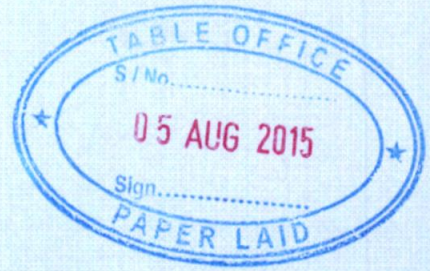


REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

**PARLIAMENT  
OF KENYA  
LIBRARY** **REPORT**

*Paper bound  
By Hon. A. Bwalya (Hon.)  
on Wed. 05.08.2015 (PM)  
MWW*

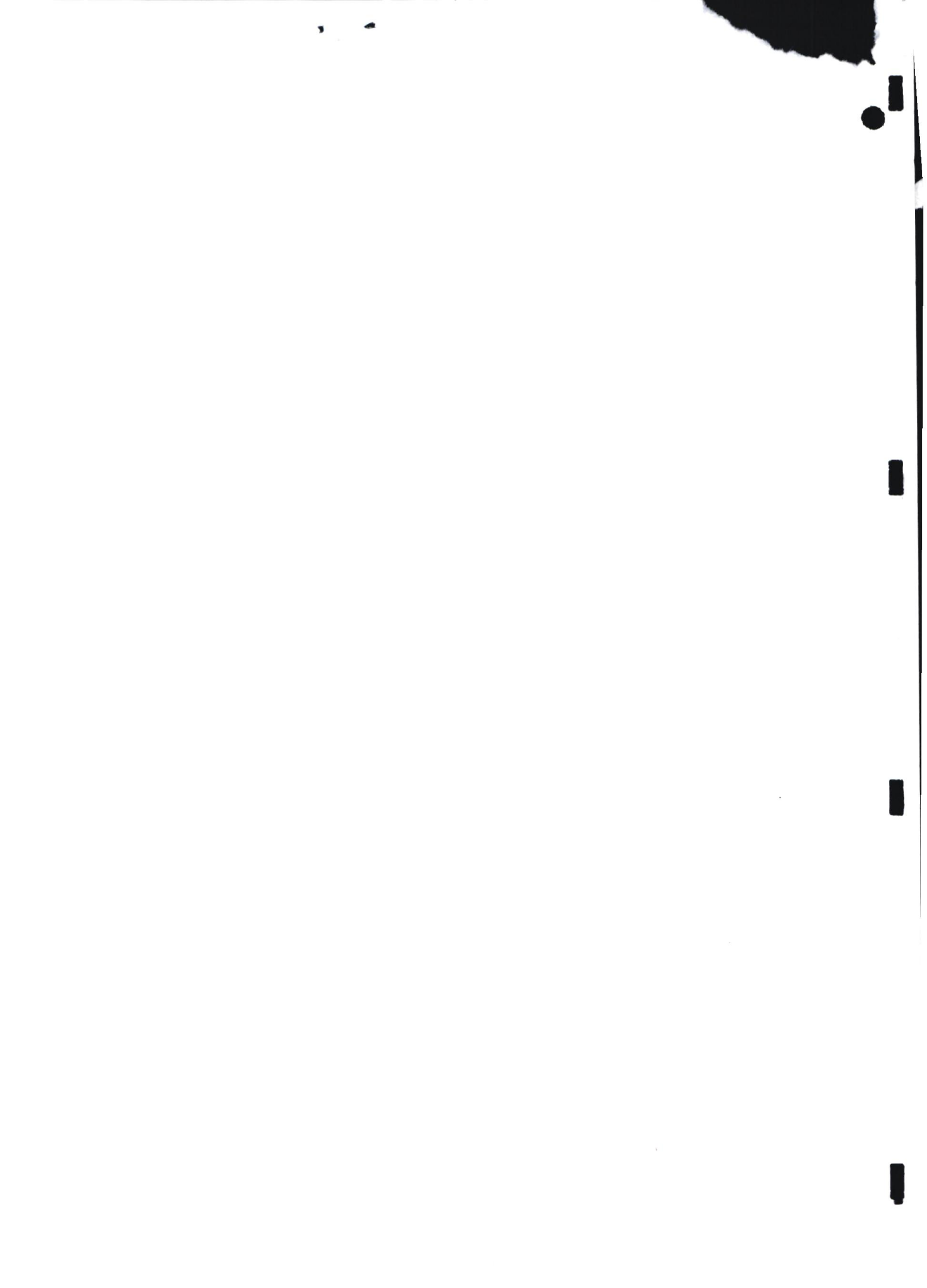
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA EDUCATION MANAGEMENT  
INSTITUTE**

**FOR THE YEAR ENDED  
30 JUNE 2014**





REPUBLIC OF KENYA  
MINISTRY OF EDUCATION  
SCIENCE AND TECHNOLOGY

Telegrams: "KEMI", Nairobi  
Telephone: Nairobi 0202379178, 0718518422  
Email: info@kemi.ac.ke  
When replying please quote



KENYA EDUCATION  
MANAGEMENT INSTITUTE

KENYA EDUCATION MANAGEMENT INSTITUTE  
MTAMA ROAD, PARKLANDS  
P.O. BOX 62592-00200, NAIROBI

KENYA NATIONAL AUDIT OFFICE  
P. O. Box 30084 - 00100, NAIROBI.

- 3 JUN 2015

RECEIVED

# KENYA EDUCATION MANAGEMENT INSTITUTE

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED

**JUNE 30, 2014**

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

Accounting standards (IPSAS)

**TABLE CONTENTS**

I. KEY ENTITY INFORMATION AND MANAGEMENT .....	iii
II. THE BOARD OF DIRECTORS .....	v
III. MANAGEMENT TEAM.....	xi
IV. CHAIRPERSON'S STATEMENT .....	xv
V. DIRECTOR STATEMENT .....	xvi
VI. CORPORATE GOVERNANCE STATEMENT .....	xvii
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	xxvii
VIII. REPORT OF THE DIRECTORS/COUNCIL.....	xxx
IX. STATEMENT OF COUNCIL'S RESPONSIBILITIES .....	xxxii
X. REPORT OF THE INDEPENDENT AUDITORS ON KEMI .....	xxxii
XI. STATEMENT OF FINANCIAL PERFORMANCE.....	1
XII. STATEMENT OF FINANCIAL POSITION .....	2
XII. STATEMENT OF CHANGES IN NET ASSETS .....	3
XIV. STATEMENT OF CASH FLOW .....	4
XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	5
XIV. NOTES TO THE FINANCIAL STATEMENTS .....	7
XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	12

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

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

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

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

**(b) Principal Activities**

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

**(c) Key Management**

Dr. Wanjiru Kariuki  
 Mr. Ismail Buro Hassan  
 Mr. E. Ngugi Gathanga  
 Mr. Richard Thomi  
 Mr. Wycliffe W. Wasike  
 Ms. Purity Gathigia Kibui,  
 Mr. Maurice Otieno Odondo  
 Mr. Newton Wekesa Wangusi  
 Mr. Kepher Owino Ogwang  
 Mrs. Elizabeth Mwihaki Wangaruro  
 Mr. Samuel Ochieng Mawega  
 Mr. Joseph G. Wanyoike

**(d) Fiduciary Management**

Prof. Eunice Mutitu (UoN) (Chairperson)	Mrs. Jessica Simiyu (Kibabii TTC)
Dr. Kipsang R. Belio P.S. M.O.E	Mr. Gabriel K. Lengoiboni (TSC)
Mr. John Awiti (KSSHA)	Mr. Joseph Karuga (KEPSHA)
Dr. Lydia N. Nzomo (KICD)	Ms. Hawa Mohammed (Private Sector)
Mr. Ernest Wangai (Private Sector)	Mr. Samuel Gitonga (Private Sector)
Mr. Mike Eldon (Private Sector)	Dr. Wanjiru Kariuki (Director)
Mr. Stephen Nalelia (Machakos TTC)	

**(e) Entity Headquarters**

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

**(f) Entity Contacts**

Telephone: 0718 518422  
E-mail: [info@kemi.ac.ke](mailto:info@kemi.ac.ke)  
Website: [www.kemi.ac.ke](http://www.kemi.ac.ke)

**(g) Bankers**

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

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

**(h) Independent Auditors**

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

**(i) Principal Legal Advisers**

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

## II. THE BOARD OF DIRECTORS



### **Prof. Eunice Mutitu**

Prof. Eunice Mutitu born in 1951 is the Chairperson of the Kenya Education Management Institute Council. She holds a PhD in Plant Pathology, M.Sc. in Plant Pathology, and B.Sc. in Agriculture all from the University of Nairobi. She is a Fulbright Scholar of the Pennsylvania State University in USA and Visiting Scientist of DSMZ, Germany. She is currently the Director of the Board of Post Graduate Studies in the University of Nairobi. She has wide experience in administration having served as a Coordinator of various University projects, Chairperson, Department of Crop Protection. In addition she has been a University Lecturer for over 35 years.



### **Dr. Wanjiru Kariuki**

Dr. Wanjiru Kariuki, born in 1969, is the Director of the Kenya Education Management Institute. She holds a PhD in Education Management from the University of Cape Town, South Africa, M.Ed (Education Administration & Planning) and B.Ed degrees from the University of Nairobi. She is also a research fellow of the University of Chongqing, China. She has wide experience in education management and training having worked for the Kenya School of Government, Directorate of Personnel Management/Office of the President, Winrock International and McGill University (Canada).



**Dr. Belio R. Kipsang**

Dr. Belio R. Kipsang is the Principal Secretary Ministry of Education Science & Technology/State Department of Education.

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



**Ms. Hawa Mohammed**

Ms. Hawa Mohammed, born in 1965, holds an MBA degree from Catholic University and B.Com degree from USIU. She has extensive experience in international accounting standards and auditing. In addition she has wide experience working with donors and has knowledge of donor requirements of funded projects.



**Mr. Gabriel Lengoiboni**

Mr. Gabriel Lengoiboni, born in 1955, is the Secretary and Chief Executive Officer of the Teachers Service Commission (TSC). He holds a M.Sc. (Statistics) from the University of London (London School of Economics and Political Science) an advanced Diploma in Education from the University of London (Institute of Education), and a B. Ed (Science) degree from the University of Nairobi. He has wide experience in Education administration having served as a Senior Deputy Director of Education in the Ministry of Education Science & Technology, Provincial Director of Education/Rift Valley, Education Attaché (India) and Principal of several Secondary Schools.

**Mr. Mike Eldon**

Mr. Mike Eldon is the Chairperson of KCA University Council, born in 1945, holds a Sloan Master's Degree from London Business School and a Bachelor of Economics from the University College London. He has been a member of the Kenya Institute of Management Association, Kenya Private Sector Alliance, Kenya ICT Federation and Rotary Club of Nairobi. He serves as the Founder Chairperson of the DEPOT Management Consultancy, on-executive Director of Davis & Shirtliff, Director of African Institute for Development Policy AFIDEP), Chairperson of ALESEC Kenya Honorary Council and Joint Project Director of Cura Rotary Community Corps. Mr. Eldon has 30 years' experience in change management, human resource development, workshop and strategy and 40 years' experience in the IT industry in the UK, France and Kenya. Mr. Eldon has also been a lead facilitator for the World Bank retreats and strategic management retreats in both public and private sectors.



**Mrs. Jessica Simiyu**

Mrs. Jessica Simiyu is the Chairperson of Kenya Diploma Colleges Principals Association (KDCPA), born in 1956, holds an M.Ed (Arts) from Mt. Kenya University and a B.Ed (Arts) from the University of Nairobi. She is currently the Principal of Kibabii Diploma Teachers Training College. She has previously served as the Deputy Principal, Kaimosi Teachers Training College, Chairperson Nzoi Region Principal Association, Board member of Kenya National Examination Council (KNEC).



**Mr. Stephen Nalelia**

Mr. Stephen Kiror Nalelia is the Chairperson, Kenya Teachers Colleges Principals Association (KTCPA), born in 1955, holds a Diploma in Education from the Kenya Science Teachers College (KSTC). He is currently the Principal of Machakos Teachers Training College. He has previously worked as a Head Teacher in Chewoyet and Ortum High Schools. He has also served as a Board member of West Pokot District Education Board (DEB) and Cheptulel Boys Secondary School.

**Mr. John Awiti**

Mr. John Awiti is the National Chairperson of the Kenya Secondary Schools Heads Association (KSSHA), born in 1956, holds a M.ED degree from the University of Nairobi. Mr. Awiti is an Education Manager with over 25 years' experience heading various Secondary Schools such as Olkejuado High School, St. Joseph's School, Rapogi, Kisumu Boys High School and his present school St. Marys School, Yala. Mr. Awiti is also an Executive Council member of the Africa Confederation of Principals (ACP) and International Federation of Principals (ICP)

**Mr. Joseph Karuga**

Mr. Joseph K. Karuga, born in 1954, is the National Chairman of Kenya Primary Schools Heads Association (KPSHA). He holds an M.Ed in Basic Education and B Phil. in Education both from University of Exeter (UK) and an Advanced Diploma in Primary Studies from the University of Exeter. He is currently the Principal of Nairobi Primary School. Previously he was the Principal Aga Khan, Westland's and James Gichuru Primary Schools. He has wide experience in Child Friendly Schools (CFS) initiatives and Education for Sustainable Development (ESD).



**Mr. Ernest Wangai**

Mr. Ernest Wangai is the Chairperson of the Kenya Private Schools Association (KPSA), born in 1943 holds a B. A (Education option) degree from the University of Nairobi. He is a Chartered Secretary. Mr. Wangai has a wealth of experience in education management and is currently the Managing Director of Epren Academy and has served as a Principal of Alliance High School, Pumwani High School among others. Mr. Wangai is also serving as the Managing Director of Kenya Credit Traders (KCT) Limited.



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

### III. MANAGEMENT TEAM



**Director of the Kenya Education Management Institute, Dr. Wanjiru Kariuki, PhD (Education Management), M.Ed (Education Administration & Planning), B.Ed.**

Responsible for the running of the Institute to ensure that the mission is achieved and efficiency of the Institute is achieved. She is the Accounting Officer of the Institute. In addition, she is the Secretary to the Council and Chairperson of the Senior Management Committee. Also responsible for spearheading partnerships of the Institute. Departments: All Divisions and Internal Audit administratively though it reports to the Council.



**Deputy Director, Training Division, Mr. Ismail Buro Hassan, MBA (Strategic Management), M.A (Education), B.Ed.**

Responsible for the capacity development programs of the Institute. In charge of planning, designing and implementing the management training, research and consultancy programs of the Institute. Departments: School of Management, ICT, Media, Research and Consultancy, Marketing.



**Deputy Director – Administration Division Mr. E. Ngugi Gathanga, B.Ed.**

Responsible for overall administrative operations of the Institute. In charge of optimized operational programs to guarantee quality service delivery. In addition, he chairs the Tender Committee. Departments: Hospitality, Enterprises, Legal and Administration.



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

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



**Head of Enterprises, Mr. Richard Thomi, B.Com (Accounting option), CPA (K).**

Responsible for resource mobilization in the Institute. In charge of planning, sourcing and management of the Enterprises to achieve financial resources towards building self sufficiency. Departments: Hospitality, Bookshop, hotel and Printing Press.



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

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



**Head of School of Management, Mr. Maurice Otieno Odondo, MBA (Strategic Management), B.Ed (Arts).**

Responsible for managing the School of Management programs of the institute. In charge of planning, sourcing and implementing management programs aimed at promoting managerial competence and Integrity in the Education Sector. In addition he is an Internal Auditor for the ISO 9001:2008 Quality Management Systems in the Institute.



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

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



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

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



**Head of Accounts, Mrs. Elizabeth Mwhiki Wangaruro, B.Com (Finance), CPA (K).**

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



**Head of Procurement, Mr. Joseph G. Wanyoike, Diploma in Supplies Management, Advanced Certificate in storekeeping.**

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



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

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



#### IV. CHAIRPERSON'S STATEMENT

Public sector reforms, good governance and accountability have led to the increased need for capacity development. As a result the need for continuous capacity development has become a priority in a bid to improve education sector performance. It is in cognizance of this need that the government formed the Kenya Education Management Institute (KEMI).

The creation of KEMI in 1981 marked a defining moment in the education history of Kenya. It formally signaled the government's commitment and readiness to promote quality service delivery. KEMI was thus an important building block towards building quality leaders through management training, research and consultancy. To guide the achievement of this mandate the Ministry of Education has continued support KEMI.

I am delighted that KEMI has developed this annual report which highlights the achievements it has made during 2013/2014. Typical of a growing institution, KEMI faces challenges but it continues to register achievements in the capacity development of education managers. This annual report presents the progress made by the institute in various programs. As the report shows, there is good reason to celebrate the many achievements the institution has made.

The strides and achievements registered in 2013/2014 are mainly a result of the contribution and support of the Ministry of Education, Science and Technology and the Teachers Service Commission (TSC). The hard work of the KEMI council and staff cannot be underscored. As we strive towards building transformational leadership in the education sector, I appeal for continued commitment towards achieving this worthwhile task.

Finally, I want to take this opportunity to thank all those involved in preparing this annual report.



**Prof. Eunice Mutitu**  
Chairperson  
KEMI COUNCIL

## V. DIRECTOR STATEMENT

During FY2013/2014 KEMI graduated 23,395 school heads with a Diploma in Education Management and launched a similar program for 13,227 deputy head teachers. This achievement is hard won and forms our success story. Looking back on the months of intense preparations and activities undertaken, KEMI is now charting new waters with the use of its innovative distance learning methodology. On that clear horizon, KEMI can see that the support given to KEMI by the Ministry of Education, Science and Technology (MOEST) and the Teachers Service Commission (TSC) contributed meaningfully and positively to KEMIs achievements.

This Annual Report for 2013/2014 provides compelling evidence that KEMI is making a transformative change in the education sector by increasing access to capacity development across Kenya. Indeed, the year 2013/2014 marked the highest delivery of education managers trained ever in the 33-year history of KEMI. This is a challenging but critically important benchmark to live up to in the coming year. This transformative change leaves little room for doubt as to the direction our programs will continue in the year ahead.

The lessons gained in 2013/2014 will help us begin to advance our thinking towards getting strategic partners and re-positioning our programs to be responsive and relevant to the new challenges facing the education sector. Riding on the tide of our robust capacity development program, KEMI will share its best practices with other service providers. Moving forward, KEMI will focus its efforts towards using technology as a transformative tool for delivery future training programs.

Finally, let me say that our Council is committed to making KEMI a beacon for transformation by creating an environment for innovation to thrive.

The KEMI Staff, I am always proud to have you all work with me and I thank you ALL for your continued support at all times. God Bless you!



**Dr. Wanjiru Kariuki**  
**Director/CEO**  
**KENYA EDUCATION MANAGEMENT INSTITUTE**

## VI. CORPORATE GOVERNANCE STATEMENT

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

### Compliance

The Council is compliant with the provisions of but not limited to the following Acts and regulations: KEMI Legal Notice 19/2010, Education Act No. 14 of 2013, Occupational Safety Health Act and Public Procurement & Disposal Act 2005. Further, KEMI continues to be ISO certified on ISO 2001: 2008 quality management system.

### Council composition

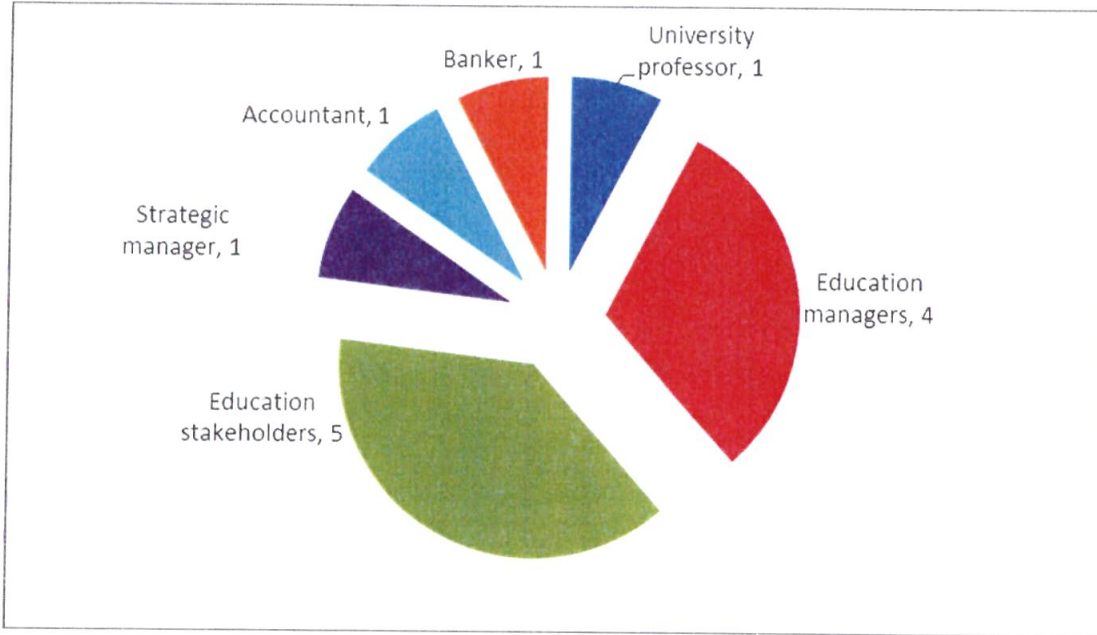
The Council consists of 13 members led by a non-executive and independent Chairperson as follows:

No	Name	Position	Date of Appointment
1.	Prof. Eunice Mutitu	Chairperson	09/10/2013
2.	Dr. Belio Kipsang	PS/MOEST	15/10/2013
3.	Dr. Wanjiru Kariuki	Director/KEMI	22/09/2008
4.	Dr. Lydia Nzomo	Director/KICD	07/10/2013
5.	Mr. Gabriel Lengoiboni	Secretary/CEO/TSC	07/10/2013
6.	Mr. John Awiti	Representative Kenya Secondary School Heads Association	07/10/2013
7.	Mr. Joseph Karuga	Representative Kenya Primary School Heads Association	07/10/2013
8.	Mr. Stephen Nalelia	Representative Kenya Association for Primary Teachers Training Colleges	07/10/2013
9.	Mr. Jessica Simiyu	Representative Kenya Diploma Colleges Principals Association	07/10/2013
10.	Ms. Hawa Mohammed	Four persons, not being civil servants, appointed by the Cabinet Secretary by virtue of their knowledge in matters related to education	07/10/2013
11.	Mr. Mike Eldon		
12.	Mr. Ernest Wangai		
13.	Mr. Samuel G. Mutungi		

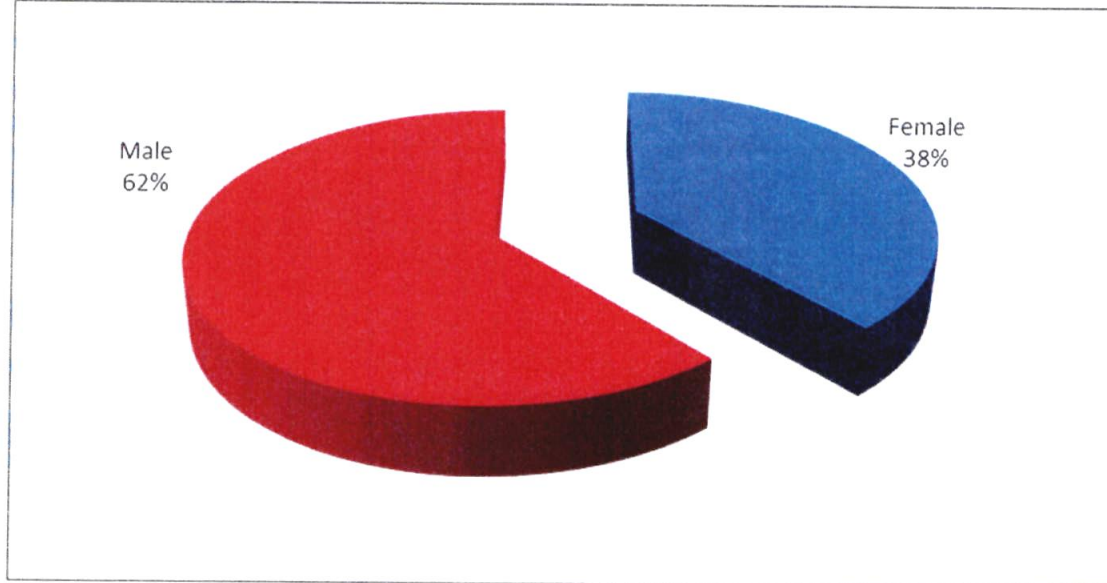
**Council diversity**

The Council diversity is as follows:

The professional diversity of the board is presented below:



The gender diversity of the Council is illustrated below:



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

### **Separation of powers**

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

### **Responsibilities of the Council**

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

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

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

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

**Council attendance**

The Council was appointed on 1<sup>st</sup> August 2013 by the Cabinet Secretary of the Ministry of Education, Science and Technology. The Council held 3 regular, 2 special meetings and 1 special committee meeting in FY2013/2014.

	Name	Attendance		
		Regular	Special	Special committee
1.	Prof. Eunice Mutitu	2	2	1
2.	Dr. Belio Kipsang	3	2	
3.	Dr. Wanjiru Kariuki	3	2	1
4.	Dr. Lydia Nzomo	2	2	1
5.	Mr. Gabriel Lengoiboni	1	2	1
6.	Mr. John Awiti	2	1	
7.	Mr. Joseph Karuga	1	1	
8.	Mr. Mike Eldon	1	1	
9.	Mr. Stephen Nalelia	3	2	
10.	Mr. Ernest Wangai	2	2	
11.	Mr. Samuel G. Mutungi	3	2	1
12.	Ms. Hawa Mohammed	2	1	
13.	Mr. Jessica Simiyu	2	2	

**Council Remuneration**

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

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

**Conflict of interest and Declaration of interest**

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

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

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

**Board Committees**

The Council is made up of 5 committees:

1. Audit
2. Business/Strategy/Development
3. Training
4. Finance and General Purpose Committee
5. Human Resource Development

## Report of the Chairperson of the Audit Committee

---



Ms. Hawa Mohammed

### Membership:

The Audit Committee is made up of the following members:

1. Ms. Hawa Mohammed – Chairperson
2. Mr. Joseph Karuga
3. Dr. Belio Kipsang
4. Mr. John Awiti
5. Mrs. Jessica Simiyu

### Mandate:

The Audit Committee:-

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

### Attendance

2 regular meetings were held during the year.

	Name	Attendance
1.	Ms. Hama Mohammed	2
2.	Mr. Joseph Karuga	0
3.	Dr. Belio Kipsang	1
4.	Mr. John Awiti	2
5.	Mrs. Jessica Simiyu	2



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

---



Mr. Mike Eldon

### Membership

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

1. Mr. Mike Eldon
2. Mr. Samuel G. Mutungi
3. Mr. Ernest Wangai
4. Mr. Stephen Nalelia
5. Dr. Wanjiru Kariuki

### Mandate

The Strategy Committee:

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

### Attendance

2 regular meetings were held during the year.

	Name	Attendance
1.	Mr. Mike Eldon	2
2.	Mr. Ernest Wangai	2
3.	Mr. Stephen Nalelia	1
4.	Mr. Samuel G. Mutungi	2
5.	Dr. Wanjiru Kariuki	2

## Report of the Chairperson of the Training Committee

---



Mr. Gabriel Lengoiboni

### Membership

The Training Committee is made up of the following members:

1. Mr. Gabriel Lengoiboni – Chairperson
2. Mr. John Awiti
3. Mr. Joseph Karuga
4. Mr. Stephen Nalelia
5. Mr. Ernest Wangai
6. Dr. Wanjiru Kariuki

### Mandate:

The training committee:

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

### Attendance

2 regular meetings were held during the year.

	Name	Attendance
1.	Mr. Gabriel Lengoiboni	2
2.	Mr. John Awiti	1
3.	Mr. Joseph Karuga	0
4.	Mr. Stephen Nalelia	2
4.	Mr. Ernest Wangai	1
6.	Dr. Wanjiru Kariuki	2

## Report of the Chairperson of the Finance and General Purposes Committee

---



**Mr. Joseph Karuga**

### Membership

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

1. Mr. Joseph Karuga – Chairperson
2. Dr. Belio Kipsang
3. Mr. Samuel G. Mutungi
4. Ms. Hawa Mohammed
5. Dr. Wanjiru Kariuki

### Mandate:

The committee:-

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

### Attendance

3 regular meetings were held during the year.

	<b>Name</b>	<b>Attendance</b>
1.	Mr. Joseph Karuga	2
2.	Dr. Belio Kipsang	0
3.	Ms. Hawa Mohammed	3
4.	Mr. Samuel G. Mutungi	3
5.	Dr. Wanjiru Kariuki	3

## Report of the Chairperson of the Human Resource Development Committee

---



**Dr. Lydia Nzomo**

### Membership

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

1. Dr. Lydia Nzomo – Chairperson
2. Mr. Gabriel Lengoiboni
3. Dr. Belio Kipsang
4. Ms. Hawa Mohammed
5. Dr. Wanjiru Kariuki

### Mandate

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

### Attendance

2 regular meetings and 1 special meeting were held during the year.

	Name	Attendance	
		Regular	Special
1.	Prof. Eunice Mutitu	-	1
2.	Dr. Belio Kipsang	1	1
3.	Dr. Lydia Nzomo	2	1
4.	Ms. Hawa Mohammed	3	1
5.	Mr. Gabriel Lengoiboni	2	1
6.	Dr. Wanjiru Kariuki	2	1

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The goal of the KEMI CSR program is to embrace responsibility for KEMI's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders. KEMI has taken to CSR with enthusiasm towards improving staff welfare and work environment, embracing transparency and accountability in our business transactions, ethically improving profitability, self-regulation and implementing community development programs. The KEMI CSR community component is highly visible to most people and has given KEMI the much sought after desirable public image. KEMI employees have been involved in various activities in health that have an impact on needy children. Notice that children are KEMIs ultimate customers. Below are the CSR programs of the insitue that were undertaken in FY 2013/2014.

### 1. Beyond Zero First Ladies Marathon

The KEMI staff participated in the Beyond Zero First Ladies marathon aimed at providing 47 mobile clinics for prevention of mother to child Transmission of HIV during child birth.



*Dr. Wanjiru Kariuki (Director/KEMI) and staff members during the Beyond Zero First lady marathon held on 9<sup>th</sup> March 2014*



*KEMI staff members participating in the Beyond Zero First lady marathon on 9<sup>th</sup> March 2014*

## 2. The Heart To Heart Foundation Marathon

The KEMI employees participated in the Heart to Heart marathon in aid of children with heart problems. This marathon was organized by the Heart to Heart foundation and Karen hospital. A total of 50 (fifty) employees participated in the marathon adorned in red T-shirts which cost 1000/=. A total of Kshs. 50,000/- was raised by KEMI for this event.



*Dr. Wanjiru Kariuki (Director/KEMI) and KEMI staff during the Heart to Heart Marathon*



*KEMI staff during the Heart to Heart Marathon*

## 3. The Mater Hospital Heart 2014

KEMI for the third year running partnered with the Mater Heart Foundation towards helping children with heart ailments. KEMI donated Kshs. 141,000/= to the Mater Heart Foundation. A total of 41 staff members participated in the Mater Heart run which was held on 24<sup>th</sup> March 2014.



*Dr. Wanjiru Kariuki (Director/KEMI) and Mr. James Kioi (Media) at the Mater Hospital handing over the KEMI contribution*



*KEMI staff during the Mater Heart Run*

#### 4. Relay for Life Cancer Run

The Kenya Cancer Association for the first time in Kenya organized the relay for life 24 hour nonstop walk at the Nyayo national Stadium. The aim of the nonstop walk was to support cancer victims who cannot afford the treatment of the disease. KEMI employees participated in the event and donated Ksh. 60,000 towards the Kenya Cancer Association. The Event was held on 14<sup>th</sup> and 15<sup>th</sup> June 2014 at Nyayo national stadium.



*KEMI staff during the Relay for life Procession at Nyayo Stadium*



*KEMI staff during the Relay for life Procession at Nyayo Stadium*

**KENYA EDUCATION MANAGEMENT INSTITUTE**

**VIII. REPORT OF THE DIRECTORS/COUNCIL**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014**

The Council submit their report together with the audited financial statements for the year ended June 30, 2014 which shows the state of the entity affairs.


**Principal activities**

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

**RESULTS FOR THE YEAR**

	<u>2014</u>	<u>2013</u>
	<b>Kshs</b>	<b>Kshs</b>
Surplus/ (Deficit) for the year	26,018,694	21,205,494
Surplus for the year carried to retained earnings	<u>26,018,694</u>	<u>21,205,494</u>

**BY ORDER OF THE COUNCIL**

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
COUNCIL CHAIR



**KENYA EDUCATION MANAGEMENT INSTITUTE**

**IX. STATEMENT OF COUNCIL'S RESPONSIBILITIES**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014**

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

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

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

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

Approved by the council on 30/03/2015 and signed on its behalf by:



Director



Council Chair

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA EDUCATION MANAGEMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE 2014

---

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Education Management Institute as set out on pages 1 to 12, which comprise the statement of financial position as at 30 June 2014, 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public audit Act, 2003 and submit the report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

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

## **Basis for Qualified Opinion**

### **1. Property, Plant and Equipment**

#### **1.1 Land and Buildings**

As reported in the previous years, the property, plant and equipment balance of Kshs.2,324,692,706 as at 30 June 2014 includes the institute's parcel of land L.R No.16124 measuring 15.45 hectares at Kayole in Nairobi valued at kshs.950,000,000 which according to information availed has been partially encroached by squatters. Although the management had contracted a law firm on 18<sup>th</sup> October 2010 to seek court orders for the eviction of the squatters, the matter had not been resolved as at the date of this report.

#### **1.2 Electronics Data Processing (EDP) Equipment**

Further and as previously reported, the property, plant and equipment balance of Kshs.2,324,692,706 as at 30 June 2014 includes EDP equipment valued at Kshs.2,419,237 which could not be physically verified. Although the management has explained that the items in question were issued to the employee who had been seconded from the Ministry of Education, and that the Institute has written to the Ministry to surcharge the said employee, no evidence of any recoveries made was seen as at the date of this report.

#### **1.3 Ownership of Motor vehicle**

The property, plant and equipment balance also includes motor vehicles stated at Kshs.3,645,028 as at 30 June 2014 whose log books indicate that some are either owned by the Kenya Education Staff Institute (KESI) or the Ministry of Education. Although the management has explained that the transfer documents to change the ownership are in progress, no evidence of any changes made were seen as at the date of this report.

In the circumstances, the ownership of the motor vehicles worth Kshs.3,645,028 as at 30 June 2014 could not be ascertained.

#### **1.4 Depreciation on Buildings**

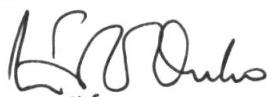
International Public Sector Accounting Standards (IPSAS) No.17 paragraph 44 provides that after recognition as an asset, an item of property plant and equipment whose fair value can be measured reliably shall be carried at a valued amount being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Further the Institute's policy states that property, plant and equipment value will be stated at cost less accumulated depreciation. However, the Institute did not charge depreciation on its buildings valued at Kshs.2,249,294,935 as at 30 June 2014 contrary to International Public Sector Accounting Standards No.17. In the circumstances, it has not been possible to ascertain if the buildings cost of Kshs. 2,249,294,935 as at 30 June 2014 is fairly stated.

#### **2. Ineligible Administrative Expenses**

As reported in 2012/2013, the administrative expenses figure of Kshs.154,318,033 includes an amount of Kshs.5,273,360 paid to a consultant in respect of services for mid-term review of Kenya Education Sector Support Programme (KESSP). However, supporting documents attached to this payment indicated that the services were tendered and procured by the Ministry of Education. Further, an audit on Kenya Education Sector Support Programme as at 30 June 2013, revealed that it had no operations during that year. It was therefore not clear how a mid-term review was done on a project that was dormant during that year or why the expenditure of Kshs.5,273,360 was not charged to the Ministry of Education. A review of the matter during the year under review revealed that it was still unresolved as at 30 June, 2014. In the circumstances the propriety of expenditure totalling Kshs.5,273,360 incurred in year 2012/2013 could not be ascertained.

#### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Institute as at 30 June 2014, its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (accrual basis) and comply with the Kenya Education Staff Institute (Amendment) Order, 2011 and the Education Act Cap 211 of the Law of Kenya.



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

**Nairobi**

**29 May 2015**

**XI STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30TH JUNE 2014**

	Notes	<u>2014</u> Kshs	<u>2013</u> Kshs
<b>Revenue</b>	2	127,615,987	150,600,720
Other Income	3	<u>95,158,465</u>	<u>76,295,170</u>
<b>Total Revenue</b>		<u>222,774,452</u>	<u>226,895,890</u>
Staff Costs	4	46,461,558	49,689,317
Administrative expenses	5	148,119,412	154,318,033
Council Expenses	6	2,027,615	1,463,176
Bank Charges	7	<u>147,174</u>	<u>219,870</u>
<b>SURPLUS / (DEFICIT)</b>		<u><u>26,018,694</u></u>	<u><u>21,205,494</u></u>

**XII STATEMENT OF FINANCIAL POSITION**

**AS AT 30TH JUNE 2014**

	<u>Notes</u>	<u>2014</u> Kshs	<u>2013</u> Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalent	13	64,114,095	13,467,645
Receivables from exchange transactions	12	44,372,160	28,025,023
Receivable from non-exchange transaction		-	16,750,000
Prepayments		-	2,394,060
Total		<u>108,486,255</u>	<u>60,636,728</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	<u>2,324,692,706</u>	<u>2,308,059,303</u>
<b>Total assets</b>		<u><u>2,433,178,961</u></u>	<u><u>2,368,696,031</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	9	11,379,012	5,732,068
Deferred Grant & Fees	10	<u>62,753,792</u>	<u>41,186,500</u>
Total Liabilities		<u>74,132,804</u>	<u>46,918,568</u>
<b>Net Assets</b>			
Revaluation Reserve	8 (i)	2,232,983,694	2,232,983,694
Capital Reserve	8 (ii)	22,350,000	11,100,000
Retained earnings	8 (iii)	<u>103,712,463</u>	<u>77,693,769</u>
Total Net Assets		<u>2,359,046,157</u>	<u>2,321,777,463</u>
<b>Total Net Assets and Liabilities</b>		<u><u>2,433,178,961</u></u>	<u><u>2,368,696,031</u></u>

The financial statements on pages 4 to 11 were approved by the Council on 30.10.3/2015 and were signed on its behalf by:

DIRECTOR  COUNCIL CHAIR 

**XIII STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED 30TH JUNE 2014**

	REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	Kshs	Kshs	Kshs	Kshs
<b>Year ended 30 June 2013</b>				
As at 1 July 2012	2,232,983,694	-	56,488,275	2,289,471,969
Valuation of land	-	11,100,000	-	11,100,000
Surplus for the year	-	-	21,205,494	21,205,494
<b>As at 30 June 2013</b>	<u>2,232,983,694</u>	<u>11,100,000</u>	<u>77,693,769</u>	<u>2,321,777,463</u>
<b>Year ended 30 June 2014</b>				
As at 1 July 2013	2,232,983,694	11,100,000	77,693,769	2,321,777,463
Development Grant	-	11,250,000	-	11,250,000
Surplus for the year	-	-	26,018,694	26,018,694
<b>As at 30 June 2014</b>	<u>2,232,983,694</u>	<u>22,350,000</u>	<u>103,712,463</u>	<u>2,359,046,157</u>

**XIV STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	Notes	<u>2014</u> Kshs	<u>2013</u> Kshs
<b>Operating activities</b>			
Net Surplus before tax		26,018,694	21,205,494
<i>Adjustment for:</i>			
Depreciation	11	9,917,107	10,867,658
Loss on Disposal of MV		-	
		<hr/>	<hr/>
<i>Operating (Deficit)/Surplus before working capital changes</i>		35,935,801	32,073,152
Increase in prepayments			(2,394,060)
Increase in debtors	12	(16,347,137)	(13,752,468)
Decrease in grant receivables			(16,750,000)
Increase in payables	9	5,646,944	(27,268,980)
Increase in Deferred Grant & Fees	10	40,711,452	41,186,500
		<hr/>	<hr/>
<i>Cash generated from operations</i>		65,947,060	13,094,144
		<hr/>	<hr/>
Net cash from operating activities		65,947,060	13,094,144
		<hr/>	<hr/>
<b>Investing activities</b>			
Purchase of Fixed Assets	11	(26,550,610)	(29,650,898)
Disposal of Motor Vehicle	11	-	
		<hr/>	<hr/>
<i>Net cash used in investing activities</i>		(26,550,610)	(29,650,898)
		<hr/>	<hr/>
<b>Financing activities</b>			
Development Grant received		11,250,000	11,100,000
		<hr/>	<hr/>
<b>Net Increase in cash and cash equivalents</b>		<u>50,646,450</u>	<u>(5,456,754)</u>
<b>Movement in cash and cash</b>			
At start of year		13,467,645	18,924,399
Increase in cash and cash equivalents	13	<hr/> 50,646,450	<hr/> (5,456,754)
At end of year		<hr/> <u>64,114,095</u>	<hr/> <u>13,467,645</u>



**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

	Original Budget		Adjustments		Final budget		Actual on Comparable Basis		Performance Difference	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue										
Government of Kenya (GOK)	129,000,000.00	(52,750,000.00)	76,250,000.00	-	76,250,000.00	-	-	-	-	-
Government of Kenya - Deferred Grant	40,000,000.00	-	40,000,000.00	-	40,000,000.00	-	-	-	-	-
Retained Earnings B/F	22,810,507.00	(2,318,014.00)	20,492,493.00	-	20,492,493.00	-	-	-	-	-
Income Generating Activities	194,000,000.00	(61,042,493.00)	132,957,507.00	-	146,016,652.00	(13,059,145.00)	(13,059,145.00)	-	-	-
<b>Total Income</b>	<b>385,810,507.00</b>	<b>(116,110,507.00)</b>	<b>269,700,000.00</b>	<b>-</b>	<b>282,759,145.00</b>	<b>(13,059,145.00)</b>	<b>(13,059,145.00)</b>			
Expenses										
Staff Costs	88,083,151.00	(36,083,151.00)	52,000,000.00	-	46,821,525.00	5,178,475.00	5,178,475.00	-	-	-
Council Allowances	6,085,000.00	(2,785,000.00)	3,300,000.00	-	2,027,615.00	1,272,385.00	1,272,385.00	-	-	-
Pension Expenses	3,200,000.00	-	3,200,000.00	-	366,633.10	2,833,366.90	2,833,366.90	-	-	-
Staff Uniform	1,000,000.00	-	1,000,000.00	-	605,539.00	394,461.00	394,461.00	-	-	-
Motor Vehicle Running	5,972,248.00	(121,000.00)	5,851,248.00	-	5,774,468.00	76,780.00	76,780.00	-	-	-
Advertising	9,200,000.00	(3,400,000.00)	5,800,000.00	-	4,875,521.00	924,479.00	924,479.00	-	-	-
Telephone, Postage & Internet	3,368,462.00	(680,000.00)	2,688,462.00	-	2,611,233.00	77,229.00	77,229.00	-	-	-
Stationery	4,000,000.00	-	4,000,000.00	-	3,225,258.00	774,742.00	774,742.00	-	-	-
Printing	8,000,000.00	(5,500,000.00)	2,500,000.00	-	1,695,441.00	804,559.00	804,559.00	-	-	-
Insurance	7,882,452.00	(3,809,301.00)	4,073,151.00	-	1,439,888.00	2,633,263.00	2,633,263.00	-	-	-
Electricity & Water	5,760,000.00	(540,000.00)	5,220,000.00	-	5,175,910.00	44,090.00	44,090.00	-	-	-
Travelling & Transport	3,956,706.00	(645,000.00)	3,311,706.00	-	2,464,946.00	846,760.00	846,760.00	-	-	-

KENYA EDUCATION MANAGEMENT INSTITUTE  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014

Office Tea & Entertainment	2,276,000.00	(1,976,000.00)	300,000.00	250,000.00	50,000.00
Professional Costs	7,780,000.00	(5,128,000.00)	2,652,000.00	2,631,831.00	20,169.00
Repairs & Maintenance	4,300,000.00	5,600,000.00	9,900,000.00	9,721,500.00	178,500.00
Training	112,746,909.00	(4,536,000.00)	108,210,909.00	60,294,090.00	47,916,819.00
Food & Rations	17,000,000.00	900,000.00	17,900,000.00	17,727,400.00	172,600.00
KNEC Training Expenses	-	-	-	21,419,907.00	(21,419,907.00)
Staff Training	4,000,000.00	(1,900,000.00)	2,100,000.00	2,018,520.00	81,480.00
Library	1,915,000.00	(817,261.00)	1,097,739.00	856,605.00	241,134.00
Provision for Audit Fees	580,000.00	-	580,000.00	580,000.00	-
General Expenses	800,000.00	-	800,000.00	410,591.00	389,409.00
Purchase of Furniture	5,150,000.00	(3,250,000.00)	1,900,000.00	1,872,500.00	27,500.00
Purchase of Plant, Machinery & Equipment	4,700,000.00	250,000.00	4,950,000.00	2,235,218.00	2,714,782.00
ICT & Media Equipments	18,050,000.00	(14,300,000.00)	3,750,000.00	3,640,000.00	110,000.00
Minor Alterations & Maintenance Works	31,500,000.00	(21,919,708.00)	9,580,292.00	3,324,381.60	6,255,910.40
Maintenance Works (Clearance Accounts)	500,000.00	(500,000.00)	-	-	-
Purchase of Additional Vehicle	4,000,000.00	(4,000,000.00)	-	-	-
Construction Works	24,500,000.00	(11,465,507.00)	13,034,493.00	12,827,307.49	207,185.51
<b>Total Expenditure</b>	<b>386,305,928.00</b>	<b>(116,605,928.00)</b>	<b>269,700,000.00</b>	<b>216,893,828.19</b>	<b>52,806,171.81</b>
Surplus for the period	(495,421.00)	495,421.00	-	65,865,316.81	(65,865,316.81)

## XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

### 1.1 Statement of compliance and basis of preparation – IPSAS 1

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

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

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

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

### 1.2 Summary of Significant Accounting Policies

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

#### 1.2.1 Depreciation

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

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

#### 1.2.2 Payables

Payables are stated at nominal value.

#### 1.2.3 Receivables

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

#### 1.2.4 Cash and cash equivalents

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30TH JUNE 2014

	<u>2014</u> Kshs	<u>2013</u> Kshs
<b>2 REVENUE</b>		
M O E	76,250,000	67,000,000
FEES	32,221,827	83,600,720
DEFFERD GRANT	19,144,160	
	<u>127,615,987</u>	<u>150,600,720</u>
<b>3 OTHER INCOME</b>		
Hire of Facility	41,374,278	40,689,855
Rent Income	1,946,208	1,694,988
Sale of Tender	16,000	708,000
ODFL Registration	14,994,759	69,900
Restaurant	45,000	-
Conference	199,500	214,750
Knec TOE	35,910,000	29,338,280
Staff Lunch	475,500	270,500
Laundry Services	31,260	15,510
Sundry Income	11,610	12,500
Consultancy	-	2,955,428
Bookshop	154,350	325,459
	<u>95,158,465</u>	<u>76,295,170</u>
<b>4 STAFF COSTS</b>		
Salaries	28,036,558	30,969,941
House Allowance	6,842,100	7,735,526
Medical Allowances	691,541	761,339
Leave Allowance	234,000	312,000
Commuter Allowance	3,421,534	3,719,333
Acting & Other Allowances	798,819	1,167,260
Gratuity	5,586,420	892,658
NSSF	272,000	229,400
Casual Wages	578,585	3,901,860
	<u>46,461,558</u>	<u>49,689,317</u>
<b>5 ADMINISTRATIVE EXPENSES</b>		
Pension Expenses	366,622	-
Staff Uniform	605,539	9,860
Motor Vehicle Running	5,774,468	4,444,548
Institute Clinic Costs	465,229	
Advertising	4,410,292	9,378,938
Telephone, Postage & Internet	1,941,278	2,611,233
Stationery	3,225,258	3,490,659
Printing	1,695,441	7,186,300
Insurance	1,439,888	4,757,129
Electricity and water	5,175,910	4,512,116
Travelling & transport	2,464,946	1,655,944
Club Membership	250,000	2,254,850
Contracted Professional Services	2,631,831	2,778,144
Repairs and maintenance	9,721,500	3,739,183
Training	53,568,745	69,228,399
Food & Rations	17,727,400	14,297,337
KNEC Training Exp	21,419,907	5,273,360
Human Resource Development	2,018,520	4,221,881
Library	856,605	831,020
Provision for audit fees	660,000	660,000
General expenses	410,591	2,119,474
Depreciation - Property and equipment (Note 11)	9,917,107	10,867,658
Provision for bad and doubtful debts	1,372,335	
	<u>148,119,412</u>	<u>154,318,033</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30TH JUNE 2014

	<u>2014</u>	<u>2013</u>
	Kshs	Kshs
<b>6 COUNCIL EXPENSES</b>		
Council Allowances (Appendix I)	<u>2,027,615</u>	<u>1,463,176</u>
<b>7 BANK CHARGES</b>		
Bank charges (Appendix II)	<u>147,174</u>	<u>219,870</u>
<b>8 NET ASSETS</b>		
<b>i Revaluation Reserve</b>		
Balance b/f	<u>2,232,983,694</u>	<u>2,232,983,694</u>
Total	<u>2,232,983,694</u>	<u>2,232,983,694</u>
<b>ii Capital Reserve</b>		
Balance b/f	11,100,000	-
Development Grant	<u>11,250,000</u>	<u>11,100,000</u>
Total	<u>22,350,000</u>	<u>11,100,000</u>
<b>iii Retained Earnings</b>		
Balance b/f	77,693,769	56,488,275
Surplus/Deficit for the year	<u>26,018,694</u>	<u>21,205,494</u>
Total	<u>103,712,463</u>	<u>77,693,769</u>
<b>9 TRADE AND PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Kisumu Hotel	140,000	140,000
Kiambu Institute	55,000	55,000
Zealous	49,745	49,745
Silver base	172,275	172,275
Javipasa	41,271	41,271
Creditors current year	<u>10,920,721</u>	<u>5,273,777</u>
Total	<u>11,379,012</u>	<u>5,732,068</u>
<b>10 DEFERRED GRANTS &amp; FEES</b>		
Balance b/f	41,186,500.00	
Revenue current year	(19,144,160)	
Additional Deferred Grants (MOE)	40,000,000	40,000,000
Deferred Course Participants Fees	<u>711,452</u>	<u>1,186,500</u>
	<u>62,753,792</u>	<u>41,186,500</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2014

11 PROPERTY, PLANT AND EQUIPMENT MOVEMENT REGISTER

Cost	LAND & BUILDING Kshs.	PLANT & MACHINERY Kshs.	MOTOR VEHICLE Kshs.	FURNITURE & FITTINGS Kshs.	EDP EQUIPMENT Kshs.	WORK IN PROGRESS Kshs.	TOTAL Kshs.
As at 1 July 2012	2,219,669,130	16,827,103	11,100,000	21,841,096	28,061,437	27,676,726	2,325,175,492
Additions	14,510,405	691,896	5,010,050	5,525,301	3,913,246	-	29,650,898
As at 30th June 2013	<b>2,234,179,535</b>	<b>17,518,999</b>	<b>16,110,050</b>	<b>27,366,397</b>	<b>31,974,683</b>	<b>27,676,726</b>	<b>2,354,826,390</b>
Additions	15,115,400	2,235,218	-	1,872,500	3,640,000	3,687,492	26,550,610
At 30th June 2014	<b>2,249,294,935</b>	<b>19,754,117</b>	<b>16,110,050</b>	<b>29,238,897</b>	<b>35,614,683</b>	<b>31,364,218</b>	<b>2,381,376,900</b>
<b>Depreciation</b>							
As at 1st July 2012	-	2,995,898	9,630,000	7,332,467	15,941,064	-	35,899,429
Depreciation	-	1,492,310	1,620,013	2,504,241	5,291,094	-	10,867,658
As at 30th June 2013	-	4,448,208	11,250,013	9,836,708	21,232,158	-	46,767,087
Depreciation	-	1,530,591	1,215,009	2,425,274	4,746,233	-	9,917,107
At 30th June 2014	-	<b>5,978,799</b>	<b>12,465,022</b>	<b>12,261,982</b>	<b>25,978,391</b>	-	<b>56,684,194</b>
<b>Net book values</b>							
As at 30th June 2014	2,249,294,935	13,775,318	3,645,028	16,976,915	9,636,292	31,364,218	2,324,692,706
As at 30th June 2013	2,234,179,535	13,070,791	4,860,038	17,529,689	10,742,525	27,676,726	2,308,059,303

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**FOR THE YEAR ENDED 30TH JUNE 2014**

	<u>2014</u> Kshs	<u>2013</u> Kshs
<b>12 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
FAWE Kenya	5,950	-
MOE(Head Count)	715,500	715,500
Kenya Power	-	2,955,428
Kepsha	1,077,388	1,077,388
MOF	-	222,500
K I E	591,000	460,500
MOE(National Sch Devt)	61,500	61,500
Nairobi Bottlers	806,000	521,000
Science Teachers Without Borders	10,750	10,750
MOEST	11,702,172	3,004,922
Maasai Mara (Narok University)	868,500	600,000
Rent	1,425,632	2,163,535
TSC	300,000	1,010,150
Telkom Kenya	555,000	465,000
KNATCOM for UNESCO	-	93,250
Verve K .Ltd	-	25,000
MOE (Adult Education)	6,160,000	6,160,000
Salary Advance	10,000	6,000
Technical University (Kenya Polytechnic)	10,612,800	8,472,600
Directorate of Criminal Investigation	4,730,573	-
Interskills Business Management Institute	676,000	-
Kenya Hockey Union	525,000	-
Kenya School of Government	3,204,000	-
Kenya School of Government - ELDI	664,000	-
Ministry of Foreign Affairs	399,000	-
School Equipment Production Unit	20,930	-
Zinga Technologies	115,000	-
MOEST (Fare Reinbursement)	507,800	-
<b>TOTAL</b>	<u><b>45,744,495</b></u>	<u><b>28,025,023</b></u>
Less Provision for Bad and doubtful debts @3%	(1,372,335)	-
	<u><u><b>44,372,160</b></u></u>	<u><u><b>28,025,023</b></u></u>
<b>13 CASH AND CASH EQUIVALENTS</b>		
<b>Bank balances</b>		
National Bank 600	15,010,962	1,618,254
National Bank 601	43,921,259	7,013,688
National Bank 6-00	49,492	49,492
Equity Bank	4,414,001	4,686,211
Cash in hand	6,928	100,000
Deffered Income Mpesa	711,452	-
	<u><u><b>64,114,095</b></u></u>	<u><u><b>13,467,645</b></u></u>
<b>14 CURRENCY</b>		

These financial statements are presented in Kenyan Shillings (Kshs).

**XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	i. Land & Ownership	The Management contracted a Law firm to seek court orders to evict the squatters.	Procurement Officer	Partially resolved	As soon as possible-
	ii. EDP Equipments	Officers concerned have been surcharged.	Internal Audit Officer		As soon as possible-
	iii. Ownership of Land, Building & Motor Vehicles	Application for change of Ownership has been made, and ownership documents are being processed to read KEMI	Procurement Officer	Partially resolved	As soon as possible-



**Appendix 1 - KEMI COUNCIL EXPENDITURE 2013-2014**

**ATTENDANCE**

EXPENDITURE (Kshs)

Regular Committee Meetings

	Date (Quarter)	Full council	Audit	Bus/Dev	Training	HR	FGPC	Committee meetings	PC	Honorarium	ODFL Launch	Millele Beach	Tender	Total
<b>Quarter 1</b>														
1	19th August 2013	-	-	-	-	-	-	-	-	-	-	-	16,000.00	16,000.00
<b>Quarter 2</b>														
1	18th October 2013	155,000.00	-	-	-	-	-	-	-	-	-	-	-	155,000.00
2	Signing of PC	-	-	-	-	-	-	-	15,000.00	-	-	-	-	15,000.00
3	28th October 2013	-	-	-	-	60,000.00	-	-	-	-	-	-	-	60,000.00
4	28th October 2013	-	-	-	-	-	-	-	-	240,000.00	-	-	-	240,000.00
5	31st October 2013	-	63,735.00	-	-	-	-	-	-	-	-	-	-	63,735.00
6	1st November 2013	-	-	-	-	-	35,000.00	-	-	-	-	-	-	35,000.00
7	22nd November 2013	-	-	-	45,500.00	-	-	-	-	-	-	-	-	45,500.00
8	27th November	-	-	-	-	-	-	-	-	-	-	21,000.00	-	21,000.00
9	11th December 2013	-	-	65,000.00	-	-	-	-	-	-	-	-	-	65,000.00
<b>Quarter 3</b>														
1	23rd January 2014	-	-	-	-	50,000.00	-	-	-	-	-	-	-	50,000.00
2	24th January 2014	-	-	-	-	-	50,000.00	-	-	-	-	-	-	50,000.00
3	28th January 2014	146,320.00	-	-	-	-	-	-	-	-	-	-	-	146,320.00
4	11th February 2014	-	-	-	-	-	-	45,000.00	-	-	-	-	-	45,000.00
5	12th February 2014	-	-	-	-	-	-	-	-	-	-	30,000.00	-	30,000.00
6	28th February 2014	-	-	-	-	-	-	113,660.00	-	-	-	-	-	113,660.00
7	7th March 2014	-	-	-	-	-	-	-	15,000.00	-	-	-	-	15,000.00
<b>Quarter 4</b>														
1	29th April 2014	-	-	-	-	-	50,000.00	-	-	-	-	-	-	50,000.00
2	30th April 2014	-	-	-	35,000.00	-	-	-	-	-	-	-	-	35,000.00
3	7th May 2014	-	-	-	-	-	-	-	-	400,000.00	-	-	-	400,000.00
4	7th May 2014	-	-	-	-	-	-	-	-	-	182,200.00	-	-	182,200.00
5	14th May 2014	-	-	-	-	65,000.00	-	-	-	-	-	-	-	65,000.00
6	16th June 2014	-	19,200.00	-	-	-	-	-	-	-	-	-	-	19,200.00
7	20th June 2014	110,000.00	-	-	-	-	-	-	-	-	-	-	-	110,000.00
<b>TOTAL</b>														<b>2,027,615.00</b>

**KENYA EDUCATION MANAGEMENT INSTITUTE**

**Appendix 11 BANK CHARGES FOR THE YEAR 2013/2014**

<b>NBK- A/C 600</b>		<b>NBK-A/C 601</b>	<b>Equity A/C 067</b>
<b>MONTH</b>	<b>AMOUNT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>
Jul-13	4,920.00	44,940.00	-
Aug-13	16,752.00	8,786.00	-
Sep-13	3,957.00	1,193.00	550.00
Oct-13	2,387.00	1,039.50	550.00
Nov-13	3,113.00	1,474.00	-
Dec-13	3,657.50	1,419.00	-
Jan-14	2,282.50	3,426.50	-
Feb-14	4,130.50	2,106.50	440.00
Mar-14	11,887.50	2,493.00	-
Apr-14	3,278.00	3,921.50	-
May-14	4,614.50	5,698.50	-
Jun-14	4,680.50	3,476.50	-
<b>Total</b>	<b>65,660.00</b>	<b>79,974.00</b>	<b>1,540.00</b>
			<b>147,174.00</b>