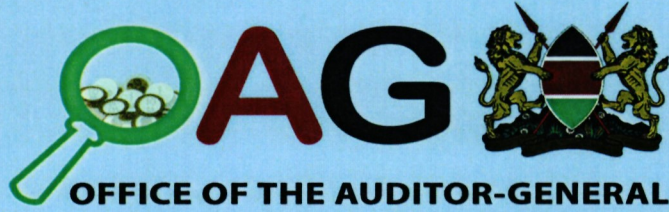


REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

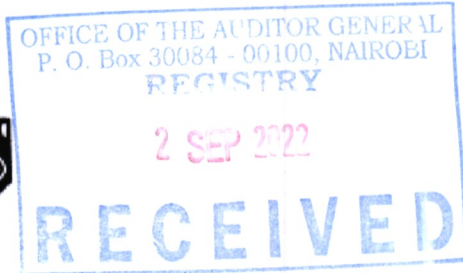
**ON**

**KENYA INSTITUTE OF SPECIAL  
EDUCATION**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

PARLIAMENTARY ASSEMBLY  
23 NOV 2022  
Wednesday  
Majority Whip

PARLIAMENT  
OF KENYA  
LIBRARY



# KENYA INSTITUTE OF SPECIAL EDUCATION

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE, 2021**

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

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## II. KEY INSTITUTE INFORMATION AND MANAGEMENT

### (a) Background information

Kenya Institute of Special Education (KISE) is a Semi-Autonomous Government Agency of the Ministry of Education, Kenya. It was established through Legal Notice No. 17 of 14th February 1986. The Institute is currently run by a Council appointed by the Cabinet Secretary for Education. The Chief Executive Officer of the Institute is the Director.

### (b) Principal Activities

The principle functions of KISE are;

- (i) Conduct teacher training courses for teachers in various fields of education for children with special needs.
- (ii) Conduct in-service courses for personnel working in all fields of Special Needs Education.
- (iii) Prepare and conduct correspondence courses for personnel in the field of Special Needs Education.
- (iv) Run an Educational Assessment and Functional Centre for the training of teachers of children with special needs.
- (v) Run an Orientation and Mobility (O & M) centre for training and demonstration purposes.
- (vi) Run a model training unit for the integration of children with special needs into regular schools.
- (vii) Run a pre-school department where training and stimulation of young children with special needs can be carried out for the purpose of teacher training.
- (viii) Act as a resource centre for the production and dissemination of information to the general public on special needs and disabilities.
- (ix) Run a documentation and resource centre on special needs and disabilities.
- (x) Conduct research on Special Needs Education.
- (xi) Maintain, repair, design, produce and assemble educational resources and assistive devices for persons with special needs.

### (c) Key Management

The KISE day-to-day management is under the following key organs:

- (i) Director KISE
- (ii) Senior Management

### III. KEY INSTITUTE INFORMATION AND MANAGEMENT (CONTINUED)

#### (d) Fiduciary Management

In the year under review, this key role was vested as follows:

##### AREA OF TRUST

- a. All Institute financial and non-financial assets
- b. Title of the Institute's Land
- c. Strategy and Governance
- d. Institute Affairs and Operations

##### OFFICE

Director  
CS, The National Treasury  
KISE Council  
Senior Management

#### (e) Fiduciary Oversight Arrangements

The Full KISE-Council meets quarterly to receive reports from the Director as well as the Sub-Committees of the Council. The Council has three committees that meet as necessary to receive and deliberate on reports of progress and affairs of the Institute. These are:

- a. Finance and General-Purpose Committee
- b. Audit and Risk Committee
- c. Academic and Research Committee

#### (f) Institute Headquarters

Kasarani, Thika Superhighway Exit 8  
Off Kasarani-Mwiki Rd  
P.O. Box 48413 - 00100  
Nairobi, KENYA

#### (g) Institute Contacts

Telephone: +254208007977  
Mobile: +254724 269 505  
E-mail: [info@kise.ac.ke](mailto:info@kise.ac.ke)  
Website: [www.kise.ac.ke](http://www.kise.ac.ke)

#### (h) Institute Bankers

**National Bank of Kenya**  
Harambee Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**Kenya Commercial Bank**  
Ngara Branch and TRM Branch  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

Nairobi, Kenya

#### (i) Independent Auditors

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

#### (j) Principal Legal Adviser

Directorate of Legal Services  
Ministry of Education



### III. VISION, MISSION AND CORE VALUES

#### (a) VISION STATEMENT

An inclusive Kenyan society in which every child with special needs and disability accesses quality education and achieves their fullest human potential.

#### (b) MISSION STATEMENT

To provide high-quality world-class training, research and special needs education and produce educational materials and assistive device for persons with disabilities through excellent services, professionalism and integrity

#### (c) CORE VALUES

Equity  
Respect  
Integrity  
Empathy  
Relevance  
and  
Professionalism

---



## 4. THE BOARD OF DIRECTORS

### 1. DR. JOHN KABUTHA MUGO:

**Chairman of the  
KISE Council**



John is the Executive Director at Zizi Afrique Foundation, an organization that supports improvement of learning for children and youth in Africa. He brings on board a wealth of leadership and management experience following his service as Regional Director at Twaweza East Africa, and leading the regional Uwezo learning assessment. Has previously served as Senior Lecturer and Head of Department-Special Needs Education at Kenyatta University. John is widely published and holds a PhD in Special Needs Education from University of Hanover, Germany.



## 4. THE BOARD OF DIRECTORS

# AUGUSTA MUTHIGANI



Augusta represents the religious fraternity in her capacity as the National Executive Secretary, Commission of Education and Religious Studies, Kenya Conference of Catholic Bishops• General Secretariat. She is also President of the Board International Catholic Education Association, participates in the Committee on Child Protection and was more recently appointed to serve in the National Steering Committee Coordinating Curriculum reforms in Kenya. An alumna of Catholic University of East Africa, she holds a Master's Degree in Religious Education and a Bachelor of Education degree from Kenyatta University. She is currently enrolled with the International Leadership University -Nairobi for her Doctorate studies in Education Leadership.



## 4. THE BOARD OF DIRECTORS

# ELIZABETH A. OBADE



Elizabeth represents the Kenya National Examinations Council (KNEC). She is the Ag. Deputy Director, Test Development School Examinations and a Head of Section, Teacher Education. She is also serving in the Technical committee for Special Needs Education (TC 1 80) at the Kenya Bureau of Standards (KEBS) and technical Committee for Early Childhood Development and Education (TC 181) in developing standards. Elizabeth holds a Master of Education (Early Childhood Studies) and Bachelor of Education (Early Childhood Studies) Kenyatta University and a Diploma in Education (Humanities) Siriba Teacher's training college, Maseno.



## 4. THE BOARD OF DIRECTORS

# FREDRICK HAGA



Fredrick is the alternate member to the Principal Secretary, Ministry of Education. He currently is the Director, Directorate of Special Needs Education. An ardent Disability advocate, he has engaged in leadership of disability rights movements both locally and internationally. Locally he led the Kenya Union of the Blind and the United Disabled Persons of Kenya and served as a Board of trustees of the National Development Fund for persons with Disabilities. Internationally he was the Executive Director of the African Union of the Blind (AFUB) where he was instrumental in the organization of the AFUB General Assembly held in Bangkok, Thailand in 2012. Fredrick holds of a Bachelor of Education Degree from Kenyatta University undertook his Postgraduate studies in Inclusive Education and Special Education at the University of Monash, Australia.



## 4. THE BOARD OF DIRECTORS

### BELDINE OMOLO



Beldine is a the alternate member to the PS National Treasury. She is a Socio-economic and public finance management specialist with over 20 years' experience in policy development and management in the public service. Her areas of proficiency include macro- economic policy, fiscal policy, budgeting, competition policy and law, advocacy and awareness programmes. She is currently an Assistant Director of Budget-The National Treasury. She holds a Masters of Arts in Economics from University of Nairobi, a Bachelor of Commerce in Business Administration



## 4. THE BOARD OF DIRECTORS

### GRACE NGUGI MAINA



Grace is the alternate member to Director Kenya Institute of Curriculum Development (KICD). She is the Deputy Director (in charge of Special Programmes (KICD). She holds a master's degree in Education and is trained as a counselling Psychologist. She is an accredited Counsellor Supervisor with Kenya Counsellors and Psychologist Association. Currently, Grace is pursuing a PhD in Educational Psychology.



## 4. THE BOARD OF DIRECTORS



### GRACE OGONDA

Grace is a Lecturer of Psychology, University of Nairobi focusing on special education and several psychologies. Her teaching career that spans over 35 years has seen her also serve as a lecturer in KISE, Maseno University, Kenyatta University. Grace served as a member of the first Task Force on Special Needs Education that produced the "Kochung Report." Grace holds B.Ed Science from the University of Nairobi, a Diploma in Learning Disabilities-Copenhagen, two post graduate degrees in Special Education from University of Manchester and Teacher Education from Kenyatta University. She is Currently pursuing her doctoral studies at the University of Nairobi



## 4. THE BOARD OF DIRECTORS

### PROF. PETER ORACHA



Peter is an Associate Professor of Special Needs Education at Maseno University for over 20 years. He has served as chairman of various schools besides serving as a tutor at Machakos Teachers Training College and as a Headteacher of Maseno school for the Deaf. His interest in community welfare has seen him serve as a member of the Synod Committee, Maseno South Diocese and as an external examiner for various universities in Kenya. In liaison with KISE, he was the Lead Consultant for The Commonwealth of Learning Teachers Futures Programme that is a pilot project, introducing Secondary School teachers to inclusive education. Peter is widely published in the area of Hearing Impairment and Sign Language. Peter holds a Ph. Din Special Needs Education from University of Hamburg, Germany.



## 4. THE BOARD OF DIRECTORS

### HELLEN OBANDE



Hellen is an Independent member of KISE Council. She is the Program Manager, Partnerships and Networks at Africa Platform for Social Protection. She is a human rights activist with special interest in women, children and disability rights. Her career has spanned over 15 years' service in several Non-governmental Organizations including working as Executive Director of Association of Media Women in Kenya and as Executive Director of the United Disabled persons of Kenya (UPDK). Hellen has also worked as a Radio and Television talk-show host and producer at the Kenya Broadcasting Corporation (KBC). She holds a Bachelor of Arts Degree in Anthropology from Moi University, a postgraduate diploma in Mass Communication from the Kenya Institute of Mass Communication and Master of Arts degree in Women and gender studies from San Francisco State University, California.



## THE BOARD OF DIRECTORS

### DR. NORMAN KIOGORA SECRETARY TO THE COUNCIL



Dr. Kiogora is the Director of Kenya Institute of Special Education (KISE) since December 2020 and is the Secretary to the Council. Before joining KISE, he was the Chief Principal, Moi Forces Academy, Nairobi. He holds a PhD in Administration from the university of Masai Mara and Bachelors of Education and Administration from University of Nairobi. He has published journals, in Education and Administration, and in Special Needs Education (Speech and Language Disorders in Children).



## V. MANAGEMENT TEAM

### 1. DR. NORMAN KIOGORA: DIRECTOR



Dr. Kiogora is the Director of Kenya Institute of Special Education and serves as the council Secretary. He began his teaching career in 1993 and rose into Administrative roles as a classroom teacher, principal and has been an Administrator for 17 years and later as Chief Principal in various secondary schools. His last working station was Moi Forces Academy Nairobi where he served until 30th December, 2020 when he joined the Institute as the Director. He holds a PhD in Administration from the University of Masai Mara University and Bachelors of Education and Administration from University of Nairobi. He has also published three journals, two in his area of specialization (Education and Administration) and one in Special Needs Education (Speech and Language Disorders in Children). Throughout his career he has not only served in the Administrative roles but also as a key member in Curriculum and educational reform programs and participated in ICT Integration programs in education. He also serves as community leader and many other social responsibilities.

### 2. MARGARET GITHANGA: DEPUTY DIRECTOR-FINANCE AND ADMIN.



Born 1964, Margaret is the Deputy Director -Finance & Administration. She has vast knowledge in organizational standards, administrative processes and regulations in the education sector. This experience spans over 30 years in which she has served as a teacher, a teacher trainer and manager. Margaret holds a Bachelor of Education degree from Kenyatta University, Nairobi. She attained her Master of Philosophy in Special Needs Education, from University of Oslo (UiO), Norway and is currently pursuing doctorate studies in special needs education at the same university.



**3. PETER NDICHU MBURU: DEPUTY DIRECTOR-PROGRAMMES**



Peter has over 31 years in the education sector having served as a teacher of mathematics, a curriculum developer in addition to managing the academic programmes. To advance his career interests he has participated in development of materials for the Distance Learning programme, special needs education consultancies in addition to taking proficiency training in inclusive education and low vision assessment and management. Peter holds a Bachelor's Degree in Education from Kenyatta University and an Advanced Diploma in

Special Needs Education from the Institute of Education-University of London.

**4. ANTONY MWANGI: FINANCE MANAGER**



Head of Finance, Accounts and Planning: The Finance Manager, Antony Mwangi was born in 1978. He joined the Institute in 2004 and has held the position since 2013. He has over 20 years of progressive experience in the finance and accounting field having worked in both private and public sectors. Antony a certified public accountant CPA (K), holds a Bachelor degree in International Business Management from Mount Kenya University and is currently pursuing postgraduate studies in Corporate Management at Kenya College of Accountancy.

**5. LYDIA CHEGE: MANAGER-ARC**



Lydia was Born in 1970. She is currently the senior manager in charge of Research Assessment and partnership. Besides she is a professional teacher, project manager and counselor. She holds a Higher Diploma in Psychological Counselling- Kenya Institute of Professional Counsellors, Bachelor of Education from Moi University and Masters in Development Studies and currently pursuing a Ph.D at St. Pauls University. She has been passionate about research and has been

instrumental in steering the Institute's research mandate.



## 6. DANIEL SANOE: ACADEMIC REGISTRAR



Born in 1966, Daniel works as an academic registrar. He is vastly experienced in special needs education. He worked previously in educational Assessment Centre. An alumnus of KISE, Sanoe holds a Diploma in Special Needs Education. And a Bachelor of Education degree in Special Needs Education from Kenyatta University.

## 7. CHRISTOPHER LENGURIS: DEAN OF STUDENTS

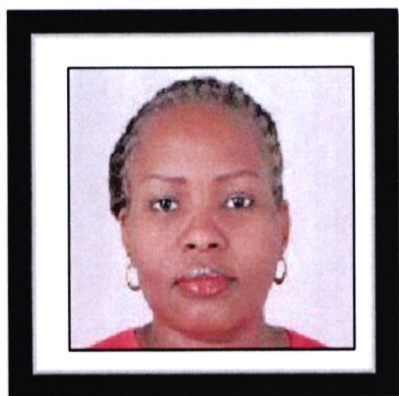


Christopher was born in 1965 and has over 30 years of teaching service experience across various Educational Institutional including Primary, Educational Assessment and Resource Centre and Teacher Training at KISE. He has a wide range of knowledge and experience in institutional management, assessment of learners with special needs and quality management.

He has attended various courses. He holds a

Bachelor's Degree in Special Education, two Diploma Certificates in Special Education and a Certificate in Primary Teacher Education and is a student pursuing Post-Graduate Studies in Research and Evaluation.

## 8. DR. LYNETTE ONG'ERA: DEPUTY AR-ADMISSIONS



She has over 23 years of experience in teacher training in Special Needs Education. She has authored, co-authored and edited several training modules for training Diploma in Special Needs. She holds a PhD in Education-Special Needs Education from Kenyatta University, a master's degree in Professional Studies- Emotional and Behaviour Difficulties from the University of Birmingham, UK, a BA degree in Economics and Education from the University of Lucknow, India and a post

graduate Diploma in Mental Retardation from the National Institute for the Mentally Handicapped-Secunderabad, India besides other management and leadership courses.



9. FLORA MALASI: DEPUTY AR-TRAINING



Flora Maghuwa Nyali Malasi is the Deputy Academic Registrar and a lecturer. She is currently collaborating with Jyvaskyla University and Niilo- Maki Institute in Finland on classroom research on eTALE Africa project which targets teacher professional development. Held membership in MOE national technical team for TUSOME programme. Flora trained as a primary school teacher and holds a Diploma in Special Needs Education, B.Ed. (Special Needs) Kenyatta University, and MSc in Autism Spectrum Disorders – Queens University Belfast, Diploma in Learning Disabilities- Niilo Maki Institute, Finland and currently undertaking a PhD in Special Needs Education at Maseno University.

10. MR. JOHANNAH MWEU: DEPUTY AR-EXAMS



Born in 1964, Johannah is the Deputy Academic Registrar Examinations, He has served in various management positions at different institutions of learning. His keen interest in special needs education has enabled him articulate. He is an adviser for special needs in education advocacy efforts at the National Assessment Systems for Monitoring Learner Achievement (NASMLA) programme at the Kenya National Examination Council. Johannah's experience spans teaching in regular primary schools, teacher training, curriculum development, research, examination and management. He holds a PTE Certificate from Machakos Teachers College a Diploma in Special Education from KISE (Kenya), and among other and a Masters in Education Degree in Professional Development from The University of Leeds (UK).



**11. SARAH ADEDE OUMA: SENIOR HUMAN RESOURCE MANAGER**

Sarah, a certified member of the Institute of Human Resource Management is the Senior Human Resource Management Officer. She has extensive experience in managing people. Besides working in the education sector she has also worked as an administrative executive in the manufacturing sector, non-governmental organization and a multinational Company. Sarah holds a Bachelor of Arts degree in Human Resource Management from Kenyatta



University and is currently pursuing postgraduate studies in Human Resource Management at Jomo Kenyatta University.

**12. LUCY MUTHONI: SENIOR CORPORATE COMMUNICATION OFFICER**

Born 1975, Lucy is the Senior Corporate Communication Officer. Previously she served as an administrative She has served previously worked for Kambui School for the Deaf. Lucy a member Board of Management at Limuru Girls High School is also a member of Public Relations Society of Kenya (PRSK) and a Certified Trustee. She holds an undergraduate qualification in Communication and Public Relations and has

Masters in Communication and Public Relations at the University of Nairobi.

**13. NICHOLAS AYIESA: INTERNAL AUDITOR**



Born in 1985, Nicholas is the Internal Auditor. He has extensive training in Enterprise Risk Management and Information System Management Security. Nicholas holds CPA part Two, Diploma in Accountancy from Technical University of Kenya, a Bachelor of Commerce degree (Finance option) from KCA University and a Masters of Business Administration (Finance Option) from United States International University-Africa.



## VI. CHAIRMAN'S STATEMENT



On behalf of the Council of Kenya Institute of Special Education, I am honored to present the Annual Report and Financial Statements for the financial year ended June 30, 2021. During the year under review, KISE continued to play its rightful role in providing services to persons with special needs and disabilities, in the areas of personnel development, research in special needs, assessment of children with special needs and disabilities, modelling inclusive education, and habilitation and rehabilitation of persons with visual impairments, speech difficulties and cerebral palsy. The

Institute, being the heartbeat of matters special education, recognises the support given to this aspect of the country's education. The positive perception of the necessary interventions in regard to learning and training of persons with special needs and disabilities, remain strong pillars, towards realization of the Sustainable Development (SDG) Goal 4 on inclusivity. The Institute will stay on the lead part in this pursuit. Our strategy is underpinned by our passionate desire to serve people living with disabilities with high quality services.

- a. The revised Strategic Plan is anchored on the Social Pillar of Vision 2030, MTP III and Government's Big 4 agenda. Key strategies include:
- b. Improving access to our training programmes and services through establishing nine more training centres and expanding outreach activities to counties. Further,



increased capacity will continue to benefit trainees with special needs and disabilities.

- c. The quality of our training programmes has been enhanced by reviewing of short courses and well as increased reference materials in the library in form of books and journals. This also went a long way in enhancing research, which was also accelerated by development of the Institute's Research Policy.
- d. The Institute emphasizes the need to integrate ICT in service delivery of special needs education and related services. The institute has expanded access to technologies and, developed local solutions especially for persons with visual impairments.
- e. It has been the intention of the Council to have the Institute's legal status reviewed to bring it in tandem with the current legal framework and practice. The Council has facilitated the drafting of a Bill that will upgrade the Institute to corporate status if enacted. The Council appreciates the goodwill that this matter is receiving among stakeholders and hope that the conversation will yield the anticipated new status.

## RISK MANAGEMENT

The Council acknowledges the threats posed by uncertainty surrounding Institute's strategic objectives. It has undertaken to lead the path of risk management in the Institute to ensure that the intended strategic goals are attained. The inherent opportunities are also deemed important for our exploitation so as to receive the full value of the environment in which we operate. In guiding the management, KISE has an Enterprise Risk Management Policy Framework that identifies the various players and tools appropriate for monitoring and evaluation of the risk management strategies by the Council. The Risk and Audit Committee of the Council plays the role of receiving and evaluating the reports every quarter.

## FUTURE OUTLOOK

The emergency of COVID-19 pandemic across the world has resulted in significant changes in how the lives and works and in the process made training extremely difficult. The virus



has disrupted our lives, families and business operations in ways unparalleled. Although the pandemic may be distressing, it has drawn all of us together. Indeed, if there is good to come out of this, it is that we must all work together to overcome the challenge. In all this, what matters most is the safety and well-being of our employees, families, partners, customers and other stakeholders across all our markets. However, the Institute looks forward to a post COVID future that is vibrant with heavier demand for our services in Kenya and beyond. We are committed to supporting the Competency Based Curriculum (CBC) to work for all learners with special needs and disabilities, and nudge for inclusive teacher training in the country. We anticipate to finalize on equipping the new Assessment Centre by end of 2021. Additionally, we believe that the legal status of the Institute will be reviewed to unlock access to more support and improved effective structure for our operations. We hope to recruit additional specialists in areas of special needs and disabilities to help meet the expanded operations. We will continue to work with various stakeholders to keep the special needs education flag high. We appreciate all who are and willing to walk with us on this journey.

#### CONCLUSION

I would like to thank all my fellow Council members, management and staff for their support and dedication in achieving the desired results.

Dr. John Mugo, Ph.D

**KISE Council Chairman**



## VII. REPORT OF THE DIRECTOR



The Institute's financial performance for the period under review saw us adjust to the post-COVID shocks registering a growth of 9% in Revenue to 295 million from 271 million. The total expenditure declined by 17.6% owing to slowed activities. The Institute complied with Government intention to settle all obligations to its suppliers and had no pending bills at the close of the financial year. The Institute reported a surplus of 59 million in the year under review.

The Institute's commitment to deliver on its mandate has remained strong with growing level of output. In the year under review, it continued to deliver and provide various specialized services and support to persons with special needs and disabilities in the country. Our experts also supported various government programs and policy formulation through sharing of their experience, research, and documented information. Institute officers have been involved in CBC development and implementation activities. All institute trainers are CBC compliant and ten (10) of them are National Master Trainers. We believe that this participation will ease CBC curriculum implementation where learners with special needs and disabilities are concerned.

### a) Acknowledgement:

I take this opportunity to express my sincere gratitude to all our stakeholders; the Ministry of Education and The National Treasury for their distinguished role in helping us achieve our mandate through both policy and budgetary support. On behalf of KISE Management team, I would also like to thank the Chairman and the KISE





Council, for their continued support, visionary leadership and the guidance they provided throughout the year. I also wish to recognize the role played by our clients, who continue to support our various training projects and take up our various course offerings. They remain a crucial stakeholder without whom we would not have achieved our set objectives and financial goals. Lastly, I take this opportunity to congratulate KISE staff for delivering results and enabling the Institute to remain stable. It is through your tireless efforts and commitment that we have been able to record this remarkable performance. I look forward to your continued support in making this dream a reality.

#### **b) Education and Training**

During the period under review, the Institute adopted online learning for certificate courses and graduated a total of 924 students online. However, during the period, schools were closed due to the Covid-19 pandemic and students undertaking the Diploma in Special Needs Education course could not undertake Teaching Practice and therefore could not be graduated. Under the linkages and partnerships, the Institute carried out various activities as agreed with respective partner institutions. With Commonwealth of Learning, a project on Inclusive education for Secondary school level was initiated.

#### **c) Functional Assessment**

KISE visually impaired lecturer showing visiting students how assistive devices work at the Assessment Centre. The construction and practical completion of the GoK funded National Assessment and Research Centre in the year under review, has expanded the Institutes capacity to provide assessment and intervention services to persons with special needs and disabilities. The Centre was partially operationalized in March 2019. A total of 833



persons were served in the year under review up from 1650 in the previous year. Further, 833 children received rehabilitation and habilitation services at the Centre, for visual impairments, speech difficulties and cerebral palsy. The numbers will significantly increase once equipping is completed in the coming financial years. The Centre also enhanced research in special needs and disabilities, and training of assessment officers to serve the



county and sub-county level assessment centres. Outreach and awareness creation programs continue to be caregiver oriented (parents and guardians) of children with special needs and disabilities in the country.

**d) Research, Data Management and Innovation**

The Institute continued to benefit from the Government and partners in Research and Development collaboration which has seen the use of new techniques in service delivery to people with disabilities. In 2018, The Institute undertook research in various areas of interest in the year. Two major studies were carried out namely: “Situational analysis of inclusive education practices in Technical and Vocational Training institutions in Kenya”, and “The role of Teachers in identification and support of learners with learning disabilities in primary schools in Kenya”. The findings of these studies have been disseminated to stakeholders.

**e) Staff welfare**

The Institute continues to nurture and develop talents. I am proud to congratulate staff who have continued to advance their education further enhancing the Institute’s pool of professionals. We thank the committed employees who braved COVID-19 pandemic and continued to work.



*Staff participate in a team building activity during the annual staff retreat in Mombasa.*



**(k) Conclusion**

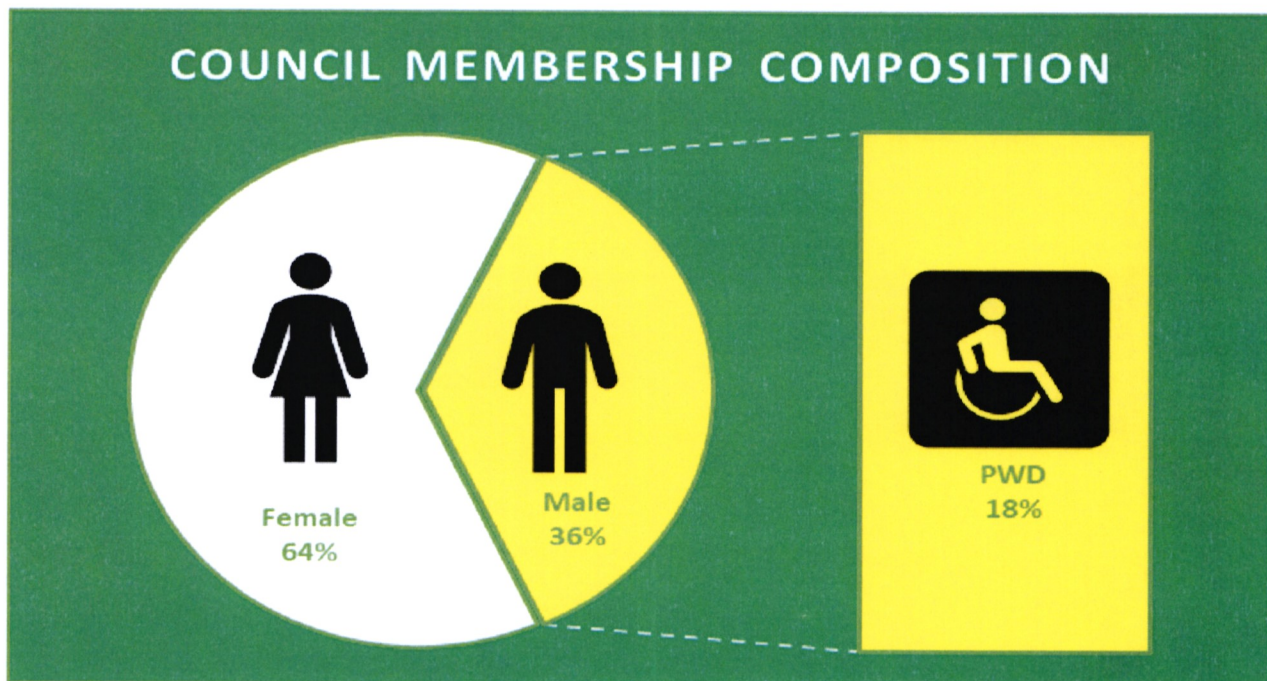
- The Institute has positioned itself in the Post-Covid 19 era and we are optimistic in putting our best foot forward in exercising our mandate in the coming future. The Quality Management Standard: ISO 9001:2015, under which the Institute was re-certified will continue to assure that our operations are anchored towards customer satisfaction. We look forward to serving the country and the region better in the coming periods.

Dr. Norman Kiogora  
**Director**



## VIII. CORPORATE GOVERNANCE STATEMENT

The Institute is cognizant that sound corporate governance enables organizations to achieve their set objectives, make informed decisions, manage risks and ensure compliance. The Institute has therefore been keen on complying with corporate governance guidelines as stipulated in the Code of Corporate Governance for State Corporations – MWOGOZO. In line with this, the Institute has a Council which is responsible for strategic guidance and oversight. With an aim of fostering transparency, disclosure and safeguarding the interests of all stakeholders, Council has put in place relevant systems and processes.



As at June 30, 2021, the Institute had eleven (11) Council members. Council members' composition complied with the gender rule by having seven (7) women and inclusivity through representation of persons with disabilities.

The Council meetings and activities are guided by an annual workplan and Institute almanac. The Council holds meetings quarterly. In addition, special council meetings are held to address emerging and urgent matters. Apart from the full council, there are three (3) standing Committees with specific terms of reference to execute delegated responsibilities.



These Committees are; Finance and General Purpose, Risk, Audit and Governance, and Academic and Research.

The following meetings were held during the Year ending June 30, 2021

No.	Member	FCM	FGPC	ARC	ARGC
	<b>Number of meetings</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>4</b>
1	Dr. John Mugo - Chairman	100%			
2	Dr. Kiogora S.N - Secretary	100%			
3	Ms. Augusta Muthigani	100%			100%
4	Ms. Helen Obande	100%			100%
5	Prof. Peter Oracha Adoyo	100%		100%	
6	Ms. Grace Ogonda	100%	100%		
7	Ms. Ann Wamugunda- Alternate to CEO TSC	100%	100%	100%	
8	Ms. Grace Ngugi – Alternate to KICD	100%		100%	100%
9	Mr. Fred Haga - Alternate to	100%	100%		
	PS Basic and Early Childhood				
10	Ms. Beldine Omollo - Alternate to PS National Treasury	100%	100%		
11	Ms. Elizabeth Obade - Alternate to CEO- KICD	80%		80%	

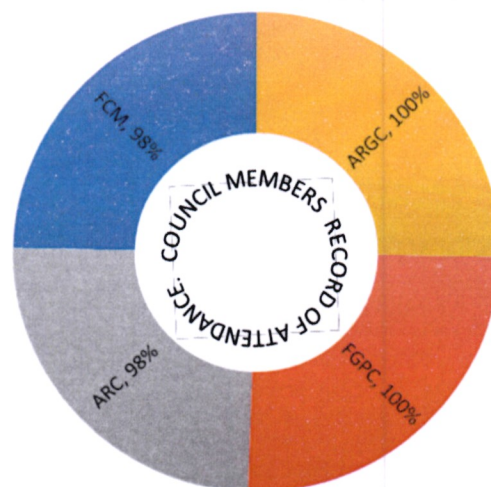
KEY:

FCM - Full Council Meetings

FGPC - Finance and General Purpose Committee

ARC - Academic and Research Committee

ARGC - Audit, Risk and Governance Committee





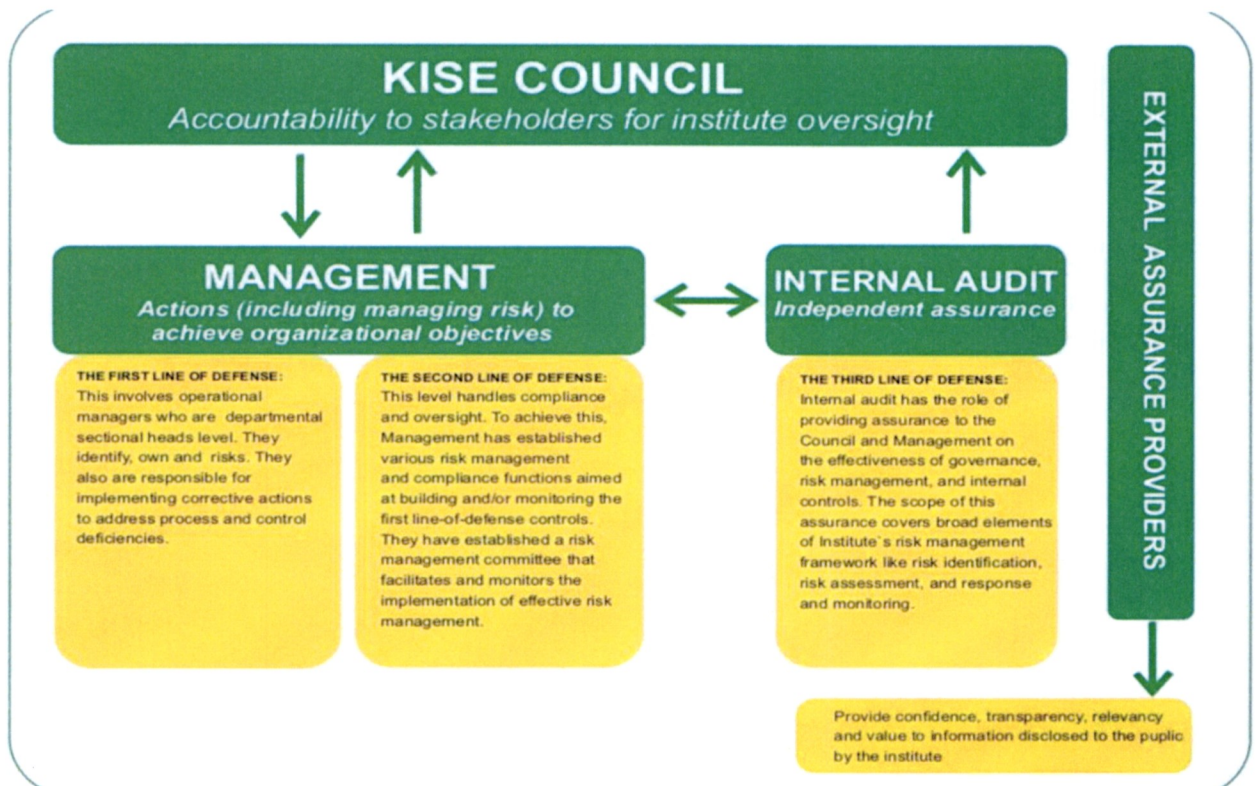
**(a) RISK MANAGEMENT**

Risk management entails the identification, analysis, and response to uncertainties that may affect delivery of the organization’s objectives. The Council and Management recognize that an effective Risk Management System is important. It has therefore made attempts to control, as much as possible future uncertain outcome by being proactive rather than reactive.

The Institute has in place systematic strategies aimed at understanding risks that may arise with intention of benefiting from them, or minimize the impact of such risks in achievement of its mandate. The Institute understands that with advancement of technology, shift in customer expectations, unpredictable macroeconomic conditions and a competitive operating environment, organizations are exposed to a high level of uncertainty hence the need for a systematic risk management approach and practices. The Institute has over the years been able to proactively manage its strategic and operational risks well.

**Institute Enterprise Risk Management Framework**

The Institute has been implementing its Enterprise Risk Management Policy Framework with three lines of defence as illustrated below:



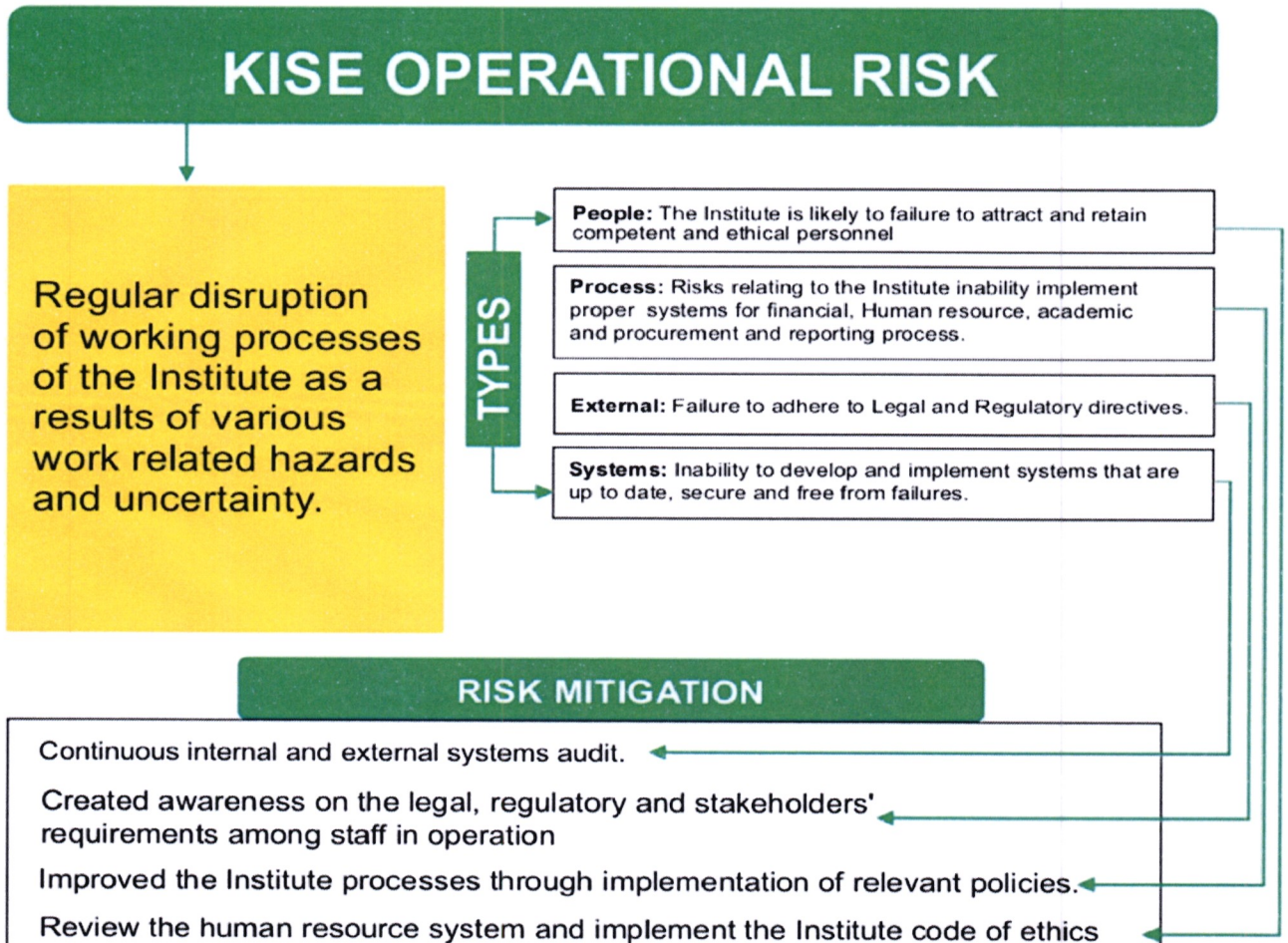


The framework provides a systematic risk management approach. It recognizes the role of risk registers as a tool for effective risk management and has since automated it. The Institute appreciates that a systematic approach to risk management calls for delegation and coordination of essential risk management duties. This has made the council and management to embrace the three lines of defence approach in identification, assessment, mitigation and review of Institute risks within set risk appetite limits.

**Overview of Institute Risks**

Institute risks are broadly divided into operational and strategic risks. Operational risk are uncertainties arising from inadequate or failed internal processes, people, controls, systems or from external events. On the other hand, Institute strategic risks refer to any internal and external events which are likely to make it difficult, or even impossible, for the Institute to achieve its mandate and strategic goals. Unlike operational risks, strategic risks are key risks that are of the Council’s concern since they have a likelihood of affecting Institute business growth and impact negatively on the achievement of the core mandates.

Some of the operational risk within the Institute are summarized hereunder:





council is aware of Key risks that are likely to affect achievement of institute's strategic goal

The council has been proactive in putting in place relevant safeguards to prevent the adverse effects of such risks. The following key strategic risks were identified during the year under review.

#### **Training Mandate Related Risk;**

The Institute was affected by a high turnover of lectures majorly caused by retirement. The council mitigated this risk through engaging Teachers Service Commission for replacements. The Institute managed to get additional 4 number of lectures.

#### **Assessment Mandate Related Risk;**

The Institute operates the national psycho-educational Assessment and research Centre. This Centre requires specialized equipment and specially trained staff, or else the Institute risks not achieving the Assessment of children with special needs and disabilities mandate. The council has been able to engage the National Treasury to continue funding the project. The year under review saw the Institute receive Kshs.50M towards purchase of specialized equipment for the center.

Further, during the year under review all staff working for the assessment of learners with disabilities underwent an internal capacity building on emerging trends in functional assessment. Four therapists were also sponsored for short training.

#### **Emerging Risks**

Covid-19 Pandemic came with challenges that exposed the Institute to risks that were not anticipated. Training which is among the Institute's key mandates was disrupted due to government directives on combating the spread of the virus. Institute's training programs like for any other Institutions were negatively affected. These risks caused the Institute to miss on new admission of students for diploma in SNE. This therefore, had negative impact on year's anticipated revenues from student fees. To mitigate this risk, the Institute adopted online training for continuing distance learning students. In addition, the Institute conducted a graduation ceremony virtually.



## IX. MANAGEMENT DISCUSSION AND ANALYSIS

### 1) EDUCATION AND TRAINING

During the period under review, the Institute adopted online learning for certificate courses and graduated a total of 924 students online. However, during the period, schools were closed due to the Covid-19 pandemic and students undertaking the Diploma in Special Needs Education course could not undertake Teaching Practice and therefore could not be graduated.

S/no	Certificate Courses	2021	2019	2018	2017	2016
1	Certificate in Elementary Kenyan Sign Language	55	137	83	77	48
2	Certificate in Kenyan Sign Language	625	789	552	290	270
3	Certificate in Functional Assessment	14	67	29	77	32
4	Certificate in Inclusive Education	8	72	19	24	62
5	Certificate in Early Childhood Development Education	110	52	25	19	9
6	Certificate in Braille Proficiency	112	7	10	13	12
7	Certificate in Computer Proficiency	-	96	60	80	35
	Diploma Course	924	1,220	778	580	469
	Diploma in Special Needs Education		520	711	573	1,659
			1,740	1,489	1,153	2,128

In its pursuit to implement inclusive education, the institute has admitted learners with severe disabilities in the pre-primary section. To facilitate their education, the Institute has engaged and deployed staff with adequate competencies to the pre-primary.

Financial Year	Total no. of learners admitted	Learners with special needs and Disabilities
2020/2021	39	10
2019/2020	48	12
2018/2019	60	14



## 2) FUNCTIONAL ASSESSMENT OF LEARNERS WITH SPECIAL NEEDS AND DISABILITIES

One of the mandates of the institute is to conduct assessment of children with special needs and disabilities. The result of this assessment is a decision on the placement and educational provision in line with the Child's needs. A total of 1500 children with special needs were assessed and another 2,051 received occupational therapy, physiotherapy and speech therapy during the year under review. These children received a total of 2,051 sessions. This achievement is attributed to support received from students from JKUAT University who undertake attachment in KISE. Further, an outreach was conducted at Sipili Special School in Laikipia County in which a total of 200 children with disabilities were assessed. The outcome was advice on appropriate hearing aids, increased enrolment, appropriate placement and capacity building of teachers in the school to adequately serve the learners. In an effort to enhance identification and educational provision of learners with special needs in education, the Institute initiated development of assessment tools for learners with Learning Disabilities.

## 3) RESEARCH AND INNOVATION

During the year under review, the institute conducted two researches. These are;

- a. Status of children with disabilities and special needs in education in the Covid-19 Era, Kenya. The main focus of this research was to;
  - (i) Ascertain the state of children with disabilities and special needs with reference to progress in learning and health since closure of schools,
  - (ii) assess intervention measures available to enhance education for children with disabilities and special needs in education and
  - (iii) explore types of services and approaches available to improve access to quality education for children with disabilities and special needs in education
- b. Coping with the impact of Covid-19 on corporates: A case study of Kenya Institute of Special Education. The purpose of the study is to evaluate how KISE is coping with the effects of covid-19 Pandemic on its programmes. This was guided by three objectives;
  - (i) To find out the extent to which covid-19 has affected human capital at the Institute.
  - (ii) To determine the extent to which covid-19 has affected the Institute operations.
  - (iii) To establish measures the institute has put in place to mitigate the effects of covid-19 pandemic.



**4) SPECIALISED LEARNING RESOURCES, ASSISTIVE DEVICES**

One of the functions of the institute is to design, produce and maintain educational resources and materials. Learners with special needs in education require concrete materials to facilitate conceptualization of what is taught. Similarly, persons with disabilities will need aids to facilitate mobility and communication. During the year under review, the institute received requests from external clients to produce and supply a total of 148 items worth Ksh 467,412.





## X. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KISE as an Institute is committed to enhancing the quality of life for employees and the communities in which they live and work. In addition, the institute seeks to promote volunteerism and social/civic responsibility throughout its training centres. We believe our responsibility extends beyond the obligation to comply with legislation, to voluntarily act to improve the quality of life among our employees and their families, local communities and society at large as well as to protect the environment. We are dedicated to creating a workplace that is safe, fair and enriching. Safety procedures and programs are constantly monitored and improved to help ensure that our employees work safely. We foster a workplace culture in which the rights, needs and unique contributions of each employee are respected. We also support professional development opportunities for every employee.

Below is a brief highlight of our achievements in the year under review:

### a) Sustainability strategy and profile -

KISE may support any cause, activities, projects or events that are in line with our core themes including community or charitable work which are relevant to Kenyans. Participate in, and contribute to, charitable causes or community work impartially and without prejudice in terms of race, gender, ethnicity or religion or physical and mental disability. The Institute shall provide corporate support in a way that minimizes any inference or perception of a conflict of interest and promote inclusivity as per our vision. Financial assistance may only be made to entities and surrounding community who shall use the funding or assistance to enhance our key guideline themes, persons special needs and with disabilities, and Kenyans in general.

### b) Environmental performance

KISE supports activities geared towards protection and rehabilitation of the environment. During the year in review, the Institute planted trees at the open field at the National Resource Centre. The Environment Policy was reviewed in the period under review.



*KISE Community planting trees at the National Resource Centre*

### c) Employee welfare

The Institute is guided by the Public Service Code of Ethics together with the Institute Human Resource Policy in the hiring process. The Institute also provides Psychosocial support to employees who have terminal illness or who acquire disability.

During the year under review, Covid 19 pandemic affected most of the Institute's activities. To mitigate the pandemic, the Institute provided masks and sanitizers for all staff and students. Water points were erected in all major entry point for use by both internal and external clients.



*A member of staff washing hands in one of water points placed Strategically for washing hands as a measure of combating Corona Virus pandemic in the Institute.*



d) **Market place practices-**

KISE adheres to Public Procurement Act which ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors. The Institute adheres and observes to the guidelines outlined in the Institute Service Charter in regard to honouring contracts and respecting payment practices. KISE carries out audit from time to time to ensure compliance and does from time to time

In the year under review, the Institute supported enterprises for youth, women and persons with disability by abiding by the 2% procurement threshold for persons with disabilities.

e) **Community Engagements**

In the past, the Institute has been undertaking community engagement which included visit to charitable homes, giving (cash & material), however, due to the Corona Virus pandemic, no activity of that calibre was undertaken.



## XI. REPORT OF THE COUNCIL MEMBERS

The Council submits its report together with the audited financial statements for the year ended June 30, 2021 which disclose the state of affairs of Institute.

### (b) Principal activities

The principal activities of KISE are to provide advisory services in formulation and implementation government policies in the areas of special needs and disabilities, review and research on practices addressing special needs education and related services and provide support and interventions to persons with special needs and disabilities within its mandate.

### (c) Results

The results of the entity for the year ended June 30, 2021 are set out on page 1 of the Institute's financial statements. The report indicated a stable financial base having grown by 2% from last financial year despite the post-Covid 19 economic downturn.

### (d) Council Members

The members who served in the Institute Council during the year under review were appointed for three-year term in May 2018. Their activities were guided by the Council Charter and adequately guided the management of the Institute towards the performance reported in the year under review. The Institute reported a surplus of 59 million up from a deficit of 40 million the previous year.

### (e) Auditors

The Office of the Auditor General is responsible for the statutory audit of the Institute in accordance with Public Finance Management (PFM) Act, 2012.

Director/KISE Council Secretary



Date: September 30, 2021

## **XII. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES**

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

The Council Members 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 for year ending June 30, 2019. The 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 budget estimates that are reasonable in the circumstances.

The Council Members 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 and the State Corporations Act. The Council Members 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, 2021, and of the Institute's financial position as at that date.

The Members 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 Council Members 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 financial statements were discussed and approved by the Council in August 30, 2020 and signed on its behalf by:

Chairman

Director

Council Member

# REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SPECIAL EDUCATION FOR THE YEAR ENDED 30 JUNE, 2021**

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### PREAMBLE

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

- A. Report on the Financial Statements that consider 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 the intended purpose.
- C. Report on the 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 control, 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 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 Institute of Special Education set out on pages 1 to 27, which comprise of the statement of financial performance, statement of financial position, statement of changes in net assets,

statement of cash flows, statement of comparison of budget and actual amounts, and a summary of significant accounting policies, notes to the financial statements and other important disclosures 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 Special Education as at 30 June, 2021, 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 Kenya Institute of Special Education Order Legal Notice No. 17 of 1986 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1.0 Inaccuracies in Cash and Cash Equivalents**

The statement of financial position and as disclosed in Note 20 to the financial statements reflects cash and cash equivalents of Kshs.124,968,954. Review of the records provided for audit revealed that the KCB Fee Collection Account and KCB Call Accounts shared the same account number. Management did not provide for audit the bank statement for the KCB Call Accounts and supporting documents for the balance of Kshs.104,790,000 reported under KCB Call Accounts. In addition, the movement in balances of the Call Account from the previous financial year of Kshs.30,000,000 to the current financial year of Kshs.104,790,000 was not supported.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.124,968,954 could not be confirmed.

#### **2.0 Unsupported Fees and Student Contribution**

The statement of financial performance and as disclosed in Note 8 of the financial statements, reflects fees and student contribution amount of Kshs.73,555,096. The fees and students' contribution include administration fees and activity fees amounting to Kshs.9,018,100 and Kshs.346,000 respectively. However, the amount could not be confirmed as information and documentation relating to the student population was not provided to give a basis for confirmation.

In the circumstances, the accuracy and completeness of fees and student contribution of Kshs.73,555,096 could not be confirmed.

#### **3.0 Unsupported Trade and Other Payables**

The statement of financial position and as disclosed in Note 25 to the financial statements reflects trade and other payables balance of Kshs.19,591,079. The balance includes an amount of Kshs.8,805,480 due to Kenya National Examination Council. Review of the Council's books of accounts reported a Nil balance resulting in an unexplained and unreconciled variance of Kshs.8,805,480. Further, the amount includes an amount of Kshs.7,034,566 due to the Jomo Kenyatta University of Agriculture and Technology (JKUAT&) and ABS project. The amount has not been reflected in the accounting records of the University.

In the circumstances, the accuracy of trade and other payables balance of Kshs.19,591,079 as at 30 June, 2021 could not be confirmed.

#### **4.0 Unsupported Refundable Deposits from Customers**

The statement of financial position and as disclosed in Note 27 to the financial statements reflects a balance of Kshs.19,984,633 in respect of refundable deposits from customers. The balance includes an amount of Kshs.13,196,480 refundable to Kenya National Examination Council (KNEC) which was not reflected in the KNEC's accounting records resulting in an unexplained and unreconciled variance of the same amount. Further, the Institute Management did not provide supporting evidence for fees by sponsors amount of Kshs.4,232,329.

In the circumstances, the accuracy and completeness of refundable deposits from customers amounting to Kshs.19,984,633 could not be confirmed.

#### **5.0 Unsupported and Unexplained Deferred Income**

The statement of financial position and Note 26 to the financial statement reflects deferred income amounting to Kshs.9,811,116. However, the movement of the balance from the previous year of Kshs.42,858,379 was not supported by an equivalent recognition of the income amounting to Kshs.33,047,263 in the statement of financial performance. Further, the deferred income includes an amount totaling Kshs.6,854,631 that had no movement in the financial year 2018/2019.

In the circumstances, the completeness and accuracy of accounting of deferred income amounting to Kshs.9,811,116 could not be confirmed.

#### **6.0 Unsupported Research Expenses**

The statement of financial performance reflects operations and maintenance amount of Kshs.77,128,996 and as detailed on Note 13 to the financial statements. Included in this amount is research expenses of Kshs.2,220,871 out of which an amount of Kshs.400,000 was not supported with details of services rendered and goods supplied.

In the circumstances, the accuracy and completeness of research expenses of Kshs.2,220,871 could not be confirmed

#### **7.0 Unsupported Receivable from Exchange Transactions**

The statement of financial position and as disclosed in Note 21 to the financial statements reflects receivables from exchange transactions of Kshs.65,421,637. The following anomalies were observed: -

- i. The student debtors listing had a total of 5,462 student debtors while the Institute's capacity is less than 500 students in a year. Review of the debtor listing revealed that there were debtors with outstanding amounts of more than ten (10) years raising doubt on the recoverability of the students' debts;
- ii. The trade debtors balance of Kshs.7,0372,520 includes amounts of Kshs.3,135,437 in respect of receivables from various entities that were not

reflected in the balance of their respective accounting records as detailed below;

<b>Name of Entity</b>	<b>Balance as Per KISE Financial Statements (Kshs.)</b>	<b>Balance as Per Entity (Kshs.)</b>	<b>Unreconciled Variance (Kshs.)</b>
Higher Education Loans Board	737,920	-	737,920
Kenya National Commission for UNESCO	30,000	-	30,000
Kenya Literature Bureau	215,517	-	215,517
Kenya Pipeline Company	1,179,000	-	1,179,000
Maseno University	1,000,000	-	1,000,000
<b>Total</b>	<b>3,135,437</b>		<b>3,135,437</b>

iii. The general debtors' balance of Kshs.10,937,830 includes amounts receivable from various institutions which are not included in the entity accounting records as detailed below;

<b>Name of Entity</b>	<b>Balance as Per KISE Kshs.</b>	<b>Balance as Per Entity Kshs.</b>	<b>Unexplained and Unreconciled Amount Kshs.</b>
Ministry of Education	1,993,000	-	1,993,000
Teachers Service Commission	253,080	-	253,080
Jomo Kenyatta Foundation	498,500	-	498,500
Directorate of Personnel Management	630,000	-	630,000
<b>Total</b>	<b>3,374,580</b>		<b>3,374,580</b>

In the circumstances, the accuracy, completeness, recoverability, and validity of receivables from exchange transactions of Kshs.65,421,637 could not be confirmed.

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

#### **Receivables from Exchange Transactions**

As disclosed in Note 21 to the financial statements, the receivables from exchange transactions balance of Kshs.65,421,637. Included in this balance is outstanding fees due from students of Kshs.89,970,293 before provision for bad and doubtful debts

which have been outstanding for over eleven (11) years and whose recoverability is doubtful.

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.

## **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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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**

#### **1.0 Non-Compliance with International Public Sector Accounting Standard (IPSAS) and Public Sector Accounting Standards Board (PSASB) Guidelines**

The financial statements provided for audit did not conform to the IPSAS and PSASB prescribed format of preparation of financial statements as indicated below-

- (i) The approval for the financial statements is indicated as 30 August, 2020.
- (ii) Accounting policy on taxation is incomplete.
- (iii) The accounting policy indicates that the Institute accounts for deferred tax is not included in the financial statements.

In the circumstances, the Management did not follow the prescribed format and guidelines prescribed and published by the Board.

#### **2.0 Irregular Payment of Sitting Allowance to Members of Staff**

During the year under review audit, twelve (12) members of staff were paid sitting allowances totaling Kshs.195,000 for different council and committee meetings while they were not members of the council. This is contrary to State Corporations Act Cap 446 Section 10 sub-section (1) on remuneration and expenses of chairman and members which states that the chairman and members of a Board other than the chief executive and public officers in receipt of salary, shall be paid out of the funds of the corporation such as sitting allowances or other remuneration as the Board may, within the scales of remuneration specified from time to time by the Committee, approve.

In the circumstances, Management was in breach of the law.

### **3.0 Unbalanced Budget**

The Management prepared a budget that reflects the final budgeted receipts of Kshs.336,302,981 against the budgeted expenditure of Kshs.311,939,627 resulting in a budget variance of Kshs.24,363,354. This was contrary to Section 33(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that the budget shall be balanced.

In the circumstances, Management was in breach of the regulations.

### **4.0 Delay in Implementation of the Enterprise Resource Planning (ERP) System**

The Institute procured an Enterprise Resource Planning (ERP) System at a contract sum of Kshs.9,822,233.30. The contract was to run for a period of seventeen (17) weeks, from 5 June, 2020 to 12 October, 2020. The firm was to implement and customize eighteen (18) modules for the easier and more efficient running of the Institute's operations. It was noted that the final payment of Kshs.7,057,556 was made to the firm on 12 July, 2021. However, a review of the records in respect of the system confirmed the following anomalies: -

- i. According to the Internal auditor report dated 12 February, 2021 the project was behind schedule and most of the modules were either facing challenges or were at the 0% implementation stage. The key modules that had challenges included financial management, academic and admission management, purchase and procurement management, human resource and payroll, staff and student portal, and the store and inventory management;
- ii. It was observed the system was unable to do reconciliations, edit erroneous postings, print cheques, and meals control to distinguish various categories of students thus making meals available for all. The procurement module's inability to edit an item when an LPO had been raised, the disappearance of posted LPO, and updating stores inventory amongst other issues;
- iii. The payment of Kshs.7,057,556 was not supported with a certificate of completion and therefore the basis of payment could not be confirmed;
- iv. Management did not provide evidence of approval of the extension of contract duration as required by Section 139(1)(a) of the Public Procurement and Asset Disposal Act,2015; and,
- v. The approval for contract variation from the original contract sum of Kshs.9,143,526.30 to Kshs.9,822,233.30 was not provided. No commissioning report or handover report from the supplier to the Institute was not provided for audit.

In the circumstances, value for money has not been realised on the expenditure of Kshs.7,057,556 for the acquisition of the Enterprise Resource Planning system.

### **5.0 Unauthorized Council Retreat Expenditure**

The statement of financial performance and Note 14 to the financial statements reflect an amount of Kshs.3,843,045 in respect of Council expenses. Included in the amount

is Kshs.1,829,793 in respect of retreat allowance paid to Council Members. However, the approval for the retreat by the Cabinet Secretary was not provided for audit.

In the circumstances, Management was in breach of the law.

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 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 Board of Directors

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 the 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 Board of Directors 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 components of the internal control 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 in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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 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**

**15 September, 2022**



## 1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 20

	Note	2021 KSH	2020 KSH
<b>Revenue from non-exchange transactions</b>			
Donations and Other Grants	6	39,778,827	3,724,912
GoK-Recurrent Grants	7	196,802,981	196,773,258
<b>Total Revenue from Non-Exchange Transactions</b>		<b>236,581,808</b>	<b>200,498,170</b>
<b>Revenue from Exchange Transactions</b>			
Fees and Student Contribution	8	73,555,096	65,214,454
Hire of Facilities and Services	9	2,749,721	120,000
Other Incomes	10	3,525,009	4,952,953
Sale of Learning Materials	11	277,466	343,482
Deferred income		1,446,798	-
<b>Total Revenue from Exchange Transactions</b>		<b>81,554,090</b>	<b>70,630,889</b>
<b>Total Revenue</b>		<b>318,135,898</b>	<b>271,129,059</b>
<b>Expenses</b>			
Staff Expenses	12	113,924,894	112,306,780
Operations And Maintenance	13	77,128,996	125,031,421
KISE Council Expenses	14	3,843,045	1,218,437
Donations And Other Grant Expenses	15	1,566,542	3,585,298
Audit Fees	16	650,000	650,000
Provision For Depreciation	17	52,099,379	60,482,148
Provision for Bad and Doubtful Debts	18	9,153,004	8,783,959
<b>Total Expenses</b>		<b>258,365,860</b>	<b>312,058,043</b>
<b>Surplus for The Period</b>		<b>59,770,038</b>	<b>(40,928,984)</b>
Corporation tax applicable	19	321,771.00	-
<b>Surplus after Tax</b>		<b>59,448,267</b>	<b>(40,928,984)</b>

The notes set out on pages 8 to 28 form an integral part of these Financial Statements



## 2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Assets	Note	2021 Kshs	2020 Kshs
<b>Current assets</b>			
Cash and cash equivalents	20	124,968,954	53,748,586
Receivables from Exchange Transactions	21	65,421,637	70,995,617
Receivables from Non-Exchange Transactions	22	10,239,361	-
Receivable Deposits	23	1,492,418	1,492,418
<b>Total Current assets</b>		<b>202,122,370</b>	<b>126,236,620</b>
<b>Non-current assets</b>			
Property Plant and Equipment	24(a)	3,716,635,418	3,713,000,016
Investment property	24(b)	27,932,450	28,502,500
Intangible assets	24(c)	6,394,519	5,228,472
<b>Total Non-current assets</b>		<b>3,750,962,387</b>	<b>3,746,730,988</b>
<b>Total assets</b>		<b>3,953,084,757</b>	<b>3,872,967,608</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables from exchange transactions	25	19,591,079	29,407,739
Deferred Tax Liability	19	11,142,656	0
Deferred income	26	9,811,116	42,858,379
Refundable deposits from customers	27	19,984,633	6,688,479
Prepaid fees and Other Charges	28	25,935,880	26,021,000
<b>Total liabilities</b>		<b>86,465,364</b>	<b>104,975,597</b>
<b>Capital Reserves &amp; Surplus</b>			
Revenue Reserves	29	128,169,396.00	79,542,014
Revaluation Reserves	30	2,068,963,405	2,068,963,405
Capital Reserves	31	1,669,486,592	1,619,486,592
<b>Total Capital Reserves &amp; Surplus</b>		<b>3,866,619,393</b>	<b>3,767,992,011</b>
<b>Total net assets and liabilities</b>		<b>3,953,084,757</b>	<b>3,872,967,608</b>

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

**Director:**  
Dr. Norman Kiogora

**Finance Manager:**  
Anthony C. Mwangi  
ICPAK Member 13996

**Chairman of the Board**  
Dr. John Mugo

## 3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Note	Revenue Reserves		Capital Reserves		Revaluation Reserves		Total
		KES	KES	KES	KES	KES	KES	
<b>Balance at July, 01 2019</b>		120,470,998	1,533,886,592	2,068,963,405	3,723,320,995			
Additions in the Year		-	-	-	-			
Development Fund		-	85,600,000	-	85,600,000			
Adjustments		-	-	-	-			
Surplus for the year		(40,928,984)	-	-	(40,928,984)			
<b>Balance at June, 30 2020</b>		<b>79,542,014</b>	<b>1,619,486,592</b>	<b>2,068,963,405</b>	<b>3,767,992,011</b>			
Balance at July, 01 2019		79,542,014	1,619,486,592	2,068,963,405	3,767,992,011			
Additions in the Year		-	-	-	-			
Development Fund		-	50,000,000	-	50,000,000			
Adjustments	29	(10,820,885)	-	-	(10,820,885)			
Surplus for the year		59,448,267	-	-	59,448,267			
<b>Balance at June, 30 2021</b>		<b>128,169,396</b>	<b>1,669,486,592</b>	<b>2,068,963,405</b>	<b>3,866,619,393</b>			



4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	2021 KES	2020 KES
<b>Cash-flows from operating activities</b>		
<b>Surplus for the period</b>	<b>59,448,267</b>	<b>(40,928,984)</b>
Adjustment for:		
Depreciation	52,099,379	60,482,148
Provision for Bad & Doubtful debts	9,153,004	8,783,959
Increase/Decrease in Receivables	(13,818,385.31)	(17,366,420)
Increase/Dec in Receivable Deposits	-	-
Increase/Decrease in Payables	(9,816,660.00)	1,262,165
Increase/Decrease in Tax Liability	321,771.00	-
Increase/Decrease in deferred Income	(33,047,263.00)	16,630,278
Increase/Decrease in Refundable Deposits	13,296,154	1,813,549
Increase/Decrease in Prepaid Fees & other Charges	(85,120)	5,912,915
<b>Net cash-flows from operating activities</b>	<b>77,551,146</b>	<b>36,589,610</b>
<b>Cash flows used in investing activities</b>		
Property Plant and Equipment	(53,566,101)	(198,840,170)
Intangible assets Acquisition	(2,764,677)	(6,535,590)
<b>Net-cash-flows used in investing activities</b>	<b>(56,330,778)</b>	<b>(205,375,760)</b>
<b>Cash-flows from Financing activities</b>		
Development Grant received	50,000,000	85,600,000
	<b>50,000,000</b>	<b>85,600,000</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>71,220,368</b>	<b>(83,186,149)</b>
Cash and cash equivalents as at 1 JULY 2020	53,748,586	136,934,735
<b>Cash and cash equivalents at 30 JUNE 2021</b>	<b>124,968,954</b>	<b>53,748,586</b>

### 5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Description	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	%age e	Explanations for variances
	2020-2021	KES	2020-2021	KES	2020-2021	KES	2020-2021	KES			
<b>Revenue</b>											
DONATIONS AND OTHER GRANTS	10,000,000				10,000,000		39,778,827		29,778,827	75%	Secured a partnership with UNICEF
GOK-RECURRENT GRANTS	196,802,981				196,802,981		196,802,981		-	0%	
GOK DEVELOPMENT GRANT	100,000,000		(50,000,000)		50,000,000		50,000,000		-	0%	
FEES AND STUDENT CONTRIBUTION	70,000,000				70,000,000		73,555,096		3,555,096	5%	
HIRE OF FACILITIES AND SERVICES	5,000,000				5,000,000		2,749,721		(2,250,279)	-82%	Slowdown in activities after Covid Pandemic
OTHER INCOMES	4,000,000				4,000,000		3,525,009		(474,991)	-13%	
SALE OF LEARNING MATERIALS	500,000				500,000		277,466		(222,534)	-80%	
NORHED DEFERRED INCOME							1,446,798				
<b>Total income</b>	<b>386,302,981</b>				<b>336,302,981</b>		<b>368,135,898</b>		<b>30,386,119</b>		
<b>Expenses</b>											
GOK DEVELOPMENT GRANT	50,000,000				50,000,000		50,000,000		-	0%	
Hospitality Supplies and Services	260,560		(530,000)		790,560		274,507		(516,053)	-65%	Slowdown in activities after Covid Pandemic
Office and General Supplies and Services	1,476,010				1,476,010		999,552		(476,458)	-32%	
Routine Maintenance - Other Assets	3,270,000		(1,000,000)		4,270,000		4,102,560		(167,440)	-4%	
Communication Supplies and Services	7,535,260		837,260		6,698,000		3,759,136		(2,938,864)	-44%	Slowdown in activities after Covid Pandemic
Printing, Advertising and information Supplies and Services	1,930,350				1,930,350		679,529		(1,250,821)	-65%	
Routine Maintenance - Vehicles & other Transport Equipment	818,000		140,000		678,000		840,779		162,779	24%	
Other Operating Expenses	18,671,900		3,759,200		14,912,700		6,672,205		(8,240,495)	-55%	
KISE Council Expenses	6,000,000				6,000,000		4,409,224		(1,590,776)	-27%	
Basic Salary - Permanent Employees	73,000,000		7,000,000		66,000,000		<b>60,266,360</b>		(5,733,640)	-9%	
Wellness Expenses	530,600				530,600		488,990		(41,610)	-8%	
Domestic Travel & Subsistence	3,050,000		(1,459,000)		4,509,000		1,902,929		(2,606,071)	-58%	Restricted movements due to Covid Pandemic lockdown





## 6. NOTES TO THE FINANCIAL STATEMENTS

### *(a) Statement of Compliance:*

These accounts have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual IFRSs, Kenya Accounting Standards and Interpretations issued by the Institute of Certified Public Accountants of Kenya, and accounting policies generally accepted. A summary of the significant accounting policies adopted by the Institute is set out below.

### *(b) Basis of Preparation of the Accounts*

(i) The purpose and use of the Institute Funds are approved by the Council.

(ii) The measurement basis used in the preparation of the accounts is historical cost basis.

### *(c) Accounts Receivable and Prepayments:*

Accounts receivable and prepayments are recognized at fair value less allowance for impairment of doubtful debts.

### *(d) The charge for the year:*

The charge for the year is in accordance with approved budgets at the beginning of the financial year. The funds are utilized for Institute operations.

### *(e) Revenue Recognition*

#### **i) Revenue from Non-Exchange Transactions:**

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



6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

**ii) Rendering of Services & Fees:** The Institute recognizes revenues from fees when the event occurs and the asset recognition criteria are met. The Institute 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.

**iii) Revenue from Exchange Transactions:**

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

*f) Sale amount of revenue of Goods and Services*

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

*g) Interest Income:*

Interest income is accrued using the effective yield method. Time deposits interest earned on bank balances are credited to the Institute. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. Rental Income Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

*h) Budget information*

The original budget for FY 2020-2021 was approved by the National Assembly on 26th September 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Institute upon receiving the respective approvals in order to conclude the final budget. The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Institute.



## 6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### *i) Property, Plant and Equipment*

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Institute recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Land is not depreciated as it is deemed to have an infinite life. Depreciation on other property is charged so as to write off the assets during their estimated useful life, using the straight- line method. Assets acquired during the year attract full depreciation charge.

The annual rates used are: - Buildings - 2.5% Machinery & equipment - 20% Furniture & fittings - 12.5% Dairy equipment / plant / tractors - 10% Motor vehicles - 25% Library books - 20% Computers and Appliances - 33.3%

### *j) 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.

### *k) Inventories:*

Inventory are measured at the lower of cost and net realizable value. Cost incurred in bringing the product to its present location and condition is included in the cost of inventories. Inventories are recognized as expenses when deployed for utilization or consumption in the ordinary course of operations of the Institute.



## 6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 30th June 2021, the Institute carried out a stock take where the stock taking figures were reconciled to the ledger balances for preparation of the Financial Statements.

### *1) Taxation*

The Institute is deemed not to carry on business under Section xxxxxx of the act and therefore exempted from Corporation Tax.

#### **Current income tax:**

Assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Institute operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### **Deferred tax:**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable



## 6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered

### *Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### *m) Investment property:*

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

### *n) Leases*

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Institute. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if



**6. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

lower, at the present value of the future minimum lease payments. The Institute also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Institute will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to The Institute. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term

*p) Research and development costs*

The Institute expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Institute can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development. Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit

*r ) Financial instruments*

Fixed Assets: Fixed assets of the Institute are stated at cost less accumulated depreciation. Depreciation on fixed assets is calculated using the straight-line method (see Note 23). Financial assets within the scope of IPSAS 29: Recognition and

**6. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Institute determines the classification of its financial assets at initial recognition. Loans and receivables Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit. Held-to-maturity Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when The Institute has the positive intention and ability to hold it to maturity. After initial measurement, held-to- maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

*s ) Impairment of Assets*

The Institute assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or that which can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)



## 6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### *t) Financial liabilities- Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

### *u) Provisions:*

Provisions are recognized when the Institute 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 Institute 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.

**Contingent liabilities-** The Institute does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**Contingent assets** - The Institute does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Institute in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

### *v) Nature and purpose of reserves:*

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



## 6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### *w) Employee benefits Retirement benefit plans:*

The Institute provides retirement benefits for its employees under a defined contribution plan which is post-employment benefit plan under which the Institute pays fixed contributions into a separate 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.

### *x) Foreign currency transactions*

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

### *y) Related parties*

The Institute 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 Institute, or vice versa. Members of key management are regarded as related parties and comprise the Council members, the Director and senior managers.

### *z) Service concession arrangements*

The Institute analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, The Institute recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, The Institute also recognizes a corresponding liability, adjusted by a cash consideration paid or received.



**6. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

*ai) Cash and cash equivalents*

Cash and cash equivalents comprise cash on 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

*aii) Comparative figures:*

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

*aiv) Subsequent events:*

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

**SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Institute'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. State all judgements, estimates and assumptions made: e.g

*(a). Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of The Institute. As provided in IPSAS 1.14, such changes are reflected in the assumptions when they occur.



## 6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### *b) Useful lives and residual values*

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts hired by the Institute
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

### *c) Provisions*

During the year under review, provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18 and 19. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

		2021 KSHS	2020 KSHS
<b>Note 6</b>	<b>DONATIONS AND OTHER GRANTS</b>		
	Norhed Deferred Income	10,780	3,654,912
	Deferred Tuition Income	24,000,000	-
	Partner Contributions	15,768,047	70,000
	<b>TOTAL DONATIONS AND OTHER GRANTS</b>	<b>39,778,827</b>	<b>3,724,912</b>
<b>Note 7</b>	<b>GOK-RECURRENT GRANTS</b>		
	Recurrent Expenditure Grant	196,802,981	196,563,620
	<b>TOTAL GOK-RECURRENT GRANTS</b>	<b>196,802,981</b>	<b>196,773,258</b>
<b>Note 8</b>	<b>FEES AND STUDENT CONTRIBUTION</b>		
	Accommodation fees	8,075,600	-
	Activity Fees	346,000	516,000
	Administrative Operations Fees	9,018,100	6,638,300



		2021 KSHS	2020 KSHS
	Clubs and Societies Fees	309,250	69,450
	Library Fees	4,690	10,960
	P.E. Kit Fees	66,000	942,000
	Registration Fees	1,354,900	2,516,800
	Student Union fees	176,000	327,400
	Tuition fees	52,137,356	41,761,794
	Utility Fees	267,200	938,400
	Attachments and Field Visits fees	1,800,000	14,000
	<b>TOTAL FEES AND STUDENT CONTRIBUTION</b>	<b>73,555,096</b>	<b>53,735,104</b>
<b>Note 9</b>	<b>HIRE OF FACILITIES AND SERVICES</b>		
	Income from Hire of Facilities*	3,231,841	120,000
	Hire of Facilities Expenses***	(3,178,128)	-
	Income from Consultancy	2,316,717	-
	Consultancy Expenses	(857,169)	-
	Income from Hotel and Conference Centre*	1,047,860	-
	Hotel and Conference Centre Expenses***	(29,000)	-
	Income from Therapy Services	217,600	-
	<b>TOTAL HIRE OF FACILITIES AND SERVICES</b>	<b>2,749,721</b>	<b>120,000</b>
	<i>* Taxable Incomes</i>		
	<i>*** Allowable Expenses</i>		
<b>Note 10</b>	<b>OTHER INCOMES</b>		
	Braille Transcription Expenses	40,000	-
	Gains on Disposal	309,476	-
	Income from Braille Transcription	464,000	166,486
	Interest Income	2,471,533	2,558,527
	Rental Income	240,000	1,634,000
	<b>TOTAL OTHER INCOMES</b>	<b>3,525,009</b>	<b>4,952,953</b>
<b>Note 11</b>	<b>SALE OF LEARNING MATERIALS</b>		
	Sale of Learning materials and resources	455,200	931,782
	Production Unit Expenses	(177,734)	(588,300)
	<b>TOTAL SALE OF LEARNING MATERIALS</b>	<b>277,466</b>	<b>343,482</b>



		2021 KSHS	2020 KSHS
<b>Note 12</b>	<b>STAFF EXPENSES</b>		
	Basic Salary - Permanent Employees	60,266,360	52,912,955
	Employer contribution to Health Schemes	14,936,464	13,840,042
	Employer contribution to Pensions Schemes	7,838,722	10,468,391
	Personal Emoluments (Part of Salary)	22,092,518	26,294,451
	Outsourced and Contractual Services	8,790,831	8,790,941
	<b>TOTAL STAFF EXPENSES</b>	<b>113,924,894</b>	<b>112,306,780</b>
<b>Note 13</b>	<b>OPERATIONS AND MAINTENANCE</b>		
	Communication Supplies and Services	3,759,136	6,502,616
	Domestic Travel & Subsistence	1,902,929	4,648,699
	Fuel, Oil & Lubricants	1,554,283	2,981,842
	Hospitality supplies and Services	274,507	263,921
	Office and General Supplies and Services	999,552	1,613,494
	Other Operating Expenses	7,238,384	24,741,380
	Research	2,220,871	-
	Routine Maintenance - Other Assets	4,102,560	3,497,764
	Specialised Materials and Supplies	9,595,722	7,553,510
	Training expenses	36,080,439	56,793,962
	Utilities Supplies and Services	5,968,101	9,212,204
	Wellness Expenses	488,990	430,347
	Routine Maintenance - Vehicles & other Transport		
	Equipment	840,779	2,389,527
	Printing, advertising and information supplies and services	679,529	1,788,870
	Insurance Expenses	1,423,213	1,228,701
	<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<b>77,128,996</b>	<b>125,031,421</b>
<b>Note 14</b>	<b>KISE COUNCIL EXPENSES</b>		
	KISE Council Expenses	3,843,045	1,218,437
	<b>TOTAL KISE COUNCIL EXPENSES</b>	<b>3,843,045</b>	<b>1,218,437</b>
<b>Note 15</b>	<b>DONATIONS AND OTHER GRANT EXPENSES</b>		
	Donations and other Grant Expenses	1,566,542	3,585,298



		2021 KSHS	2020 KSHS
	<b>TOTAL DONATIONS AND OTHER GRANT EXPENSES</b>	<b>1,566,542</b>	<b>3,585,298</b>
<b>Note 16</b>	<b>AUDIT FEES</b>		
	AUDIT FEES	650,000	650,000
	<b>TOTAL AUDIT FEES</b>	<b>650,000</b>	<b>650,000</b>
<b>Note 17</b>	<b>Provision for Depreciation</b>		
	Provision for Depreciation	52,099,379	60,482,148
	<b>TOTAL Provision for Depreciation</b>	<b>52,099,379</b>	<b>60,482,148</b>
<b>Note 18</b>	<b>Provision for Bad and Doubtful Debts</b>		
	Total Provision for Bad & Doubtful Debts b/f	51,540,951	42,756,992
	Provision for Bad and Doubtful Debts	9,153,004	8,783,959
	<b>TOTAL Provision for Bad and Doubtful Debts</b>	<b>60,693,955</b>	<b>51,540,951</b>
<b>Note 19</b>	<b>CORPORATION TAX</b>		
	Taxable Income	1,072,573	-
	Corporation Tax for the Year at 30%	321,771	-
	Differed Tax Liability b/f	10,820,885	-
	Differed Tax Liability Paid	-	-
	<b>Differed Tax Liability c/f</b>	<b>11,142,656</b>	-
<b>Note 20</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	CASH IN HAND	386,260	163,689
	KCB CALL Accounts	104,790,000	30,000,000
	KCB Fee Collection Account	423,667	752,945
	KCB- Norhed-Enable Account	3,490,347	3,497,878
	M-Pesa Collections-851201	833,764	345,754
	M-Pesa Payments-851200	8,149	257
	NBK Farm Account	-	1,342,824
	NBK Fee Collection Account	-	2,451,067
	NBK Institute Fund and other Monies	543,190	1,521,896
	NBK Investment Account	46,500	528,624
	NBK KISE Distance Learning Project II A/C	13,369,996	2,977,805



		2021 KSHS	2020 KSHS
	NBK KISE Key & Caution Money Savings A/C	124,703	124,943
	NBK Main Account	952,378	10,020,801
	NBK Seminar and Courses Account	-	20,102
	<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>124,968,954</b>	<b>53,748,586</b>
<b>Note 21</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	Due from Students	107,635,346	89,970,293
	General Debtors	10,937,830	10,151,062
	Staff Debtors	227,348	227,348
	Tenants Debtors	277,550	3,000
	Trade Debtors	7,037,518	22,184,865
	Total Provision for Bad & Doubtful Debts	(60,693,955)	(51,540,951)
	<b>TOTAL RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	<b>65,421,637</b>	<b>70,995,617</b>
<b>Note 22</b>	<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
	Receivables from Non-Exchange Transactions	10,239,361	-
	<b>TOTAL RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>	<b>10,239,361</b>	<b>-</b>
<b>Note 23</b>	<b>Receivable Deposits</b>		
	Receivable Deposits	1,492,418	1,492,418
	<b>TOTAL Receivable Deposits</b>	<b>1,492,418</b>	<b>1,492,418</b>



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**ASSET MOVEMENT SCHEDULE**

	Land		Buildings		Motor Vehicles		Computer and Electronics		Furniture & Fittings		Plant & Equipment		Totals	
	KES	2%	KES	25%	KES	30%	KES	10%	KES	10%	KES	10%	KES	KES
As at 01 July 2019	2,650,000,000	906,895,256	42,271,912	45,061,047	19,192,386	27,315,940	3,690,736,541							
Additions 2019/2020		56,028,078		61,112,825	32,428,927	50,849,840	200,419,670							
Disposals 2019/2020			(250,000)											
<b>At 30 June 2020</b>	<b>2,650,000,000</b>	<b>962,923,334</b>	<b>42,021,912</b>	<b>106,173,872</b>	<b>51,621,313</b>	<b>78,165,780</b>	<b>3,890,906,211</b>							
As at 01 July 2020	2,650,000,000	962,923,334	42,021,912	106,173,872	51,621,313	78,165,780	3,890,906,211							
Additions 2020/2021		15,803,202	9,604,400	12,408,955	1,580,140	14,169,404	53,566,101							
<b>At 30 June 2021</b>	<b>2,650,000,000</b>	<b>978,726,536</b>	<b>51,626,312</b>	<b>118,582,827</b>	<b>53,201,453</b>	<b>92,335,184</b>	<b>3,944,472,312</b>							
<b>Depreciation and impairment</b>														
Depreciation 2019/2020	-	46,785,045	41,311,105	62,172,200	11,327,293	16,310,552	177,906,195							
<b>At 30 June 2020</b>	<b>-</b>	<b>46,785,045</b>	<b>41,311,105</b>	<b>62,172,200</b>	<b>11,327,293</b>	<b>16,310,552</b>	<b>177,906,195</b>							
As at 01 July 2020	-	46,785,045	41,311,105	62,172,200	11,327,293	16,310,552	177,906,195							
Depreciation 2020/2021	-	18,638,830	2,578,802	16,923,188	4,187,416	7,602,463	49,930,699							
<b>At 30 June 2021</b>	<b>-</b>	<b>65,423,875</b>	<b>43,889,907</b>	<b>79,095,388</b>	<b>15,514,709</b>	<b>23,913,015</b>	<b>227,836,894</b>							
<b>Net book values</b>														
<b>At 30 June 2021</b>	<b>2,650,000,000</b>	<b>913,302,661</b>	<b>7,736,405</b>	<b>39,487,439</b>	<b>37,686,744</b>	<b>68,422,169</b>	<b>3,716,635,418</b>							
<b>At 30 June 2020</b>	<b>2,650,000,000</b>	<b>916,138,289</b>	<b>710,807</b>	<b>44,001,672</b>	<b>40,294,020</b>	<b>61,855,228</b>	<b>3,713,000,016</b>							



6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 (b) INTANGIBLE ASSETS-ERP & INVESTMENT PROPERTY

	Intangible Asset	Investment Property
	20%	2%
<u>Cost</u>	Kshs	Kshs
At 1 July 2019	14,313,886	39,953,875
Additions 2019/2020	6,535,590	-
Transfer/adjustments	-	-
Disposals	-	-
<b>At 30 June 2020</b>	<b>20,849,476</b>	<b>39,953,875</b>
As at 1 July 2020	20,849,476	39,953,875
<b>Additions 2020/2021</b>	<b>2,764,677</b>	<b>-</b>
Transfer/adjustments		
<b>At 30 June 2020</b>	<b>23,614,153</b>	<b>39,953,875</b>
<b><u>Amortisation and impairment</u></b>		
<b>At 30 June 2019</b>	<b>12,758,227</b>	<b>10,652,298</b>
As at 1 July 2019	12,758,227	10,652,298
Amortisation 2019/2020	2,862,777	799,078
<b>At 30 June 2020</b>	<b>15,621,004</b>	<b>11,451,375</b>
As at 1 July 2020	15,621,004	11,451,375
Amortisation 2020/2021	1,598,630	570,050
<b>At 30 June 2021</b>	<b>17,219,634</b>	<b>12,021,425</b>
<b><u>Net book values</u></b>		
<b>At 30 June 2020</b>	<b>6,394,519</b>	<b>27,932,450</b>
<b>At 30 June 2019</b>	<b>5,228,472</b>	<b>28,502,500</b>



6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2021 (KSHS)	2020 (KSHS)
<b>Note 24(b)</b>	<b>INVESTMENT PROPERTY</b>		
	INVESTMENT PROPERTY	39,953,875	28,502,500
	Accumulated Depreciation- Investment Property	(12,021,425)	(11,451,375)
	<b>NET INVESTMENT PROPERTY</b>	<b>27,932,450</b>	<b>17,051,125</b>
<b>Note 24(b)</b>	<b>INTAGIBLE ASSETS</b>		
	This mainly relates to the Enterprise Resource Planning System -Navision 365 Dynamics		
	Enterprise Resource Planning System	23,614,153	6,535,590
	Accumulated Depreciation- Intangible Asset	(17,219,634)	(1,307,118)
	<b>NET Intangible Assets</b>	<b>6,394,519</b>	<b>5,228,472</b>
<b>Note 25</b>	<b>TRADE &amp; OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	Trade Creditors	19,301,773	29,407,739
	VAT Withholding Account-(2%)	289,306	-
	<b>TOTAL TRADE &amp; OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>	<b>19,591,079</b>	<b>29,407,739</b>
<b>Note 26</b>	<b>DEFERRED INCOME</b>		
	Deferred Scholarship Grants	5,899,606	7,265,489
	Deferred Students Accommodation	(2,456,323)	4,738,259
	Deferred Graduation Account	1,928,166	1,928,166
	Deferred Norhed-Enable Project	3,479,667	4,926,465
	DEFERRED TUITION FEES	-	24,000,000
	Deferred Entrepreneurship Fund	960,000	-
	<b>TOTAL DEFERRED INCOME</b>	<b>9,811,116</b>	<b>42,858,379</b>
<b>Note 27</b>	<b>REFUNDABLE DEPOSITS FROM CUSTOMERS</b>		
	Deposits Received	1,927,172	1,527,490
	Fees by Sponsors	4,232,329	4,506,047
	Key and Caution Money	628,652	678,752
	KNEC Examination fees	13,196,480	(23,810)
	<b>TOTAL REFUNDABLE DEPOSITS FROM CUSTOMERS</b>	<b>19,984,633</b>	<b>6,688,479</b>
<b>Note 28</b>	<b>PREPAID FEES AND OTHER CHARGES</b>		
	Students Overpayments Accounts	25,935,880	26,021,000
	<b>TOTAL PREPAID FEES AND OTHER CHARGES</b>	<b>25,935,880</b>	<b>26,021,000</b>
<b>Note 29</b>	<b>Revenue reserves</b>		

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		2021 (KSHS)	2020 (KSHS)
	Revenue reserves B/F	79,542,014	120,470,998
	Surplus/deficit for the Year	59,448,267	(40,928,984)
	Adjustments		
	Tax Liabilities B/F	(10,820,885)	
	<b>TOTAL Revenue reserves</b>	<b>128,169,396</b>	<b>79,542,014</b>
		<b>2021</b>	<b>2020</b>
<b>Note 30</b>	<b>Revaluation Reserves</b>		
	Revaluation Reserve B/F	2,068,963,405	2,068,963,405
	Transfers for the Year	-	-
	<b>TOTAL Revaluation Reserves</b>	<b>2,068,963,405</b>	<b>2,068,963,405</b>
<b>Note 31</b>	<b>Capital Reserves</b>		
	Capital Reserve B/F	1,619,486,592	1,533,886,592
	GoK Development Grant	50,000,000	85,600,000
	<b>TOTAL Capital Reserves</b>	<b>1,669,486,592</b>	<b>1,619,486,592</b>
<b>Note 32</b>	<b>CAPITAL RISK MANAGEMENT</b>		
	Revenue earnings	59,448,267	(40,928,984)
	Capital reserve	50,000,000	85,600,000
	<b>Total funds</b>	<b>109,448,267</b>	<b>44,671,016</b>
	Total borrowings	58,973,504	106,468,015
	Cash and bank balances	124,968,954	53,748,586
	<b>Excess cash and cash equivalents/Net debt</b>	<b>65,995,449</b>	<b>(52,719,430)</b>



**6. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved. Reference No. on the external audit Report Issue / Observations from Auditor Management comments Focal Point person to resolve the issue Status: (Resolved / Not Resolved) Timeframe: (Put a date when you expect the issue to be resolved)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Report under Audit.				



6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX II: INTER-ENTITY TRANSFER

	<b>ENTITY NAME:</b>	<b>Kenya Institute of Special Education</b>		
	Break down of Transfers from the State Department of Education			
	FY 2020/2021			
<b>a.</b>	<b>Recurrent Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Indicate the FY to which the amounts relate</b>
		11 August, 2020	49,140,905	2020/2021
		05 November, 2020	49,140,905	2020/2021
		17 February, 2021	49,140,905	2020/2021
		12 May, 2021	39,140,905	2020/2021
		08 July, 2021	10,239,361	2020/2021
		<b>Total</b>	<b>196,802,981</b>	
<b>b.</b>	<b>Development Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Indicate the FY to which the amounts relate</b>
		18.08.2020	50,000,000	2020/2021
		<b>Total</b>	<b>50,000,000</b>	
<b>c.</b>	<b>Direct Payments</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Indicate the FY to which the amounts relate</b>
		N/A	0	
		<b>Total</b>	<b>246,802,981</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

**Finance Manager**  
Kenya Institute of Special Education

**Head of Accounting Unit**  
Ministry of Education

Sign:-----

Sign:-----



Kenya Institute of Special Education  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
 6. NOTES TO THE FINANCIAL STATEMENTS (Continued)

**APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount KSHS	Where Recorded/ recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education		Recurrent	186,563,620	196,802,981			10,239,361		186,563,620
Ministry of Education		Development	50,000,000		50,000,000				50,000,000
<b>Total</b>			<b>236,563,620</b>	<b>196,802,981</b>	<b>50,000,000</b>				<b>236,563,620</b>