

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY
PAPERS LAID

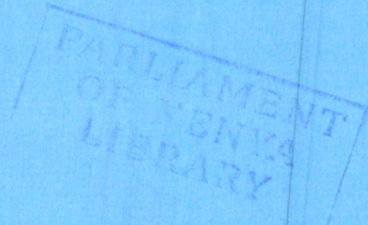
DATE: 30 JUL 2019

DAY: TUESDAY

TABLED BY: MAJORITY LEADER

MEMBER OF PARLIAMENT: [Signature]

REPORT



OF
OFFICE OF THE AUDITOR-GENERAL
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA INSTITUTE OF MASS
COMMUNICATION

FOR THE YEAR ENDED
30 JUNE 2018

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

25 APR 2019

RECEIVED



KENYA INSTITUTE OF MASS COMMUNICATION

P.O. Box 42422 - 00100 NAIROBI | Tel: +254 020 6551555 | Cell: 0708262895

Email: info@kimc.ac.ke Website: www.kimc.ac.ke

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

**KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

Table of Contents	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	ii
II. THE COUNCIL MEMBERS	iv
III. MANAGEMENT TEAM	viii
IV. CHAIRMAN'S STATEMENT	xi
V. REPORT OF THE CHIEF EXECUTIVE OFFICER	xii
VI. CORPORATE GOVERNANCE STATEMENT	xiii
VII. MANAGEMENT DISCUSSION AND ANALYSIS	xvi
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xvii
IX. REPORT OF THE COUNCIL	xviii
X. STATEMENT OF COUNCILS' RESPONSIBILITIES	xix
XI. REPORT OF THE INDEPENDENT AUDITOR	xx
XII. STATEMENT OF FINANCIAL PERFORMANCE	1
XIII. STATEMENT OF FINANCIAL POSITION	2
XIV. STATEMENT OF CHANGES IN NET ASSETS	3
XV. STATEMENT OF CASH FLOWS	4
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XVII. NOTES TO THE FINANCIAL STATEMENTS	6

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Institute of mass communication was established in 1961. Its main purpose was to train electronic engineering and technicians for Kenya Broadcasting Corporation. To ensure that the Institute keeps abreast with media market and personnel training requirements, the Government in the year 2011, transformed KIMC into a semi-Autonomous Government Agency (SAGA) under legal Notice No.197 of 2011.

(b) Principal Activities

The principal mandate of the institute is;

- i. Offer training in communication and cinematic arts
- ii. Produce and disseminate mass media products for training and commercial purposes.

(c) Key Management

The day-to-day management of the institute is under the following:

- i. The Director
- ii. Deputy Director
- iii. Managers and Heads of Departments.

(d) 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	Hiram Mucheke
2.	Deputy Director (F&A)	Peter Wakoli

(e) Fiduciary Oversight Arrangements

The oversight for financial management is vested in the three board committees as discussed below;

i). Finance and Administration Committee

The committee is responsible for Financial Management and proper resource allocation in the Institute. The Committee's responsibilities include ensuring overall sound financial reporting, Performance contracts, procurement, setting of fees guidelines, budgets and Human Resource issues.

ii). Audit committee

The responsibilities of the committee include reviewing the financial information of the Institute, monitoring the effectiveness of management information and reviewing the internal control systems, deliberating on significant findings arising from both internal and external audits, and reviewing the overall risks facing the Institute.

iii). Training Committee

The committee oversees policy issues on admission of students, Quality assurance on Academic standards, development of new courses and academic policy.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(f) Institute Headquarters

P.O. Box 42422-00100
Kenya Institute of Mass Communication
Uholo Road
Nairobi, KENYA

(g) Institute Contacts

Telephone :(254) 206551555
E-mail: info@kimc.ac.ke
Website: www.kimc.ac.ke

(h) Institute Bankers

Kenya Commercial bank
Kencom House
P.O. Box 48400
G.P.O 00100
Nairobi, Kenya

(i) Independent Auditors





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

(j) Principal Legal Adviser

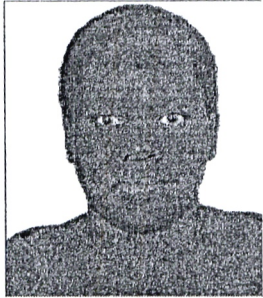



The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018





II. THE COUNCIL MEMBERS

	Name	Position	Key qualifications	Professional profile
1	 Prof. Chacha Nyaigotti Chacha D.O.B:22.08.1952	Council Chairman- Up to November 2017	1. P.H.D, 2. M.Phil. 3. M.A 4. B.E.D-Arts	1. Full professor since year 1981 2. Board Secretary/CEO-Higher Education loans Board 3. Executive Secretary (CEO)-Inter-University Council for East Africa 4. Board member various Organizations
2	 Mr. James Nguo D.O.B:18.07.1969	Council Member	1. MA (Strategic Communications)	1. 20 years' experience in development sector majoring on information and Knowledge management.
3	 Ms Caroline Mutoko D.O.B:	Council Member	1. M.A	1. Radio Producer/Market at Capital F.M 2. Marketer
4	 Hon. Wycliffe Osundwa D.O.B:04.08.1952	Council Member	1. Dip-Journalism	1. Ministry of Information(Senior Information Officer 2. KNA(Chief Photographic Officer) 3. M.P (Mumias) & Assistant Minister Home Affairs & Agriculture 4. Chair, Inter parliamentary Committee on Agriculture, Forestry & Fisheries



KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

5	 Ms Farida Karoney D.O.B:20.09.1969	Council Member Up to April 2018	1. MBA(Stratgy) 2. B.E.D(Science) 3. Post Graduate Dip(Mass communication)	1. Chief Operating Officer & Editorial Director(Royal Media Services) 2. Senior Management in all leading Media houses in Kenya.
6	 Mr William Abungu D.O.B:25.11.1969	Council Member	1. Customer Service	1. County Government of Siaya 2. Telkom Kenya (Public relations)
7	 COL. (Rtd) Joel Tirmet D.O.B:22.11.1956	Council Member	1. Dip(International relations) 2. Dip(Security International)	1. 30 years as a military officer in various positions. <ul style="list-style-type: none"> i. Training ii. Military Intelligence iii. Diplomat & Peace keeping operations
8	 Mr Charles Kilonzo D.O.B:12.12.1973	Council Member	1. MBA(Strategic Management) 2. BSC (Horticulture) 3. Post Graduate Dip (PR Management)	1. Management positions in various organizations including; <ul style="list-style-type: none"> i. Live Studios Media ii. Daystar University iii. St. Pauls' University

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018




9	 Mrs.Regina Bundi D.O.B:07.07.1972	Alternate to PS, Devolution & Planning	1. BA (Sociology)	1. Ministry of Youth Affairs and Sports 2. Ministry of devolution & Planning 3. Over 10 years in Civil service
10	 Mr. Festus Mwanzi D.O.B:03.07.1977	Alternate to PS, The National Treasury	1. B.A (Business studies & Sociology) 2. C.P.A (K)	1. Chief Investment Officer (Government Investment & Public Enterprises) 2. Youth & Gender officer (Makueni County Government) 3. Ministry of Youth affairs (Makueni)
11	 Mr.Alphonse M. Mwaa D.O.B:25.08.1967	Alternate to PS, Ministry of Education, Science and Technology	1. MSC (Building Services Engineering) 2. BSC (Mechanical Engineering)	1. Ministry of Education (Deputy Director, Quality Assurance & Standards) 2. Deputy Director (KITI) 3. Lecturer Various Government Technical Institutes 4. Public Service Institute of Kenya
12	 Ms.Charity Kagiri 15.02.1977	Alternate to PS, Ministry of Information, Communication and Technology	1. Advocate(High court of Kenya) 2. Diploma in Law 3. CPS(K)	1. Advocate of High Court for over 13 years(Litigation, Arbitration & Conveyance) 2. Project Management & Corporate Governance

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018





13	 Hiram Mucheke	Director /CEO	<ol style="list-style-type: none"> 1. M.A (Communication studies) 2. B.A 3. Post Graduate Diploma 	<ol style="list-style-type: none"> 1. 32 years' experience in public service. 2. 5 News Editor V.O.K 3. 5 Years senior reporter presidential press service 4. Assistant editor in Chief KBC 5. Senior Principal Lecturer KIMC. 6. Editor in Chief KBC 7. Principal KIMC 8. Current Director KIMC
14	 Angela Kiptoo	Corporation Secretary	<ol style="list-style-type: none"> 1. LLM 2. LLB 3. CPS(K) 	<ol style="list-style-type: none"> 1. 9 years post-admission experience in legal practise 2. 9 years CPS practise 3. Legal officer of at Catholic University for 4 years

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018




III. MANAGEMENT TEAM

No	Name	Position	Key Qualifications	Main area of responsibility
1.	 Hiram Mucheke	Director/Chief Executive Officer	1. M.A (Communication studies) 2. B.A 3. Post Graduate Diploma	Overall responsibility for the direction, organization and administration of programmes and other affairs of the Institute
2.	 Peter Wakoli	Deputy Director (Finance & Administration)	1. M.A-(Int. Devt) 2. M.A-Econ 3. B.A-Econ 4. Post Graduate Diploma	Coordinating the implementation of the Institute's strategic plan, annual departmental plans and performance contracts as well as managing the staff performance appraisal system for the Institute
3	 Angela Kiptoo	Corporation secretary	1. LLM 2. LLB 3. CPS (K)	In consultation with the Director provide secretarial services to the board and board committees.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

4.	 <p>Emmanuel Korir</p>	Finance Manager	<ol style="list-style-type: none"> 1. MBA(Finance) 2. BBM(Finance & Banking) 3. C.P.A (K) 	Provision of finance and Accounting services to the Institute.
5.	 <p>Vicky Nakitare</p>	Human Resource Manager	<ol style="list-style-type: none"> 1. M.B.A(HRM) 2. B.E.D 3. Higher Dip(HRM) 	Responsible for overall management of human resource in the Institute
6.	 <p>Martin Mitau</p>	Chief Internal Auditor	<ol style="list-style-type: none"> 1. MBA(Finance) 2. B.A (Economics) 3. C.P.A (K) 4. C.I.S.A 	Managing enterprise – wide risks as well as ensuring compliance of the Institute with various statutory and operational requirements
7.	 <p>Phyllis Kibagendi</p>	Chief Supply Chain Management Officer	<ol style="list-style-type: none"> 1. MSC (Procurement) 2. BCOM(Accounting) 3. Dip(Supply Chain) 	Planning of Supply Chain Management activities

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8.	 Godfrey Kareithi	Registrar-Academics	<ol style="list-style-type: none"> 1. M.A(Communication Studies) 2. B.A (Econ) 3. Post Graduate Diploma 	Coordinating Academic activities in Institute
9.	 Paul Kithure	Dean of Students	<ol style="list-style-type: none"> 1. MSC 2. BED (HRM &EDU) 3. Post Graduate Diploma (HRM) 4. Diploma in Special Education. 	Coordinating Student welfare activities in the Institute
10	 Jared Manyara	Corporate Communications	<ol style="list-style-type: none"> 1. M.A(Communication Studies) 2. B.A (Econ) 3. Post Graduate Diploma 	Assists the Director in the formulation and execution of a sound communication strategy for the Institute

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

IV. CHAIRMAN'S STATEMENT

I take great pleasure in presenting to you once again the Annual report and financial statements for Kenya Institute of Mass communication for the year ended 30th June 2018. Some of the milestones I wish to highlight include;

Recruiting and Training students in mass Communication.

The Institute recruited 627 students into various courses in September 2017 and May 2018 and graduated a total of 400 students during the month of November 2017 after successfully completing various courses in Diploma and certificate.

Production and dissemination of products in communication and cinematic arts for education and info-tainment,

During the year 80 productions in communication and cinematic arts for education and info-tainment was produced and 60 were disseminated.

Annual budget & Strategic plan

In the current Financial Year 2018/17, the Institute continued to implement its strategic plan in consultation with the stakeholders. The Strategic Plan prioritizes: physical infrastructure; human capital; equipment and facilities modernization; modernization of transport and institutional Corporate Social responsibility as the key Institute enablers.


In addition during the year under review the Institute entered into an MOU with the county Government of Uasin Gishu to set up a campus in Eldoret. The launch of the campus is projected for January 2019 and the courses to commence in March 2019.

In the KIMC council, we are alive to the fact that resources are limited and should therefore be utilized sustainably and prudently.

The resources received in the FY 2017/18 facilitated the Institute to: train and graduate 400 media practitioners; train 18 officers in short term aptitude courses; capacity build Council members; develop four curricula; procure some broadcast training equipment; fully operationalize the degree programme jointly offered with the University of Nairobi and set up an Animation Lab.

The council and its committees met regularly as prescribed by the respective mandates. The meetings are planned for in the financial year. Council evaluation was carried out in April 2018 to assess its effectiveness. The process was managed by the state Corporations Advisory Committee (SCAC)

On behalf of the KIMC Council, we appeal for an enhanced budgetary support to enable us complete the implementation of the blue print contained in KIMC Strategic Plan 2015-19.

.....

**Kathleen Openda
Council Chairperson**

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

In the Financial year 2017/2018, the Institute intensified implementation of its mandate in line with priorities set out in the strategic plan 2015-2019. Highlights of key achievements are presented hereunder.

Academics programmes

During the year under review the Institute changed the commencement of the Academic year from September to May. During the year, 627 students were admitted to undertake various courses in Diploma, certificates and Post Graduate Diploma while 400 students graduated having satisfied the board of examiners to be awarded various certificates and diplomas. Six curricular was reviewed during the year to realign the content to emerging issues in the ICT and media sub sector.

Infrastructure

- The 3rd floor of the Tuition block was completed.
- The 405-bed capacity project comprising two hostels and a catering unit reached 79% completion rate. The catering unit completion rate is 54%.
- The Institute obtained the following preliminary approvals for establishing KIMC Eldoret Campus
 - i. Interparty MOU was signed on 27th February 2018
 - ii. Title deed for 21 acres in the Institute's name expected in October 2018
 - iii. Letter of commitment dated May 21st 2018 by Uasin Gishu Government has been issued confirming allocation of the parcel Pioneer/Ngeria Block 1 (EATEC 1324)

Status brief on Ownership of land titles

The Institute has the following land parcels in south B, Nairobi County

- L.R NO.209/3578-Lease title issued on 24th June 2016
- L.R NO.209/3592-Lease title issued on 24th June 2016
- L.R NO.209/3593-Lease title issued on 24th June 2016
- L.R NO.209/3579-Letter of Allotment dated 1st November 2011

Institutional Capacity

In the Financial year 2017/2018, the Institute was allocated Kshs 207.45 M to finance its operations. In the same period the Institute recruited additional 7 staff members. At the end of the year staff establishment stood at 96 against a staff establishment of 238. The Institute continued to modernize its operational environment through Automation to enhance efficiency and effectiveness.

Challenges

The Institute faced a number of challenges in the implementation of its mandate. These included inadequate funding, human resources constraints which is currently at 40%, change in technology which has implications on the training equipment, marketability of courses and graduates.

In the current financial year under review the Institute did not receive its allocation of development funds of Kshs 53.25M this has led to outstanding pending bills of Kshs 47 M. It is our projection that, National Treasury will facilitate the Institute to overcome these challenges during the FY 2018/19.

Finally, I wish to appreciate the Government, council and staff in discharging the Institute's mandate.

.....
Hiram Mucheke
Director/Chief Executive Officer

VI. CORPORATE GOVERNANCE STATEMENT

The Institute has the Council as the apex decision making organ which sets the direction for good corporate governance underpinned by effective leadership, oversight and management accountability based on a sound and ethical foundation.

1. The Role of the Council

The functions of the Council are provided for in Legal Notice No. 197 of 2011 (Amended 2012) clause 6(1). The Council discharges a number of functions which include administering the property and funds of the Institute in a manner and for purposes that promote the interests of the Institute; ensuring that a proper management structure is in place and that the structure functions to maintain corporate integrity, reputation and responsibility; and ensuring that the Institute complies with all the relevant laws, regulations, governance practices, accounting procedures and auditing standards.

The Council has so far developed a number of policy documents including Human Resource Procedures manual, Career Progression guidelines, Institute Knowledge Management Guidelines, Servicing and Maintenance of assets manual, Finance Management and Controls Manual and the Procurement Manual. As a Semi-Autonomous State Agency, the Institute enters into an annual Performance Contract with the Government, which process is overseen by the Council. The Performance Contract mandates the Institute to deliver on numerous strategic deliverables. Accordingly, the Council approves the annual budget that is aligned with the Vision 2030 Medium Term Plans, the 'Big Four' Initiatives and other national priorities.

2. Council Composition

The Legal Notice provides that the Council of the Institute shall consist of a non-executive Chairman appointed by the President; the Principal Secretaries of the Ministries for the time being responsible for information and communications; finance; culture and heritage; youth and education; the Director, and not more than seven persons appointed by the Minister by virtue of their knowledge or experience and past and current membership to professional organizations dealing with matters relating to culture, national heritage, communications, media, and the performing arts or related fields. As at 30th June 2018, the Council comprises eleven Council members, of whom the majority, six in total, are independent non-executives. The Council has two vacancies due to the retirement of Prof. Chacha Nyaigotti Chacha in November 2017 and the resignation of Ms. Farida Karoney in April 2018.

The Council comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. The non-executive members have diverse skills, experience and backgrounds. They are principally free from any business relationship that could hamper their objectivity or judgment in terms of the business and activities of the Institute. The roles of the Chairperson and the Director (Chief Executive) are separate, with their individual responsibilities clearly defined. The Chairperson is an independent non-executive Council member and is responsible for leading the Council and ensuring its effectiveness. The Chief Executive is responsible for the execution of the Institute's strategy, and the day-to-day business of the Institute. He is supported by the Management Board and the Academic Board, of which he is the Chairperson. The Council is assisted by a competent, suitably qualified and experienced Corporation Secretary whose mandatory duties are formalized and adequately defined according to the role description provided for in the *Mwongozo*.

3. Council Committees

The Council provides oversight through three main Committees namely Finance and Administration Committee, Training Committee and Audit Committee. The Committees are each chaired by an independent Council member.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

a) Finance and Administration Committee

The Committee performs various roles set out in the Council Charter, including: guiding the preparation of the annual budget; monitoring financial performance against the approved budget, the Institute's strategic plan and priorities; formulating strategies for improving the financial position of the Institute and advice on sourcing and investment of funds; ensuring sound financial management and accounting practice including maintenance of proper books of accounts and preparation of periodical management accounts and annual financial statements; developing fees guidelines and review them regularly; dealing with staff matters including recruitment, staff welfare, training and development, performance management, discipline and separation; guiding the development of the strategic plan and monitor its implementation and overseeing capital planning, construction and maintenance of the real property of the Institute.

The members of the Committee during the year under review were Mr. James Nguo, Hon. Wycliffe Osundwa, Mrs. Charity Kagiri and Mrs. Regina Bundi.

b) Training Committee

The Committee performs various roles set out in the Council Charter, including: developing and overseeing implementation of guidelines on admission of students; monitoring quality assurance and academic standards of the Institute; coordinating the development and review of academic programmes; developing and monitoring the implementation of the academic policies of the Institute; monitoring the adequacy of library and learning facilities at the Institute; formulating policies and procedures for research and innovation; developing a capacity building programme for Council and staff members to ensure improved professional development and services; proposing and building collaborative relationships with strategic partners and stakeholders to promote mutually beneficial exchanges in education, research and training; ensuring the development, maintenance and use of information technology systems and facilities at the Institute; and promoting and supporting student participation in extracurricular activities. The members of the Committee during the year under review were Mr. Charles Kilonzo, Mr. Alphonse Mwaa, Ms. Caroline Mutoko and Ms. Farida Karoney.

c) Audit Committee

The Committee performs various roles set out in the Council Charter, including: monitoring, recommending and providing advice to the Council on the Integrity of the Financial Statements of the Institute, including the annual and quarterly reports, compliance with accounting standards and the consistency of application of, and any changes in, accounting policies; overseeing the Internal audit function and reviewing the nature, scope and effectiveness of the internal audit work plan and reports; coordinating the auditing of the Institute's books of accounts and financial statements; monitoring the implementation of audit recommendations; reviewing and assessing the effectiveness of the Institute's financial controls and internal control and risk management systems; and reviewing the compliance framework (policies, training, monitoring and audit) at the Institute to ensure adherence to applicable legal and regulatory standards. The members of the Committee during the year under review were Col. (Rtd.) Joel Tirmet, Mr. William Abungu and Mr. Festus Mwanzi

4. Effective meetings

The Council and its Committees meet regularly as prescribed by the respective mandates. The meetings are planned for the financial year in the approved Council calendar. However, special meetings may be convened at the request of the Chairperson, or any independent Council member when necessary. The table below discloses the number of meetings held and members' attendance during the year. The Council is satisfied that it has discharged its responsibilities in relation to its mandate.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Schedule of Council Members' Attendance at Council and Committee Meetings				
Council/Committee	Council	Finance & Administration Committee	Training Committee	Audit Committee
No. of meetings held	4	10	4	5
Prof. Chacha Nyaigotti Chacha	1	-	-	-
Mr. James Nguo	1	10	-	-
Ms. Caroline Mutoko	1	-	2	-
Hon. Wycliffe Osundwa	4	10	-	-
Ms. Farida Karoney	0	-	2	-
Mr. William Abungu	4	-	-	5
Col. (Rtd.) Joel Tirmet	4	-	-	5
Mr. Charles Kilonzo	4	-	4	-
Mrs. Regina Bundi	4	10	-	-
Mr. Festus Mwanzi	1	-	-	2
Mr. Alphonse Mwaa	3	-	2	-
Mrs. Charity Kagiri	3	8	-	-
Mr. Hiram Mucheke	4	10	4	-

Notes

- ❖ *Prof. Chacha Nyaigotti Chacha term as Chairperson expired in November 2017. The current chairperson, Kathleen Openda assumed office in July 2018.*
- ❖ *Ms. Farida Karoney Resigned from Council upon appointment to serve as a Cabinet Secretary in April 2018.*
- ❖ *Mr. Festus Mwanzi Joined the Council in January 2018.*

5. Council Induction and Continuous Skills Development

As part of enhancing the Council members' skills, the Institute identifies training requirements for the Council and its Committees. Upon appointment, individual Council members are taken through an induction process organized by the State Corporations Advisory Council (SCAC). Due to budgetary constraints the Institute facilitates one training per Committee in every three-year cycle. In the year under review, the members of the Training Committee, being the only ones who had not been trained, attended a three-day seminar on Ethics and Governance issues in Public Bodies conducted by the Institute of Certified Public Accountants of Kenya (ICPAK) in Mombasa, Kenya.

6. Council Evaluation

The Council ensures the evaluation of its own performance and that of its committees, Chairperson and individual Council members, and provides support for continued improvement in its performance and effectiveness. An annual independent evaluation is conducted to assess the effectiveness of the Council, its committees, and the individual contributions of the members. The process is managed by the State Corporations Advisory Committee (SCAC).

7. Internal Audit Function

The Institute has a fully operational Internal Audit function that is led by a senior member of staff who is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). The Internal Audit office monitors compliance with policies and standards and the effectiveness of internal control structures across the Institute through its audit programmes.

8. Council Remuneration

Council members are remunerated for their services in accordance with the prevailing Government Circulars. The aggregate amount of Council remuneration is disclosed in Note XVII (o) (iii) on the Financial Statements.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis provides an overview of the financial position and results of activities of the Institute for the year ended June 30, 2018. Comparative information for the year ended June 30, 2017, has been provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes that follow this section. Kenya Institute of Mass Communication is a semi-Autonomous Government Agency (SAGA) established under legal notice No. 197 of 2011 (Amended 2012).

The Institute consisting of two major divisions; Academic and Finance and Administration

Academic Division

The Academic affairs department is organized into five divisions, namely;

- i. Television and Radio production
- ii. Film and Animation
- iii. Journalism and public relations
- iv. Engineering
- v. Graduate and post graduate

Finance and Administration

- i. Human Resource Management
- ii. Finance and Accounting
- iii. Administration

Financial Highlights

For the fiscal year ended June 30, 2018

- The Institute received Kshs 195.45 M from the exchequer and raised 12 M from internal revenue to finance its recurrent operations
- The Institute collected Kshs 95.6 M from fees and short courses out of which Kshs 12 M was appropriated as AIA.
- Total cumulative recurrent expenditure was Kshs 313.8 M

Summary of financial performance is as summarized below;

	FY 2018/17 Kshs 'million'	FY 2017/16 Kshs 'million'
Total revenue	291	386
Total expenses	314	391
Surplus/Deficit	(24)	(5)

Capital Activities

One of the critical factors in sustaining the quality of the Institute's academic and research programs is the development and renewal of its capital assets. The Institute continues to implement its long-range plan to modernize its older teaching and research facilities, construct new facilities and fund its deferred maintenance obligations.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Capital additions primarily consist of replacement, renovation and new construction of academic, research and investment in training equipment and information technology.

During the financial year ended 30th June 2018 the projects being undertaken by the Institute suffered budget cuts of 75 % and to compound the situation the funds were not disbursed and the Institute has accumulated pending bills totaling Kshs 47 M.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Institute is committed to always conducting its affairs in a responsible and sustainable way, and in a manner that is beneficial to all stakeholders, the environment and the wider community. The Institute recognizes three key areas that contribute to corporate social responsibility: the people, the local community and the environment.

The People

The Institute continually works to ensure that it offers the best training for its students in order to make them competitive in the job market. The Institute also supports individual growth and development of staff so as to attract and retain talented individuals. A work environment of equal opportunity and non-discrimination is promoted at all times. Further, the Institute is committed to creating a culture of inclusion and diversity and preservation of cultural heritage. The Institute in that regard hosts annual events including:

- i. Cultural Week during which staff, students, other institutions and members of the public are invited to show case their talents and diverse cultures.
- ii. KIMC Film Week during which students and the public screen and showcase individual video productions for the promotion of talent and info-tainment.
- iii. KIMC Open Day during which the Institute showcases all the services it offers to students and members of the public. It involves subject/service talks, information desks, tours and teaching showcase.

The local community

The Institute believes in and supports the local community. Through the ECN Community Radio that is operated by the Institute, the Institute is able to make a difference in the local community by airing programmes that promote community development and empowerment especially of the youth. The staff and students also engage in community service and philanthropic activities.

The environment

The Institute cares for the environment and continually strives to incorporate environmental good practice in the workplace including a commitment to delivering a paperless office, taking a sustainable approach to waste management, improving energy efficiency and reducing carbon emissions. The Institute recognizes its responsibility to conduct its activities in a manner that protects and improves the environment for future generations. In that regard, the Institute works and collaborates with the local authority (Nairobi City County) in promoting a clean environment. In addition the Institute has provided in its calendar of annual events for an Annual Environmental Day during which students and staff plant trees within the Institute and in the areas surrounding the Institute.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

IX. REPORT OF THE COUNCIL

The Institute Council submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Institute's affairs.

Principal activities

The principal activity of the Institute is to offer training in Mass media, communication and cinematic arts.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1-19

Council members

The members of the council who served during the year are shown on page iv to vii

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Section 23 of the Public Audit Act, 2015.

By Order of the Council



.....
Corporation Secretary
Nairobi

Date: 23/4/19

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

X. STATEMENT OF COUNCILS' RESPONSIBILITIES

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


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

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

Nothing has come to the attention of the Management to indicate that the Institute 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 Institute's financial statements were approved by the Council on _____ 2018 and signed on its behalf by:



Director/Chief Executive Officer

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 INSTITUTE OF MASS COMMUNICATION FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Institute of Mass Communication set out on pages 1 to 19, 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 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 Institute of Mass Communication as at 30 June 2018, and 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 State Corporation Act, Cap 446 and Legal Notice No 197 of 2011 (Amended 2012)

Basis for Qualified Opinion

1. Property Plant, and Equipment

As previously reported, included in the property, plant and equipment balance of Kshs.2,236,617,007 as at 30 June 2018 is land measuring 1.4430 hectares valued at Kshs.1,100,000,000. However, available information indicates that part of the Institute's land used as walk path linking the Institute's catering unit, male hostel and female hostel has been encroached into by a private developer. The proposed development by the developer will cut off the male and female hostel and the catering unit, and thus will affect the students and the Institute as a whole adversely. Although the matter has been reported to the National Land Commission, the outcome is unknown.

In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs.2,236,617,007 as at 30 June 2018 is fairly stated

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

2. Delayed Project-Construction of Kitchen/Dining

As previously reported on 20 May 2016, the Institute entered into a Contract No. KIMC/01/2015-2016 with a construction company for construction of modern Kitchen and Dining Hall at a contract price of Kshs.115,925,052 for duration of fifty-two (52) weeks ending on 8 June 2017. Available information shows that the contract was varied by 25% or Kshs.28,980,902 to Kshs.144,905,954 while the duration was varied by twenty-six weeks (26) ending 7 December 2017.

Further, examination of documents revealed that a total of Kshs.112,613,442 or approximately 78% of the revised contract sum had been paid to the contractor leaving a balance of Kshs.32,292,512.53 with lapsed time of over three months. A physical inspection on the project revealed that the project is still incomplete and was way behind schedule.

The project was still not completed as at the time of audit in March 2019. No satisfactory explanation was provided as to why the project was not completed in time and when the stakeholders will obtain value for money.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matters

1. Budget and Budgetary Performance

The Kenya Institute of Mass Communication had a recurrent budget of Kshs.207,450,000 which was received from State Department of Broadcasting and Telecommunication as per the printed estimates. The financial statement recognized the transfers of Kshs.207,450,000 to recurrent. Kshs.52,250,000 which was factored for Development budget was however not received resulting to an under remittance of Kshs.52,250,000. Consequently, the Institute might not have achieved its intended objectives.

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.

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

Responsibilities of Management and Those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Commission 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 and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

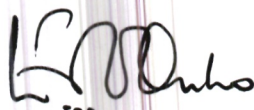
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

10 July 2019

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XII. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2018

	Notes	2018-2017 Kshs	2017-2016 Kshs
Revenue from non-exchange transactions			
Recurrent grants	2(a)	207,487,521	207,433,500
Development grants	2(b)	-	115,000,000
Revenue from exchange transactions			
Tuition and other related fees	3	83,654,248	64,107,948
Total revenue		291,141,769	386,541,448
Expenses			
Employee costs	4	132,950,609	128,774,942
Administration expense	5	59,508,828	60,871,580
Council expense	6	12,632,237	13,549,218
Repairs and maintenance	7	2,763,802	14,689,039
Academic services	8	56,741,599	46,917,456
Depreciation and amortization expense	9	48,828,576	52,911,600
Audit fees	10	800,000	800,000
Capital expenses	17	-	73,257,282
Total expense		314,225,651	391,771,117
Surplus/(Deficit) for the period		(23,083,882)	(5,229,669)

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XIII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

Assets	Notes	2018-2017	2017-2016
Current assets		Kshs	Kshs
Cash and cash equivalents	11	24,664,925	21,966,459
Receivables from exchange transactions	12(a)	285,216	715,914
		24,950,141	22,682,373
Non-current assets			
Property, plant and equipment	9(a)	2,236,617,007	2,259,588,272
Intangible assets	9(b)	3,091,632	6,399,139
Long term receivables from exchange transactions	12(b)	8,443,350	-
Total assets		2,273,102,130	2,288,669,784
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	13	49,004,262	42,174,135
Refundable deposits from customers-caution money	14	1,322,101	1,029,000
		50,326,362	43,203,135
Net assets		2,222,775,767	2,245,466,649
Revenue Reserves	15	6,523,044	29,711,926
Capital Revaluation Reserve	16	2,216,252,723	2,215,754,723
Total net assets and liabilities		2,222,775,767	2,245,466,649

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Council by:

Mucheke
Director
Hiram Mucheke

Peter Wakoli
D/Director (F&A)
Peter Wakoli

Kathleen Openda
Chairperson of the Council
Kathleen Openda

23-4-2019
Date.....

23/4/19
Date.....

23rd April, 2019
Date.....

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XIV. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2018

	Accumulated surplus	Capital reserve	Total
	Kshs	Kshs	Kshs
Balance as at July 2016	1,203,245	2,245,687,269	2,246,890,514
Surplus/deficit for the period	(5,229,669)	-	(5,229,669)
Adjustments/Restatement	33,738,350	(29,932,546)	3,805,804
Transfer from accumulated Surplus	-	-	-
Balance as at 30 June 2017	29,711,926	2,215,754,723	2,245,466,649
Surplus/deficit for the period	(23,083,882)	-	(23,083,882)
Adjustments/Restatement	(105,000)	498,000	393,000
Transfer from accumulated Surplus	-	-	-
Balance as at 30 June 2018	6,523,044	2,216,252,723	2,222,775,767

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XV. STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	2018-2017	2017-2016
	Kshs	Kshs
Cash flows from operating activities		
Receipts		
Government Grants	207,487,521	322,433,500
Tuition and other related fees	83,654,248	64,107,948
Total receipts	291,141,769	386,541,448
Payments		
Employee costs	132,950,609	128,774,942
Administration expenses	59,508,828	60,871,580
Council expenses	12,632,237	13,549,218
Repairs and Maintenance	2,763,802	14,689,039
Academic services	56,348,599	46,917,456
Total payments	264,204,075	264,802,235
Net cash flow from operating activities	26,937,694	121,739,213
Cash flow from investing activities		
Purchase of non-current assets	(15,425,000)	(96,385,746)
Capital works in progress	(9,107,327)	(73,257,282)
Decrease in non-current receivables	-	(34,162,435)
Net cash flow used in investing activities	(24,532,327)	(203,805,463)
Cash flow from Financing activities		
Increase in deposits	293,101	3,176,549
Net cash flow from financing activities	293,101	3,176,549
Net Increase/(decrease) in cash and cash equivalents	2,698,468	(78,889,701)
Cash & cash equivalents as start of the year	21,966,458	100,856,159
Cash & cash equivalents as 30 June	24,664,926	21,966,458

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2018-2017 Kshs	Adjustments 2018-2017 Kshs	Final budget 2018-2017 Kshs	Actual comparable basis 2018-2017 Kshs	Performance difference 2018-2017 Kshs
Revenue					
Non-exchange transactions					
Recurrent Grants	207,450,000	-	207,450,000	207,487,521	37,521
Development Grants	221,000,000	(165,750,000)	55,250,000	-	(55,250,000)
Exchange transactions					
Tuition and other related fees	68,000,000	-	68,000,000	83,654,248	15,374,249
Total revenue	496,450,000	(165,750,000)	330,700,000	291,141,769	(39,558,231)
Expenses					
Compensation to employees	135,702,656	-	135,702,656	132,950,609	2,752,047
Council Expenses	12,819,000	-	12,819,000	12,632,237	320,763
Administration expenses	54,593,344	-	54,593,344	59,508,828	(4,915,484)
Audit fees	800,000	-	800,000	800,000	-
Repairs and Maintenance	3,535,000	-	3,535,000	2,763,802	771,198
Depreciation & Amortization	-	-	-	48,828,576	(48,828,576)
Academic Services	68,000,000	-	68,000,000	56,741,599	11,258,401
Capital expenditure	221,000,000	(165,750,000)	55,250,000	-	55,250,000
Total expenditure	496,450,000	(165,750,000)	330,700,000	314,225,651	16,546,794
Surplus/(deficit) for the period	-	-	-	(23,083,882)	(56,105,025)

Budget notes

- i. Increase in academic expenses is as a result of curriculum review retreats held twice in the year in August 2017 and April 2018, and increase on part time lecturer's pay occasioned by double intake
- ii. Total actual on comparable basis does not tie to the statement of financial performance due to difference in accounting basis, the Institute prepares its budget on cash basis as per Treasury guidelines but the financial statements are on IPSAS accrual.
- iii. Accrued expenses is as summarised below:
 - (a) Pension contribution Kshs 9,058,009
 - (b) Depreciation and Amortization Kshs 48,828,57
- iv. Capital expenditure items are mainly dependent on the certificates obtained from public works on works certified. During the reporting period the National treasury had projected to disburse Kshs 53 M after budget revision, however the funds were not released thus there was nil absorption on development budget in the year 2017/2018.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Institute of Mass Communication (KIMC) is a Semi-Autonomous Government Agency (SAGA) established under Legal Notice No. 197 of 2011 (Amended 2012) with a mandate to offer training in communication and the cinematic arts.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 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.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: 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.

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a). Revenue Recognition

i).Revenue from non-exchange transactions

a)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 to the entity and can be measured reliably

b)Grants from Donors

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

ii).Revenue from exchange transactions

c)Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the Outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to Labour hours incurred to date as a percentage of total estimated Labour hours. Where the contract outcome cannot be measured reliably; revenue is recognized to the extent that the expense incurred are recoverable

b).Budget Information

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c).Employee Benefits

The Entity provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

d). Non-Current Assets

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Non-Current assets are stated at Cost or valuation less Accumulated Depreciation. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The Institute is collating Assets transferred from the Parent Ministry.

e).Depreciation

Depreciation is calculated on the cost of the non-current assets on a reducing balance basis at annual rates estimated to write off these assets over their expected useful life.

The Depreciation rates used are as follows:

Motor vehicle	25%
Furniture & Fitting	12.5%
Office Equipment& Accessories	12.5%
Computers & Printers	30%
Computer Software	30%
Buildings	2.5%
Land	0%

f). Cash and cash equivalents

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

g).Intangible Assets

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

The useful life of the intangible assets is assessed as either finite or indefinite

h).Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i).Nature and purpose of reserves

The institute creates and maintains reserves in terms of specific requirements.

i. Revenue reserves

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

This is made up of all accumulated surplus for the year arising from non-Utilization of allocated grants and other income surplus.

ii. Capital Revaluation Reserves.

The purpose of the reserve was to bring into the books the fair market value of all assets of the Institute that were transferred from the parent ministry on transformation to SAGA status.

j).Changes in accounting policies and estimates.

The Institute recognizes the effects of changes in accounting policy retrospectively. The effects of changes in Accounting policy is applied prospectively if retrospective application is impractical

k).Taxation

The Institute is a non-commercial state corporation and is therefore not subject to the corporate tax regime.

No corporation tax is therefore provided in these accounts. However, the Institute remits all other applicable taxes as and when they fall due

l).Critical judgments in applying the Institute's Accounting policies

The preparation of the entity's financial statements in conformity with IPSAS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Institute's policies and procedures. Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

m). Consumable stores

All consumable stores procured for use in operations are expensed on purchase through the statement of Financial performance. Proper records of receipts and issues of stores items are maintained to avoid abuse.

Prior year inventory related to equipment was expensed, these costs has been capitalized and transferred to property, plant and equipment.

n).Comparative figures

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

o).Related party

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise of the members of the Council and the Management team. Remuneration paid to the Council members and senior management was for services rendered during normal business course and were not in any way on favourable terms than would have been on transactions done at an arm's length.

(i)The Institute is related to;

- (a) The National Government
- (b) Ministry of Information, Communications & Technology
- (c) Key Management
- (d) Council Members

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(ii) Related party transactions

	2018-2017 Kshs	2017-2016 Kshs
Transfers from related parties	195,450,000	310,450,000
Transfers to related parties	37,521	-

(iii) Key Management remuneration

	2018-2017 Kshs	2017-2016 Kshs
Council Members	8,223,237	9,274,218
Key Management	4,275,000	4,275,000

p). Contingent liabilities

The Institute does not recognize a contingent liability, but discloses details of any contingencies unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. The Institute has a pending court case in which a private developer is claiming ownership of a piece of land reserved for sewer amenities passing through the Institute's property.

q). Subsequent events

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

r). Risk Management

The Institute's risk management strategy recognizes the various risks the Institute is exposed to including credit risk and liquidity risk. This is based on a clear understanding of the risks and continuous risk assessment, measurement and monitoring. The Institute's overall risk management programme focuses on the unpredictable changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance. The Council does not hedge any risks but has in place policies that ensure that any credit advanced is at minimum risk.

Credit Risk

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The Institute's credit risk is attributable to its cash and cash equivalents and trade receivables. The amounts presented in the financial statements are net of allowances for doubtful receivables, estimated by the Institute's management based on their assessment of the economic environment. Both bank balances and trade receivables are fully performing and no debt has been impaired.

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet Institute obligations. The ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for management of the Institute's short, medium and long term funding requirements. The Institute manages liquidity risk by maintaining adequate cash reserves to ensure liabilities are paid as they fall due and to cushion against any liquidity risk.

Capital Risk

The objective of the Institute's capital risk management is to safeguard the Institute's ability to continue as a going concern. The Institute's capital structure comprises of revenue and capital reserve.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

**KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

The preparation of the Entity'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.

- (a) The Institute is still collating its Assets transferred from the Parent ministry, the values of these assets may change significantly as some of the equipment such as video cameras has become obsolete due to technological changes. The cost of land may also go up significantly as the general land prices within Nairobi has gone up significantly in the last 5 years since the last valuation was done.
- (b) Cost of library books has been recognized in the statement of comprehensive income, useful life of library books and its residual value may change based on the assessment of experts employed by the Institute or relevance of the information contained in the books, this may necessitate recognition in the statement of financial position.

6. EVENTS AFTER THE REPORTING PERIOD

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

7. ULTIMATE AND HOLDING ENTITY

The Kenya Institute of Mass Communication is a Semi- Autonomous Government Agency under the Ministry of Information, Communications & Technology, State Department of Broadcasting & Telecommunications. Its ultimate parent is the Government of Kenya.

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018-2017	2017-2016
	Kshs	Kshs
2(a) Recurrent grants		
This denotes money received from the Government to support recurrent expenditure of the the Institute.		
Quarter 1	48,862,500	48,862,500
Quarter 2	48,862,500	48,862,500
Quarter 3	48,862,500	48,862,500
Quarter 4	48,862,500	48,862,500
A.I.A	12,037,521	11,983,500
	207,487,521	207,433,500
2(b) Development grants		
This denotes money received from the Government to support development expenditure of the the Institute.		
Quarter 1	-	115,000,000
Quarter 2		
Quarter 3		
Quarter 4		
	-	115,000,000
3 Revenue from exchange transactions		
Tuition and other related fees	83,654,248	64,107,948
Total revenue from exchange transactions	83,654,248	64,107,948
4 Employee costs	Kshs	Kshs
Basic pay	77,770,201	77,929,068
House allowances	28,587,213	26,449,319
Extraneous allowance	193,164	180,744
Commuter allowance	7,710,948	7,781,712
Casual wages	3,937,943	3,274,542
Gratuity & pensions contributions	9,058,009	10,684,789
Other personnel emoluments	5,693,133	2,474,768
Total employee costs	132,950,609	128,774,942

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018-2017	2017-2016
	Kshs	Kshs
5 Administration expense		
Utilities supplies - Electricity	8,564,274	7,713,425
Utilities supplies - Water & Sewerage	960,697	1,019,707
Telephone expense	2,266,336	2,142,912
Internet and ICT infrastructure	381,600	896,648
Postage & courier services	79,587	50,000
Leased communication lines	-	-
Satellite Access Services	30,000	60,725
Local Travelling and subsistence	1,868,539	2,689,455
Foreign travel & accommodation	-	457,690
Transport	-	-
Medical supplies	336,708	612,347
Staff training and development	1,067,785	2,948,055
Printing & publishing	327,183	755,412
Subscriptions & periodicals	330,902	484,409
Advertisement and awareness campaigns	91,640	650,400
Trade shows and exhibitions	754,100	745,800
Specialised materials and Supplies	501,680	1,119,985
Education & Library Supplies	407,030	1,267,826
General Office expense	1,980,874	5,446,452
Supplies & Accessories for computer services	560,700	721,200
Cleaning and Sanitary Services	842,500	841,000
Refined fuels and Lubricants for transport	781,200	666,600
Cooking gas	1,430,000	1,236,160
Contracted Guards & Cleaning Services	6,526,371	2,972,040
Contracted Professional Services	1,395,725	5,574,269
Purchase of uniforms & Graduation Gowns	520,110	1,393,209
Purchase of Bedding & Linen	-	148,900
Bank charges and commissions	185,783	23,760
Catering and Hostel Services	27,317,504	18,233,194
Total administrative expense	59,508,828	60,871,580
	2018-2017	2017-2016
	Kshs	Kshs
6 Council expense		
Sitting Allowance	2,960,000	3,631,000
Hospitality & Accommodation	1,291,600	1,275,650
Mileage Reimbursement	1,360,823	1,605,768
Honoraria	348,000	1,044,000
Training	1,454,250	1,717,800
Other Allowances	942,564	-
CEO Salary	4,275,000	4,275,000
Total council expense	12,632,237	13,549,218

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018-2017	2017-2016
7 Repairs and maintenance	Kshs	Kshs
Repairs and maintenance equipment & machinery	1,032,846	3,979,970
Repairs and maintenance of motor vehicle	480,380	824,730
Repairs & Maintenance-office furniture	83,800	440,725
Repairs & Maintenance-Computer & software	-	-
Repairs and maintenance of buildings	753,026	4,288,034
Overhaul of plant, machinery & Equipment	-	-
Purchase of workshop tools, spares & Equipment	197,750	879,530
Purchase of ICT & Communications Equipment	216,000	4,276,050
Total repairs and maintenance	2,763,802	14,689,039
8 Academic services		
Teaching & Academic expenses	39,926,315	29,561,233
Student Projects & Supervision	7,848,943	7,365,847
Extra-Curriculum & Students union	6,321,085	7,433,669
Graduation expense	2,645,256	2,556,707
Total academic services	56,741,599	46,917,456
9 Depreciation and amortization		
a).Property, Plant and equipment	47,503,590	51,018,793
b).Intangible assets	1,324,985	1,892,836
Total depreciation and amortization	48,828,576	52,911,629
10 Audit fees-Auditor General	800,000	800,000
11 Cash and cash equivalents		
A/C No.1167037944-KCB-Re-current Account	12,479,083	5,465,199.00
A/C No.1143244362-KCB-Deposits Account	12,178,102	7,196,391.00
A/C No.1226683495-KCB-Development Account	7,740	9,304,869.00
Cash in hand	-	-
Total cash and cash equivalents	24,664,925	21,966,459
12(a) Receivables from exchange transactions	Kshs	Kshs
Current Receivables		
Staff debtors(Salary advance)	71,116	147,714
Outstanding imprest	214,100	568,200
Total Current receivables	285,216	715,914
12(b) Non-Current Receivables		
Receivables from non-exchange transactions	8,443,350	-
Total non-Current receivables	8,443,350	-

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	2018-2017	2017-2016
13 Trade and other payables from exchange transactions	Kshs	Kshs
Contractor's retention	20,907,022	17,070,826
Pension & Gratuity	19,858,410	10,684,789
Commissioner of Domestic Taxes	-	3,248,428
Payments due to Part-time lecturers	3,447,899	6,558,654
Outstanding salaries & wages(WCPS)	3,990,930	3,011,437
Provision for audit fee	800,000	1,600,000
Total	49,004,261	42,174,134
14 Refundable deposits from students		
Student deposits	1,029,000	958,000
Receipts	628,000	388,000
Refunds	(334,899)	(317,000)
Total deposits	1,322,101	1,029,000
15 Revenue reserve		
Bal b/f	29,711,897	1,203,245
Adjustment/Restatement	(105,000)	33,738,350
Surplus/deficit for the financial year	(23,083,882)	(5,229,698)
Bal c/f	6,523,044	29,711,897
16 Work in progress		
Opening Work in progress	98,208,120	24,950,838
Addition	9,107,327	73,257,282
Total	107,315,447	98,208,120

Work in progress includes cost incurred on the catering unit annex

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

9(a)

Non-Current Assets

Description	Land	Buildings	Furniture & Fittings	Tools & Equipment	Motor Vehicles	Computers	Work in Progress	Computer software	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	1,100,000,000	953,450,944	26,526,508	52,026,816	23,353,975	8,927,250	24,950,838	298,953	2,189,535,284
Additions	-	1,712,750	2,433,700	74,524,850	4,277,030	7,337,230	73,257,282	-	163,542,842
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	(298,953)	(298,953)
At 30 June 2017	1,100,000,000	955,163,694	28,960,208	126,551,666	27,631,005	16,264,480	98,208,120	-	2,352,779,173
Additions	-	-	-	15,425,000	-	-	9,107,327	-	24,532,327
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
At 30 June 2018	1,100,000,000	955,163,694	28,960,208	141,976,666	27,631,005	16,264,480	107,315,447	-	2,377,311,500
Depreciation and impairment									
At 1 July 2016	-	(23,836,274)	(3,315,814)	(6,503,352)	(5,838,494)	(2,678,175)	-	(89,686)	(42,261,795)
Depreciation	-	(23,283,186)	(3,205,549)	(15,006,039)	(5,448,128)	(4,075,892)	-	-	(51,018,794)
Impairment	-	-	-	-	-	-	-	89,686	89,686
At 30 June 2017	-	(47,119,460)	(6,521,363)	(21,509,391)	(11,286,622)	(6,754,067)	-	-	(93,190,903)
At July 2017	-	(47,119,460)	(6,521,363)	(21,509,391)	(11,286,622)	(6,754,067)	-	-	(93,190,903)
Depreciation	-	(22,701,105)	(2,804,856)	(15,058,409)	(4,086,096)	(2,853,124)	-	-	(47,503,590)
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
At 30 June 2018	-	(69,820,565)	(9,326,219)	(36,567,800)	(15,372,718)	(9,607,191)	-	-	(140,694,493)
Net book values									
At 30 June 2018	1,100,000,000	885,343,129	19,633,989	105,408,866	12,258,287	6,657,289	107,315,447	-	2,236,617,007
At 30 June 2017	1,100,000,000	908,044,234	22,438,845	105,042,275	16,344,383	9,510,413	98,208,120	-	2,259,588,270

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

9(b) Intangible assets-Software

Description

	2017-2018	2016-2017
Cost	Shs	Shs
At the beginning of the year	6,399,139	298,953
Additions	-	6,100,186
Disposals	-	-
At the end of the year	6,399,139	6,399,139
 Amortization and impairment		
At the beginning of the year	(1,982,522)	(89,686)
Amortization	(1,324,985)	(1,892,836)
At the end of the year	(3,307,507)	(1,982,522)
 Net book values	 3,091,632	 4,416,617

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Non Valuation of property, Plant and equipment	<p>The process was in 3 phases;</p> <p>1) Phase 1: Land-this has been done.</p> <p>2) Phase 2: Transport fleet- this has been done.</p> <p>3) Phase 3: Movable assets and equipment- this has been done.</p>	Mr.Peter Wakoli (DD (F&A))	Resolved	N/A
2.	Uncompleted project- Construction of Kitchen/Dining	<p>A. Initial Contact Cost KShs 115,925,052</p> <p>B. Contract Variation -Cost Contract varied by KShs 28,980,902 or 25% of initial cost due to changes in structural layout and design of the structure involving inclusion of mezzanine floor, additional columns and increase in height of ground floor columns.</p> <p>C. Duration variation The contract period ending 8th June 2017 was extended for 26 weeks so that the revised completion date would be 7th November 2017. The extension of contract period was occasioned by changes in structural layout and design of the structure.</p> <p>D. Adequacy of balance of funds KShs 32,292,513 These funds were projected to complete structural works of the project. The movable kitchen equipment and installations was not part of the initial and revised contract cost.</p> <p>E. Separate Tendering The contract sum of KShs 115,925,052 included Builders works, Mechanical works and Electrical works.</p>	Mr.Peter Wakoli (DD (F&A))	Resolved	N/A

KENYA INSTITUTE OF MASS COMMUNICATION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>F. Honouring of claims by Contractors The pending payments for work done then, was occasioned by;</p> <p>i. Reduction in Development budget by 75% in FY 2016/17</p> <p>ii. Non disbursement of Development budget in FY 2017/18</p> <p>NB 1: All claims by the contractors have been honoured using the FY 2018/19 Development budget allocation.</p> <p>NB 2: The project is ongoing and is in its final phase. It will be completed within budgetary ceilings set by The National Treasury [TNT].</p>			

xix. APPENDIX 1: INTER-ENTITY TRANSFERS

ENTITY NAME:		Kenya Institute of Mass Communication		
Break down of Transfers from the State Department of Broadcasting and Telecommunication				
FY 17/18				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		03/08/2017	48,862,500	2018/2017
		27/10/2017	48,862,500	2018/2017
		12/02/2018	48,862,500	2018/2017
		27/04/2018	48,862,500	2018/2017
		Total	195,450,000	
b.	Development Grants**			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
			NIL	
		Total		

**In the FY 2017/2018, although the Institute had an approved development budget of Kshs 53,250,000 after supplementary budget revisions, the funds were not disbursed by the National treasury thus the Nil transfers on the development grants