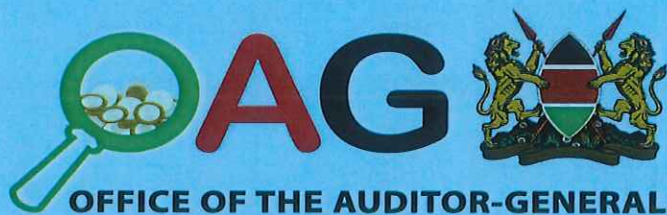


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA EDUCATION MANAGEMENT
INSTITUTE**

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





KENYA EDUCATION MANAGEMENT INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2021

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



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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Institute was established as the capacity building agency of the Ministry of Education Under Legal Notice no. 19 of 2010. Under the legal notice no. 163 of 2011 the Institute changed its name from Kenya Education Staff Institute (KESI) to Kenya Education Management Institute (KEMI)

(b) Principal Activities

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

Vision:

A leading institution in management development for education managers.

Mission:

To provide training, conduct research and undertake consultancy services that promote capacity development of education managers.

Core Values:

Integrity

Professionalism

Teamwork

Quality customer service

Innovativeness

Respect for the environment

(c) Key Management

KEMI day-to-day management is under the following key organs:

- Council;
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director	Dr. Maurice O. Odondo
2.	Deputy Director Corporate Services	CPA. Richard Thomi
3.	Deputy Director Training	Mr. Wycliffe Wasike
4.	Head of Finance	CPA. Grace Wahura
5.	Head of Procurement	Ms. Jackline Lumwachi
6.	Head of Human Resource	Mr. Kepha Owino
7.	Head Internal Audit	CPA Samuel Mawega

(e) Fiduciary Oversight Arrangements

Audit and Risk Committee

Mandate:

The Audit Committee plays the following roles:-

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

Finance committee

Mandate:

The committee plays the following roles:-

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

(f) Entity Headquarters

P.O Box 62592 00200,
Mtama Road,
Nairobi, Kenya

(g) Entity Contacts

Telephone: 0718 518422

E-mail: info@kemi.ac.ke

Website: www.kemi.ac.ke

(h) Entity Bankers

1. National Bank of Kenya
Harambee Avenue Branch
P.O Box 41862
Nairobi
2. Equity Bank Ltd,
Tom Mboya Branch,
P.O Box 10369
Nairobi

(i) Independent Auditors

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

(j) Principal Legal Adviser




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



2. THE BOARD OF DIRECTORS/COUNCIL

Ref	Council	Details
1.	 <p>Prof. Eunice Mutitu-Council Chair PhD in Plant Pathology, M.Sc. in Plant Pathology, and B.Sc.</p>	<p>Prof. Eunice Mutitu born in 1951 is the Chairperson of the Kenya Education Management Institute Council. She is a Fulbright Scholar of the Pennsylvania State University in USA and Visiting Scientist of DSMZ, Germany. She is currently a Lecturer at the faculty for Agriculture, the University of Nairobi. She has wide experience in administration having served as Director of the Board of Post Graduate Studies, Coordinator of various University projects and Chairperson, Department of Crop Protection at the University of Nairobi.</p>
2.	 <p>Dr. Belio R. Kipsang He holds a PhD degree in Education (Education Administration and Planning), Masters of Arts degree in Economics and Bachelor's degree in Education (Business and Economics)</p>	<p>Dr. Belio R. Kipsang is the Principal Secretary Ministry of Education Science & Technology/State Department of Education. He holds a PhD degree in Education (Education Administration and Planning) from Catholic University of Eastern Africa, Masters of Arts degree in Economics and Bachelor's degree in Education (Business and Economics) both from University of Nairobi. He previously served as Managing Trustee/Chief Executive Officer Coffee Development Fund, Deputy CEO and Head of Operations Higher Education Loans Board. He is a Council Member at Mt. Kenya University and Cooperative University College. He is also a board member Finance Alliance for Sustainable Trade, Council Member Advisory Council for Coffee Initiative, Government Delegate</p>





		<p>International Coffee Organization and chair Operations Committee, Association of African Higher Education Financing Agencies</p>
<p>3.</p>	<div data-bbox="280 804 727 1155" data-label="Image"> </div> <p>DR. Maurice O. Odondo PhD Business Administration, Master of Business Administration, B.Ed (Arts).</p>	<p>He is the Acting Director, Kenya Education Management Institute (KEMI). Prior to his appointment, Dr. Odondo was the Deputy Director Training, Research and Consultancy Department. He previously acted as Deputy Director Corporate Services Department and Head of School of Management Division at the Institute. He was a Member Representative (MR) of Quality Management Systems for the Institute and coordinator of ISO 9001:2015. He has 24 years' experience in the education sector having contributed in various capacities. He holds a Bachelor Degree in Education (Arts) from Moi University, Master of Business Administration from Kenyatta University and Doctor of Philosophy in Business Administration from JKUAT. Dr. Odondo is a member of Kenya Association for Public Administration and Management (KAPAM). He is a renowned trainer in leadership and management, an author of education management books; he has published in various Journals and presented papers in national and international educational conferences. He champions provision of quality, relevant and inclusive education to humanity</p>




4.	 <p>Dr. Nancy Njeri Macharia</p>	<p>Mrs. Macharia was employed by the Teachers Service Commission in May 1987 as a teacher of English and literature and taught in various schools before joining the TSC secretariat in 1995 as a staffing officer. She rose through the various ranks in the secretariat until her current appointment as the Commission Secretary in July 2015. She has worked in the education sector for more than 28 years. She holds a Master of Education (Policy and Management) degree from Bristol University, UK and a Bachelor of Education degree in English/Literature from Kenyatta University. Mrs Macharia has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formation, Information Communication Technology (ICT), Proactive Management and Business Excellence Models, among others. In addition, she is a member of the Kenya Association of Public Administration Management (KAPAM) and Institute of Directors</p>
5.	 <p>Ms. Mutheu Kasanga</p>	<p>Ms. Mutheu Kasanga is the Chairperson of Kenya Private Schools Association, Board Member at East Africa Science and Technology Commission, and a Member Board of Trustee, Lukenya University. She holds a M.Ed Management from Oxford Brookes University and a B.Ed from the University of Nairobi. She also Chairs the Education Sector Board at the Kenya Private Sector Alliance and has been a Director at Lukenya Schools for over 17 years.</p>

6.	 <p>Mr. Saul Barasa</p>	<p>Mr. Saul Barasa is the Chairperson of Kenya Teachers Colleges Principals Association (KTCPA). He holds a B.Ed (Arts) from Kenyatta University. He is currently the Chief Principal of Kibabii Diploma Teachers Training College</p>
7.	 <p>Mr. Nicholas Gathemia Higher Diploma in Education</p>	<p>Mr. Nicholas Gathemia is the current National Chairman of the Kenya Primary Schools Headteachers Association (KEPSHA) and one of the founders of KEPSHA. He is currently the Headteacher of Lavington Primary School and a Board Member of Peer Counsellors' Association (PCA.)</p>
8.	 <p>Mr. Samuel G. Mutungi M.Sc. (Business Systems Analysis and Design) from the City University (London) and a B.Ed (Mathematics and Business Studies)</p>	<p>Mr. Samuel G. Mutungi, born in 1955, holds a M.Sc. (Business Systems Analysis and Design) from the City University (London) and a B.Ed (Mathematics and Business Studies) from University of Nairobi. He is currently a Consultant in ICT and Banking. He has wide experience in banking having worked as a Director at Co-operative Bank of Kenya for over 16 years. He has 8 years' experience as a Computer Services Manager at Glaxo East Africa. In addition he has been a lecturer for over 6 years at Kenya Polytechnic. He is a Fellow of the Kenya Institute of Bankers and Fellow Kenya Computer Society and a member of Paul Harris Fellow (Rotary International).</p>

<p>9.</p>	 <p>Mr. Indimuli Kahi Masters of Business Administration (MBA) in Strategic Management from University of Nairobi and a Bachelor's Degree in Education (B.Ed.) from Kenyatta University.</p>	<p>Mr. Indimuli Kahi OGW is the current president African Confederation of Principals National Chairman of Kenya Secondary Schools' Heads Association (KESSHA). He is also a council member of the International Confederation of Principals.</p>
<p>10.</p>	 <p>Mr. Timothy Atuti He holds a Masters in Project Planning and Management from the University of Nairobi and B.Ed (Arts) from Egerton University</p>	<p>Mr. Timothy Atuti is the Vice Chairperson of Kenya Teachers Colleges Principals Association (KTCPA). He is currently the Principal of Borabu Teachers Training College.</p>

3. MANAGEMENT TEAM

No.	Management	Details
1.	 <p>DR. Maurice O. Odondo PhD Business Administration, Master of Business Administration, B.Ed (Arts).</p>	<p>He is currently the acting Director, Secretary to the council and the accounting officer</p>
2.	 <p>CPA Richard Thomi MBA, B.Com (Accounting option), CPA (K).</p>	<p>Deputising the director and in charge of corporate services</p>
3.	 <p>Mr. Wycliffe Wasike M.A (Communication), B.Ed.</p>	<p>Deputising the director and in charge of management development</p>
4.		<p>In charge of Finance and Accounts</p>

	<p>CPA Grace Wahura B.Com (Finance), CPA (K).</p>	
5.	 <p>Mr. Kepha Owino Higher Diploma in Human Resource Management.</p>	<p>In charge of Human resource Development</p>
6.	 <p>Ms. Jackline Lumwachi. Diploma in Procurement and Logistics</p>	<p>In charge of Procurement and disposal</p>
7.	 <p>CPA Mr. Samuel Ochieng Mawega, CPAK</p>	<p>In charge of Internal Audit</p>

4. CHAIRMAN'S STATEMENT

We are pleased to showcase our successes for 2020/2021 in this annual report. The institute increased its focus on capacity development in education management by improving access to training programs while improving quality. These programs we know drive education quality and have the greatest impact on education service delivery.

KEMI's proven strategy - well executed by a strong management team and 88 employees contributed to the success of the institute's capacity development program.

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

I would like to thank the KEMI council and management team for the achievements made in 2020/2021. I am truly privileged to work with this team, which brings commitment and enthusiasm to work and carries it forward to enrich our clientele.

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

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

As we now direct our attention to 2021/2022, we look forward to the future because we are confident that KEMI will remain focused on delivering strong results.



Prof. Eunice Mutitu

Chairperson

KEMI COUNCIL

5. REPORT OF THE DIRECTOR

Much of our work in Kenya Education Management Institute (KEMI) focuses on developing the capacity of education managers to meet the 21st century challenges. As we present our 2020/2021 annual report, it is worth pausing to consider a question fundamental to KEMI'S mission: Why capacity development? At KEMI our capacity development program is about understanding the issues that inhibit education managers from realizing educational goals while enhancing their knowledge and skills that will enable them to achieve measurable and sustainable results.

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

It is worth noting that in the previous years, 84% of School heads and Deputies have been taken through the Diploma in Education Management. In regard FY 2020/2021, the Institute has made great achievements in inducting the newly appointed heads of schools and deputies. Groups that were taken through the Diploma in Education Management include among others; Quality Assurance and Standards Officers, Adult Education Officers and Technical and Vocational Managers.

We are confident that operational and financial performance will improve further during 2021/2022 enabling us to achieve our set targets for the year.

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



DR. Maurice Odondo

Ag. Director/CEO

6. STATEMENT OF KEMI's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

KEMI has six (6) strategic pillars and objectives within the current Strategic Plan for the FY 2018-2022.

These strategic pillars/ themes/ issues are as follows:

- I) To enhance management competences for leaders, managers and administrators in the education sector.
- II) To enhance research and consultancy in KEMI for creation, and dissemination of knowledge for continuous improvement of management of institutions.
- III) To leverage technology (ICT) to enhance training and administrative activities.
- IV) To improve and upgrade KEMI's physical facilities and infrastructure.
- V) To expand KEMI's resource base and enhance visibility
- VI) To improve a culture of ownership, efficiency and effectiveness in policy execution among KEMI staff.

KEMI develops its annual work plans based on the above 6 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KEMI achieved its performance targets set for the FY 2020/2021 period for its 9 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
To enhance management competences for leaders, managers and administrators in the education sector.	Train education managers	i) Number of reviewed training programs curriculum and updated modules, ii) Number of Trained KEMI test developers and examiners iii) Number of proposals written to MoE and County governments to offer training to their education managers iv) Designed curricula for certificate courses v) Existence of e-learning materials and infrastructure to support e-learning. vi) Subscription to Kenya Library and Information Services Consortium to	Review training programs and curriculum	Reviewed 19 curricula and training manuals: Digitized 8 modules and training manuals

		<p>acquire 30,000 electronic resources</p> <p>vii) Number of Identified ESD centres</p> <p>viii) Number of Partnership proposals and MoUs</p> <p>ix) Enterprise Risk Management Plan</p> <p>x) Enterprise Risk Management Reports</p>		
<p>To enhance research and consultancy in KEMI for creation, and dissemination of knowledge for continuous improvement of management of institutions.</p>	<p>To enhance research and consultancy in KEMI for creation, and dissemination of knowledge for continuous improvement of management of institutions.</p>	<p>i) A report on proceedings of a brainstorming workshop on enhanced research functions and consultancy services for KEMI.</p> <p>ii) Draft policy.</p> <p>iii) Number of successful Grant applications per year.</p> <p>iv) Report on staff training.</p> <p>v) Proposal and implementation plan on M&E.</p> <p>vi) A report on the findings of impact assessment for ODFL</p> <p>vii) A TNA report on the various cadres of clients.</p> <p>viii) Proposals on soliciting for funded consultancy projects</p> <p>ix) Number of publications produced in the Journal annually.</p>	<p>Benchmark with universities that offer education management and planning on best practices in research and consultancy services. Develop a research policy on education management for KEMI</p>	
<p>Leverage technology (ICT)</p>	<p>To leverage technology (ICT) to enhance training and administrative</p>	<p>a) Reviewed and updated policy that includes the guiding standards.</p> <p>b) Audit report on ICT status,</p>	<p>Review institutional ICT policy to</p>	

	ve activities.	and ICT training needs assessment for staff c) Installed ICT equipment and software d) Upgraded ICT software and hardware	align it to the national ICT policy that includes the guiding standards. Conduct automation audit and undertake ICT training needs assessment for staff Increase funding for ICT equipment and software including: LMS, HRMIS, IFMIS, ERP and digital registration platform	
Infrastructure and facilities	To improve and upgrade KEMI's	Constructed perimeter wall. Proposals to solicit funding from GoK. Five year master	Audit facilities	

	physical facilities and infrastructure	development plan and MoUs on PPPs. Renovation and maintenance reports Number of security facilities installed	annually to determine level of utilization Renovate KEMI Parklands facilities and infrastructure	
Resource mobilization and visibility of KEMI	To mobilize resources	<ul style="list-style-type: none"> a. Percentage of increase in research grants, evidence of creation and operationalization of KEMI's fundraising activities. b. Amount of revenue generated from IGUs; Number of IGUs established. c. Proposal for increasing capitation to the Cabinet Secretary, MoE d. Reviewed: austerity measures; utilization of allocated funds; and compliance with the set budgetary levels. <ul style="list-style-type: none"> ii) Promotional brochures on training programmes. 	Enhance partnerships and collaborations with alumni, donors, public and private sector for fund raising Develop more income generating units (IGUs). Prepare a cost reduction plan. Promote corporate image by advertising KEMI's training programmes during forums such as heads of schools/ institutes conferences.	

		Number of hits on KEMI website per year.		
		a. Number of public events at KEMI.		
Governance, leadership and institutional culture	To enhance Governance , leadership and institutional culture	i) Draft policy for professional development of staff ii) Skill gap analysis iii) Reviewed staff establishment	Develop a policy for professiona l developme nt of staff Conduct skills gap analysis Review and update staff establishm ent Review and update career progression guidelines to align them with the PSC requiremen ts.	

7. CORPORATE GOVERNANCE STATEMENT

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

Compliance

The Council is compliant with the provisions of but not limited to the following Acts and regulations: KEMI Legal Notice 19/2010, Education Act No. 14 of 2013, Occupational Safety Health Act and Public Procurement & Disposal Act 2005. g

Council composition

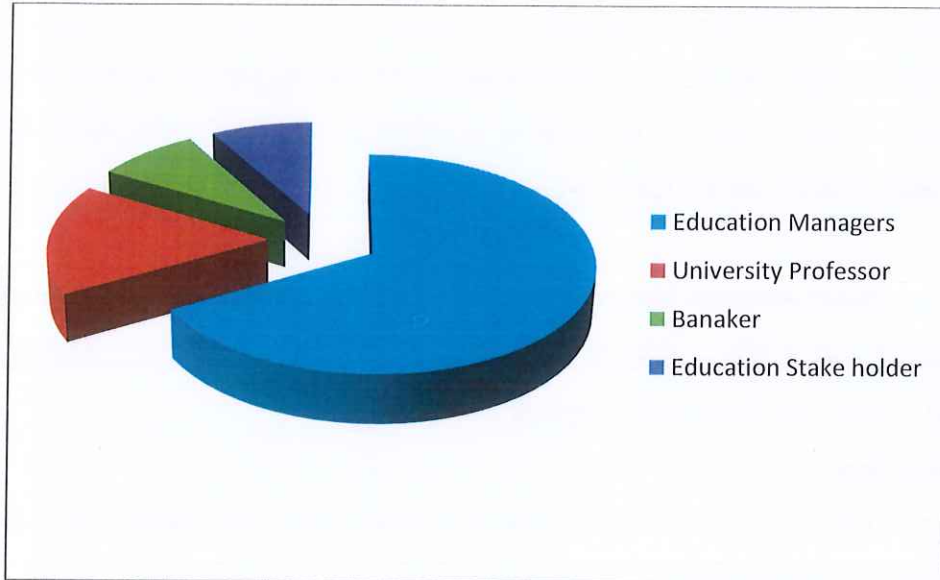
The Council consists of 11 members led by a non-executive and independent Chairperson as follows:

No	Name	Position
1.	Prof. Eunice Mutitu	Chairperson
2.	Dr. Belio Kipsang	PS/MOEST
3.	Dr. Maurice Oondo	Ag. Director/KEMI
4.	Dr. Nancy Macharia	Secretary/CEO/TSC
5.	Mr. Kahi Indimuli	Representative Kenya Secondary School Heads Association
6.	Mr. Nicholas Gathemia	Representative Kenya Primary School Heads Association
7.	Mr. Timothy Atuti	Representative Kenya Association for Primary Teachers Training Colleges
8.	Mr. Saul Barasa	Representative Kenya Diploma Colleges Principals Association
9.	Mrs. Mutheu Kasanga	Representative Kenya Private schools association.
10.	Mr. Samuel G. Mutungi	Two persons, not being civil servants, appointed by the Cabinet Secretary by virtue of their knowledge in matters related to education

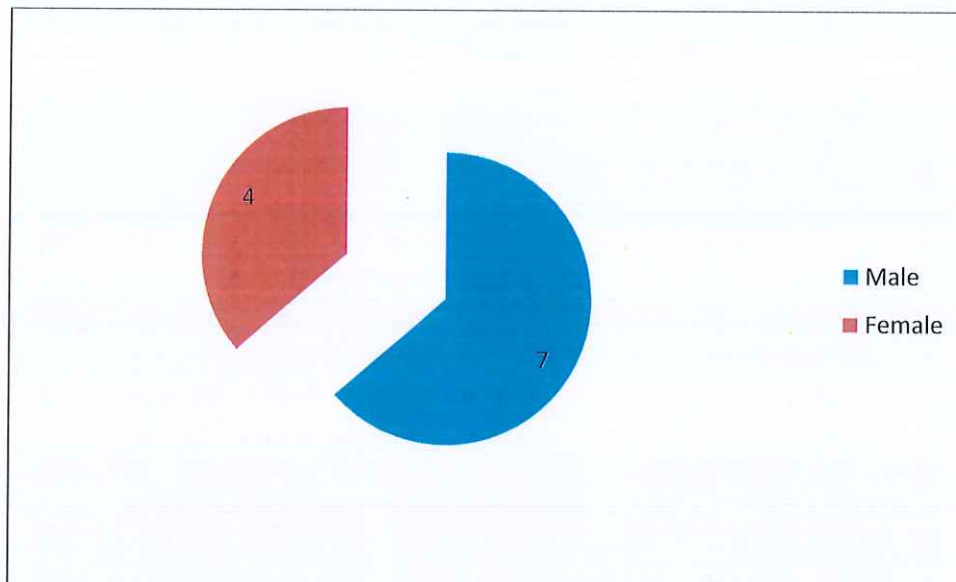
Council Diversity

The Council diversity is as follows:

The professional diversity of the board is presented below:



The gender diversity of the Council is illustrated below:



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

Separation of powers

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

Responsibilities of the Council

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

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

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

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

Council Remuneration

Council Allowances are paid in line with the State Corporations Regulations Circular as follows:

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

Conflict of interest and Declaration of interest

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

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

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

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

Board Committees

The Council is made up of 5 committees:

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

In pursuit of institutional relevance, KEMI developed the current strategic plan, covering a period of five years (2018-2022) that coincides with the implementation of National Education Strategic Sector Plan (NESSP) 2018-2022. This Strategic Plan is embedded within Kenya's development agenda. It captures the spirit of the Constitution of Kenya and a host of other legal and regulatory frameworks such as: Basic Education Act (2013) and Vision 2030 Medium Term Plan III (2018-2022) that incorporates the "Big Four Agenda". It is also informed by Kenya's National Education Sector Plan (NESP) 2013-2018 that has been the Government's blue print for delivering the education reforms.

Operations and financial performance:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	Ksh	Kshs	Kshs	Kshs
Revenue from non – exchange transactions	82,400,000	88,900,000	88,994,138	92,000,000
Revenue from exchange transactions	26,622,177	77,263,861	52,852,962	98,687,744
Total Revenue	109,022,177	166,163,861	141,847,100	190,687,744
Expenses				
Staff Costs	80,020,278	82,154,250	77,017,174	80,804,573
Administrative expenses	46,106,903	86,630,500	62,820,679	82,059,774
Depreciation and Amortization Expense	12,749,561	12,531,517	14,179,216	13,522,165
Council Expenses	9,720,507	2,940,728	3,615,140	1,075,00
Finance Cost	40,160	47,790	28,528	52,656
Total Expenses	148,637,410	184,304,784	157,660,736	177,514,167
Deficit / Surplus for the year	(39,615,233)	(18,140,923)	(15,813,636)	13,173,578

Key Projects:

The institute has had no major project but has continued to carry out minor alterations of its infrastructure.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
		Kshs	Kshs	Kshs
Plant & Machinery	392,392			
Minor alterations		513,670	2,928,721	
Motor vehicle			7,909,492	4,900,000
Total	392,392	513,670	10,838,213	4,900,000

Compliance with statutory requirements:

KEMI has fully complied with statutory requirements. As a result the institute has no arrears in statutory neither other financial obligations.

Major risks facing KEMI:

Type of Risk	Mitigation Strategy
Inadequate GoK grant	<ul style="list-style-type: none"> a) Lobby for budgetary allocation b) Enhance resource mobilization
Credit Risk	<ul style="list-style-type: none"> a) It is the risk that counterparty will default on the contractual obligation, resulting in financial loss. KEMI's credit risk is managed by the Head of Income Generating Projects by ensuring that relevant documentation is obtained before any engagement, to allow follow up on such payments.
Operational Risk	<ul style="list-style-type: none"> a) This Risk is being managed by the Deputy Director Training through introduction of new programmes hence diversification.
Loss of key data due to fire, sabotage, power fluctuations, obsolesce and hackings.	<ul style="list-style-type: none"> a) Continuously update and upgrade systems and applications b) Develop comprehensive data recovery plan. c) External storage and continuous backup d) Secure appropriate insurance cover
Inadequate staffing	<ul style="list-style-type: none"> a) Implement staff establishment and scheme of service b) Administer succession planning c) Staff to embrace the culture of multi-tasking d) Continuous training e) Outsource non-core services
Staff turnover	<ul style="list-style-type: none"> a) Undertake comprehensive job evaluation b) Review of terms of service c) Classification of the Institute as a state corporation d) Implement scheme of service. e) Develop staff retention and development plan.
Squatter invasion of land at KEMI/ Kayole	<ul style="list-style-type: none"> a) Comply with laws governing eviction b) Construction of a perimeter wall.
Public education agencies undertaking the legal mandate of KEMI	<ul style="list-style-type: none"> a) Lobby for the development of a capacity building policy to harmonize capacity building activities undertaken by the players.

Review of the sector and future development

The Education Sector has identified the programmes to be implemented during the MTP III period. The sector focuses on capacity building as a strategy to effectively and efficiently: revitalize the existing VTCs; roll out the Competency Based Curriculum; operationalize National Education Management Information System; integrate ICT in Secondary Education; operationalize Institutional Based Quality Assurance; and implement Special Needs Education. In addition, the sector focuses on establishment of 47 Education for Sustainable Development (ESD) model institutions. These institutions are intended to be demonstration centres for best management practices that could also serve as a basis for undertaking research to identify gaps relating to access, equity, and quality in education management; and subsequently disseminate research findings to inform policy. KEMI is expected to develop and implement capacity building programs to enhance management practice, skills and knowledge of education managers.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KEMI exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

KEMI will refocus itself as a vibrant institution able to achieve its mandate and fulfil the expectations of the stakeholders. It also recognises the vital role of KEMI in national development. There is therefore need for KEMI to strengthen its research and consultancy functions on education management. Towards this end, KEMI could play a key role in monitoring the implementation of the Competence Based Curriculum, the Digital Literacy Programme and the free primary and secondary education initiative for the Ministry of Education.

ii) Employee welfare

The Institute has undertaken following strategies and objectives geared towards employee's welfare

Strategic Focus Area	Objective	Activity	Achievements
Develop a policy on professional development of staff	Develop a policy on professional development of staff	Human Resource Policy documents forwarded to PSC	Human Resource Policy developed
Conduct skill gap analysis	skill gap analysis report	Implementation ongoing	Skill gap analysis report developed
Conduct training on accountability and	Staff training	Online training through different professional bodies	Trained all trainers at KSG on SMC and SLDP other staff

good governance			have been trained on in-house training
Review and update staff establishment and career progression guideline.	Reviewed staff establishment	Documents on staff establishment and career progression forwarded to SRC.	Consultant engaged and reviewed HR policy documents
Put in place mechanisms to safeguard staff welfare	To ensure safety and comply with occupational safety and health	Mitigate against technological hazards, terrorism, fire and natural disasters	Fire drill, maintenance of fire extinguishers

iii) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

To ensure a health and responsible competition the Institute has partnered with EACC which carries out annual evaluations in corruption and prevention indicator activities.

b) Responsible Supply chain and supplier relations

The Institute carry's out training on procurement procedures to the prequalified suppliers and ensures 30% of total procurement is awarded to youth, women and PWDs. KEMI pays suppliers within 7 days upon receipt of proper documentations as highlighted in the service charter.

c) Responsible marketing and advertisement

The Institute ensure Transparency, Honest, Respect and responsibility when marketing and advertising for its courses and facilities.

d) Product stewardship

KEMI ensures its clients and the public, are protected against unfair practices in the marketplace by safeguarding their information.

iv) Corporate Social Responsibility / Community Engagements

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

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2021, which show the state of the KEMI affairs.

i) Principal activities

The principal activity of KEMI is training education managers in the Education sector.

ii) Results

The results of the entity for the year ended 30 June 2021 are set out on page 1 to 18.

iii) Directors

The members of the Board of Directors who served during the year are shown on page v to ix.

iv) Auditors

The Auditor General is responsible for the statutory audit of KEMI in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Name: DR. Maurice Odondo
AG. Director

Signature: 

Date: 30 June 2021

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, - require the Directors to prepare financial statements in respect of that KEMI, which give a true and fair view of the state of affairs of the KEMI at the end of the financial year/period and the operating results of the KEMI for that year/period. The Directors are also required to ensure that the KEMI keeps proper accounting records which disclose with reasonable accuracy the financial position of the KEMI. The Directors are also responsible for safeguarding the assets of the KEMI.

The Directors are responsible for the preparation and presentation of the KEMI financial statements, which give a true and fair view of the state of affairs of the KEMI for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the KEMI; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the KEMI financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) –The Directors are of the opinion that the KEMI financial statements give a true and fair view of the state of KEMI transactions during the financial year ended June 30, 2021, and of the KEMI financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the KEMI, which have been relied upon in the preparation of the KEMI financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The KEMI financial statements were approved by the Board on 30 June 2021 and signed on its behalf by:



Name: Prof. Eunice Mutitu
Chairperson of the Board/Council



Name: DR. Maurice Odondo
Accounting Officer

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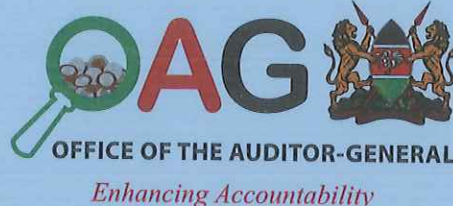
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REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

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

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk Management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Kenya Education Management Institute set out on pages 1 to 18, which comprise the statement of financial

position as at 30 June, 2021, and the statement of financial performance, statement of cash flows, statement of changes in net assets, 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 the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Education Management Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Receivables from Exchange Transactions

1.1. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 10 to the financial statements reflects receivables from exchange transactions balance of Kshs.48,247,138. However, receivables amounting to Kshs.43,429,569 or 90% of the balance have been outstanding for a period exceeding 365 days. Although provision for bad debts equivalent to three (3%) percent has been made, its adequacy could not be established.

Further, the balance includes rent of Kshs.1,612,964 that has been outstanding since November, 2013. The amount relates to two (2) staff who were transferred from the institute but have continued to occupy the Institute premises. Management has not explained how it intends to recover the amounts from the staff.

1.2. Understatement of Receivables from Exchange Transactions

The statement of financial performance and as disclosed in Note 5 to the financial statements reflects administrative expenses amounts of Kshs.46,106,903. The amount includes training programs expenditure of Kshs.9,586,344 which further includes an amount of Kshs.605,750 paid on 30 June, 2021 in respect of subsistence allowance and fuel to KEMI officers during the preparation of the 2021/2022 Performance Contract. However, the amount was not disclosed as an outstanding receivable from exchange transactions balances of Kshs.48,247,138.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.48,247,138 could not be confirmed.

2.0. Unsupported Balance on Property, Plant and Equipment

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.2,340,305,818 which includes Electronics Data Processing

(EDP) equipment valued at Kshs.2,419,237 issued to the Ministry of Education staff who had been seconded to the Institute. Available information indicates that although the total amount of Kshs.2,419,237 was recovered from the employees, the Ministry had only remitted Kshs.1,399,800 to the Institute. Review of the matter revealed that the Ministry had not remitted the balance of Kshs.1,019,437 by the end of the financial year.

Further, property, plant and equipment balance includes a parcel of land measuring 15.45 hectares at Kayole in Nairobi valued at Kshs.2,050,000,000 which is partially encroached by informal settlers. The Management contracted a law firm on 18 October, 2010 to seek court orders for the eviction of the informal settlers, and notice of eviction was put on nationwide newspapers on 28 November, 2017. The Management further wrote to the parent ministry on 20 August, 2018 seeking for intervention to evict the informal settlers. However, the matter had not been resolved by the end of the financial year.

In addition, Note 12 to the financial statements reflects motor vehicles balance of Kshs.6,280,779 which includes four (4) vehicles that did not have log books and therefore ownership could not be confirmed.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.2,340,305,818 as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Education Management Institute Management in accordance with ISSAI 130 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.183,149,684 and Kshs.109,022,177 respectively resulting to an under-funding of Kshs.74,127,507 or 40% of the budget. Similarly, the Institute expended Kshs.148,994,288 against an approved budget of Kshs.195,939,405 resulting to an under-expenditure of Kshs.46,945,117 or 24% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Composition of Council Committees

Review of the Institute's documents revealed that the Institute's Council had five (5) committees namely audit, training, human resource management, business and finance and general -purpose committees. This is contrary to Section 1.7 (1)(a) of the Code of Governance for state corporations (Mwongozo Guideline), 2015 on establishment of Board Committees' which states that the board/council should establish not more than four (4) committees of the board/institute provided that the board shall be at liberty to establish such ad-hoc committees as required to deal with any ad-hoc matters requiring focused attention such as recruitment of the Chief Executive Officer.

Further, the appointment of Ministry representative was not gazetted. This was contrary to Circular reference OP/SCAC.9/73A (48) of 4 May, 2015 on letters of appointment for Chairpersons and Board Members of State Corporations states that, in order to ensure uniformity in implementation of Mwongozo, it was required that from the date of the circular; All board appointments, including representatives from the Ministry, shall be by gazette notice. Members so appointed shall signify their acceptance by signing the declaration in the appointment letters.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk Management and governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy and Strategy

Review of records revealed that Management had not put in place Risk Management Policy and Strategies. It was, therefore, not clear how risk exposures are managed by Management. This is contrary to Regulation 165 (1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism, and develops a system of risk management and internal control that builds robust business operations.

In the circumstances, existence of an effective risk management measures could not be confirmed.

2. Lack of Imprest Register

Review of the records revealed that the Institute did not maintain an imprest register to confirm the validity of the issuance of imprest both domestic and foreign.

In the circumstances, the effectiveness of internal controls and governance could not be confirmed.

3. Lack of Succession Planning

Review of the documents revealed that the term of the Council members came to an end in May, 2021, where all the members exited. This is contrary to the requirements of Section 1.14 of Mwongozo on succession planning which states that the appointing authority should ensure staggering of board appointments so that the respective expiry dates of the members terms fall at different time to ensure continuity.

In the circumstances, lack of succession planning denied the institute the benefit of oversight and governance.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk Management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk Management and governance processes and systems in

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 September, 2022

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	<u>Notes</u>	<u>2020 - 2021</u> Ksh	<u>2019 - 2020</u> Ksh
Revenue from non - exchange transactions	2	82,400,000	88,900,000
Revenue from exchange transactions	3	26,622,177	77,263,861
Total Revenue		109,022,177	166,163,861
Expenses			
Staff Costs	4	80,020,278	82,154,250
Administrative expenses	5	46,106,903.10	86,630,500
Depreciation and Amortization	6	12,749,561.27	12,531,517
Council Expenses	7	9,720,507	2,940,728
Finance Cost	8	40,160	47,790
Total Expenses		148,637,410	184,304,784
Deficit / Surplus for the year		(39,615,233)	(18,140,923)

The notes set out on pages 8 to 18 form an integral part of these Financial Statements
The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Ag. Director KEMI Name: Dr. Maurice O. Odondo	Head of Finance Name: Richard Thomi ICPAK M/NO: 6785	Chairman of the Board Name: Prof. Eunice Mutitu
--	--	--

Sign 
Date 30/06/2021

Sign 
Date 30/06/2021


Sign 
Date 30/06/2021

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021


	<u>Notes</u>	<u>2020 - 2021</u> Kshs	<u>2019 - 2020</u> Kshs
Assets			
Current assets			
Cash and cash equivalent	9	12,831,967	47,219,911
Receivables from exchange transactions	10	48,247,138	47,098,840
Receivables from non-exchange transactions	11	3,500,000	
Total Current Assets		64,579,105	94,318,751
Non - current assets			
Property, plant and equipment	12	2,340,305,818	2,351,146,788
Intangible Asset	13	6,064,800	7,581,000
Total Non-Current Assets		2,346,370,618	2,358,727,788
Total assets		2,410,949,724	2,453,046,538
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	15,442,823	17,924,404
Total Current Liabilities		15,442,823	17,924,404
Non-Current liabilities		-	-
Total Liabilities		15,442,823	17,924,404
Reserves and Surplus			
Revaluation Reserve	15(i)	2,284,463,085	2,284,463,085
Capital Reserve	15(ii)	44,164,375	44,164,375
Retained earnings	15(iii)	66,879,440	106,494,673
Total Net Reserves & Surplus		2,395,506,900	2,435,122,133
Total Net Assets and Liabilities		2,410,949,724	2,453,046,537

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

Ag. Director KEMI Name: Dr. Maurice O. Odondo	Head of Finance Name: Richard Thomi ICPAK M/NO: 6785	Chairman of the Board Name: Prof. Eunice Mutitu
--	--	--

Sign 
Date 30/06/2021

Sign 
Date 30/06/2021

Sign 
Date 30/06/2021

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

	REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
As At July 1, 2019	2,284,463,085	44,164,375	124,635,597	2,453,263,057
Development Grant	-	-	-	-
Surplus for the year	-	-	(18,140,923)	(18,140,923)
As At June 30, 2020	<u><u>2,284,463,085</u></u>	<u><u>44,164,375</u></u>	<u><u>106,494,674</u></u>	<u><u>2,435,122,134</u></u>
As At July 1, 2020	2,284,463,085	44,164,375	106,494,674	2,435,122,134
Development Grant	-	-	-	-
Deficit for the year	-	-	(39,615,233)	(39,615,233)
As At June 30, 2021	<u><u>2,284,463,085</u></u>	<u><u>44,164,375</u></u>	<u><u>66,879,441</u></u>	<u><u>2,395,506,901</u></u>

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

	<u>Notes</u>	<u>2020 - 2021</u> Kshs	<u>2019 - 2020</u> Kshs
Cash flows from Operating Activities			
Net Deficit/Surplus before tax		(39,615,233)	(18,140,923)
<i>Adjustment for:</i>			
Depreciation	12	11,233,361	12,531,517
Amortization	13	1,516,200	
<i>Operating (Deficit)/Surplus before working capital changes</i>		(26,865,671)	(5,609,406)
Increase/Decrease in debtors	10	(1,148,299)	(1,569,532)
Receivables from Non Exchange		(3,500,000)	0
Decrease in payables	14	(2,481,581)	13,815,484
<i>Cash generated from operations</i>		(33,995,551)	6,636,546
Net cash from operating activities		(33,995,551)	6,636,546
Cash flows from Investing Activities			
Purchase of Fixed Assets	12	(392,392)	(639,570)
Purchase of Intangible Assets	13	-	(7,581,000)
Development Grant received		-	
<i>Net cash used in investing activities</i>		(392,392)	(8,220,570)
Cash flows from Financing Activities			
Net Increase in cash and cash equivalents		(34,387,943)	(1,584,024)
Cash and cash equivalents			
At the beginning of the year		47,219,910	48,803,934
At the end of year		12,831,967	47,219,910

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

Ag. Director KEMI	Head of Finance	Chairman of the Board
Name: DR. Maurice O. Odondo	Name: Richard Thomi	Name: Prof. Eunice Mutitu

ICPAK M/NO: 6785

Sign 

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Date 30/06/2021

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

Revenue	Original Budget	Adjustments	Final budget	Actual on Comparable Basis	Performance Difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Government of Kenya (GOK) - (Revenue from Non Exchange Transactions)	88,900,000	-	88,900,000	82,400,000	6,500,000	1
Government of Kenya - Development Grant	-	-	-	-	-	
Income Generating Activities - (Revenue from Exchange Transactions)	221,827,060	(127,577,376)	94,249,684	26,622,177	67,663,021	0
Total Income	310,727,060	(127,577,376)	183,149,684	109,022,177	74,163,021	
Recurrent Expenditures						
Staff cost						
Basic Salaries	57,655,796.00	-	57,655,796.00	47,667,434	9,988,362	1
House allowance	16,992,000.00	-	16,992,000.00	14,982,750	2,009,250	1
Leave allowance	1,250,640.00	-	1,250,640.00	368,000	882,640	0
Entertainment, Extraneous, Risk & Other Allowances	2,721,928.00	-	2,721,928.00	1,818,414	903,514	1
Commuter allowance	7,368,000.00	-	7,368,000.00	4,795,000	2,573,000	1
Employers NSSF	211,200.00	-	211,200.00	196,000	15,200	1
Gratuity	690,000.00	-	690,000.00	647,786	42,214	1
Employers Pension	10,005,120.00	-	10,005,120.00	8,676,334	1,328,786	1
Casual Wages	900,000.00	-	900,000.00	868,561	31,439	1
Total Staff Cost	97,794,684.00	0.00	97,794,684.00	80,020,278.28	17,774,405.72	

Operating & maintenance of motor vehicles	2,900,000.00	(1,400,000)	1,500,000.00	1,447,281	52,719	1
Refined fuel & lubricants for transport	3,500,000.00	(800,000)	2,700,000.00	2,467,818	232,182	1
Foreign Travel	2,000,000.00	(2,000,000)	0.00	-	-	0
Domestic Travel	2,500,000.00	(500,000)	2,000,000.00	1,250,310	749,690	1
Insurance cover	7,500,000.00	-	7,500,000.00	4,015,723	3,484,277	1
Workman's compensation	315,000.00	-	315,000.00	-	315,000	0
COVID-19	1,000,000.00	1,500,000	2,500,000.00	1,490,862	1,009,138	1
Electricity & Water	6,500,000.00	(100,000)	6,400,000.00	5,393,984	1,006,016	1
Telephone, Postal & Internet Services	1,730,000.00	800,000	2,530,000.00	1,642,839	887,161	1
Gas & Other fuel	1,500,000.00	(600,000)	900,000.00	446,500	453,500	0
Printing & Publishing	500,000.00	(300,000)	200,000.00	55,450	144,550	0
Purchase of uniforms/ curtains	3,532,000.00	(3,482,000)	50,000.00	1,044	48,956	0
Human Resource Development	2,500,000.00	3,000,000	5,500,000.00	3,169,270	2,330,730	1
Advertisement, CSR, Publicity & Inst Clinic	5,580,000.00	(3,080,000)	2,500,000.00	93,100	2,406,900	0
Plant & Machinery maintenance	1,000,000.00	-	1,000,000.00	762,355	237,645	1
Building & Stations maintenance & Garbage disposal	8,000,000.00	(5,000,000)	3,000,000.00	2,745,229	254,771	1
Security Allowance	200,000	-	200,000	192,000	8,000	1
Contracted Professional services & Security Allowance	5,000,000.00	-	5,000,000.00	4,078,300	921,700	1
Library Services	2,100,000.00	(1,550,000)	550,000.00	187,280	362,720	0
Office stationery	948,500.00	(48,500)	900,000.00	439,969	460,031	0
Food & Ration	10,000,000.00	(3,000,000)	7,000,000.00	3,195,357	3,804,643	0
Audit fee	660,000.00	-	660,000.00	660,000	-	1
Training Programs	20,440,000.00	(5,440,000)	15,000,000.00	9,586,344	5,413,656	1

ESD Expenses	400,000.00	-	400,000.00	368,983.37	31,017	1
ISO 9001:2015	2,000,000.00	(2,000,000)	0.00	-	-	0
Consultancy Services	10,500,000.00	(9,500,000.00)	1,000,000.00	332,140	667,860	0
EDP Expenses	1,500,000.00	0.00	1,500,000.00	1,371,500	128,500	1
Increase in provision for receivables	0.00	0.00	0.00	35,514.39	(35,514.39)	0
Research & Development	8,000,000.00	(7,000,000.00)	1,000,000.00	677,750	322,250	1
Total Administrative Expenses	125,055,061	(40,900,500)	84,154,561	58,856,464	25,298,097	
Depreciation & Amortization	12,749,561.00	-	12,749,561.00	12,749,561.00	(0)	1
Council Expenses	6,455,000.00	4,545,000	11,000,000.00	9,720,508	1,279,492	1
Finance cost	40,160.00	-	40,160.00	40,160	-	1
Total Recurrent Expenditure	216,595,344	(36,355,500)	192,989,405	148,637,410	44,351,995	
Deficit/Surplus for the period	81,382,155	(91,221,876)	(9,839,721)	(39,615,233)	29,775,512	
Development Expenditures						
Purchase of Plant & Machinery	3,942,000.00	(3,042,000.00)	900,000.00	392,392	507,608	0.44
Purchase of Furniture & Fittings	2,040,000.00	(1,990,000.00)	50,000.00	-	50,000	-
ICT & Media Equipment	18,189,876.00	(16,689,876.00)	1,500,000.00	-	1,500,000	-
Minor Alterations	30,500,000.00	(30,000,000.00)	500,000.00	-	500,000	-
Construction Works	29,500,000.00	(29,500,000.00)	0.00	-	-	-
Motor Vehicles	11,000,000.00	(11,000,000.00)	0.00	-	-	-
Total Development Expenditure	95,171,876	(92,221,876)	2,950,000	392,392	2,557,608	
Total Budget	324,516,781	(128,577,376)	195,939,405	148,994,288	46,945,117	

18. NOTES TO THE FINANCIAL STATEMENTS

1.1 Statement of compliance and basis of preparation – IPSAS 1

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

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

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

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

1.2 Summary of Significant Accounting Policies

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

1.2.1 Depreciation

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

Furniture & Fittings & equipment	12.5%
Motor Vehicles	25.0%
EDP Equipment	33.0%
Plant & Machinery	10.0%
Building	2.5%
Intangible Assets	20%

1.2.2 Payables

Payables are stated at nominal value.

1.2.3 Receivables

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

1.2.4 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2020 - 2021</u>	<u>2019 - 2020</u>
	Kshs	Kshs
REVENUE FROM NON-EXCHANGE		
2 TRANSACTIONS		
Ministry of Education	82,400,000.00	88,900,000
	<u>82,400,000.00</u>	<u>88,900,000</u>
3 REVENUE FROM EXCHANGE TRANSACTIONS		
Training Fees Income	17,910,995	48,165,554
Hire of Facility	5,093,466	21,346,414
Rent Income	3,381,616	7,604,670
Sale of Tenders	-	5,000
Printing Press	236,100	-
Sundry Income	-	110,223
Farm Produce	-	30,000
Graduation Exhibition	-	2,000
	<u>26,622,177</u>	<u>77,263,861</u>
4 STAFF COSTS		
Salaries	47,667,433.95	48,572,968
House Allowance	14,982,750.00	16,714,125
Leave Allowance	368,000.00	378,000
Commuter Allowance	4,795,000.00	5,338,333
Entertainment, Extraneous, Risk & Other Allowances	1,818,414.00	1,535,588
Employer NSSF	196,000.00	189,800
Employer Pension	8,676,334.00	8,465,388
Casual Wages	868,560.60	960,047
Gratuity	647,785.73	-
	<u>80,020,278.28</u>	<u>82,154,250</u>
5 ADMINISTRATIVE EXPENSES		
Contracted Professional Services	4,078,300.00	3,965,800
Security Allowance	192,000.00	182,000
Provision for audit fees	660,000.00	660,000
Motor Vehicle Repairs	1,447,281.30	1,845,890
Refined Fuel and Lubricants	2,467,818.00	3,210,000
Maintenance & Repairs of Buildings	2,745,228.88	4,534,586
Maintenance of Plant, Machinery & Equipment	762,355.16	783,273
Gas	17,450.00	36,500
Other Fuels	429,050.00	1,009,400
Domestic Travel	1,250,310.00	2,503,740

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Foreign Travel	-	1,272,026
Insurance Cover	6,789,055	13,681,577
Less prepaid Insurance	(2,773,332)	
Telephone, Postage & Internet	1,642,839.00	1,583,921
Electricity and water	5,393,984.00	6,237,029
Library, Newspapers & Magazines	187,280.00	516,370
Stationery	439,969.00	828,585
Food & Rations	3,195,357.00	10,266,351
Staff Uniform	1,044.00	831,410
Printing	55,450.00	50,821
Advertisement, CSR & Publicity	93,100.00	904,642
Training Programs Expenditure	9,586,344.00	25,907,604
Consultancy	332,140.00	738,218
Human Resource Development	3,169,270.00	1,995,938
Other Operating expenses	-	2,000
EDP Expenses	1,371,500.00	2,731,820
Increase in provision for receivables	35,514.39	48,542
Institute Clinic	-	137,456
Club Membership	-	165,000
ESD Expenses	368,983.37	-
Research	677,750.00	-
COVID - 19	1,490,862.00	-
Total Administrative Expenses	46,106,903.10	86,630,500

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
12 PROPERTY, PLANT AND EQUIPMENT

Cost	LAND Kshs	BUILDING Kshs	PLANT & MACHINERY Kshs	MOTOR VEHICLE Kshs	FURNITURE & FITTINGS Kshs	COMPUTER & OTHER EQUIPMENT Kshs	TOTAL Kshs
As At 1 July 2019	2,050,000,000	320,403,921	19,964,330	20,639,492	29,328,797	39,427,813	2,479,764,353
Additions for the year	-	513,670	-	-	-	125,900	639,570
As At 30 June 2020	2,050,000,000	320,917,591	19,964,330	20,639,492	29,328,797	39,553,713	2,480,403,923
Additions for the year	-	-	392,392	-	-	-	392,392
As At 30 June 2021	2,050,000,000	320,917,591	20,356,722	20,639,492	29,328,797	39,553,713	2,480,796,315
Depreciation							
As At 1 July 2019	-	37,673,070	11,706,014	9,473,662	20,547,992	37,324,881	116,725,619
Depreciation 2019/20	-	7,081,113	825,832	2,791,458	1,097,601	735,515	12,531,517
As At 30 June 2020	-	44,754,183	12,531,846	12,265,120	21,645,593	38,060,396	129,257,136
Depreciation 2020/2021	-	6,904,085	782,488	2,093,593	960,401	492,795	11,233,361
As At 30 June 2021	-	51,658,268	13,314,333	14,358,713	22,605,993	38,553,190	140,490,498
Net book values							
As At 30 June 2021	2,050,000,000	269,259,323	7,042,389	6,280,779	6,722,804	1,000,523	2,340,305,818
As At 30 June 2020	2,050,000,000	276,163,408	7,432,484	8,374,373	7,683,204	1,493,317	2,351,146,787

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 INTANGIBLE ASSETS - SOFTWARE

Description	<u>2021</u> Kshs	<u>2020</u> Kshs
Cost		
At beginning of the year	7,581,000	-
Additions	-	7,581,000
At end of the year	7,581,000	7,581,000
Additions - Internal development	-	-
At end of the year	7,581,000	7,581,000
Amortization and impairment		
At beginning of the year	-	-
Amortization and impairment	1,516,200	-
At end of the year	1,516,200	-
Impairment loss	-	-
At end of the year	1,516,200	-
NBV	6,064,800	7,581,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>2020 - 2021</u>	<u>2019 - 2020</u>
	Kshs	Kshs
TRADE AND PAYABLES FROM EXCHANGE		
14 TRANSACTIONS		
GARISSA HIGH SCHOOL	738,000	738,000
AUDIT FEE	1,980,000	1,320,000
KENYA SCHOOL OF GOVERNMENT	114,000	90,000
KISTAR ENTERPRISES	-	108,657
VISA OSHWAL PRIMARY SCHOOL	-	30,000
FIRMSTAR LIMITED	-	626,960
ECHPICK ENTERPRISES	-	241,877
MAHIL ENTERPRISES	-	235,864
MEG MERCHANTS	308,880	502,956
ARTFIELD HOLDINGS LIMITED	-	106,292
LANMARK ENTERPRISES	-	75,220
JANE WANG INVESTMENT	4,350	466,006
DIAMOND DROPS LIMITED	-	414,153
MIRIWA INVESTMENTS LIMITED	-	620,728
ZERO PARK SERVICES	-	101,680
LACERICK GENERAL SUPPLY	93,200	289,355
ROSERINE ENTERPRISES	-	718,952
LENSFARM MEAT PACKERS	24,510	483,371
ACTOVIS ENTERPRISE	-	414,743
COMPUTERWAYS LTD	-	125,900
ARIESCAP LIMITED	-	133,660
KENYA MEDICAL RESERCH INSTITUTE	-	41,900
NEW KENYA CO-OPERATIVE CREAMERIES LIMITED	-	116,640
SILIBWET SERVICES	-	25,600
ANWASOM ENTERPRISES	-	160,200
COMMODITY HANDLERS LTD	-	390,600
ERMEN ENTERPRISES	-	275,000
NATIONAL BANK OF KENYA LTD.	708,850	30,000
WATS & DAVE ENTERPRISES	-	482,500
STATE DEPARTMENT FOR LIVESTOCK DAIRY TRAINING INSTITUTE	196,500	66,100
LUMBER SOLUTIONS	-	139,000
BLAZETECH SOLUTIONS	-	153,816
LANMARK ENTERPRISES	-	25,850
INTERNET SOLUTIONS KENYA LIMITED	-	37,584
ABNO SOFTWARES	2,444,200	7,581,000
NAIVAS LIMITED	-	159,184
GELIAN INVESTMENT LTD	-	13,800
REGEN GENERAL SUPPLIES	-	61,550
BIBLE TRANSLATION & LITERACY (BTL)	302,500	223,250
THE COPY CAT	202,841	96,456
RENTOKIL INITIAL	108,156	-
DIAMOND CONCEPT AGENCIES	429,050	-
TRUVETA AGENCIES	414,512	-
CAMTEC INVESTMENT LIMITED	160,275	-

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TILADOME LIMITED	234,135	-
FREBTECH OFFICE SOLUTIONS	282,642	-
MADARA MOTOR SERVICES	245,750	-
BI-TEX ENTERPRISES	318,510	-
PROXITY (K) LIMITED	346,800	-
SILVERSIDE BUTCHERIES & MEAT SUPPLIER	206,200	-
VEDIA VENTURES LTD	279,353	-
JAMSIL ENTERPRISES LTD	236,500	-
OUTSPAN MEDICAL COLLEGE NYERI	7,000	-
NDIA TECHNICAL AND VOCATIONAL COLLEGE	7,000	-
ISUZU EAST AFRICA	113,302	-
ALL BIN GARBAGE MANAGEMENT SERVICES	45,000	-
KPLC	293,832	-
NAIROBI WATER	103,885	-
JOHN MUTEVU NZIVO	8,000	-
ISAIAH KALUAI THIRUAINI	8,000	-
MUJAS HOLDING LTD	133,360	-
DAVELL INTELLIGENCE AGENCY	288,400	-
WALI SUPPLIERS	15,500	-
COOLMAXX REFRIGERATION	109,200	-
TOYOTA KENYA LIMITED	109,832	-
MAVERICK SUPPLIERS	67,818	-
SALJOY ENTERPRISES	85,000	-
AVOC KENYA LIMITED	365,304	-
SWEET LAKE RESORT	77,500	-
ROSAWAM COMPANY	70,000	-
NANYUKI SPORTS CLUB	414,000	-
NHIF	2,559,999	-
MULTIGRAPH MACHINERY KENYA LTD	181,178	-
	15,442,823	17,924,404
15 NET ASSETS		
i Revaluation Reserve		
Balance b/f	2,284,463,085	2,284,463,085
Gain/Loss on Revaluation	-	-
Total	2,284,463,085	2,284,463,085
ii Capital Reserve		
Balance b/f	44,164,375	44,164,375
Development Grant	-	-
Total	44,164,375	44,164,375
iii Retained Earnings		
Balance b/f	106,494,673	124,635,596
Deficit/Surplus for the year	(39,615,233)	(18,140,923)
Total	66,879,440	106,494,673

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 CONTINGENT LIABILITY

Litigation is in process against KEMI relating to unfair dismissal of former staff and several other cases. The outcome of these cases has not been determined. In the year 2020/2021, the Institute paid an amount of Ksh. 617,500 to Gathumbi & Company Advocates as legal fees against the said cases.

17 MEMBER OF STAFF

- i. Permanent - 64
- ii. Contract - 19
- iii. Casuals - 5

18 FINANCIAL RISK MANAGEMENT

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

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

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

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

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.18	Encroached Land	Management obtained an eviction order and wrote to the MoE seeking for the support to implement the order.	Not resolved	September 2022
2.18	Unverified Electronics Data Processing (EDP) Equipment	The equipment's were issued to Ministry of Education staffs that were at KEMI on secondment. The Institute is following up with MOE so that the employees can be surcharged.	Not resolved	September 2022

DR. Maurice Odondo

Date: 30/06/2021