



**KENYA INSTITUTE OF EDUCATION**

PARLIAMENT  
OF KENYA  
LIBRARY

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

PARL  
OF  
LIBR

**2012**

PARL  
OF  
LIBR

## Our Vision

A centre of excellence in transformative and globally competitive curricula.

## Our Mission

To provide quality curricula and curriculum support materials responsive to the needs of the society.

## Core Values

Professionalism

Accountability

Transparency

Integrity

Courtesy

Diligence

Teamwork

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT OF  
THE  
AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA INSTITUTE OF EDUCATION FOR  
THE YEAR ENDED 30 JUNE 2012**



KIE is ISO 9001 :2008 certified

# Kenya Institute of Education

## Financial Statements For the year ended 30 June 2012

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# Corporate Information

## Principal Activities

The Institute is mandated through Legal Order No 120 of 2010 (State Corporations Act Cap 446) to develop curricula and curriculum support materials informed by research for basic and tertiary education and training.

### **Registered Office**

Desai Road, Off Murang'a Road  
P.O. Box 30231-00100  
NAIROBI

Telephone: (020) 3749900-3

Email: [info@kicd.ac.ke](mailto:info@kicd.ac.ke)

Website: [www.kicd.ac.ke](http://www.kicd.ac.ke)

### **Auditors**

Auditor General,  
Kenya National Audit Office  
P.O. Box 30084 -00100  
**NAIROBI**

### **Bankers**

Kenya Commercial Bank  
Moi Avenue Branch  
P.O. Box 30081 - 00100  
**NAIROBI**

Co-operative Bank of Kenya  
Stima Plaza Branch  
P.O. Box 48231 – 00100  
**NAIROBI**



## Corporate Information (Continued)

### Council Members

<b>Prof. Peter Erastus Kinyanjui</b>	-	Chairman
<b>Mr Enos O. Oyaya</b>	-	Representing Permanent Secretary, Ministry of Education - Member
<b>Mr. Ndungu Gakungu</b>	-	Representing Permanent Secretary Ministry of Higher Education Science and Technology – Member
<b>Mrs. Purity Karabai Mbabu</b>	-	Member
<b>Mr. Matano Mwalimu Ndaro</b>	-	Communications Commission of Kenya - Member
<b>Dr. Nicholas Kibiwot Letting'</b>	-	The Management University of Africa - Member
<b>Mr. Paul Wasanga</b>	-	Secretary/CEO Kenya National Examination Council – Member
<b>Mr. Ontweka Onderi</b>	-	Representing Permanent Secretary, Ministry of Finance - Member
<b>Mr. John Matonda</b>	-	Member
<b>Prof. Agnes M. W. Gathumbi PhD</b>	-	Kenyatta University- Member
<b>Dr. Mark Matunga</b>	-	Microsoft Eastern and Southern Africa - Member
<b>Dr. Lydia Nzomo</b>	-	Director/ Chief Executive Officer, KIE/Council Secretary



# Corporate Information (Continued)

## Council Committees

The Committees include:

### **Academic Committee**

Mr. Enos Oyaya	-	Chairman
Mr. Paul Wasanga	-	Member
Dr. Mark Matunga	-	Member
Mr. Ndungu Gakungu	-	Member
Prof. Agnes M. W. Gathumbi	-	Member
Mr. John Matonda	-	Member
Dr. Lydia Nzomo	-	Director/Chief Executive Officer

### **The Finance Committee**

Dr. Nicholas Letting'	-	Chairman
Mr. Enos Oyaya	-	Member
Mr. Paul Wasanga	-	Member
Dr. Mark Matunga	-	Member
Mr. Ontweka Onderi	-	Member
Prof. Agnes M. W. Gathumbi	-	Member
Dr. Lydia Nzomo	-	Director/Chief Executive Officer

### **The Audit Committee**

Mr. Ndungu Gakungu	-	Chairman
Mr. Enos Oyaya	-	Member
Mr. Ontweka Onderi	-	Member
Mr. Paul Wasanga	-	Member
Dr. Nicholas Letting'	-	Member
Dr. Mark Matunga	-	Member
Mrs. Purity Karabai Mbabu	-	Member
Dr. Lydia Nzomo	-	Director/Chief Executive Officer



# Corporate Information (continued)

## Council Committees (Continued)

### **The Human Resource and Integrity Committee**

Mr. Paul Wasanga	-	Chairman
Mr. Enos Oyaya	-	Member
Mr. Ontweka Onderi	-	Member
Dr. Mark Matunga	-	Member
Mrs. Purity Karabai Mbabu	-	Member
Mr. Ndungu Gakungu	-	Member
Mr. Matano Mwalimu Ndaro	-	Member
Dr. Lydia Nzomo	-	Director/Chief Executive Officer

### **National Centre for Early Childhood Education(NACECE) Resource Centre Committee**

Mr. John Matonda	-	Chairman
Mr. Enos Oyaya	-	Member
Mrs. Purity Karabai Mbabu	-	Member
Dr. Nicholas Letting'	-	Member
Mr. Matano Mwalimu Ndaro	-	Member
Mr. Ndungu Gakungu	-	Member
Dr. Lydia Nzomo	-	Director/Chief Executive Officer

### **Building and Development Committee**

Dr. Mark Matunga	-	Chairman
Mr. Enos Oyaya	-	Member
Mr. Paul Wasanga	-	Member
Mr. Ontweka Onderi	-	Member
Mr. Ndungu Gakungu	-	Member
Prof. Agnes M. W. Gathumbi	-	Member
Mr. Matano Mwalimu Ndaro	-	Member
Dr. Lydia Nzomo	-	Director/Chief Executive Officer



## Corporate Information (Continued)

### Senior Management

- |                             |   |   |
|-----------------------------|---|---|
| <b>Dr. Lydia Nzomo, OGW</b> | - | Director/Chief Executive Officer                                  |
| <b>Mr. John Kimotho</b>     | - | Senior Deputy Director (Media & Extension Services)               |
| <b>Mr. Charles Mugambi</b>  | - | Senior Deputy Director (Finance, Administration & Human Resource) |
| <b>Ms. Mercy Karogo</b>     | - | Senior Deputy Director Curriculum & Research Services)            |



# Kenya Institute of Education

## Corporate Governance Statement

The adoption of good corporate governance practice is integral in helping the Institute interact with both internal and external stakeholders. Corporate governance entails the processes and structures used to direct and manage the Institute affairs, the respective roles of the Council and management and the framework of internal controls. The Council and the management of the Institute regard corporate governance as pivotal to the success of the Institute and are committed to ensuring that good corporate governance is practiced by the Institute.

The Institute achieves this by using a risk based approach to establish a system of internal controls and by reviewing the effectiveness of the system of internal controls on a regular basis. The Kenya Institute of Education has formulated and applies sound internal corporate governance guidelines which address the responsibilities of management, the Council and its composition.

The Council has established Committees to assist in the implementation of its policy guidelines and strategy. These Committees meet regularly and are chaired by non-executive Council members. The Committees submit their report to the Full Council for adoption and approval. All the non executive Council members of the Council are independent of management and free from any business or other relationship which could materially interfere with the exercise of their judgment.

The Council meets regularly and has a formal schedule of its matters. Currently, the Council comprises of eleven (11) non-executive members and the Director/CEO. The Council meets at least four times each year.



# Kenya Institute of Education

## Statement of Council's Responsibilities

The State Corporation Act Cap 446 of the Laws of Kenya requires that the Council prepares financial statements for each financial year which give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the operating results of the Institute for that year. It also requires the Council to ensure that the Institute keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute. The Council is also responsible for safeguarding the assets of the Institute.

The Council members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Government Financial Management Act and the requirements of the Government Financial Regulations and Procedures.

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

  
.....  
**PROF. PETER ERASTUS KINYANJUI**  
**CHAIRMAN K.I.E COUNCIL**

DATE..... *30 May 2013* .....

  
.....  
**DR. LYDIA NZOMO, OGW**  
**DIRECTOR/CHIEF EXECUTIVE OFFICER**

DATE..... *30<sup>TH</sup> MAY 2013* .....



# Kenya Institute of Education

## Report of the Auditor General

### For the Year Ended 30th June, 2012

REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [cag@kenao.go.ke](mailto:cag@kenao.go.ke)  
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P.O. Box 30084-00100  
NAIROBI



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF EDUCATION FOR THE YEAR ENDED 30 JUNE 2012

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Institute of Education set out on pages 10 to 30, which comprise the statement of financial position as at 30 June, 2012, and the statement of comprehensive income, statement of changes in capital and revenue reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

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

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical

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*Promoting Accountability in the Public Sector*



KIE is ISO 9001 :2008 certified

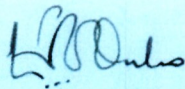
requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Institute as at 30 June 2012, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Institute of Education Order, 2010.



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

**NAIROBI**

**27 May 2013**

Kenya Institute of Education  
Statement of Comprehensive Income  
For the year ended 30 June, 2012

REVENUE	NOTES	2012 Kshs.	2011 (Restated) Kshs.
Government Grant	5	722,384,810	674,302,793
Other Income	6	<u>95,361,753</u>	<u>135,983,765</u>
		817,746,563	810,286,558
<b>LESS EXPENDITURE</b>			
Staff Costs	7	452,196,922	*443,735,070
Administration Expenses	8	150,093,011	180,021,310
Operating Expenses	9	94,872,816	145,148,305
Board Expenses	10	11,636,000	*10,220,965
Provision for Audit Fee	11	800,000	500,000
Provision for Depreciation	12	<u>44,893,344</u>	<u>-</u>
<b>Total Operating Expenses</b>		<b><u>754,492,093</u></b>	<b><u>779,625,650</u></b>
<b>Net Surplus For The Year</b>		<b><u>63,254,470</u></b>	<b><u>30,660,908</u></b>

\*Please see note 24



Kenya Institute of Education  
Statement of Financial Position  
As at 30 June, 2012

	NOTES	2012 Kshs.	2011 (Restated) Kshs.
<b>ASSETS</b>			
Non Current Assets			
Property, Plant and Equipment	13	1,144,691,081	*979,825,220
Intangible Assets	14	<u>4,624,204</u>	<u>867,050</u>
<b>Total Non Current Assets</b>		<b>1,149,315,285</b>	<b>*980,692,270</b>
<b>Current Assets</b>			
Trade and Other Receivables	15	67,159,657	81,790,527
Prepayments & Deposits	16	29,135,713	27,643,813
Short Term Investments	17	121,715,597	214,352,029
Cash and Bank	18	<u>270,570,787</u>	<u>*154,884,873</u>
<b>Total Current Assets</b>		<b>488,581,754</b>	<b>*478,671,242</b>
<b>Total Assets</b>		<b>1,637,897,039</b>	<b>*1,459,363,512</b>
<b>REPRESENTED BY:</b>			
Reserves and Liabilities			
Reserves			
Revenue Reserve	19	437,088,854	*373,834,384
Capital Reserve	20	<u>1,058,350,800</u>	<u>*977,950,800</u>
		<b>1,495,439,654</b>	<b>*1,351,785,184</b>
<b>Current Liabilities</b>			
Donor Project Funds	21	64,837,785	49,629,047
Trade and other Payables	22	75,606,125	55,937,806
Bank Overdraft	23	<u>2,013,475</u>	<u>2,011,475</u>
<b>Total Current Liabilities</b>		<b>142,457,385</b>	<b>107,578,328</b>
<b>Total Reserves and Liabilities</b>		<b>1,637,897,039</b>	<b>*1,459,363,512</b>

  
.....  
**PROF. PETER ERASTUS KINYANJUI**  
**CHAIRMAN**

  
.....  
**DR. LYDIA NZOMO, OGW**  
**DIRECTOR/CHIEF EXECUTIVE OFFICER**

\*Please see Note 24



Kenya Institute of Education  
Statement of Changes in Reserves  
For the year ended 30 June 2012

	<b>CAPITAL RESERVES</b>	<b>REVENUE RESERVES</b>	<b>TOTAL</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
<b>Restated Balance as at 1st July 2010</b>	-	<b>362,606,713</b>	<b>362,606,713</b>
Assets Valuation	975,804,800	-	975,804,800
Adjustments for NRC revalued assets	-	(32,371,275)	(32,371,275)
Adjustments in 2011/2012	2,146,000	12,938,038	15,084,038
Surplus for the year	-	30,660,908	30,660,908
<b>Balance as at 30th June, 2011</b>	<b>*977,950,800</b>	<b>*373,834,384</b>	<b>*1,351,785,184</b>
<b>Restated Balance as at 1st July, 2011</b>	<b>977,950,800</b>	<b>373,834,384</b>	<b>1,351,785,184</b>
Development Grant-ERC	80,400,000	-	80,400,000
Surplus for the year	-	63,254,470	63,254,470
<b>Balance as at 30th June, 2012</b>	<b>1,058,350,800</b>	<b>437,088,854</b>	<b>1,495,439,654</b>

\*Please see Note 24



Kenya Institute of Education  
Statement of Cashflows  
For the year ended 30 June, 2012

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011 (Restated)</b> <b><u>Kshs.</u></b>
<b>Cashflows from Operating Activities</b>		
Surplus for the year	63,254,470	30,660,908
Add back Depreciation	<u>46,787,983</u>	<u>-</u>
<b>Operating surplus before working capital changes</b>	<b>110,042,453</b>	<b>30,660,908</b>
Increase in Trade receivables	14,630,870	14,065,971
Increase in Prepayments	(1,491,901)	(26,186,312)
Increase in Trade payables	<u>19,668,319</u>	<u>43,215,765</u>
<b>Net cashflows from operating activities</b>	<b>142,849,741</b>	<b>61,756,332</b>
<b>Cashflow from Investing Activities</b>		
Work In Progress(ERC)	(83,939,848)	(560,220)
Purchase of Property , Plant and Equipment_ NRC	(28,533,945)	(32,371,275)
Purchase of Property , Plant and Equipment-KIE	(97,198,250)	(1,314,200)
Purchase of Property , Intangible Assets-KIE	(5,738,955)	(867,050)
Prior period Adjustment	<u>-</u>	<u>12,938,038</u>
<b>Net cashflows from investing activities</b>	<b>(215,410,997)</b>	<b>(22,174,707)</b>
<b>Cash from Financing Activities</b>		
Increase in donor project fund	15,208,738	(3,116,725)
Development Grant for ERC	<u>80,400,000</u>	<u>-</u>
<b>Net cashflows from Financing activities</b>	<b>95,608,738</b>	<b>(3,116,725)</b>
Net increase in the bank	<b>23,047,482</b>	<b>36,464,900</b>
Cash and cash equivalents at the beginning of the year	<u>367,225,428</u>	<u>330,760,527</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>390,272,910</b>	<b>*367,225,428</b>

\*Please see Note 24



## **1.Principal Accounting Policies**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Institute adopted the following accounting policies;

### **a)Basis of preparation**

The financial statements are prepared under the historical cost basis of accounting modified to include the valuation of non-current assets. The presentation currency used in the preparation of the financial statements is Kenya Shillings (Kshs.).

### **b)Revenue recognition/ Government Grant**

Revenue is measured at the fair value of the consideration received or receivable excluding discounts and value added taxes or other taxes. Interest income is recognized on a time basis using the effective interest method less withholding taxes where appropriate. Government Grants are recognized in the year they are received from the Ministry of Education.

### **c)Property, plant and equipment**

The Institute has recognized its property, plant and equipment in the financial statements at valuation values and at cost for the additional assets during the year less accumulated depreciation and accumulated impairment losses. The plant, property and equipment were valued for the purposes of recognition in the Institute's books of accounts by professional valuer in the financial year 2010/2011.

Property in the course of construction for administrative or other purposes is held in the books of account as work-in-progress at historical cost. The cost of such assets includes professional fees and costs directly attributable to the asset. Such assets are not depreciated until they are ready for the intended use.

# Kenya Institute of Education

## Notes to the Accounts (continued)

### d) Depreciation

Depreciation is calculated using the straight line method to write down the cost or the valued amount of each asset to its residual value over its estimated useful life using the following annual rates. Work-in-progress is not subjected to depreciation.

Asset	Depreciation Rate (%)
Buildings	2.5%
Motor Vehicles	25%
Furniture and Fittings	20%
Computers and Printers	30%
Studio Equipments	5%
Digital Equipment	10%
Hotel Equipments	10%
Tools and Equipment	20%
Office Equipment	20%
Printing Machinery	5%
Generators	10%

### e) Intangible Assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognized at cost, and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Institute are recognized as intangible assets. Amortization is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 30%.

**f)Bad and Doubtful Debts Provision and Write Offs**

The Institute effects specific and general provisions on doubtful debts. A specific provision for bad debts shall be made when the debtor is deceased, declared bankrupt, untraced debtors or the debt is outstanding for more than two years. A general provision of 5% of the remaining debtors shall be made.

**g)Financial instruments**

The Institute's principal financial instruments include fixed deposits investments, trade and other receivables, bank and cash balances and trade and other payables.

*i)Fixed Deposit Investments*

Fixed deposits are investments that give the Institute termly residual interest after deducting the withholding taxes. The carrying values of the investments are the principal amount plus earned interest net of withholding taxes.

*ii)Trade and other receivables*

Trade receivables are carried at their original invoiced amount less an estimate made for bad and doubtful receivables based on a review of all outstanding amounts, on an account by account basis, at the year end.

*iii)Cash and cash equivalents*

For the purpose of the statement of cash flow, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of any outstanding overdrafts.

*iv)Accounts payable*

Accounts payable are financial liabilities and are carried at fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Institute or not, less any payments made to the suppliers.

## **h) Foreign currency transactions**

Transactions in foreign currency are translated into Kenya shillings at the rate of exchange ruling on the date of the transaction.

## **i) Employee benefits**

### *(i) Defined contribution scheme*

The Institute holds a defined contributory pension scheme for its employees which is overseen by the Board of Trustees. The Institute and the employees contribute 20% and 10% of the basic pay respectively. It also contributes to the statutory National Social Security Fund (NSSF) whose rates are determined by Kenyan statutes.

The Institute's contributions to the retirement benefit schemes are charged to the income statement in the year to which they relate.

### *ii) Gratuity*

Entitlements to gratuity are recognized when they accrue to qualifying employees at 31 % of the basic pay.

## **2) Comparatives**

The previous year's comparative figures have been adjusted to take into account the prior year adjustments in the financial statements.

## **3) Interpretation and Amendments to the Financial Statements**

The Council has adopted the previous year's format of reporting consistent with the International Financial Reporting Standards.

**4)Critical Judgments and Use of Accounting Estimates**

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires Council members to exercise their judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on Council members' best knowledge of current events and actions they may undertake in the future, actual results may differ from those estimates.

# Kenya Institute of Education

## Notes to the Accounts (continued)

### 5. Government Grant

The Institute operations are mainly funded by Government of Kenya. Amount of Kshs. 722,384,810 and Kshs. 674,302,793 were received from the Government in the financial years 2011/2012 and 2010/2011 respectively. The Institute also received Kshs. 80,400,000 as development grant for construction of Education Resource Centre.

### 6. Other income

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011</b> <b><u>Kshs.</u></b>
House Rent	1,672,500	1,713,000
Miscellaneous Revenue	390,781	286,223
Royalty	746,305	1,445,351
Receipt from USAID	-	8,354,440
Sale of Curriculum Support Material	32,959,795	72,613,116
Sale of Bonded Items	877,600	1,091,577
Sale of Tenders	1,631,000	3,261,000
Surplus from NRC Operations	34,919,742	36,928,496
Interest Income	<u>22,164,030</u>	<u>10,290,562</u>
	<b>95,361,753</b>	<b>135,983,765</b>

# Kenya Institute of Education

## Notes to the Accounts (continued)

<b>7. Staff Cost</b>	<b>2012</b>	<b>2011 (Restated)</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
Personal Emoluments	237,282,622	*233,363,463
House Allowance	85,045,767	*85,495,199
Medical Allowance	-	2,164,989
Commuter Allowance	34,228,200	*25,595,030
Other Personal Allowances	-	10,000
Leave Expenses And Passage	2,810,000	2,930,000
Ex-Gratia	201,251	500,000
Gratuity	4,960,179	1,961,439
N S S F Contribution	1,058,000	1,062,600
Pensions Contributions 20%	45,810,068	54,239,439
Medical Cover	34,284,558	27,517,962
Training Expenses	6,516,277	8,894,949
	<b>452,196,922</b>	<b>*443,735,070</b>

\*Please see Note 24

The Institute's staff population stood at 438 as at 30th June 2012 and 443 as at 30th June, 2011 respectively.



# Kenya Institute of Education

## Notes to the Accounts (continued)

### 8 . Administration Expenses

	<b>2012</b>	<b>2011</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
Electricity Expenses	6,628,686	5,592,209
Water & Conservancy	28,700	84,723
Postal & Telegrams Expenses	211,484	4,700
Telephone Expenses	1,483,803	1,406,370
Airtime Expenses	3,090,457	2,996,365
Travel and accommodation	7,249,052	8,384,871
Publishing & Printing	6,028,236	8,867,630
Computer Expenses	11,881,236	10,229,190
Library Expenses	583,101	335,340
Advertising	1,880,617	1,835,917
Subscription to Newspapers & Magazines	931,980	764,493
Official Entertainment Allow.	26,000	16,000
Funeral Expenses	83,940	113,500
Vehicle Insurance	1,261,092	1,314,765
Group Personal Accident	2,414,378	2,332,500
Other Covers	1,119,884	1,057,910
School Broadcast	32,440,000	32,440,000
Purchase of Suppl. for Product	4,210,860	3,540,470
E-Content Learning/Artists Fee	568,625	850,700
Purchase of Uniforms	283,013	147,784
Stationery	5,788,882	7,802,656
Purchase of Computers& ICT Equipment	-	5,085,320
KIE Broadcasting Channel	23,787,534	6,575,960
Curriculum Digitization	-	28,916,880
Maintenance of VCT	456,000	576,000
Land scaping	-	59,325
Bank Charges	645,946	809,714
Provision for Doubtful Debts	1,480,730	9,573,548



# Kenya Institute of Education

## Notes to the Accounts (continued)

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011</b> <b><u>Kshs.</u></b>
Motor vehicle Expenses	12,430,742	10,686,369
Building Maintenance	1,246,606	1,065,602
Fungicides	72,150	1,720,784
Ems Equipment Maintenance	841,500	959,764
Office Equipment Maintenance	1,228,146	3,904,501
Asset Valuation	652,500	-
Maintenance Workshop Equipment	-	17,400
Software Licences	3,382,578	-
KIE Policy and Bill	4,678,623	-
Corporate Social Responsibility	741,190	-
Legal Fees	209,627	-
Administration-Division – Expenses	8,025,115	17,348,953
Human Resources-Division – Expenses	885,216	1,848,744
Finance and Accounts-Division - Expenses	<u>1,134,782</u>	<u>754,353</u>
	<b>150,093,011</b>	<b>180,021,310</b>

### **9. Operating Expenses**

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011</b> <b><u>Kshs.</u></b>
Basic Education	21,327,371	24,647,846
Corporate Communication & Marketing	388,518	1,227,618
Curriculum, Orientation and Field Services	4,833,078	8,349,446
TIVET	8,607,741	7,823,842
Education Resources	5,086,018	3,727,468
Electronic and Emerging Media	21,175,303	47,353,517
Text Book Evaluation	29,767,454	45,279,694
Research Monitoring & Evaluation	3,687,333	5,702,234
Summative Evaluation-USAID	<u>-</u>	<u>1,036,640</u>
	<b>94,872,816</b>	<b>145,148,305</b>



# Kenya Institute of Education

## Notes to the Accounts (continued)

### 10. Board Expenses

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011 (Restated)</b> <b><u>Kshs.</u></b>
Board Expenses	11,636,000	*9,702,500
Board of Trustees- (Pension)	<u>-</u>	<u>518,465</u>
	<b>11,636,000</b>	<b>*10,220,965</b>

\*Please see Note 24

Included in the board expenses amount are the Director's remuneration of Kshs. 6,288,000 and Kshs. 5,570,000 for the financial years 2011/2012 and 2010/2011 respectively.

### 11. Provision for Audit Fees

The amount of Kshs. 800,000 relates to provision for audit fees for the year 2011/2012.

### 12. Provision for Depreciation

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011</b> <b><u>Kshs</u></b>
Buildings	10,585,875	-
Motor Vehicles	9,798,500	-
Furniture and Fittings	3,483,298	-
Computers and Printers	8,743,508	-
Studio Equipments	1,274,462	-
Digital Equipment	619,300	-
Hotel Equipments	364,800	-
Tools and Equipment	1,315,000	-
Office Equipment	1,026,900	-
Printing Machinery	4,723,400	-
Generators	976,500	-
Intangible Asset	<u>1,981,801</u>	<u>-</u>
<b>Total</b>	<b>44,893,344</b>	<b>-</b>



# Kenya Institute of Education

## Notes to the Accounts (continued)

### 13 Property, Plant and Equipment

	LAND Kshs.	BUILDINGS Kshs.	FURN & FITTINGS Kshs.	MOTOR VEHICLES Kshs.	COMPUTERS Kshs.	STUDIO EQUIP Kshs.	DIGITAL EQUIP Kshs.	HOTEL EQUIP Kshs.	TOOLS & EQUIP Kshs.	OFFICE EQUIP Kshs.	PRINTING MACHINE Kshs.	GENER ATORS Kshs.	WIP Kshs.	TOTAL Kshs.
Valuation/cost as at 01/07/2011	416,000,000	423,435,000	17,266,500	39,194,000	12,998,000	22,748,000	5,833,000	3,648,000	4,029,000	5,134,500	17,068,000	9,765,000	560,220	977,679,220
Valuation of Indoor Lifter									2,146,000					2,146,000
Additions During the year	-	18,514,557.	1,237,298	-	16,147,026	2,741,234	360,000	5,721,030	3,532,000	79,050	77,400,000	-	83,939,848	209,672,043
Total Cost	416,000,000	441,949,557	18,503,798	39,194,000	29,145,026	25,489,234	6,193,000	9,369,030	9,707,000	5,213,550	94,468,000	9,765,000	84,500,068	1,189,497,263
Dep. Charge	-	11,048,739	3,700,760	9,798,500	8,743,508	1,274,462	619,300	936,903	1,941,400	1,042,710	4,723,400	976,500	-	44,806,181
NBV AS AT 30/06/2012	416,000,000	430,900,818	14,803,038	29,395,500	20,401,518	24,214,772	5,573,700	8,432,127	7,765,600	4,170,840	89,744,600	8,788,500	84,500,068	1,144,691,081

Work in Progress amount of Kshs. 83,939,848 relates to amount spent during the financial year for the professional fees in relation to the construction of Education Resource Centre.

# Kenya Institute of Education

## Notes to the Accounts (continued)

### 14. Intangible Assets

	<u>Kshs.</u>
Cost of Intangible asset as at 01/07/2011	867,050
Additions during the year	<u>5,738,955</u>
Total	6,606,005
Less amortization charge for the year	<u>(1,981,801)</u>
<b>Net Book Value as at 30/06/12</b>	<b><u>4,624,204</u></b>

The intangible assets related to cost on upgrade of the Accounting system to Sage ACCPAC version 5.0 which was done in the financial year 2010/2011 and Biometric HR System implemented in the financial year 2011/2012.

### 15. Trade and Other Receivables

#### a) Staff Receivables

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011</b> <b><u>Kshs.</u></b>
Staff Imprest	4,909,185	7,070,442
Staff Advances	825,182	763,799
Car Loans	68,906	227,906
	<b><u>5,803,273</u></b>	<b><u>8,062,147</u></b>
Less Provision for Doubtful debts	<u>(4,530,683)</u>	<u>(4,530,683)</u>
	<b><u>1,272,590</u></b>	<b><u>3,531,464</u></b>

#### b) Other Receivables

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011</b> <b><u>Kshs.</u></b>
Child Labour Education(ILO)	-	117,587
Safaricom (Teacher Laptop Project)	-	442,400
Development of Animal Welfare	-	415,160
TIVET/PPOA	-	12,870
TIVET- Police Training	-	4,273,402
TIVET / KESI	-	119,310
Ministry of Education	28,400,000	34,700,000
Statutory Deductions	55,502	357,261
Trade receivable	<u>54,840,479</u>	<u>50,220,659</u>
<b>TOTAL</b>	<b><u>83,295,981</u></b>	<b><u>90,658,649</u></b>
Less Provision for Doubtful debts	<u>(17,408,914)</u>	<u>(12,399,586)</u>
	<b><u>65,887,067</u></b>	<b><u>78,259,063</u></b>
	<b><u>67,159,657</u></b>	<b><u>81,790,527</u></b>



# Kenya Institute of Education

## Notes to the Accounts (continued)

The accumulated provision amount of Kshs. 12,399,586 was specific provision for debtors for the year 2010/2011. An increase of Kshs. 5,009,329 in the financial year 2011/2012 is both specific and general provision.

### 16. Prepayments and Deposits

	<b>2012</b>	<b>2011</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
Prepaid Insurances	3,940,429	3,436,312
Prepaid Software Licences	487,783	
Electricity Deposit	1,057,501	1,057,501
Fuel Deposit	100,000	100,000
MPESA	300,000	300,000
Equity Agency	500,000	-
Broadcasting Equipment	<u>22,750,000</u>	<u>22,750,000</u>
<b>Total</b>	<b><u>29,135,713</u></b>	<b><u>27,643,813</u></b>

### 17. Short term Investments Balances

	<b>2012</b>	<b>2011</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
Continental Credit	4,922,865	4,922,865
Bank Indosuez	120,000	120,000
Fixed Deposit – Co-op Bank	<u>121,715,597</u>	<u>214,352,029</u>
	<b><u>126,758,462</u></b>	<b><u>219,394,894</u></b>
Less Provision for doubtful debts	(5,042,865)	(5,042,865)
	<b><u>121,715,597</u></b>	<b><u>214,352,029</u></b>

Short term investment balances of Kshs. 4,922,865 and Kshs. 120,000 represents investment at cost with Continental Credit Bank (under receivership) and Bank Indosuez respectively in which the recovery is doubtful thus the provision in full.



# Kenya Institute of Education

## Notes to the Accounts (continued)

	<b>2012</b>	<b>2011 (Restated)</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
<b>18. Cash and Bank</b>		
<b>Kenya Commercial Bank</b>		
Main Account	47,970,975	*19,063,159
Account No 2	33,080,636	8,917,064
Cash collection	122,403	609
Petty cash	-	150,070
<b>Cooperative Bank Ltd</b>		
KIE Income Generating Account	89,724,905	59,558,277
Elimination of Child Labour	-	3,087,519
KIE Foreign Account	2,669,261	2,674,349
TIVET	5,781,545	*18,738,590
Curriculum Innovation	3,994,605	3,999,030
NACECE Resource Centre	<u>87,226,457</u>	<u>38,696,206</u>
	<b><u>270,570,787</u></b>	<b><u>*154,884,873</u></b>
*Please see Note 24		
<b>19. Revenue Reserve</b>		
Balance at the Start of the Period	373,834,384	362,606,713
Adjustments	-	12,938,038
Adjustment on valued Assets	-	(32,371,275)
Surplus/(Deficit )for the year	<u>63,254,470</u>	<u>30,660,908</u>
Balance as at end of the Period	<b><u>437,088,854</u></b>	<b><u>373,834,384</u></b>



## 20. Capital Reserve

The Institute valued its Non-Current assets for the first time during the financial year 2010/2011. The amount of Kshs. 1,058,350,800 is carried in the books as capital reserves. This amount includes valuation of assets of Kshs. 977,950,800 and development grant of Kshs. 80,400,000.

## 21. Donor Projects Funds

	<b>2012</b> <b>Kshs.</b>	<b>2011</b> <b>Kshs.</b>
KIE/UNICEF HIV Project	-	52,090
Mindset Network (Tafakari Project)	3,871,059	4,871,335
Maritime	-	8,155,357
TIVET MOYA	5,342,772	8,771,367
World Society For Dogs	-	1,265
TIVET-Catering Levy Devt. Trustee	1,253,700	1,253,700
Faraja Trust	1,569,120	1,569,120
C.C.K. Project	3,954,856	3,954,856
KIE PPOA	912,000	-
UNICEF /ECD Consultancy	-	1,430,294
UNICEF Life Skill/ Peace	2,097,230	6,677,020
TIVET Insurance	2,524,750	241,250
KIE/ Kenya School of Monetary Studies	1,004,893	1,004,893
KIE-Life Skill/Peace/Orientation	-	304,520
KIE/ Prisons Training	74,205	640,000
TIVET /KAFTEC	453,000	453,000
Education and Young people	-	130,500
TIVET /Aviation	495,000	495,000
World Food Programme	763,000	763,000
UNICEF Esaro	-	681,000
KIE Police Training	663,259	-
TIVET/KASNEB	347,760	352,760
UNICEF/Teachers Materials Development	-	37,520
UNICEF- Child Friendly Schools	-	30,010

# Kenya Institute of Education

## Notes to the Accounts (continued)

	<b>2012</b> <b><u>Kshs.</u></b>	<b>2011</b> <b><u>Kshs.</u></b>
TIVET/KPA	2,625,445	2,288,325
KIE/Intel	3,246,379	4,000,000
ICL/Peer Support	197,600	273,600
TIVET/Petroleum	682,336	58,401
TIVET Human Right	813,660	-
TIVET/Livestock	172,414	172,414
TIVET/Computers	500,000	500,000
KIE/HOPE Worldwide	163,000	-
TIVET PRISON	919,070	-
KIE/NEMA	1,944,525	-
TIVET KWS	904,115	-
UNICEF DRR	25,480,412	-
NFE/Save the Children Fund	73,640	-
NACADA	1,000,165	-
Mathare Youth Association	356,960	-
ECD Curriculum	120,000	-
Safaricom Teacher	157,600	-
TIVET/KESI	<u>153,860</u>	<u>-</u>
	<b><u>64,837,785</u></b>	<b><u>49,629,047</u></b>
<b>22. Trade and other Payables</b>	<b>2012</b>	<b>2011</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
Trade Payables	75,050,607	55,409,230
Statutory and Other Deductions	<u>555,518</u>	<u>528,576</u>
	<b><u>75,606,125</u></b>	<b><u>55,937,806</u></b>
<b>23. Bank Overdrafts</b>	<b>2012</b>	<b>2011</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
Continental Credit	<u>2,011,475</u>	<u>2,011,475</u>
Elimination of Child Labour	<u>2,000</u>	-
	<b><u>2,013,475</u></b>	<b><u>2,011,475</u></b>

The bank overdraft of Kshs. 2,011,475 relates to the amount overdrawn on KIE current account held with the Continental Credit bank under receivership.



# Kenya Institute of Education

## Notes to the Accounts (continued)

### 24. Restatements

The reserve fund balances for 2010/2011 have been restated to take into account prior year adjustments of Kshs. 12,938,038. An amount of Kshs. 8,699,017 related to transfer of funds from KIE main account for TIVET activities wrongly credited to Maritime project account in the financial year 2008/2009. The amount of Kshs. 4,542,150 related to reimbursement received from USAID for summative evaluation in the financial year 2010/2011. These amounts had understated the balances in the bank accounts for the financial year 2010/2011. The amount of Kshs (303,129) related to correction of adjustments wrongly captured in the cashbook in the financial year 2006/2007 which had overstated the cash and bank balances for the financial year 2010/2011.

The capital reserve and Property Plant and Equipment balances for 2010/2011 have been reinstated to take into account an indoors lifter valued at Kshs. 2,146,000 which was omitted by the independent valuers while undertaking assets valuation in the last financial year. This figure had understated the fixed assets(Tools and Equipments) balances for the financial year 2010/2011.

The board expenses balances for the year 2010/2011 have been restated to take into account the Institute's Director's remunerations which had been included in the staff costs instead of the board expenses. This had understated the board expenses balances and overstated the staff costs for the financial year 2010/2011.





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## KENYA INSTITUTE OF EDUCATION

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