

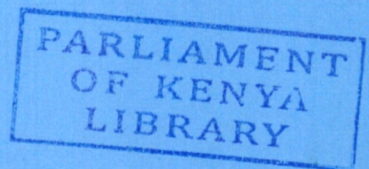
REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY
DATE: 20 JUN 2023
Tabled BY: Hon Owen Baya, MP
Deputy leader, Majority
Opposition
Presented AT THE TABLE: Inzofu mwale
Tuesday



REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA EDUCATION MANAGEMENT
INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE, 2022**



KENYA EDUCATION MANAGEMENT INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Institute was established as the capacity building agency of the Ministry of Education Under Legal Notice no. 19 of 2010. Under the legal notice no. 163 of 2011 the Institute changed its name from Kenya Education Staff Institute (KESI) to Kenya Education Management Institute (KEMI)

(b) Principal Activities

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

Vision:

A leading institution in management development for education managers.

Mission:

To provide training, conduct research and undertake consultancy services that promote capacity development of education managers.

Core Values:

Integrity

Professionalism

Teamwork

Quality customer service

Innovativeness

Respect for the environment

(c) Key Management

KEMI day-to-day management is under the following key organs:

- Council;
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director/CEO	Dr. Maurice O. Odondo, PhD
2.	Deputy Director Corporate Services	CPA. Richard Thomi
3.	Deputy Director Management Development	Mr. Wycliffe Wasike
4.	Head of Finance	CPA. Grace Wahura
5.	Head of Procurement	Ms. Jackline Lumwachi
6.	Head of Human Resource	Mr. Kepha Owino
7.	Head Internal Audit	CPA Samuel Mawega

(e) Fiduciary Oversight Arrangements

Audit and Risk Committee

Mandate:

The Audit Committee plays the following roles:-

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

Finance committee

Mandate:

The committee plays the following roles:-

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

(f) Entity Headquarters

P.O Box 62592 00200,
Mtama Road,
Nairobi, Kenya

(g) Entity Contacts

Telephone: 0718 518422

E-mail: info@kemi.ac.ke

Website: www.kemi.ac.ke

(h) Entity Bankers

1. National Bank of Kenya
Harambee Avenue Branch
P.O Box 41862
Nairobi
2. Equity Bank Ltd,
Tom Mboya Branch,
P.O Box 10369
Nairobi


(i) Independent Auditors


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

(j) Principal Legal Adviser




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

2. THE BOARD OF DIRECTORS/COUNCIL

Ref	Council	Details
1.	 <p data-bbox="252 833 699 972"> Dr. Julius O. Jwan, CBS Principal Secretary Early Learning and Basic Education </p>	<p data-bbox="842 380 1418 1160"> Dr. Julius O. Jwan, CBS is the Principal Secretary Early Learning and Basic Education. He previously served as the Director/CEO at the Kenya Institute of Curriculum Development (KICD). He holds a PhD Degree in Educational Leadership & Management and a Master of Science (MSc) Degree in Educational Research Methods – both from the UK. He also holds a Master of Philosophy (MPhil) Degree in Education Communication & Management from Norway and another master’s degree in Linguistics from Moi University where he also graduated with a Bachelor of Education Degree. </p> <p data-bbox="842 1182 1418 1478"> Prior to joining KICD, he was the Director – Programmes and Technical Services at the National Cohesion and Integration Commission (NCIC). He was also lecturer at Moi University and a teacher at a secondary school and Teachers’ Training College. </p>

2.	 <p>Dr. Maurice O. Odondo CEO/Secretary</p>	<p>He is the CEO, Kenya Education Management Institute (KEMI). Prior to his appointment, Dr. Odondo was the Deputy Director Training, Research and Consultancy Department. He previously acted as Deputy Director Corporate Services Department and Head of School of Management Division at the Institute. He was a Member Representative (MR) of Quality Management Systems for the Institute and coordinator of ISO 9001:2015. He has 24 years' experience in the education sector having contributed in various capacities. He holds a Bachelor Degree in Education (Arts) from Moi University, Master of Business Administration from Kenyatta University and Doctor of Philosophy in Business Administration from JKUAT. Dr. Odondo is a member of Kenya Association for Public Administration and Management (KAPAM). He is a renowned trainer in leadership and management, an author of education management books; he has published in various Journals and presented papers at national and international educational conferences. He champions the provision of quality, relevant and inclusive education to humanity</p>
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3. MANAGEMENT TEAM

No.	Management	Details
1.	 Dr. Maurice O. Odondo PhD Business Administration, Master of Business Administration, B.Ed (Arts).	He is the Director/CEO, Secretary to the Council and the Accounting Officer.
2.	 CPA Richard Thomi MBA, B.Com (Accounting option), CPA (K).	Deputising the Director/CEO and in charge of corporate services
3.	 Mr. Wycliffe Wasike M.A (Communication), B.Ed.	Deputising the Director/CEO and in charge of management development

4.	 CPA Grace Wahura B.Com (Finance), CPA (K).	In charge of Finance and Accounts
5.	 Mr. Kepha Owino Higher Diploma in Human Resource Management.	In charge of Human Resource Management and Development
6.	 Ms. Jackline Lumwachi. Bachelor of Business Management (Purchasing and Supplies) Diploma in Procurement and Logistics	In charge of Supplies Chains management.
7.	 CPA Mr. Samuel Ochieng Mawega, Bachelor of Commerce CPAK	In charge of Internal Audit

4. CHAIRPERSON'S STATEMENT

We are pleased to showcase our successes for 2021/2022 in this annual report. The Institute increased its focus on capacity development in education management by improving access to training programs while improving quality. These programs drive education quality and have the greatest impact on education service delivery.

KEMI's proven strategy is well executed by a strong management team and eighty-eight employees contributed to the success of the Institute's capacity development program.

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

I would like to thank the KEMI Council and management team for the achievements made in F/Y 2021/2022. I am truly privileged to work with this team, which brings commitment and enthusiasm to work and carries it forward to enrich our clientele.

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

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

As we now direct our attention to F/Y 2022/2023, we look forward to the future because we are confident that KEMI will remain focused on delivering strong results.



Julius Jwan, PhD, CBS

Principal Secretary

Early Learning & Basic Education

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

Much of our work in Kenya Education Management Institute (KEMI) focuses on developing the capacity of education managers to meet the 21st century challenges. As we present our F/Y 2021/2022 annual report, it is worth asking a fundamental question to KEMI's mission: Why capacity development? At KEMI our capacity development program is about understanding the issues that inhibit education managers from realizing educational goals while enhancing their knowledge and skills that will enable them to achieve measurable and sustainable results.

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

It is worth noting that in the previous years, 84% of School heads and Deputies have been taken through the Diploma in Education Management. Regarding FY 2021/2022, the Institute has made great achievements in inducting the newly appointed heads of schools and deputies. Groups that were taken through the Diploma in Education Management include among others, Quality Assurance and Standards Officers, Adult Education Officers, and Technical and Vocational Managers.

We are confident that operational and financial performance will improve further during F/Y 2022/2023 enabling us to achieve our set targets for the year.

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



Dr. Maurice Odondo

Chief Executive Officer

6. STATEMENT OF KEMI's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

KEMI has six (6) strategic pillars and objectives within the current Strategic Plan for the FY 2018-2022.

These strategic pillars/ themes/ issues are as follows:

- I) To enhance management competences for leaders, managers and administrators in the education sector.
- II) To enhance research and consultancy in KEMI for creation, and dissemination of knowledge for continuous improvement of management of institutions.
- III) To leverage technology (ICT) to enhance training and administrative activities.
- IV) To improve and upgrade KEMI's physical facilities and infrastructure.
- V) To expand KEMI's resource base and enhance visibility
- VI) To improve a culture of ownership, efficiency and effectiveness in policy execution among KEMI staff.

KEMI develops its annual work plans based on the above 6 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KEMI achieved its performance targets set for the FY 2020/2021 period for its 9 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
To enhance management competences for leaders, managers and administrators in the education sector.	Train education managers	i) Number of reviewed training programs curriculum and updated modules, ii) Number of Trained KEMI test developers and examiners iii) Number of proposals written to MoE and County governments to offer training to their education managers iv) Designed curricula for certificate courses v) Existence of e-learning materials and infrastructure to support e-learning. vi) Subscription to Kenya Library and Information Services Consortium to acquire 30,000	Review training programs and curriculum	Reviewed 19 curricula and training manuals: Digitized 8 modules and training manuals

		<p>electronic resources</p> <p>vii) Number of Identified ESD centres</p> <p>viii) Number of Partnership proposals and MoUs</p> <p>ix) Enterprise Risk Management Plan</p> <p>x) Enterprise Risk Management Reports</p>		
<p>To enhance research and consultancy in KEMI for creation, dissemination of knowledge for continuous improvement of management institutions.</p>	<p>To enhance research and consultancy in KEMI for creation, and dissemination of knowledge for continuous improvement of management of institutions.</p>	<p>i) A report on proceedings of a brainstorming workshop on enhanced research functions and consultancy services for KEMI.</p> <p>ii) Draft policy.</p> <p>iii) Number of successful Grant applications per year.</p> <p>iv) Report on staff training.</p> <p>v) Proposal and implementation plan on M&E.</p> <p>vi) A report on the findings of impact assessment for ODFL</p> <p>vii) A TNA report on the various cadres of clients.</p> <p>viii) Proposals on soliciting for funded consultancy projects</p> <p>ix) Number of publications produced in the Journal annually.</p>	<p>Benchmark with universities that offer education management and planning on best practices in research and consultancy services.</p> <p>Develop a research policy on education management for KEMI</p>	
<p>Leverage technology (ICT)</p>	<p>To leverage technology (ICT) to enhance training and administrative activities.</p>	<p>a) Reviewed and updated policy that includes the guiding standards.</p> <p>b) Audit report on ICT status, and ICT training needs</p>	<p>Review institutional ICT policy to align it to</p>	

		<p>assessment for staff</p> <p>c) Installed ICT equipment and software</p> <p>d) Upgraded ICT software and hardware</p>	<p>the national ICT policy that includes the guiding standards. Conduct automation audit and undertake ICT training needs assessment for staff</p> <p>Increase funding for ICT equipment and software including: LMS, HRMIS, IFMIS, ERP and digital registration platform</p>	
Infrastructure and facilities	To improve and upgrade KEMI's physical facilities and	<p>Constructed perimeter wall.</p> <p>Proposals to solicit funding from GoK. Five-year master development plan and MoUs on PPPs.</p>	<p>Audit facilities annually to determine</p>	

	infrastructure	Renovation and maintenance reports Number of security facilities installed	level of utilization Renovate KEMI Parklands facilities and infrastructure	
Resource mobilization and visibility of KEMI	To mobilize resources	<p>a. Percentage of increase in research grants, evidence of creation and operationalization of KEMI's fundraising activities.</p> <p>b. Amount of revenue generated from IGUs; Number of IGUs established.</p> <p>c. Proposal for increasing capitation to the Cabinet Secretary, MoE</p> <p>d. Reviewed: austerity measures; utilization of allocated funds; and compliance with the set budgetary levels.</p> <p>ii) Promotional brochures on training programmes. Number of hits on KEMI website per year.</p> <p>a. Number of public events at</p>	<p>Enhance partnerships and collaborations with alumni, donors, public and private sector for fund raising</p> <p>Develop more income generating units (IGUs). Prepare a cost reduction plan. Promote corporate image by advertising KEMI's training programmes during forums such as heads of schools/institutes conferences.</p>	

		KEMI.		
Governance, leadership and institutional culture	To enhance Governance, leadership and institutional culture	i) Draft policy for professional development of staff ii) Skill gap analysis iii) Reviewed staff establishment	Develop a policy for professional development of staff Conduct skills gap analysis Review and update staff establishment Review and update career progression guidelines to align them with the PSC requirements.	

7. CORPORATE GOVERNANCE STATEMENT

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

Compliance

The Council is compliant with the provisions of but not limited to the following Acts and regulations: KEMI Legal Notice 19/2010, Education Act No. 14 of 2013, Occupational Safety Health Act and Public Procurement & Disposal Act 2005.

Separation of powers

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

Responsibilities of the Council

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

1. Formulate, with the approval of the Cabinet Secretary, policies pertaining to the management and implementation of the objects of the Institute;
2. Administer the property and funds of the Institute in such manner and for such purposes as shall best promote that interests of the Institute; Provided that the Council shall not dispose of the immovable property of the Institute without the approval of the Cabinet Secretary;
3. Receive, on behalf of the Institute, donations, endorsements, gifts, grants or other monies, and other monies, and to make legitimate disbursements therefrom;
4. Borrow, generate and raise funds for the purposes of the Institute;
5. Appoint suitable staff of the Institute upon such terms and conditions as it may determine;

6. Receive reports from the Director or any officer of the Institute in respect of financial and other circumstances of the Institute, and to direct any action to be taken by the Director or such officer;

7. Establish facilities in any place (whether in or outside Kenya) for the better discharge of its functions and responsibilities under this Act; and purpose of the Institute.

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

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

Council Remuneration

Council Allowances are paid in line with the State Corporations Regulations Circular as follows:

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

Conflict of interest and Declaration of interest

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

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

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

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

Board Committees

The Council is made up of 4 committees:

1. Audit
2. Training
3. Finance and General Purpose Committee
4. Human Resource Development

8. MANAGEMENT DISCUSSION AND ANALYSIS

In pursuit of institutional relevance, KEMI developed the current strategic plan, covering a period of five years (2018-2022) that coincides with the implementation of National Education Strategic Sector Plan (NESSP) 2018-2022. This Strategic Plan is embedded within Kenya's development agenda. It captures the spirit of the Constitution of Kenya and a host of other legal and regulatory frameworks such as: Basic Education Act (2013) and Vision 2030 Medium Term Plan III (2018-2022) that incorporates the "Big Four Agenda". It is also informed by Kenya's National Education Sector Plan (NESP) 2013-2018 that has been the Government's blue print for delivering the education reforms.

Operations and financial performance:

Items	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	Kshs	Kshs	Kshs	Kshs
Revenue from non - exchange transactions	88,900,000	82,400,000	88,900,000	88,994,138
Revenue from exchange transactions	147,941,175	26,622,177	77,263,861	52,852,962
Total Revenue	236,841,175	109,022,177	166,163,861	141,847,100
Expenses				
Staff Costs	80,000,238	80,020,278	82,154,250	77,017,174
Administrative expenses	119,403,549	46,106,903	86,630,500	62,820,679
Depreciation and Amortization Expense	14,956,346	12,749,561	12,531,517	14,179,216
Council Expenses	0	9,720,507	2,940,728	3,615,140
Finance Cost	200,397	40,160	47,790	28,528
Total Expenses	214,560,531	148,637,410	184,304,784	157,660,736
Surplus / Deficit for the year	22,280,644	(39,615,233)	(18,140,923)	(15,813,636)

Key Projects:

The institute has had no major project but has continued to carry out minor alterations of its infrastructure.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
			Kshs	Kshs
Plant & Machinery	102,080	392,392		
Minor alterations	5,603,953	0	513,670	2,928,721
Motor vehicle	10,894,800	0	0	7,909,492
Furniture & Fittings	176,110	0	0	0
Computer & Other Equipments	1,114,200	0	0	0
Total	17,891,143	392,392	513,670	10,838,213

Compliance with statutory requirements:

KEMI has fully complied with statutory requirements. As a result the Institute has no arrears in statutory neither other financial obligations.

Major risks facing KEMI:

Type of Risk	Mitigation Strategy
Inadequate GoK grant	<ul style="list-style-type: none"> a) Lobby for budgetary allocation b) Enhance resource mobilization
Credit Risk	<ul style="list-style-type: none"> a) It is the risk that counterparty will default on the contractual obligation, resulting in financial loss. KEMI's credit risk is managed by the Head of Income Generating Projects by ensuring that relevant documentation is obtained before any engagement, to allow follow up on such payments.
Operational Risk	<ul style="list-style-type: none"> a) This Risk is being managed by the Deputy Director Training through introduction of new programmes hence diversification.
Loss of key data due to fire, sabotage, power fluctuations, obsolesce and hackings.	<ul style="list-style-type: none"> a) Continuously update and upgrade systems and applications b) Develop comprehensive data recovery plan. c) External storage and continuous backup d) Secure appropriate insurance cover
Inadequate staffing	<ul style="list-style-type: none"> a) Implement staff establishment and scheme of service

	<ul style="list-style-type: none"> b) Administer succession planning c) Staff to embrace the culture of multi-tasking d) Continuous training e) Outsource non-core services
Staff turnover	<ul style="list-style-type: none"> a) Undertake comprehensive job evaluation b) Review of terms of service c) Classification of the Institute as a state corporation d) Implement scheme of service. e) Develop staff retention and development plan.
Squatter invasion of land at KEMI/ Kayole	<ul style="list-style-type: none"> a) Comply with laws governing eviction b) Construction of a perimeter wall.
Public education agencies undertaking the legal mandate of KEMI	<ul style="list-style-type: none"> a) Lobby for the development of a capacity building policy to harmonize capacity building activities undertaken by the players.

Review of the sector and future development

The Education Sector has identified the programmes to be implemented during the MTP III period. The sector focuses on capacity building as a strategy to effectively and efficiently: revitalize the existing VTCs; roll out the Competency Based Curriculum; operationalize National Education Management Information System; integrate ICT in Secondary Education; operationalize Institutional Based Quality Assurance; and implement Special Needs Education. In addition, the sector focuses on establishment of 47 Education for Sustainable Development (ESD) model institutions. These institutions are intended to be demonstration centres for best management practices that could also serve as a basis for undertaking research to identify gaps relating to access, equity, and quality in education management; and subsequently disseminate research findings to inform policy. KEMI is expected to develop and implement capacity building programs to enhance management practice, skills and knowledge of education managers.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KEMI exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

KEMI will refocus itself as a vibrant institution able to achieve its mandate and fulfil the expectations of the stakeholders. It also recognises the vital role of KEMI in national development. There is therefore need for KEMI to strengthen its research and consultancy functions on education management. Towards this end, KEMI could play a key role in monitoring the implementation of the Competence Based Curriculum, the Digital Literacy Programme and the free primary and secondary education initiative for the Ministry of Education.

ii) Environmental performance

The Institute use the Education for Sustainable Development (ESD) as a guiding policy which articulates how to conserve the environment and all its components. KEMI has succeeded in securing partnerships with other organizations like Equity Bank to plant over 500 trees within the Institute but is however faced with the challenge of the extended drought. To manage biodiversity, KEMI has come up with a botanic garden where indigenous trees are planted. The Institute also has waste bins to segregate waste to enable re-use, recycle and repair where applicable. The Institute has also intensified awareness creation and waste management, biodiversity through notice board posters around the Institute.

iii) Employee welfare

The Institute has undertaken following strategies and objectives geared towards employee's welfare

Strategic Focus Area	Objective	Activity	Achievements
Develop a policy on professional development of staff	Develop a policy on professional development of staff	Human Resource Policy documents forwarded to PSC	Human Resource Policy developed
Conduct skill gap analysis	skill gap analysis report	Implementation ongoing	Skill gap analysis report developed
Conduct training on accountability and	Staff training	Online training through different professional bodies	Trained all trainers at KSG on SMC and SLDP other staff

good governance			have been trained on in-house training
Review and update staff establishment and career progression guideline.	Reviewed staff establishment	Documents on staff establishment and career progression forwarded to SRC.	Consultant engaged and reviewed HR policy documents
Put in place mechanisms to safeguard staff welfare	To ensure safety and comply with occupational safety and health	Mitigate against technological hazards, terrorism, fire and natural disasters	Fire drill, maintenance of fire extinguishers

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

To ensure a health and responsible competition the Institute has partnered with EACC which carries out annual evaluations in corruption and prevention indicator activities.

b) Responsible Supply chain and supplier relations

The Institute carry's out training on procurement procedures to the prequalified suppliers and ensures 30% of total procurement is awarded to youth, women and PWDs. KEMI pays suppliers within 7 days upon receipt of proper documentations as highlighted in the service charter.

c) Responsible marketing and advertisement

The Institute ensure Transparency, Honest, Respect and responsibility when marketing and advertising for its courses and facilities.

d) Product stewardship

KEMI ensures its clients and the public, are protected against unfair practices in the marketplace by safeguarding their information.

v) Corporate Social Responsibility / Community Engagements

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

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2022, which show the state of the KEMI affairs.

i) Principal activities

The principal activity of KEMI is training education managers in the Education sector.

ii) Results

The results of the entity for the year ended 30 June 2022 are set out on page 1 to 22.

iii) Directors

The members of the Board of Directors who served during the year are shown on page v.

iv) Auditors

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

By Order of the Board



Name: Dr. Maurice Odondo
Chief Executive Officer

Signature:

Date: 29 September 2022

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the KEMI financial statements, which give a true and fair view of the state of affairs of the KEMI for and as at the end of the financial year (period) ended on June 30, 2022. 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 KEMI; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the KEMI 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 and (the State Corporations Act) –The Directors are of the opinion that the KEMI financial statements give a true and fair view of the state of KEMI transactions during the financial year ended June 30, 2022, and of the KEMI financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the KEMI, which have been relied upon in the preparation of the KEMI financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the KEMI 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 KEMI financial statements were approved by the Board on 29 September 2022 and signed on its behalf by:



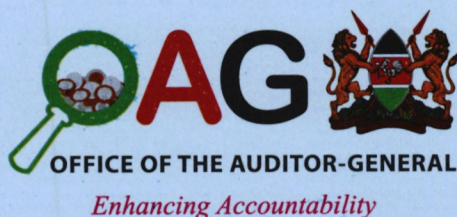
Name: Julius Jwan, PhD, CBS
Principal Secretary



Name: Dr. Maurice Odondo
Accounting Officer

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA EDUCATION MANAGEMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk Management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Education Management Institute set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of cash flows, statement of changes in net assets, statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit

Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Education Management Institute as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Legal Notice no.163 of 2011.

Basis for Qualified Opinion

1. Long Outstanding Receivables

The statement of financial position reflects a balance of Ksh.50,450,621 in respect of receivables from exchange transactions as disclosed in Note 10 to the financial statements. Included in this balance is an amount of Kshs.41,717,627 (83%) that has been outstanding for more than two (2) years. Review of the outstanding debtors revealed that a balance of Kshs.8,240,557 due from Kenya Institute of Curriculum Development has remained unpaid for two (2) years. Third party confirmation from the Institute on the existence of the debt could not confirm, since the Institute denied existence of such debt. Further, the balance includes rent amount of Kshs.1,684,964 that has been outstanding since November, 2013. The amount relates to two (2) staff who were transferred from the institute but have continued to occupy the Institute's premises. Management has made efforts to recover the amount and indicated the strategy used in recovery.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions balance of Kshs.50,450,621 could not be confirmed.

2. Encroachment of Institute's Land

As previously reported, the statement of financial position reflects a balance of Kshs.2,344,756,814 in respect of property, plant and equipment as disclosed in Note 12 to the financial statements. Included in the balance is a parcel of land measuring 15.45 hectares at Kayole in Nairobi valued at Kshs.950,000,000 which is partially encroached by informal settlers. The Management contracted a law firm on 18 October, 2010 to seek court orders for the eviction of the informal settlers, and notice of eviction was put on nationwide newspapers on 28 November, 2017. The Management further wrote to the parent ministry on 20 August, 2018 seeking intervention to evict the informal settlers. However, the matter had not been resolved by the end of the financial year.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Education Management Institute Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Long Outstanding Electronics Data Processing Equipment Receivable

As previously reported, the statement of financial position reflects a balance of Kshs.2,344,756,814 in respect of property, plant and equipment as disclosed in Note 12 to the financial statements which includes Electronics Data Processing (EDP) equipment valued at Kshs.2,419,237 issued to the Ministry of Education staff who had been seconded to the Institute. Available information indicates that although the total amount of Kshs.2,419,237 was recovered from the employees, the Ministry had only remitted Kshs.1,399,800 to the Institute. Review of the matter revealed that the Ministry had not remitted the balance of Kshs.1,019,437 by the end of the financial year.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of the most significant in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.285,234,496 and Kshs.236,841,175, respectively resulting to an under-funding of Kshs.48,393,321 or 17% of the budget. Similarly, the Institute expended Kshs.232,451,673 against budget of Kshs.285,234,496 resulting to an under-expenditure of Kshs.52,782,823 or 19% of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management, and overall 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 the Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

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.

The Council is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how Management 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Institute's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 April, 2023

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	<u>Notes</u>	<u>2021 - 2022</u> Kshs	<u>2020 - 2021</u> Kshs
Revenue from non - exchange transactions	2	88,900,000	82,400,000
Revenue from exchange transactions	3	<u>147,941,175</u>	<u>26,622,177</u>
Total Revenue		<u>236,841,175</u>	<u>109,022,177</u>
Expenses			
Staff Costs	4	80,000,238	80,020,278
Administrative expenses	5	119,403,549	46,106,903
Depreciation and Amortization	6	14,956,346	12,749,561
Council Expenses	7	-	9,720,507
Finance Cost	8	<u>200,397</u>	<u>40,160</u>
Total Expenses		<u>214,560,531</u>	<u>148,637,410</u>
Surplus/Deficit for the year		<u>22,280,644</u>	<u>(39,615,233)</u>

The notes set out on pages 9 to 22 form an integral part of these Financial Statements

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

Chief Executive Officer KEMI

Name: Dr. Maurice O. Oondo

Sign 

Date 29/09/2022

Head of Finance

Name: Richard Thomi

ICPAK M/NO: 6785

Sign 

Date 29/09/2022

Principal Secretary

Name: Julius Jwan,
PhD, CBS

Sign 

Date 29/09/2022

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	<u>Notes</u>	<u>2021 - 2022</u> Kshs	<u>2020 - 2021</u> Kshs
Assets			
Current assets			
Cash and cash equivalent	9	45,595,531	12,831,967
Receivables from exchange transactions	10	50,450,621	48,247,138
Receivables from non-exchange transactions	11	-	3,500,000
Total Current Assets		<u>96,046,151</u>	<u>64,579,105</u>
Non - current assets			
Property, plant and equipment	12	2,344,756,814	2,340,305,818
Intangible Asset	13	4,548,600	6,064,800
Total Non-Current Assets		<u>2,349,305,414</u>	<u>2,346,370,618</u>
Total assets		<u>2,445,351,565</u>	<u>2,410,949,724</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	27,564,021	15,442,823
Total Current Liabilities		<u>27,564,021</u>	<u>15,442,823</u>
Non-Current liabilities		-	-
Total Liabilities		<u>27,564,021</u>	<u>15,442,823</u>
Reserves and Surplus			
Revaluation Reserve	15(i)	2,284,463,085	2,284,463,085
Capital Reserve	15(ii)	44,164,375	44,164,375
Retained earnings	15(iii)	89,160,084	66,879,440
Total Net Reserves & Surplus		<u>2,417,787,544</u>	<u>2,395,506,900</u>
Total Net Assets and Liabilities		<u>2,445,351,565</u>	<u>2,410,949,723</u>

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

Chief Executive Officer KEMI

Head of Finance

Principal Secretary

Name: Dr. Maurice O. Oondo

Name: Richard Thomi

Name: Julius Jwan,

ICPAK M/NO: 6785

PhD, CBS

Sign 

Sign 

Sign 

Date 29/09/2022

Date 29/09/2022

Date 29/09/2022

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	REVALUATION RESERVE <u>Kshs</u>	CAPITAL RESERVE <u>Kshs</u>	RETAINED EARNINGS <u>Kshs</u>	TOTAL <u>Kshs</u>
As At July 1, 2020	2,284,463,085	44,164,375	106,494,674	2,435,122,134
Development Grant	-	-	-	-
Deficit for the year	-	-	(39,615,233)	(39,615,233)
As At June 30, 2021	<u>2,284,463,085</u>	<u>44,164,375</u>	<u>66,879,441</u>	<u>2,395,506,901</u>
As At July 1, 2021	2,284,463,085	44,164,375	66,879,441	2,395,506,901
Development Grant	-	-	-	-
Surplus for the year	-	-	22,280,644	22,280,644
As At June 30, 2022	<u>2,284,463,085</u>	<u>44,164,375</u>	<u>89,160,085</u>	<u>2,417,787,545</u>

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	<u>Notes</u>	<u>2021 - 2022</u> Kshs	<u>2020 - 2021</u> Kshs
Cash flows from Operating Activities			
Net Deficit/Surplus before tax		22,280,644	(39,615,233)
<i>Adjustment for:</i>			
Depreciation	12	13,440,146	11,233,361
Amortization	13	1,516,200	1,516,200
<i>Operating (Deficit)/Surplus before working capital changes</i>		<u>37,236,990</u>	<u>(26,865,671)</u>
Increase/Decrease in debtors	10	(2,203,482)	(1,148,299)
Increase/Decrease in debtors from non exchange	11	3,500,000	(3,500,000)
Decrease in payables	14	12,121,198	(2,481,581)
<i>Cash generated from operations</i>		<u>50,654,706</u>	<u>(33,995,551)</u>
Net cash from operating activities		50,654,706	(33,995,551)
Cash flows from Investing Activities			
Purchase of Fixed Assets	12	(17,891,143)	(392,392)
Purchase of Intangible Assets	13	-	-
Development Grant received		-	-
<i>Net cash used in investing activities</i>		<u>(17,891,143)</u>	<u>(392,392)</u>
Cash flows from Financing Activities			
		-	-
Net Increase in cash and cash equivalents		<u>32,763,563</u>	<u>(34,387,943)</u>
Cash and cash equivalents			
At the beginning of the year		12,831,967	47,219,910
At the end of year		<u>45,595,530</u>	<u>12,831,967</u>

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Director by:

Chief Executive Officer KEMI

Name: Dr. Maurice O. Odondo

Sign

Date 29/09/2022

Head of Finance

Name: Richard Thomi
ICPAK M/NO: 6785

Sign

Date 29/09/2022

Principal Secretary

Name: Julius Jwan, PhD,
CBS

Sign

Date 29/09/2022

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original Budget	Adjustments	Final budget	Actual on Comparable Basis	Performance Difference	% of Utilisation	Reason
	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue							
Government of Kenya (GOK) - (Revenue from Non Exchange Transactions)	88,900,000	-	88,900,000	88,900,000	-	0	
Government of Kenya - Development Grant	-	-	-	-	-		
Income Generating Activities - (Revenue from Exchange Transactions)	130,454,560	65,879,936	196,334,496	147,941,175	48,393,321	25	The Institute did not generate from Hire of facilities as anticipated due to reduced number of clients using KEMI Facilities.
Total Income	219,354,560	65,879,936	285,234,496	236,841,175	48,393,321		
Recurrent Expenditures							
Staff cost							
Basic Salaries	58,555,796.00	(4,000,000)	54,555,796.00	49,034,242	5,521,554	10	The Institute did not implement the new salary scheme due to delayed approval.
House allowance	16,992,000.00	-	16,992,000.00	14,674,050	2,317,950	14	
Leave allowance	1,250,640.00	-	1,250,640.00	354,000	896,640	72	
Entertainment,Extreneous,Risk & Other Allowances	2,721,928.00	438,072	3,160,000.00	1,690,326	1,469,674	47	
Commuter allowance	7,368,000.00	(1,000,000)	6,368,000.00	4,662,400	1,705,600	27	

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Employers NSSF	211,200.00	-	211,200.00	206,800	4,400	2	
Employers Pension	10,005,120.00	-	10,005,120.00	8,671,460	1,333,660	13	
Casual Wages	1,000,000.00	-	1,000,000.00	706,961	293,040	29	
Total Staff Cost	98,104,684.00	-4,561,928.00	93,542,756.00	80,000,238.38	13,542,517.62		
Operating & maintenance of motor vehicles	1,500,000.00	1,500,000	3,000,000.00	1,933,108	1,066,892	36	Reduced funding from GOK
Refined fuel & lubricants for transport	2,700,000.00	900,000	3,600,000.00	3,901,000	(301,000)	-8	
Foreign Travel	2,000,000.00	-	2,000,000.00	222,620	1,777,380	89	Reduced foreign travel
Domestic Travel	2,000,000.00	-	2,000,000.00	1,138,990	861,010	43	Reduced domestic travel
Telephone, Postage & Internet	2,530,000.00	1,200,000	3,730,000.00	3,143,662.41	586,338	16	Use of technology in communication services
Insurance cover	7,500,000.00	2,000,000	9,500,000.00	5,738,561	3,761,439	40	
Workmans compensation - WIBA	315,000.00	-	315,000.00	313,042	1,958	1	
COVID-19	2,350,000.00	-	2,350,000.00	1,116,369	1,233,631	52	Reduced cases of COVID - 19 in the country
Electricity and water	6,400,000.00	600,000	7,000,000.00	6,077,766	922,234	13	Reduced use of hostels
Gas & Other fuel	900,000.00	-	900,000.00	1,025,930	(125,930)	-14	
Printing & Publishing	200,000.00	-	200,000.00	44,500	155,500	78	Reduced training due to introduction of online training
Purchase of uniforms/ curtains	1,000,000.00	-	1,000,000.00	17,346	982,654	98	Reduced funding from GOK
Human Resource Development	2,500,000.00	3,500,000	6,000,000.00	5,441,538	558,462	9	Reduced training of staffs due emerging issues of Covid - 19

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Advertisement, CSR, Publicity	2,500,000.00	2,500,000	5,000,000.00	2,702,257	2,297,743	46	Reduced funding from GOK
Inst Clinic	150,000.00	-	150,000.00	73,404	76,596	51	Reduced cases of COVID - 19
Plant & Machinery maintenance	1,000,000.00	-	1,000,000.00	615,377	384,623	38	Reduced funding from GOK
Building & Stations maintenance & Garbage disposal	5,000,000.00	-	5,000,000.00	3,595,727	1,404,273	28	Reduced funding from GOK
Security Allowance	200,000.00	-	200,000.00	192,000	8,000	4	
Contracted Professional services	5,000,000.00	-	5,000,000.00	3,496,224	1,503,776	30	Reduced funding from GOK
Library Services	550,000.00	-	550,000.00	184,880	365,120	66	Reduced funding from GOK
Office stationery	900,000.00	-	900,000.00	891,654	8,346	1	
Food & Ration	7,000,000.00	-	7,000,000.00	7,207,382	(207,382)	-3	
Audit fee	660,000.00	-	660,000.00	660,000	-	0	
Training Programmes	15,000,000.00	50,000,000	65,000,000.00	67,841,762	(2,841,762)	-4	Reduced funding from GOK
ISO 9001:2015	2,000,000.00	-	2,000,000.00	-	2,000,000	100	Reduced funding from GOK
Consultancy Services	2,000,000.00	0.00	2,000,000.00	721,954	1,278,046	64	Reduced funding from GOK
EDP Expenses	1,509,200.00	0.00	1,509,200.00	926,960	582,240	39	Reduced funding from GOK
Increase in provision for receivables	0.00	0.00	0.00	68,149	(68,149)		
Research, Development & ESD Expenses	3,000,000.00	0.00	3,000,000.00	111,387	2,888,613	96	Reduced funding from GOK
Sub Totals	51,069,200	56,000,000	107,069,200	95,818,431	11,250,769		
Total Administrative Expenses	78,364,200	62,200,000	140,564,200	119,403,549	21,160,651		
Depreciation & Amotization	-	-	-	14,956,346	(14,956,346)		

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Council Expenses	6,455,000.00	(3,227,500)	3,227,500.00	-	3,227,500	100	KEMI did not have a sitting Council in the FY 2021/22
Finance cost	-	-	-	-	(200,397)		
Total Recurrent Expenditure	182,923,884	54,410,572	237,334,456	214,560,531	22,773,925	10	
Surplus for the period	36,430,676	11,469,364	47,900,040	22,280,644	25,619,396	53	
Development Expenditures							
Purchase of Plant & Machinery	3,000,000.00	0.00	3,000,000.00	102,080	2,897,920	97	The Institute was not funded for
Purchase of Furniture & Fittings	250,000.00	250,000.00	500,000.00	176,110	323,890	65	development The Institute was not funded for
ICT & Media Equipment	18,180,676.00	-2,280,636.00	15,900,040.00	1,114,200	14,785,840	93	development The Institute was not funded for
Minor Alterations	15,000,000.00	2,500,000.00	17,500,000.00	5,603,953	11,896,047	68	development The Institute was not funded for
Construction Works	0.00	0.00	0.00	-	-		development The Institute was not funded for
Motor Vehicles	0.00	11,000,000.0	11,000,000.00	10,894,800	105,200	1	development
Total Development Expenditure	36,430,676	11,469,364	47,900,040	17,891,143	30,008,897		
Total Budget	219,354,560	65,879,936	285,234,496	232,451,673	52,782,823		

18. NOTES TO THE FINANCIAL STATEMENTS

1.1 Statement of compliance and basis of preparation – IPSAS 1

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

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

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

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

1.2 Summary of Significant Accounting Policies

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

1.2.1 Depreciation

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

Furniture & Fittings & equipment	12.5%
Motor Vehicles	25.0%
EDP Equipment	33.0%
Plant & Machinery	10.0%
Building	2.5%
Intangible Assets	20%

1.2.2 Payables

Payables are stated at nominal value.

1.2.3 Receivables

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

1.2.4 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2021 - 2022</u>	<u>2020 - 2021</u>
	Kshs	Kshs
2 REVENUE FROM NON-EXCHANGE TRANSACTIONS		
Ministry of Education	88,900,000.00	82,400,000.00
	<hr/>	<hr/>
	<u>88,900,000.00</u>	<u>82,400,000.00</u>
3 REVENUE FROM EXCHANGE TRANSACTIONS		
Training Fees Income	128,460,368.00	17,910,995
Hire of Facility	15,683,112.00	5,093,466
Rent Income	3,673,466.00	3,381,616
Sale of Tenders	1,000.00	-
Printing Press	107,160.00	236,100
Sundry Income	16,069.00	-
Decrease in Provision for receivables	-	-
Farm Produce	-	-
Graduation Exhibition	-	-
	<hr/>	<hr/>
	<u>147,941,175</u>	<u>26,622,177</u>
4 STAFF COSTS		
Salaries	49,034,242	47,667,433.95
House Allowance	14,674,050	14,982,750.00
Leave Allowance	354,000	368,000.00
Commuter Allowance	4,662,400	4,795,000.00
Entertainment,Extreuous,Risk &Other Allowances	1,690,326	1,818,414.00
Employer NSSF	206,800	196,000.00
Employer Pension	8,671,460	8,676,334.00
Casual Wages		

	706,961	868,560.60
Gratuity	-	647,785.73
	<u>80,000,238</u>	<u>80,020,278.28</u>
5 ADMINISTRATIVE EXPENSES		
Contracted Professional Services	3,496,224	4,078,300.00
Security Allowance	192,000	192,000.00
Provision for audit fees	660,000	660,000.00
Motor Vehicle Repairs	1,933,108	1,447,281.30
Refined Fuel and Lubricants	3,901,000	2,467,818.00
Maintenance & Repairs of Buildings	3,595,727	2,745,228.88
Maintenance of Plant, Machinery & Equipment	615,377	762,355.16
Gas & Other Fuels	1,025,930	446,500.00
Domestic Travel	1,138,990	1,250,310.00
Foreign Travel	222,620	-
Insurance Cover	5,738,561	6,789,055.00
Telephone, Postage & Internet	3,143,662	1,642,839.00
Electricity and water	6,077,766	5,393,984.00
Library, Newspapers & Magazines	184,880	187,280.00
Stationery	891,654	439,969.00
Food & Rations	7,207,382	3,195,357.00
Staff Uniform	17,346	1,044.00
Printing	44,500	55,450.00
Advertisement, CSR & Publicity	2,702,257	93,100.00
Training Programmes Expenditure	67,841,762	9,586,344.00
Consultancy	721,954	332,140.00

Human Resource Development	5,441,538	3,169,270.00
EDP Expenses	926,960	1,371,500.00
Increase in provision for receivables	68,149	35,514.39
Institute Clinic	73,404	-
WIBA	313,042	-
Research, Development & ESD Expenses	111,387	1,046,733.37
COVID - 19	1,116,369	1,490,862.00
Total Administrative Expenses	<u>119,403,549</u>	<u>46,106,903.10</u>

6 DEPRECIATION AND AMORTIZATION EXPENSE

Property, Plant and Equipment	13,440,146.05	11,233,361.27
Intangible Assets	<u>1,516,200.00</u>	<u>1,516,200.00</u>
Total	<u>14,956,346.05</u>	<u>12,749,561.27</u>

7 COUNCIL EXPENSES

Sitting Allowance	-	3,062,303.00
Travel and Accomodation	-	5,778,204.00
Honoraria	<u>-</u>	<u>880,000.00</u>
Total	-	9,720,507.00

8 FINANCE COSTS

Bank charges	<u>200,397.00</u>	<u>40,160.00</u>
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9 CASH AND CASH EQUIVALENTS

Bank balances

National Bank - AC 600	1,117,037.20	194,742.00
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National Bank - AC 601	8,305,204.00	1,801,160.24
National Bank - AC 6-00	1,592.40	10,712.40
Equity Bank AC	34,065,971.05	8,272,678.05
Cash in hand	3,450.00	7,543.00
Mpesa AC	2,102,276.00	2,545,131.00
	45,595,530.65	12,831,966.69

10 RECEIVABLES FROM EXCHANGE TRANSACTIONS

✓FAWE Kenya	50,000.00	-
✓Aga Khan University	442,256.00	177,892
✓Kepsha	1,077,388.00	1,077,388
✓K.I.C.D	8,240,557.00	8,240,557
✓KNATCOM	3,329,900.00	5,137,760
✓Ministry of Education (MOE)	9,771,687.00	9,771,687
Maasai Mara (Narok University)	-	-
✓Rent	1,684,964.00	1,612,964
✓Telkom Kenya	1,215,000.00	1,215,000
✓APHRC	2,304,835.00	2,304,835
✓Technical University (Kenya Polytechnic)	9,122,400.00	9,122,400
✓Kenya Hockey Union	525,000.00	525,000
✓Kenya School of Government	1,754,500.00	1,554,400
✓Zinga Technologies	313,520.00	313,520
✓Garissa County Government	1,790,000.00	1,790,000
✓Laxman	22,000.00	141,000
✓NACADA	510,000.00	537,802
✓KLB	336,000.00	336,000
✓Azim Sameja		

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	119,200.00	119,200
✓ Lutheran World Federation	400,000.00	400,000
✓ Teachers Service Commission (TSC)	2,236,600.00	999,804
✓ Chrisco Church	72,000.00	167,000
✓ NAKONEK	401,030.00	56,376
✓ Nyeri County Assembly	775,000.00	775,000
✓ The D-Orbital Limited	70,800.00	70,800
Africa Educational Trust	-	65,200
Amco Group	-	50,000
Micro & Small Enterprises	-	46,400
✓ Kistar	46,000.00	46,000
✓ Francis Mwangi Ngunjiri	180,000.00	120,000
Prepaid Insurance Expense	4,388,312.00	2,773,333
✓ Walter Onditi	36,000.00	192,000
✓ Egerton University	492,000.00	-
✓ State Department for Post Training & Skills Development	304,000.00	-
TOTAL	52,010,949.00	49,739,318
Provision for Bad and Doubtful debts @ 3%	<u>1,560,328.47</u>	<u>1,492,180</u>
	<u>50,450,620.53</u>	<u>48,247,138</u>

11 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Ministry of Education - Recurrent Grant	-	3,500,000
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

Cost	LAND Kshs	BUILDING Kshs	PLANT & MACHINERY Kshs	MOTOR VEHICLE Kshs	FURNITURE & FITTINGS Kshs	COMPUTER & OTHER EQUIPMENT Kshs	TOTAL Kshs
As At 1 July 2020	2,050,000,000	320,917,591	19,964,330	20,639,492	29,328,797	39,553,713	2,480,403,923
Additions for the year	-	-	392,392	-	-	-	392,392
As At 30 June 2021	2,050,000,000	320,917,591	20,356,722	20,639,492	29,328,797	39,553,713	2,480,796,315
Additions for the year	-	5,603,953	102,080	10,894,800	176,110	1,114,200	17,891,143
As At 30 June 2022	2,050,000,000	326,521,544	20,458,802	31,534,292	29,504,907	40,667,913	2,498,687,458
Depreciation							
As At 1 July 2020	-	44,754,183	12,531,846	12,265,120	21,645,593	38,060,396	129,257,138
Depreciation 2020/21	-	6,904,085	782,488	2,093,593	960,401	492,795	11,233,361
As At 30 June 2021	-	51,658,268	13,314,334	14,358,713	22,605,994	38,553,191	140,490,499
Depreciation 2021/2022	-	6,871,582	714,447	4,293,895	862,364	697,858	13,440,146
As At 30 June 2022	-	58,529,850	14,028,780	18,652,608	23,468,358	39,251,049	153,930,645
Net book values							
As At 30 June 2022	2,050,000,000	267,991,694	6,430,022	12,881,684	6,036,549	1,416,864	2,344,756,814
As At 30 June 2021	2,050,000,000	269,259,323	7,042,388	6,280,779	6,722,804	1,000,522	2,340,305,816

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 INTANGIBLE ASSETS - SOFTWARE

Description	<u>2021 - 2022</u>	<u>2020 - 2021</u>
	Kshs	Kshs
Cost		
At beginning of the year	7,581,000	7,581,000
Additions	-	-
At end of the year	7,581,000	7,581,000
Additions - Internal development	-	-
At end of the year	7,581,000	7,581,000
Amortization and impairment		
At beginning of the year	1,516,200	-
Amortization and impairment	1,516,200	1,516,200
At end of the year	3,032,400	1,516,200
Impairment loss	-	-
At end of the year	3,032,400	1,516,200
NBV	4,548,600	6,064,800

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2021 - 2022</u> Kshs	<u>2020 - 2021</u> Kshs
TRADE AND PAYABLES FROM EXCHANGE		
14 TRANSACTIONS		
✓ Garissa High School	738,000	738,000
Office of the Auditor General	1,980,000	1,980,000
Kenya School of Government	114,000	114,000
Meg Merchants	136,900	308,880
Jane Wang Investments	-	4,350
Lacerick General Supply	-	93,200
Lensfarm Meat Packers	-	24,510
Computerways Ltd	755,000	-
Silibwet Services	77,960	-
National Bank of Kenya Ltd	201,107	708,850
State Department For Livestock Dairy Training Institute	-	196,500
Blazetech Solutions	119,050	-
ABNO Softwares	-	2,444,200
Naivas Limited	325,974	-
Bible Translation & Literacy (BTL)	368,700	302,500
The Copy Cat	294,873	202,841
Rentokil Initial	113,355	108,156
Diamond Concept Agencies	257,500	429,050
Truveta Agencies	177,576	414,512
Camtec Investment Limited	53,800	160,275
Tiladome Limited	-	234,135
Frebtech Office Solutions	126,559	282,642
Madara Motor Services		

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	113,100	245,750
BI-TEX Enterprises	239,480	318,510
Proximity (K) Limited	225,610	346,800
Silverside Butcheries And Meat Supplier	117,594	206,200
Vedia Ventures Ltd	100,105	279,353
Jamsil Enterprises Ltd	-	236,500
Outspan Medical College Nyeri	-	7,000
Ndia Technical And Vocational College	-	7,000
Isuzu East Africa	5,288,875	113,302
All Bin Garbage Management Services	30,000	45,000
Kenya Power	328,484	293,832
Nairobi Water	129,040	103,885
John Mutevu Nzivo	8,000	8,000
Isaiah Kaluai Thiruane	8,000	8,000
Mujas Holding Ltd	214,350	133,360
Davell Intelligence Agency	-	288,400
Wali Suppliers	15,500	15,500
Coolmaxx Refrigeration	-	109,200
CFAO Motors Kenya Limited	5,802,816	109,832
Maverick Suppliers	-	67,818
Saljoy Enterprises	270,300	85,000
Avoc Kenya Limited	-	365,304
Sweet Lake Resort	-	77,500
NHIF	4,050,749	2,559,999
Rosawam Company	-	70,000
Nanyuki Sports Club	-	414,000

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Multigraph Machinery Kenya Ltd	-	181,178
Maven Studios Limited	10,000	-
Chuka Girls' High School	5,000	-
Kerugoya Boys High School	5,000	-
Intellspark Limited	359,200	-
Kenya Industrial Training Institute	350,000	-
projector Technologies & Communication Ltd	26,000	-
Attic Tours And Travel Ltd.	29,750	-
Technology Primary School	5,000	-
Juwaba Women Group	7,000	-
St. Marks Teachers College Kigari	15,000	-
Nyambaria High School	10,000	-
Makueni Early Childhood Education Teachers Training Institute	5,000	-
Machakos Academy Mixed Primary And Girls High School	9,000	-
Kakamega High	7,500	-
Kitui Multipurpose Development Training Institute	5,000	-
Kerugoya Boys High School	5,000	-
Chuka Girls' High School	5,000	-
Bunyore Girls High School	15,000	-
Kisii School	10,000	-
St.Marys' Girls Boarding Primary School	7,500	-
Kaplong Girls High School	7,500	-
Moi Nyeri Complex Primary School	6,000	-
Sing'ore Girls Secondary School	10,000	-
Nandi North Dicece College	10,000	-
Kasagam Secondary School	-	-

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	8,000	-
Nanyuki High School	5,000	-
Central Girls Primary School	10,000	-
Kericho High School	7,500	-
Lisa Hola School For The Deaf	10,000	-
Mandera Secondary School	10,000	-
Thogoto College	45,000	-
Nimris Investment Limited	378,000	-
C.D.I Pastrol Center	10,000	-
Nasokol Girls Secondary School	7,000	-
Kenyatta High SchoolL- Mwatate	7,000	-
Meru National Polytechnic	15,000	-
Siaya Central Secondary School	13,000	-
St Mary's Girls Day & Boarding Primary SchoolOL	8,000	-
Nyahururu High School	7,500	-
Rift Valley Technical Training Institute - Production Unit	10,000	-
Kericho Day Secondary School	7,500	-
Lodwar Vocational Training Centre	5,000	-
Kibomet A.I.C Secondary	11,000	-
St. Stephens Lwanya Girls Secondary School	7,500	-
Namachanja High School	3,000	-
Anchor Security Services Limited	300,208	-
Lekensile Ventures	133,906	-
A.I.C Moi Girls Sec. School Samburu	7,500	-
Marigat Boys High School	7,500	-
Thanos Limited	429,362	-

JKUAT Enterprises Ltd	170,244	-
Rume Ventures Limited	2,223,495	-
	<u>27,564,021</u>	<u>15,442,823</u>
15 NET ASSETS		
i Revaluation Reserve		
Balance b/f	2,284,463,085	2,284,463,085
Gain/Loss on Revaluation	<u>-</u>	<u>-</u>
Total	<u>2,284,463,085</u>	<u>2,284,463,085</u>
ii Capital Reserve		
Balance b/f	44,164,375	44,164,375
Development Grant	<u>-</u>	<u>-</u>
Total	<u>44,164,375</u>	<u>44,164,375</u>
iii Retained Earnings		
Balance b/f	66,879,440	106,494,672
Deficit/Surplus for the year	<u>22,280,644</u>	<u>(39,615,233)</u>
Total	<u>89,160,084</u>	<u>66,879,440</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 CONTINGENT LIABILITY

Litigation is in process against KEMI relating to unfair dismissal of former staff and several other cases. The outcome of these cases has not been determined. In the year 2021/2022, the Institute did not pay any amount to Gathumbi & Company Advocates as legal fees against the said cases.

17 MEMBER OF STAFF

- i. Permanent - 63
- ii. Contract - 24
- iii. Casuals - 1

18 FINANCIAL RISK MANAGEMENT

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

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

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

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

19. APPENDIX

Appendix 1: Implementation Status of Auditor General's Recommendation

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Qualified Opinion				
1.1	<p>Long Outstanding Receivables. The statement of financial position and as disclosed in Note 10 to the financial statements reflects receivables from exchange transaction balance of Kshs.48,247,138. However, receivables amounting to Kshs.43,429,569 or 90% of the balance have been outstanding for period exceeding 365 days. Although provision for bad debts equivalent to three (3%) percent had been made, its adequacy could not be established.</p> <p>Further, the balance includes rent of Ksh. 1,612,964 that has been outstanding since November, 2013. The amount relates to two (2) staff who were transferred from the Institute but have continued to occupy the Institute premises.</p>	<p>The management is actively following up on the outstanding receivables balances through physical visitations and demand letters. In addition, the Institute has established a debt collection unit to coordinate and streamline collection of debts.</p> <p>The Institute has followed up the outstanding rent arrears from the two officers from 2015 as per attached letters. However, court ruling that KEMI received through the Industrial court No. 224(N) of 2008 KUPPET OTHERS - Vs- Ministry of Education & Others (Attached court ruling) - that the officers stay in the premises until the case is heard and determined. The fact</p>	Not resolved	June 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		that this is still a live matter at the Appellate court KEMI having appealed against the ruling offers a challenge to the Institute in its efforts to recover the outstanding amount of rent arrears from the officers.		
1.2	<p>Understatement of Receivables from Exchange Transactions The statement of financial performance and as disclosed in Note 5 to the financial statements reflect administrative expenses amounts of Kshs.46,106,903. The amount includes training programs expenditure of Kshs.9,586,344 which further includes an amount of Kshs. 605,750 paid on 30 June,2021 in respect of subsistence allowance and fuel to KEMI officers during the preparation of the 2021/2022 Performance Contract. However, the amount was not disclosed as an outstanding receivable from exchange transactions balances of Ksh.48,247,138.</p>	<p>The amount of Kshs. 605,750 relate to subsistence allowance and fuel to KEMI officers paid through payment voucher number M-0857 dated 30th June,2021 during the preparation of the 2021/2022 Performance Contract held on 27 June to 2 July 2021. As at 30 June 2021, the imprest was approved and committed for payment but money had not been disbursed to the respective officers. The actual payment was done on 27 July 2021 and hence this was reported as a payable in the financial statement.</p>	Resolved	

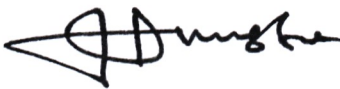
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0	<p>Unsupported Balance on Property, Plant and Equipment</p> <p>As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs. 2,340,305,818 which includes Electronics Data Processing (EDP) equipment valued at Kshs. 2,419,237 issued to the Ministry of Education staff who had been seconded to the Institute. Available information indicates that although the total amount of Ksh.2,419,237 was recovered from the employees, the Ministry had only remitted Ks.1,399,800 to the Institute. Review of the matter revealed that the Ministry had not remitted the balance of Ksh.1,019,437 by the end of the financial year.</p>	<p>The equipment were issued to Ministry of Education (MoE) officers who were on secondment at KEMI. The Institute wrote to MoE to have the officers surcharged however the recovered money was not remitted to KEMI</p>	Not resolved	June 2023
	<p>Further, property, plant and equipment balance includes a parcel of land measuring 15.45 hectares at Kayole in Nairobi valued at Ksh. 2,050,000,000 which is partially encroached by informal settlers. The management contracted a law firm on 18th October, 2010 to seek court orders for the eviction of the informal settlers, and notice of eviction was put on nationwide newspapers on 28 November, 2017. The management further wrote to the parent ministry on 20 August, 2018 seeking intervention to evict the informal settler.</p>	<p>The Institute sought for a court order to evict the informal settlers and the court gave a five (5) months' notice via court order ELC SUIT NO. 352 of 2012 dated 25 March 2014 for eviction of the squatters. KEMI placed the eviction notice in daily Newspapers in The Standard Newspaper and The Star dated 28 November 2017. The Court order was</p>	Not resolved	June 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>However, the matter had not been resolved by the end of the financial year.</p> <p>In addition, Note 12 to the financial statements reflects motor vehicles balance of Kshs.6,280,779 which includes Four (4) vehicles that did not have log books and therefore ownership could not be confirmed.</p>	<p>also forwarded to the Cabinet Secretary MoE to support its implementation and eviction of the informal settlers.</p> <p>GK B 734 S erroneously bears the name Kenya Education Staff Institute (KESI) the former name of the Institute instead of Kenya Education Management Institute (KEMI). We have since written to NTSA for the correction of the same.</p> <p>The other 3 logbooks (GK A596H, GK A197R and GK B 108 V) are readily available.</p>	Resolved	
Other Matters				
	<p>Budgetary control and performance</p> <p>The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.183,149,684 and Kshs. 109,022,177 respectively resulting to an underfunding of Kshs. 74,127,507 or 40% of the budget. Similarly, the Institute expended Kshs. 148,994,288 against an approved budget of Kshs. 195,939,405 resulting to an under expenditure of Kshs. 46,945,117 or 24% of the</p>	<p>In the year 2019/2020 the Institute faced cash flow challenges which were posed by COVID-19. During this period the government issued directives stopping public gatherings thus affecting KEMI's face to face training programs and hiring of KEMI facilities by clients.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	budget. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.			
Report on Lawfulness and Effectiveness in use of Public Resources				
	<p>Irregular Composition of Council Committees Review of the Institute's documents revealed that the Institute's Council had five (5) committees namely audit, training, human resource management, business and finance and general purpose committees. This is contrary to Section 1.7 (1)(a) of the code of Governance for state corporations (Mwongozo Guideline), 2015 on establishment of Board Committees' which states that the board/council should establish not more than four (4) committees of the board/institute provided that the board shall be at liberty to establish such ad-hoc committees as required to deal with any ad-hoc matters requiring focused attention such as recruitment of the Chief Executive Officer.</p> <p>Further, the appointment of Ministry representative was not gazetted. This was contrary to Circular reference OP/SCAC.9/73A (48) of 4 May, 2015 on letters of appointment for Chairpersons and Board members of State Corporations states that, in order to ensure uniformity in implementation of</p>	<p>The Institute has since adjusted the council committee to four (4) as provided in Mwongozo.</p> <p>The PS in the line ministry is a member of the council as provided in the legal notice.</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Mwongogo, it was required that from the date of the circular; All board appointments, including representatives from the Ministry, shall be by gazette notice. Members so appointed shall signify their acceptance by signing the declaration in the appointment letters.			
Report on Effectiveness of Internal Controls, Risk Management and Governance				
1	Lack of a risk Management policy and Strategy Review of records revealed that management had not put in place Risk Management Policy and Strategies. It was therefore not clear how risk exposures are managed by Management.	The Institute has an approved and operationalized risk management policy.	Resolved	
2	Lack of Imprest Register Review of the records revealed that the Institute did not maintain an imprest register to confirm the validity of the issuance of imprest both domestic and foreign. In the circumstances, the effectiveness of internal controls and governance could not be confirmed	The Institute has always maintained a manual Imprest register.	Resolved	
3	Lack of Succession Planning Review of the documents revealed that the term of the Council members came to an end in May 2021 where all the members exited. This is contrary to the requirements of Section 1.14 of Mwongozo on succession planning which states that the appointing authority should ensure staggering of board appointments so that the	A notice of expiry of the term of KEMI Council was sent to the Cabinet Secretary vide letter Ref.: KEMI/CON/4/VOL. 10/166 dated 10 May 2021 where the Institute requested the appointing authority to facilitate	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>respective expiry dates of the members' terms fall at different time to ensure continuity. In this circumstance, lack of succession planning denied the institute the benefit of oversight and governance.</p>	<p>the appointment of the new Council for the management of the Institute. A new Council was however appointed as per the KEMI Legal Notice 19/2010 and Gazette Notice No.8041 and 8042 in the Kenya Gazette dated 8th July 2022.</p>		



Dr. Maurice Odondo

CEO

Date: 29/09/2022

