

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KENYA EDUCATION MANAGEMENT  
INSTITUTE

FOR THE YEAR ENDED

30 JUNE 2018

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 02 JUL 2019

DAY

TUESDAY

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BY:

MAJORITY WHIP

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OF KENYA  
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REPUBLIC OF KENYA  
MINISTRY OF EDUCATION  
SCIENCE AND TECHNOLOGY

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KENYA EDUCATION MANAGEMENT INSTITUTE  
MTAMA ROAD, PARKLANDS  
P.O. BOX 62592-00200, NAIROBI

# **KENYA EDUCATION MANAGEMENT INSTITUTE**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30 JUNE, 2018**

Prepared in accordance with the Accrual Basis of accounting method under the international public sector

Accounting standards (IPSAS)

<b>TABLE CONTENTS</b>	
<b><u>KEY ENTITY INFORMATION AND MANAGEMENT</u></b> .....	iii
<b><u>THE BOARD OF DIRECTORS</u></b> .....	v
<b><u>MANAGEMENT TEAM</u></b> .....	ix
<b><u>CHAIRPERSON'S STATEMENT</u></b> .....	xiii
<b><u>DIRECTOR STATEMENT</u></b> .....	xiv
<b><u>CORPORATE GOVERNANCE STATEMENT</u></b> .....	xv
<b><u>CORPORATE SOCIAL RESPONSIBILITY STATEMENT</u></b> .....	xxiv
<b><u>REPORT OF THE DIRECTORS/COUNCIL</u></b> .....	xxv
<b><u>STATEMENT OF COUNCIL'S RESPONSIBILITIES</u></b> .....	xxvi
<b><u>REPORT OF THE INDEPENDENT AUDITORS ON KEMI</u></b> .....	xxvii
<b><u>STATEMENT OF FINANCIAL PERFORMANCE</u></b> .....	1
<b><u>STATEMENT OF FINANCIAL POSITION</u></b> .....	2
<b><u>STATEMENT OF CHANGES IN NET ASSETS</u></b> .....	3
<b><u>STATEMENT OF CASH FLOW</u></b> .....	4
<b><u>STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS</u></b> .....	5
<b><u>NOTES TO THE FINANCIAL STATEMENTS</u></b> .....	29
<b><u>PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS</u></b> .....	13

**KEY ENTITY INFORMATION AND MANAGEMENT****(a) Background information**

The Institute is established as the capacity building agency of the Ministry of Education. The address of its registered office is L.R. No 209/3464, Mtama Road Parklands, P.O. Box 62592 00200, Nairobi.

The Institute was given mandate under Legal Notice no. 19 of 2010 to provide regular and systematized educational management and administration training for all categories of educational management and administration personnel in the education service.

Under the legal notice no. 163 of 2011 the Institute changed its name from Kenya Education Staff Institute (KESI) to Kenya Education Management Institute (KEMI)

**(b) Principal Activities**

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

**(c) Key Management**

Mrs. Grace Ngaca	Mr. Kepher Owino Ogwang
Mr. Maurice Otieno Odondo (DD/CSD)	Mrs. Elizabeth Wangaruro
Mrs. Peris Toroitich (DD/MDD)	Mr. Daniel Kihara Mbugua
Mr. Richard Thomi	Mr. Samuel Ochieng Mawega
Mr. Wycliffe W. Wasike	Mr. Stephen Barkwang
Ms. Purity Kibui	Mr. Stephen Choge
Mr. Vincent Koech	Ms. Nancy Musembi
Mr. Newton Wekesa Wangusi	Ms. Caroline Gicuku Nyaga

**(d) Fiduciary Management**

Prof. Eunice Mutitu (UoN) (Chairperson)	Mr. Saul Barasa (Kibabii TTC)
Dr. Kipsang R. Belio P.S. M.O.E	Mrs. Nancy Macharia (TSC)
Mr. Kahi Indimuli (KSSHA)	Mr. Shem Ndolo (KEPSHA)
Dr. Julius Jwan (KICD)	Ms. Hawa Mohammed (Private Sector)
Mrs Mutheu Kasanga (Private School)	Mr. Samuel Gitonga (Private Sector)
Mr. Mike Eldon (Private Sector)	Mr. James Wachaga (Aberdare TTC)
Mrs. Grace Ngaca (Ag. Director KEMI)	

**(e) Entity Headquarters**

L.R. No. 209/3464  
Mtama Road,  
P.O Box 62592 00200,  
NAIROBI.

**(f) Entity Contacts**

Telephone: 0718 518422  
E-mail: [info@kemi.ac.ke](mailto:info@kemi.ac.ke)  
Website: [www.kemi.ac.ke](http://www.kemi.ac.ke)

**(g) Bankers**

National Bank of Kenya  
Harambee Avenue Branch  
P.O Box 41862  
Nairobi

Equity Bank Ltd,  
Tom Mboya Branch,  
P.O Box 10369  
Nairobi

**(h) Independent Auditors**

Auditor - General  
Anniversary Towers, University Way  
P.O Box 30084 00100  
Nairobi.

**(i) Principal Legal Advisers**

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

## THE BOARD OF DIRECTORS



**Prof. Eunice Mutitu**

Prof. Eunice Mutitu born in 1951 is the Chairperson of the Kenya Education Management Institute Council. She holds a PhD in Plant Pathology, M.Sc. in Plant Pathology, and B.Sc. in Agriculture all from the University of Nairobi. She is a Fulbright Scholar of the Pennsylvania State University in USA and Visiting Scientist of DSMZ, Germany. She is currently a Lecturer at the faculty for Agriculture, the University of Nairobi. She has wide experience in administration having served as Director of the Board of Post Graduate Studies, Coordinator of various University projects and Chairperson, Department of Crop Protection at the University of Nairobi.



**Director of the Kenya Education Management Institute, Grace Ngaca. (Joined March 2017)**

Grace W. Ngaca, is the Director of the Kenya Education Management Institute. She holds a Master's Degree in Counselling from the University of Nairobi. Post graduate Diploma in Education from Kenyatta University. Bachelor of Arts degree from university of Nairobi. She has wide experience in education management and training having worked for the Ministry of Education head office from 2007 and thought in various schools unto the level of Deputy Principal at Alliance Girls High School.



**Dr. Belio R. Kipsang**

Dr. Belio R. Kipsang is the Principal Secretary Ministry of Education Science & Technology/State Department of Education. He holds a PhD degree in Education (Education Administration and Planning) from Catholic University of Eastern Africa, Masters of Arts degree in Economics and Bachelor's degree in Education (Business and Economics) both from University of Nairobi. He previously served as Managing Trustee/Chief Executive Officer Coffee Development Fund, Deputy CEO and Head of Operations Higher Education Loans Board. He is a Council Member at Mt. Kenya University and Cooperative University College. He is also a board member Finance Alliance for Sustainable Trade, Council Member Advisory Council for Coffee Initiative, Government Delegate International Coffee Organization and chair Operations Committee, Association of African Higher Education Financing Agencies.



**Ms. Hawa Mohammed**

Ms. Hawa Mohammed, born in 1965, holds an MBA degree from Catholic University and B.Com degree from USIU. She has extensive experience in international accounting standards and auditing. In addition she has wide experience working with donors and has knowledge of donor requirements of funded projects.



**Mrs Nancy Njeri Macharia**

Mrs. Macharia was employed by the Teachers Service Commission in May 1987 as a teacher of English and literature and taught in various schools before joining the TSC secretariat in 1995 as a staffing officer. She rose through the various ranks in the secretariat until her current appointment as the Commission Secretary in July 2015. She has worked in the education sector for more than 28 years. She holds a Master of Education (Policy and Management) degree from Bristol University, UK and a Bachelor of Education degree in English/Literature from Kenyatta University. Mrs Macharia has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formation, Information Communication Technology (ICT), Proactive Management and Business Excellence Models, among others. In addition, she is a member of the Kenya Association of Public Administration Management (KAPAM) and Institute of Directors.



**Mr. Mike Eldon**

Mr. Mike Eldon is the Chairperson of KCA University Council, born in 1945, holds a Sloan Master's Degree from London Business School and a Bachelor of Economics from the University College London. He has been a member of the Kenya Institute of Management Association, Kenya Private Sector Alliance, Kenya ICT Federation and Rotary Club of Nairobi. He serves as the Founder Chairperson of the DEPOT Management Consultancy, on-executive Director of Davis & Shirliff, Director of African Institute for Development Policy (AFIDEP), Chairperson of ALESEC Kenya Honorary Council and Joint Project Director of Cura Rotary Community Corps. Mr. Eldon has 30 years' experience in change management, human resource development, workshop and strategy and 40 years' experience in the IT industry in the UK, France and Kenya. Mr. Eldon has also been a lead facilitator for the World Bank retreats and strategic management retreats in both public and private sectors.



**Ms. Mutheu Kasanga**

Ms. Mutheu Kasanga is the Chairperson of Kenya Private Schools Association, Board Member at East Africa Science and Technology Commission, and a Member Board of Trustee, Lukenya University. She holds a M.Ed Management from Oxford Brookes University and a B.Ed from the University of Nairobi. She also Chairs the Education Sector Board at the Kenya Private Sector Alliance and has been a Director at Lukenya Schools for over 17 years.



**Mr. Saul Barasa**

Mr. Saul Barasa is the Chairperson of Kenya Teachers Colleges Principals Association (KTCPA). He holds a B.Ed (Arts) from Kenyatta University. He is currently the Chief Principal of Kibabii Diploma Teachers Training College.



**Mr. James M. Wachaga, OGW**

Mr. James Wachaga is the Chairperson Kenya Teachers Colleges Principals Association (KTCPA). He is currently the Chief Principal of Aberdare Teachers Training College. He holds an MBA in Strategic Management. Mr. Wachaga has also taught in many secondary schools and teachers training colleges in Kenya. He was awarded a National Medal OGW on 12th December, 2017.



**Mr. Shem Ndolo**

Mr. Shem Ndolo is the National Chairman of Kenya Primary Schools Heads Association (KPSHA). He is currently the Principal of Agai Primary School, Kisumu County.



**Mr. Samuel G. Mutungi**

Mr. Samuel G. Mutungi, born in 1955, holds a M.Sc. (Business Systems Analysis and Design) from the City University (London) and a B.Ed (Mathematics and Business Studies) from University of Nairobi. He is currently a Consultant in ICT and Banking. He has wide experience in banking having worked as a Director at Co-operative Bank of Kenya for over 16 years. He has 8 years' experience as a Computer Services Manager at Glaxo East Africa. In addition he has been a lecturer for over 6 years at Kenya Polytechnic. He is a Fellow of the Kenya Institute of Bankers and Fellow Kenya Computer Society and a member of Paul Harris Fellow (Rotary International).



**Dr. Julius Jwan**

Dr Julius Jwan is the Director/CEO at the Kenya Institute of Curriculum Development (KICD). He holds a PhD Degree in Educational Leadership & Management and a Master of Science (MSc) Degree in Educational Research Methods – both from the UK. He also holds a Master of Philosophy (MPhil) Degree in Education Communication & Management from Norway and another Master Degree in Linguistics from Moi University where he also graduated with a Bachelor of Education Degree.

He has attended short fellowships such as; Education for Sustainable Peace (Germany); Enhancing Governance and Financial Administration in Africa (Botswana); Transitional Justice and Governance in Africa (South Africa); Reconciliation as Process and Practice (Sweden); Democratic Governance for Development in Africa (Uganda), among others.

Dr Jwan has published widely on educational leadership and management in international journals and book chapters. He has also published three books on educational leadership and management and qualitative research methods. He is the winner of British Educational Leadership, Management and Administration Society (BELMAS) Best Doctoral Thesis Award, 2011.

Prior to joining KICD, he was the Director – Programmes and Technical Services at the National Cohesion and Integration Commission (NCIC). He was also lecturer at Moi University and a teacher at a secondary school and Teachers' Training College.



**Mr. Indimuli Kahi**

Mr. Indimuli Kahi OGW is the current president African Confederation of Principals , National Chairman of Kenya Secondary Schools' Heads Association (KESSHA). He is also a council member of the International Confederation of Principals.

He holds a Masters of Business Administration (MBA) in Strategic Management from University of Nairobi and a Bachelor's Degree in Education (B.Ed.) from Kenyatta University.

## MANAGEMENT TEAM



**Director of the Kenya Education Management Institute, Mrs. Grace Ngaca**

Responsible for the running of the Institute to ensure that the mission is achieved and efficiency of the Institute is achieved. She is the Accounting Officer of the Institute. In addition, she is the Secretary to the Council and Chairperson of the Senior Management Committee. Also responsible for spearheading partnerships of the Institute. Departments: All Divisions and Internal Audit administratively though it reports to the Council.



**Deputy Director – Corporate Services, Mr. Maurice Otieno Odondo, MBA (Strategic Management), B.Ed (Arts).**

Responsible for overall administrative operations of the Institute. In charge of optimized operational programs to guarantee quality service delivery. Divisions: Enterprises, Legal and Administration.



**Head of Human Resource Training, Mrs Peris Toroitich.**

A trainer at Kenya Education Management Institute (KEMI). She is currently the Head of department of Human Resource and Entrepreneurship in the Institute. She holds a degree in Education (BED) majoring in Economics. She holds a master's degree in Business Administration majoring in Human Resource Management from Daystar University and higher Diploma in Human Resource Management from Institute of Human Resource Management (IHRM).



**Head of Media, Research and Marketing, Mr. Wycliffe W. Wasike, M.A (Communication), B.Ed.**

Responsible for planning and implementation of the media, research and Consultancy, and marketing programs of the Institute. In charge of ensuring effective communication, publicity and M&E towards achieving corporate objectives. In addition he is in charge of the Corporate Social Responsibility (CSR) program. Departments: Media, Research and Consultancy, Marketing.



**Head of Enterprises, Mr. Richard Thomi, B.Com (Accounting option), CPA (K).**

Responsible for resource mobilization in the Institute. In charge of planning, sourcing and management of the Enterprises to achieve financial resources towards building self-sufficiency. Departments: Hospitality, Bookshop, hotel and Printing Press.



**Head of ICT Training, Ms. Purity Gathigia Kibui, M.A (Education Philosophy), M.ED (Education Administration), B.Ed**

Responsible for managing the ICT programs of the Institute. In charge of planning, sourcing and implementing the ICT programs. In addition she is the ISO 9001:2008 QMS Management Representative and a member of the ICT integration team of the Ministry of Education, Science and Technology. Departments: ICT and ISO.



**Head of Finance & Accounts, Mrs. Elizabeth Mwhaki Wangaruro, MBA (Finance), B.Com (Finance), CPA (K).**

Responsible for the Institute's finances. In charge of planning, sourcing and managing financial resources to achieve corporate objectives. Responsible for the prudent use of institutional resources including credit management. Departments: Accounts and Credit management.



**Head of ICT Maintenance, Mr. Vincent Koech, MSc (Computer Science), BSc (Information Technology), Diploma (Information Technology), MCITP, CCNA, ISMS & QMS.**

Responsible for ICT Systems Administration and Maintenance. With over 10 years' experience in the field of ICT. His main ICT Research areas of interest includes but not limited to: - Artificial Intelligence, Design & Analysis of Algorithms and Information Security Management Systems.



**Head of Procurement Training, Mr. Stephen Choge.**

Stephen Choge is currently a trainer at Kenya Education management Institute (KEMI) and the HOD Finance & Supply Chain Management. He holds a master of education in Planning Management and Administration, B.ED and Certificate in Primary Teacher Education and currently he is pursuing PhD in Educational Planning.



**Head of Admissions, Mr. Stephen Barkwang.**

The HOD Admissions and currently pursuing PhD in Education Administration at Kenyatta University. He holds Master of Education Management from the Egerton University and Bachelors of Education (Arts) from University of Nairobi. He specializes in Education Management, Curriculum Management, Education for Sustainable Development, Contemporary issues in Education Management, Best management Practices in Education Management and Innovations.



**Head of Administration, Mr. Newton Wekesa Wangusi, Executive MBA (Human Resource Management and General Administration), Certified Public Secretaries of Kenya (CPS K).**

Responsible for administrative operations of the Institute. In charge of optimized administration and maintenance of programs to achieve corporate objectives. Ensures efficient and synchronized administration and maintenance operations. Departments: Transport, Grounds and Customer Care.



**Head of Hospitality Training, Ms. Nancy Kaseki Musembi**

Nancy Kaseki Musembi is the Hospitality Manager for the Kenya Education Management Institute. She holds a Higher National Diploma in Catering and Accommodation Management, BSc Hospitality Management and currently pursuing Master's Degree in Hospitality Management. Nancy is in charge directing and co-ordinating all activities at the centre by directly supervising all section heads and ensuring proper completion of all tasks in the various sections. Supervising and advising all human resource matters pertaining to the, supervision, discipline, training and development of staff.



**Head of KLRC, Ms. Caroline Gicuku Nyaga**

Caroline Nyaga is the Head of Unit LRC, Admissions and examinations, IFLA 2013 Fellow.

She holds a BSC Information Science from Moi University and currently pursuing Masters of Philosophy in information Science.



**Head of Human Resource, Mr. Kepher Owino Ogwang, Higher Diploma in Human Resource Management.**

Responsible for human capital planning, recruitment, performance management, reward, wellness and employee relations. In charge of legal affairs and safeguarding the Institutes interests. In addition, he is responsible for compensation administration, staff housing and registry.



**Head of Internal Audit, Mr. Samuel Ochieng Mawega, CPA Part III**

Responsible for the provision of Internal Auditing and advisory services to internal Management, assisting in controlling risk and monitoring compliance. In addition, he is the secretary to the Audit Committee of the Board. Member of ICPAK.



**Head of Procurement, Mr. Daniel Mbugua.**

Responsible for the procurement and inventory management in the institute. In charge of purchasing, supply chain and logistics to achieve corporate objectives. In addition he is the secretary to the Tender Committee of the Institute.

## CHAIRPERSON'S STATEMENT

We are pleased to showcase our successes for 2017/2018 in this annual report. The institute increased its focus on capacity development in education management by improving access to training programs while improving quality. These programs we know drive education quality and have the greatest impact on education service delivery.

KEMI's proven strategy – well executed by a strong management team and 91 employees contributed to the success of the institute's capacity development program.

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

I would like to thank the KEMI council and management team for the achievements made in 2017/2018. I am truly privileged to work with this team, which brings commitment and enthusiasm to work and carries it forward to enrich our clientele.

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

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

As we now direct our attention to 2018/2019, we look forward to the future because we are confident that KEMI will remain focused on delivering strong results.



**Prof. Eunice Mutitu**  
**Chairperson**  
**KEMI COUNCIL**

## **DIRECTOR STATEMENT**

Much of our work in Kenya Education Management Institute (KEMI) focuses on developing the capacity of education managers to meet the 21<sup>st</sup> century challenges. As we present our 2017/2018 annual report, it is worth pausing to consider a question fundamental to KEMI'S mission: Why capacity development? At KEMI our capacity development program is about understanding the issues that inhibit education managers from realizing educational goals while enhancing their knowledge and skills that will enable them to achieve measurable and sustainable results.

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

It is worth noting that in the previous years, 84% of School heads and Deputies have been taken through the Diploma in Education Management. In regard FY 2017/2018, the Institute has made great achievements in inducting the newly appointed heads of schools and deputies. Groups that were taken through the Diploma in Education Management include among others; Quality Assurance and Standards Officers, Adult Education Officers and Technical and Vocational Managers.

We are confident that operational and financial performance will improve further during 2018/2019 enabling us to achieve our set targets for the year.

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



**Mrs. Grace W. Ngaca**

**Ag. Director/CEO**

## CORPORATE GOVERNANCE STATEMENT

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

### Compliance

The Council is compliant with the provisions of but not limited to the following Acts and regulations: KEMI Legal Notice 19/2010, Education Act No. 14 of 2013, Occupational Safety Health Act and Public Procurement & Disposal Act 2005. Further, KEMI continues to be ISO certified on ISO 2001: 2008 quality management system.

### Council composition

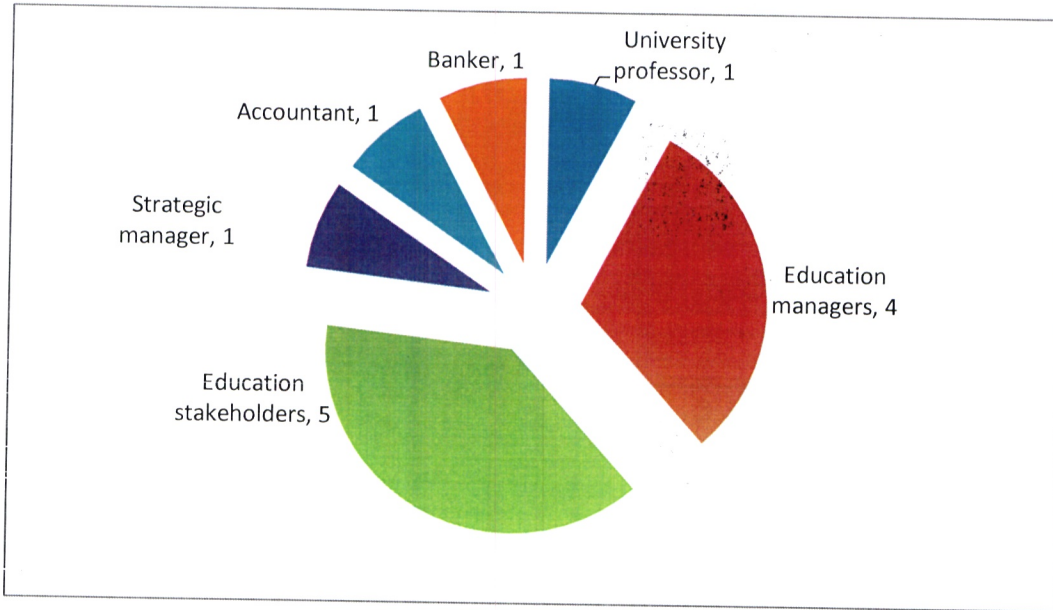
The Council consists of 13 members led by a non-executive and independent Chairperson as follows:

No	Name	Position
1.	Prof. Eunice Mutitu	Chairperson
2.	Dr. Belio Kipsang	PS/MOEST
3.	Mrs. Grace W. Ngaca	Director/KEMI
4.	Mr. Julius Jwan	Director/KICD
5.	Mrs. Nancy Macharia	Secretary/CEO/TSC
6.	Mr. Kahi Indimuli	Representative Kenya Secondary School Heads Association
7.	Mr. Shem Ndolo	Representative Kenya Primary School Heads Association
8.	Mr. James Wachaga	Representative Kenya Association for Primary Teachers Training Colleges
9.	Mr. Saul Barasa	Representative Kenya Diploma Colleges Principals Association
10.	Ms. Hawa Mohammed	Four persons, not being civil servants, appointed by the Cabinet Secretary by virtue of their knowledge in matters related to education
11.	Mr. Mike Eldon	
12.	Mrs. Mutheu Kasanga	
13.	Mr. Samuel G. Mutungi	

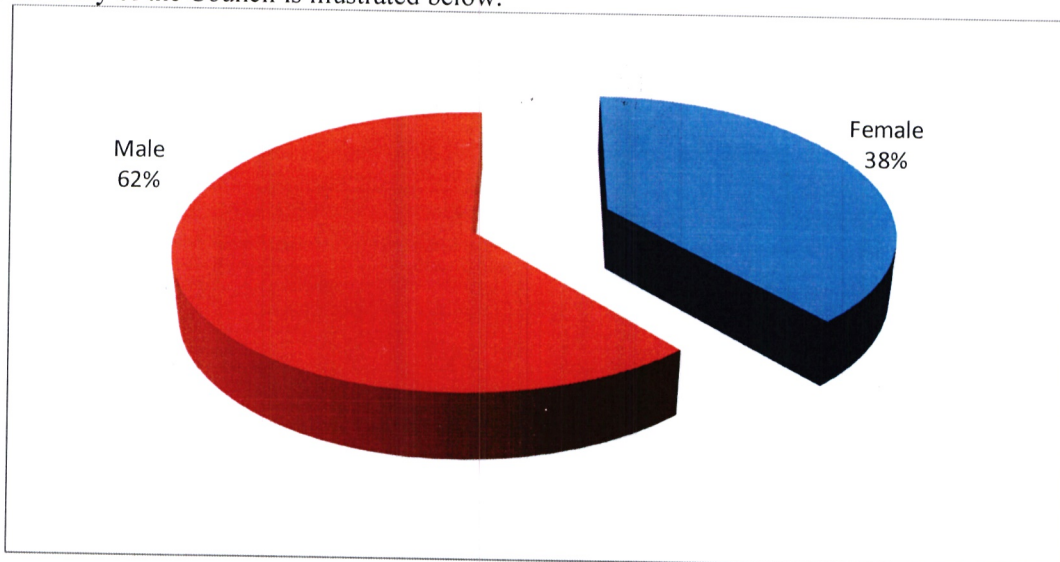
**Council diversity**

The Council diversity is as follows:

The professional diversity of the board is presented below:



The gender diversity of the Council is illustrated below:



The biographies of the Council members are published in subsequent pages.

### **Separation of powers**

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

### **Responsibilities of the Council**

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

1. Formulate, with the approval of the Cabinet Secretary, policies pertaining to the management and implementation of the objects of the Institute;
2. Administer the property and funds of the Institute in such manner and for such purposes as shall best promote that interests of the Institute; Provided that the Council shall not dispose of the immovable property of the Institute without the approval of the Cabinet Secretary;
3. Receive, on behalf of the Institute, donations, endorsements, gifts, grants or other monies, and other monies, and to make legitimate disbursements therefrom;
4. Borrow, generate and raise funds for the purposes of the Institute;
5. Appoint suitable staff of the Institute upon such terms and conditions as it may determine;
6. Receive reports from the Director or any officer of the Institute in respect of financial and other circumstances of the Institute, and to direct any action to be taken by the Director or such officer;
7. Establish facilities in any place (whether in or outside Kenya) for the better discharge of its functions and responsibilities under this Act; and purpose of the Institute.

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

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

**Council Remuneration**

Council Allowances are paid in line with the State Corporations Regulations Circular No.OP/CAB.9/21/2A/III/43 dated 23<sup>rd</sup> November 2004 as follows:

Position	Current Allowance (Kshs.)
Chairperson	80,000.00 per month
Chairperson/Committee	20,000.00 per sitting
Members	15,000.00 per sitting

**Conflict of interest and Declaration of interest**

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

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

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

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

**Board Committees**

The Council is made up of 5 committees:

1. Audit
2. Business/Strategy/Development
3. Training
4. Finance and General Purpose Committee
5. Human Resource Development

### Report of the Chairperson of the Audit Committee



Ms. Hawa Mohammed

#### Membership:

The Audit Committee is made up of the following members:

1. Ms. Hawa Mohammed – Chairperson
2. Mr. Shem Ndolo
3. Dr. Belio Kipsang
4. Mr. Kahi Indimuli
5. Mr. Saul Barasa

#### Mandate:

The Audit Committee:-

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

**Report of the Chairperson of the Business/Strategy/Development Committee**



Mr. Mike Eldon

**Membership**

The Business/Strategy/Development Committee is made up of the following members:

1. Mr. Mike Eldon
2. Mr. Samuel G. Mutungi
3. Mrs. Mutheu Kasanga
4. Mr. James Wachaga
5. Mrs. Grace W. Ngaca

**Mandate**

The Strategy Committee:

- (i). Assists the Board in discharging its oversight duties with respect to the overall strategic direction of the Institution, operational performance and organizational health;
- (ii). Reviews the Institution's Strategy and investment policies and makes recommendations to the Board on strategy adjustment. It also assesses the progress of the Institution's Strategy execution through identification of priority areas. The Committee monitors, evaluates and oversees the Institution's health including the review of financial and business plans and the overall Institution Performance Management System.

## Report of the Chairperson of the Training Committee

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Mrs. Nancy Macharia

### Membership

The Training Committee is made up of the following members:

1. Mrs. Nancy Macharia – Chairperson
2. Mr. John Awiti
3. Mr. Shem Ndoio
4. Mr. James Wachaga
5. Mrs. Mutheu Kasanga
6. Mrs. Grace W. Ngaca

### Mandate:

The training committee:

- (i). Assists the Board in discharging its oversight duties with respect to the overall strategic direction of the capacity development program of the institute;
- (ii). Review the progress of the institutions capacity development programs and give advice and recommendations in relation to these programs..

## **Report of the Chairperson of the Finance and General Purposes Committee**

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### **Mr. Shem Ndolo**

#### **Membership**

The Finance and General Purpose Committee is made up of the following members

1. Mr. Shem Ndolo – Chairperson
2. Dr. Belio Kipsang
3. Mr. Samuel G. Mutungi
4. Ms. Hawa Mohammed
5. Mrs. Grace W. Ngaca

#### **Mandate:**

The committee:-

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

## **Report of the Chairperson of the Human Resource Development Committee**

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Dr. Julius Jwan

### **Membership**

The Human Resource Committee is made up of the following members:

1. Dr. Julius Jwan – Chairperson
2. Mrs. Nancy Macharia
3. Dr. Belio Kipsang
4. Ms. Hawa Mohammed
5. Mrs. Grace W. Ngaca

### **Mandate**

The Committee monitors the policies and practices of KEMI in relation to the Human Resources, offers advice and recommendations on the Institute's human resource strategies, initiatives and policies; and the recruitment and remuneration of staff.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

KENYA EDUCATION MANAGEMENT INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2018

**REPORT OF THE DIRECTORS/COUNCIL**

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

The Council submit their report together with the audited financial statements for the year ended 30 June, 2018 which shows the state of the entity affairs.

**Principal activities**

The Principal activity of the institute is that of training education managers in the Education sector.

**RESULTS FOR THE YEAR**

	<u>2018</u>	<u>2017</u>
	<b>Kshs</b>	<b>Kshs</b>
Surplus for the year	13,173,578	28,862,117
Surplus for the year carried to retained earnings	<b>13,173,578</b>	<b>28,862,117</b>

**BY ORDER OF THE COUNCIL**



\_\_\_\_\_  
DIRECTOR



\_\_\_\_\_  
COUNCIL CHAIR

## STATEMENT OF COUNCIL'S RESPONSIBILITIES

### FOR THE YEAR ENDED 30 JUNE, 2018

The State Corporation's Act requires the Council to prepare financial statements for each year, which give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of its operating results for that year. It also requires the council to ensure the Institute keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute. They are also responsible for safeguarding the assets of the Institute.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the State Corporation's Act. The council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the institute and of its operating results.

The council further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by the council on 28/09/2018 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Council Chair

# REPUBLIC OF KENYA

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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 EDUCATION MANAGEMENT INSTITUTE FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Education Management Institute set out on pages 1 to 13 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Education Management Institute as at 30 June 2018, 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 the Education Act, Cap 211 of the Laws of Kenya.

#### Basis for Qualified Opinion

#### 1. Property, Plant and Equipment

##### 1.1 Land

As reported in the previous years, the property, plant and equipment balance of Kshs.2,366,019,857 as at 30 June 2018 includes the Institute's parcel of land L.R No.16124 measuring 15.45 hectares at Kayole in Nairobi valued at Kshs.2,050,000,000 which according to information availed has been partially encroached by squatters. Although the management had contracted a law firm on 18 October 2010 to seek court orders for the eviction of the squatters, and notice of eviction put on nationwide newspapers on 28 November 2017, the matter had not been resolved as at the date of this report.

Consequently, the value of property, plant and equipment of Kshs.2,366,019,857 is impaired to the extent of the land encroached on by squatters and as result, it has not been possible to ascertain that the property, plant and equipment balance of Kshs.2,366,019, 857 is fairly stated as at 30 June 2018.

## **2. Receivables from Exchange Transactions**

As reported in previous years, as disclosed in note 9 to the financial statements, the receivables from exchange transactions balance of Kshs.36,909,124 as at 30 June 2018, includes debts totalling Kshs.26,918,536 which have been outstanding for over four (4) years and whose recoverability is doubtful. The provision for bad and doubtful debts of Kshs.1,141,519 made in these financial statements appears to be inadequate.

In the circumstances, it has not been possible to confirm the full recoverability of receivables from exchange transactions balance of Kshs.36,909,124 as at 30 June 2018. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Education Management Institute in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Emphasis of Matter**

#### **Ineligible Administrative Expenses**

As similarly reported in year 2012/2013, the administrative expenses figure of Kshs.154,318,033 included an amount of Kshs.5,273,360 paid to a consultant in respect of services for mid-term review of Kenya Education Sector Support Programme (KESSP). However, supporting documents attached to the payment indicated that the services were tendered and procured by the Ministry of Education. Further, an audit on Kenya Education Sector Support Programme as at 30 June 2013, revealed that it had no operations during that year. It was therefore not clear how a mid-term review was done on a project that was dormant during that year or why the expenditure of Kshs.5,273,360 was not charged to the Ministry of Education. A review of the matter during the current year indicated that the matter had not yet been resolved as at 30 June 2018. In the circumstances the propriety of expenditure totaling Kshs.5,273,360 incurred in year 2012/2013 could not be ascertained to date. These matters were addressed in the context of the audit of the financial statements as a whole and in forming my opinion thereon, and do not provide a separate opinion on the matter.

#### **Key Audit Matters**

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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 Qualified Opinion 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.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### **Conclusion**

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

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

### **Responsibilities of Management and Those Charged with Governance**

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

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the Institute or to cease operations, or have no realistic alternative but to do so. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of

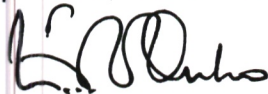
effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

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

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

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

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



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

**Nairobi**

**29 March 2019**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

	<u>Notes</u>	<u>2018</u> Kshs	<u>2017</u> Kshs
Revenue from non - exchange transactions	2	92,000,000	129,734,391
Revenue from exchange transactions	3	98,687,744	115,623,661
<b>Total Revenue</b>		<b><u>190,687,744</u></b>	<b><u>245,358,052</u></b>
<b>Expenses</b>			
Staff Costs	4	80,804,573	78,822,273
Administrative expenses	5	95,581,939	136,677,902
Council Expenses	6	1,075,000	465,000
Finance Cost	7	52,656	530,760
<b>Total Expenses</b>		<b><u>177,514,167</u></b>	<b><u>216,495,935</u></b>
<b>Surplus for the period</b>		<b><u>13,173,578</u></b>	<b><u>28,862,117</u></b>

The notes set out on pages 7 to 12 form an integral part of these Financial Statements

KENYA EDUCATION MANAGEMENT INSTITUTE  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018


**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

	<u>Notes</u>	<u>2018</u> Kshs	<u>2017</u> Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalent	8	69,655,964	37,738,221
Receivables from exchange transactions	9	36,909,124	47,605,974
Receivables from non-exchange transactions	10	-	-
		106,565,087	85,344,194
<b>Non - current assets</b>			
Property, plant and equipment	11	2,366,019,857	2,374,231,362
<b>Total assets</b>		<b>2,472,584,944</b>	<b>2,459,575,556</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	12	3,508,252	3,672,442
Deffered Development Grant	13	-	-
		3,508,252	3,672,442
Non-Current liabilities		-	-
<b>Total Liabilities</b>		<b>3,508,252</b>	<b>3,672,442</b>
<b>Net Assets</b>			
Revaluation Reserve	14 (i)	2,284,463,085	2,284,463,085
Capital Reserve	14(ii)	44,164,375	44,164,375
Retained earnings	14(iii)	140,449,232	127,275,655
<b>Total Net Assets</b>		<b>2,469,076,692</b>	<b>2,455,903,115</b>
<b>Total Net Assets and Liabilities</b>		<b>2,472,584,944</b>	<b>2,459,575,556</b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

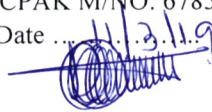
Director KEMI  
Name: Grace Ngaca (Mrs)

Date .....

 11/3/19

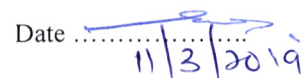
Head of Finance  
Name: Richard Thomi  
ICPAK M/NO: 6785

Date .....

 11/3/19

Chairman of the Board  
Name: Prof. Eunice Mutitu

Date .....

 11/3/2019

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>REVALUATION RESERVE</b>	<b>CAPITAL RESERVE</b>	<b>RETAINED EARNINGS</b>	<b>TOTAL</b>
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
<b>At July 1, 2016</b>	2,284,463,085	39,227,500	98,413,538	2,422,104,123
Development Grant	-	5,401,875	-	5,401,875
Surplus for the year	-	-	28,862,117	28,862,117
<b>At June 30, 2017</b>	<u>2,284,463,085</u>	<u>44,629,375</u> *	<u>127,275,655</u>	<u>2,456,368,115</u>
<b>At July 1, 2017</b>	2,284,463,085	44,164,375 *	127,275,655	2,455,903,115
Development Grant	-	-	-	-
Surplus for the year	-	-	13,173,578	13,173,578
<b>At June 30, 2018</b>	<u>2,284,463,085</u>	<u>44,164,375</u>	<u>140,449,233</u>	<u>2,469,076,693</u>

\*Restatement of Retained Earnings opening balance of Ksh. 98,413,538 as a result of Grant erroneously recognised as Revenue from Non Exchange transactions of Ksh. 11,838,208 carried over the years now reversed vide JE 1-2017/2018. See note 10

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	<u>Notes</u>	<u>2018</u> Kshs	<u>2017</u> Kshs
<b>Cash flows from Operating Activities</b>			
Net Surplus/Loss before tax		13,173,578	28,862,117
<i>Adjustment for:</i>			
Depreciation	11	13,522,165	13,669,213
<i>Operating (Deficit)/Surplus before working capital changes</i>		26,695,743	42,531,330
Decrease in debtors	9	10,696,850	13,630,742
Decrease in payables	12	(164,190)	(13,192,931)
Decrease in Deferred Grant & Fees	13	-	(32,332,516)
<i>Cash generated from operations</i>		37,228,403	10,636,625
<b>Net cash from operating activities</b>		<b>37,228,403</b>	<b>10,636,625</b>
<b>Cash flows from Investing Activities</b>			
Purchase of Fixed Assets	11	(5,310,660)	-
Development Grant received		-	5,401,875
<i>Net cash used in investing activities</i>		<b>(5,310,660)</b>	<b>5,401,875</b>
<b>Cash flows from Financing Activities</b>			
		-	-
<b>Net Increase in cash and cash equivalents</b>		<b>31,917,743</b>	<b>16,038,500</b>
<b>Cash and cash equivalents</b>			
At the beginning of the year		37,738,221	21,699,721
<b>At end of year</b>		<b>69,655,964</b>	<b>37,738,221</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Original Budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on Comparable Basis Kshs	Performance Difference Kshs	Variance %	Reason
<b>Revenue</b>							
Government of Kenya (GOK)	92,000,000	-	92,000,000	92,000,000	-	0	
Government of Kenya - Deferred Grant	28,158,706	-	28,158,706	30,195,604	(2,036,898)		
Income Generating Activities	130,719,778	-	130,719,778	84,953,189	45,766,589	35	
<b>Total Income</b>	<b>250,878,484</b>	<b>-</b>	<b>250,878,484</b>	<b>207,148,793</b>	<b>43,729,691</b>		
<b>Recurrent Expenditures</b>							
Basic Salaries	54,750,000.00	-	54,750,000.00	47,613,059	7,136,941	13	Did not recruit as anticipated
House allowance	18,000,000.00	-	18,000,000.00	15,960,250	2,039,750	11	Did not recruit as anticipated
Leave allowance	450,000.00	-	450,000.00	376,000	74,000	16	Did not recruit as anticipated
Allowances on extra responsibilities	600,000.00	-	600,000.00	756,737	(156,737)	-26	
Commuter allowance	5,400,000.00	-	5,400,000.00	5,028,000	372,000	7	
Medical Allowance	0.00	-	0.00	-	-		Staff forfeited their medical allowance to enjoy medical cover
Employers NSSF	300,000.00	-	300,000.00	221,000	79,000	26	Did not recruit as anticipated
Employers Pension	13,000,000.00	-	13,000,000.00	10,278,202	2,721,798	21	Did not recruit as anticipated
Casual Wages	600,000.00	-	600,000.00	571,325	28,675	5	
Finance cost	200,000.00	-	200,000.00	52,656	147,345	74	
Operating & maintainance of motor vehicles							The vehicle that need major repairs was not repaired as the amount quoted in the Report from Public Works was less than that given by the dealer
	2,800,000.00	-	2,800,000.00	1,742,158	1,057,842	38	
Refined fuel & lubricants for transport	2,600,000.00	-	2,600,000.00	2,091,610	508,390	20	Reduced travel due to curtailed tutorials
Foreign Travel	1,000,000.00	-	1,000,000.00	-	1,000,000	100	Reduced Funds
Domestic Travel	1,000,000.00	-	1,000,000.00	1,534,720	(534,720)	-53	
Postal & Telegram	167,475.00	-	167,475.00	10,960	156,515	93	Use of technology in communication services
Insurance cover	4,500,000.00	2,500,000	7,000,000.00	6,301,795	698,205	10	Increased NHIF rates
Vehicle insurance	0.00	-	0.00	-	-	0	Challenge in insuring GK vehicles
Workmans compensation	350,000.00	-	350,000.00	267,657	82,343	24	Reduced staff through retirement
Telephone & Airtime	1,776,302.00	-	1,776,302.00	95,000	1,681,302	95	Use of bulk SMS and short codes when dealing with participants instead of calling them
Board Expenses							The Coucil was constituted for only 6 months of the Financial Year
	2,500,000.00	-	2,500,000.00	1,075,000	1,425,000	57	
Electricity	5,000,000.00	-	5,000,000.00	4,828,579	171,421	3	
Water & Sewerage	1,200,000.00	-	1,200,000.00	1,403,545	(203,545)	-17	Increased use of the hostels
Internet Services	1,447,836.00	-	1,447,836.00	1,101,996	345,840	24	Fewer participants in training
<b>Sub Totals</b>	<b>117,641,613</b>	<b>2,500,000</b>	<b>120,141,613</b>	<b>101,310,248</b>	<b>18,831,365</b>		

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Original Budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on Comparable Basis Kshs	Performance Difference Kshs	Variance %	Reason
<b>Recurrent Expenditures</b>							
Gas/fuel	763,025.00	-	763,025.00	1,066,700	(303,675)	-40	Increased charcoal prices
Printing & Publishing	970,250.00	-	970,250.00	65,207	905,043	93	Fewer participants in training
Purchase of uniforms/ curtains	949,575.00	-	949,575.00	-	949,575	100	Reduced Funds
Human Resource Development	1,200,000.00	-	1,200,000.00	1,295,960	(95,960)	-8	Increased staff training needs
Advertisement, CSR & Publicity	1,500,000.00	-	1,500,000.00	1,107,175	392,825	26	Reduced funding from GOK
Plant & Machinery maintenance	1,310,000.00	-	1,310,000.00	1,371,230	(61,230)	-5	
Building & Stations maintenance	5,058,680.00	-	5,058,680.00	5,727,111	(668,431)	-13	
Other operating expennses	200,000.00	-	200,000.00	239,904	(39,904)	-20	
Contracted Professional services	4,400,000.00	-	4,400,000.00	3,460,800	939,200	21	Reduced funding from GOK
Library Services	1,265,750.00	-	1,265,750.00	875,120	390,630	31	Reduced funding from GOK
Office stationery	1,954,720.00	-	1,954,720.00	699,189	1,255,531	64	Less participation of trainee
Food & Ration	15,812,166.00	-	15,812,166.00	12,925,835	2,886,331	18	Reduced hire of KEMI facilities
Audit fee	660,000.00	-	660,000.00	660,000	-	0	
Training ODFL	44,204,000.00	-	44,204,000.00	31,015,513	13,188,487	30	Less participation of trainee
Depreciation	13,500,000.00	-	13,500,000.00	13,522,165	(22,165)	2	
<b>Sub Totals</b>	<b>93,748,166</b>	<b>-</b>	<b>93,748,166</b>	<b>74,031,909</b>	<b>19,716,257</b>		
<b>Recurrent Sub Totals</b>	<b>211,389,779</b>	<b>2,500,000</b>	<b>213,889,779</b>	<b>175,342,157</b>	<b>38,547,622</b>		
<b>Development Expenditures</b>							
Purchase of Plant & Machinery	1,610,000.00	0.00	1,610,000.00	-	1,610,000	100	development
Purchase of Furniture & Fittings	120,000.00	0.00	120,000.00	50,000	70,000	58.33333333	development
Consultancy Services	2,000,000.00	0.00	2,000,000.00	1,752,250	247,750	12.3875	
Research & Development	1,000,000.00	0.00	1,000,000.00	-	1,000,000	100	development
ICT & Media Equipment	3,260,000.00	0.00	3,260,000.00	-	3,260,000	100	development
Motor Vehicles	5,000,000.00	0.00	5,000,000.00	4,900,000	100,000	2	development
<b>Sub Totals</b>	<b>12,990,000</b>	<b>-</b>	<b>12,990,000</b>	<b>6,702,250</b>	<b>6,287,750</b>		
<b>Total Expenditure</b>	<b>224,379,779</b>	<b>2,500,000</b>	<b>226,879,779</b>	<b>182,044,407</b>	<b>44,835,372</b>		
<b>Surplus for the period</b>	<b>26,498,705</b>	<b>(2,500,000)</b>	<b>23,998,705</b>	<b>25,104,386</b>	<b>(1,105,681)</b>		

**XIV. NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE, 2017****1.1 Statement of compliance and basis of preparation – IPSAS 1**

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

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

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

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

**1.2 Summary of Significant Accounting Policies**

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

**1.2.1 Depreciation**

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

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

**1.2.2 Payables**

Payables are stated at nominal value.

**1.2.3 Receivables**

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

**1.2.4 Cash and cash equivalents**

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

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

	<u>2018</u> Kshs	<u>2017</u> Kshs
<b>2 REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		
Ministry of Education	92,000,000	92,000,000
Deffered Grant	-	37,734,391
	<u>92,000,000</u>	<u>129,734,391</u>
<b>3 REVENUE FROM EXCHANGE TRANSACTIONS</b>		
Training Fees Income	39,955,501	60,773,553
Hire of Facility	51,798,825	47,324,779
Rent Income	5,466,520	5,404,000
Consultancy	570,400	338,800
Bookshop	22,000	26,000
Conference	-	480,000
Printing Press	226,820	469,800
Sundry Income	10,848	20,000
Staff Lunch	306,000	407,500
Decrease in Provision for receivables	330,830	379,229
	<u>98,687,744</u>	<u>115,623,661</u>
<b>4 STAFF COSTS</b>		
Salaries	47,613,059	47,182,941
House Allowance	15,960,250	16,864,000
Medical Allowances	-	329,680
Leave Allowanc	376,000	410,000
Comuter Allowance	5,028,000	5,408,000
Entertainment,Extreneous,Risk &Other Allowances	756,737	999,470
Gratuity	-	-
Employer NSSF	221,000	283,800
Employer Pension	10,278,202	7,263,267
Casual Wages	571,325	81,115
	<u>80,804,573</u>	<u>78,822,273</u>
<b>5 ADMINISTRATIVE EXPENSES</b>		
Contracted Professional Services	3,460,800	4,686,750
Security Allowance	125,000	168,000
Provision for audit fees	660,000	660,000
Audit Fee	660,000	-
Club Membership	-	31,500
Motor Vehicle Repairs	1,742,158	701,047
Refined Fuel and Lubricants	2,091,610	2,767,070
Maintenance & Repairs of Buildings	5,727,111	4,022,992
Maintenance of Plant, Machinery & Equipment	1,371,230	2,543,454
Gas	26,650	37,250
Other Fuels	1,040,050	706,500
Domestic Travel	1,534,720	1,486,555
Foreign Travel	-	697,274
Insurance Cover	6,569,452	4,240,417
Telephone,Postage & Internet	1,207,956	1,333,739
Electricity and water	6,232,124	5,497,455
Library, Newspapers & Magazines	875,120	1,159,390
Gabage Disposal	19,350	35,100
Stationery	699,189	1,160,880
Food & Rations	12,925,835	15,739,050
Staff Uniform	-	612,000
Printing	65,207	169,895
Advertisement, CSR & Publicity	1,107,175	559,321
Training Programes Expenditure	31,015,513	72,973,187
Human Resource Development	1,295,960	859,963
Other Operating expenses	239,904	159,900
EDP Expenses	1,367,660	-
Increase for provision for receivables	-	-
Depreciation : Property plant and equipment (Note 11)	13,522,165	13,669,213
Provision for bad and doubtfull debts	-	-
	<u>95,581,939</u>	<u>136,677,902</u>

\* Training Fees Income is accounted for on cash basis and not when earned

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

	<u>2018</u>	<u>2,017</u>
	Kshs	Kshs
<b>6 COUNCIL EXPENSES</b>		
Sitting Allowance	595,000	385,000
Honoraria	480,000	80,000
Total (Appendix I)	<u>1,075,000</u>	<u>465,000</u>
<b>7 FINANCE COSTS</b>		
Bank charges	<u>52,656</u>	<u>530,760</u>
<b>8 CASH AND CASH EQUIVALENTS</b>		
<b>Bank balances</b>		
National Bank - AC 600	1,588,765	10,114,191
National Bank - AC 601	58,383,959	15,691,334
National Bank - AC 6-00	41,132	45,092
Equity Bank AC	7,692,517	7,441,903
Cash in hand	29,536	55,612
Mpesa AC	1,920,054	4,390,088
	<u>69,655,964</u>	<u>37,738,221</u>
<b>9 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
FAWE Kenya	150,000	18,000
Aga Khan University	106,900	106,900
Kepsha	1,077,388	1,077,388
K.I.C.D	121,239	73,500
Nairobi Bottlers	171,000	171,000
KNATCOM	4,342,070	1,500,000
ICT Authority (PDTP)	-	2,260,260
MOEST	12,826,222	12,638,072
Maasai Mara (Narok University)	449,326	413,946
Rent	1,565,676	1,724,536
TSC	-	124,700
Telkom Kenya	1,215,000	1,185,000
APHRC	271,277	135,900
Tafsiri Group	-	10,000
Technical University (Kenya Polytechnic)	9,122,400	9,122,400
Kenya Hockey Union	525,000	525,000
Kenya School of Government	418,035	418,035
Ministry of Sports, Culture & Arts	2,469,088	3,864,800
Ministry of Agric. State dep of Livestock		133,400
Zinga Technologies	313,520	313,520
Garissa County Government	1,790,000	1,790,000
Laxman	119,000	119,000
NACADA	537,802	510,000
KLB	340,500	340,500
AJIRA ICT	-	9,509,714
Nairobi Chapel	-	60,000
Azim Sameja	119,200	95,080
TVET	-	837,672
<b>TOTAL</b>	<b>38,050,643</b>	<b>49,078,323</b>
Provision for Bad and Doubtful debts @ 3%	1,141,519	1,472,350
Less Increase in Provision for bad and doubtfull debts		
	<u>36,909,124</u>	<u>47,605,974</u>
<b>10 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Ministry of Education - Development Grant (Hostels)	-	11,838,208
*Restatement of Development Grant of Ksh. 11,838,208 erroneously recognised as	*	(11,838,208)
Receivable from Non Exchange transactions in F/Y 2016/2017 now reversed	*	-

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

**11 PROPERTY, PLANT AND EQUIPMENT**

	LAND Kshs	BUILDING Kshs	PLANT & MACHINERY Kshs	MOTOR VEHICLE Kshs	FURNITURE & FITTINGS Kshs	COMPUTER & OTHER EQUIPMENT Kshs	TOTAL Kshs
<b>2018</b>							
<b>COST/VALUATION</b>							
At July 1, 2017	2,050,000,000	317,475,200	19,964,330	7,830,000	29,238,897	38,747,173	2,463,255,600
Additions	-	-	-	4,900,000	50,000	360,660	5,310,660
<b>At June 30, 2018</b>	<b>2,050,000,000</b>	<b>317,475,200</b>	<b>19,964,330</b>	<b>12,730,000</b>	<b>29,288,897</b>	<b>39,107,833</b>	<b>2,468,566,260</b>
<b>DEPRECIATION</b>							
At July 1, 2017	-	23,063,263	9,768,878	3,425,625	17,865,690	34,900,782	89,024,238
Charge for the year	-	7,360,298	1,019,545	2,326,094	1,427,901	1,388,327	13,522,165
<b>At June 30, 2018</b>	<b>-</b>	<b>30,423,561</b>	<b>10,788,423</b>	<b>5,751,719</b>	<b>19,293,591</b>	<b>36,289,109</b>	<b>102,546,403</b>
<b>NET BOOK VALUE</b>							
<b>At June 30, 2018</b>	<b>2,050,000,000</b>	<b>287,051,639</b>	<b>9,175,907</b>	<b>6,978,281</b>	<b>9,995,306</b>	<b>2,818,724</b>	<b>2,366,019,857</b>
<b>2017</b>							
<b>COST/VALUATION</b>							
At July 1, 2016	2,050,000,000	317,475,200	19,964,330	7,830,000	29,238,897	38,747,173	2,463,255,600
Additions	-	-	-	-	-	-	-
<b>At June 30, 2017</b>	<b>2,050,000,000</b>	<b>317,475,200</b>	<b>19,964,330</b>	<b>7,830,000</b>	<b>29,238,897</b>	<b>38,747,173</b>	<b>2,463,255,600</b>
<b>DEPRECIATION</b>							
At July 1, 2016	-	15,514,239	8,636,050	1,957,500	16,240,946	33,006,291	75,355,026
Charge for the year	-	7,549,024	1,132,828	1,468,125	1,624,744	1,894,491	13,669,212
<b>At June 30, 2017</b>	<b>-</b>	<b>23,063,263</b>	<b>9,768,878</b>	<b>3,425,625</b>	<b>17,865,690</b>	<b>34,900,782</b>	<b>89,024,238</b>
<b>NET BOOK VALUE</b>							
<b>At June 30, 2017</b>	<b>2,050,000,000</b>	<b>294,411,937</b>	<b>10,195,452</b>	<b>4,404,375 *</b>	<b>11,373,207</b>	<b>3,846,391</b>	<b>2,374,231,362</b>

\* The opening balance of Furniture and Fittings was erroneously understated by Ksh. 11,373,207 now restated.

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

	<u>2018</u> Kshs	<u>2,017</u> Kshs
<b>12 TRADE AND PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
GARISSA HIGH SCHOOL	738,000.00	738,000
KIBARANI SCHOOL FOR THE DEAF	-	29,000
MERU NATIONAL POLYTECHNIC	-	6,000
KADIKA GIRLS SECONDARY SCHOOL	-	3,000
TECHNOLOGY PRIMARY SCHOOL	-	6,000
NBK - COPY CAT	-	1,070,742
TOTAL KENYA	-	360,000
ROBERT A. OKETCH - FUNERAL EXPENSE	-	50,000
ALL-BIN GARBAGE SERVICE	-	9,350
NANDI NORTH DICECE COLLEGE	-	6,000
KITALE YOUTH POLYTECHNIC	-	6,000
MAKUENI EARLY CHILDHOOD EDUCATION TEACHERS	-	6,000
HOMA BAY HIGH SCHOOL	-	6,000
KADIKA GIRLS SECONDARY SCHOOL	-	6,000
SHANZU TEACHERS TRAINING COLLEGE MOMBASA	-	204,000
MACHAKOS ACADEMY	-	6,000
KITUI MULTI-PURPOSE DEVELOPMENT TRAINING	-	6,000
CHUKA GIRLS HIGH SCHOOL	-	6,000
CHUKA GIRLS HIGH SCHOOL	-	6,000
Kwale High	-	18,000
St. Joseph Girls	-	6,000
Machakos Academy	-	6,000
Skyglow	-	334,350
Nanyuki High School	-	45,000
Kaplong Girls	-	48,000
Kapenguria Boys	-	25,000
CMC MOTORS GROUP LTD	1,450,252.00	-
AUDIT FEE	1,320,000.00	660,000
	<u>3,508,252.00</u>	<u>3,672,442</u>
<b>13 DEFERRED GRANTS &amp; FEES</b>		
Balance b/f	-	37,734,391
Revenue current year	-	(37,734,391)
Additional Deferred Grants (MOE)	-	-
Deferred Development Grant	-	5,401,875
Less Development Grant	-	(5,401,875)
	-	*
	<u>-</u>	<u>-</u>
<b>14 NET ASSETS</b>		
<b>i Revaluation Reserve</b>		
Balance b/f	2,284,463,085	2,284,463,085
Gain/Loss on Revaluation	-	-
Total	<u>2,284,463,085</u>	<u>2,284,463,085</u>
<b>ii Capital Reserve</b>		
Balance b/f	44,164,375	38,762,500
Development Grant	-	5,401,875
Total	<u>44,164,375</u>	<u>44,164,375</u>
<b>iii Retained Earnings</b>		
Balance b/f	127,275,654	98,413,538
Surplus/Deficit for the year	13,173,578	28,862,117
Total	<u>140,449,232</u>	<u>127,275,654</u>

\*Restatement of Deferred Development Grant of Ksh. 5,401,875 which was not received from MOE vide JE 2-2017/2018

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

	<u>2018</u> Kshs	<u>2017</u> Kshs
<b>15 RESTATED RETAINED EARNINGS</b>		
Opening Balance	-	(5,199,054)
Overstated Administrative Expense by	-	1,369,018
Overstated Council Expense by	-	465,000
Adjusted to	-	(3,365,036)

**16 CONTINGENT LIABILITY**

Litigation is in process against KEMI relating to unfair dismissal of former staff.  
The outcome of these cases has not been determined.

**17 MEMBER OF STAFF**

- i. Permanent - 64
- ii. Contract - 25
- iii. Casuals - 2

**18 FINANCIAL RISK MANAGEMENT**

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

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

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

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

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor in their letter 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.1	Land & Ownership	The Management contracted a Law firm to seek court orders to evict the squatters.	Procurement Officer	Partially resolved	As soon as possible
1.2	EDP Equipment	Officers concerned have been surcharged.	Internal Audit Officer	Recoveries being done from the payroll	As soon as possible
2.0	Ineligible Administrative Expenses	The money in question was received by KESI in 2009. By virtue of being a department, KESI's expenses were accounted for by MOEST.	Internal Audit Officer	Accounting officer of MOEST authorized KESI to make the payments.	Closed