,082	2,068,963,405	3,127,422,915
Balance at July, 01 2016	82,397,428	976,062,082	2,068,963,405	3,127,422,915
Additions in the Year	-	-	-	-
Development Fund	-	215,400,000	-	215,400,000
Surplus for the year	4,320,218	-	-	4,320,218
Balance at June, 30 2017	86,717,646	1,191,462,082	2,068,963,405	3,347,143,133
Balance at July, 01 2017	86,717,646	1,191,462,082	2,068,963,405	3,347,143,133
Additions in the Year	-	-	-	-
Development Fund	-	215,000,000	-	215,000,000
Adjustments	-	-	-	-
Surplus for the year	18,108,893	-	-	18,108,893
Balance at June, 30 2018	104,826,539	1,406,462,082	2,068,963,405	3,580,252,026





XIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	2,018 KSH	2,017 KSH
Cash-flows from operating activities		
Surplus for the period	18,108,893	4,320,218
Adjustment for:		
Depreciation	28,714,176	25,039,841
Provision for Bad & Doubtful debts	12,534,006	10,947,258
Loss on sale of Biological Assets	-	77,000
Profit on disposal of Assets	-	(2,414,248)
Investment Income	-	(450,325)
Increase/Decrease in Receivables	8,123,314	32,381,204
Increase/Decrease in Payables	(19,118,055)	(23,841,834)
Increase/Decrease in Refundable Deposits	8,900,504	(6,094,497)
Increase/Decrease in deferred Income	(395,978)	(1,517,832)
Net cash-flows from operating activities	56,866,860	38,446,785
Cash flows used in investing activities		
Property Plant and Equipment	(22,782,583)	(14,718,618)
WIP acquisition	(238,587,828)	(201,036,402)
Proceeds from Sale of Assets	-	3,128,566
Interest Income	-	450,325
Increase/(Decrease) in Investment	-	-
Net-cash-flows used in investing activities	(261,370,411)	(212,176,129)
Cash-flows from Financing activities		
Development Grant received	215,000,000	215,400,000
	215,000,000	215,400,000
Net Increase in Cash & Cash Equivalents	10,496,449	41,670,656
Cash and cash equivalents as at 1 JULY 2017	114,966,433	73,295,777
Cash and cash equivalents at 30 JUNE 2018	125,462,882	114,966,433



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original budget 2017-2018 Kshs	Adjustments 2017-2018 Kshs	Final budget 2017-2018 Kshs	Actual on comparable basis 2017-2018 Kshs	Performance difference 2017-2018 Kshs	%age
Revenue						
Donations And Other Grants	-		-	1,013,378	(1,013,378)	> 100%
GoK-Recurrent Grants	199,180,157		199,180,157	199,180,157	-	0%
GoK-Development Grant	135,000,000	80,000,000	215,000,000	215,000,000	-	0%
Fees And Student Contribution	77,497,700		77,497,700	78,613,990	1,116,290	1%
Hire of Facilities And Services.	21,100,000		21,100,000	6,226,884	(14,873,116)	-70%
Other Incomes	1,800,000		1,800,000	2,389,480	589,480	33%
Sale of Learning Materials	71,250		71,250	1,218,497	1,147,247	> 100%
Total income	434,649,107	80,000,000	514,649,107	503,642,387		
Expenses						
GoK-Development Grant to Capital Reserve	135,000,000	80,000,000	215,000,000	215,000,000	-	
Hospitality Supplies and Services	3,820,000		3,820,000	3,634,878	185,123	5%
Office and General Supplies and Services	2,050,000		2,050,000	1,498,562	551,438	27%
Routine Maintenance - Other Assets	3,620,000		3,620,000	2,911,303	708,697	20%
Communication Supplies and Services	5,520,000		5,520,000	4,487,320	1,032,680	19%
Printing, Advertising and information Supplies and Services	4,484,000		4,484,000	3,162,291	1,321,709	29.5%
Routine Maintenance - Vehicles & other						
Transport Equipment	2,835,000		2,835,000	1,895,929	939,071	33.1%
Other Operating Expenses	26,798,278		26,798,278	26,887,458	(89,180)	-0.3%
KISE Council Expenses	1,250,000		1,250,000	864,314	385,686	30.9%

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Basic Salary - Permanent Employees	55,700,000		55,700,000	50,239,042	5,460,958	9.8%
Dispensary expenses	500,000		500,000	383,406	116,595	23.3%
Domestic Travel & Subsistence	4,000,000		4,000,000	4,399,347	(399,347)	-10.0%
Employer contribution to Health Schemes	12,950,000		12,950,000	11,939,299	1,010,701	7.8%
Employer contribution to Pensions Schemes	8,074,790		8,074,790	8,102,963	(28,173)	-0.3%
Foreign Travel & Subsistence	2,000,000		2,000,000	1,260,007	739,993	37.0%
Fuel, Oil & Lubricants	2,450,000		2,450,000	1,693,843	756,158	30.9%
INSURANCE EXPENSES	1,730,000		1,730,000	1,368,993	361,007	20.9%
Personal Emoluments (Part of Salary)	25,000,000		25,000,000	23,826,400	1,173,600	4.7%
Purchase of Specialised Plant, Equipment & Machinery	11,500,000		11,500,000	2,917,730	8,582,270	74.6%
Specialised Materials and Supplies	12,521,230		12,521,230	10,513,994	2,007,236	16.0%
Training Expenses	67,776,500		67,776,500	58,694,569	9,081,931	13.4%
Utilities Supplies and Services	7,200,000		7,200,000	7,167,516	32,484	0.5%
Donations and other Grant Expenses				856,150		
Provision for Audit fees	580,000		580,000	580,000		
Provision For Bad & Doubtful Debts	8,500,000		8,500,000	12,534,006		
Provision for Depreciation	20,000,000		20,000,000	28,714,176		
Total	425,859,798	80,000,000	505,859,798	485,533,494		
Surplus	8,789,309		8,789,309	18,108,892		



XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Statement of compliance and basis of preparation

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

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and other charges

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

The Institute recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.



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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Institute.

Interest income

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

Rental income

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

b) Budget information

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

Explanation for material Variances

VOTEHEAD	BUDGET	ACTUAL	%AGE	REMARKS
Income				
Donations And Other Grants	0	1,013,378	> 100%	This relate to contributions for Inclusive Education Conference –not Budgeted
Hire Of Facilities And Services.	21,100,000	6,226,884	-70%	60% of expenditure related to this income has been netted off before reporting
Sale Of Learning Materials	71,250	1,091,672	> 100%	Institute was robust in soliciting for orders
Expenses				
Routine Maintenance - Vehicles	2,835,000	1,895,929	33.0%	Savings arising from efficient fleet management
Foreign Travel & Subsistence	2,000,000	1,260,007	37.0%	Lesser trips outside the country
Kise Council Expenses	1,250,000	864,314	30.9%	The Kise Council was appointed on 6 months basis
Printing, Advertising and information Supplies and Services	4,484,000	3,162,291	29.5%	The Institute adopted advertising through the website coupled with austerity measures in the year under review
Fuel, Oil & Lubricants	2,450,000	1,693,843	30.9%	Savings arising from efficient fleet management
Purchase of Specialised Plant, Equipment & Machinery	11,500,000	2,917,730	74.6%	Procurement challenges for Special equipment





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

c) Investment property

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

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

The Institute assets were re-valued by Professionals in 2014/2015 FY and it has developed an asset management policy to guide depreciation. The depreciation rates have been applied without backdating the same as the new values were established as at the year under review. New Assets are also depreciated for a full year on acquisition.

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

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

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

e) Leases

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

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

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

f) Intangible assets

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

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

g) Research and development costs

The Institute expenses research costs as incurred in the current period unless they have alternative future uses where they would be reported as assets.

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

h) Financial instruments

Financial assets Initial recognition and measurement

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

Financial liabilities Initial recognition and measurement

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

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





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

i) Inventories

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

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

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

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





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Changes in accounting policies and estimates

The Institute recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. There were no major policy changes in the year under review.

l) Employee Retirement benefit plans

The Institute provides retirement benefits for its employees. A defined contribution scheme under which an Institute and its staff pay is in place. The Institute will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

m) Foreign currency transactions

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

n) Related parties

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

o) Cash and cash equivalents

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

p) Significant judgments and sources of estimation uncertainty

The preparation of the Institute's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Institute
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

q) Subsequent events





ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

	2018 KES	2017 KES
3. DONATIONS AND OTHER GRANTS		
Graduation Account Income	14,000	-
National Survey on Disability Partner Contributions	999,378	227,030
Total DONATIONS AND OTHER GRANTS	1,013,378	227,030
4. GOK-RECURRENT GRANTS		
Recurrent Expenditure Grant	199,000,000	199,000,000
EARC Recurrent Grant Receivable	180,157	349,309
Total GOK-RECURRENT GRANTS	199,180,157	199,349,309
5. GOK-DEVELOPMENT GRANT		
Development Grant	215,000,000	215,400,000
Total GOK-DEVELOPMENT GRANT	215,000,000	215,400,000
6. FEES AND STUDENT CONTRIBUTION		
Activity Fees	592,000	538,300
Administrative Operations Fees	7,319,680	15,145,481
Attachments and Field Visits fees	3,274,500	3,535,700
Clubs and Societies Fees	49,000	58,122
Computer Fees	90,500	94,500
Exams (KISE)	2,785,450	2,820,442
Medical Fees	398,500	264,300
Pre Unit Fees	1,348,600	2,247,200
Registration Fees	953,700	929,400
Special Study Paper (SSP) fees	1,311,000	1,340,200
Student ID	198,200	193,800
Student Union fees	194,000	196,100
Teaching Practice fees	10,597,380	10,573,278
Term paper	222,000	267,000
Tuition fees	27,097,230	39,135,107
Boarding Fee	13,146,104	4,942,100
Study Materials fees	1,150,700	1,018,550
Utility Fees	5,764,640	4,205,740
P.E. Kit Fees	844,300	328,400
Library Fees	528,756	463,570
KNEC Examination fees	747,750	-
Total FEES AND STUDENT CONTRIBUTION	78,613,990	88,297,290
7. HIRE OF FACILITIES AND SERVICES		
Income from Hire of Facilities	4,670,163	1,396,210
Income from Consultancy	1,556,721	6,170,752
Total HIRE OF FACILITIES AND SERVICES.	6,226,884	7,566,961



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. REVENUE FROM THE FARM

Sale of Milk	-	162,968
Sale of Horticultural Produce	-	52,377
Sale of By-Products	-	63,000
Farm Expenses	-	(449,340)
Total REVENUE FROM THE FARM	-	(170,995)

9. OTHER INCOMES

Interest Income	-	450,325
Rental Income	1,836,000	857,170
Sale of Obsolete Items	7,980	591,114
Braille Transcription	399,550	93,080
Sale of Tender	33,050	-
Assessment and CP Income	112,900	205,690
Total OTHER INCOMES	2,389,480	2,197,379

10. SALE OF LEARNING MATERIALS

Sale of Learning materials and resources	1,217,497	8,500
Sale of Modules	1,000	13,000
Total SALE OF LEARNING MATERIALS	1,218,497	21,500

12. STAFF EXPENSES

Basic Salary - Permanent Employees	50,239,042	40,817,434
Employer contribution to Pensions Schemes	8,102,963	4,373,719
Personal Emoluments (Part of Salary)	23,826,400	21,830,781
Employer contribution to Health Schemes	11,939,299	9,815,597
Total STAFF EXPENSES	94,107,704	76,837,531

13. OPERATIONS AND MAINTENANCE

Domestic Travel & Subsistence	4,399,347	5,476,542
Foreign Travel & Subsistence	1,260,007	869,889
Fuel, Oil & Lubricants	1,693,843	1,787,111
Insurance Expenses	1,368,993	1,479,454
Office and General Supplies and Services	1,498,562	1,471,879
Other Operating Expenses	26,887,458	52,594,881
Printing, advertising and information supplies and services	3,162,291	2,652,310
Routine Maintenance - Other Assets	2,911,303	3,077,619
Communication Supplies and Services	4,487,320	5,905,591
Dispensary Expenses	383,406	592,971
Routine Maintenance - Vehicles & other Transport		
Equipment	1,895,929	1,953,516
Training expenses	58,694,569	84,691,038
Specialised Materials and Supplies	13,431,724	10,076,171
Utilities Supplies and Services	7,167,516	7,086,088
Hospitality supplies and Services	3,634,878	446,835
Total OPERATIONS AND MAINTENANCE	132,877,143	180,161,895


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
NOTES TO THE FINANCIAL STATEMENTS CONTINUED
14. KISE COUNCIL EXPENSES

Kise Council Expenses	864,314	1,049,635
Total KISE COUNCIL EXPENSES	864,314	1,049,635

15. DONATIONS AND OTHER GRANT EXPENSES

NORHED Project Vote	-	487,807
Donations and other Grant Expenses	856,150	-
Norhed Deferred Expenses	-	401,538
Total DONATIONS AND OTHER GRANT EXPENSES	856,150	889,344

16. Provision for Depreciation

Provision for Depreciation B/F	73,593,824	48,553,983
Depreciation Charge for the Year	28,714,176	25,039,841
Provision for Depreciation C/F	102,308,000	73,593,824

17. Provision for Bad and Doubtful Debts

Provision for Bad Debt Balance B/F	23,419,990	12,472,732
Provision for Bad Debt for the Year	12,534,006	10,947,258
Provision for Bad Debt Balance C/D	35,953,996	23,419,990

19. CASH AND CASH EQUIVALENTS

NBK Main Account	469,832	2,092,753
NBK KISE Distance Learning Project II A/C	8,765,657	1,659,500
NBK KISE Key & Caution Money Savings A/C	124,943	124,943
NBK Institute Fund and other Monies	10,892,319	5,280,362
NBK Investment Account	7,860,244	7,860,629
NBK Farm Account	1,342,824	1,336,824
NBK Fee Collection Account	1,197,862	3,124,114
CASH IN HAND	257,526	717,142
M-Pesa Collections-851201	5,392,045	2,713,139
KCB Fee Collection Account	80,887,547	82,451,663
KCB- Norhed-Enable Account	5,050,722	4,383,617
NBK Seminar and Courses Account	3,221,362	3,221,747
Total CASH AND CASH EQUIVALENTS	125,462,882	114,966,433

20. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Due from Staff and Third parties	14,514,186	11,618,589
RENT DEPOSIT	292,418	-
Due from Students	55,365,556	53,793,570
Less: Provision for Bad & Doubtful Debts	(35,953,996)	(23,419,990)

Total RECEIVABLES FROM EXCHANGE TRANSACTIONS **34,218,164** **41,992,169**

21. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

EARC Recurrent Grant Receivable	-	349,309
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RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - **349,309**



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 (a) ASSET MOVEMENT SCHEDULE

	Land	Buildings	Motor Vehicles	Computer and Appliances	Furniture & Fittings	Plant & Equipment	Farm Implants	Totals
		2%	25%	30%	10%	10%	33.3%	
Cost	KES	KES	KES	KES	KES	KES	KES	KES
At 01 July 2016	2,650,000,000	239,095,273	33,452,797	26,898,818	6,923,685	11,831,597	224,359	2,968,426,529
Additions 2016/2017	-	714,250	5,975,880	3,053,676	4,061,622	913,190	-	14,718,618
Transfer/Adjustments	-	-	(2,857,272)	-	-	-	-	(2,857,272)
At 30 June 2017	2,650,000,000	239,809,523	36,571,405	29,952,494	10,985,307	12,744,787	224,359	2,980,287,875
As at 01 July 2017	2,650,000,000	239,809,523	36,571,405	29,952,494	10,985,307	12,744,787	224,359	2,980,287,875
Additions 2017/2018	-	-	5,270,532	3,022,947	1,299,456	13,189,648	-	22,782,583
Disposals 2017/2018	-	-	-	-	-	-	-	-
At 30 June 2017	2,650,000,000	239,809,523	41,841,937	32,975,441	12,284,763	25,934,435	224,359	3,003,070,458
Depreciation and impairment								
Depreciation 2016/2017	-	17,736,659	22,236,921	19,502,097	3,753,375	3,595,716	183,825	67,008,593
At 30 June 2017	-	17,736,659	22,236,921	19,502,097	3,753,375	3,595,716	183,825	67,008,593
As at 01 July 2017	-	17,736,659	22,236,921	19,502,097	3,753,375	3,595,716	183,825	67,008,593
Depreciation 2017/2018	-	4,626,220	8,095,050	8,075,745	983,167	2,451,184	40,534	24,271,899
Disposals 2017/2018	-	-	-	-	-	-	-	-
At 30 June 2018	0	22,362,879	30,331,971	27,577,842	4,736,542	6,046,900	224,359	91,280,492
Net book values								
At 30 June 2018	2,650,000,000	217,446,644	11,509,967	5,397,599	7,548,221	19,887,535	-	2,911,789,966
At 30 June 2017	2,650,000,000	222,072,864	14,334,485	10,450,397	7,231,932	9,149,071	40,534	2,913,279,282


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
NOTES TO THE FINANCIAL STATEMENTS CONTINUED
22(b) AMORTISATION SCHEDULE

	Intangible Asset 20% Kshs	Investment Property 2% Kshs	Work in Progress Kshs	Biological Assets Kshs
Cost				
At 1 July 2016	14,313,886	39,953,875	-	1,795,000
Additions	-	-	327,416,868	-
Transfer/adjustments	-	-	-	(1,110,000)
Disposals	-	-	-	(685,000)
At 30 June 2017	14,313,886	39,953,875	327,416,868	-
As at 1 July 2017	14,313,886	39,953,875	327,416,868	-
Additions	-	-	258,395,154	-
Transfer/adjustments	-	-	(32,341,332)	-
At 30 June 2018	14,313,886	39,953,875	553,470,690	-
Amortisation and impairment				
As at 1 July 2016	6,771,148	5,133,375	-	-
Amortisation 2016/2017	2,862,777	1,579,500	-	-
At 30 June 2017	9,633,925	6,712,875	-	-
As at 1 July 2017	9,633,925	6,712,875	-	-
Amortisation 2017/2018	2,862,777	1,579,500	-	-
At 30 June 2018	12,496,702	8,292,375	-	-
Net book values				
At 30 June 2018	1,817,184	31,661,500	553,470,690	-
At 30 June 2017	4,679,961	33,241,000	327,416,868	-

23. INTANGIBLE ASSETS

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

	2018 KES	2017 KES
Enterprise Resource Planning System	1,817,184	4,679,961
	1,817,184	4,679,961

24. TRADE & OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Creditors & Accruals	39,766,947	58,885,002
TOTAL Trade and Other Payables from Exchange transactions	39,766,947	58,885,002

25. DEFERRED INCOME

Deferred Scholarship Grants	10,608,967	12,961,431
Deferred Norhed-Enable Project	5,050,722	4,383,616
Deferred Graduation Account	2,738,380	1,449,000
Total DEFERRED INCOME	18,398,069	18,794,047



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. REFUNDABLE DEPOSITS FROM CUSTOMERS

Key and Caution Money	210,100	98,900
Students Overpayments-other Accounts	16,026,814	11,003,940
Other Deposits	2,474,530	-
SPONSORSHIP	1,291,900	-
Total REFUNDABLE DEPOSITS FROM CUSTOMERS	20,003,344	11,102,840

27. REVENUE RESERVES

Revenue reserves B/F	86,717,646	82,397,428
Surplus for the Year	18,108,893	4,320,218
Revenue Reserves C/D	104,826,539	86,717,646

28. REVALUATION RESERVES

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

29. CAPITAL RESERVES

Capital Reserve B/F	1,191,462,082	976,062,082
Capital Fund	215,000,000	215,400,000
Capital reserves C/D	1,406,462,082	1,191,462,082

30. CAPITAL RISK MANAGEMENT

Revaluation reserve	2,068,963,405	2,068,963,405
Revenue earnings	104,826,539	86,717,646
Capital reserve	1,406,462,082	1,191,462,082
Total funds	3,580,252,026	3,347,143,133
Total borrowings	78,168,360	79,260,628
Less: cash and bank balances	125,462,882	(113,718,118)
Net debt/(excess cash and cash equivalents)	47,294,522	(34,457,490)
Gearing	14:57	-1.03%

31. Remuneration to Related parties

The Institute has two categories of Staff: Those employed by KISE Council and those seconded from TSC and PSC. Kes 3,820,000 was used for Remuneration of Management staff by the Institute.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

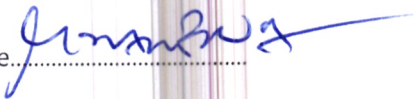
NOTES TO THE FINANCIAL STATEMENTS CONTINUED

XIII. Appendix 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	The council /board was appointed in May 2018	Three year term	Director/ PS MOE	Resolved	

Director KISE/Council Secretary

Date: 

Chairman of the Council

Date: 



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

XIV. Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		Kenya Institute of Special Education		
Break down of Transfers from the State Department of Education				
FY 2017/2018				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		18/09/2017	49,750,000	2017/2018
		8/12/2017	49,750,000	2017/2018
		23/03/2018	49,750,000	2017/2018
		9/5/2018	49,750,000	2017/2018
		10/5/2018	180,157	2017/2018
		Total	199,180,157	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		11/12/2017	33,750,000	2017/2018
		16/03/2018	67,500,000	2017/2018
		25/06/2018	33,750,000	2017/2018
		28/06/2018	80,000,000	2017/2018
		Total	215,000,000	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A			
		Total		

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

Finance Manager
KISE Entity

Sign

Head of Accounting Unit

MoE Ministry

Sign-----



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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

XV. Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education		Recurrent	199,180,157	199,180,157			199,180,157		199,180,157
Ministry of Education		Development	215,000,000	215,000,000	215,000,000				215,000,000
Total			414,180,157	414,180,157	215,000,000		199,180,157		414,180,157

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