

REPUBLIC OF KENYA



*Paper laid by the
Hon. Benjamin Wadhvani
MP
Tuesday August 9, 2018.*

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REPORT

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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA SCHOOL OF GOVERNMENT**

**FOR THE YEAR ENDED
30 JUNE 2017**

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

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KENYA SCHOOL OF GOVERNMENT

ANNUAL REPORT

AND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2017**

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

KENYA SCHOOL OF GOVERNMENT
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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KENYA SCHOOL OF GOVERNMENT

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For the year ended 30 June 2017

1.1 KEY ENTITY INFORMATION AND MANAGEMENT

a. Establishment of the School

The Kenya School of Government (KSG) was established by the KSG Act No. 9 of 2012. It came into effect on 1st July 2012. The KSG is the successor to the former Kenya Institute of Administration (KIA), the former Kenya Development Learning Centre (KDLC), and the former Government Training Institutes (GTIs) Baringo, Embu, Matuga and Mombasa. The School therefore has six(6) Campuses.

b. Principal Activities

The principal activity of the School is transformation of the Public Service by inculcating national values and developing core skills and competencies for quality service delivery in the Public Service.

c. Key Management

The School's day to day management is under the following key organs:

- i. Council Members
- ii. Director General/ CEO
- iii. Management

d. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were;

i Director General	Dr. Ludeki Chweya
ii Director Academic Affairs	Dr. Leah Munyao
iii Director Finance & Administration	Dr. Nura Mohamed
iv Director-Baringo Campus	Dr. Solomon Letangule
v Director- Matuga Campus	Ms. Prisca Oluoch
vi Director- Mombasa Campus	Dr. Tom Wanyama
vii Director- Embu Campus	Dr. Josphine Mwanzia
viii Ag. Director - e-Learning and Development (eLDi)	Mr. Joseph Ndung'u

e. Fiduciary Oversight Arrangements

Kenya School of Government has established an audit committee composed of four council members and head of internal audit department being the secretary of the committee. Their role is to ensure the School adhere to both the statutory regulations and the approved policies and procedures of the School as well as other relevant roles. Further, the Ministry of State for Public Service, Youth and Gender Affairs are issued with the performance of the School on a quarterly basis as a monitoring tool on the performance of the School.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

For the year ended 30 June 2017

f. Headquarters

P.O.Box 23030-00604

Lower Kabete

NAIROBI, KENYA

g. Contacts

Telephone: +254-020-4015000

254-727-496698

Email: directorgeneral@ksg.ac.ke

Website: www.ksg.ac.ke

h. Bankers

Kenya Commercial Bank Ltd

P.O Box 14959-00800

Nairobi, Kenya

National Bank

P.O Box 14959-00800

Nairobi, Kenya

Central Bank of Kenya

Haile Selassie Avenue

P.O.Box 60000,00200

Nairobi, Kenya

i. Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O.Box 30084-00100

Nairobi, Kenya

J Principal Legal Advisor

The Attorney General

State Law Office

Harambee Avenue

P.O.Box 40112-00200

Nairobi, Kenya

KENYA SCHOOL OF GOVERNMENT

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FOR THE YEAR ENDED 30 JUNE 2017

COUNCIL MEMBERS



Prof. Francis Kibera (72yrs)- Chairman of the Council

Prof. Kibera holds a Doctor of Philosophy (Ph.D.) degree in Business Administration from the University of Toronto, the Master of Business Administration degree (M.B.A) from University of Alberta and the Bachelor of Commerce (B.Com) degree from the University of East Africa (University College, Nairobi). Prof. Kibera has extensive experience in public sector administration and management, especially in the education sub-sector. He has undertaken many research and consultancy projects in strategic management, customer and employee satisfaction, marketing, and institutional development and capacity building.



Dr. Ludeki Chweya (56yrs)-Director General and CEO

Dr. Ludeki Chweya holds a Doctor of Philosophy (Ph.D.) degree in Political Studies from Queen's University at Kingston, Ontario, the Masters of Arts degree in Government from the University of Nairobi, and the Bachelor of Arts (BA) in Political Science and Arabic Language from the University of Nairobi. Dr. Chweya is a Senior Lecturer with vast experience in university teaching and research in International Relations and Political Economy. Dr. Chweya has many years of experience in public sector management and policy development acquired mostly when he served as Permanent Secretary in the Government of Kenya.



Prof. Michael Lokuruka (60yrs)- Council Member representing Public Service Commission

Professor Michael Lokuruka is a Professor of Food Science. Prof Lokuruka holds a Doctor of Philosophy (Ph.D.) degree in Food Science from Cornell University SA, the Master of Science (MSc.) degree in Food Science from the University of Reading, the Bachelor of Food Science and Technology (BSc.) degree from the University of Nairobi, and a Postgraduate Diploma in Fish Processing Technology from the University of Trondheim. Prof. Lokuruka has vast experience in research and consultancy in food quality assurance, and has published books and journal articles in the field.



Mr. Andrew Ange'nga Nyanhoga (59yrs)- Council Member Representing the Ministry of Education Science and Technology

Andrew Nyanhoga, holds a Bachelor of Arts Degree and a Master of Science Degree (MSc) in Human Resource Management. Mr. Nyanhoga has a vast experience of over 30yrs in Human Resource Management in the Public Service.

KENYA SCHOOL OF GOVERNMENT

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FOR THE YEAR ENDED 30 JUNE 2017

COUNCIL MEMBERS (Continue)



Dr. Lucy Kathuri Ogola-Council Member

Dr. Lucy Kathuri Ogola holds a Doctor of Philosophy Degree (Ph.D) in Community Resource Management from Kenyatta University, Master of science (M.sc) degree from Kenyatta University, the Bachelor of Education Degree from Kenyatta University. Dr. Kathuri has a wide experience in research and consultancy.



Dr. Fred Jonyo-Council Member

Dr. Fred Jonyo, a holds a holds a Doctor of Philosophy (Ph.D) in Political Science and Public Administration from Makerere University, Masters in International Politics, Tokyo, Japan and a Bachelor of Arts Degree in Political Science from the University of Nairobi. Dr. Jonyo is a Senior Lecturer in the Department of Political Science and Public Administration, University of Nairobi. Has wide experience in Research, Consultancy and Advisory in Security and Strategic Studies, Peace Reconstruction, Governance, Social Justice and Inclusive Development.



Micah Origa, (40years)- Council Member Representing Principal Secretary, National Treasury

Micah Origa holds a Master of Business Administration (MBA) degree from the University of Calicut and the Bachelor of Commerce (B.Com) degree from the same university. Mr. Origa has wide experience in public sector budget preparation, implementation and monitoring.



Joseph Musyoki Council Member-Representing Commission for University Education

Joseph Musyoki is a holder of a Master of Science Degree and a Bachelor of Education Degree



Dr. Peter Muchiri Ngatia, EBS (65yrs) Council Member

Dr. Peter Muchiri Ngatia holds the position of Director of Training at Amref Health Africa. He is a holder of BSC, MeD, MPH and Ph.D in Medical Education (Health Professionals) from the University of ALBERTA, Edmonton, CANADA. Dr. Ngatia has many years of experience in Training and Management in the health sector in Kenya and other African countries.



Mrs. Grace Otieno, CBS (60yrs)-Council Member representing the Ministry of State for Public Service Youth and Gender Affairs

Mrs Otieno hold a Masters Degree in Public Service Management from Maxwell School of Citizenship and Public Affairs, Syracuse University, Newyork, USA and a Bachelor of Arts Degree from University of Nairobi. A seasoned civil servant with expertise in Human Resource Management having served in public service in different capacities. She has also championed a number of public service reforms and developed policies : contributing to the transformation in the public service

KENYA SCHOOL OF GOVERNMENT

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FOR THE YEAR ENDED 30 JUNE 2017

DIRECTORS/ SENIOR MANAGEMENT'S PROFILE



Dr. Ludeki Chweya
Director General and CEO (56Yrs)

Dr. Ludeki Chweya holds a Doctor of Philosophy (Ph.D.) degree in Political Studies from Queen's University at Kingston, Ontario, the Masters of Arts degree in Government from the University of Nairobi, and the Bachelor of Arts (BA) in Political Science and Arabic Language from the University of Nairobi. Dr. Chweya is a Senior Lecturer with vast experience in university teaching and research in International Relations and Political Economy. Dr. Chweya has many years of experience in public sector management and policy development acquired mostly when he served as Permanent Secretary in the Government of Kenya.



Dr. Leah Munyao (54Yrs)
Director Academic Affairs

Dr. Leah Munyao holds a Doctor of Philosophy (Ph.D) degree in Education from the Catholic University of East Africa, a Master of Education (Med) from the University of Nairobi and a Bachelor of Arts in Education from Kenyatta University. Mrs Munyao has over 23 years experience in training, program development for educational institutions.



Dr. Nura Mohamed(43Yrs)
Director - Finance and Administration

Dr. Nura Mohamed holds a Doctor of Philosophy in Financial Economics from Central University, the Master of Business Administration (MBA) in Finance from Nairobi University and the Bachelor of Commerce in Finance from the same University. Dr. Mohamed has experience in research, review and curricula development.



Dr. Solomon Letangule(33Yrs)
Director-Baringo Campus

Dr. Solomon Letangule holds a Ph.D., in Business Administration (Strategic Management) from Jomo Kenyatta University of Agriculture and Technology (JKUAT), MBA (Strategic Management) from Kenya Methodist University (KEMU), Bachelor of Arts (Economics and Sociology) from University of Nairobi.



Ms. Priscah Mary Oluoch(50Yrs)
Director- Matuga Campus

She holds a Master of Business Administration Degree in Human Resource Management from University of Nairobi and a Bachelor of Education-French and Economics. Ms. Prisca Oluoch is a human resources management professional and integrity with over 15 years' work experience. Her career has seen her practice in governance , strategic management and leadership in public and private sector.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

DIRECTORS/ SENIOR MANAGEMENT'S PROFILE (Continue)



Dr. Tom Oundo Wanyama(48Yrs)

Director- Mombasa Campus

Dr. Tom Oundo Wanyama holds a Ph.D in Environmental Sociology from Kenyatta University, Master of Arts in Sociology and a Bachelor of Arts from the same University. Dr. Wanyama has experience in capacity development in the Public Sector, Training and Consultancy.



Dr. Josphine Mwanzia(47Yrs)

Director- Embu Campus

Dr. Josephine Mwanzia holds a Ph.D in Education from Victoria University of Wellington, Master of Education (Educational Management) from Universiti Brunei Darussalam and Bachelor of Education, Arts University of Nairobi.



Mr. Joseph Ndung'u(49Yrs)

Ag. Director - e-Learning and Development (eLDi)

Mr. Joseph Ndung'u holds the Master of Business Administration from Moi University and Bachelor of Science (Electrical Engineering) from University of Nairobi. Ndung'u has a wealth of experience in management, planning and organization of information and communication technology.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017



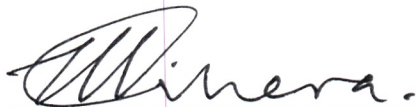
CHAIRMAN'S REPORT

The School was established by the Kenya School of Government Act no. 9 of 2012 and is one of Kenya Vision 2030 flagship projects. The mandate of the School is to provide learning and development programs that in turn build the capacity of the Public Service. This is the fifth annual report and financial statement since establishment of the School.

I am pleased to present the School's annual report and financial statement for the year ended 30th June, 2017. On behalf of the Council Members, I wish to report that the School generated a surplus of Kshs. 190M.

I am grateful to the Government of Kenya for continued support to the School. The School received Government grants in form of salaries at Kshs. 193 million paid directly to the staff of the former Government Training Institutes (GTIs) and a total development and recurrent grant of Kshs.221 million.

I commend the Council members, Management, and staff of the School for their commitment and exemplary work. The Course participants, sponsors, and development partners were all value-adding stakeholders. I am therefore confident that the School has the potential to discharge its mandate more effectively.

A handwritten signature in black ink, appearing to read 'F. Kibera'.

Prof. Francis N. Kibera, Ph.D., CBS
CHAIRMAN OF THE COUNCIL

A handwritten date in black ink, '9th April 2018', written over a horizontal line.

Date

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017



DIRECTOR GENERAL'S REPORT

During the period under review, the School realized revenue amounting to Kshs. 1.8 billion against a target of Kshs.2.1 billion. Despite the shortfall in realisation of revenue target, the School was able to realise surplus of Kshs. 190 million during the year compared to Ksh. 518 million in the 2015-2016 Financial Year.

Management appreciates financial support received from the Government; that is, Kshs. 193 million in salary grant paid directly to staff of the former Government Training Institutes (GTI); Kshs. 91 million in other recurrent grants; and Kshs. 129.9 million in development grant.

The positive financial performance of the School during the year is due to the introduction of new operational innovations; opening new fields of training, mostly to meet the needs of Counties; expansion of training and consultancy activities of the Campuses thus reaching out to a wider clientele; and introduction of effective cost-reduction measures. Residential, conferencing, and catering facilities generated supplementary revenue that augmented receipts from training and consultancy. Further more, expansion and modernization of facilities in the School has been a major attraction for business during the year under review.

Lastly, the School has invested substantially in building a strong culture of common purpose and dedication to the mission and ideals of the School through development of leadership competencies, the practice of intercampus staff exchange and sharing of ideas, and the application of integrated operating systems across the School.

Ludeki Chweya, Ph.D., CBS
DIRECTOR GENERAL AND C.E.O

Date

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

CORPORATE GOVERNANCE STATEMENT

Good corporate governance is a fundamental part of the culture and practices by which an organization is operated, regulated and controlled so as to fulfill its goals and objectives in a manner that adds value and benefits all its stakeholders.

The Council of Kenya School of Government is responsible for School's governance. Both the Council and senior management of the School are committed to the highest levels of corporate governance, which it considers critical in achieving the School's mandate. Accordingly, the School therefore fosters a culture that values and rewards the highest ethical standards and personal and corporate integrity.

The Role of the Council

The Council's responsibilities are broadly set out in the State Corporations Act, Cap.446 Laws of Kenya as well as The Kenya School of Government Act, 2012 that constitutes the School as a state corporation. Specifically, the Council defines the School's strategies, objectives and values and ensures that its procedures and practices are in tandem to ensure effective control over strategic, financial, operational and compliance issues.

The Directors bring a wealth of experience and knowledge to the Council's deliberations. Except for direction and guidance on general policy, the Council delegates authority of its day-to-day activities to the Management through the Director General. The Council nonetheless is responsible for the overall stewardship of the School and assumes responsibility for effective direction and control.

Composition and removal of the Council

The Council comprises ten members including the Director General. Four of the Council members are independent non-executive members including the Chairman. All non-executive council members retire after a term of three (3) years from the date of appointment and are eligible for re-appointment for one more than term. With the exception of Director General, the remaining four Council members are institutional representatives bringing on Board closely-knit interests, experiences and balance from and by key School stakeholders.

The Council members above shall cease to be members if they become bankrupt, incapacitated, resigns in writing or is criminally convicted.

Council Meetings

The Council schedule of meetings is prepared annually in advance. The Council holds its regular meetings at least once every three months and special meetings may be called when necessary. During the year under review, the Council held nine (9) regular, five (5) special meetings and four (4) consultative meetings with the Chairman of the Council.

COMMITTEES OF THE COUNCIL

The Council has the following Committees that meet under defined terms of reference set by the Council. This is intended to facilitate efficient decision-making of the Council in discharging its duties and responsibilities.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

CORPORATE GOVERNANCE STATEMENT (Continue)

(a) Risk and Audit Committee

The Committee assists the Council in fulfilling its corporate governance responsibilities and in particular to strengthen the effectiveness of the internal audit function; maintaining oversight on internal control systems; provision of general oversight in risk and compliance matters; and ensuring quality, integrity, effectiveness and reliability of the School's risk management framework. The Committee held three (3) regular meetings in the year under review.

(b) Learning and Development Committee

The Committee's mandate is to ensure the Learning and Development in general is functional. Specifically, the Committee's responsibilities include identifying learning service challenges and opportunities in the School and ensuring that they are resolved; review any changes on policy issues on standards, quality assurance and research; liaise with the stake holders on matters of quality of training curriculum; and undertake comprehensive quarterly evaluation of standards, quality assurance programs in the School. The Committee held two (2) regular meeting and one (1) special meeting in year under review.

(c) Human Resource Committee

The Committee reviews and provides recommendations on issues relating to all human resource matters including career progression, performance management, training needs, staff recruitment, staff placement, promotions, demotions, discipline, and staff welfare. The Committee held eight (8) regular meetings and eighteen (18) special meetings in the year under review to discuss transition policy documents, Interviews and shortlistings.

(d) Finance and General Purpose Committee

The Committee assists the Board to fulfill its oversight responsibilities relating to the School's finance, information and technology, procurement and related activities. The Committee held six (6) regular meetings in the year under review.

COUNCIL ACCOUNTABILITY

Performance

The Council annually signs a performance contract with the Government as well as setting Corporate Performance Strategies with Management and continues to perform an annual self-evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year. The Council is also guided by a charter when carrying out its activities for the School.

Risk Management

The Council is implementing an integrated approach to risk and finance management also referred to as Enterprise Resource Planning (ERP), with a view of managing identified business and operational risks in a structured manner.

KENYA SCHOOL OF GOVERNMENT

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FOR THE YEAR ENDED 30 JUNE 2017

CORPORATE GOVERNANCE STATEMENT (Continue)

Training and Development

The School recognizes the importance of having a well informed and fully empowered Council and Management. In this regard, relevant training and capacity development opportunities are organized to equip Council Members and staff with skills and knowledge necessary to effectively perform their responsibilities.

Conflict of Interest and Ethics

The Council Members and management are required to make disclosures of any transaction in which they have interest and which would constitute a conflict of interest and abstain from voting for the case of Council members when such matters are being considered. Further, the Council and the management are required to adhere to ethical standards that govern the School's activities.

Council Emoluments

The Council Members are entitled to a sitting and other allowances (where applicable) for every meeting attended, within the set Government guidelines. The aggregate amount of emoluments paid to the Council Members during the financial year for services rendered are disclosed in the financial statements.

Succession Plan

In order to ensure succession in all the departments, the School is guided by the organogram and that there shall be no vacume due to absence of any staff in any position.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

CORPORATE SOCIAL RESPONSIBILITY

At the Kenya School of Government, we believe in collaboration and partnership with the communities with whom we live and work. We therefore invest not only financially but in the support of our human resource to bring change to the communities. As part of the School's commitment to giving back to the society, it integrated Corporate Social Responsibility initiatives in its activities during the financial year. These include areas such as education, environment and social welfare. Through Corporate Social Responsibility initiatives, the School supports the voluntary spirit of our employees and participants across our Campuses as they engage in some of these CSR



During the year, the School donated trophies and book vouchers to the Lower Kabete Primary School. As the primary school organized a prize giving day which was held in August 2016, the School also sponsored the event, apart from hosting the best performers to a luncheon with the KSG Director General. This was an encouragement to the pupils who promised to work extra hard.

Left: Director Ms. Prisca Oluoch presents a trophy donated by KSG, to Lower Kabete Primary Head Teacher Mrs. Jackline Okwaro.

In December 2016, our Mombasa Campus members of staff visited Tudor Rescue Centre (Mahali Pa Salama), donating food items, clothing and toiletries which were presented to the center beneficiaries through the Sister in charge. The School also supported the event by providing Kshs 10,000.



Mombasa Campus employees with the children of Tudor Rescue Centre during a visit

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of Kenys School of Government for the year ended June 30, 2017 which show the state of the School's affairs.

Principal activities

The Principal activities of the School has continued to be according to Article 5(2) of the KSG Act 2012 which is to provide training, research and consultancy services designed to inform public policy, promote national development and standards of competence and integrity in the public service.

Results

The results of the School for the year ended June 30, 2017 are set out on page 17. Below is a summary of the surplus made during the year.

	2017	2016
	kshs	Kshs
Total Revenue	1,783,751,825	2,175,903,047
Total Expenditure	(1,599,872,630)	(1,644,041,896)
Other gains/ losses	6,549,708	(13,125,254)
Surplus for the year	<u>190,428,903</u>	<u>518,735,897</u>

Council Members

The Council members who served during the year are shown on page 4-5 in accordance with the Kenya School of Government Act 2012.

Auditors

The Auditor General is responsible for the statutory audit of the School in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year June 30, 2017.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF COUNCIL RESPONSIBILITIES

Under the provisions of Section 81 of the Public Finance Management Act, 2012 and Section 17 of the Kenya School of Government Act 2012, KSG Council is required to prepare financial statements of the School at the end of each financial year, giving a true and fair view of the state of affairs at the end of the financial year as well as the operating results. Council is also required to ensure that the School keeps proper accounting records which disclose with reasonable accuracy the financial position of the School and is responsible for safeguarding the assets of the School.

The specific obligations of Council are to: (i) maintain adequate financial management system and ensure that their effectiveness throughout the reporting period; (ii) maintain proper accounting records that disclose with reasonable accuracy at any time the financial position of the School; (iii) design, implement and maintain internal controls relevant to the preparation and fair presentation of the financial statements and ensure that these are free from material misstatements, whether due to error or fraud; (iv) make accounting estimates that are reasonable in the circumstances.

The Act also requires Council to ensure that the School keeps proper books of account and other books and records of all the undertakings, funds, investments, activities and School property. Council is also responsible for safeguarding the assets of the School.

Council accepts responsibility for the annual financial statements. The statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting standards, and are presented in the manner required by Public Finance Management Act and the State Corporations Act. Council is of the opinion that the financial statements give true and fair view of the state of the financial affairs of the School and of its operating results. Further, Council accepts responsibility for the maintenance of accounting records which have been relied upon in preparation of the financial statements and for adequacy of the systems of internal financial controls.

The School's financial statements were approved by the Council on 27th September 2017 and signed on its behalf by:



Prof. Francis N. Kibera, PhD, CBS



Ludeki Chweya, Ph.D., CBS

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA SCHOOL OF GOVERNMENT FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements for Kenya School of Government set out on pages 16 to 40, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of 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 School of Government as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya School of Government Act No. 9 of 2012.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion section of my report, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Adjustment to Financial Statements

The following adjustment was made between the first and final set of financial statements. However, the adjustment was not supported with the relevant documents to justify the amendment to the financial statements.

Component	Original financial statements-Kshs	Amended financial statements-Kshs	Variance-Kshs
Trade payables	266,445,848	265,923,855	521,993

2. Property, Plant and Equipment

2.1 Freehold Land

As reported in the previous years, property, plant and equipment balance of Kshs.5,736,167,426 reflected in the statement of financial position as at 30 June 2017

Report of the Auditor-General on the Financial Statements of Kenya School of Government for the year ended 30 June 2017

includes freehold parcels of land owned by Mombasa, Matuga and Embu campuses valued at Kshs. 736,200,000, Kshs. 47,500,000 and Kshs. 181,650,000, respectively whose original title deeds have, however, not been provided for audit verification.

Consequently, the ownership of these properties by the School could not be confirmed.

2.2 Leasehold Land

The leasehold land balance of Kshs.1,879,215,340 as reflected in the financial statements includes land valued at Kshs.1,743,260,804 located in Lower Kabete, Nairobi where six plots (LR Nos. 11509-11514) have been illegally hived off and allocated. Although available information indicates that these allocations have since been revoked by a court of law, the School is yet to obtain ownership documents to the six plots even though the School has taken possession of the land. No valuation of the land subsequent to repossession has been undertaken to assess whether there has been significant impairment on these properties and hence it is not possible to quantify the overall impairment, if any, that should be incorporated in the financial statements.

2.3 Fixed Assets Register

The school does not maintain a comprehensive fixed assets register showing details such as costs, dates of acquisition, depreciation charge for the year, accumulated depreciation and net book values. It has, therefore, not been possible to verify and confirm the existence and location of property, plant and equipment with the net book value of Kshs. 5,736,167,426 as reflected in the financial statements for the year under review.

2.4 Capital Work-In-Progress

The property, plant and equipment balance of Kshs. 5,736,167,426 as at 30 June 2017 includes an amount of Kshs.858,320,214 in respect of capital work in progress as disclosed in Note 21b to the financial statements. The amount of capital work in progress includes a balance of Kshs. 434,899,817 brought forward from the previous years` in respect of several capital projects. The following anomalies have been noted with regard to these capital projects:

- (i) Customer Care building in Mombasa Campus has a cost of Kshs.309,000 attached to it and has remained as work in progress for over four years and at the same value. Documentation to support this balance or the reason for non-completion and/or transfer to the respective class of assets has not been provided.
- (ii) Baringo Campus has three works in progress projects totalling Kshs.26,148,334, all of which have not moved for the last four years. No project details in form of contracts and progress status have been provided for audit verification. In addition, no explanation has been given for non-completion of the projects.
- (iii) Embu Campus has a brought forward figure of Kshs.222,790,366 that has remained the same for over four years and no explanation has also been given for non-completion. Further, no project details in form of contracts and progress status have been provided for audit verification.

- (iv) Mombasa Campus Ultra-Modern Conference Centre has a brought forward figure of Kshs. 185,961,116. The amount relates to a contract signed on 1 October 2011 for a sum of Kshs.830,210,662 with a projected completion date of 30 March 2013 and has been going on for the last seven years. Information available indicates that the contract period has been extended to 28 December 2018. As of 30 June 2017, payments certified by the project manager were totalling Kshs. 226,724,007 representing 27.3% of the contract sum.

3. Receivables from Exchange & Non- Exchange Transactions

3.1 Trade Debtors

Trade debtors as disclosed in Note 25 with a gross total of Kshs. 1,077,244,754 as at 30 June 2017 (30 June 2016 - Kshs.895,976,708) includes an amount of Kshs.673,185,954 or about 62.2% that has been outstanding for over 120 days. Any provision that would have been necessary over and above the Kshs.121,054,411 already provided in relation to this uncertainty has not been incorporated in these financial statements.

In addition, the general provision for bad and doubtful debts of 11% made on all trade debtors as at the end of the year yields a figure of Kshs. 118,549,692 while the recorded provision is Kshs. 121,054,411 resulting in an unexplained variance of Kshs. 2,504,719. Further, included in the trade debtors are receivables from non-existent or defunct institutions which owed the School an amount of Kshs. 12,941,303. The recovery of these receivables is doubtful and no provision has been made against these debts.

3.2 Other Receivables

Disclosed also under Note 25 to the financial statements are other receivables balance of Kshs. 34,643,903 which includes an unsupported amount of Kshs. 20,077,084 in respect of Embu Campus that has been outstanding for the last four years. Information available indicates that the balance relates to financial year 2013/2014 but there are no sufficient supporting documents or explanations on who the amounts are due from and why. In addition, a credit of Kshs. 5,693,300 processed in this account during the current financial year has not been explained or supported. Further although this balance has been outstanding for over four years, there has been no provision for its non-recovery in the financial statements.

3.3 Staff Debtors

The staff debtors of Kshs.3,619,921 as disclosed in Note 25 to the financial statements include outstanding imprests amounting to Kshs.571,304 owed by officers who have since left the service of the School. The recovery of these debts is doubtful and no provision has been made against the balance.

Under the circumstances, the receivables from exchange and non-exchange transactions balance of Kshs 994,454,167 as at 30 June 2017 is not fairly stated.

4. Trade and Other Payables

4.1 Trade Payables

Trade and other payables balance of Kshs.758,091,168 as at 30 June 2017 includes an amount of Kshs.28,445,850 under trade payables in respect of goods received note(GRN) accruals that were not supported by a detailed analysis of the specific GRN that were outstanding as at 30 June 2017.

Consequently, it has not been possible to confirm the accuracy of the balance of trade payables as at 30 June 2017.

4.2 Third Party Payments

Trade and other payables balance of Kshs. 758,613,168 as disclosed in Note 27 to the financial statements at 30 June 2017 also includes an amount of Kshs. 56,713,124 in respect of third party payments. The amount relates to cash deposits into the bank accounts whose depositors have not been identified. A detailed analysis of the composition of this balance as at 30 June 2017 was not however provided for audit review.

Consequently, the completeness and accuracy of the balance could not be confirmed.

4.3 VAT Payable

Trade and other payables balance of Kshs.758,613,168 as at 30 June 2017 includes an amount of Kshs. 47,102,212 for the VAT payable as disclosed in Note 27 to the financial statements. However, an amount of Kshs.7,707,829 only was supported by VAT returns as at 30 June 2017 resulting in an unexplained variance of Kshs.39,394,383.

Under the circumstances, the accuracy of the VAT payable balance can not be confirmed.

4.4 Other Payables

Included under other payables balance of Kshs.33,754,351 as at 30 June 2017 are statutory deductions for PAYE, NSSF and NHIF. However, no relevant supporting information and break-down of the figures were provided in respect of the deductions and in relation to specific periods. They are likely to attract penalties from the relevant authorities.

In addition, the other payables balance of Kshs.33,754,351 as at 30 June 2017 is net of balances totalling Kshs.7,520,376 whose origin or composition have not been adequately explained.

Further, the other payables balance of Kshs. 33,754,351 as at 30 June 2017 include withholding VAT of Kshs. 11,888,069 whose composition or detailed analysis of the VAT retention certificates was not provided for audit verification.

Under the circumstances, the accuracy and validity of the trade and other payables balance of Kshs 758,091,168 as at 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya School of Government in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements

applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Responsibilities of Management and Those Charged with Governance 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the School's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

The 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.

Those charged with governance are responsible for overseeing the School's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the School's 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 School's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the School to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the School 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

30 July 2018

KENYA SCHOOL OF GOVERNMENT
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2017

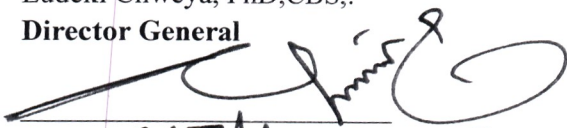
	Note	2017 kshs	Restated 2016 Kshs
REVENUES			
Revenue from Non exchange			
Government grant	15	381,744,126	313,084,137
Revenue from Exchange transactions			
Training fees		665,188,276	754,190,938
Research and consultancy		68,520,570	97,818,528
Accomodation		390,458,285	487,702,757
Conferences and Workshops		100,132,495	51,968,016
Other income	16	177,708,073	122,955,398
Prior year adjustment	10a.	-	348,183,273
TOTAL REVENUE		1,783,751,825	2,175,903,047
OPERATING EXPENSES			
Council expenses	17	11,730,809	4,029,014
Employee costs	18	659,668,703	643,029,212
Repairs and maintenance	19	31,700,402	35,856,865
General Expenses	20	673,454,428	739,644,103
Depreciation	21	199,707,125	194,598,811
Amortisation	22	23,611,163	26,883,891
TOTAL OPERATING EXPENSES		1,599,872,630	1,644,041,896
Loss on demolition of buildings		-	(15,130,176)
Gain on sale of assets		-	113,049
Gain on foreign exchange transations		6,549,708	1,891,873
		6,549,708	(13,125,254)
Surplus before tax		190,428,903	518,735,897
Taxation	4.o	-	-
SURPLUS FOR THE YEAR		190,428,903	518,735,897

KENYA SCHOOL OF GOVERNMENT
STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 kshs	Restated 2016 Kshs
Non- current assets			
Property plant & equipment	21b	5,736,167,426	5,413,524,802
Leasehold land	22	1,879,215,340	1,902,826,503
Investments	23	24,183,458	50,983,939
		<u>7,639,566,224</u>	<u>7,367,335,244</u>
Current Assets			
Inventories	24	27,529,975	33,560,060
Receivables from exchange & non exchange	25	994,454,167	909,787,188
Investments	23	10,023,908	6,019,013
Cash and cash equivalent	26	1,051,118,880	1,316,300,002
		<u>2,083,126,930</u>	<u>2,265,666,263</u>
Total Assets		<u><u>9,722,693,154</u></u>	<u><u>9,633,001,507</u></u>
Current Liabilities			
Trade and other payables from exchange	27	758,091,168	911,215,503
		<u>758,091,168</u>	<u>911,215,503</u>
Net Assets			
Revaluation reserves		4,539,728,060	4,539,728,060
Accumulated surplus		2,069,834,513	1,879,405,610
Deferred Income		2,355,039,413	2,302,652,334
		<u>8,964,601,986</u>	<u>8,721,786,004</u>
Total net assets and liabilities		<u><u>9,722,693,154</u></u>	<u><u>9,633,001,507</u></u>

The financial statements set out on pages 16 to 46 were signed on its behalf by:

Ludeki Chweya, PhD,CBS,.
Director General


Date 9th Apr. 2018



Prof. Francis Kibera
Chairperson

9th April 2018
Date

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

For the year ended 30 June 2017

STATEMENT OF CHANGES IN NET ASSETS

	Revaluation reserves Kshs	Accumulated surplus Kshs	Deferred Income Kshs	Total Kshs
Balance as at 30 June 2015	4,539,728,060	1,360,669,713	2,548,373,130	8,448,770,903
Surplus for the year		518,735,897		518,735,897
Additions			130,852,712	130,852,712
Amortisation			(8,890,227)	(8,890,227)
Prior year adjustment	10a.		(367,683,281)	(367,683,281)
Restated Balance as at 30 June 2016	4,539,728,060	1,879,405,610	2,302,652,334	8,721,786,004
Balance as at 1 July 2016	4,539,728,060	1,879,405,610	2,302,652,334	8,721,786,004
Surplus for the year		190,428,903		190,428,903
Additions			129,855,212	129,855,212
Amortisation			(77,468,133)	(77,468,133)
Balance as at 30 June 2017	4,539,728,060	2,069,834,513	2,355,039,413	8,964,601,986

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

For the year ended 30 June 2017

STATEMENT OF CASH FLOWS		2017	Restated
	Note	Kshs	Kshs
Operating surplus		190,428,903	518,735,897
Depreciation	20b	199,707,125	194,598,811
Amortisation of land	21	23,611,163	26,883,891
Amortisation of deferred income		(77,468,133)	(8,890,227)
Prior year adjustment	10	-	(348,183,273)
Gain on disposal of asset		-	(113,049)
Loss on demolition of assets		-	15,130,176
Operating surplus before working capital changes		<u>336,279,058</u>	<u>398,162,226</u>
(Increase)/ decrease in inventories		6,030,085	2,840,425
(Increase)/ decrease in trade and other receivables		(84,666,979)	(431,673,215)
Increase/ (decrease) in trade and other payables		<u>(153,124,336)</u>	<u>537,537,762</u>
Cash generated from operations		104,517,828	506,867,198
Interest accrued from Treasury bonds	22	<u>(875,314)</u>	<u>(752,679)</u>
		<u>103,642,514</u>	<u>506,114,519</u>
INVESTING ACTIVITIES			
Purchase of property, plant & equipment	20b	522,349,748	138,526,433
Redemption of Treasury bond	22	(23,670,900)	-
Proceeds from disposal of property, plant & equipment		-	(113,049)
		<u>498,678,848</u>	<u>138,413,384</u>
FINANCING ACTIVITIES			
Government grant		<u>129,855,212</u>	<u>130,852,712</u>
Net cash generated from financing activities		<u>129,855,212</u>	<u>130,852,712</u>
Increase/ (decrease) in cash and cash equivalent		(265,181,122)	498,553,847
Cash and cash equivalent at the beginning		1,316,300,002	817,746,155
Cash and cash equivalent at end of the year	25	<u>1,051,118,880</u>	<u>1,316,300,002</u>

KENYA SCHOOL OF GOVERNMENT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2017

	Original Budget Kshs	Adjustments Kshs	Final Budget Kshs	Actual Ksh	Variance Kshs.
Revenue					
Government grant	289,326,000	16,588,000	305,914,000	284,255,128	(21,658,872) -7%
Grant development partners	161,900,000	(16,460,000)	145,440,000	97,488,998	(47,951,002) -33%
Training fees	1,101,029,000	(276,376,000)	824,653,000	665,188,276	(159,464,724) -19%
Research and consultancy	95,091,000	3,148,000	98,239,000	68,520,570	(29,718,430) -30%
Accommodation	602,555,000	(68,404,000)	534,151,000	390,458,285	(143,692,715) -27%
Hire out of facilities	66,197,000	(1,319,000)	64,878,000	100,132,495	35,254,495 54%
Other income	76,959,000	1,178,000	78,137,000	184,257,781	106,120,781 136%
Total Income	2,393,057,000	(341,645,000)	2,051,412,000	1,790,301,533	(261,110,467)
Expenses					
Council expenses	12,000,000	-	12,000,000	11,730,809	269,191 2%
Compensation of employees	846,201,000	31,271,000	814,930,000	659,668,703	155,261,297 19%
General expenses	972,971,000	210,405,000	762,566,000	673,454,428	89,111,572 12%
Depreciation and amortisation	342,399,000	82,493,000	259,906,000	223,318,288	36,587,712 14%
Repairs and maintenance	58,022,000	17,274,000	40,748,000	31,700,402	9,047,598 22%
Total expenditure	2,231,593,000	341,443,000	1,890,150,000	1,599,872,630	290,277,370
Surplus for the year	161,464,000	(202,000)	161,262,000	190,428,903	

NOTES

A. Difference between actual and budgeted amounts

- 1.) The Government grant reduced by 7% due to reduction in salaries grant as most officers retire during the year after attainment of retirement age since the amount reflected in the financials is based on actual payments made to staff.
- 2.) The School did not meet all the targets set by development partners attributed by many County officers being involved in preparation of the elections leading to reduction of revenue to the School from development partners.

KENYA SCHOOL OF GOVERNMENT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2017

- 3.) Training, accommodation and consultancy reduced due to reduction in number of participants attributed by reduction in capacity building budget by the National and County Government.
- 4.) Hire of facilities increased due to aggressive marketing while other income increased due to increase in deferred income attributed by increase in development grant from the Government of Kenya.
- 5.) Other income increased attributed by increase in deferred income from development grant where a provision was increased from brought forward grants that were not initially amortised.
- 6.) Council costs increased due to increase in the number of sittings to approve various documents and a retreat in the year to familiarise with the Campuses
- 7.) Employee costs reduced due to: salaries reduced as recruitments did not take place as anticipated as the School had not received a final report from consultants on workload analysis, further, the staff training reduced as staff did not undertake the courses they had intended to hence there were minimal refunds made to staff upon completion of their studies. Also staff medical was not fully utilised as the staff from former GTI's medical arrangements was catered for by the National Government.
- 8.) General expenses reduced due to: reduction in the research and consultancies in line with its related expenditure. There was also reduction in external travels mostly to Juba as the Country is insecure to carry out trainings. Also water and electricity costs reduced to reduction in the number of activities across the School as noted from the revenues where targets were not met. ICT costs reduced as the ongoing projects had not been completed hence more bandwidth was not procured to service the building in Nairobi and Embu campuses.
- 9.) Depreciation reduced as most of the capital expenditures anticipated to have commenced and completed within the financial year did not take place attributed by cancellation of contracts and others the bill of quantities had not been finalised.
- 10.) Repairs and maintenance reduced during the year as there were minimal maintenance carried out due to reduction in business volumes especially for the hostels.

B. Difference between original and final budget

- a.) Government grant increased due to increase in allocations from Government to facilitate operations of the School.
- b.) Grant from development partners reduced due to reduction in allocations mainly from UNDP funded programs.
- c.) Training, accommodation and hire of facilities budget reduced as the School was experiencing reduction in number of participants due to reduction of training fees budget by the Government and Counties as they are the main customers for the School.
- d.) General expenses reduced as the component of reimbursement from donor funded activities had been discontinued thus reduction in costs.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

Kenya School of Government is established by and derives its authority and accountability from Kenya School of Government Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entities principal activity is to provide training, consultancy, research and advisory services to the Public Service.

2 Statement of Compliance and basis of preparation

The financial statements have been prepared in accordance with the PFM Act, International Public Sector Accounting Standards (IPSAs). The accounting policies adopted have been consistently applied in all the years. The financial statements have been prepared on the basis of historical cost and on accrual basis, unless stated otherwise. The cash flow statement is prepared using the indirect method.

3 Adoption of new and revised standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017.

Standard/ Amendment to a standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, first time adoption of Accrual basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first time adopters three years to recognise specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>This is not applicable to the School adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</i></p>

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

Standard/ Amendment to a standard	Impact
IPSAS 38: Disclosure of Interests in other entities	(Effective for annual periods beginning on or January 1, 2017). In January 2015, the IPSASB published IPSAS 38, Disclosure of interest in other entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. <i>This standard is not applicable to the School as it does not have an interest in other entities that are consolidated in these financial statements.</i>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017.

Standard	Impact
IPSAS 39: Employee benefits	Applicable: 1st January 2018. The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

The Council does not intend to adopt the above standards as there will be no impact on the School's financial statements.

iii. Early adoption of standards

The School did not early adopt any new or amended standards in year 2016-2017.

4 Summary of significant accounting policies

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

a. Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the School and the revenue can be reliably measured.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the School's activities, net of value added tax (VAT), where applicable and when specific criteria have been met for each of the School's activities as described below:

- i.) **Revenue from exchange- the sale of goods and services** is recognised in the year in which the School delivers product to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii.) Revenue from non- exchange- **Grants from National Government** are recognised in the year in which the School actually receives such grants.
- iii.) **Finance income** comprises of interest receivable from bank deposits and investment in securities and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv.) **Rental income** is recognised in the income statement
- v.) **Other income** is recognised as it accrues

b. In-kind contributions

Where the financial value received for in-kind contributions can be reliably determined, the School includes such value in the statement of income in both as revenue and as an expense in equal and opposite amounts.

c. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Where remeasurement at revalued amounts is desired, all items in an asset category are revalued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from revaluation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in the profit and loss in the income statement.

d. Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation is provided on the cost/valuation of the assets on straight line basis at rates designed to write down the cost of each asset or revalued amount to its residual values over their estimated useful life. The annual rates in use are:

	Rate
Buildings	2.00%
Plant & equipment	12.50%
Furniture & fittings	12.50%
Linen & beddings	12.50%
Motor vehicles	25.00%
Computers	30.00%
Library books	5.00%
Leasehold land	Over the period of the lease

A full year's depreciation is recognised in the year of purchase and none in the year of disposal.

e. Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds with the intention of earning interest income upon maturity. The bonds are measured at fair value through profit or loss.

f. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges and is determined on weighted average price method.

g. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made on doubtful receivables based on a review of all outstanding amounts at the year end at the rate of 11%. Bad debts are written off after all efforts at recovery have been exhausted.

h. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and cash at bank, short term deposits, on call deposits and highly liquid investments within 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 various commercial banks at the end of the financial year.

i. Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the School or not, less any payments made to suppliers.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

j. Retirement benefit obligation

The School operates a defined contribution retirement benefits plan for its employees, The assets are held in a separate trustee administered scheme managed by an insurance company. The scheme is funded by contributions from both the employees at 7.5% and employer at a rate of 15% of employees basic pay respectively.

The School and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. The School's contributions obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per moth.

k. Exchange rate difference

The accounting records are maintained in the functional currency of the primary economic environment in which the School operates, Kenya Shillings. Transactions in foreign currencies during the year/ period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

l. Budget information

The original budget for the FY 2016-2017 was approved by the Council in January 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget is presented in the statement of comparison of budget and actual amounts. The adjustments to amounts in the financial statements are made in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 20 of these financial statements.

m Comparative figures

The following comparative figures for the previous financial year have been amended to conform to the required changes in presentation:

a.) Hire of consultancy, ISO certification, performance contracting, printing and publishing, and security expenses have been disclosed separately under general expenses. The amounts were initially classified under other expenses in the year 2015-2016.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

m Comparative figures (continue)

b.) Water bottling costs have been disclosed separately under general expenses. In the year 2015-2016 these costs were initially classified under sundry expenses.

c.) Statement of cash flows has been changed from Direct to indirect method in the FY 2016/17

n. Subsequent events

There have been no events subsequent to the financial year with a significant impact on the financial statements for the year June 30, 2017.

o. Taxation

The School has not provided for taxation as it has applied for exemption under the income tax act through the Cabinet Secretary for the National Treasury.

5 Significant Judgement and Sources of Estimation uncertainty

The preparation of the School's financial statements in conformity with IPSAS requires management to make judgements, 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 year. 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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

- i. Leasehold land amortisation for Baringo Campus located in Kabarnet Township parcel/ 442 has been calculated from the period August 2001 and a prior year provided in the year 2015-2016. The land has a term of 99 years lease from 1st August 2001. The School assumed that amortisation wasn't provided for when former GTI Baringo merged with former KIA in the year 2011-2012 as the Act stipulates that all assets and liabilities for the former GTI's shall be vested into the School. This has decreased the net book value of the assets
- ii. A prior year on deferred income has been computed from the year 2012-2013 and restated the figures in the year 2015-2016 for all grants in kind received in form of buildings and equipment that were vested into the School. Since the date of receipt is not known, the School has assumed that all the grants in kind were received in the year 2012-2013 and prior year provided effective from that date. This has resulted to increase in retained earnings and decrease in deferred income.

The School based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the School. Such changes are reflected in the assumptions when they occur.

KENYA SCHOOL OF GOVERNMENT

Report and Financial Statements

For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Revaluation Reserve

The revaluation reserve relates to the revaluation of property, plant and equipment. As indicated in the Statement of Changes in Net assets, this is stated after transfer of excess depreciation to retained earnings.

7 Retained Earnings

The retained earnings represent amounts available to finance the School's activities mainly capital expenses.

8 Related party disclosures

The Government of Kenya is the principal shareholder of the School.

Other related parties include:

- i. The parent Ministry- Ministry of State for Public Service, Youth & Gender Affairs
- ii. The National Treasury
- iii. County Government
- iv. Key Management
- v. Council Members

9 Financial risk management

The School's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The School's overall risk management policies are set out by the Council and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the School's performance by setting acceptable levels of risk. The School however, does not hedge any risks and that only credit is only extended to customers with an established credit history.

The School's financial risk management objectives and policies are detailed below:

i. Market risk

The Council has put in place an internal audit function to assist in assessing the risk faced by the School on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates which will affect the School's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing the risk rests with the Audit and Risk Committee.

There has been no change to the School's exposure to market risks or the manner in which it manages and measures risk.

KENYA SCHOOL OF GOVERNMENT
Report and Financial Statements
For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

ii. Credit Risk

The School has exposure to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer taking into account its past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the School's management based on prior experience and their assessment of the current and economic environment. The School does not hold any collateral against the past due receivables.

The carrying amount of financial assets recorded in the financial statements representing the School's maximum exposure to credit risk is made up as follows:

	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2017				
Receivables from exchange transactions	990,834,246	956,190,343	34,643,903	-
Receivables from non exchange transactions	3,619,921	3,619,921	-	-
Bank balances	1,051,118,880	1,051,118,880	-	-
Total	2,045,573,047	2,010,929,144	34,643,903	-
At 30 June 2016				
Receivables from exchange transactions	905,075,241	796,900,957	108,174,284	-
Receivables from non exchange transactions	4,711,947	4,711,947	-	-
Bank balances	1,316,300,002	1,316,300,002	-	-
Total	2,226,087,190	2,117,912,906	108,174,284	-

The customers under the fully performing category are paying their debts as they continue transacting with the School. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the School has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The School has significant concentration of credit risk on amounts due from the National and County Governments.

iii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the School's directors. The School manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

KENYA SCHOOL OF GOVERNMENT
Report and Financial Statements
For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

iii. Liquidity risk management (continue)

The table below represents cash flows payable by the School:

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 3 months Kshs	Total Kshs
At 30 June 2017				
Trade payables	-	-	265,923,855	265,923,855
Payments received in advance	-	266,294,047	-	266,294,047
Third party payments	-	56,713,124	-	56,713,124
Retentions	-	85,303,579	-	85,303,579
VAT payable	-	47,102,212	-	47,102,212
Audit fees	3,000,000	-	-	3,000,000
Other payables	-	33,754,351	-	33,754,351
Total	3,000,000	489,167,313	265,923,855	758,091,168
At 30 June 2016				
Trade payables	-	-	316,280,827	316,280,827
Payments received in advance	-	358,299,415	-	358,299,415
Third party payments	-	46,032,166	-	46,032,166
Retentions	-	39,957,139	-	39,957,139
VAT payable	-	96,859,671	-	96,859,671
Audit fees	2,300,000	-	-	2,300,000
Other payables	-	51,486,286	-	51,486,286
Total	2,300,000	592,634,677	316,280,827	911,215,503

iv. Foreign Currency Risk

The school has transactional currency exposures which arises through purchase of goods and services that are done in currencies other than local currency. Transactions made in foreign currency are converted to Kenya Shilling at the time of payment using the prevailing exchange rate.

v. Interest rate risk

Interest rate risk is the risk that the School's financial condition may be adversely affected as a result of changes in interest rate levels. The School's interest rate risk arises from bank investments.

vi. Capital Risk Management

The objective of the School's capital risk management is to safeguard the Council's ability to continue as a going concern. The capital structure comprises of the following funds:

KENYA SCHOOL OF GOVERNMENT
Report and Financial Statements
For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

vi. Capital Risk Management (continue)

	2017	2016
	kshs	Kshs
Revaluation Reserve	4,539,728,060	4,539,728,060
Accumulated surplus	2,069,834,513	1,879,405,610
Deferred Income	2,355,039,413	2,302,652,334
	<u>8,964,601,986</u>	<u>8,721,786,004</u>

10 Prior year adjustment

During the current year 2016-2017 it was established that there was omission of amortisation of development grant also referred to as deferred income that had not been charged from the years 2012-2013 to the year 2015-2016. Further, there was an omission on amortisation of land for Baringo Campus from August 2001 to June 2014. The School has since received the lease title hence amortisation provided for prior years. In order to comply with IPSAS 3 on accounting policies, changes in accounting estimates and errors, the School has since restated financial statements for the year 2015-2016. The effect of restatement on financial statements is summarised below:

2015-2016

	Kshs
a. Effect on surplus	
Prior year amortisation of deferred income	367,683,281
Less: Prior year amortisation for leasehold land	(19,500,008)
Increase in surplus for the year	<u>348,183,273</u>
b. Effect on statement of financial position	
Decrease in deferred income	367,683,281
No effect in net assets	<u>367,683,281</u>
Decrease in non- current assets- leasehold land	19,500,008
Decrease in surplus for the year	<u>19,500,008</u>

11 Deferred income

This relates to grants received from the Government of Kenya and development partners for purposes of capital expenditure. This amount is amortised gradually by recognising the amount each year with the rate used to depreciate the asset for which the amount was received for. Grants received for purposes of construction of buildings, amortisation is calculated using the rate of 2% that is used to depreciate the buildings. However, if the amount is received for a building that is yet to be completed at the end of the year, the amount is not amortised until the building is complete.

KENYA SCHOOL OF GOVERNMENT
Report and Financial Statements
For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Incorporation

The School is incorporated in Kenya by an Act of Parliament and is domiciled in Kenya

13 Events after the reporting period

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

14 Currency

The financial statements are presented in Kenya Shillings (Kshs.).

KENYA SCHOOL OF GOVERNMENT
Report and Financial Statements
For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2017 kshs	2016 Kshs
15 Government grants		
Recurrent- other	91,013,104	55,841,140
Recurrent grant- development partners	97,488,998	51,974,700
Recurrent- salaries	193,242,024	205,268,297
	<u>381,744,126</u>	<u>313,084,137</u>
16 Other Income		
Deferred Income	77,468,133	8,890,227
Rent	10,744,198	8,616,697
Interest from investments	80,435,224	99,453,731
Miscellaneous receipts	7,447,042	5,994,743
Water Bottling sales	1,613,476	-
	<u>177,708,073</u>	<u>122,955,398</u>
17 Council expenses		
Allowances	6,180,052	2,668,300
Training and retreats	5,550,757	1,360,714
	<u>11,730,809</u>	<u>4,029,014</u>
18 Employee costs		
Salaries and wages	590,224,177	569,191,544
Gratuity	1,430,331	2,114,124
Bonus	21,403,744	23,764,850
Staff training	8,997,360	8,550,011
Staff medical	28,243,617	31,728,181
Staff welfare	5,837,205	4,400,378
Staff uniform	3,532,269	3,280,124
	<u>659,668,703</u>	<u>643,029,212</u>
19 Repairs and maintenance		
Maintenance of building and grounds	19,809,058	23,930,305
Maintenance of equipment	5,223,412	5,053,233
Motor vehicle repairs	6,667,932	6,873,327
	<u>31,700,402</u>	<u>35,856,865</u>

KENYA SCHOOL OF GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	2017 kshs	2016 Kshs
20 General expenses		
Advertising and publicity	7,098,794	5,464,776
Bank charges	1,202,253	1,986,748
Casual wages	69,693,061	65,736,840
Cleaning and sanitation	23,087,491	24,852,702
Conference committees and seminars	4,550,966	3,293,189
Domestic travel	74,200,857	58,291,884
Electricity	29,950,752	35,192,294
External travel costs	6,227,164	17,510,436
Food and ration	206,427,504	178,987,814
Gas and fuel	15,442,207	13,276,484
Field study trips	3,398,491	3,076,838
Hire of accomodation	30,810,102	104,374,381
Hire of transport	6,129,967	4,864,729
Hire of consultancy	4,406,456	389,500
ICT costs	24,099,368	27,109,488
Insurance	8,655,701	9,466,124
Intergration of the School costs	1,345,000	3,488,680
ISO Certification	2,026,395	368,342
Legal fees	4,555,663	4,319,428
Marketing	9,294,969	9,883,152
Performance contracting expenses	1,221,772	704,183
Printing & publishing	1,057,066	717,613
Provision for bad debts	21,978,659	51,290,369
Refined fuels	11,880,885	9,418,199
Research expenses	762,739	2,044,792
Security expenses	1,590,174	511,359
Stationery for participants	25,523,299	20,163,819
Stationery for staff	9,840,507	6,846,363
Students costs	433,150	2,457,484
Sundry	2,920,967	3,035,297
Telephone and fax	8,707,952	6,829,598
Training and consultancy	37,425,106	48,880,115
Water and conservancy	4,570,161	6,720,154
Hospitality expense	4,361,624	2,245,592
Audit fees	1,993,103	1,500,000
Water bottling costs	3,640,575	713,246
Corporate Social Responsibility	330,130	-
Other expenses	2,613,398	3,632,091
	<u>673,454,428</u>	<u>739,644,103</u>

KENYA SCHOOL OF GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

21 a. Property, plant & Equipment												
	Land Kshs	Buildings Kshs	Work in progress Kshs	Plant & equipment Kshs	Kitchen equipment Kshs	Office equipment Kshs	Motor vehicles Kshs	Furniture & fittings Kshs	Linen & beddings Kshs	Computers & networking Kshs	Library Kshs	Total Kshs
Cost/Valuation												
At 1 July 2015	1,127,350,000	3,908,848,244	401,598,080	109,056,986	18,217,732	48,955,153	54,188,760	135,843,900	39,212,677	118,461,678	27,343,285	5,989,076,495
Additions	-	12,952,025	33,301,737	1,101,880	5,569,772	454,726	49,839,903	4,057,713	4,633,112	25,688,076	927,489	138,526,434
Reclassification	(162,000,000)	(15,760,600)								(234,000)		(162,000,000)
Disposals	-	-	-	-	-	-	-	-	-	-	-	(15,994,600)
At 30 June 2016	965,350,000	3,906,039,669	434,899,817	110,158,866	23,787,504	49,409,879	104,028,663	139,901,613	43,845,789	143,915,754	28,270,774	5,949,608,328
Depreciation												
At 1 July 2015	-	155,649,690	-	26,517,431	4,507,388	11,959,396	25,809,690	33,730,577	9,392,643	68,652,279	6,130,045	342,349,139
Disposals	-	(630,424)	-	-	-	-	-	-	-	(234,000)	-	(864,424)
Charge for the year	-	78,120,793	-	13,769,859	2,971,297	6,173,003	26,007,166	17,487,703	5,480,724	43,174,727	1,413,539	194,598,811
At 30 June 2016	-	233,140,059	-	40,287,290	7,478,685	18,132,399	51,816,856	51,218,280	14,873,367	111,593,006	7,543,584	536,083,526
Net book value												
At 30th June 2016	965,350,000	3,672,899,610	434,899,817	69,871,576	16,308,819	31,277,480	52,211,807	88,683,333	28,972,422	32,322,748	20,727,190	5,413,524,802
At 30th June 2015	1,127,350,000	3,753,198,554	401,598,080	82,539,555	13,710,344	36,995,757	28,379,070	102,113,323	29,820,034	49,809,399	21,213,240	5,646,727,356

KENYA SCHOOL OF GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

21 b. Property, plant & Equipment												
	Land Kshs	Buildings Kshs	Work in progress Kshs	Plant & equipment Kshs	Kitchen equipment Kshs	Office equipment Kshs	Motor vehicles Kshs	Furniture & fittings Kshs	Linen & beddings Kshs	Computers & networking Kshs	Library Kshs	Total Kshs
Cost/Valuation												
At 1 July 2016	965,350,000	3,906,039,669	434,899,817	110,158,866	23,787,504	49,409,879	104,028,663	139,901,613	43,845,789	143,915,754	28,270,774	5,949,608,328
Additions	-	8,891,820	423,420,397	16,097,520	4,279,802	366,523	3,650,000	5,611,095	16,570,170	42,172,915	1,289,506	522,349,748
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(4,410)	(4,410)
At 30 June 2017	965,350,000	3,914,931,489	858,320,214	126,256,386	28,067,306	49,776,402	107,678,663	145,512,708	60,415,959	186,088,669	29,555,870	6,471,953,667
Depreciation												
At 1 July 2016	-	233,140,059	-	40,287,290	7,478,685	18,132,399	51,816,856	51,218,280	14,873,367	111,593,006	7,543,584	536,083,526
Disposals	-	-	-	-	-	-	-	-	-	-	(4,410)	(4,410)
Charge for the year	-	78,613,842	-	15,782,050	3,508,414	6,222,050	26,919,666	18,189,087	7,551,994	41,442,227	1,477,795	199,707,125
At 30 June 2017	-	311,753,901	-	56,069,340	10,987,099	24,354,449	78,736,522	69,407,367	22,425,361	153,035,233	9,016,969	735,786,241
Net book value												
At 30th June 2017	965,350,000	3,603,177,588	858,320,214	70,187,046	17,080,207	25,421,953	28,942,141	76,105,341	37,990,598	33,053,436	20,538,901	5,736,167,426
At 30th June 2016	965,350,000	3,672,899,610	434,899,817	69,871,576	16,308,819	31,277,480	52,211,807	88,683,333	28,972,422	32,322,748	20,727,190	5,413,524,802

KENYA SCHOOL OF GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	2017	2016
	kshs	Restated kshs
22 Leasehold land		
At 1 July	1,902,826,503	1,787,210,402
Reclassification	-	162,000,000
Adjustment for 2 year accumulated depreciation	-	(3,272,728)
Prior year adjustment	-	(19,500,008)
Amortisation charge for the year	(23,611,163)	(23,611,163)
At 30th June	<u>1,879,215,340</u>	<u>1,902,826,503</u>
<p>The School holds a piece of land L.R. 23160, 28.91 ha, for a term of 99 years starting from 1/11/1997 and Kabarnet/ Township Parcel/ 442 for a term of 99 years from 1st August 2001.</p>		
23 Investments		
Treasury bond-9 years @6% P.a-Face value Kshs. 55M	28,753,762	51,688,850
Treasury bond-30 years @12% P.a-Face value Kshs.5M	4,578,290	4,561,423
Discount amortisation	875,314	752,679
Fair value as at 30th June	<u>34,207,366</u>	<u>57,002,952</u>
a. Short term	10,023,908	6,019,013
b. Long term	24,183,458	50,983,939
	<u>34,207,366</u>	<u>57,002,952</u>
<p><i>NB: Treasury Bond 9 Years@6% p.a had a redemption structure at 43.04% of the Face Value kshs55m, on 22nd August 2016 and an amount of kshs23,670,900 was remitted back to our operation account on the said date by CBK.</i></p>		
24 Inventories		
Nairobi	16,231,461	14,735,183
Eldi	1,183,697	1,206,860
Baringo	2,592,330	6,819,198
Embu	1,783,735	4,461,805
Matuga	998,796	1,603,591
Mombasa	4,739,956	4,733,423
	<u>27,529,975</u>	<u>33,560,060</u>
25 Receivables		
Trade debtors	1,077,244,754	895,976,708
Provision for bad debts	(121,054,411)	(99,075,751)
	956,190,343	796,900,957
Staff debtors	3,619,921	4,711,947
Other receivables	34,643,903	108,174,284
	<u>994,454,167</u>	<u>909,787,188</u>

KENYA SCHOOL OF GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

		2017	2016
	Note	Kshs	Kshs
26 Cash and cash equivalent			
Bank	25a	230,000,739	450,314,516
Cash in hand		1,947,308	264,111
Petty cash		670,833	553,079
Short term deposits	25b	818,500,000	865,168,296
		<u>1,051,118,880</u>	<u>1,316,300,002</u>

Detailed analysis of the cash and cash equivalent

26a Banks

Name of the bank	Bank account No.	Currency		
KCB Corporate	1145987281	Kshs	132,853,999	318,430,732
KCB Corporate	1145987184	USD	95,867,334	66,463,301
KCB Embu	1146029837	Kshs	(493,493)	522,240
KCB Kwale	1146019173	Kshs	(379,132)	600,000
KCB Mombasa	1145993303	Kshs	781,670	627,770
KCB Baringo	1145978851	Kshs	559,856	9,503
KCB Nairobi	1107057957	USD	8,928	9,605
KCB Eldi	1107050251	USD	10,407	21,148
KCB Nairobi	1106972732	Kshs	99,670	60,683,650
KCB Eldi	1106676823	Kshs	100,000	100,110
NBK	01003000909500	Kshs	591,500	2,846,457
			<u>230,000,739</u>	<u>450,314,516</u>

26b Short term deposits

Name of bank	Type and tenor	Currency		
Kenya Commercial bank	Fixed deposit-90 days	Kshs	800,000,000	850,000,000
National bank	Fixed deposit-60 days	Kshs	18,500,000	15,168,296
			<u>818,500,000</u>	<u>865,168,296</u>

27 Trade and other payables

Trade payables	265,923,855	316,280,827
Payments received in advance	266,294,047	358,299,415
Third party payments	56,713,124	46,032,166
Retentions	85,303,579	39,957,139
VAT payable	47,102,212	96,859,671
Audit fees	3,000,000	2,300,000
Other payables	33,754,351	51,486,286
	<u>758,091,168</u>	<u>911,215,503</u>

KENYA SCHOOL OF GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 Contingent liabilities

- i. Julie Nyawira Mathenge sued the Institute over Plot Nos. 11509-11514 Lower Kabete Nairobi. She was allegedly allocated the said plots which stand on the School's plot. She filed a court case HCC No. 679 of 2006 at high court. The titles were revoked through a gazette notice in November 2010 by the Minister of Lands Hon. James Orengo. The School has requested Mwaniki Gachoka & Co. Advocates to pursue the matter and ensure the titles revert back to Kenya School of Government.
- ii. Mr. Keffa N. Mwithaga sued the Institute alleging wrongful dismissal. He filed a Case No. HCCC 314 of 2007 in the High Court. Mr. Mwithaga revised his plaintiff to include notice for termination of service, un paid leave and pending honoraria payment amounting to Ksh.607,000. The plaintiff was allowed by the Judge and will proceed to final hearing.
- iii. Mr. Bishar Aden Sanweini a former KIA employee whose services were terminated took the School to court claiming wrongful dismissal. The case was dismissed at the commercial court due to lack of representation and frequent absenteeism by the Advocate representing the plaintiff.
- iv. A section of Annex Plot No. M1/XXVI/234 for Mombasa Campus was grabbed by private developers whose case HCC MBA No. 323 of 2009 and HCC No. 94 of 2012 are still pending in court. The block was illegally and irregularly subdivided into pieces 951, 1059, 1060, 1083 and 1084 without the School's consent and allocated as follows:-
 - (a) Parcels XXVI/951 and 1059 were allocated to Messrs Mohamed Baker, Hassan Ali and Hassanali Yusufali and MECAP Company. In 2009 MECAP Company filed a case in the High Court of Mombasa i.e. HCCC No.323 of 2009 against the Attorney General and the Ministry of State for Public Service. A witness statement has since been prepared by the Legal Officer in the Ministry and presented to the State Law Office.
 - (b) Parcel XXVI/1084 was allocated to Mary Wambui and Peter Rono in June 1997 trading as Mapasro Enterprises Limited, for a term of 99 years. Later in the same year, the allottees sold the plot to Kalliste Limited. In 2012, Kalliste filed a civil suit No. 94 of 2012 at the High Court of Mombasa suing the Attorney General and Tulsi Construction. Tulsi Construction has been contracted by the School to build the Ultra-Modern Complex. A witness statement by the Legal Officer in the Ministry has been written and presented to the State Law Office.
 - (c) Parcels LR. M1/XXVI/951, M1/XXVI/1059 and M1/XXVI/1084 were revoked by the Ministry of Lands via Gazette Notice of 27th April, 2012.

Although there can be no assurances on the above litigations, the School believes, based on the information currently available, that the ultimate resolution of these legal proceedings would not likely have material effect on the results of its operations, financial position or liquidity.

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v

During the financial year 2015-2016 Kenya Revenue carried out an indepth audit on various taxes. The audit carried out was for a period of years i.e from the financial year 2012-2013 upto year 2015-2016. The assessment was thereafter issued to the School to a tune of Kshs.802,133,676 including penalties and interests. An amount of Kshs. 415,708,806 charged to KSG as corporation tax has since been forwarded to the National Treasury for waiver and issue of exemption tax vide letter ref no. KSG/HQS/FIN.26Vol.I/6. Further, the School has processed payment for amounts withheld and not initially paid to a tune of Kshs. 11,215,423.47. No provision has been made as the School believes waiver of penalties and interests and exemption from payment of corporation tax will be granted.

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XVI PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is a 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/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status
1.0 Expenses- Non-compliance with reporting guidelines	Contrary to the guidelines issued by the Public Sector Accounting Standards Board, Council members' (board expenses totalling to Kshs. 4,029,014 have been disclosed under general expenses instead of being presented separately in the statements of financial performance and disclosed further in the notes to the financial statements. As a result the presentation of the financial statements does not conform to the format prescribed by the Public Sector Accounting Standards Board.	The expenses is disclosed correctly in the financial statements for the year 2016-2017. Refer to note no. 17.	Director Finance	Resolved
2.1 Freehold Land	As similarly reported in the previous years, the property, plant and equipment balance of Kshs. 5,413,524,802 reflected in the statement of financial position as at 30 June 2016 still includes freehold parcels of land owed by Embu, Mombasa and Matuga campuses valued at Kshs. 181,650,000, Kshs. 736,200,000 and Kshs. 47,500,000 respectively whose original title deeds have however, not been provided for audit verification. Consequently ownership of these properties by the School cannot be confirmed.	The School is still pursuing for the titles.	Director General	Unresolved
2.2 Leasehold Land	As disclosed in Note 9 to the financial statements, the leasehold land balance of Kshs. 1,922,326,511 as at 30 June 2016 includes land valued at Kshs. 1,765,235,603 located in Lower Kabete within Nairobi City County	LR No. 11512- 11514 matter has been finalised by court and the School is pursuing for title deeds. L.R. No. 11509, 11511 the matter is still in court. KSG	Director General	Unresolved

Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status
	<p>where six plots (L.R Nos. 11509-11514) have been illegally hived off and allocated to private developers. Available information indicates that the allocations have since been revoked by a court of law. This situation is indicative of significant impairment on these properties and hence it is not possible to quantify the overall impairment that should be incorporated in the financial statements of the School.</p>	<p>land value is appreciating due to ongoing construction hence impairment of land may not be applicable</p>		
3.1 Trade Payables	<p>The trade and other payables balance of Kshs. 911,215,503 includes trade payables of Kshs. 316,280,827 comprised of supplier balances and goods received notes accrual accounts for various stations. Further, the goods received note accrual account balance of Kshs. 47,105,741 could not be supported. Consequently the validity of the trade payables balance of Kshs. 316,280,827 could not be confirmed.</p>	<p>Goods received note schedule has been provided.</p>	Director Finance	Resolved
3.2 VAT Payable	<p>The trade and other payables balance of Kshs. 911,215,503 similarly includes a VAT payable balance of Kshs. 96,859,671. The VAT balance was however not supported with VAT returns of Kshs. 17,905,600 outstanding as at 30 June 2016 resulting in unexplained and unsupported difference of Kshs. 78,954,071. Consequently, the accuracy of the balance can not be ascertained.</p>	<p>The School has so far paid Kshs. 36,464,981.53. Balance is being processed.</p>	Director General	Partly unresolved
4.1 Long outstanding other receivables	<p>Note 12 also discloses other receivables amounting to Kshs. 108,174,284. Included in this amount is Kshs. 48,309,324 which relates to other receivables from Embu campus that has been outstanding for over twenty four (24) months and thus point to uncertainty in recovery. Any provision that would have been necessary in relation to this uncertainty is not incorporated in these financial statements.</p>	<p>The School has made a provision of Kshs. 2,208,479 in the year 2016-2017.</p>	Director Finance	Resolved
4.2 Inter campus balances	<p>Trade receivables of Kshs. 895,976,708 disclosed in note ^{Page 43}</p>	<p>Correction were made in the year</p>	Director Finance	Resolved

Reference no. on the external audit report	Issue/ Observation from the auditor	Management comment	Focal point person to resolve the issue	Status
	12 further include inter campus receivables amounting to Kshs. 18,511,574. In addition there are no corresponding creditors disclosed as liabilities in the financial statements to offset this debtor. Under the circumstances, the accuracy and validity of the receivables balance of Kshs. 895,976,708 as at 30 June 2016 shown in the statement of financial position cannot be confirmed.	2016/2017 financial statements		
5.0 Deferred income	income balance of Kshs. 2,670,335,615 as at 30 June 2016. The amount of deferred income amortised during the year was Kshs. 8,890,227 which replises that the deferred income will take about 300 years to be cleared and transferred to the accumulated surplus. This clearly indicates that the balance of the deferred income and the corresponding amortisation are not fairly stated. In addition, the accounting policy number (k) on deferred income does not disclose anything to do with accounting treatment or explain what it relates to and therefore is inadequate.	Prior year adjustment has been done to recognise the deferred income omitted. Refer to note no. 10 in the financial statements 2016/2017.	Director Finance	Resolved
6.0 Comparative information	The financial statements for the year under review reflect comparative previous year's balances which however do not agree with the audited financial statements for the financial year ended 30 June 2015 as a result of changes in format for presentation of the financial statements. However, this has not been disclosed in the notes to these financial statements. In addition, accounting policy on comparative information under (q) does not contain the information on comparative figures and is therefore inadequate.	Comparative note is clearly reflected. Refer to note no. 4m in the financial statement	Director Finance	Resolved

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XVII Status of Projects completion

Project	Total project cost Kshs.	Total expended to date Kshs.	Completion % to date	Budget Kshs.	Actual Kshs	Sources of funds
1 Administration block	171,271,670	33,841,982		60,000,000	33,841,982	G.O.K
2 Ultra modern complex	830,210,663	198,168,568		55,841,000	12,207,452	G.O.K
3 Renovations to SOI Hostel	38,841,322	12,723,218		6,500,000	12,723,218	Revenue
4 Construction of the Auditorium	660,660,660	315,000,000		315,000,000	364,647,745	Revenue
	1,700,984,315	559,733,768		437,341,000	423,420,397	

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XVIII INTER-ENTITY TRANSFERS

TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Break down of Transfers from the State Department of Public Service			
FY 16/17			
a. Recurrent Grants			
	Bank Statement Date	Amount (KShs)	FY
	21/11/2016	45,430,195.50	2016-2017
	12/04/2017	45,582,908.00	2016-2017
	Total	91,013,103.50	
b. Development Grants			
	Bank Statement Date	Amount (KShs)	FY
	24/11/2017	64,927,605.00	2016-2017
	19/04/2017	64,927,606.50	2016-2017
	Total	129,855,211.50	
c. Direct Payments			
	Bank Statement Date	Amount (KShs)	FY
Contractors	Diverse dates	129,855,211.50	2016-2017
Suppliers	Diverse dates	91,013,103.50	2016-2017
	Total	220,868,315.00	
d. Donor Receipts			
	Bank Statement Date	Amount (KShs)	FY
NONE		xx	
	Total	XXX	

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XIX RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Recurrent/Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others	
Ministry of State for Public Service Youth & Gender	2016/2017	Recurrent	91,013,103.50	91,013,103.50	-	-	-	-	91,013,103.50
Ministry of State for Public Service Youth & Gender	2016/2017	Development	129,855,211.50	129,855,211.50	-	-	-	-	129,855,211.50
Total			220,868,315.00	220,868,315.00	-	-	-	-	220,868,315.00

