

REPUBLIC OF KENYA



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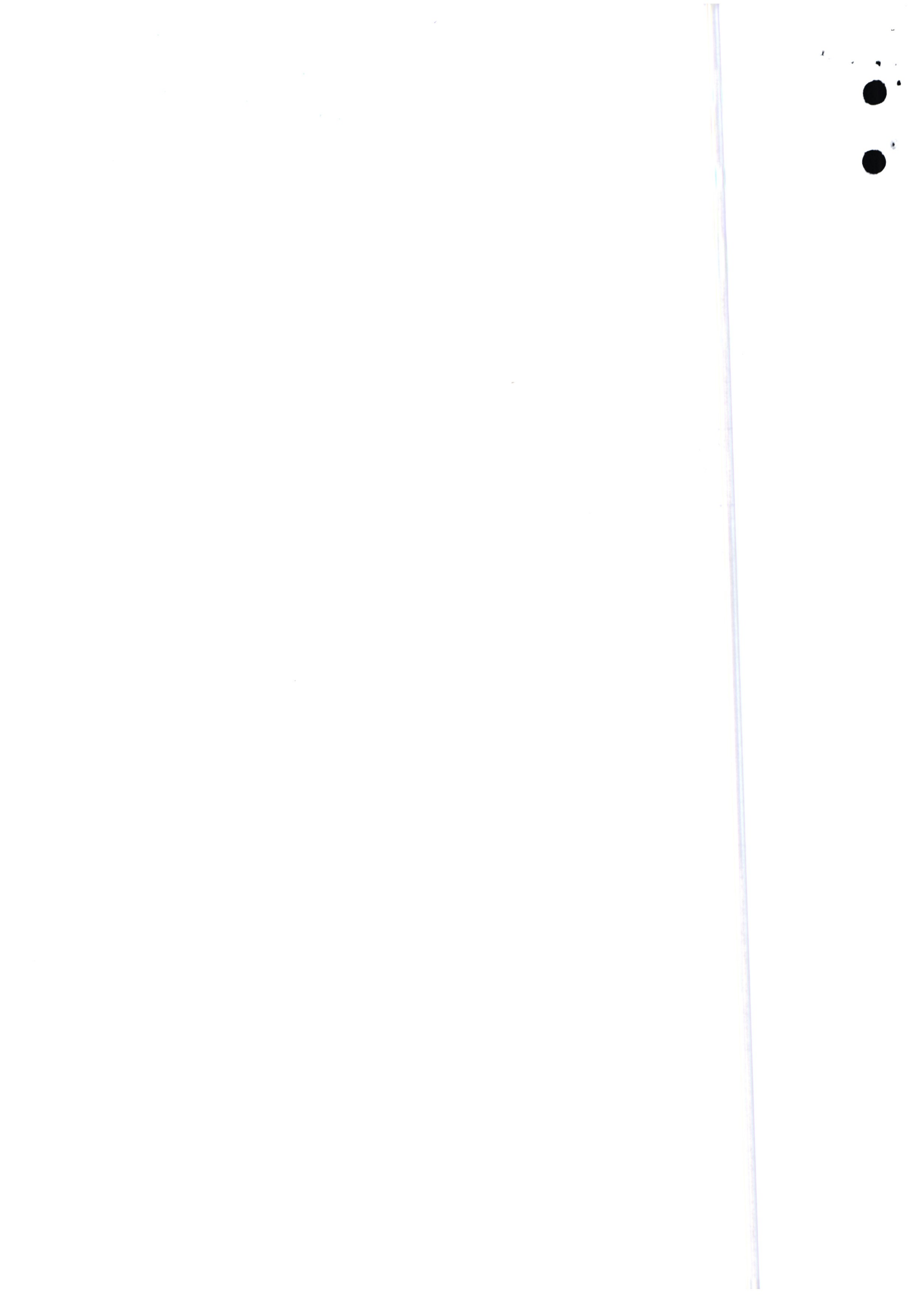
OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**





REPUBLIC OF KENYA
MINISTRY OF EDUCATION
SCIENCE AND TECHNOLOGY

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

**KENYA EDUCATION MANAGEMENT
INSTITUTE
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
30 JUNE, 2017**

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

Accounting standards (IPSAS)

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

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

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

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

(b) Principal Activities

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

(c) Key Management

Mrs. Grace Ngaca	Mr. Kephher Owino Ogwang
Mr. Maurice Otieno Odondo (DD/CSD)	Mrs. Elizabeth Wangaruro
Mrs. Peris Toroitich (DD/MDD)	Mr. Daniel Kihara Mbugua
Mr. Richard Thomi	Mr. Samuel Ochieng Mawega
Mr. Wycliffe W. Wasike	Mr. Stephen Barkwang
Ms. Purity Kibui	Mr. Stephen Choge
Mr. Vincent Koech	Ms. Nancy Musembi
Mr. Newton Wekesa Wangusi	Ms. Caroline Gicuku Nyaga

(d) Fiduciary Management

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

(e) Entity Headquarters

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

(f) Entity Contacts

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

(g) Bankers

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

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

(h) Independent Auditors

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

(i) Principal Legal Advisers

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

THE BOARD OF DIRECTORS



Prof. Eunice Mutitu

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



Director of the Kenya Education Management Institute, Grace Ngaca. (Joined March 2017)

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



Dr. Belio R. Kipsang

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



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.



Mrs. Nancy Njeri Macharia

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



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.

KENYA EDUCATION MANAGEMENT INSTITUTE

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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).

MANAGEMENT TEAM



Director of the Kenya Education Management Institute, Mrs. Grace Ngaca (Joined March 2017).

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 – Corporate Services, Mr. Maurice Otieno Odondo, MBA (Strategic Management), B.Ed (Arts).

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. Divisions: Enterprises, Legal and Administration.



Head of Human Resource Training, Mrs Peris Toroitich.

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



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

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



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

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



Head of Finance & Accounts, Mrs. Elizabeth Mwhaki Wangaruro, MBA (Finance), B.Com (Finance), CPA (K).

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



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

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



Head of Procurement Training, Mr. Stephen Choge.

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



Head of Admissions, Mr. Stephen Barkwang.

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



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

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



Head of Hospitality Training, Ms. Nancy Kaseki Musembi

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



Head of KLRC, Ms. Caroline Gicuku Nyaga

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

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



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

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



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

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



Head of Procurement, Mr. Daniel Mbugua.

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

CHAIRPERSON'S STATEMENT

We are pleased to showcase our successes for 2016/2017 in this annual report.

The institute increased its focus on capacity development in education management by improving access to training programs while improving quality. These programs we know drive education quality and have the greatest impact on education service delivery.

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


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

I would like to thank the KEMI council and management team for the achievements made in 2016/2017. I am truly privileged to work with this team, which brings commitment and enthusiasm to work – and carries it forward to enrich our clientele.

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

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

As we now direct our attention to 2017/2018, we look forward to the future because we are confident that KEMI will remain focused on delivering strong results.



Prof. Eunice Mutitu
Chairperson
KEMI COUNCIL

DIRECTOR STATEMENT

Much of our work in Kenya Education Management Institute (KEMI) focuses on developing the capacity of education managers to meet the 21st century challenges. As we present our 2015/2016 annual report, it is worth pausing to consider a question fundamental to KEMI'S mission: Why capacity development? At KEMI our capacity development program is about understanding the issues that inhibit education managers from realizing educational goals while enhancing their knowledge and skills that will enable them to achieve measurable and sustainable results.

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

It is worth noting that in the previous years, 84% of School heads and Deputies have been taken through the Diploma in Education Management. In regard Fy 2016/2017, the Institute has made great achievements in inducting the newly appointed heads of schools and deputies. Groups that were taken through the Diploma in Education Management include among others; Quality Assurance and Standards Officers, Adult Education Officers and Technical and Vocational Managers. These three groups are due for graduation in December 2017.

We are confident that operational and financial performance will improve further during 2017/2018 enabling us to achieve our set targets for the year.

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



Mrs. Grace W. Ngaca

Ag. Director/CEO

CORPORATE GOVERNANCE STATEMENT

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

Compliance

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

Council composition

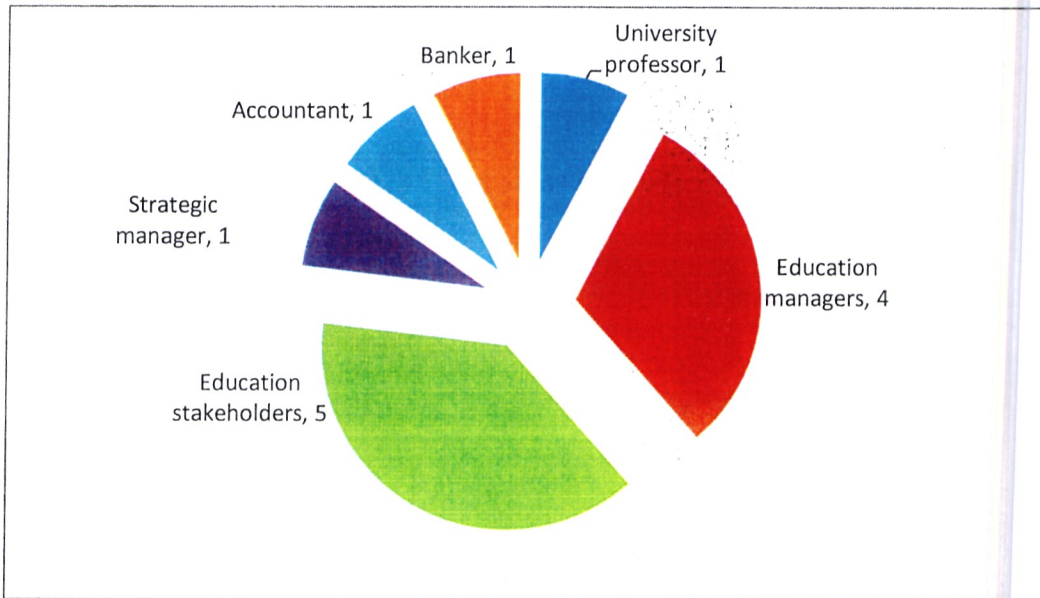
The Council consists of 13 members led by a non-executive and independent Chairperson as follows:

No	Name	Position
1.	Prof. Eunice Mutitu	Chairperson
2.	Dr. Belio Kipsang	PS/MOEST
3.	Mrs. Grace W. Ngaca	Director/KEMI
4.	Mr. Julius Jwan	Director/KICD
5.	Mrs. Nancy Macharia	Secretary/CEO/TSC
6.	Mr. John Awiti	Representative Kenya Secondary School Heads Association
7.	Mr. Joseph Karuga	Representative Kenya Primary School Heads Association
8.	Mr. Stephen Nalelia	Representative Kenya Association for Primary Teachers Training Colleges
9.	Mr. Jessica Simiyu	Representative Kenya Diploma Colleges Principals Association
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
11.	Mr. Mike Eldon	
12.	Mr. Ernest Wangai	
13.	Mr. Samuel G. Mutungi	

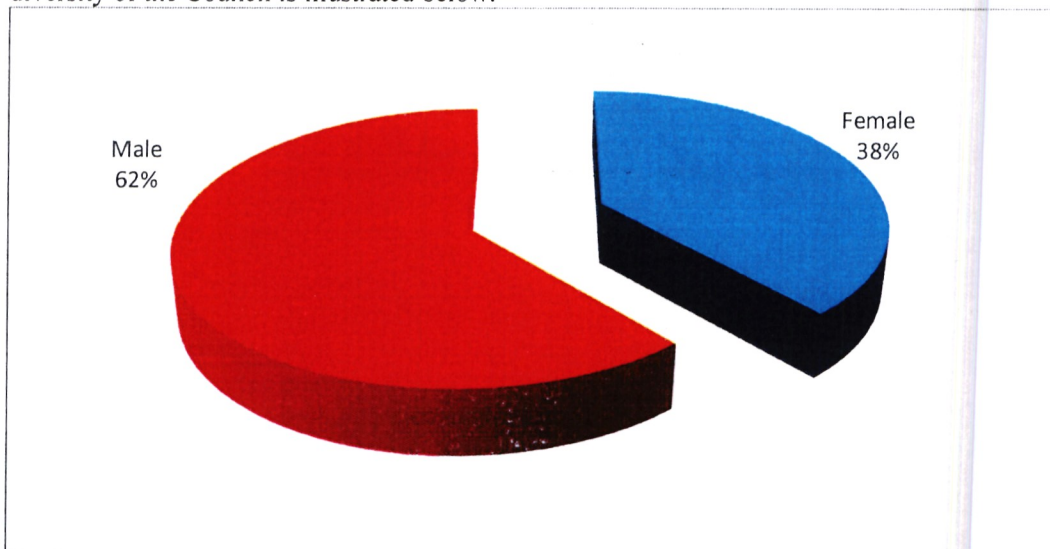
Council diversity

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 Remuneration

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

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

Conflict of interest and Declaration of interest

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

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

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

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

Board Committees

The Council is made up of 5 committees:

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

Report of the Chairperson of the Audit Committee



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.

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. Mrs. Grace W. Ngaca

Mandate

The Strategy Committee:

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

Report of the Chairperson of the Training Committee



Mrs. Nancy Macharia

Membership

The Training Committee is made up of the following members:

1. Mrs. Nancy Macharia – Chairperson
2. Mr. John Awiti
3. Mr. Joseph Karuga
4. Mr. Stephen Nalelia
5. Mr. Ernest Wangai
6. Mrs. Grace W. Ngaca

Mandate:

The training committee:

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

Report of the Chairperson of the Finance and General Purposes Committee



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. Mrs. Grace W. Ngaca

Mandate:

The committee:-

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

Report of the Chairperson of the Human Resource Development Committee



Dr. Julius Jwan

Membership

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

1. Dr. Julius Jwan – Chairperson
2. Mr. Gabriel Lengoiboni
3. Dr. Belio Kipsang
4. Ms. Hawa Mohammed
5. Mrs. Grace W. Ngaca

Mandate

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

KENYA EDUCATION MANAGEMENT INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2017

REPORT OF THE DIRECTORS/COUNCIL

FOR THE YEAR ENDED 30 JUNE, 2016

The Council submit their report together with the audited financial statements for the year ended 30 June, 2017 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>2017</u>	<u>2016</u>
	Kshs	Kshs
Surplus/ (Deficit) for the year	28,862,117	(3,365,036)
Surplus for the year carried to retained earnings	28,862,117	(3,365,036)

BY ORDER OF THE COUNCIL



DIRECTOR



COUNCIL CHAIR

STATEMENT OF COUNCIL'S RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE, 2017

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 27/07/2018 and signed on its behalf by:



Director



Council Chair

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA EDUCATION MANAGEMENT INSTITUTE FOR THE YEAR ENDED 30TH JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Education Management Institute set out on pages 1 to 13, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Education Management Institute as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Standards (Accrual Basis), and comply with the Education Act, Cap 211 of the Laws of Kenya.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Land

As reported in the previous years, the property, plant and equipment balance of Kshs.2,362,858,154 as at 30 June 2017 includes the Institute's parcel of land L.R No.16124 measuring 15.45 hectares at Kayole in Nairobi valued at kshs.2,050,000,000 which according to information availed has been partially encroached by squatters.

Report of the Auditor-General on Financial Statements of Kenya Education Management Institute for the year Ended 30 June 2017

Although the management had contracted a law firm on 18 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.

Consequently, the value of property, plant and equipment of Kshs.2,362,858,154 is impaired to the extent of the land encroached on by squatters and as result, it has not been possible to ascertain that the property, plant and equipment balance of Kshs.2,362,858,154 is fairly stated as at 30 June 2017.

1.2 Electronics Data Processing (EDP) Equipment

Further and as previously reported, the property, plant and equipment balance of Kshs.2,362,858,154 as at 30 June 2017 includes EDP equipment valued at Kshs.1,384,237 which could not be physically verified. The management has explained that the equipment's were issued to employees of the Ministry of Education who had been seconded to the Institute and the Institute has since written to the Ministry to surcharge the said employees. Re-examination of the matter during the year under review indicated that, although an amount of Kshs.2,419,237 was recovered from the employees ,the Ministry had only remitted Kshs.1,399,800 to the Institute as at the date of this report.

In the circumstances, it is not clear when if at all the outstanding balance of Kshs.1,019,437 will be recovered by the Ministry and remitted to the Institute.

2. Ineligible Administrative Expenses

As similarly reported in 2012/2013, the administrative expenses figure of Kshs.154,318.03 included 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 the 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 current year indicated that the matter had not yet been resolved as at 30 June, 2017.

In the circumstances the propriety of expenditure totalling Kshs.5,273,360 incurred in year 2012/2013 could not be ascertained to date.

3. Receivables from Exchange Transactions

As disclose in note 10 (i) to the financial statements, the receivables from exchange transactions balance of Kshs.47,606,974 as at 30 June 2017, includes debts totalling Kshs.12,160,788 which have been outstanding for over three (3) years and whose

recoverability is doubtful. The provision for bad and doubtful debts of Kshs.1,472,350 made in these financial statements appears to be inadequate.

In the circumstances, it has not been possible to confirm the full recoverability of receivables from exchange transactions balance of Kshs.47,606,974 as at 30 June, 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Education Management Institute in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter section of my report, there were no Key Audit Matters to report in the year under review.

Other Matter

Council of the Institute

Part III of Paragraph 7(1) of the Legal notice No.19 of 1 February 2010 states that there shall be a Council to be known as the Council of the Institute of Kenya Education Management Institute which shall have the responsibility of managing the Institute. Further, Paragraph 12(1) states that the Council shall meet not less than four times each financial year at any time. It was however, noted that the term for the Council expired on 31st July 2016 and only one meeting was held during the year under review. Thereafter, the Institute operated without a Council, to deliberate on the affairs of the Institute contrary to legal notice No.19 of 2010.

Although, the management has explained that a new Council of the Institute was appointed in December 2017, the Institute may not have achieved its mandate during the year under review in the absence of the Council. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. Those charged with governance are responsible for overseeing the institute's financial reporting process.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

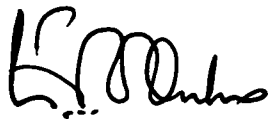
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern or to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such

disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern or to continue to sustain services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to 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

16 April 2018

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

	<u>Notes</u>	<u>2017</u> Kshs	<u>2016</u> Kshs
Revenue from non - exchange transactions	2	129,734,391	104,524,804
Revenue from exchange transactions	3	115,623,661	68,936,226
Total Revenue		<u>245,358,052</u>	<u>173,461,030</u>
Staff Costs	4	78,822,273	64,481,061
Administrative expenses	5	136,677,902	115,189,452
Council Expenses	6	465,000	2,150,000
Finance Cost	7	530,760	101,782
Total Expenses		<u>216,495,935</u>	<u>181,922,295</u>
Gain on Revaluation	8	-	5,096,229
Surplus/Deficit for the period		<u><u>28,862,117</u></u>	<u><u>(3,365,036)</u></u>

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	<u>Notes</u>	<u>2017</u> Kshs	<u>2016</u> Kshs
Assets			
Current assets			
Cash and cash equivalent	9	37,738,221	21,699,721
Receivables from exchange transactions	10 (i)	47,605,974	61,236,716
Receivables from non-exchange transactions	10 (ii)	11,838,208	-
Total		<u>97,182,402</u>	<u>82,936,437</u>
Non - current assets			
Property, plant and equipment	11	<u>2,362,858,154</u>	<u>2,387,900,575</u>
Total assets		<u><u>2,460,040,556</u></u>	<u><u>2,470,837,012</u></u>
Liabilities			
DEFERRED GRANTS & FEES			
Current liabilities			
Trade and other payables from exchange transactions	12	3,672,442	16,865,373
Defferred Development Grant	13	<u>5,401,875</u>	<u>37,734,391</u>
Total Liabilities		<u>9,074,317</u>	<u>54,599,764</u>
Net Assets			
Revaluation Reserve	14 (i)	2,284,463,085	2,284,463,085
Capital Reserve	14(ii)	44,629,375	39,227,500
Retained earnings	14(iii)	<u>121,873,779</u>	<u>93,011,663</u>
Total Net Assets		<u>2,450,966,239</u>	<u>2,416,702,248</u>
Total Net Assets and Liabilities		<u><u>2,460,040,556</u></u>	<u><u>2,471,302,012</u></u>

The financial statements on pages 1 to 4 and the accompanying notes from 5 to 12 were approved by the Council on 27/02/2018 and were signed on its behalf by:

DIRECTOR



COUNCIL CHAIRMAN



STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2017

	REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	Kshs	Kshs	Kshs	Kshs
Year ended 30 June 2016				
As at 1 July 2015	2,279,366,856	32,025,000	96,376,699	2,407,768,555
Gain/Loss on Valuation	5,096,229	-	-	5,096,229
Development Grant	-	7,202,500	-	7,202,500
Surplus for the year	-	-	(3,365,036)	(3,365,036)
As at 30 June 2016	<u>2,284,463,085</u>	<u>39,227,500</u>	<u>93,011,663</u>	<u>2,416,702,248</u>
Year ended 30 June 2017				
As at 1 July 2016	2,284,463,085	39,227,500	93,011,663	2,416,702,248
Gain/Loss on Valuation	-	-	-	-
Development Grant	-	5,401,875	-	5,401,875
Surplus for the year	-	-	28,862,117	28,862,117
As at 30 June 2017	<u>2,284,463,085</u>	<u>44,629,375</u>	<u>121,873,779</u>	<u>2,450,966,239</u>

* The deficit of Ksh. (5,199,054) for 2015/16 has been restated to (3,365,036) due to over stated provision for Bad & Doubtful Debts in the Administrative Expenses for 2015/16 now corrected as per Journal Entry No.1 Which restates the Retained earnings to Ksh. 93,196,463.

See note 15.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	<u>2017</u> Kshs	<u>2016</u> Kshs
Cash flows from Operating Activities			
Net Surplus/Loss before tax		28,862,117	* (3,365,036) R
<i>Adjustment for:</i>			
Depreciation	10	<u>13,669,213</u>	<u>15,643,237</u>
<i>Operating (Deficit)/Surplus before working capital changes</i>		42,531,330	12,278,201
Decrease in debtors	9	13,630,742	(16,971,801)
Decrease in payables	12	(13,192,931)	(18,770,229)
Decrease in Deferred Grant & Fees	13	<u>(32,332,516)</u>	<u>3,122,310</u>
<i>Cash generated from operations</i>		<u>10,636,625</u>	<u>(20,341,519)</u>
Net cash from operating activities		10,636,625	(20,341,519)
Cash flows from Investing Activities			
Purchase of Fixed Assets	11	-	(6,649,800)
Development Grant received		5,401,875	7,202,500
<i>Net cash used in investing activities</i>		<u>5,401,875</u>	<u>552,700</u>
Cash flows from Financing Activities			
		-	-
Net Increase in cash and cash equivalents		<u>16,038,500</u>	<u>(19,788,819)</u>
Cash and cash equivalents			
At the beginning of the year		21,699,721	41,953,541
At end of year		<u><u>37,738,221</u></u>	<u><u>21,699,721</u></u>

* The deficit of Ksh. (5,199,054) has been restated to (3,365,036) due to over stated provision for Bad & Doubtful Debts in the See note 15.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2017

	Original Budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on Comparable Basis Kshs	Performance Difference Kshs	Variance %	Reason
Revenue							
Government of Kenya (GOK)	80,000,000	49,500,000	129,500,000	92,000,000	37,500,000		29 Full Grant not Received
Government of Kenya - Deferred Grant	40,000,000	(40,000,000)	-	37,734,391	(37,734,391)		
Income Generating Activities	146,466,000	(26,147,397)	120,318,603	115,623,661	4,694,942		4 Exam uptake less than expected
Total Income	266,466,000	(16,647,397)	249,818,603	245,358,052	4,460,551		
Recurrent Expenditures							
Basic Salaries	42,500,000.00	10,272,394	52,772,394.00	47,182,941	5,589,453		11 Did not recruit as anticipated
House allowance	15,865,200.00	2,710,800	18,576,000.00	16,864,000	1,712,000		9
Leave allowance	585,980.00	(147,980)	438,000.00	410,000	28,000		6
Allowances on extra responsibilities	1,000,000.00	100,000	1,100,000.00	999,470	100,530		9
Commuter allowance	4,889,278.00	810,722	5,700,000.00	5,408,000	292,000		5
Medical Allowance							Staff forfeited their medical
NSSF	839,709.00	-	839,709.00	329,680	510,029		61 allowance to enjoy medical cover
Employers Pension	333,600.00	-	333,600.00	283,800	49,800		15 Did not recruit as anticipated
Casual Wages	9,000,000.00	(531,227)	8,468,773.00	7,263,267	1,205,506		14 Did not recruit as anticipated
Finance cost	80,000.00	1,000	81,000.00	81,115	(115)		0
Operating & maintenance of motor vehicles	4,000,000.00	(3,200,000)	800,000.00	530,760	269,240		34 Limited Resources
							The vehicle that need major repairs was not repaired as the amount quoted in the Report from Public Works was less than that given by 53 the dealer
Refined fuel & lubricants for transport	1,200,000.00	300,000	1,500,000.00	701,047	798,953		53 the dealer
Foreign Travel	3,147,858.00	-	3,147,858.00	2,767,070	380,788		12 tutorials
Domestic Travel	2,850,000.00	(2,000,000)	850,000.00	697,274	152,726		18 Reduced Funds
Postal & Telegram	1,500,000.00	-	1,500,000.00	1,486,555	13,445		1
Insurancecover	159,500.00	-	159,500.00	21,035	138,465		Use of technology in communication 87 services
Vehicle insurance	3,000,000.00	1,000,000	4,000,000.00	3,936,201	63,799		2
Workmans compensation	1,717,878.00	(600,000)	1,117,878.00	-	1,117,878		100 Challenge in insuring GK vehicles
Telephone & Airtime	400,000.00	-	400,000.00	304,216	95,784		24 Reduced staff through retirement
							Use of bulk SMS and short codes when dealing with participants
	1,691,716.00	(975,716)	716,000.00	147,800	568,200		79 instead of calling them

XIV. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2017

1.1 Statement of compliance and basis of preparation – IPSAS 1

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

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

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

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

1.2 Summary of Significant Accounting Policies

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

1.2.1 Depreciation

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

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

1.2.2 Payables

Payables are stated at nominal value.

1.2.3 Receivables

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

1.2.4 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

	<u>2017</u> Kshs	<u>2016</u> Kshs
2 REVENUE FROM NON-EXCHANGE TRANSACTIONS		
Ministry of Education	92,000,000	87,000,000
Deffered Grant	37,734,391	17,524,804
	<u>129,734,391</u>	<u>104,524,804</u>
3 REVENUE FROM EXCHANGE TRANSACTIONS		
Fees	60,773,553	31,131,018
Hire of Facility	47,324,779	35,173,028
Rent Income	5,404,000	2,093,880
Consultancy	338,800	-
Bookshop	26,000	37,600
Conference	480,000	-
Printing Press	469,800	-
Sundry Income	20,000	200
Staff Lunch	407,500	500,500
Decrease in Provision for receivables	379,229	-
	<u>115,623,661</u>	<u>68,936,226</u>
4 STAFF COSTS		
Salaries	47,182,941	36,447,556
House Allowance	16,864,000	12,845,500
Medical Allowances	329,680	862,560
Leave Allowanc	410,000	332,000
Comuter Allowance	5,408,000	4,192,000
Entertainment,Extreneous,Risk &Other Allowances	999,470	871,912
Gratuity	-	2,871,637
Employer NSSF	283,800	288,600
Employer Pension	7,263,267	4,726,406
Casual Wages	81,115	1,042,890
	<u>78,822,273</u>	<u>64,481,061</u>
5 ADMINISTRATIVE EXPENSES		
Contracted Professional Services	4,686,750	3,141,515
Security Allowance	168,000	96,000
Provision for audit fees	660,000	660,000
Club Membership	31,500	31,500
Motor Vehicle Repairs	701,047	911,487
Refined Fuel and Lubricants	2,767,070	2,649,200
Maintenance & Repairs of Buildings	4,022,992	2,642,172
Maintenance of Plant, Machinery & Equipment	2,543,454	1,389,771
Gas	37,250	45,850
Other Fuels	706,500	257,058
Domestic Travel	1,486,555	1,116,250
Foreign Travel	697,274	772,057
Insurance Cover	4,240,417	2,165,707
Telephone,Postage & Internet	1,333,739	1,389,560
Electricity and water	5,497,455	6,092,215
Library, Newspapers & Magazines	1,159,390	576,970
Gabage Disposal	35,100	45,240
Stationery	1,160,880	319,242
Food & Rations	15,739,050	13,075,917
Staff Uniform	612,000	-
Printing	169,895	620,337
Advertisement, CSR & Publicity	559,321	876,457
Training	72,973,187	59,599,107
Human Resource Development	859,963	504,813
Other Operating expenses	159,900	85,230
Depreciation : Property plant and equipment (Note 11)	13,669,213	15,643,237
Provision for bad and doubtfull debts	-	482,560
	<u>136,677,902</u>	<u>115,189,452</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

	<u>2,017</u>		<u>2016</u>
	Kshs		Kshs
6 COUNCIL EXPENSES			
Sitting Allowance	385,000	*	1,270,000
Transport	-		-
Honoraria	80,000	*	880,000
Total (Appendix I)	<u>465,000</u>	*	<u>2,150,000</u>
7 FINANCE COSTS			
Bank charges	<u>530,760</u>		<u>101,782</u>
8 GAIN ON REVALUATION OF MOTOR VEHICLE			
NBV as at 30th June 2015	-		2,733,771
Value after valuation	-		7,830,000
Gain on Revaluation	<u>-</u>		<u>5,096,229</u>
9 CASH AND CASH EQUIVALENTS			
Bank balances			
National Bank - AC 600	10,114,191		6,266,547
National Bank - AC 601	15,691,334		7,276,667
National Bank - AC 6-00	45,092		45,093
Equity Bank AC	7,441,903		7,445,589
Cash in hand	55,612		18,711
Mpesa AC	<u>4,390,088</u>		<u>647,114</u>
	<u>37,738,221</u>		<u>21,699,721</u>
10 (i) RECEIVABLES FROM EXCHANGE TRANSACTIONS			
FAWE Kenya	18,000		25,000
MoE (Head Count)	-		715,500
Aga Khan University	106,900		341,700
Kepsha	1,077,388		1,077,388
K.I.C.D	73,500		595,175
MOE(National Sch Devt)	-		61,500.00
Nairobi Bottlers	171,000		171,000
KNATCOM	1,500,000		-
ICT Authority (PDTP)	2,260,260		-
MOEST	12,638,072		14,322,492
Maasai Mara (Narok University)	413,946		341,816
Rent	1,724,536		1,535,659
TSC	124,700		8,773,000
Telkom Kenya	1,185,000		1,005,000
APHRC	135,900		-
Tafsiri Group	10,000		-
MOE (Adult Education)	-		6,160,000.00
Technical University (Kenya Polytechnic)	9,122,400		9,122,400
Kenya Hockey Union	525,000		2,905,000
Kenya School of Government	418,035		2,328,150
Kenya School of Government - ELDI	-		462,000.00
Ministry of Sports, Culture & Arts	3,864,800		-
Ministry of Agric., State dep of Livestock	133,400		-
Zinga Technologies	313,520		332,000
Garissa County Government	1,790,000		1,790,000
Laxman	119,000		-
NACADA	510,000		537,500
KLB	340,500		-
AJIRA ICT	9,509,714		-
Nairobi Chapel	60,000		-
Azim Sameja	95,080		72,360
TVET	837,672		2,445,000
Treasury (IFMIS)	-		3,617,460.00
CEMASTE A	-		488,250.00
KTTC	-		102,384.00
TVET	-		-
NOVEL	-		1,407,080.00
NEMA	-		147,975.00
AFC	-		328,687.00
MOEST (Fare Reimbursement)	-		507,800.00
TOTAL	49,078,323		61,719,276
Provision for Bad and Doubtful debts @ 3%	1,472,350		1,851,578
Less Increase in Provision for bad and doubtful debts	-	*	482,560
	<u>47,605,974</u>		<u>61,236,716</u>
10 (ii) RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Ministry of Education - Development Grant (Hostels)	<u>11,838,208</u>		<u>-</u>

* Overstated Council expense and Provision for bad and doubtful debts now correctly stated

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2017**

11 PROPERTY, PLANT AND EQUIPMENT MOVEMENT REGISTER

	LAND	BUILDING	PLANT & MACHINERY	MOTOR VEHICLE	FURNITURE & FITTINGS	COMPUTER & OTHER EQUIPMENT	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost							
As at 1st July 2015	2,050,000,000	310,866,000	19,964,330	16,110,050	29,238,897	38,706,573	2,464,885,850
Additions	-	6,609,200	-	1,957,500	-	40,600	6,649,800
Gain/Loss on revaluation	-	-	-	-	-	-	1,957,500
At 30th June 2016	2,050,000,000	317,475,200	19,964,330	7,830,000	29,238,897	38,747,173	2,463,255,600
Additions	-	-	-	-	-	-	-
At 30th June 2017	2,050,000,000	317,475,200	19,964,330	7,830,000	29,238,897	38,747,173	2,463,255,600
Depreciation							
As at 1st July 2015	-	7,771,650	7,377,352	13,376,279	14,384,096	30,178,691	73,088,068
Charge for the year	-	7,742,589	1,258,698	1,957,500	1,856,850	2,827,600	15,643,237
As at 30th June 2016	-	15,514,239	8,636,050	1,957,500	16,240,946	33,006,291	75,355,026
Charge for the year	-	7,549,024	1,132,828	1,468,125	1,624,744	1,894,491	13,669,213
As at 30th June 2017	-	23,063,263	9,768,878	3,425,625	17,865,690	34,900,782	89,024,239
Net book values (NBV)							
As at 30th June 2017	2,050,000,000	294,411,937	10,195,452	4,404,375	12,373,207	3,846,391	2,362,858,154
		6,783,717	42,657,35	244,687,38	-	7,071,062	
Net book value (NBV)							
As at 30th June 2017	2,050,000,000	294,411,937	10,195,452	4,404,375	-	3,846,391	2,362,858,154
As at 30th June 2016	2,050,000,000	301,960,961	11,328,280	5,872,500	12,997,951	5,740,883	2,387,900,575

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

	<u>2,017</u>	<u>2,016</u>
	Kshs	Kshs
12 TRADE AND PAYABLES FROM EXCHANGE TRANSACTIONS		
MINISTRY OF EDUCATION SCIENCE AND GARISSA HIGH SCHOOL	-	726,640
THE JOMO KENYATTA FOUNDATION	738,000	738,000
KENYA LITERATURE BUREAU	-	4,177,628
KENYA INSTITUTE OF CURRICULUM DEVELOPMENT	-	5,162,000
ABNO SOFTWARES INTERNATIONAL LTD	-	3,375,000
NATION MEDIA GROUP LTD.	-	154,024
THE STAR PUBLICATIONS LIMITED.	-	808,000
THE STANDARD GROUP LTD.	-	342,014
GOVERNMENT PRINTERS	-	442,412
UNIGLOBE NORTHLINE TRAVEL	-	174,000
KIBARANI SCHOOL FOR THE DEAF	29,000	105,655
MERU NATIONAL POLYTECHNIC	6,000	-
KADIKA GIRLS SECONDARY SCHOOL	3,000	-
TECHNOLOGY PRIMARY SCHOOL	6,000	-
NBK - COPY CAT	1,070,742	-
TOTAL KENYA	360,000	-
ROBERT A. OKETCH - FUNERAL EXPENSE	50,000	-
ALL-BIN GARBAGE SERVICE	9,350	-
NANDI NORTH DICECE COLLEGE	6,000	-
KITALE YOUTH POLYTECHNIC	6,000	-
MAKUENI EARLY CHILDHOOD EDUCATION TEACHERS	6,000	-
HOMA BAY HIGH SCHOOL	6,000	-
KADIKA GIRLS SECONDARY SCHOOL	6,000	-
SHANZU TEACHERS TRAINING COLLEGE MOMBASA	204,000	-
MACHAKOS ACADEMY	6,000	-
KITUI MULTI-PURPOSE DEVELOPMENT TRAINING	6,000	-
CHUKA GIRLS HIGH SCHOOL	6,000	-
CHUKA GIRLS HIGH SCHOOL	6,000	-
Kwale High	18,000	-
St. Joseph Girls	6,000	-
Machakos Academy	6,000	-
Skyglow	334,350	-
Nanyuki High School	45,000	-
Kaplong Girls	48,000	-
Kapenguria Boys	25,000	-
AUDIT FEE	660,000	660,000
	<u>3,672,442</u>	<u>16,865,373</u>
13 DEFERRED GRANTS & FEES		
Balance b/f	37,734,391	34,612,081
Revenue current year	(37,734,391)	-17,524,804
Additional Deferred Grants (MOE)	-	20,000,000
Deferred Development Grant	5,401,875	647,114
	<u>5,401,875</u>	<u>37,734,391</u>
14 NET ASSETS		
i Revaluation Reserve		
Balance b/f	2,284,463,085	2,279,366,856
Gain/Loss on Revaluation	-	5,096,229
Total	<u>2,284,463,085</u>	<u>2,284,463,085</u>
ii Capital Reserve		
Balance b/f	39,227,500	32,025,000
Development Grant	5,401,875	7,202,500
Total	<u>44,629,375</u>	<u>39,227,500</u>
iii Retained Earnings		
Balance b/f	93,011,663	96,376,699
Surplus/Deficit for the year	28,862,117	*
Total	<u>121,873,779</u>	<u>* 93,011,663</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

15 RESTATED RETAINED EARNINGS

Opening Balance	(5,199,054)
Overstated Administrative Expense by	1,369,018
Overstated Council Expense by	465,000
Adjusted to	<u>(3,365,036)</u>

*The deficit of Kshs. (5,199,054) has been restated to Kshs. (3,365,036) due to overstated provision for bad and doubtful debts in the Administrative Expenses and overstated council expense now corrected.

16 CONTINGENT LIABILITY

Litigation is in process against KEMI relating to unfair dismissal of staff. The Institute continues to accrue Legal fees as the outcome of the case has not been determined.

17 MEMBER OF STAFF

- i. Permanent - 64
- ii. Contract - 25
- iii. Casuals - 2

18 FINANCIAL RISK MANAGEMENT

i. **Market Risk** - KEMI does not own Financial Instruments in Foreign Currency hence it is not exposed to Market Risk

ii. **Price Risk** - KEMI Does not hold any Financial Instruments subject to Price Risk

iii. **Credit Risk** - This arises from outstanding receivables. It is the risk that counterparty will default on the contractual obligation, resulting in financial loss. KEMI's credit risk is managed by the Head of Income Generating Projects by ensuring that relevant documentation is obtained before any engagement, to allow follow up on such payments.

iv. **Operational Risk** - This is Risk that can arise from ordinary business activities, in KEMI's case from Trainings. The number of participants in the main Training Programme (ODFL) has been decreasing, with fewer participants enrolling for the same. This Risk is being managed by the Deputy Director Training through introduction of new programmes hence diversification.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Land & Ownership	The Management contracted a Law firm to seek court orders to evict the squatters.	Procurement Officer	Partially resolved	As soon as possible-
1.2	EDP Equipment	Officers concerned have been surcharged.	Internal Audit Officer	Recoveries being done from the payroll	
1.3	Ownership of Motor Vehicles	Ownership documents have been processed to read KEMI.	Procurement Officer	Fully resolved	
1.4	Depreciation of Buildings	Land and Building have been separated and buildings are being depreciated at 2.5%.	Senior Accountant	Fully resolved	
2.0	Ineligible Administrative Expenses				

