

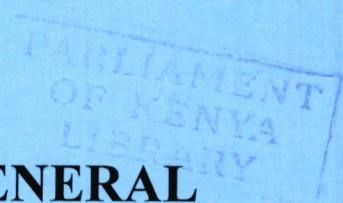
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

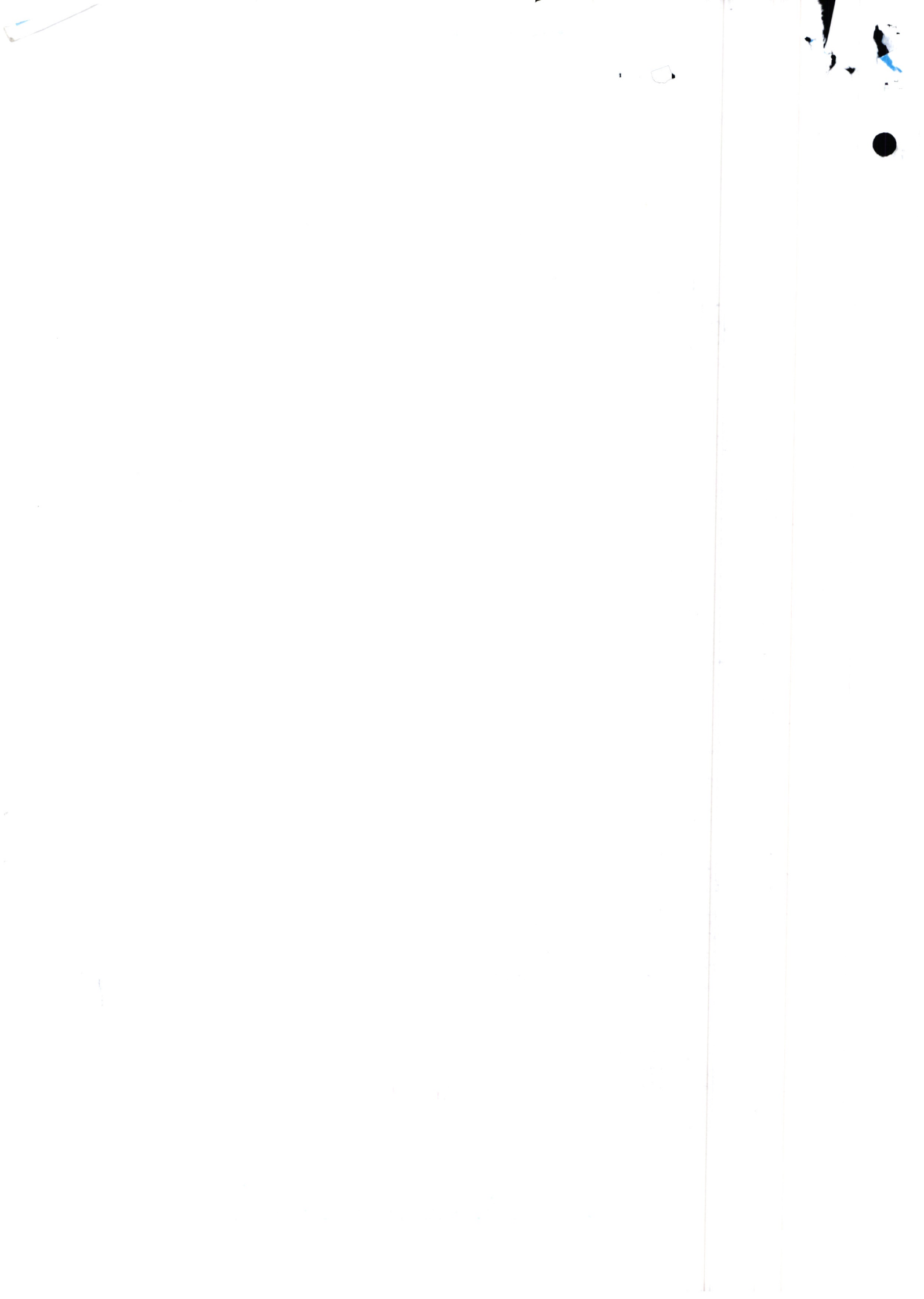


THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA SCHOOL OF GOVERNMENT

FOR THE YEAR ENDED	
30 JUNE 2018	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 12 SEP 2019	DAY: THURSDAY
TABLED BY:	MAJORITY WHIP
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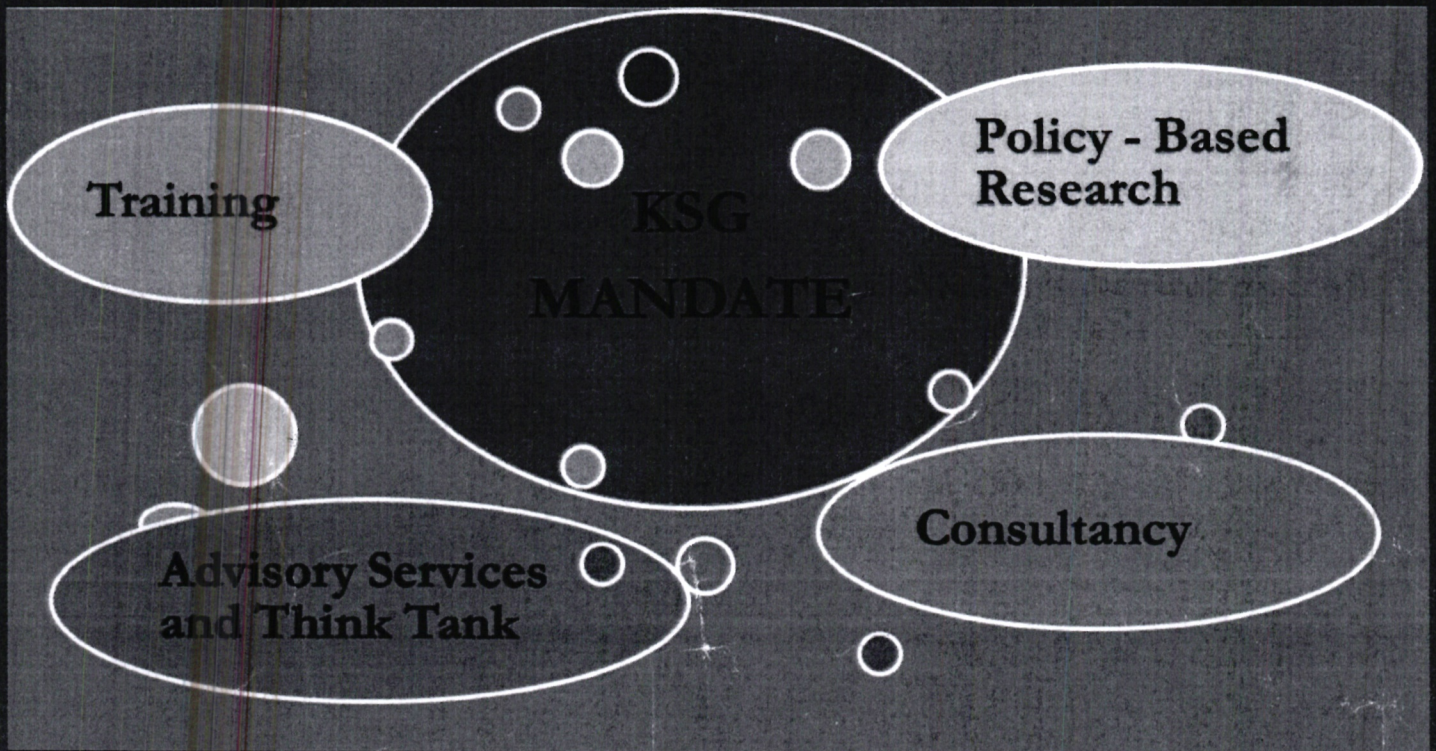


KENYA SCHOOL OF GOVERNMENT

(Not For Profit State Corporation)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR
ENDING JUNE 30, 2018



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

May, 2019

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PART I: Background Information and Management

a. Background information

The Kenya School of Government (KSG) was established by the KSG Act (No. 9 of 2012). The School is the successor of the former Kenya Institute of Administration (KIA), Kenya Development and Learning Centre (KDLC) and the Government Training Institutes (GTIs) Mombasa, Matuga, Embu & Baringo.

KSG is a State Corporation established as a flagship project of the Kenya Vision 2030 aimed at building competencies for the government, developing and growing leadership in the public service and promoting best practices in public service delivery. The School was also envisioned as being instrumental in the implementation of the Constitution of Kenya in strengthening the pillars of public governance through upholding and promoting public service values, ethics and transformational leadership.

b. Principal Activities

The principal activity of the School is transformation of the Public Service by inculcating national values and developing core skills and competencies for quality service delivery in the Public Service.

Vision

Transformed Public Service

Mission

To build capacity of the Public Service by developing core, managerial and leadership competencies for quality public service delivery

c. Strategic Objectives of the School

The School seeks to achieve nine strategic objectives:

1. To develop and implement relevant training programs
2. To promote research, scholarship and innovation
3. To enhance evidence-based research advisory services.
4. To expand consultancy services to support delivery of quality services
5. To develop suitable infrastructure.
6. To enhance corporate visibility and positioning of the school
7. To enhance good corporate governance and management in the School
8. To strengthen the human resource capacity of the school
9. To ensure financial sustainability of the school

d. Key Management

The School leadership is under the following key organs:

i. Council

- The Council
- Committees of the Council

ii. Management

- Director General/Chief Executive Officer
- Director Finance and Administration
- Director Academic Affairs
- Campus Directors
- Academic Board

e. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director – General	Dr. Ludeki Chweya
2.	Director – Academic Affairs	Dr. Leah Munyao
3.	Director – Finance and Administration	Dr. Nura Mohamed
4.	Director – Learning and Development	Mr. Humphrey Mokaya
5.	Director – eLearning and Development Institute	Mr. Joseph Ndung'u
6.	Director – Mombasa Campus	Dr. Tom Wanyama
7.	Director – Embu Campus	Dr. Josephine Mwanzia
8.	Director – Baringo Campus	Dr. Solomon Letangule
9.	Director – Matuga Campus	Mrs. Prisca Oluoch-Oriwo

f. Fiduciary Oversight Arrangements

As stipulated under the Kenya School of Government Act (No. 9 of 2012), the Council may establish Council Committees to deal with such matters as the Council may specify and to this end, may co-opt persons who are not members of the Council to committees for a particular reason.

To ensure fiduciary oversight arrangement is adequate, the Council established Risk and Audit Committee.

This committee is composed of four council members and head of internal audit being the secretary of the committee. The Committee assists the Council in fulfilling its corporate governance responsibilities and in particular in strengthening the effectiveness of the internal audit function; maintaining oversight on internal control systems; provision of general oversight in risk and compliance matters; and ensuring quality, integrity, effectiveness and reliability of the risk management framework of the School.

g. Entity Headquarters

P.O. Box 23030
Kenya School of Government
Lower Kabete Road, 00604
Nairobi, KENYA

h. Entity Contacts

Telephone: +254 (020) 4015000, +254 (727) 496698
E-mail: directorgeneral@ksg.ac.ke
Website: www.ksg.ac.ke

i. Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, KENYA

2. Kenya Commercial Bank Limited
Kencom House
Branches: Sarit centre, Embu, Mombasa, Kwale and Baringo
Tel: +254 (20) 2287000, +254 (732) 187000, +254 (711) 087000
Email: contactcentre@kcb.co.ke

3. National Bank of Kenya Limited
National Bank Building
Harambee Avenue
P.O. Box 72866
City Square 00200
Nairobi, KENYA
Tel: +254 (020) 2828000
E-Mail: corporateaffairs@nationalbank.co.ke

j. Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, KENYA

k. Principal Legal Adviser

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

The Council Members

Chairman of the Council

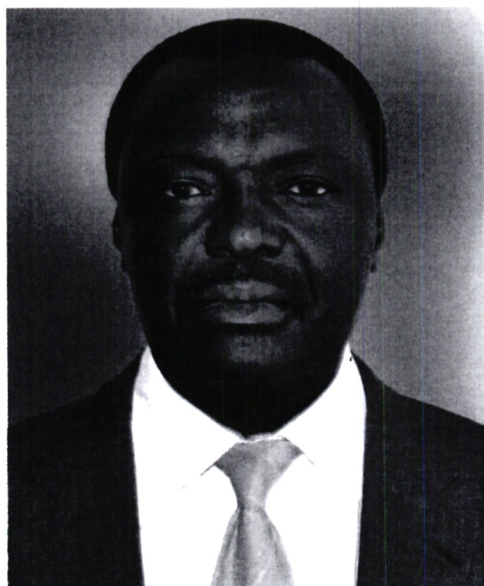


Professor Francis Kibera, Ph.D., FKIM, CBS

Professor Francis Kibera holds Doctor of Philosophy (Ph.D.) degree in Business Administration from the University of Toronto and Master of Business Administration degree (M.B.A) from University of Alberta both in Canada, and Bachelor of Commerce (B.Com) degree from University of East Africa (University College, Nairobi).

Professor Kibera has extensive experience in public sector administration and management, especially in the education and training sector. He has successfully undertaken many research and consultancy projects in strategic management, marketing, customer and employee satisfaction, and institutional development and capacity building. He is seventy three (73) years old.

Secretary to the Council



Ludeki Chweya, Ph.D., CBS

Dr. Ludeki Chweya holds the Doctor of Philosophy (Ph.D.) degree in Political Studies from Queen's University at Kingston, Ontario, Masters of Arts degree in Government from the University of Nairobi, and Bachelor of Arts (BA) in Political Science and Arabic Language from the University of Nairobi. Dr. Chweya is a Senior Lecturer with vast experience in university teaching and research in International Relations and Political Economy.

Dr. Chweya has many years of experience in public sector management and policy development acquired mostly when he served as Permanent Secretary in the Government of Kenya. He is fifty seven (57) years old.

**Council Member – Representing Public Service Commission
Prof. Michael Lokuruka, Ph.D.,**



Professor Michael Lokuruka is a Professor of Food Science. Prof Lokuruka holds the Doctor of Philosophy (Ph.D.) degree in Food Science from Cornell University USA, the Master of Science (MSc.) degree in Food Science from the University of Reading, the Bachelor of Food Science and Technology (BSc.) degree from the University of Nairobi, and a Postgraduate Diploma in Fish Processing Technology from the University of Trondheim, Norway. Prof. Lokuruka has vast experience in Food Processing, University Teaching, Research and Consultancy in Food Sciences, HR and Food Industry Management and has published books and journal articles in the fields. He is sixty-two (62) years old. He represents the Public Service Commission on the KSG Council and chairs the Human Resource Committee of the Council. He is also a Member of the Staff Retirement and Benefits Scheme Committee of the Council.

**Council Member – Representing Principal Secretary, National Treasury
Micah Origa**



Micah Origa holds Masters of Business Administration from the University of Calicut and Bachelor of Commerce (B.Com) degree from the same university and he is Certified Public Accountant of Kenya. Mr. Origa has wide experience in public sector budget preparation, implementation and monitoring. He is forty one (41) years old.

Council Member – Representing Commission for University Education

Joseph Musyoki



Joseph Musyoki is a holder of Master of Science and a Bachelor of Education Degree. He is a Senior Assistant Commission Secretary in charge of institutional accreditation at the Commission for University Education where he has worked for the last 10 years. Before then he was a researcher with the Kenya Agricultural Research Institute. He represents the Commission in the Council and is the chair of the Finance and General Purpose Committee of the Council. He is fifty (50) years old.

Council Member

Dr. Lucy Kathuri – Ogola, Ph.D.,



Dr. Lucy Kathuri – Ogola, is a holder of Doctor of Philosophy, a Master of Science and Bachelor of Education degrees from Kenyatta University. She is currently a

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Lecturer at Kenyatta University in the Department of Community Resource Management and Extension. She has extensive experience in training, capacity development and curriculum development. She has also published several articles in refereed journals as well as presented numerous research papers in scientific conferences. In addition, she has undertaken several consultancy projects and engaged in collaborative multi – disciplinary research. She has a keen interest in evidence-based research which aims at informing and/or shaping policy. She also has expertise in programme development, implementation and evaluation with both state and non – state actors. She is member of various professional bodies. She is an independent council member and chairs Learning and Development Committee of the Council. She is forty-three (43) years old.

Council Member

Prof. Peter Muchiri Ngatia, Ph.D., EBS



Prof. Peter Muchiri Ngatia holds the position of Interim Vice Chancellor of Amref International University. He is a holder of BSc, Med, MPH and Ph.D. in Medical Education (Health Professionals) from the University of ALBERTA, Edmonton, CANADA. Prof. Ngatia has many years of experience in Training and Management in the health sector in Kenya and other African Countries. He is sixty-six (66) years old and an independent Council member.

Council Member

Dr. Fred Jonyo, Ph.D.



Dr. Fred Jonyo holds a Doctorate of Philosophy (Ph.D.) in Political Science and Public Administration from Makerere University, Masters in International Politics, Tokyo, Japan and a Bachelor of Arts Degree in Political Science from the University of Nairobi. Dr. Jonyo is a Senior Lecturer in the Department of Political Science and Public Administration, University of Nairobi. He has wide experience in Research, Consultancy and Advisory in Security and Strategic Studies, Peace Reconstruction, Governance, Social Justice and Inclusive Development. He is an independent Council member and chairs Audit and Risk Committee of the Council. He is 49 years old

**Council Member – Alternate to the Principal Secretary, State Department for
Public Service and Youth**

Denis M. Mutahi



Mr. Mutahi holds a Master's of Science in Human Resource Planning and Development from GGS Indraprastha University, Delhi and a Bachelors of Education from Moi University. He is a career civil servant with over 20 years of civil service experience and currently serving as a Director of Human Resource Management and Development, State Department for Public Service and Youth. He is fifty (50) years old.

Council Member – Representing Universities

Prof. Teresa Akenga, Ph.D.



Professor Akenga holds Ph.D. in Organic Chemistry: Synthesis from the University of New South Wales, Australia, Masters of Business Administration (Corporate Governance) from KCA University, Nairobi – Kenya, Masters Qualifying from University of New South Wales, Australia, Masters of Science (Chemistry) from Kenyatta University and a Bachelor of Education (Sc., Chemistry major), (1st Class Hons.) from Kenyatta University.

Professor Akenga has vast experience in training, research, leadership and management, having served in various capacities as an Assistant Lecturer, Lecturer and Senior Lecturer in Jomo Kenyatta University of Agriculture and Technology (JKUAT). Served as an Associate Professor (Organic Chemistry) and Professor of Organic Chemistry in Kigali Institute of Science and Technology, (KIST), Rwanda. She has also served as a Deputy Principal, Academic Affairs in Bondo University College currently re – named Jaramogi Oginga Odinga University of Science and Technology (JOOUST) and a Deputy Vice – Chancellor in charge of Academics, Research and Extension in The Management University of Africa (MUA). She is fifty-five (55) years old and currently the Vice Chancellor University of Eldoret.

Council Member – Representing Ministry of Education, Science and Technology
Andrew Ange'nga Nyanchoga



Mr. Andrew Nyanchoga, holds a Bachelor of Arts Degree and a Master of Science Degree (MSc) in Human Resource Management. Mr. Nyanchonga has a vast experience of over 30 years in Human Resource Management in the Public Service. He is sixty (60) years old.

Management Team

To achieve exemplary performance, Kenya School of Government is led by a diverse team that have different qualifications and experience resulting to the achievement of the School goals and objectives.

Director General and Chief Executive Officer Ludeki Chweya, Ph.D., CBS



Dr. Ludeki Chweya holds the Doctor of Philosophy (Ph.D.) degree in Political Studies from Queen's University at Kingston, Ontario, the Masters of Arts degree in Government from the University of Nairobi, and the Bachelor of Arts (BA) in Political Science and Arabic Language from the University of Nairobi. Dr. Chweya is a Senior Lecturer with vast experience in university teaching and research in International Relations and Political Economy.

Dr. Chweya has many years of experience in public sector management and policy development acquired mostly when he served as Permanent Secretary in the Government of Kenya. He is fifty-seven (57) years old.

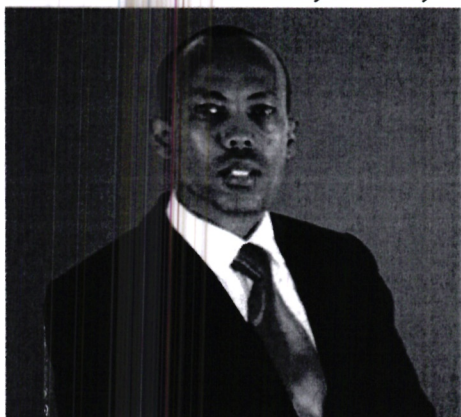
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**Director – Academic Affairs
Dr. Leah Munyao, Ph.D.,**



Dr. Leah Munyao holds a Doctor of Philosophy (Ph.D.) degree from Catholic University of Eastern Africa, Masters of Education (Med) from the University of Nairobi and a Bachelor of Arts in Education from Kenyatta University. Dr. Munyao has over 23 years’ experience in training, strategic thinking, development of internal management systems, policy formulation and program development for educational institutions. She is fifty-five (55) years old.

**Director – Finance and Administration
Dr. Nura Mohamed, Ph.D.,**



Dr. Mohamed holds a Doctor of Philosophy in Financial Economics from Central University of Finance and Economics, China, Master of Business Administration (MBA) in Finance from University of Nairobi and a Bachelor of Commerce in Finance from the same University. Dr. Nura Mohamed is the Director Finance and Administration at the Kenya School of Government, where he is responsible for providing leadership and direction on long-term, medium term and day-to-day management of Finance, Information Technology, Human Resource and Administration functions of the School.

Mohamed is a finance expert with over 20 years’ experience in finance, audit and planning. Mohamed possesses remarkable wealth of experience in providing strategic leadership in finance, administration and governance in the public and private sectors. While serving as the Director Finance and Administration at Zanzibar University in Tanzania, he successfully spearheaded the university transformation process. He is a consultant, researcher and adviser in the areas of Finance, economics, public policy and organisational transformation. He is 44 years old

Director – Embu Campus

Dr. Josephine Mwanzia, Ph.D.,



Dr. Josephine Mwanzia holds a Doctor of Philosophy (Ph.D.) in Education from Victoria University of Wellington, New Zealand, Master of Education (Educational Management) from University of Brunei Darussalam and Bachelor of Education (Arts) from the University of Nairobi. Josephine has previously worked as a teacher, Education Officer, Senior Assistant Director of human resource development and lecturer in various public institutions. She has 27 years of experience in public service leadership, management and capacity development. She is a consultant, researcher and adviser in the areas of education and training, public policy and organisational development. She is 48 years old

Director – Mombasa Campus
Dr. Tom Wanyama Oundo, Ph.D.,



Dr. Tom Wanyama Oundo holds a Doctor of Philosophy (Ph.D.) in Environmental Sociology from Kenyatta University, Master of Arts in Sociology and a Bachelor of Arts from the same University. Dr. Wanyama has 21 years' experience in leadership, administration, capacity development, training and consultancy in the public service. He is forty-nine (49) years old.

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**Director – Baringo Campus
Dr. Solomon Letangule, Ph.D.,**



Dr. Solomon Letangule holds Ph.D., in Business Administration (Strategic Management) from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Masters in Business Administration (Strategic Management) from Kenya Methodist University (KeMU), Masters in Management and Leadership (MML) from Management University of Africa (MUA), and Bachelor of Arts (Economics and Sociology) from University of Nairobi (UoN). Dr. Letangule is strategy and change management professional. He has had the privilege of assisting several public and private sector institutions in setting up effective business strategies and management systems. He is thirty four (34) years old.

**Director – Matuga Campus
Prisca Mary Oluoch – Oriwo**



She holds a Master of Business Administration, Human Resource Management option from The University of Nairobi, and B.Ed., (Hons) in French and Economics from Kenyatta University. Mrs. Oluoch-Oriwo is a human resources management professional and integrity expert with over 20 years work experience. Her career has seen her practice in management and leadership development in both public and private sector. She is also an International Coach Federation (ICF) executive certified coach and an ILO certified gender auditor. She is 51 years old.

Director – eLearning and Development Institute

Joseph Ndung'u



Mr. Joseph Ndung'u holds a Masters of Business Administration from Moi University and Bachelor of Science (Electrical Engineering) from University of Nairobi. Joseph Ndung'u has over 25 years' experience in management, planning and organization of information and communication technology both in Public service and Private sector. He is 50 years old

Director – Learning and Development
Humphrey Mokaya



Mr. Mokaya holds a Master's degree in Public administration from the University of Nairobi. He has previously taught at the University of Nairobi in Public Administration and served as Program Officer for Peace Building World Vision Sudan. Mr. Mokaya has served in various senior leadership positions at the School including Learning and Development Manager, Head of Department Leadership and Management, Acting Head, Center for Leadership and Policy and Head Center for Devolution studies. Mr. Mokaya has vast experience in Corporate Governance, Leadership and Public Administration. He is 53 years old.

Chairman's Statement



On behalf of the Members of the Council, it is my pleasure to present the Annual Report and Financial Statements for Kenya School of Government for the financial year ended 30th June 2018.

Key highlights during the year

Kenya has made significant political, structural and economic reforms that have driven sustained economic growth, social development and political gains over the past decade. However, its key development challenges still include poverty, inequality, climate change and the vulnerability of the economy as a result of internal and external shocks.

Devolution remains the biggest gain since promulgation of 2010 Constitution, which ushered in a new political and economic governance system. It is transformative and has strengthened accountability and public service delivery at local levels. In addition to aligning fostering economic development through the Country's development agenda to the long-term development plan; (Vision 2030), the President in December 2017 outlined the "Big 4" development priority areas for the 2018-2022 period. The "Big 4" will embrace manufacturing, universal healthcare, affordable housing and food security.

Corporate Governance

Strong Corporate Governance is integral to the Council's long – term success and is essential in delivering the KSG strategy. The Statement of Corporate Governance, included in this report, details the measures that the Council has undertaken to ensure a robust corporate governance environment. The Council also takes recognizance of its long – term sustainability while delivering on its mandates as highlighted in the Sustainability Statement.

With regard to excellence in Financial Reporting and disclosure, the Council is looking forward to having a competitive edge during the 2019 Financial Reporting (FiRe) Awards (Public Sector Category). The FiRe Awards are jointly organized by the Nairobi Securities Exchange, the Institute of Certified Public Accountants of Kenya and the Capital Markets Authority.

Expansion of facilities

Kenya School of Government has continued to improve its facilities in order to improve the learning environment. To this end, during the financial year 2017/2018, the School of Government completed construction of a magnificent convention Centre in Lower Kabete Campus, Administration Complex in Embu Campus and various refurbishments of hostels in all the five Campuses. Further, completion of an ultra – modern complex in Mombasa Campus is being fast – tracked and is expected to be completed by December 2019.

Acknowledgement

On behalf of KSG Council, Management and the entire staff fraternity, I express my sincere gratitude to the Government of Kenya, County Governments, Ministry of Public Service, Youth and Gender Affairs, the National Treasury, Development Partners, civil servants and other stakeholders for their continued support. This has gone a long way towards building a solid institution that is responsive to its mandates and stakeholders' expectations. I also wish to thank my fellow Council Members for dedicating their time

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and effort to steer the Council towards realization of the School's mandate. Their resourcefulness, advice and guidance have played a key role in the attainment of very impressive results. Our Management and Staff have risen to the challenges with a great deal of resourcefulness, diligence, resilience and determination. We are proud of the team and greatly appreciate their ability and commitment towards achieving the School's vision, mission and objectives.

I look forward to a promising financial year 2018/2019. May the Almighty God Bless you all.



.....
Joseph Musyoki
Chairperson Finance & General Purpose Committee
For Chairman of the Council

Date: 2/05/2019

Report of the Chief Executive Officer



Overview

Kenya School of Government has continued to carry out its mandate of effectively and efficiently transforming public service for quality service delivery. We are happy to note that the School continues to achieve its ambitious performance targets set in the annual business plans, derived from the Strategic Plan 2012 – 2017.

Trainings, Research and Advisories and Consultancies

Kenya School of Government has continued to empower the public service through training, policy – based researches and bolstered consultancies. During the financial year under review, the School of Government trained and certified over 18,000 participants drawn from the National Government, County Governments and State Corporations in various programs. The School of Government also carried out various policy – based researches that informed different advisories. Further, the School of Government hosted various symposia on different thematic areas such as security.

Performance

During the period under review, the School of Government realized revenue amounting to Kshs. 1.725 billion against a target of Kshs.2.224 billion. The short fall in realization of revenue target was a result of reduction of Ministries, Departments and Agencies (MDAs) training budget by 75% by the National Treasury during the first supplementary budget, delayed in release of exchequers to the County Governments and prolonged and continued effect of electioneering period.

The School of Government signed the performance contracting for the year 2017/18 and achieved most of the various parameters among them ISO Certification ISO 9001:2015 Certified.

Future Outlook

Kenya School of Government has aligned its strategic goals and objectives to contribute in realization of the “Big 4 Agenda”. As an enabler, in the financial year 2018/2019, adequate resources have been allocated towards development and rolling out of programs aligned to all the four (4) thematic areas of the “Big 4 Agenda”. These programs are geared towards enabling the drivers with the capacity to implement their aligned programmes and projects accordingly. The Council will continuously ensure adequate funding of key projects in all the School Campuses as a way of ensuring adequate facilities are uniformly available within the School. The Council remains committed to strengthening relationships with its stakeholders and key partners and shall continue to develop its internal capacity (people, policies, practices, processes), innovative and cost-effective methods of capacity development in the entire public service covering both levels of Governments (National and County Governments).

Appreciation

I would like to thank the Council Members, Management and Staff of Kenya School of Government for their continued support and dedication, without which our ambitious objectives could not have been achieved. I would also wish to extend our gratitude to
Empowering the Public Service

Kenya School of Government
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the Government of Kenya, County Governments, the National Treasury, Ministry of Public Service, Youth and Gender Affairs, Development partners, civil servants and other stakeholders for their continued support.



Ludeki Chweya, Ph.D., CBS
Director General and Chief Executive Officer

Date: 2nd May 2019

PART II: Corporate Governance Statement

Introduction

The Council recognizes the importance of applying the highest standards of corporate governance as a key contributor to its long-term success, long term value and prosperity. The Council regards corporate governance as pivotal to the attainment of the School's core mandates and ensuring that KSG remains the best model for effective public service. Good corporate governance enables effective and efficient decision making and gives a structural aid for the Council to discharge their duty to promote the success of KSG while taking into account the interest of stakeholders.

Effective governance is achieved through a combination of strong policies, process and structures, underpinned by the right values and culture. The Council recognizes that for governance to be effective, it must be realized through leadership and collaboration, with the Council at the helm leading by example and complimenting the senior management.

The Council as currently constituted is in compliance with the provisions of the Kenya School of Government Act, 2012 and currently lobbying review of the Act to ensure that the structure of the Council conform to tenets of Mwongozo Code of Governance for public corporations and also provide for a secretary with relevant qualifications as provided by ICPSK.

The Council

Council Composition, Appointment and Size

The size, composition and appointments of the Members of the Council are prescribed in the Kenya School of Government Act. The Council comprises twelve (12) members including the Director General. Four (4) of the Council members are independent non-executive members including the Chairperson. With the exception of Director General, the remaining seven (7) Council members are institutional representatives bringing on – board closely - knit interests, experiences and balance from and by key School
Empowering the Public Service

stakeholders. Further, the Council has co-opted one (1) member in both the Finance and General-Purpose Committee and Audit & Risk Committee from the private sector.

The Chairperson of the Council is appointed by the President and other members of the Council are appointed by the Cabinet Secretary, through a Gazette notice. The chairperson and the members of the Council hold office for a term not exceeding three (3) years and are eligible for re-appointment for one further term. The composition of Council members is as follows: —

1. A non-executive chairperson, who shall be a person with considerable experience in executive management, appointed by the President;
2. The Principal Secretary in the ministry for the time being responsible for the Public Service;
3. The Principal Secretary in the ministry for the time being responsible for finance;
4. The Principal Secretary in the ministry for the time being responsible for higher education;
5. The Secretary to the Commission for Higher Education;
6. Three (3) renowned leaders and managers from the private sector;
7. One person to represent universities;
8. One person nominated by the Public Service Commission; and
9. One person nominated by the Kenya Institute for Public Policy Research and Analysis (KIPPRA);
10. The Director – General, who shall be the secretary.

The Council is well composed in terms of range and diversity of skills, knowledge, age, competencies and experience in various sectors, which makes it effective and provides an appropriate balance for the oversight and achievement of the Council's mandate and long-term goals. The Director – General's position is filled through public advertisement. The Director – General is appointed by the Council in consultation with the Cabinet Secretary in – charge of Ministry of Public service, Youth and Gender Affairs.

A member of the Council may resign or vacate office if the member fails to meet the conditions stipulated in the Kenya School of Government Act (No. 9 of 2012) and Mwongozo. The Council may recommend the removal of a member based on non-performance, non-attendance of meetings, unethical conduct or as set out in any constitutive documents or applicable law. The Council members' abridged biographies appear on pages viii to xiv of this Annual Report.

Independence and Separation of Roles and Responsibilities

The roles and responsibilities of the Chairman of the Council, the Director – General and other Council members remain distinct and separate which ensures a balance of power of authority and provides for checks and balances. Their roles have been documented and they are expected to be independent. The Council sets the strategic direction of the organization, oversees implementation of policies, evaluates the performance and reports to stakeholders.

The Chairman provides overall leadership to the Council without limiting the principles of collective responsibility for Council's decisions. The Chairman builds an effective Council and sets the Council agenda in consultation with the Secretary/Director – General and ensures effective communication to stakeholders.

The Director – General is responsible to the Council and has overall responsibility for the day-to-day management of the Kenya School of Government. The Director – General recommends strategy to the Council and implements it and makes operational decisions.

Noting that the position also dubs as the secretary to the Council, the Director – General ensures appropriate and timely information flows within the Council, its committees and management.

The non – executive directors are independent and are expected to maintain their independence during their term in office. The Council appoints the Director – General and establishes a framework for the delegation of authority. The Council ensures succession planning for the Director – General and senior management is in place.

Council Responsibilities

The Council's responsibility is to promote the long-term success of the School. The Council provides leadership and concentrates its efforts on the strategic and governance issues.

The Kenya School of Government Act, the Council Charter and the Council's Code of Ethics defines the governance parameters within which the Council exists and operates, the specific responsibilities to be discharged and powers of the Council, its committees and Council members collectively, as well as certain roles and responsibilities incumbent upon Council members as individuals.

The Council is charged with the following responsibilities: -

- a. Provide strategic advice and direction to the School;
- b. Be responsible for the School's development and fund-raising goals;
- c. Competitively search, vet and submit the names of three nominees to the Cabinet Secretary for appointment to the position of Director – General;
- d. Approve and support the implementation of policies that facilitate the development of the School;
- e. Analyze trends on leadership and governance to inform learning and development programmes of the School;
- f. Utilize the capacity and synergy in the public sector, private sector and other key stakeholders, both local and international, through collaborative engagement and networking for knowledge and experience sharing to promote good leadership and governance in the School;
- g. Liaise with existing research, training, universities, quality assurance agencies and other related institutions in the performance of its functions;
- h. Monitor the performance of the School and make policy decisions that enhance the performance of the School;
- i. Monitor and evaluate the impact of the School on social and economic development of the country;

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- j. Approve study programmes;
- k. Administer the property and funds of the School in such manner and for such purpose as shall promote the functions of the School;
- l. Approve and submit, through the Minister, financial estimates in respect of the School for consideration by the treasury;
- m. Receive, on behalf of the School, grants-in-aid, gifts, donations, fees, subscriptions or other monies;
- n. Perform such other functions as are incidental to the foregoing.

Council and Council Committee Meetings

Kenya School of Government Act provides that the Council shall comply with the provisions of the State Corporations Act (Cap. 446) governing the meetings and proceedings of Boards of State Corporations.

To this end, the Council holds regular scheduled meetings throughout the year as set up in the annual work plan and special meetings are held as and when necessary. Notices and agenda of the meeting, including venue and time, are issued at least 14 days prior to the meetings.

The chairperson shall preside at all meetings of the Council but in the absence of the chairperson the members present shall appoint one member from among themselves to preside at the meeting. The quorum for the conduct of business at a meeting of the Council is five. The members of the Council may attend the meetings in person or through a representative. In case of non – attendance of a member due to other commitments, such information was communicated to the chairperson and the secretary prior to the date of the scheduled meeting.

Board papers are availed to the members at least seven days before the date of the meeting. The secretary of the board attends all meetings and in their absence the Council will appoint a secretary for the meeting from one of the staff of the Kenya School of Government. The Council may co – opt any person to assist it for such purposes and

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such period as the Council may determine, but persons so co – opted may not vote on any matter before the Council. Similarly, the Council may co-opt persons who are not members of the Council to committees for a particular reason and such persons shall hold office for such period as the Council may determine. However, the Council shall not co – opt more than three persons at any given time to its committees.

The Table 1 analyses the attendance of Council meetings during the financial year ended 30th June 2018.

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Table 1: Attendance of Council Meetings

S/No.	Council Member	Representation	N	S	N	S	S	N	S	N	Meetings held	Attended Meetings	% Attendance
			12-Jul	8-Sep	27-Sep	11-Oct	11-Dec	26-Jan	16-Mar	29-Jun			
1.	Prof. Francis Kibera	Chairperson	√	√	√	√	√	A	√	√	8	7	88%
2.	Prof. Michael Lokuruka	Member	√	A	√	√	√	√	√	√	8	7	88%
3.	Prof. Teresa Akenga	Member	-	-	-	-	-	-	-	A	8	0	0%
4.	Dr. Peter Muchiri Ngatia	Member	√	√	√	A	A	√	√	√	8	6	75%
5.	Dr. Lucy Kathuri Ogola	Member	√	√	√	√	√	√	√	√	8	8	100%
6.	Dr. Fred Jonyo	Member	√	√	√	√	√	√	A	√	8	7	88%
7.	Mr. Micah Origa	Member	A	√	√	√	A	√	√	A	8	5	63%
8.	Mr. Joseph Musyoki	Member	√	√	√	A	A	A	A	A	8	3	38%
9.	Mr. Mutahi /Mrs. Otieno	Member	√	√	√	√	√	√	√	√	8	8	100%
10.	Mr. Andrew Nyanhoga	Member	√	√	√	√	×	√	√	√	8	7	88%

Note¹ N = Normal/Scheduled; S = Special; A = Apology; X = No record of Apology

Note² Council Member representing KIPRA was not appointed during the year

Note³ – Professor Teresa Akenga was appointed in May 2018

Council Committees and Responsibilities

The Council may establish committees consisting of members of the Council and co – opted members to deal with such matters as the Council may specify. The Council has delegated certain functions to well – structured committees but without abdicating its own responsibilities. The Council has developed a committee structure that assists in the execution of its duties, powers and authorities. Each Committee is guided by a Committee Terms of Reference, which outlines its responsibilities as mandated by the Council. The Committees are appropriately constituted drawing membership from amongst the Council members and other co – opted members with appropriate skills and experience. The committees operate transparently and full disclosure to the Council and also to conduct themselves within the rules and procedures set out by the Council. Matters deliberated by the Committees are presented to the Council by the respective chairperson during the next Council meeting for approval and adoption.

The Council Committees are Audit & Risk Management, Learning and Development, Human Resources and Finance and General Purpose.

Audit and Risk Committee

The Committee assists the Council in fulfilling its corporate governance responsibilities and in particular;

1. To strengthen the effectiveness of the internal audit function;
2. Maintaining oversight on internal control systems;
3. Provision of general oversight on risk and compliance matters; and
4. Ensuring quality, integrity, effectiveness and reliability of the School's risk management framework.

The attendance of meetings during the financial year ending 30th June, 2018 is as summarized in Table 2:-

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Table 2: Attendance of Audit and Risk Committee Meetings

S/No.	Council Member	Representation	N	N	N	Meetings held	Attended Meetings	% Attendance
			25-Sep	26-Feb	18-May			
1.	Dr. Fred Jonyo	Chairperson	√	√	√	3	3	100%
2.	Mr. Micah Origa	Member	A	√	√	3	2	67%
3.	Mr. Denis Mutahi	Member	√	√	√	3	3	100%
4.	Mr. Andrew Nyanchoga	Member	A	×	√	3	1	33%
5.	Mr. Charles Tirok	Co-opted Member	√	√	√	3	3	100%

Note¹ N = Normal/Scheduled; S = Special; A = Apology; X = No record of Apology

Note² - Director, Finance and Administration and Internal Audit Manager are members of this committee

Learning and Development Committee

The Committee's mandate is to ensure the Learning and Development in general is functional. Specifically, the Committee's responsibilities include;

1. Identifying learning service challenges and opportunities in the School and ensuring that they are resolved;
2. Review any changes on policy issues on standards, quality assurance and research; liaise with the stake holders on matters of quality of training curriculum; and
3. Undertake comprehensive quarterly evaluation of standards, quality assurance programs in the School;

The attendance of meetings during the financial year ending 30th June, 2018 is as summarized in Table 3: -

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Table 3: Attendance of Learning and Development Committee Meetings

S/No.	Council Member	Representation	N	N	N	Meetings held	Attended Meetings	% Attendance
			8-Mar	3-May	15-May			
1.	Dr. Lucy Kathuri Ogola	Chairperson	√	√	√	3	3	100%
2.	Mr. Denis Mutahi	Member	√	√	√	3	3	100%
3.	Prof. Teresa Akenga	Member	-	-	√	3	1	33%
4.	Dr. Peter Muchiri Ngatia	Member	√	A	√	3	2	67%
5.	Mr. Joseph Musyoki	Member	A	√	√	3	2	67%

Note¹ N = Normal/Scheduled; S = Special; A = Apology; X = No record of Apology

Note² - Director, Academic Affairs is a member of this committee

Note³ – Professor Teresa Akenga was appointed in May 2018

Human Resources Committee

The Committee reviews and provides recommendations on issues relating to all human resource matters including;

1. Career progression;
2. Performance management;
3. Training needs;
4. Staff recruitment, placement, promotions, demotions and discipline; and
5. Staff welfare;

The attendance of meetings during the financial year ending 30th June, 2018 is as summarized in Table 4: -

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Table 4: Attendance of Human Resource Committee Meetings

S/No.	Council Member	Representation	S	S	S	S	S	S	S	S	S	S	S	S	S	Meetings held	Attended Meetings	% Attendance
			1-Sep	8-Sep	15-Sep	18-Sep	20-Sep	21-Sep	3-Oct	1-Dec	9-Mar	6-Apr	22-May	24-May	25-May			
1.	Prof. Michael Lokuruka	Chairperson	√	√	√	√	√	√	√	√	√	√	√	√	√	13	13	100%
2.	Mr. Denis Mutahi/Mrs. Otieno	Member	√	√	√	A	√	√	√	√	√	√	√	√	√	13	12	92%
3.	Dr. Peter Muchiri Ngatia	Member	A	√	√	√	√	√	√	√	√	A	√	√	A	13	10	77%
4.	Dr. Fred Jonyo	Member	√	√	√	√	√	A	A	√	√	√	√	√	√	13	11	85%
5.	Mr. Andrew Nyanchoga	Member	x	A	A	A	A	A	x	√	A	A	√	√	√	13	4	31%

Note¹ N = Normal/Scheduled; S = Special; A = Apology; X = No record of Apology

Finance and General Purpose Committee

The Committee assists the Council fulfilling its oversight responsibilities for procurement planning, funds allocation and disbursements and review of budgets.

The responsibilities of the committee relate to;

1. Reviewing budgeting process, systems and cycle to ensure that they promote openness accountability and prudence;
2. Reviewing revised/supplementary budgets
3. Reviewing annual work plans and procurement planning,
4. Reviewing management accounts, annual reports and financial statements, and audit reports and make appropriate recommendations.

The attendance of meetings during the financial year ending 30th June, 2018 is as summarized in Table 5: -

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Table 5: Attendance of Finance and General Purpose Committee Meetings

S/No.	Council Member	Representation	N	N	N	S	S	Meetings held	Attended Meetings	% Attendance
			25-Sep	15-Jan	20-Apr	26-Apr	25-Jun			
1.	Mr. Joseph Musyoki	Chairperson	√	√	√	√	√	5	5	100%
2.	Mr. Denis Mutahi	Member	√	√	√	√	√	5	5	100%
3.	Dr. Lucy Kathuri Ogola	Member	√	√	√	√	√	5	5	100%
4.	Mr. Micah Origa	Member	A	√	√	A	A	5	2	40%
5.	Mr. Charles Tirok	Co-opted Member	√	A	A	A	√	5	2	40%

Note¹ N = Normal/Scheduled; S = Special; A = Apology; X = No record of Apology

Council Charter and Work Plan

The Council has developed a Council charter which defines the role and responsibilities and functions of the Council in line governance of Kenya School of Government. The Council charter is reviewed periodically. Council members prepare an annual work plan. The work plan focuses at minimum on a review of the management's implementation of strategies, policies and plans; risk assessment and management; budgeting and financial management, quality assurance processes, board evaluation, governance and compliance; competence development for its members; strategic planning, among others.

Council Members' Induction and Training

The School recognizes the importance of having a well informed and fully empowered Council and Management. Thus, relevant training and capacity development opportunities are organized to equip Council Members with skills and knowledge necessary to effectively perform their responsibilities. An induction programs is also designed to introduce newly appointed Council members to the operations of the Kenya School of Government and related governance matters. The Council carries out a competence needs assessment and develops an annual development Programme for its members.

Council and Members' Performance

Every financial year, the Council signs a performance contract with the Government as well as setting Corporate Performance Strategies with Management. In order to assess and improve the capacity, functionality and effectiveness of the Council and its committees, an annual evaluation is undertaken in accordance with the widely accepted principles of corporate governance and the Board Evaluation Tool. The evaluation reviews the capacity, functionality and effectiveness of the Council/Council committees' performance in the achievement of its goals and

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objectives. It assesses the performance and independence of the Council as a whole, its committees, individual members, the chairperson, the Director General/Council Secretary.

The Director General is assessed in his roles as the CEO and the secretary to the Council.

The Chairman's ability to add value, his performance against what is expected of his role and function, is also assessed. The results of the evaluation form the basis on which action/work plans for the preceding year are formulated, assists to identify the training needs for directors and it also forms the basis of re-appointment. The report is shared with the Cabinet Secretary for Ministry of Public Service, Youth Affairs and Gender.

Council Remuneration

Remuneration of Council members is determined by the State Corporations Advisory Committee in accordance with State Corporations Act, Cap 446. The Council members are paid a taxable sitting allowance. The Chairman is paid honoraria at a rate approved by the Government. The Council members are also entitled to daily subsistence allowances (both local and foreign), while attending official meetings outside the head office as approved by the Council. Where applicable, the Council members are entitled to transport reimbursement at the prevailing AA rates. The aggregate amount of remuneration paid to the Council Members during the financial year is disclosed in the financial statements.

Ethical Leadership and Corporate Citizenship

The Council members and employees of the KSG have a fiduciary duty to act honestly and in the best interest of the School. Business transactions with all parties must be carried out at arm's length and with integrity. The Council provides effective leadership based on ethical foundation and ensures all deliberations, decisions and actions are based on the School's core values underpinning good governance. The Council has put various measures in place to ensure that there is no conflict of interest amongst its council members and staff.

- i. The Council has approved a Corruption Prevention and Code of Conduct & Ethics policies whose aim is to enhance relationships and fostering teamwork among Council members and staff and to build respect, public confidence and credibility with its citizens.
- ii. Declaration of Conflicts of Interest. At the commencement of any business to be transacted all council members / staff are required to disclose any interest that conflicts or possibly may conflict with the interests of the School. The School has made it a mandatory agenda in every meeting held.
- iii. Declaration of wealth. All staff and Council members declared their wealth as required to the Public Service Commission.
- iv. Gifts register has been opened for staff and Council members to disclose any gifts and other advantages as set out in the Public Officer Ethics Act, 2003. With the exception of officially approved activities such as those relating to Corporate Social Responsibility, Council members and employees are not required to solicit gifts, hospitality or transfers of economic value.
- v. Mwingozo Code of Conduct and Governance. The Council members were sensitized on the provisions of the Mwingozo Code of Governance.
- vi. Whistle blowing policy for the School was approved by the Council.

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- vii. Compliance with legislation by exemplifying the ethical and corporate values described in the Code, the Council members and staff will continue to uphold Article 10 of the Constitution of Kenya on National Values and Principles of Governance and Chapter 6 on Leadership and Integrity, Public Officer Ethics Act, 2003 and Leadership & Integrity Act, 2012; Ethic & Anti-corruption Act, 2011; Bribery Act, 2016; Proceeds from Economic Crimes Act.

Succession Planning

Succession planning is a strategy for identifying and developing future leaders at all levels in an Institution. Succession plans are used to address the inevitable changes that occur when employees resign, retire, are fired, get sick, or die. They make sure the business are prepared for all contingencies by identifying and training high – potential workers for advancement into key roles. To this end, the School has put in place a succession plan to ensure smooth transition with less likelihood of disruption in case a position becomes vacant.

Governance Audit

The Council recognized the purpose of the governance audit is to ensure that KSG conforms to the highest standards of good governance, legal and statutory requirements. To this end, the Council is in the process of developing relevant parameters that can be adopted to carry out this important audit. The following are the parameters but not limited to: -

- a. Leadership and strategic management;
- b. Transparency and disclosure;
- c. Compliance with laws and regulations;
- d. Communication with stakeholders;
- e. Council independence and governance;
- f. Council systems and procedures;

Accountability, Risk Management and Internal Control

The Council is required to present an objective and understandable assessment of the School's operation position and prospects. The Council has ensured that books of accounts are presented in accordance with the International Public Sector Accounting Standards and compliance to applicable reporting frameworks.

External and Internal Audits

i. External Auditors

The Kenya School of Government is audited by the Office of the Auditor General, an independent office whose establishment, role and responsibilities are defined under the Constitution of Kenya.

ii. Internal Auditors

The School in furtherance of its duties to ensure that the process, structure and internal controls are maintained and adhered to appointed internal auditors reporting directly the Audit and Risk Committee of the Council.

Internal Controls and Risk Management

The Council has the responsibility for identifying internal risk exposures and developing measures to mitigate against the identified risks. The Council reviews and monitors the development and implementation of systems of internal controls.

The Council must have an understanding of these risks and mitigate them by implementing sound internal controls and risk management practices. The Council has developed the risk management framework and management control which identifies the risks. The Council recognizes that information technology form an integral part of the risk management process therefore it has developed the business continuity plan, disaster preparedness plan and the IT policy. The Council reviewed the internal controls, policies and procedures and satisfied that appropriate controls

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and procedures were in place. The Council also delegated the day to day management of risks to management through systems and process carried out on a day to day basis.

Compliance with Laws, Regulations and Standards

Kenya School of Government conducts its business affairs in compliance with all applicable laws, rules and regulations and accepted national and international standards as well as internal policies of the Council.

The School is compliant with the Public Finance Management Act, 2012 and Regulations 2015 in respect of financial management, budgeting and reporting. The School has continued to review its manuals and policies in accordance with the prevailing laws and provisions including the Leadership and integrity Act, 2012; Public Officers Ethics Act, 2003; Public Procurement and Assets Disposals Act and Regulations in respect of all procurements and asset disposal; and Kenya School of Government Act, 2012.

PART III: Management Discussion and Analysis

Overview of the Operational and Financial Performance

The School of Government's key businesses involves executing the mandate as established by the Kenya School of Government Act, 2012. This includes conducting capacity development through training programs, carrying out policy – based research that inform public policies issued, providing advisories and think tank, and consultancy services to the entire public service for transformation of public service to enhance service delivery.

During the year under review, the School of Government trained and certified over 20,000 participants drawn from the two levels government and state-owned enterprises. Similarly, the School also hosted over 42,000 participants in workshops and conferences. Further, symposia under different thematic areas were held such as blue economy in Mombasa Campus and security and peace in the northern frontier districts in Baringo Campus.

The summarized results for the year under review of the School's operating Campuses namely; i) Lower Kabete, ii) eLearning and Development Institute (eLDi), Mombasa, Embu, Baringo and Matuga are as follows;

Table 6: Trained and Certified Participants

S/No.	Campus	National Government	County Government	State Owned Enterprises	Total Participants
1.	Lower Kabete	9,989	2,168	-	12,157
2.	eLDi	706	243	49	998
3.	Mombasa	1,719	134	191	2,044
4.	Embu	1,494	680	91	2,265
5.	Baringo	1,385	477	346	2,208
6.	Matuga	521	110	-	631
Total Participants		15,814	3,812	677	20,303

Table 7: No. of participants who attended Workshops and Conferences

S/No.	Campus	Participants
1.	Lower Kabete	12,058
2.	eLDi	347
3.	Mombasa	5,003
4.	Embu	7,771
5.	Baringo	12,674
6.	Matuga	4,926
Total		42,779

Financial Performance

Further, School of Government realized revenue amounting to Kshs. 1.725 billion against a target of Kshs.2.224 billion. The short fall in realization of revenue target was a result of reduction of Ministries, Departments and Agencies (MDAs) training budget by 75% by the National Treasury during the first supplementary budget, delayed in release of exchequers to the County Governments and prolonged and continued effect of electioneering period. Included in the total operating expenditure for the year is Kshs. 36.14M relating to service gratuity not yet paid but recognized under accrual in conformity to the IPSAS reporting framework.

The summarized results for the year under review of the School's operating Campuses are as follows;

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Table 8: Analysis of Campus Financial Performance

	Lower Kabete	eLDi	Mombasa	Embu	Baringo	Matuga	Total
	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
Revenue							
Recurrent grants	102,400,000	-	87,132,363	85,204,293	83,115,993	63,156,683	421,009,332
Internally generated revenue	681,908,340	44,269,469	176,414,523	170,061,871	173,907,102	57,331,869	1,304,178,174
Total Revenue	784,308,340	44,554,469	263,546,886	255,266,164	257,023,095	120,488,552	1,724,902,506
Expenses							
Council expenses	10,071,598	-	115,720	-	-	-	10,187,318
Employee costs	383,190,399	24,788,472	97,969,055	104,300,509	79,375,784	61,673,494	751,297,713
Repairs and Maintenance	12,796,598	389,003	12,710,622	7,881,902	10,287,578	2,268,776	46,334,479
Administrative and General expenses	333,972,364	16,595,967	101,667,925	66,505,172	119,639,488	47,099,618	685,480,534
Depreciation and Amortization	115,200,044	7,349,113	26,180,798	23,923,736	34,338,240	23,498,324	230,490,255
Total Expenses	855,231,003	49,122,555	238,644,120	202,611,319	243,641,090	134,540,212	1,723,790,299
Other gain/(loss)							
Loss on disposal of assets	(18,613,178)	-	-	(16,368,088)	-	-	(34,981,266)
Gain/(loss) on forex transactions	11,179,266	(14,020,059)					(2,840,793)
Total							(37,822,059)
Surplus/(Deficit)	(78,356,575)	(18,873,145)	24,902,766	36,286,757	13,382,005	(14,051,660)	(36,709,852)

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Key Project Implemented

The School of Government being a premier government institution for capacity development to transform public service for quality service delivery continue to improve its infrastructure across the campuses. During the year under review, the following key projects were implemented;

Table 9: Key Projects implemented during the year

S/No.	Project	Total project cost	Total expended to date	Completion to date	Sources of funds
		Kshs.	Kshs.	%	
1.	Administration block – Embu Campus	171,271,670	117,271,670	100%	G.O.K
2.	Ultra – modern complex – Mombasa Campus	830,210,663	311,246,539	37%	G.O.K
3.	Water purification plant – Mombasa Campus	4,343,856	4,343,856	100%	Revenue
4.	Refurbishment of Mzima hostel – Mombasa Campus	42,604,470	33,230,000	78%	Revenue
5.	Refurbishment of Sabaki– Mombasa Campus	7,928,450	-	0%	Revenue
6.	Renovation of Wasini wet areas– Mombasa Campus	3,806,325	2,607,000	68%	Revenue
7.	Renovations to SOI Hostel– Baringo Campus	38,841,617	38,841,617	100%	Revenue
8.	Construction of the Auditorium – Lower Kabete	660,660,660	633,194,862	96%	Revenue
9.	Construction of Cottages	15,000,000	14,590,251.49	97%	Revenue
10.	Completion of Deputy Director’s House	4,400,000	-	85%	Revenue
11.	Extension of VIP Guest Wing	4,871,370	-	60%	Revenue
Total		1,783,939,081	1,155,325,795		

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Related Parties

The Government of Kenya is the principal shareholder of the Kenya School of Government. The following have the ability to exert control individually or jointly, or to exercise significant influence over the School, or vice versa;

- a. Ministry of Public Service, Youth & Gender Affairs (MPSYGA) which is the parent ministry of the School
- b. The National Treasury
- c. Council
- d. Key management (Director General and Directors)

Table 10: Key Management Remuneration

Description	2017/2018
	Kshs)
Total salaries and allowances	50,695,932
Service gratuity at 31% of basic salaries	25,310,974
Total remuneration	76,006,906

Table 11: Grants Received from MPSYGA

Description	2017/2018
	Kshs)
Recurrent grants	107,394,963
Personnel emoluments support	211,214,369
Development grants	137,424,423
Total grants received	456,033,755

Table 12: Council expenses

Description	2017/2018
	Kshs)
Chairperson's honoraria	1,015,000
Council sitting and mileage allowances	5,202,105
Other allowances	2,156,200
Council retreats, training and other costs	1,814,013
Total council expenses	10,187,318

Major Risks

The School of Government major clients are National Government Ministries, Departments and Agencies; and the County Governments (CMDAs). As per the law, payments are supposed to be made once goods are delivered or services have been rendered. The accounts receivables relating CMDAs have continued to increase over the years due to delayed payments. Re – organisation of government departments have posed a great challenge when collecting these receivables when the ministries are collapsed together and departments discontinued. This is considered as a major risk where receivables delays in collections or seems non – collectable.

Further, the National Treasury, during the supplementary budgets in most cases reduces the Ministries and Department training budgets which affects the number of participants to be trained. This is considered as a major risks since it leads to decrease School's revenue.

Compliance with statutory requirements

Kenya School of Government conducts its business affairs in compliance with all applicable laws, rules and regulations and accepted national and international standards as well as internal policies of the Council.

The School is compliant with the Public Finance Management Act, 2012 and Regulations 2015 in respect of financial management, budgeting and reporting. The School has continued to review its manuals and policies in accordance with the National Treasury circulars issued from time to time, prevailing laws and provisions including the Leadership and integrity Act, 2012; Public Officers Ethics Act, 2003; Public Procurement and Assets Disposals Act and Regulations in respect of all procurements and asset disposal; and Kenya School of Government Act, 2012.

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Material arrears in statutory and other financial obligations

During the year under review, the School of Government recognized the following arrears in statutory and other financial obligations;

Table 13: Material arrears in statutory and other financial obligations

S/No.	Description	2017/2018
		Kshs
1.	VAT payable	32,876,887
2.	Contractor' retention fees	129,975,419
Total		162,852,306

PART IV: Sustainability Reporting

At the Kenya School of Government, we believe in great collaboration and partnership with the communities with whom we live and work. We therefore invest not only financially but in the support of our human resource to bring greater change to the communities.

As part of the School's commitment to giving back to the society, it integrated Corporate Social Responsibility initiatives in its activities during the financial year. These include areas such as education, environment and social welfare. Through Corporate Social Responsibility initiatives, the School supports the voluntary spirit of our employees and participants across our Campuses as they engage in some of these activities.

Promotion of Education and social welfare

During the year, the School sponsored the Lower Kabete Primary School prize giving day and treated the best performing pupils, together with their parents to a luncheon at the School.



KSG Director Finance and Administration, Dr. Nura Mohamed, (seated 4th left), parents and best performing pupils of Lower Kabete Primary School pose for a group photo at the School. The parents and the pupils were treated to a luncheon.



Best performing pupils of Lower Kabete Primary School have lunch at the School's Margaret Kobia Restaurant

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In collaboration with the Baringo Campus, the Strategic Leadership Development Programme (SLDP) participants at the Campus visited Sunrise Children's Home, donating foodstuff and toiletries among others items. The team also worshiped together with the children, praying for their bright future.



On February 14, 2018, the Events Management Committee of Lower Kabete celebrated Valentine Day with the children of Nairobi Children's Remand Centre, Kapenguria.



KSG staff members during a visit to Nairobi Children's Remand Centre, Kapenguria.

The event purposed to give them hope for a better future. The School also donated food stuff and toiletries to the Centre.

Environment Conservation

KSG embraces the importance of taking care of the environment and as such, has continued to partner with various stakeholders in environmental conservation. This year the School of Government's Council and staff participated in tree planting activities across the campuses. Additionally, members of Lower Kabete also planted trees at the Menengai Crater Conservancy on May 5, 2018.



KSG Director General Dr. Ludeki Chweya plants and waters a tree at the Mombasa Campus



Chair of KSG Council Prof. Francis Kibera plants and waters a tree at the Mombasa Campus



Matuga Campus Director Mrs. Prisca Oluoch plants a tree at the Campus.



Embu Campus Director Dr. Josephine Mwanzia plants a tree at the Campus



Matuga Campus members of staff during a tree planting exercise at the Campus

Promotion of sports

The School established football clubs, for ladies and for the men. The men’s soccer teams span across the School’s campuses with the team at Lower Kabete being innovatively christened KSG Ogopa FC. The sports initiative is not only meant to assist the players maintain fitness, but to additionally discourage drug abuse among the youth as they are skilfully engaged in the sports.



KSG Ogopa FC players warm up for a friendly match against UON Olympic FC at the KSG main field.

The ladies’ soccer team, KSG Moto FC, was initiated earlier this year at Lower Kabete.



KSG Moto officials and players

Team officials, players and fans of the Mombasa Campus men soccer team pose for a group photo before a match. The team participated in the Inter-County Peace Futsal Championship 2018



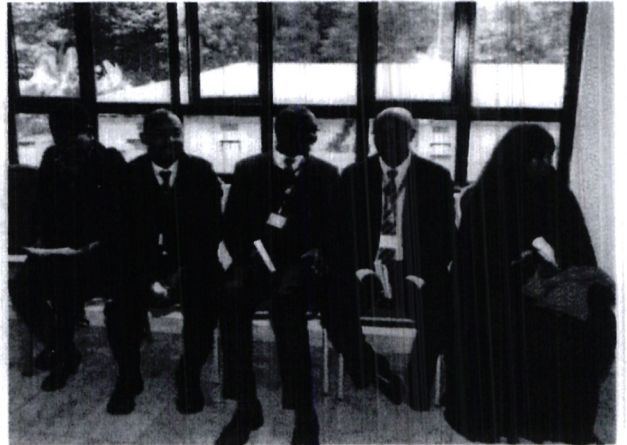
Empowering the Youth Service

Promotion of healthcare

KSG promotes good health and wellness by inter alia organizing free medical camps for employees and participants. The School partnered with participants of Strategic Leadership Development Program No.147/2018 and organised a free Diabetes medical camp in collaboration with the Kenya Diabetes Management and Information Center on June 20, 2018.



KSG members of staff and participants undergo medical test and counselling during the free Diabetes medical camp.



KSG members of staff and participants queue during the free Diabetes medical camp

Staff training and development

The School trained officers drawn from varied departments and sections of the School on the Enterprise Resource Planning. The training was held at the Matuga Campus in February, 2018.



Staff of the Kenya School of Government, drawn from various departments undergo a weeklong Training and User Acceptance Testing on Enterprise Resource Planning guided by Coretec Systems and Solutions Limited at the School's Matuga Campus.

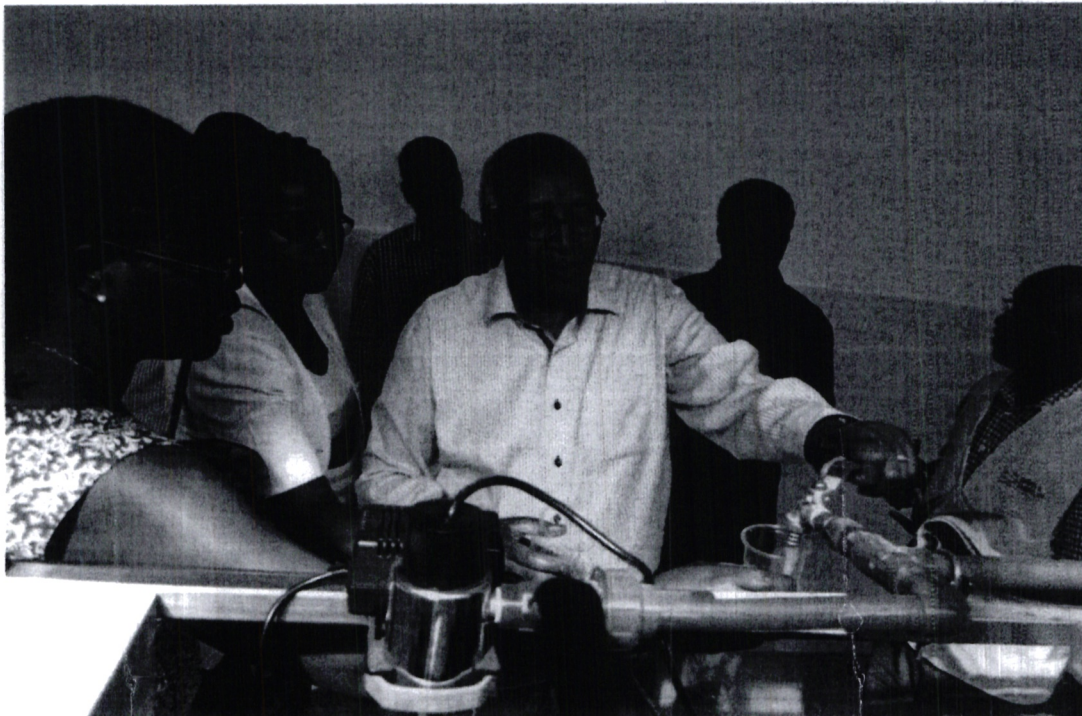


KSK employees during a sensitization session on Occupational Safety and Health Act at Embu.

Water and sanitation activities

Mombasa is an island surrounded by one of the largest water masses in the world and at the same time one of the most affected cities by water shortages and rationing. This is astonishing news especially to those who've not been to Mombasa and tasted the water. Just like the flood water, the one from the ocean and boreholes in the region cannot be taken raw due to its saltiness nature known as salinity.

Desalination is the process of extracting mineral components from saline water. It was joy and jubilation as the Kenya School of Government Mombasa Campus received the keys to the water desalination plant marking the mechanical completion. The salinity of the water from the borehole has been a great nightmare for the School Management. Right from the source, the water corrodes and in severe cases clogs the water pipes forcing them to incur a lot of costs in frequent repairs and replacements which has been very costly.



Chairman of the School's council and other council members officiating the launch of the water desalination plant in Mombasa Campus

PART V: Report of the Council Members

The Council members have the pleasure of presenting their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the School of Government's affairs.

Principal activities

The Principal activities of the School of Government is derived from Article 5 (2) of the Kenya School of Government Act, 2012 which is to provide training, research and consultancy services designed to inform public policy, promote national development and standards of competence and integrity in the public service.

Results

The results of the School for the year ended June 30, 2018 are set out on page 21 and summarized as follows;

Table 14: Results for the financial year

Description	2017/2018	2016/2017
	Kshs.	Kshs.
Total operating revenue for the year	1,724,902,506	1,783,751,825
Total operating expenditure for the year	(1,723,790,299)	(1,599,872,630)
Gain/(losses) on disposal of assets and forex	(37,822,059)	6,549,708
Surplus/(Deficit) for the year	(36,709,852)	190,428,903

Council Members

The Council members who served during the year and up to the date of this report are shown on page **vii - xiv**

In accordance with Section 6 (4) of the Kenya School of Government Act, 2012, the chairperson and the members of the Council appointed under subsection (1)(f), (g) and (i)

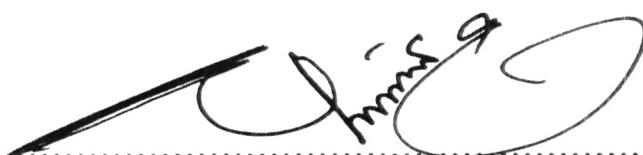
**Kenya School of Government
Annual Reports and Financial Statements
For the year ended June 30, 2018**

shall hold office for a term not exceeding three years and shall be eligible for re-appointment for one further term.

Auditors

The Auditor General is responsible for the statutory audit of the School of Government books of account in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Council



.....
Ludeki Chweya, Ph.D., CBS

Secretary to the Council

Date: May 2, 2019.....

PART VI: Statement of Council Members' Responsibilities

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act, and section 17 of the Kenya School of Government Act, 2012 require the Council to prepare financial statements in respect of that School of Government, which give a true and fair view of the state of affairs of the Kenya School of Government at the end of the financial year and the operating results of the School of Government for that year. The Council is also required to ensure that the School of Government keeps proper accounting records which disclose with reasonable accuracy the financial position of the Kenya School of Government. The Council is also responsible for safeguarding the assets of the School of Government.

The Council is responsible for the preparation and presentation of the School of Government's financial statements, which give a true and fair view of the state of affairs of the Kenya School of Government for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Kenya School of Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

**Kenya School of Government
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The Council accept responsibility for the School of Government's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, Kenya School of Government Act, 2012 and the State Corporations Act. The Council is of the opinion that the Kenya School of Government's financial statements give a true and fair view of the state of School of Government's transactions during the financial year ended June 30, 2018, and of the School of Government's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the Kenya School of Government, which have been relied upon in the preparation of the School of Government's financial statements as well as the adequacy of the systems of internal financial control.

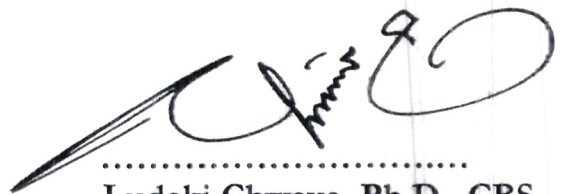
Nothing has come to the attention of the Council to indicate that the Kenya School of Government will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The School of Government's financial statements were approved by the Council on **September 26, 2018** and signed on its behalf by:



.....
Joseph Musyoki
Chairperson Finance & General purposes Committee



.....
Ludeki Chweya, Ph.D., CBS
Director General & CEO

For: Chairman of the Council

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA SCHOOL OF GOVERNMENT FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya School of Government set out on pages 1 to 56, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual 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 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 School of Government as at 30 June 2018, and of 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 School of Government Act, 2012.

Basis for Qualified Opinion

1. Receivables from non and Exchange Transactions

1.1 Long Outstanding Receivables

Trade debtors as disclosed in Note 22 with a gross total of Kshs.1,200,897,153 as at 30 June 2018 (30 June 2017 - Kshs.1,077,224,754) includes an amount of Kshs.831,317,060 or about 69% (2016/2017 - Kshs.673,185,954 or about 62.2%) that have been outstanding for over 120 days and receivables with a balance of Kshs.192,318,966 have not moved over the last two years. Any provision that would have been necessary over and above the Kshs.132,098,687 already provided in relation to this uncertainty, has not been incorporated in the financial statements.

Further, included in the trade debtors are receivables from non – existent or defunct institutions and individuals who owed the School an amount of Kshs.28,817,451 (2016/2017 - Kshs.12,941,303). While the recovery of these receivables is doubtful, no efforts appears to have been made to recover or clear them. No provision has been created against these debts in the financial statements.

Report of the Auditor-General on the Financial Statements of Kenya School of Government for the year ended 30 June 2018

1.2 Unexplained Balances

The receivables net balance of Kshs.1,119,391,333 as reflected in note 22 of the financial statements includes unexplained and unsupported balances for trade receivables -Kshs.309,438,397, other receivables - Kshs.20,077,085 (Embu Campus), Prepayments(Opening balance, Nairobi Campus) - Kshs.1,716,000 and Advance payments - Kshs.13,491,690. It was also not explained why the opening balance of prepayments and the advance payments have remained unutilized for over one year or the reasons for non-recovery of the other receivables of Kshs.20,077,085 which has not changed since 2014.

Included in the receivables are the balances of Kshs.2,470,120 and Kshs.3,343,455 for UNDP and KESSULO programs respectively which were not supported by necessary documents to show what the programs were and why the School has not been able to recover them.

Further, the receivables balance of Kshs.1,200,897,153 as reflected in note 22 of the financial statements includes balances totaling Kshs.9,422,829 from National Government Affirmative Action Fund – Kshs.7,689,460, Women Enterprise Fund – Kshs.751,738, Uwezo Fund – Kshs.132,849 and State Department of Gender Affairs – Kshs.848,782 all of which have not been reflected in the respective entities financial records and therefore their recoverability is uncertain.

The accuracy of the receivables balance of Kshs.1,119,391,333 therefore could not be ascertained.

1.3 Increase in Receivables

The Receivables increased from Kshs.994,454,167 in the financial year 2016/2017 to Kshs.1,119,391,333 in the year under review. This is an indication that the school is not aggressively following up on the debts and therefore increasing the credit and liquidity risks due to non-recovery.

1.4 Staff Debtors

Contrary to the existing regulations, imprests amounting to Kshs.5,676,179 remained outstanding as at 30 June 2018. Further, officers were issued with multiple imprests amounting Kshs.1,374,641 before the previous ones had been surrendered contrary to the regulations. Also, included in the staff debtors balance of Kshs.6,410,775 is the outstanding imprest balances amounting to Kshs.66,123 from five (5) employees who have since exited the School service without clearing the imprest. The recovery of these debts is doubtful and no provision has been made against the balance.

1.5 Provision for Bad Debts

Included in the administrative and general expenses balance of Kshs.684,047,536 is the provision for bad debts balance of Kshs.11,059,589 as shown in the statement of financial performance and note 17 of the statements. This balance has been overstated by Kshs.15,314. No explanation or reconciliation have been provided.

According to the notes to the financial statements the school finance policy provides for a general provision for doubtful debts of 11% of the total outstanding receivables. However according to the Financial Management Policy and Procedures Manual, 2013, the School operates a zero credit policy. The adoption of the rate of 11% has not been explained.

In view of the foregoing, the accuracy, completeness and recoverability of the receivables from non-exchange and exchange transactions of Kshs.1,119,391,333 as at 30 June 2018 could not be ascertained.

2. Trade and Other Payables

2.1 Trade Payables

Included under Trade and Other Payables balance of Kshs.884,688,643 and Note 27 to the financial statements is the Trade payables balance of Kshs.288,871,739. Included in the trade payable balance were amounts totaling to Kshs.2,336,287.50 which were not explained what they relate to and no documents were provided to support them. Further, included in the trade payable balance were amounts related to wages and allowances totaling to Kshs.33,315,861.87 for which no explanation was provided why they were included in the trade payable balance. Consequently, the accuracy of the trade payables balance of Kshs.288,871,739 as at 30 June 2018 could not be ascertained.

2.2 Third Party Payments

Included under Trade and Other Payables balance of Kshs.884,688,643 and Note 27 is third party payments balance of Kshs.45,796,793. Out of this amount, the management could not provide detailed breakdown of the depositors for Kshs.2,832,364.34 (2016/17 – Kshs.56,713,124) for audit review. As a result, the accuracy of the balance of Kshs.45,796,793 as at 30 June 2018 could not be ascertained.

2.3 Retentions

Trade and other payables balance of Kshs.884,688,643 as at 30 June 2018 include retention balance of Kshs.129,975,419 as shown on note 27 of the financial statements. However, whereas Baringo campus undertook and paid for two (2) projects and withheld retention amounting to Kshs.4,255,036, the School records did not show any retention withheld for the financial year 2017/2018 under the campus. Consequently, the accuracy of the balance could not be ascertained.

2.4 Staff Remittances

Trade and other payables balance of Kshs.884,688,643 as at 30 June 2018 include an amount of Kshs.13,751,611 for Staff Remittances as shown on note 27 of the financial statements. Included in the staff remittances balance are bank check-offs, SACCO check-offs and staff welfare balances of Kshs.6,506,953, Kshs.4,277,431 and Kshs.1,753,223 respectively which were not remitted as at 30 June 2018. No

explanation was given for the non-remission of the deductions. Further the details of the entries making up the staff remittances balances were not provided.

2.5 Withholding Taxes (VAT & Income)

Trade and other payables balance of Kshs.884,688,643 as at 30 June 2018 include withholding taxes (VAT & Income) of Kshs.7,856,325 whose detailed analysis of the tax return certificates making up the balance was not provided for audit verification. Consequently, the accuracy of the balance cannot be ascertained.

2.6 Other Payables

Included in the trade and other payables balance of Kshs.884,688,643 is Other payables balance of Kshs.17,494,879. Further, included in that balance of Other payables are the balances for salary control, salary advance recovery and National Treasury finance report training of Kshs.9,429,916, Kshs.288,710 and Kshs.7,200,000 among others. No explanations were provided as to what these balances relate to or the supporting documents.

2.7 Statutory Deductions

Included in the trade and other payables balance of Kshs.884,688,643 are the statutory deductions for PAYE, NSSF and NHIF of Kshs.10,951,741, Kshs.3,153,910 and Kshs.884,332 respectively. Out of these, Kshs.1,551,378, Kshs.2,512,674 and Kshs.810,962 for PAYE, NSSF and NHIF respectively were due before 30 June 2018 and are likely to attract penalties from the relevant authorities for non-remission.

In consequence, it has not been possible to ascertain the accuracy, completeness and propriety of the trade and other payables of Kshs.884,688,643 as at 30 June 2018.

3. Administrative and General Expenses

3.1 Water and Conservancy

The statement of financial performance and Note 17 reflects a balance of Kshs.685,480,534 for administrative and general expenses as at 30 June 2018. Included in these expenses is the amount of Kshs.12,012,624 for water and conservancy. However the payment vouchers and supporting documents for an amount of Kshs.4,904,463 were not availed for audit review. Further, expenditure amounting to Kshs.3,853,159 on water bottles were wrongly charged to this account instead of the water bottling costs account. No explanation was given for the wrong charge. Consequently, the accuracy of the balance of Kshs.685,480,534 for administrative and general expenses as at 30 June 2018 could not be ascertained.

4. Rent Revenue

Records held in Matuga campus showed that four (4) officers were living in the campus hostels on diverse dates in the year under review while there was no evidence that any rent was being charged or collected.

Under the circumstance, the accuracy and completeness of the School's revenue for the year ended 30 June 2018 cannot be confirmed.

5. Outstanding Previous Year Audit Issues

The following previous year audit issues are yet to be resolved;

5.1 Property, Plant and Equipment

5.1.1 Freehold Land

As reported in the previous years the Property, plant and equipment balance of Kshs.6,200,235,371 reflected in the statement of financial position include freehold parcels of land owned by Mombasa and Matuga campuses valued at Kshs.736,200,000 and Kshs.47,500,000 respectively whose original title deeds have, however, not been provided for audit verification. Consequently, the ownership of these properties by the school could not be confirmed.

5.1.2 Leasehold Land

The leasehold land balance of Kshs.1,879,215,340 as reflected in the financial statements included land valued at Kshs.1,743,260,804 located in Lower Kabete, Nairobi where six plots (L.R Nos. 11509 – 11514) had been illegally hived off and allocated. Although available information indicated that these allocations have since been revoked by a court of law, the School is yet to obtain ownership documents to the six plots even though the School has taken possession of the land.

5.1.3 Fixed Assets Register

The school does not maintain a comprehensive fixed assets register showing details such as costs, dates of acquisition, depreciation charge for the year, accumulated depreciation and net book values. It has, therefore, not been possible to verify and confirm the existence and location of property, plant and equipment with the net book value of Kshs.5,736,167,426 as reflected in the financial statements for the year under review.

5.1.4 Work-in-Progress

The property plant & equipment balance of Kshs.5,736,167,426 as at 30 June 2017 included an amount of Kshs.858,320,214 in respect of capital work in progress as disclosed in Note 21b to the financial statements. The amount of capital work in progress includes a balance of Kshs.434,899,817 brought forward from the previous years in respect of several capital projects. The following anomalies had been noted with regard to these capital projects:

- (i) Customer care building in Mombasa has a cost of Kshs.309,000 attached to it and has remained as work in progress for over four years and at the same value. Documentation to support this balance or the reason for non-completion and/ or transfer to the respective class of assets had not been provided.
- (ii) Baringo Campus has three projects works in progress totaling to Kshs.26,148,334 all of which have not moved for the last four years. No project details in form of contracts and progress status had been provided for audit

verification. In addition, no explanation has been provided for audit verification. In addition, no explanation has been given for non-completion of the projects.

- (iii) Embu Campus has a brought forward figure of Kshs.222,790,366 that has remained the same for over four years and no explanation had also been given for non-completion. Further, no project details in form of contracts and progress status have been provided for audit verification.

5.2 Receivables from Exchange & Non-Exchange Transactions - Staff Debtors

The staff debtors of Kshs.3,619,921 as disclosed in Note 25 to the financial statements included outstanding imprests amounting to Kshs.571,304 owed by officers who have since left the service of the School. The recovery of these debts is doubtful and no provision has been made against the balance. Under the circumstances, the receivables from exchange and non-exchange transactions balance of Kshs.994,454,167 as at 30 June 2017 is not fairly stated.

5.3 Trade and Other Payables

5.3.1 VAT Payable

Trade and other payables balance of Kshs.753,613,168 as at 30 June 2017 included an amount of Kshs.47,102,212 for the VAT payable as disclosed in Note 27 to the financial statements. However, an amount of Kshs.7,707,829 only was supported by VAT returns as at 30 June 2017 resulting in an unexplained variance of Kshs.39,394,383. Under the circumstances, the accuracy of the VAT payable balance could not be confirmed.

5.3.2 Other Payables

Included under other payables balance of Kshs.33,754,351 as at 30 June 2017 are statutory deductions for PAYE, NSSF and NHIF. However, no relevant supporting information and breakdown of the were provided in respect of the deductions and in relation to specific periods. In addition, the other payables balance of Kshs.33,754,351 as at 30 June 2017 is net of balances totaling Kshs.7,520,376 whose origin or composition had not been adequately explained.

Further, the other payables balance of Kshs.33,754,351 as at 30 June 2017 include withholding VAT of Kshs.11,888,069 whose composition or detailed analysis of the VAT retention certificates was not provided for audit verification.

Under the circumstances, the accuracy and validity of the trade and other payables balance of Kshs.758,091,168 as at 30 June 2017 could not be confirmed.

5.4 Motor Vehicle Insurance Compensation

A School motor vehicle worth Kshs.8,226,852 was involved in accident on 3 September 2017 and as result it was written off. As at 24 November 2017, the school was yet to be compensated by the insurer yet the vehicle was fully insured.

Under the circumstance, the School has lost the motor vehicle and the premiums paid on its insurance leading understated property plant and equipment.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya School of Government 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Unbudgeted Expenditure

Under Note 17, Administrative expenses, expenditure on water bottling costs of Kshs.2,919,494 was incurred by Baringo campus. However, the submitted approved budget did not include an estimate for these costs. Further, the payment vouchers to account for the expenditure were not availed for audit review. In the absence of an approved budget estimate, vouchers and supporting documents, it was not possible to confirm the regularity of the expenditure of Kshs.2,919,494 on Baringo Campus.

2. Employees Costs

Analysis of the payroll showed that in six hundred and sixty-six (666) instances the School paid employees their net pays below a third of their basic pay contrary to the Public Service Commission Human Resource Policies and Procedures Manual, 2016.

3. Casuals Wages

During the year under review the School paid casual wages amounting to Kshs.102,266,608 in the year under review. However, it was observed that contrary to the Schools' terms and conditions of service, the casuals were engaged for more than 90 days continuously. Further, no evidence was availed to show that the Director General reported on the casual employment to the Council as required by the KSG Act.

4. Capital Projects

- (i) The second phase of the contract for the completion of the Deputy Director's residence, Baringo Campus was awarded at a contract sum of Kshs.4,400,000 and with a commencement date of 5th February 2015. Site inspection showed that the contractor appears to have abandoned the site. Although no payment has been made in the year under review, a request for payment of Kshs.2,001,756 dated 8 November 2017 has been raised. However, no evidence of work done during the year was availed for audit.

- (ii) Due to fundamental breach of contract by the contractor, the contract for the Extension of VIP Guest Wing, Matuga Campus, worth Kshs.4,871,370 was terminated by the client on 21 January, 2019 based on conditions of the contact agreement. A site visit established that the work was incomplete and the contractor had abandoned the site. Records held by the campus indicate that the contractor had requested for payment of Kshs.3,029,630 (or 62% of the contract sum) on 12 December 2018. However, no evidence of work done during the year was availed for audit.

Further, minutes of the site visit meeting held on 24 April 2018 indicated the works physically done was at 36% and yet another site visit meeting held on 6 June 2018, indicated the status of work done was at 60%. While it appears that there was no work being carried out between the two site meetings, it was not explained how the status of the physical work done moved from 36% to 60%.

5. Financial Performance

The School's financial performance deteriorated during the year from a surplus of Kshs.190,428,903 in 2016/2017 to a loss of Kshs.36,709,852 in 2017/2018 and its accumulated surplus showed a downward trend from Kshs.2,069,834,513 in 2016/17 to Kshs.2,033,124,661 in 2017/18. The management has not indicated what measures are being taken to address the issue.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Review of the Internal Audit reports for the year under review established the following issues which are yet to be resolved;

1. Allowances

A staff deployed from one office with effect from 7th September 2015 continued to enjoy extraneous allowance entitled to the former office even after deployment for a period of two (2) years up to August 2017.

An officer was overpaid on house allowance for ten (10) months totaling to Kshs.40,000, without evidence of approval of the variance. No explanation was provided and no recoveries had been made.

2. Receivables

The School, in Mombasa campus, had debts amounting to Kshs.783,528 advanced to self-sponsored participants and thus posing a higher risk of default. Further, four (4) employees exited the School service without clearing their outstanding imprest balances amounting to Kshs.343,060.

3. Housing and Rent Income

Four (4) members of staff who had left the School service were noted to be still occupying staff houses and even had their rent in arrears amounting to Kshs.503,736 as at 30th September 2017. Further, seven (7) non-staff members renting School shops and houses had rent in arrears amounting to Kshs.427,541 as at 30th September 2017.

4. Statutory Deductions

Baringo Campus did not withhold the 3% income tax of Kshs.16, 980 on project and thus resulting in overpayment to the contractor. Further, in five (5) instances the campus paid gross amount to suppliers on vatiable items without withholding the 6% VAT amounting to Kshs.36,368.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Kenya School of Government ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis

of accounting unless the management either intends to liquidate the Kenya School of Government or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Kenya School of Government monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

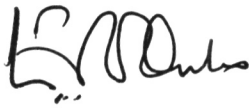
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Kenya School of Government to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

15 August 2019

**Statement of Financial Performance
For the Financial Year Ended June 30, 2018**

	Notes	2017/2018	2016/2017
		Kshs	Kshs
Revenue from Non – Exchange transactions			
Recurrent government grants	8	421,009,332	381,744,126
Revenue from Exchange transactions			
Training fees	9	575,178,629	665,188,276
Research and consultancy	10	68,718,472	68,520,570
Accommodation	11	331,451,661	390,458,285
Conferences and workshops	12	173,916,753	100,132,495
Other income	13	154,627,659	177,708,073
Total Revenue		1,724,902,506	1,783,751,825
Expenses			
Council expenses	14	10,187,318	11,730,809
Employee costs	15	751,297,713	659,668,703
Repairs and maintenance expense	16	46,334,479	31,700,402
Administrative and general Expenses	17	685,480,534	673,454,428
Depreciation and amortization expense	18	230,490,255	223,318,288
Total Expenses		1,723,790,299	1,599,872,630
Other gains/ (losses)			
Gain/ (loss) on disposal of assets	19	(34,981,266)	-
Gain/ (loss) on foreign exchange transactions	20	(2,840,793)	6,549,708
		(37,822,059)	6,549,708
Surplus before tax		(36,709,852)	190,428,903
Taxation		-	-
Surplus for the Year		(36,709,852)	190,428,903


The notes set out on pages 11 - 42 form an integral part of these Financial Statements

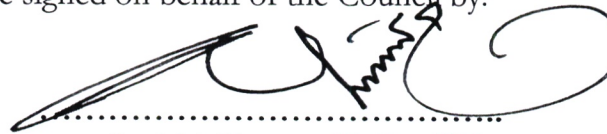
**Statement of Financial Position
As At June 30, 2018**

	Notes	2017/2018	2016/2017
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	21	641,287,794	1,051,118,880
Receivables from non & exchange transactions	22	1,119,391,333	994,454,167
Inventories	23	33,081,618	27,529,975
Investments	24	11,172,501	10,023,908
		1,804,933,246	2,083,126,930
Non- current assets			
Property plant & equipment	25 (b)	6,200,235,371	5,736,167,426
Leasehold land	26	1,855,604,177	1,879,215,340
Investments	24	15,475,934	24,183,458
		8,071,315,482	7,639,566,224
Total Assets		9,876,248,728	9,722,693,154
Current Liabilities			
Trade and other payables from exchange	27	884,688,643	758,091,168
		884,688,643	758,091,168
Net Assets			
Revaluation reserves		4,539,728,060	4,539,728,060
Accumulated surplus		2,033,124,661	2,069,834,513
Deferred Income		2,418,707,364	2,355,039,413
		8,991,560,085	8,964,601,986
Total Net Assets and Liabilities		9,876,248,728	9,722,693,154

The notes set out on pages 11 – 42 form an integral part of these financial statements

The Financial Statements on pages 1 - 42 were signed on behalf of the Council by:


.....
Joseph Musyoki
Chairperson Finance & General Purpose Committee


.....
Ludeki Chweya, Ph.D., CBS
Director General and CEO

For: Chairman of the Council
Date: 2/05/2019

Date: May 2, 2019

**Statement of Changes in Net Assets
For the Financial Year Ended June 30, 2018**

	Revaluation reserves	Accumulated surplus	Deferred Income (Dev't grants)	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at June 30, 2016	4,539,728,060	1,879,405,610	2,302,652,334	8,721,786,004
Surplus for the year	-	190,428,903	-	190,428,903
Additions	-	-	129,855,212	129,855,212
Amortization	-	-	(77,468,133)	(77,468,133)
Balance as at June 30, 2017	4,539,728,060	2,069,834,513	2,355,039,413	8,964,601,986
Balance as at July 1, 2017	4,539,728,060	2,069,834,513	2,355,039,413	8,964,601,986
Surplus for the year	-	(36,709,852)	-	(36,709,852)
Additions	-	-	137,424,423	137,424,423
Amortization	-	-	(73,756,472)	(73,756,472)
Balance as at June 30, 2018	4,539,728,060	2,033,124,661	2,418,707,364	8,991,560,085

Statement of Cash Flows
For the Financial Year Ended June 30, 2018

	Notes	2017/2018	2016/2017
		Kshs	Kshs
Cash Flows from Operating Activities			
Operating surplus		(36,709,952)	190,428,903
Depreciation	18	206,879,092	199,707,125
Amortization of land	18	23,611,163	23,611,163
Amortization of deferred development grant		(73,756,472)	(77,468,133)
Loss on disposal of assets		34,981,266	-
Operating surplus before working capital changes		155,005,197	336,279,058
(Increase)/ decrease in inventories		(5,551,754)	6,030,085
(Increase)/ decrease in trade and other receivables		(124,937,166)	(84,666,979)
Increase/ (decrease) in trade and other payables		126,597,475	(153,124,336)
Cash generated from operations		151,113,752	104,517,828
Interest accrued from Treasury bonds		(752,679)	(875,314)
Net cash generated from operating activities		150,361,073	103,642,514
Cash Flows from Investing Activities			
Purchase of property, plant & equipment	25 (b)	(705,928,192)	522,349,748
Redemption of treasury bond	24	8,311,610	(23,670,900)
Net cash generated from investing activities		(697,616,582)	498,678,848
Cash Flows from Financing Activities			
Government grant received		137,424,423	129,855,212
Net cash generated from financing activities		137,424,423	129,855,212
Net increase/ (decrease) in cash and cash equivalent		(409,831,086)	(265,181,122)
Cash and cash equivalent at the beginning	21	1,051,118,880	1,316,300,002
Cash and cash equivalent at end of the year	21	641,287,794	1,051,118,880

Kenya School of Government
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For the year ended June 30, 2018

**Statement of Comparison of Budget and Actual Amounts
For the Financial Year Ended June 30, 2018**

	Original Budget	Adjustments	Final Budget	Actual	Variance	% Variance	Explanation of Variances
Revenue							
Recurrent government grants	301,729,172	-	301,729,172	318,609,332	16,880,160	6%	N ¹
Development partners' grants	101,000,000	-	101,000,000	102,400,000	1,400,000	1%	N ²
Training revenue	973,440,288	-	973,440,288	575,178,629	(398,261,659)	-41%	N ³
Research and consultancy	103,691,404	-	103,691,404	68,718,472	(34,972,932)	-34%	N ⁴
Accommodation revenue	499,834,536	-	499,834,536	331,555,110	(168,382,875)	-34%	N ⁵
Hire of facilities	71,799,607	-	71,799,607	173,916,753	102,117,146	142%	N ⁶
Other income	172,131,662	-	172,131,662	154,627,659	(17,504,003)	-10%	N ⁷
Other gains/(losses)	-	-	-	(37,822,059)	-	0%	
Total Income	2,223,626,669	-	2,223,626,669	1,687,080,447	(536,546,222)		
Expenses							
Council expenses	12,000,000	-	12,000,000	10,187,318	1,812,682	15%	N ⁸
Compensation of employees	783,260,746	12,450,364	795,711,110	751,297,713	44,413,397	6%	N ⁹
Administrative and General expenses	790,010,308	37,294,108	827,304,416	685,480,534	141,823,882	17%	N ¹⁰
Depreciation and amortization	361,941,492	-	361,941,492	230,490,255	131,451,237	36%	N ¹¹
Repairs and maintenance	47,529,652	7,850,571	55,380,223	46,334,479	9,045,744	16%	N ¹²
Total expenditure	1,994,742,198	57,595,043	2,052,337,241	1,723,790,299	328,546,942		
Surplus for the year	228,884,471		171,289,428	(36,709,852)			

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	Original Budget	Adjustments	Final Budget	Actual	Variance	% Variance	Explanation of Variances
Capital Budget							
Funding							
GoK development grants	137,424,423	-	137,424,423	137,424,423	-	0%	
Internal sources	1,707,784,577	27,882,000	1,735,666,577	1,735,666,577	-	0%	
Total Funding	1,845,209,000	27,882,000	1,873,091,000	1,873,091,000	-		
Capital Expenditure	1,845,209,000	27,882,000	1,873,091,000	705,928,192	1,167,162,808	62%	N ¹³
Under (Over) Utilization				1,167,162,808			

A. Budget Versus Actual Explanatory Notes

According to IPSAS 24.14, the following are the explanation of differences between actual and budgeted amounts for items that are over/ under 10%;

N¹ – Recurrent grants from Government

The government grant increased by 6% because the budget was based on the previous year 2016/2017, however the grant received was based on printed estimates as per the approved budget

Budget Versus Actual Explanatory Notes..... (Cont'd)

N² – Recurrent grants from Development Partners

The development partners relate to Kenya Devolution Support Program (KDSP) that is funded on reimbursable basis. The activities for reimbursements amount to Kshs. 102,400,000 against a budgeted amount of Kshs. 101,000,000 resulting to an increase of 1%

N³ – Training revenue

The School of Government did not meet the expected training revenue by 41% due low business season experienced during the first half of the financial year due to reduction of training budget by 75% in Ministry, Departments and Agencies (MDAs) by the National Treasury, delayed release in exchequer to County Governments and prolonged and continued effect of 2017 electioneering period.

N⁴ – Research and consultancy revenue

The School of Government did not meet the expected research and consultancy revenue by 34% as a result of fewer researches and consultancies assignment conducted during the year due to low business season experienced during the first half of the financial year due to reduction of training budget by 75% in Ministry, Departments and Agencies by the National Treasury, delayed release in exchequer to County Governments and prolonged and continued effect of 2017 electioneering period.

N⁵ – Accommodation revenue

The School of Government did not meet the expected accommodation revenue by 34% as a result of to low business season experienced during the first half of the financial year due to reduction of training budget by 75% in Ministry, Departments and Agencies (MDAs) by the National Treasury, delayed release in exchequer to

County Governments and prolonged and continued effect of 2017 electioneering period.

N⁶ – Revenue from the hire of School of Government’s facilities

The School of Government met and exceeded the expected revenue from hire of facilities by 142% as a result of increase in demand for conferences and workshops by County Governments, Ministry, Departments and Agencies (CMDAs) as a result of improvement of infrastructure in Campuses e.g. Embu and Baringo Campuses and effectiveness of presidential directive to holds conferences, workshops and other retreats in state owned enterprises.

N⁷ – Other income

The School of Government did not meet the expected other income by 10% as a result of to low business season experienced during the first half of the financial year due to reduction of training budget by 75% in Ministry, Departments and Agencies (MDAs) by the National Treasury, delayed release in exchequer to County Governments and prolonged and continued effect of 2017 electioneering period.

N⁸ – Council expenses

The council expenses reduced by 15% against the budgeted amount due to fewer council activities undertaken during the financial year than planned.

N⁹ – Compensation of employees

The reduction of compensation of employees by 6% against the budgeted amount was as a result deferment of expected promotions and re – designations to the financial year 2018/2019.

N¹⁰ – Administrative and general expenses

Administrative and general expenses reduced by 17% against the budgeted amount as a result of to low business activities experienced during the nine (9) months of the

financial year ended for training, research and consultancies including the accommodation services in the School of Government.

N¹¹ – Depreciation and amortization expenses

Depreciation and amortization expenses reduced by 36% against the budgeted amount because most of the capital projects anticipated to have been completed within the financial year ended were deferred to the financial year 2018/2019. The School of Government policy on depreciation is full year in the year of acquisition and none in the year of disposal.

N¹² – Repairs and maintenance expenses

Repairs and maintenance costs reduced by 16% against the budgeted amount as a result of minimal maintenance activities carried out during the financial year ended due to low business volume which reduced the cash flow for undertaking the planned repairs and maintenance activities.

N¹³ – Capital Budget

The underutilization of capital budget by 62% against the budgeted amount was result of deferment of most of the capital projects anticipated to have been completed within the financial year ended were deferred to the financial year 2018/2019. The was due to low business activities experienced during the nine (9) months of the financial year ended which affected the internal funding that necessitated the deferment.

B. Difference between original and final budget

According to IPSAS 24.29, the explanation of changes between original and final budget are not from re – allocations but as result of the following changes;

- i. Under compensation of employees, service gratuity budget was increased to cover accrued gratuity already earned from previous years as a result of

**Kenya School of Government
Annual Reports and Financial Statements
For the year ended June 30, 2018**

streamlining method of accounting into accrual basis as required by IPSAS.

Staff bonus paid during the financial year also necessitated this amendment.

- ii. Under administrative and general expenses, the budget for domestic travel and accommodation was increased due to increase in out – reach programs, life insurance budget was also amended up – wards as a result of the need to include staff from Campuses to the cover.
- iii. Under the repairs and maintenance expenses, the budget was enhanced to cater for the on – going maintenance and repairs of facilities to improve learning environment in Campuses and motor vehicle repairs and maintenance due to aging fleet

Notes to the Financial Statements

1. General Information

Kenya School of Government is established by and derives its authority and accountability from Kenya School of Government Act, 2012. The School of Government is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is transformation of the Public Service by inculcating national values and developing core skills and competencies for quality service delivery in the Public Service.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re – valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Kenya School of Government's accounting policies.

The financial statements for the financial year ended June 30, 2018 have been prepared in accordance with the PFM Act, 2012, the State Corporations Act, Kenya School of Government Act, 2012, and International Public Sector Accounting Standards (IPSAS). The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the School of Government. The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements..... (Cont'd)

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>
	<p>Kenya School of Government is under defined contribution pension plan and therefore the standard does not have impact of the School of Government's financial statements</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019:</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p>
	<p>This standard does apply to the Kenya School of Government and therefore does not have impact of the School of Government's financial statements</p>

Notes to the Financial Statements..... (Cont'd)

iii. Early adoption of standards

Kenya School of Government did not early – adopt any new or amended standards in year 2017/2018.

4. Summary of Significant Accounting Policies

a) Revenue recognition

Revenue is recognised to the extent that is probable that future economic benefits will flow to the School of Government and can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the School of Government's activities, net of value added tax (VAT), where applicable and when specific criteria have been met for each of the School of Government's activities as described below:

i) Revenue from exchange transactions

Rendering of services

The School of Government's principal activities is to provide training, research and consultancy services. The revenue recognized from rendering of these services is by reference to the stage of completion of rendering the services and when the outcome of the transaction can be estimated reliably.

Sale of goods

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

Notes to the Financial Statements..... (Cont'd)

Interest income

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

Rental income

Rental income arising from letting out School of Government quarters to the staff. The full monthly rent is recognized and included in other income once the house is allocated and occupied by the staff.

ii) Transfers from other government entities

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

Government recurrent grant

Recurrent government grants are recognized in the statement of comprehensive income when it is received.

Government development grant

Development government grants, whose primary use is supporting the School of Government purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position. when the School of Government acquires on starts using the assets being financed by the Grant, the grant is amortized over

Notes to the Financial Statements..... (Cont'd)

the useful life of the assets that has been acquired using such funds when complete and commissioned. The amortized amount is recognized and accounted for in the statement of comprehensive income annually.

Development partners' grants

Development partners' grants are recognized and accounted for in the statement of comprehensive income when expenses have been incurred or for the purpose of giving immediate recurrent expenditure financial support to the School of Government with no future related costs. The expenses incurred become receivable when reimbursement method is adopted.

Notes to the Financial Statements..... (Cont'd)

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the School of Government.

The original budget for the financial year 2017/2018 was approved by the KSG Council in January 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the School of Government recorded additional appropriations on the 2017/2018 budget following the Council's approval.

As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the budget amounts are presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment and Depreciation

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and

Notes to the Financial Statements..... (Cont'd)

equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non – exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is provided on the cost/valuation of the assets on straight line basis at rates designed to write down the cost of each asset or revalued amount to its residual values over their estimated useful life.

The annual rates used for this purpose are as follows;

Buildings	2.00%
Plant and equipment	12.50%
Office equipment	12.50%
Furniture and fittings	12.50%
Linen and beddings	12.50%
Motor vehicles	25.00%
Computers and Networking	30.00%
Library books	5.00%
Leasehold land	Over the period of the lease

A full year's depreciation is recognized in the year of purchase and zero in the year of disposal.

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of on – going but incomplete works on buildings and other civil works and installations.

Notes to the Financial Statements..... (Cont'd)

d) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long – term infrastructure bonds with the intention of earning interest income upon maturity. The bonds are measured at fair value through profit or loss.

e) Inventories

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

After initial recognition, inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges and is determined on weighted average price method.

Inventories are recognized as an expense when issued for utilization or consumption in the ordinary course of operations of the School of Government.

Notes to the Financial Statements..... (Cont'd)

f) Changes in accounting policies and estimates

The School of Government recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

g) Employee benefits

Defined contribution retirement plan

Kenya School of Government operates a defined contribution retirement benefits plan for its employees. The assets are held in a separate trustee administered scheme managed by an insurance company. The scheme is funded by contributions from both the employees at 7.5% and employer at a rate of 15% of employee's basic pay respectively.

The School and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. The School of Government's contributions obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

h) Foreign currency transactions

The accounting records are maintained in the Kenya Shillings as the functional currency of the primary economic environment in which the School of Government operates. Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors, debtors and cash books denominated in foreign currency are reported at the statement of financial position by applying the exchange rate on that date. Any foreign exchange differences either gains or losses resulting from the settlement of such transactions and from the

Notes to the Financial Statements..... (Cont'd)

translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as income or expenses in the period in which they arise.

i) **Related parties**

The Government of Kenya is the principal shareholder of the Kenya School of Government. The following have the ability to exert control individually or jointly, or to exercise significant influence over the School, or vice versa;

- (a) Ministry of State for Public Service, Youth & Gender Affairs which is the parent ministry of the School
- (b) The National Treasury
- (c) The Kenya School of Government Council
- (d) Key Management which includes Director General and Directors

j) **Cash and cash equivalents**

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

k) **Subsequent events**

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

Notes to the Financial Statements..... (Cont'd)

l) Taxation

Kenya School of Government is classified as a not for profit state corporation and therefore income tax has not been provided for in the financial statements. Application for exemption for the same under the income tax act through the Cabinet Secretary for the National Treasury was made.

m) Contingent liabilities

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

n) Receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made on doubtful receivables based on a review of all outstanding amounts at the year end at the rate of 11%. Bad debts are written off after all efforts of recovery have been exhausted. Receivables are classified as current assets

o) Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables also include payments in respect of social benefits where formal agreements for specific amounts exist.

Notes to the Financial Statements..... (Cont'd)

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The historical cost carrying amount of payables subject to the normal credit terms usually approximates fair value. Payables are classified as current liabilities

p) Comparative figures

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

(i) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements..... (Cont'd)

(ii) Provision for Doubtful Debts

Provision for impairment of receivables is established when there is objective evidence that the School will not be able to collect all amounts due. Where necessary, an estimation of the amounts irrecoverable is made in that year.

The School finance has consistently provided for a general provision of 11% of the total outstanding receivables and the increase or decrease thereof as compared with the previous year's provision is accounted for in the statement of comprehensive income. The resulting provision for doubtful debts is recognized in the in the statement for financial position.

6. Revaluation Reserve

The revaluation reserve relates to the revaluation of property, plant and equipment that was carried out in the financial year 2013/2014.

7. Segment Reporting

Operations of the School of Government are managed from the head office, Lower Kabete. All the Campuses of School of Government continue to execute the core mandate as stipulated in the Kenya School of Government Act, 2012 aimed at building competencies, developing and growing leadership in the public service and promoting best practices in public service delivery. The School is instrumental in the implementation of the Constitution of Kenya by strengthening the pillars of public governance through upholding and promoting public service values, ethics and transformational leadership.

Notes to the Financial Statements..... (Cont'd)

8. Recurrent Grants

Description	2017/2018	2016/2017
	Kshs	Kshs
Government recurrent grants	107,394,963	91,013,104
Development partners recurrent grants	102,400,000	97,488,998
Government personnel emoluments support	211,214,369	193,242,024
Total	421,009,332	381,744,126

9. Training Revenue

Description	2017/2018	2016/2017
	Kshs	Kshs
Training programs fees	575,178,629	665,188,276
Total	575,178,629	665,188,276

The revenue generated under this item relates to all training programs rolled out by the School of Government with the financial year 2017/18 for both residential and non – residential participants. Training is one of the core mandates of the School of Government that is meant to transform public service for quality service delivery.

10. Research and Consultancy Revenue

Description	2017/2018	2016/2017
	Kshs	Kshs
Research and consultancy charges	68,718,472	68,520,570
Total	68,718,472	68,520,570

The revenue generated under this item relates to all policy-based researches and consultancies carried out by the School of Government within the financial year 2017/18. Research and consultancy are one of the core mandates of the School of Government that is meant to inform public policy.

Notes to the Financial Statements..... (Cont'd)

11. Accommodation Revenue

Description	2017/2018	2016/2017
	Kshs	Kshs
Accommodation charges for residential participants	331,451,661	390,458,285
Total	331,451,661	390,458,285

The revenue generated under this item relates to all accommodation charges to all residential participants attending the School of Government programs, conferences and workshops during the financial year 2017/18. Accommodation is one of the services offered by the School of Government to support the Core business arm which is training, research and advisories and consultancies.

12. Conferences and workshops

Description	2017/2018	2016/2017
	Kshs	Kshs
Hire of facilities	173,916,753	100,132,495
Total	173,916,753	100,132,495

The revenue generated under this item relates to facilities charges to all residential participants attending workshops and conferences.

13. Other Income

Description	2017/2018	2016/2017
	Kshs	Kshs
Deferred Income	73,756,472	77,468,133
Rent revenue	16,563,226	10,744,198
Interest from investments	44,910,475	80,435,224
Miscellaneous receipts	11,145,367	7,447,042
Water Bottling sales	8,252,119	1,613,476
Total	154,627,659	177,708,073

Notes to the Financial Statements..... (Cont'd)

14. Council Expenses

Description	2017/2018	2016/2017
	Kshs)	Kshs
Chairperson's honoraria	1,015,000	1,020,000
Council sitting and mileage allowances	5,202,105	6,912,672
Other allowances	2,156,200	751,800
Council retreats, training and other costs	1,814,013	3,046,339
Total council expenses	10,187,318	11,730,811

15. Employees costs

Description	2017/2018	2016/2017
	Kshs	Kshs
Salaries and wages	643,321,077	590,224,177
Gratuity	39,927,569	1,430,331
Bonus	25,759,423	21,403,744
Staff training	9,191,401	8,997,360
Staff medical	26,294,261	28,243,617
Staff welfare	5,122,946	5,837,205
Staff uniform	1,681,036	3,532,269
Total	751,297,713	659,668,703

16. Repairs and Maintenance

Description	2017/2018	2016/2017
	Kshs	Kshs
Maintenance of building and grounds	29,067,841	19,809,058
Maintenance of equipment	7,009,108	5,223,412
Motor vehicle repairs	10,257,530	6,667,932
Total	46,334,479	31,700,402

Notes to the Financial Statements..... (Cont'd)

17. Administrative and General Expenses

Description	2017/2018	2016/2017
	Kshs	Kshs
Advertising and publicity	5,445,280	7,098,794
Bank charges	1,520,789	1,202,253
Casual wages	102,266,608	69,693,061
Cleaning and sanitation	25,162,019	23,087,491
Conference committees and seminars	5,259,503	4,550,966
Domestic travel	62,090,575	74,200,857
Electricity	32,613,915	29,950,752
External travel costs	2,921,848	6,227,164
Food and ration	205,301,159	206,427,504
Gas and fuel	16,403,620	15,442,207
Field study trips	5,162,423	3,398,491
Hire of accommodation	22,948,300	30,810,102
Hire of transport	8,041,201	6,129,967
Hire of consultancy	5,744,176	4,406,456
ICT costs	26,897,548	24,099,368
Insurance	6,847,875	8,655,701
Integration of the School costs	4,557,899	1,345,000
ISO Certification	3,395,795	2,026,395
Legal fees	1,581,894	4,555,663
Marketing	5,158,926	9,294,969
Performance contracting expenses	1,995,851	1,221,772
Printing & publishing	662,873	1,057,066
Provision for bad debts	11,059,589	21,978,659
Refined fuels	12,207,795	11,880,885
Research expenses	2,949,378	762,739
Security expenses	4,286,770	1,590,174
Stationery for participants	19,396,439	25,523,299
Stationery for staff	9,211,342	9,840,507
Students costs	3,270	433,150
Sundry	924,791	2,920,967
Telephone and fax	9,714,570	8,707,952
Training and consultancy	38,374,497	37,425,106
Water and conservancy	12,012,624	4,570,161
Hospitality expense	4,645,301	4,361,624
Audit fees	1,500,000	1,993,103
Water bottling costs	2,919,494	3,640,575

Notes to the Financial Statements..... (Cont'd)

Description	2017/2018	2016/2017
	Kshs	Kshs
Corporate Social Responsibility	295,865	330,130
Other expenses	3,998,733	2,613,398
Total	685,480,534	673,454,428

18. Depreciation and Amortization

Description	2017/2018	2016/2017
	Kshs	Kshs
Property, plant and equipment	206,879,092	199,707,125
Leasehold amortization	23,611,163	23,611,163
Total	230,490,255	223,318,288

19. Loss on Disposal of Assets

Description	2017/2018	2016/2017
	Kshs	Kshs
Cost		
Cost of disposed motor vehicle	8,226,852	-
Cost of demolished buildings	33,552,000	
Total cost of disposed assets	41,778,852	-
Accumulated Depreciation		
Accumulated depreciation of disposed motor vehicle	4,113,426	-
Accumulated depreciation demolished buildings	2,684,160	
Total accumulated depreciation of disposed assets	6,797,586	-
Total Loss on Disposal of Assets	34,981,266	-

Notes to the Financial Statements..... (Cont'd)

20. Loss on Foreign Exchange Transactions

Description	2017/2018	2016/2017
	Kshs	Kshs
Gain/(loss) on foreign exchange transactions	(2,840,793)	6,549,708
Total	(2,840,793)	6,549,708

The loss on foreign exchange transactions during the year under review arose from revaluation of debtors, creditors and cash book that are dominated by foreign currency. The School of Government transact with clients who demand for services on foreign currencies mostly US dollars. Similarly, the School of Government deals with suppliers of goods and services that are on foreign currency. At the time of making transactions, Central Bank of Kenya – daily prevailing mean rates are used to book a sale, purchase or a receipts that are on foreign currency. Revaluation of debtors, creditors and cashbooks which are in foreign currency is then carried out at the end of month and year using the Central Bank of Kenya – prevailing mean rates. This revaluation causes movement of ledgers either by debiting or crediting which result to a gain or a loss.

21. Cash and Cash Equivalents

			2018	2017
Cash and cash equivalent	Note		Kshs	Kshs
Bank	25a		640,284,917	230,000,739
Cash in hand			(2)	1,947,308
Petty cash			1,002,879	670,833
Short term deposits	25b		-	818,500,000
			641,287,794	1,051,118,880

Detailed analysis of the cash and cash equivalent				
Name of the bank	Bank account No.	Currency		
KCB Corporate	1145987281	Kshs	487,939,090	132,853,999
KCB Corporate	1145987184	USD	118,945,783	95,867,334
KCB Embu	1146029837	Kshs	649,595	(493,493)
KCB Kwale	1146019173	Kshs	35,852	(379,132)

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KCB Mombasa	1145993303	Kshs	725,440	781,670
KCB Baringo	1145978851	Kshs	524,000	559,856
KCB Nairobi	1107057957	USD	10,105	8,928
KCB eLDi	1107050251	USD	9,211	10,407
KCB Nairobi	1106972732	Kshs	1,730,180	99,670
KCB eLDi	1106676823	Kshs	99,670	100,000
NBK	01003000909500	Kshs	29,615,991	591,500
			640,284,917	230,000,739

Short term deposits				
Name of bank	Type and tenor	Currency		
Kenya Commercial bank	Fixed deposit-90 days	Kshs	-	800,000,000
National bank	Fixed deposit-60 days	Kshs	-	18,500,000
			-	818,500,000

22. Receivables from non and exchange transactions

Description	2017/2018	2016/2017
	Kshs	Kshs
Trade debtors	1,200,897,153	1,077,244,754
Less: Provision for bad debts	(132,098,687)	(121,054,411)
Sub – total	1,068,798,466	956,190,343
Staff debtors	6,410,779	3,619,921
Other receivables	44,182,082	34,643,903
Total	1,119,391,333	994,454,167

23. Inventories

Description	2017/2018	2016/2017
	Kshs	Kshs
Nairobi store	17,023,235	16,231,461
eLDi store	988,887	1,183,697
Baringo store	4,503,075	2,592,330
Embu store	2,992,963	1,783,735
Matuga store	1,911,877	998,796
Mombasa store	5,661,582	4,739,956
Total	33,081,618	27,529,975

Notes to the Financial Statements..... (Cont'd)

24. Investments

Description	2017/2018	2016/2017
	Kshs	Kshs
Treasury bond-9 years @6% P.a – Face value Kshs. 55M	29,612,208	28,753,762
Partial redemption of 9 years bond	(8,311,610)	-
Treasury bond-30 years @12% P.a – Face value Kshs.5M	4,595,158	4,578,290
Discount amortization	752,679	875,314
Fair value as at June 30, 2018	26,648,435	34,207,366
Classified as follows;		
Short term	11,172,501	10,023,908
Long term	15,475,934	24,183,458
Total	26,648,435	34,207,366

Treasury Bond 9 Years@6% P.a had a redemption structure at 43.04% of the Face Value Kshs. 55M, on August 22, 2017 for an amount of Kshs. 8,311,610.

Notes to the Financial Statements..... (Cont'd)

25. a) Property, Plant and Equipment

	Land	Buildings	Work in progress	Plant & equipment	Kitchen equipment	Office equipment	Motor vehicles	Furniture & fittings	Linen & beddings	Computers & networking	Library	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
2016/2017												
Cost/Valuation												
At July 1, 2016	965,350,000	3,906,039,669	434,899,817	110,158,866	23,787,504	49,409,879	104,028,663	139,901,613	43,845,789	143,915,754	28,270,774	5,949,608,328
Additions	-	8,891,820	423,420,397	16,097,520	4,279,802	366,523	3,650,000	5,611,095	16,570,170	42,172,915	1,289,506	522,349,748
Reclassification	-											-
Disposals	-	-								-	(4,410)	(4,410)
At June 30, 2017	965,350,000	3,914,931,489	858,320,214	126,256,386	28,067,306	49,776,402	107,678,663	145,512,708	60,415,959	186,088,669	29,555,870	6,471,953,667
Depreciation												
At July 1, 2016	-	233,140,059	-	40,287,290	7,478,685	18,132,399	51,816,856	51,218,280	14,873,367	111,593,006	7,543,584	536,083,526
Disposals		-								-	(4,410)	(4,410)
Charge for the year		78,613,842		15,782,050	3,508,414	6,222,050	26,919,666	18,189,087	7,551,994	41,442,227	1,477,795	199,707,125
At June 30, 2017	-	311,753,901	-	56,069,340	10,987,099	24,354,449	78,736,522	69,407,367	22,425,361	153,035,233	9,016,969	735,786,241
Net book value												
At June 30, 2017	965,350,000	3,603,177,588	858,320,214	70,187,046	17,080,207	25,421,953	28,942,141	76,105,341	37,990,598	33,053,436	20,538,901	5,736,167,426
At June 30, 2016	965,350,000	3,672,899,610	434,899,817	69,871,576	16,308,819	31,277,480	52,211,807	88,683,333	28,972,422	32,322,748	20,727,190	5,413,524,802

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Notes to the Financial Statements..... (Cont'd)

b) Property, Plant and Equipment

	Land	Buildings	Work in progress	Plant & equipment	Kitchen equipment	Office equipment	Motor vehicles	Furniture & fittings	Linen & beddings	Computers & networking	Library	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
2017/2018												
Cost/Valuation												
At July 1, 2017	965,350,000	3,914,931,489	858,320,214	126,256,386	28,067,425	49,776,402	107,678,663	145,512,708	60,415,959	186,088,668	29,555,870	6,471,953,666
Additions	-	23,643,761	543,401,396	5,852,144	9,432,910	10,760,450	34,924,517	19,947,199	18,252,350	37,793,499	1,929,964	705,928,192
Reclassification	-											-
Disposals	-	(33,552,000)					(8,226,852)			(130,000)	(850)	(41,909,702)
At June 30, 2018	965,350,000	3,905,023,250	1,401,721,610	132,108,531	37,500,335	60,536,853	134,376,328	165,459,907	78,668,309	223,742,167	31,484,984	7,135,972,275
Depreciation												
At July 1, 2017	-	311,753,901	-	56,069,340	10,987,099	24,354,449	78,736,522	69,407,367	22,425,361	153,035,240	9,016,969	735,786,248
Disposals		(2,684,160)					(4,113,426)			(130,000)	(850)	(6,928,436)
Charge for the year		78,100,465	-	16,513,566	4,687,527	7,286,771	26,241,132	20,682,488	9,304,981	42,487,899	1,574,250	206,879,092
At June 30, 2018	-	387,170,206	-	72,582,906	15,674,641	31,641,220	100,864,228	90,089,855	31,730,342	195,393,139	10,590,369	935,736,904
Net book value												
At June 30, 2018	965,350,000	3,517,853,044	1,401,721,610	59,525,624	21,825,694	28,895,633	33,512,101	75,370,052	46,937,968	28,349,029	20,894,616	6,200,235,371
At June 30, 2017	965,350,000	3,603,177,588	858,320,214	70,187,046	17,080,207	25,421,953	28,942,141	76,105,341	37,990,598	33,053,436	20,538,901	5,736,167,426

Notes to the Financial Statements..... (Cont'd)

26. Leasehold Land

Description	2017/2018	2016/2017
	Kshs	Kshs
As at July 1, 2017	1,879,215,340	1,902,826,503
Amortization charge for the year	(23,611,163)	(23,611,163)
As at June 30, 2018	1,855,604,177	1,879,215,340

The School of Government holds a piece of land L.R. 23160, 28.91 ha, for a term of 99 years starting from 01/11/1997 at Lower Kabete and at Kabarnet/ Township Parcel/ 442 for a term of 99 years from 01/08/2001.

27. Trade and Other Payables from exchange

Description	2017/2018	2016/2017
	Kshs	Kshs
Trade payables	288,871,739	265,923,855
Payments received in advance	293,818,699	266,294,047
Third party payments	45,796,793	56,713,124
Retentions	129,975,419	85,303,579
VAT payable	32,876,886	47,102,212
Service gratuity	36,142,359	-
Audit fees	2,955,677	3,000,000
PAYE	10,951,741	4,940,403
NSSF	3,153,910	1,735,550
NHIF	884,332	228,692
HELB	158,274	28,779
Withholding taxes (VAT & Income)	7,856,325	12,670,559
Staff remittances	13,751,611	12,100,580
Other payables	17,494,879	2,049,788
Total	884,688,643	758,091,168

Notes to the Financial Statements..... (Cont'd)

28. Contingency Liabilities

Based on the information currently available, the School of Government expects that the ultimate resolution of the following legal proceedings are not likely to have material effect on the results of its operations, financial position or liquidity;

- i. Julie Nyawira Mathenge sued the Institute over Plot Nos. 11509 – 11514 Lower Kabete Nairobi. She was allegedly allocated the said plots which stand on the School's plot. She filed a court case HCC No. 679 of 2006 at high court. The titles were revoked through a gazette notice in November 2010 by the Minister of Lands Hon. James Orengo. The School has requested Mwaniki Gachoka & Co. Advocates to pursue the matter and ensure the titles revert back to Kenya School of Government.
- ii. A section of Annex Plot No. M1/XXVI/234 for Mombasa Campus was grabbed by private developers whose case HCC MBA No. 323 of 2009 and HCC No. 94 of 2012 are still pending in court. The block was illegally and irregularly subdivided into pieces 951, 1059, 1060, 1083 and 1084 without the School's consent and allocated as follows: -
 - Parcels XXVI/951 and 1059 were allocated to Messrs Mohamed Baker, Hassan Ali and Hassanali Yusufali and MECAP Company. In 2009 MECAP Company filed a case in the High Court of Mombasa i.e. HCCC No.323 of 2009 against the Attorney General and the Ministry of State for Public Service. A witness statement has since been prepared by the Legal Officer in the Ministry and presented to the State Law Office.
 - Parcel XXVI/1084 was allocated to Mary Wambui and Peter Rono in June 1997 trading as Mapasro Enterprises Limited, for a term of 99 years. Later in the same year, the allottees sold the plot to Kalliste

Limited. In 2012, Kalliste filed a civil suit No. 94 of 2012 at the High

Court of Mombasa suing the Attorney General and Tulsi Construction. Tulsi Construction has been contracted by the School to build the Ultra-Modern Complex. A witness statement by the Legal Officer in the Ministry has been written and presented to the State Law Office.

- Parcels LR. M1/XXVI/951, M1/XXVI/1059 and M1/XXVI/1084 were revoked by the Ministry of Lands via Gazette Notice of 27th April, 2012.

29. Employee Benefit Obligations

Description	2015/2016	2016/2017	2017/2018	Totals	
Contributions					
1	i. Employees	8,652,675	16,438,230	27,725,872	52,816,777
	ii. Employer	17,305,349	32,876,460	55,451,745	105,633,554
	Total Contributions due	25,958,024	49,314,689	83,177,617	158,450,331
Payments/Remittances					
2	i. Employees	8,652,675	16,438,230	27,725,872	52,816,777
	ii. Employer	17,305,349	32,876,460	55,451,745	105,633,554
	Total Payments/Remittances	25,958,024	49,314,689	83,177,617	158,450,331
3	Remittances Outstanding	-	-	-	-

Notes to the Financial Statements..... (Cont'd)

30. Financial Risk Management

The School's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The School's overall risk management policies are set out by the Council and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the School's performance by setting acceptable levels of risk. The School however, does not hedge any risks and that only credit is only extended to customers with an established credit history. The School of Government's financial risk management objectives and policies are detailed below:

(i) Credit risk

The School of Government has exposure to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer taking into account its past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the School's management based on prior experience and their assessment of the current and economic environment. The School does not hold any collateral against the past due receivables.

Notes to the Financial Statements..... (Cont'd)

The carrying amount of financial assets recorded in the financial statements representing the School's maximum exposure to credit risk is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2018				
Receivables from exchange transactions	1,112,980,555	1,087,089,895	25,890,660	-
Receivables from non-exchange transactions	6,410,779	6,410,779	-	-
Bank balances	641,287,794	641,287,794	-	-
Total	1,760,679,127	1,734,788,467	25,890,660	-
At 30 June 2017				
Receivables from exchange transactions	990,834,246	956,190,343	34,643,903	-
Receivables from non-exchange transactions	3,619,921	3,619,921	-	-
Bank balances	1,051,118,880	1,051,118,880	-	-
Total	2,045,573,047	2,010,929,144	34,643,903	-

The customers under the fully performing category are paying their debts as they continue transacting with the School. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the School has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The School has significant concentration of credit risk on amounts due from the National and County Governments.

(ii) Liquidity risk management

Liquidity risk is the risk that the School of Government will not be able to meet its financial obligations as they fall due. The School of Government's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed

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conditions, without incurring unacceptable losses or risking damage to the School of Government reputation.

Ultimate responsibility for liquidity risk management rests with the School of Government's Council, who have built an appropriate liquidity risk management framework for the management of the School's short, medium and long – term funding and liquidity management requirements. The School of Government manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The Table below represents cash flows payable by the School of Government;

Description	Less than 1	Between 1-3	Over 3	Total
	month	months	months	
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	66,998,926	161,856	221,710,956	288,871,739
Payments received in advance	-	293,818,699	-	293,818,699
Third party payments	-	45,796,793	-	45,796,793
Retentions	-	129,975,419	-	129,975,419
VAT payable	-	32,876,886	-	32,876,886
Audit fees	2,955,677	-	-	2,955,677
Service gratuity		36,142,359		36,142,359
Other payables	-	-	54,251,072	54,251,072
Total	69,954,603	538,772,012	275,962,028	884,688,643
At 30 June 2017				
Trade payables	-		265,923,855	265,923,855
Payments received in advance	-	266,294,047	-	266,294,047
Third party payments	-	56,713,124	-	56,713,124
Retentions	-	85,303,579	-	85,303,579
VAT payable	-	47,102,212	-	47,102,212
Audit fees	3,000,000	-	-	3,000,000
Other payables	-	2,049,788	-	2,049,788
Total	3,000,000	457,462,750	265,923,855	726,386,605

Notes to the Financial Statements..... (Cont'd)

(iii) Market risk

The Council has put in place an internal audit function to assist in assessing the risk faced by the School on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates which will affect the School's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing the risk rests with the Audit and Risk Committee. There has been no change to the School's exposure to market risks or the manner in which it manages and measures risk.

a) Foreign currency risk

The School of Government has transactional currency exposures which arises through purchase of goods and services that are done in currencies other than local currency. Transactions made in foreign currency are translated to Kenya Shilling at the time of payment using the prevailing exchange rate.

b) Interest rate risk

Interest rate risk is the risk that the School's financial condition may be adversely affected as a result of changes in interest rate levels. The School's interest rate risk arises from bank investments.

Notes to the Financial Statements..... (Cont'd)

(iv) Capital Risk Management

The objective of the School's capital risk management is to safeguard the Council's ability to continue as a going concern. The capital structure comprises of the following funds:

Description	2018	2017
	Kshs.	Kshs.
Revaluation Reserve	4,539,728,060	4,539,728,060
Accumulated surplus	2,031,894,371	2,069,834,513
Deferred Income	2,418,707,364	2,355,039,413
Total	8,990,329,795	8,964,601,986

31. Deferred Income

Kenya School of Government uses income approach to recognize development grants received from government and development partners for purposes of capital expenditure. This amount is amortized gradually by recognizing the amount each year with the rate used to depreciate the asset for which the grant was utilized. However, if the amount is received is for a building that is yet to be completed, the grant amount received is not amortized until the completion of the building.

32. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

33. Ultimate and Holding Entity

Kenya School of Government is a State Corporation under the Ministry of Public Service, Youth and Gender. Its ultimate parent is the Government of Kenya.

Notes to the Financial Statements..... (Cont'd)

34. Currency

The financial statements are presented in Kenya Shillings (Kshs).

35. Going Concern

Nothing has come to the attention of the Kenya School of Government Council to indicate that the Kenya School of Government will not remain a going concern for at least the next twelve months from the date of this report. These financial statements are thus prepared using historical basis of accounting.

36. Level of Rounding Amounts

The amounts in the financial statements have been rounded off to the nearest whole numbers.

Appendix I: Progress on Follow up of Auditor Recommendations

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

Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status	Timeframe to resolve the issue
1.0 Adjustment to financial statements	Adjustments made of Kshs. 512,993 for trade payables between original and amended financial statements was not supported with relevant documents to justify the amendment to the financial statements.	The adjustments were as result of mis – posting in the cashbook which has already been corrected and supporting documents provided to the external auditors	Manager, Finance	Unresolved	30/09/2018

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Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status	Timeframe to resolve the issue
2.1 Freehold Land	As similarly reported in the previous years, the property, plant and equipment balance of Kshs. 5,736,677,426 reflected in the statement of financial position as at 30 June 2017 still includes freehold parcels of land owned by Embu, Mombasa and Matuga campuses valued at Kshs. 181,650,000, Kshs. 736,200,000 and Kshs. 47,500,000 respectively whose original title deeds have however, not been provided for audit verification. Consequently, ownership of these properties by the School cannot be confirmed	The School is still pursuing for the titles.	Director General	Unresolved	30/06/2019
2.2 Leasehold Land	The leasehold land balance of Kshs. 1,879,215,340 as at 30 June 2017 includes land valued at Kshs. 1,743,260,804 located in Lower Kabete within Nairobi City County where six plots (L.R Nos. 11509 – 11514) have been illegally hived off and allocated to private developers. Although available information indicates that the allocations have since been revoked by a court of law, the School is yet to obtain ownership documents to the six plots even though the School has taken possession of the land. No valuation of the land subsequent to repossession	LR No. 11512 – 11514 matter has been finalized by court and the School is pursuing for title deeds. L.R. No. 11509 – 11511 the matter is still in court. In 2014, KSG valued its assets	Director General	Unresolved	30/06/2019

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	has been undertaken to assess whether there has been significant impairment on these properties and hence it is not possible to quantify the overall impairment that should be incorporated in the financial statements of the School.	including the six plots hence impairment of land may not be applicable. The land value is also appreciating upwards due to on – going developments in the area.			
2.3 Fixed Assets Register	The school does not maintain a comprehensive fixed asset register and it has, therefore, not been possible to verify and confirm the existence and location of property, plant and equipment with the net book value of Kshs. 5,736,167,426 as reflected in the financial statements for the year under review	The School engaged a professional valuer in 2013 to identify and value all assets existing in the newly established School of Government. The valuation report developed has been used as the baseline asset register with additions every year. The School is however, in the	Director, Finance and Administration	Unresolved	30/09/2018

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Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status	Timeframe to resolve the issue
2.4 Capital Work – in – Progress	<p>The Property Plant & Equipment balance of Kshs. 5,736,167,426 as at 30 June 2017 reflects an amount of Kshs. 858,320,214 in respect of capital work in progress. The amount of capital work in progress includes a balance of Kshs. 434,899,817 comprising of brought forward balance from the previous years in respect to various capital projects and therefore not possible to determine when they will be transferred to their respective assets;</p> <p>(i) Customer care building in Mombasa Campus works in progress amounting to Kshs. 309,000</p> <p>(ii) Baringo Campus three projects works in progress totalling to Kshs.26,148,334</p> <p>(iii)Embu Campus Administration Complex works in progress amounting to Kshs. 222,790,366</p> <p>(iv) Mombasa Campus Ultra – Modern Conference centre works in progress brought forward of Kshs.</p>	<p>The School has provided the breakdown of the projects and cumulative work – in – progress with reasons why the projects have not been completed and therefore not yet transferred to their respective assets.</p>	Director General	Unresolved	30/09/2018

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	185,961,116 and payments totalling to Kshs. 226,724,007 certified by project manager as at 30/06/2017.				
Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status	Timeframe to resolve the issue
3.1 Trade Debtors	<p>Trade debtors as disclosed in Note 25 with a gross of Kshs.1,077,224,754 as at 30/06/2017 (Kshs.895,976,708 as at 30/06/2016) includes an amount of Kshs. 673,185,954 or about 62.2% that has been outstanding for over 120 days. Any provision that would have been necessary over and above the Kshs. 121,054,411 already provided in relation to this uncertainty has not been incorporated in these financial statements.</p> <p>In addition, the general provision for bad and doubtful debts of 11% made on all trade debtors as at the end of the year yields a figure of Kshs. 118,549,692 while the recorded provision is Kshs. 121,054,411 resulting to unexplained variance of Kshs. 2,504,719. Further, included in the trade debtors are receivables from non – existence or defunct institutions which owed the School of Government an amount of Kshs. 12,941,303. The</p>	<p>Some of the long outstanding debts include Kshs. 149,463,698 from World Bank through the Ministry of State for Public Service, Youth and Gender Affairs for Kenya Development Support Program (KDSP).</p> <p>Further, most of the School clients are County Governments, Ministries, State departments, Agencies</p>	Director General	Unresolved	30/09/2018

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	<p>recovery of the receivables is doubtful and no provision has been made against these debts.</p>	<p>and State corporations (CMDAs). However, other CMDAs may not be able to make payments before and during the program due to the delay in exchequer releases, but they provide commitment letters and local service orders. The School continues to issue demand letters to customers and has designated a debt collection desks in each Campus.</p>			
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Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status	Timeframe to resolve the issue
3.2 Other Receivables	Disclosed under Note 25 to the financial statements are other receivables balance of Kshs. 34,643,903 which includes an unsupported amount of Kshs. 20,077,084 in respect of Embu Campus that has been outstanding for the last four years. Information available indicates that balance relates to financial year 2013/2014 but there are no sufficient supporting documents or explanations on who the amounts are due from and why. In addition, a credit of Kshs. 5,693,300 processed in this account during the current financial year has not been explained or supported. Further, although this balance has been outstanding for over four years, there has been no provision for its non – recovery in the financial statements.	The School has provided a movement ledger/schedule for the amount of Kshs. 20,077,084 for Embu station.	Director, Finance and Administration	Unresolved	30/09/2018

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Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status	Timeframe to resolve the issue
3.3 Staff Debtors	The staff debtors of Kshs. 3,619,921 as disclosed in Note 25 to the financial statements include outstanding imprests amounting to Kshs. 571,304 owed by officers who have since left the service of the School. The recovery of these debts is doubtful and no provision has been made against the balance. Under the circumstances, the receivables from exchange and non – exchange transactions balance of Kshs. 994,454,167 as at 30/06/2017 is not fairly stated.	The School has issued demand letters to staff who have left employment to settle outstanding imprest records. Follow up has also been made on telephone demanding them to surrender their imprest.	Director, Finance and Administration	Unresolved	30/09/2018
4.1 Trade Payables	Trade and other payables balance of Kshs. 758,091,168 as at 30/06/2017 includes an amount of Kshs. 28,445,850 under trade payables in respect of goods received note (GRN) accruals that were not supported by a detailed analysis of the specific GRN that were outstanding as at 30.06/2017. Consequently, it has not been possible to confirm the accuracy of the balance of trade payables as at 30.06/2017	The detailed schedule supporting the GRN accruals has been provided to the external auditors for review.	Manage, Finance	Unresolved	30/09/2018

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Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status	Timeframe to resolve the issue
4.2 Third Party Payments	Trade and other payables balance of 758,613,168 as disclosed in Note 27 to the financial statements at 30/06/2017 also includes an amount of Kshs. 56,713,124 in respect to third party payments. The amount relates to cash deposits into the bank accounts whose depositors have not been identified. A detailed analysis of the composition of this balance as at 30.06/2017 was not however provided for audit review. Consequently, the completeness and accuracy of the balance could not be confirmed.	These are mainly funds banked by customers who are yet to present their banking slips to facilitate issuance of receipts. Reconciliation is underway and the findings will be submitted to the bank to ascertain the payees and posting of the amounts will be done in the correct customer account during the Financial Year 2017/2018.	Manage, Finance	Unresolved	30/09/2018
Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status	Timeframe to resolve the issue

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4.3 VAT Payable	<p>Trade and other payables balance of Kshs. 753,613,168 as at 30/06/2017 includes an amount of Kshs. 47,102,212 for the VAT payable as disclosed in note 27 to the financial statements. However, an amount of Kshs. 7,707,829 only was supported by VAT returns as at 30/06/2017 resulting to an unexplained variance of Kshs. 39,393,383. Consequently, the accuracy of the VAT payable balance cannot be ascertained.</p>	<p>The School is making arrangements to settle with KRA the balance of Kshs. 39,397,383 noted during audit.</p>	Director General	Unresolved	30/09/2018
4.4 Other Payables	<p>Included under Other Payables of Kshs. 33,754,351 as at 30/06/2017 are statutory deductions for PAYE, NSSF and NHIF. No relevant supporting information and break – down of figures were provided in respect of deductions and the specific periods and are likely to attract penalties from the relevant authorities.</p> <p>Further, the other payables balance of Kshs. 33,754,351 as at 30/06/2017 include withholding VAT of Kshs. 11,888,069 whose composition or detailed analysis of the VAT retention certificates was not provided for audit verification.</p>	<p>The School has provided the relevant supporting information for PAYE, NSSF, NHIF and VAT and break – down of figures to the external auditors for review and consideration.</p>	Manage, Finance	Unresolved	30/09/2018

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	Under the circumstances, the accuracy and validity of the trade and other payables balance of Kshs. 758,091,168 as at 30/06/2017 could not be confirmed.				
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Joseph Musyoki
 Chairperson Finance & General Purpose Committee
 For Chairman of the Council

Date:..... 2/05/2019



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Ludeki Chweya, Ph.D., CBS
 Director General & Chief Executive Officer

Date:..... 2nd May 2019

Appendix II: Projects Implemented by the Entity

Projects

The projects implemented by the Kenya School of Government were funded by government development grants and internal sources. During the year under review, the School of Government did not have any project funded by development partners. The following Table summarizes the status of projects implemented by the School of Government and their levels of completion;

Status of Projects completion

S/No	Project	Total project cost	Total expended to date	Completi on to date	Budget	Actual	Sources of funds
		Kshs.	Kshs.	%	Kshs.	Kshs.	
1	Administration block	171,271,670	117,271,670	100%	137,429,688	117,271,670	G.O.K
2	Ultra – modern complex	830,210,663	311,246,539	37%	115,475,000	311,246,539	G.O.K
3	Water purification plant	4,343,856	4,343,856	100%	4,350,000	4,343,856	Revenue
4	Refurbishment of Mzima hostel	42,604,470	33,230,000	78%	50,532,000	33,230,000	Revenue
5	Refurbishment of Sabaki	7,928,450	-	0%	7,928,450	-	Revenue
6	Renovation of Wasini wet areas	3,806,325	2,607,000	68%	3,806,325	2,607,000	Revenue
7	Renovations to SOI Hostel	38,841,617	38,841,617	100%	38,841,000	38,841,617	Revenue
8	Construction of the Auditorium	660,660,660	633,194,862	96%	296,013,000	633,194,862	Revenue
9	Construction of Cottages	15,000,000	14,590,251.49	97%	15,000,000	14,590,251.49	Revenue
10	Completion of Deputy Director's House	4,400,000	-	85%	4,400,000	-	Revenue
11	Extension of VIP Guest Wing	4,871,370	-	60%	5,000,000	-	Revenue
Total		1,783,939,081	1,155,325,795		678,775,463	1,155,325,795	

Appendix III: Inter – Entity Transfers

Entity Name:		Ministry of Public Service, Youth and Gender Affairs		
Break down of Transfers from the State Department of Public Service and Youth				
Financial year 2017/2018				
a.	Recurrent Grants			
	Bank Statement Date	Amount (Kshs.)	FY	
	13/09/2017	24,882,889.00	2017-2018	
	14/02/2018	36,555,618.00	2017-2018	
	20/06/2018	45,956,455.00	2017-2018	
	Total	107,394,962.00		
b.	Salary Grants			
	14/09/2017	52,803,592.00	2017-2018	
	16/01/2018	52,803,592.00	2017-2018	
	08/05/2018	52,803,592.00	2017-2018	
	20/06/2018	52,803,592.00	2017-2018	
	Total	211,214,368.00		
c.	Development Grants			
	Bank Statement Date	Amount (Kshs)	FY	
	15/09/2017	137,424,425.00	2017-2018	
	Total	137,424,425.00		
d.	Donor Receipts			
	Bank Statement Date	Amount (Kshs)	FY	
	NONE	-		
	Total	-		

The above amounts have been communicated to and reconciled with the State Department for Public Service and Youth.

Appendix IV: Recording of Transfers from other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/ recognized				Total Transfers during the Year	
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables		Others
Ministry of State for Public Service Youth & Gender	2017/2018	Recurrent	320,291,287	320,291,287	-	-	-	-	320,291,287
Ministry of State for Public Service Youth & Gender	2017/2018	Development	137,424,425		-	137,424,425	-	-	137,424,425
Total			457,715,712	320,291,287	-	137,424,425	-	-	457,715,712

