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REPORT

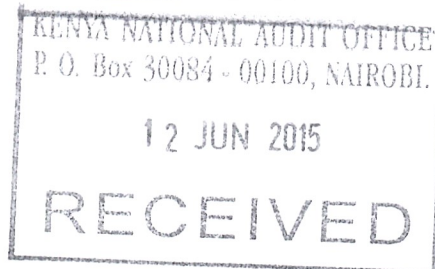
OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**



**KENYA INSTITUTE OF SPECIAL EDUCATION
(KISE)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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I. KEY ENTITY 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 a Legal Notice No. 17 of 14th February 1986. The Institute is currently run by a council appointed by the Minister for Education. The Head of the Institute is the Director who is also the Secretary to the Council.

(b) Principal Activities

The principle functions of KISE are;

1. To conduct training of teachers and other personnel in Special Needs
2. To conduct research in Special Needs
3. To assess children with Special Needs for education support
4. To design, produce, repair and maintain educational resource assistive devices
5. To run an orientation and mobility centre for training and demonstration purpose
6. To function as a resource centre for the production and dissemination of information to the general public on disabilities.

(c) Key Management

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

- The KISE Council
- Director KISE and Secretary to the Council

(d) Fiduciary Management

This key role was vested as follows:

AREA OF TRUST	OFFICE
1. All Institute financial and non-financial assets	Director
2. Title of the Institute's Land	PS Treasury
3. General Administration and Governance	KISE Council
4. Institute Affairs and Operations	Senior Management



(e) Fiduciary Oversight Arrangements

The KISE Council has three committees that meet to deliberate and receive reports on the progress and affairs of the Institute namely:

- Finance and General Purpose committee
- Building and Development committee
- Academic Committee

The Full Council meets quarterly to receive reports from the director as well as the Sub-Committees of the Council.

(f) Entity Headquarters

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

(g) Entity Contacts

Telephone: (254) 269 505
E-mail: info@kise.co.ke
Website: www.kise.co.ke

(h) Entity Bankers

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

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



I) Independent Auditors

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






j) Principal Legal Adviser







Legal Officer
Ministry of Education Science & Technology
State Department of Education
Jogoo House B
P.O. Box 30040 - 00100

II. THE COUNCIL MEMBERS

The Institute awaits the appointment of KISE Council.

III. MANAGEMENT TEAM

S/NO		NAMES	DESIGNATION
1.		E.K. Lagatt OGW Holds a Masters in Education from Bristol University, UK and has 31 Years of experience majority of this in management of educational institutions	Director
2.		Benedict Kilei Holds a Masters of Science in Human Resource Management and a Diploma in SNE. Has 23 years of experience.	Deputy Director
3.		Margret Githang'a Holds a Masters of Philosophy in SNE and has 27 years of experience. She has been in management of educational institutions.	Deputy Director Finance and Administration
4.		Peter Ndichu Holds a Bachelors of Education and a diploma in SNE. Has 26 years of experience spread across teaching, curriculum development and management	Academic registrar
5.		Christopher Lenguris Holds a Bachelor of Education with 19 years of experience	Dean of Students

6.		<p>Daniel Sano Holds a Bachelor of Education with 23 years of experience</p>	<p>Deputy Academic Registrar Open and Distance Learning</p>
7.		<p>Flora Malasi Holds a Bachelor of Education and has 23 years of experience.</p>	<p>Deputy Academic Registrar Full Time.</p>
8.		<p>Anthony Mwangi: A CPA(K) holder currently in the Final year of Bachelors course in Business Management. Has 14 years of working experience.</p>	<p>Ag. Finance Administration Officer</p>
9.		<p>Bevaline Nyantika: Holds CPA Part II and currently in final year of her Bcom. Has 6 years of working experience.</p>	<p>Ag. Internal Auditor</p>
10.		<p>Lucy Maina: Rose from personal secretary to current position. Holds Bachelors in Communication Public Relations and has 3 years experience in the field.</p>	<p>Public Relations Officer</p>
11.		<p>Sarah Ouma: Rose from personal secretary to current position. Holds a Bachelors in Human Resource Management and has 23 years experience.</p>	<p>Human Resource Officer</p>

Kenya Institute of Special Education 
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

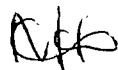
CHAIRMANS REPORT

Kenya Institute of Special Education Continues to serve as a
Regional Centre of Excellence in Special Needs Education & Related services.
The commitment to continue enhancing the lives of the persons with Special needs and
disabilities has remained high with great results.

The Institute
has endeavoured to ensure
maximum value is derived from the available resource
and
has maintained a high level of professionalism in the areas of its mandate.

Though there has been no substantive council to run the Institute,
the management has maintained high level consultations including with the
office of the Director Basic and Principal Secretary for State Department of Education.
This has ensured prudent and appropriate practices are observed in the Institute affairs.
We commend the Management for their endeavours that have sustained financial viability
of the Institute and setting healthy trends for the future.

We look forward to an enhanced financial performance and position
in the coming financial periods



For KISE Council Chairman

IV. REPORT OF THE DIRECTOR

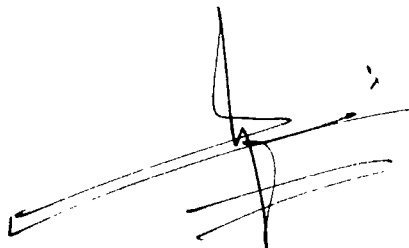
The year under review was challenging for the Institute given the absence of the Council which is a key decision making organ. The Management, however, did endeavour to steer the Institute with prudence and within previously established structures. Among milestones achieved in the year were:

- a) Construction of Classrooms: This has enhanced our capacity to train in more diverse field as the emerging trends in SNE demand.
- b) Extension of the Kitchen: This has enabled the Institute to use energy saving Jikos that will cut on amount previously spent of cooking gas.
- c) Rehabilitation of main access road and storm water drainage: This uplifted the work environment as the road had not been repaired since inception of KISE.

The core functions of the Institute were also undertaken well, though it is noted that serious financial constraints were faced especially for training funds. The Institute managed to maintain a surplus on all its five segments with an overall reported surplus of Kes. 3 million.

The Institute is delighted to comply with the directive that has seen it present its financial statements under International Public Sector Accounting Standards (IPSAS). Indeed this is key step toward wholesome reporting of the affairs and status of the Institute. We have now incorporated our assets as well as differed incomes in our disclosures which will enhance accountability on the part of the Institute.

These reports will avail important information to all stakeholders for decision making as they support the Institute and Special Needs Education Programmes.



E.K. Lagatt OGW
Director



V. CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is based on regulations, practices and processes by which Institute is directed and controlled. Corporate governance essentially involves basically balancing the interests of the many stakeholders in the Institute - these include its shareholders, management, customers, suppliers, financiers, government and the society. Since corporate governance also provides the framework for attaining Institute's objectives, it encompasses nearly every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

It is also manner in which the power over and the power of a corporation is exercised in the stewardship of its total portfolio of assets and resources with the primary objective of increasing and sustaining shareholders value while satisfying the needs of all stakeholders in the context of the mission and vision the Institution . The council is committed to ensuring that the Institute is run in a Professional, transparent just and equitable manner. The Institute endeavours to adhere to good corporate governance by adhering to guideline issued by centre of corporate governance's in addition the council committee benchmark its activities with the best practices in the industry.

Institute Vision

A Regional Centre of Excellence in Special Needs Education and Related Services.

Mission Statement

To provide high quality, world class training and research in Special Needs Education, and Produce Educational Materials and Assistive Devices for Persons with Disabilities through excellent services, professionalism and integrity.

The Council

The council of Kenya Institute of special Education is responsible for ensuring that the Institute complies with the law and practices good corporate governance. The Council is charged with providing strategic guidance and effective oversight of management.

Risk Management

The Institute is committed to recognizing risk management as an integral part of internal control. In this regard, the Institute will logically and systematically engage in the process of establishing, identifying, analyzing, evaluating and communicating risks associated with any activity, function or process in a way that will enable it to minimize losses and maximize opportunities.

Council Evaluation

In line with corporate governance principles, the council periodically reviews its performance. The council has put in place measures for evaluation of the Institute's operations in the context of performance contracting. The council and the Institute have undergone several evaluations in keeping with the demands of the signed performance contracts and the results have so far been impressive.



VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Institute has continued to support through sponsorship of education for children with special needs and related activities. We have partnered with other neighbouring institutions as Kasarani Neighbourhood Association to provide relieve in certain areas of the communities around.

The Institute recognizes the importance of nurturing different talents within the youth. With this, the Institute has allowed youth from the neighbouring access to her field for football and fitness activities every evening.

The Institute undertook several Corporate Social Responsibility (CSR) activities over the 2013/2014 financial year.



VII. REPORT OF THE COUNCIL MEMBERS

The Director submits his report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Kenya Institute of Special Education affairs.

Principal activities

The principal activities of KISE are to implement government policies in the areas of special needs and disabilities.

Results

The results of the entity for the year ended June 30, 2014 are set out on page 1

Council Members

The members who served in the Institute Council are appointed by the Cabinet Secretary for the Ministry of Education as per the Legal Notice No 17 of February 1986. The Council has not been reappointed since expiry of term for the previous members in April 2013.

Auditors

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: 29 September 2014



VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors 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 Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes:

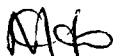
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Institute;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Directors 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 Directors 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, 2014, and of the Institute's financial position as at that date. The Directors 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.

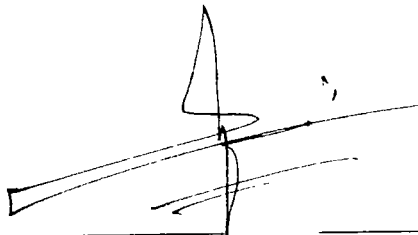
Nothing has come to the attention of the Directors to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The KISE financial statements were approved by the Council on 30. SEPT 2014 and signed on its behalf by:



Chairman



Director



Council Member

Kenya Institute of Special Education



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

IX. REPORT OF THE INDEPENDENT AUDITORS ON THE INSTITUTE

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SPECIAL EDUCATION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Institute of Special Education as set out on pages 1 to 25 which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Institute of Special Education as at 30 June, 2014 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrued Basis) and comply with the Education (Kenya Institute of Special Education) Order, 1986 of the Education Act Cap 211 of the Laws of Kenya.

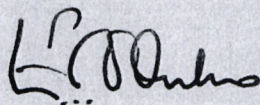
Other Matter

Council of the Institute

Paragraph 4(1) of the Legal notice No.17 of 14 February 1986 states that there shall be a Council known as the Council of the Kenya Institute of Special Education which shall have the responsibility of managing the Institute. Further, paragraph 6(1) states that the Council shall hold ordinary Council meetings at least three (3) times in each year.

However, during the financial year ended 30 June 2014, the Institute operated without a Council and therefore no Council meetings were held to deliberate on the affairs of the Institute contrary to legal notice No.17 of 14 February 1986. The Institute's financial statements for the year ended 30 June 2014 have therefore not been approved by the Council contrary to section 6(8) of the Education (Kenya Institute of Special Education) Order, 1986. In addition the management has indicated that the year under review was challenging for the Institute in the absence of the Council which is a key decision making organ. The Institute was in breach on the law.

In the circumstances, it has not been possible to ascertain that the Institute achieved its mandate effectively and efficiently. My opinion is not qualified in respect to this matter.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

11 June 2015

**X. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2014**

	Note	2013-2014 Kes
Revenue from non-exchange transactions		
Donor- Grants	3	780,560
GOK- Recurrent Grants	4	92,947,340
GOK- Development Grants		5,400,000
Total Revenue from non-exchange transactions		99,127,900
Revenue from exchange transactions		
Fee and Student Contributions	5	45,736,199
Hire of Facilities and Services	6	5,419,718
Revenue from Farm	7	324,810
Other Income	8	10,522,962
Sale of Learning Materials	9	536,820
Total Revenue from exchange transactions		62,540,509
Total revenue		161,668,409
Expenses		
Staff Expenses	10	67,576,798
Operations and Maintenance	11a	72,982,837
ACU Grant Expenses	11b	127,150
Provision for Depreciation	14	16,331,443
NORHED-ENABLE Project Expenses		780,560
Provision for Audit fees		500,000
Total expenses		158,298,788
Surplus for the period		3,369,621
Surplus attributable to owners of the controlling entity		3,369,621
Total Surplus		3,369,621

The notes set out on pages 7 to 25 form an integral part of the Financial Statements





**XI. STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014**

	Note	2013-2014 Kes
Assets		
Current assets		
Cash and cash equivalents	12	71,349,852
Receivables from exchange transactions	13(a)	48,326,432
Receivables from non-exchange transactions	13(b)	24,077,801
Investments	13(c)	20,381,452
Total Current assets		164,135,537
Non-current assets		
Investment property	14 (a)	77,000,625
Property, plant and equipment	14(b)	782,556,578
Biological Assets	14(c)	1,120,000
Intangible assets	14(d)	4,182,374
Total Non-current assets		864,859,577
Total assets		1,028,995,114
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	15	18,935,586
Refundable deposits from customers	16	3,830,572
Deferred income	17	38,142,628
Total liabilities		60,908,786
Capital Reserves & Surplus		
Accumulated Surplus	18(a)	70,759,036
Capital Reserves	18(b)	897,327,292
Total Capital Reserves & Surplus		968,086,328
Total net assets and liabilities		1,028,995,114

The Financial Statements set out on pages 1 to 25 were signed on behalf of the Board of Directors by:

Director KISE/Council Secretary
Date 27/04/2015

Chairman of the KISE Council
Date...27/04/2015

**XII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2014**

	Capital Reserves	Accumulated surplus	Total
	Kes	Kes	Kes
Balance as at 30 JUNE 2013	859,088,948	67,389,415	926,478,363
Additions in the Year	38,238,344		38,238,344
Surplus for the period		3,369,621	3,369,621
Balance as at 30 JUNE 2014	897,327,292	70,759,036	968,086,328

**XIII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	2013-2014
	Kes
Cash flows from operating activities	
Receipts	
Surplus for the period	3,369,621
Adjustment for:	
Depreciation	16,331,443
Investment Income	(8,663,272)
Increase Creditors & Accruals	18,935,586
Increase of Debtors	(72,404,233)
Increase in reserves	964,716,707
Increase in refundable deposits	3,830,572
Increase in Differed Income	38,142,628
Net cash flows from operating activities	<u>964,259,052</u>
Cash flows used in investing activities	
Property Plant and Equipment	(881,191,020)
Interest Income	8,663,272
Net cash flows used in investing activities	<u>(872,527,748)</u>
Net increase/(decrease) in cash and cash equivalents	<u>91,731,304</u>
Cash and cash equivalents at 30 JUNE	<u>91,731,304</u>



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE 2014

	Original	Adjustments	Final	Actual on	Performance	%age
	budget	2013-2014	budget	comparable	difference	
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	
	Kes	Kes	Kes	Kes	Kes	
Revenue						
Ministry of Education Grants	96,311,202		96,311,202	92,947,340	3,363,862	97%
Transfers from MOE- Development Grants	5,400,000		5,400,000	5,400,000	0	100%
Fee and Student Contributions	44,526,800		44,526,800	45,736,199	(1,209,399)	103%
Hire of Facilities and Services	4,000,000		4,000,000	5,419,718	(1,419,718)	135%
Rental revenue from facilities and equipment	1,854,000		1,854,000	1,596,000	258,000	86%
Sale of Obsolete Items	300,000		300,000	139,690	160,310	47%
Sale of Water	200,000		200,000	1,000	199,000	1%
Assessment & CP	100,000		100,000	123,000	(23,000)	123%
Other Revenue from Farm	800,000		800,000	887,486	(87,486)	111%
Interest and Other Income				8,663,272	(8,663,272)	
Sale of Learning Materials	2,000,000		2,000,000	536,820	1,463,180	27%
Total income	155,492,002		155,492,002	161,450,525	(5,958,523)	
Expenses						
Basic Salary - Permanent Employees	39,256,904		39,256,904	39,101,335	155,569	100%
Personal Emoluments (part of Salary)	21,113,340		21,113,340	20,818,092	295,248	99%
Personal Emoluments (Reimbursements)	5,700,000		5,700,000	4,999,893	700,107	88%
Employer contribution to Pensions	2,771,600		2,771,600	2,657,478	114,122	96%

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

Communication Supplies and Services	1,434,092	1,434,092	1,424,652	9,440	99%
Domestic Travel & Subsistence	1,227,991	1,227,991	1,205,147	22,844	98%
Foreign Travel & Subsistence	237,485	237,485	222,419	15,066	94%
Fuel, Oil & Lubricants	2,976,792	2,976,792	2,975,767	1,025	100%
Hospitality supplies and Services	2,681,914	2,681,914	2,032,650	649,264	76%
Insurance Expenses	1,700,000	1,700,000	953,395	746,605	56%
Office and General Supplies and Services	1,453,090	1,453,090	1,261,349	191,741	87%
Other Operating Expenses	4,160,000	4,160,000	4,079,248	80,752	98%
Printing, advertising and information supplies	2,666,394	2,666,394	2,258,651	407,743	85%
Routine Maintenance - Other Assets	1,425,920	1,425,920	1,963,849	(537,929)	138%
Routine Maintenance - Vehicles & other Transport	1,970,800	1,970,800	1,829,532	141,268	93%
Scholarships & Sponsorship	5,000,000	5,000,000	1,636,138	3,363,862	33%
Specialized Materials and Supplies	11,428,200	11,428,200	9,504,979	1,923,221	83%
Training expenses	31,578,300	31,578,300	34,340,808	(2,762,508)	109%
Utilities Supplies and Stores	5,900,000	5,900,000	6,780,974	(880,974)	115%
ACU & Dispensary	722,260	722,260	513,279	208,981	71%
Farm Expenses	600,000	600,000	562,676	37,324	94%
ACU Grant Expenses	250,000	250,000	127,150	122,850	51%
Total expenditure	146,255,082	146,255,082	141,249,461	5,005,621	
Surplus for the period	9,236,920	9,236,920	20,201,064	(10,964,144)	



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Statement of compliance and basis of preparation

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

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

This is the first time that the IPSAS accrual standard is applied in preparation of the Institutes Financial Statements. Previously the accounts were prepared on the cash basis and efforts have been made to restate previous year's figures to the fairest amount. This has seen some opening balances for certain accounts varied to facilitate the achievement of this financial year as the base period for the Institute under the IPSAS Accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and other charges

The Institute recognizes revenues from fees, grants and charges when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that 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.

ii) Revenue from exchange transactions

Rendering of services

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.

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


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014
NOTES TO THE FINANCIAL STATEMENTS CONTINUED
Sale of goods

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

Interest income

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

Rental income

Rental income arising from investment properties is accounted for on a straight-line basis and included in revenue.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Institute. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Institute differences that would require reconciliation between the actual and comparable amounts as presented in the statement of comparison of budget and actual amounts. The major variances are disclosed as below:

Item	Budget	Actual	Variance	Remarks
Revenue				
Sale of Obsolete Items	300,000	139,690	53%	Some Items were not disposed due to lack of Council Approval
Sale of Water	200,000	1,000	99%	The Institute stopped sale of water to public
Sale of Learning Materials	2,000,000	536,820	73%	Low demand from Clients (schools) for Assistive devices
Expenditure				
Insurance Expenses	1,700,000	953,395	44%	Fire and Burglary policy fell for renewal beyond the financial year
Routine Maintenance - Other Assets	1,425,920	1,963,849	38%	The over expenditure was driven by old and dilapidated facilities
Scholarships & Sponsorship	5,000,000	1,636,138	67%	Lack of council to award for new beneficiaries
ACU Grant Expenses	250,000	127,150	49%	Training of Counselors was offered free by KIBCO and hence the savings.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

c) Investment property

Investment properties are measured initially at fair value. 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 fair value model.

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 de-recognition.

Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

The Institute has for the year under review used fair values for its property as per IPSAS in regard to first year of adoption. The Institute will engage professionals and revalue its assets by 30th June 2015 as well as develop an asset management policy to guide depreciation. The Institute has derived the depreciation rates for the year under review from KRA wear and tear rates and has depreciated Assets for a full year in the year of acquisition.

All property, plant and equipment are restated at fair value less accumulated depreciation. 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.

e) Leases

Finance leases are leases that transfer substantially the entire 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 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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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. The Institute had no active operating leases in the year.

f) 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 due to changes in technology and hence depreciated at 20% per year on a reducing balance basis.

g) 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.

h) Financial instruments

Financial assets Initial recognition and measurement

Financial assets within the scope of Financial Instruments: Recognition and 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.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Financial liabilities Initial recognition and measurement

Financial liabilities within the scope 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.

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 taking into account 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 taking into account 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.

Impairment of financial assets

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or an Institute of financial assets is impaired. A financial asset or a Institute of financial assets 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 the Institute of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Institute of debtors 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)



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

i) Inventories

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

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Institute.

j) 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.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

k) Changes in accounting policies and estimates

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

l) Employee Retirement benefit plans

The Institute provides retirement benefits for its employees. A defined contribution scheme under which an Institute and its staff pay is in place. The Institute 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.

m) 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.

n) Related parties

The Institute regards a related party as a person or an Institute 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 Cabinet Secretary and Principal Secretary- Ministry of Education Science and Technology, Council Member, Director and Senior Managers.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

o) 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 National Bank of Kenya and Kenya Commercial Bank at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash float held at the end of the financial year.

p) 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.

The Management deemed the Director Basic as a standing member of the council and hence signed for the chairperson pending appointment of an Institute Council.

Further, the Management is positive that the Mavoko Land of 12Ha will have a title deed issued against the current allotment letter. The Institute has access to use the said land and can derive financial benefits from the same and has therefore included its assets for the year.

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 employed 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

q) 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, 2014.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2014
	Kes
3 Donor-Grants	
NORHED-ENABLE Project Funds Utilized (Project to support capacity building for SNE Personnel in Kenya in partnership with University of Oslo for a 5 year term)	780,560
4 GOK- Recurrent Grants	
GOK Grants:	
December 2013 1 st /2 nd Quarter	48,155,601
May/June 2014 3 rd /4 th Quarter	44,791,739
Amount Utilized in Financial Performance	92,947,340
5 Fee and Student Contributions	
Activity Fees	349,520
Administrative Operations Fees	5,269,880
Attachments and Field Visits fees	1,281,000
Boarding and Accommodation fees	6,085,534
Clubs and Societies Fees	45,150
Computer Fees	57,500
Exams (KISE)	1,002,974
Graduation Fees	1,219,180
Library Fees	397,076
Medical Fees	102,830
Pre Unit Fees	200,200
Registration Fees	1,228,100
Special Study Paper (SSP) fees	818,950
Student ID	169,730
Student Union fees	54,880
Study Materials fees	1,046,475
Teaching Practice fees	8,287,385
Term paper	212,850
Tuition fees	17,906,985
Total	45,736,199
6 Hire of Facilities and Services	
Income from Hire of Facilities	2,352,336
Income from Consultancy	3,067,382
Total	5,419,718



	2014 Kes
7 Revenue from Farm	
Sale of Milk	887,486
Less Farm Expenses	
Treatment of Cows	(85,980)
Feeds and Other expenses	(468,646)
Other expenses	(8,050)
Total Expenses	(562,676)
Surplus/ (deficit)	324,810
8 Other Income	
Interest Income	8,663,272
Rental revenue from facilities and equipment	1,596,000
Sale of Obsolete Items	139,690
Sale of Water	1,000
Assessment & CP	123,000
Total	10,522,962
9 Sale of Learning Materials	
Sale of Learning Materials and resources	187,770
Sale of Modules and CDS	349,050
Total	536,820
10 Staff Expenses	
Basic Salary - Permanent Employees	39,101,335
Personal Emoluments (part of Salary)	20,818,092
Personal Emoluments (Reimbursements)	4,999,893
Employer contribution to Pensions	2,657,478
Total Staff costs	67,576,798
11a Operations and Maintenance	
Communication Supplies and Services	1,424,652
Domestic Travel & Subsistence	1,205,147
Foreign Travel & Subsistence	222,419
Fuel, Oil & Lubricants	2,975,767
Hospitality supplies and Services	2,032,650
Insurance Expenses	953,395
Office and General Supplies and Services	1,261,349

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2014	
	Kes	
Other Operating Expenses	4,079,248	
Printing, advertising and information supplies	2,258,651	
Routine Maintenance - Other Assets	1,963,849	
Routine Maintenance - Vehicles & other Transport	1,829,532	
Scholarships & Sponsorship	1,636,138	
Specialized Materials and Supplies	9,504,979	
Training expenses	34,340,808	
Utilities Supplies and Stores	6,780,974	
ACU & Dispensary	513,279	
Operations and Maintenance Amount	72,982,837	
11b ACU Grant Expenses	127,150	
This relates to a grant by the National Aids Control Council (NACC) to the Institute to help provide Support to Aids Control Unit (ACU) sent to KISE in 2012		
12 Cash and cash equivalents		
Details	Amount (Kes)	2014 Total (Kes)
<u>National Bank of Kenya</u>		
Main Account		8,760,593.45
Distance Learning Project 2		5,653,338.10
Institute Fund and other monies		1,905,546.25
Investment Account		6,855,819.50
Key and Caution money		125,550.74
Seminar and Courses		3,103,730.60
Farm Account		2,314,991.95
Distance Learning Project 2 (Fees Collection)	401,061.00	
Institute Fund and other monies (Fees collection)	2,951,464.00	3,352,525.00
<u>Kenya Commercial Bank</u>		
Norhed -Enable Account		10,999.00
Distance Learning Project 2 (Fees Collection)	29,055,906.47	
Institute Fund and other monies (Fees collection)	9,297,769.00	38,353,675.47
<u>Postal Corporation of Kenya</u>		
Distance Learning Project 2	152,982.00	
Institute Fund and other monies	395,300.00	
Sub Total		548,282.00
Total Bank Balances		70,985,052.06



Cash in Hand		
Distance Learning Project 2	362,919.91	
Farm Account	1,880.45	
Total Cash in Hand		364,800.36
Total Cash and cash equivalents		71,349,852.42
13a Receivables from exchange transactions		
Due from Staff and Third parties	12,715,336	
Due from Students	35,611,096	
Total		48,326,432
13b Receivables from non-exchange transactions:	24,077,801	
This represents the GoK Grant that was not yet remitted by 30 th June 2014. This was paid into our Main Account on 3 rd July 2015		
13c Investments:	20,381,452	
This refers to the Fixed deposit placed at the National Bank of Kenya and was due to Mature three months after the end of the subject FY.		
14 (a) Investment property entails rental houses at the Institute:		
• 4 one bedroom houses	7,500,060	
• 4 two bedroom houses	20,000,160	
• 7 three bedroom houses	21,000,170	
• 5 four bedroom houses	12,500,100	
• 16 Servant Quarters	12,000,100	
• 1 Staff Canteen	4,000,035	
		77,000,625



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14.b) ASSET MOVEMENT SCHEDULE

	Land	Buildings	Computers & Electronics	Furniture & Fittings	Plant, Property & Equipment	Motor Vehicles	Intangible Asset	*Investment Property	Farm Implements	Biological Assets	Total
	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes
Depreciation Rate		2.5%	30%	12.5%	12.5%	25%	20%	2.5%	12.5%		
Opening Balance as at 1st July 2013	568,000,000	155,387,443	6,498,660	10,321,346	6,322,654	10,875,246	5,227,968	78,975,000	224,359	1,120,000	842,952,676
Additions		30,942,602	1,976,000	371,742		4,948,000					38,238,344
Depreciation**	0	4,658,251	2,542,398	1,336,636	790,332	3,955,812	1,045,594	1,974,375	28,045		16,331,443
Closing balance as at 30 June 2014	568,000,000	181,671,794	5,932,262	9,356,452	5,532,322	11,867,434	4,182,374	77,000,625	196,314	1,120,000	864,859,577

**14(c) Plant, Property and Equipment**

	2014
i. Land	568,000,000
ii. Building	181,671,794
iii. Computers & Electronics	5,932,262
iv. Furniture & Fittings	9,356,452
v. Plant & Equipment	5,532,322
vi. Motor Vehicles	11,867,434
vii. Farm Implements	196,314
Total	782,556,578

14(d) Biological Assets	Number	Value
Dairy Cows	10	700,000
Heifers	6	260,000
Calves	4	65,000
Young Bulls	6	95,000
Total		1,120,000

14(e) Intangible Assets **4,182,374**

This relates to the Enterprise Resource Planning System
Supplied in modular units over the years by ABNO Softwares
International.

15. Trade and other payables from exchange transactions

	2014
	Kes
Employee Dues	5,356,536
Provision for Audit Fees	500,000
Third-party payments	13,079,050
Total Trade and other payables from exchange transactions	18,935,586

16. Refundable deposits from customers

Key and Caution Money	250,700
Student Overpayments- Other accounts	2,769,778
KNEC Fees Account	293,574
P.E. Kits Fund	389,520
Other deposits (Amount outstanding on Low Vision attachment supervision)	127,000
Total Refundable deposits from customers	3,830,572

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2014 Kes
17. Deferred income	
Scholarship Grants	28,220,281
Norhed-Enable Project	10,999
Student Accommodation	1,740,205
Gender Policy Grant	712,153
ACU Grant	603,990
Graduation Account	6,855,000
Total deferred income	38,142,628

18: Nature of Reserves

The Reserves represent build up Surpluses and of investment in Capital areas over the years and constituted as follows:

a. Accumulated Surpluses

Transfers to/from accumulated surplus	67,389,415
Surplus for the period	3,369,621
Total	70,759,036

b. Capital Reserves:

Accumulated Depreciation		32,467,715
Net Value of Assets		
Land	568,000,000	
Building	181,671,794	
Computers & Electronics	5,932,262	
Furniture & Fittings	9,356,452	
Plant, Property & Equipment	5,532,322	
Motor Vehicles	11,867,434	
Intangible Asset	4,182,374	
Investment Property	77,000,625	
Farm Implements	196,314	
Biological Assets	1,120,000	
Subtotal		864,859,577
Total		897,327,292

19. Remuneration to Related parties:

The Institute has two categories of Staff: Those employed by KISE Council and those seconded from TSC and PSC. Kes 2,412,696 was used for Remuneration of Management staff by the Institute.



Kenya Institute of Special Education

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Segment Information

	EXCHEQUER 2014	DL PROJECT II 2014	IF & OTHER MONIES 2014	INSTITUTE FARM 2014	NORHED- ENABLE 2014	CONSOLIDATED 2014
SEGMENT REVENUE						
Revenue from non-exchange transactions						
GOK- Development Grants	5,400,000					5,400,000
GOK- Recurrent Grants	92,947,340					92,947,340
Revenue from exchange transactions						
Fee and Student Contributions		37,728,177	8,008,022			45,736,199
Hire of Facilities and Services		3,067,383	2,352,336			5,419,718
Revenue from Farm				887,486		887,486
Other Income	2,952,574	5,463,528	2,106,861			10,522,963
NORHED-ENABLE Project Revenue					780,560	780,560
Sale of Learning Materials		349,050	187,770			536,820
Total revenue	101,299,914	46,608,137	12,654,988	887,486	780,560	162,231,085
Expenses						
Basic Salary - Permanent Employees	39,101,335					39,101,335
Personal Emoluments (part of Salary)	20,818,092					20,818,092



Kenya Institute of Special Education
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	EXCHEQUER 2014	DL PROJECT II 2014	IF & OTHER MONIES 2014	INSTITUTE FARM 2014	NORHED- ENABLE 2014	CONSOLIDATED 2014
Personal Emoluments (Reimbursements)	4,999,893					4,999,893
Employer contribution to Pensions	2,657,478					2,657,478
Communication Supplies and Services	1,099,597	325,055				1,424,652
Domestic Travel & Subsistence	125,989	679,660	399,498			1,205,147
Foreign Travel & Subsistence	37,485	184,934				222,419
Fuel, Oil & Lubricants	876,557	799,436	1,299,774			2,975,767
Hospitality supplies and Services	341,113	1,167,566	523,971			2,032,650
Insurance Expenses	800,000	153,395				953,395
Office and General Supplies and Services	602,842	448,933	209,573			1,261,349
Other Operating Expenses	238,833	590,826	3,249,589			4,079,248
Printing, advertising and information supplies	288,724	1,835,332	134,595			2,258,651
Purchase of Office furniture and General Equipment						
Routine Maintenance - Other Assets	955,920	100,937	906,992			1,963,849



Kenya Institute of Special Education
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	EXCHEQUER 2014	DL PROJECT II 2014	IF & OTHER MONIES 2014	INSTITUTE FARM 2014	NORHED- ENABLE 2014	CONSOLIDATED 2014
Routine Maintenance - Vehicles & other Transport	1,028,902	523,970	276,660			1,829,532
Scholarships & Sponsorship	1,636,138					1,636,138
Specialized Materials and Supplies	8,274,071		1,230,908			9,504,979
Training expenses	2,870,100	29,063,459	1,991,115			33,924,675
Utilities Supplies and Stores	6,780,974					6,780,974
Pre- Unit Expenses			416,133			416,133
ACU & Dispensary			640,429			640,429
Farm Expenses				562,676		562,676
NORHED-ENABLE Project Expenses					780,560	780,560
Total expenses	93,534,043	35,873,503	11,279,235	562,676	780,560	142,030,017
Surplus for the Segment	7,765,871	10,734,634	1,375,753	324,810		20,201,068



Kenya Institute of Special Education
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	EXCHEQUER 2014	DL PROJECT II 2014	IF & OTHER MONIES 2014	INSTITUTE FARM 2014	NORHED- ENABLE 2014	CONSOLIDATED 2014
OTHER INFORMATION						
Segment Current assets						
Cash and cash equivalents	7,081,739	32,241,506	24,619,238	2,282,872	10,999	66,236,353
Receivables from exchange transactions	1,053,606	23,391,156	12,262,510			36,707,271
Receivables from non-exchange transactions	24,077,801					24,077,801
Investments	44,692,174	120,401,714	0			165,093,888
Segment Current liabilities						
Trade and other payables from exchange transactions	0	13,437,714	384,373			13,822,087
Refundable deposits from customers	167,121		1,151,674			1,318,795
Deferred income	28,220,281	8,595,205	1,316,143		10,999	38,142,628
Employee benefit obligation	5,356,536					5,356,536



XVI. 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:

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Institute responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Director KISE/Council Secretary

Chairman of the Council

Date.....

Date.....