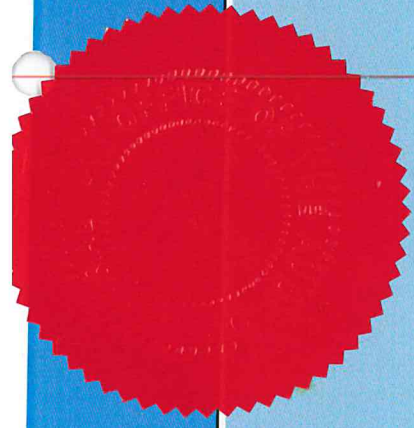


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

| | |
|---|------------|
| THE NATIONAL ASSEMBLY PARLIAMENTARY COMMISSION | |
| DATE: 03 MAR 2022 | DAY: Thurs |
| TABLED BY: | LOM |
| CLERK-AT THE-TABLE: | C. Ndintu |

THE AUDITOR-GENERAL

ON

KENYA SCHOOL OF GOVERNMENT

**FOR THE YEAR ENDED
30 JUNE, 2020**



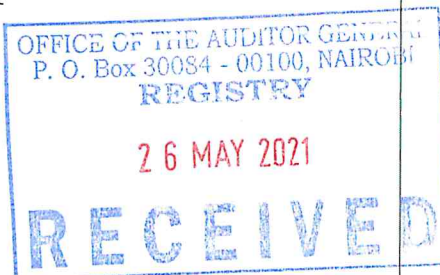
KENYA SCHOOL OF GOVERNMENT

ANNUAL REPORT

AND

**FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

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





KENYA SCHOOL OF GOVERNMENT
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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KENYA SCHOOL OF GOVERNMENT

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For the year ended 30 June 2020

I KEY ENTITY INFORMATION AND MANAGEMENT

a. Establishment of the School

The Kenya School of Government (KSG) was established by the KSG Act No. 9 of 2012. It came into effect on 1st July 2012. The KSG is the successor to the former Kenya Institute of Administration (KIA), the former Kenya Development Learning Centre (KDLC), and the former Government Training Institutes (GTIs) Baringo, Embu, Matuga and Mombasa. The School therefore has four (4) Campuses.

b. Principal Activities

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

c. Key Management

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

- i. Council members
- i. Director General/ CEO
- ii. Management

d. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were;

| | |
|--|-----------------------|
| i Director General | Prof. Ludeki Chweya |
| ii. Director Finance & Administration | Prof. Nura Mohamed |
| iii. Director Academic Affairs | Dr. Josphine Mwanzia |
| iv Director-Baringo Campus | Dr. Solomon Letangule |
| v Director- Matuga Campus | Ag. Dr. John Bii |
| vi Director- Mombasa Campus | Dr. Tom Wanyama |
| vii Director- Embu Campus | Dr. Anne Kangethe |
| viii Director - e-Learning and Development | Mr. Joseph Ndung'u |

e. Fiduciary Oversight Arrangements

Kenya School of Government has established an audit committee composed of four council members and head of internal audit department being the secretary of the committee. Their role is to provide oversight responsibility in ensuring the School adheres to the statutory regulations and the approved policies and procedures of the School as well as other relevant government policies, procedures and pronouncement issued from time to time. Further, the Ministry of Public Service and Gender receives the performance of the School on a quarterly basis as a monitoring tool on the performance of the School.

KENYA SCHOOL OF GOVERNMENT

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For the year ended 30 June 2020

f. Headquarters

P.O.Box 23030-00604

Lower Kabete

NAIROBI, KENYA

g. Contacts

Telephone: +254-020-4015000

254-727-496698

Email: directorgeneral@ksg.ac.ke

Website: www.ksg.ac.ke

h. Bankers

Kenya Commercial Bank Ltd

P.O Box 14959-00800

Nairobi, Kenya

National Bank

P.O Box 14959-00800

Nairobi, Kenya

Central Bank of Kenya

Haile Selassie Avenue

P.O.Box 60000,00200

Nairobi, Kenya

i. Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O.Box 30084-00100

Nairobi, Kenya

j Principal Legal Advisor

The Attorney General

State Law Office

Harambee Avenue

P.O.Box 40112-00200

Nairobi, Kenya

KENYA SCHOOL OF GOVERNMENT

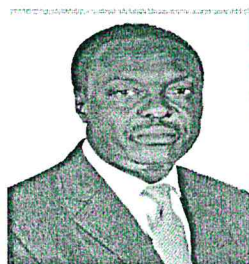
Annual Report and Financial Statements
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II COUNCIL MEMBERS



Prof. Gituro Wainaina- Chairman 64 Years

Prof. Gituro Wainaina holds a PhD in Agricultural Economics, Master in Business Administration and Bachelor of Education. He has extensive working experience including being a Director of the Social and Political Pillars under the Vision 2030 Delivery Secretariat and board member of various institutions including Capital Market Authority. He is also a Professor at the Department of Management Science at the University of Nairobi.



Prof. Ludeki Chweya PhD CBS -Director General and CEO 59 Years

Prof. Ludeki Chweya holds a Doctor of Philosophy (Ph.D.) degree in Political Studies from Queen's University at Kingston, Ontario, the Masters of Arts degree in Government from the University of Nairobi, and the Bachelor of Arts (BA) in Political Science and Arabic Language from the University of Nairobi. Prof. Chweya has vast experience in university teaching and research in International Relations and Political Economy.

Prof. Chweya has many years of experience in public sector management and policy development acquired mostly when he served as Permanent Secretary in the Government of Kenya.



Micah Origa - Council Member Representing Principal Secretary, The National Treasury 43 Years

Micah Origa holds a Master of Business Administration (MBA) degree from the University of Calicut and the Bachelor of Commerce (B.Com) degree from the same university. Mr. Origa has wide experience in public sector budget preparation, implementation and monitoring. He is a member in the audit and risk as well as finance and general purpose committees.



Joseph Musyoki - Member Representing Commission for University Education 52 Years

Joseph Musyoki is a holder of a Master of Science Degree (Zoology) and a Bachelor of Education Degree from Kenyatta University. Mr. Musyoki has vast experience, spanning over 20 years, in research and higher education quality assurance. He is currently in charge of Institutional Accreditation at the Commission for University Education. He is the chairperson for finance and general purpose and a member in the learning and development committees respectively.



Prof. Peter Muchiri Ngatia, EBS Council Member 70 Years

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

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements
FOR THE YEAR ENDED 30 JUNE 2020

COUNCIL MEMBERS (Continue)



Prof. Teresa Akenga PhD. - Representing Universities 57 years

Professor Akenga holds Ph.D., in (Organic Chemistry: Synthesis) from the University of New South Wales, Australia, Masters of Business Administration (Corporate Governance) from KCA University, Nairobi, Professor Akenga has vast experience in training, research, leadership and management, having served in various capacity as an Assistant Lecturer, Lecturer and Senior Lecturer in Jomo Kenyatta University of Agriculture and Technology (JKUAT). She is a member in the learning and development and human resource committee



Mr. Denis M. Mutahi – Alternate to the Principal Secretary, Ministry of Public Service and Gender 52 Years

Mr. Mutahi holds a Master's of Science in Human Resource Planning and Development and a Bachelors of Education. He is career civil servant with over 20 years of civil service experience and currently serving as a Director of Human Resource Management and Development, State Department for Public Service. He is a member in the Human Resource Committee, Risk and audit, Learning and development and Finance and General Purpose committee.



Gatwiri Kirimi - Member 43 Years

Ms. Gatwiri holds a Master's of International Business Administration, Strategic Management Entrepreneurship and a bachelor of Science degree (marketing) from United States International University. Currently she is a Managing Director at Inforparts Technologies Limited. She is the Chairperson for the Human Resource Committee and a member of Finance and General Purpose committee



Prof. Adams Oloo - Member 53 Years

Prof. Adams Oloo, holds a Doctor of Philosophy (Ph.D) and Masters in Political Science from University of Delaware, Masters in Government from University of Nairobi and Bachelors in Business Administration and law from the University of Nairobi. He is an advocate of the High Court and currently an Associate Professor, Department of Political Science and Public Administration, University of Nairobi. He has experience in public administration and public policy, political economy, global governance and international relations. He is the Chairperson for Learning and development committee and a member in risk and audit committee.

KENYA SCHOOL OF GOVERNMENT

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FOR THE YEAR ENDED 30 JUNE 2020

III DIRECTORS/ SENIOR MANAGEMENT'S PROFILE



Prof. Ludeki Chweya
Director General and CEO

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



Dr. Josphine Mwanzia
Director Academic Affairs

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



Prof. Nura Mohamed
Director - Finance and Administration

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



Dr. Solomon Letangule
Director-Baringo Campus

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

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

DIRECTORS/ SENIOR MANAGEMENT'S PROFILE (Continue)



Dr. Tom Oundo Wanyama

Director- Mombasa Campus

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



Mr. Joseph Ndung'u

Director - e-Learning and Development

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



Dr. Anne Kangethe

Director - Embu Campus

Dr. Kang'ethe holds a PhD and a Master's of Science degree in Entrepreneurship (JKUAT), and Bachelors of Education Degree (University of Nairobi). She has worked in the Public Service for over Twenty (20) years. She has a wide experience in Management Consultancy, Research and capacity building in the Public Service. She has published Articles on various topical Public Service issues in Peer Reviewed Journals and presented papers in both National and International Conferences.



Dr. Rachel Ngesa

Director- Learning and Development

Dr. Rachel Ngesa holds a Doctor of Philosophy (Ph.D.), Master of Education (Med) and a Bachelor of Education (Science) from Kenyatta University. Dr. Ngesa has over 26 years' vast experience in public sector strategic leadership and management, training, research, case study development and program development for educational and training institutions.



Dr. John Bii

Director- Matuga Campus

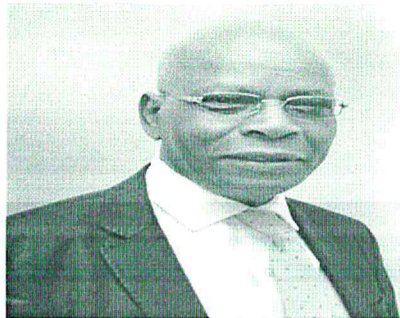
Dr. John Bii holds a Doctor of Philosophy (Ph.D.) in Business Administration (strategic management and e-commerce) from Kabarak University Kenya and Master of Business Administration majoring in strategic management from Mt. Kenya University. He has wide experience in the Public Sector.

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

IV CHAIRMAN'S REPORT



Introduction

It gives me great pleasure to present Kenya School of Government 2019/2020 Annual report. We are immensely grateful to our staff, participants, suppliers, donors, sponsors and collaborators for their continued commitment to and support for our brand, despite the challenges encountered towards the end of the year. Their support motivates us and gives us the impetus to drive the institution forward, to build on and consolidate KSG's strong profile, good reputation and positive impact in the region.

These are unprecedented times – the extent of the COVID-19 challenge is not something any of us would have imagined. Unlike in the past when we have faced election-related volatility, the pandemic arrived with high uncertainty and unpredictability. The effects are not limited to public health; they affect all spheres of Kenyan society. Globally, the economy is experiencing a colossal negative impact with the International Monetary Fund projecting severely impacted growth across all regions.

The school was directly affected as an institution of learning when operations ground to a halt abruptly, shortly afterwards the school demonstrated resilience in supporting the Government of Kenya by providing isolation centers for the isolation of persons arriving into Kenya in its initial days and continues to be ready for national response whenever we are called upon to.

Strategic Focus

Our strategic plan remains a key reference blueprint for the school, coming in the second year since we started implementing the 2018-2022 Strategic Plans. We have aligned our strategic-focused initiatives to all core areas of our operations within the school. This Integrated Annual Report outlines some of the achievements attained in the year in review.

We have put in place strategies to take advantage of opportunities in the markets we operate in. We firmly believe that implementation of the strategy will enable the corporation increase its financial strength and yield targeted profits in the coming years.

Business Environment

The school put in place sustainable plans of action premised on our strategic plan. We also believe

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

IV CHAIRMAN'S REPORT

that our core values of responsiveness, creativity and innovation, integrity, inclusivity, commitment and excellence shall guide us through. These values remain at the nerve center of our strategy going forward. Our stakeholders can, therefore, look forward to the future with confidence.

Financial performance

During the year 2019-2020, the School incurred a deficit of Kshs. 490M against the previous year surplus of Kshs. 105M. The reduction is due to discontinuation of operations effective end of quarter three as a result of the COVID 19 pandemic. However, the School is optimistic that it will recover in the subsequent year.


On the other hand the following projects were completed: Phase II construction of self contained cottages that is expected to accommodate at least 15 guests of high level and also completion of gate and gate house with security features to enhance security at Lower Kabete.

Sustainability reporting areas of focus

Our sustainability is anchored on our vision, mission and core values which determine the strategic objectives of the school. Our role and aim is to create value for stakeholders and the society. This is through tax remittance, corporate social responsibility and socio-economic empowerment of marginalized groups and environmental conservation. The Council and management ensure that all operations of the school are anchored on tenets of integrity, fairness and good corporate governance. Various policies have been established by the council as a guiding framework and oversight of the Corporation operations.

Future outlook

The rapid pace of life at the school reflects the challenge we all face of keeping KSG as a preferred institution for many in the region and beyond. Every year brings new challenges. We must now focus on the future to sustain excellence and maintain our position. We will continue to build on our connections and partnerships across training, consultancy, research and advisory services to grow our capacity and influence and firmly establish our place in the world.



Prof. Gituro Wainaina, Ph.D.

CHAIRMAN OF THE COUNCIL



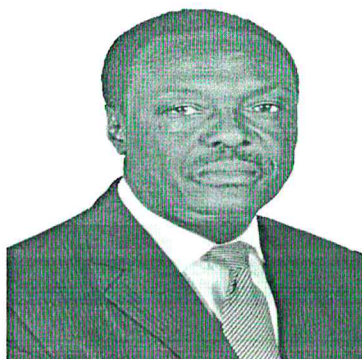
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KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

V DIRECTOR GENERAL'S REPORT



During the year, the School did carry out a number of activities which includes establishing an Ethics and Integrity Institute, one of a kind in the region in partnership with the United Nations Office on Drugs and Crime (UNODC) which was located at Lower Kabete. There were also various programs that were developed and rolled out in our campuses such as Climate change policy, planning and budgeting among others. The School also introduced experiential learning through signing of memorandum of understanding with outward bound Trust Kenya for participants undertaking Senior Leadership Development Program. Their role is to address shortfalls that may exist as regards ethics, integrity, patriotism and nationalism and it targets civil servants and public officers undergoing training at the School.

During the period under review, the School realized revenue amounting to Kshs. 1.5 billion against a target of Kshs.2.3 billion which is below the target by 34%. The School also incurred a deficit of Kshs. 490M against a surplus target of Kshs. 87M. The decline in revenue and operational expenditure is as a result of emergence of COVID 19 where the School discontinued its operations as from end of quarter three. However, the School also introduced online classes in mid quarter four but the impact is expected to be realised in the subsequent financial year.

Management appreciates financial support received from the Government of Kenya of Kshs. 313 million to finance salaries and also received a further Kshs.510 million as development grant to complete ultra modern complex in Mombasa and construction of administration block in Embu, Baringo and Matuga campuses. There was also support from United Nations Office on Drugs and Crime (UNODC) of Kshs. 8 million in form of assets for office use to run Ethics and Integrity Institute that was established at Lower Kabete during the year.

The School also completed phase II cottages in Baringo Campus that will accommodate high level guests and thus lead to increase in revenue from accommodation. There was also enhanced security at Lower Kabete as a result of completion of gate and gate house that has enhanced security in the School. There are also ongoing projects in our campuses. These are ultra modern complex in Mombasa Campus, construction of convention centre in Embu and construction of tuition complex in Baringo and Matuga campuses. These projects are funded by the Government of Kenya and we are optimistic that upon completion of these buildings, we will increase our revenues to ensure self

KENYA SCHOOL OF GOVERNMENT

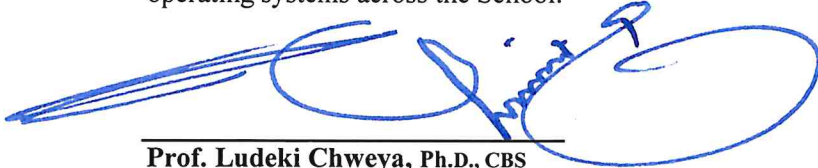
Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

V DIRECTOR GENERAL'S REPORT

sustenance in future.

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



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

21/5/21

Date

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

VI REVIEW OF THE SCHOOL'S PERFORMANCE

Section 81 subsection 2(f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

In line with KSG's Vision and Mission, four key result areas, which reflect KSG's mandate and responsibilities in the realization of Kenya Vision 2030 have been identified and will be the pillars of this Strategic Plan FY 2018/2019- 2022/2023. The Key Result Areas are:

1. Capacity Building of the Public Service
2. Consultancy
3. Research and Advisory services
4. Institutional Transformation and Positioning

The School develops its annual work plans based on the above key result areas. The School achieved its performance targets set for the FY 2019/2020 period for its strategic objectives as indicated in the diagram below:

| | Strategic pillar | Objective | Key performance indicated | Activities | Achievements |
|---|------------------|---|---|---|---|
| 1 | Training | Develop and implement appropriate training programs | No. of training programs developed and rolled out for uptake aligned to the Big 4 Agenda and KSG strategic Plan | 1. Develop and roll out one (1) Climate Change Program | 1. Climate Change Policy, Planning and Budgeting program has been developed and rolled out in Lower Kabete (two runs), Mombasa (two runs), Matuga (two runs) and Embu (one run). |
| | | | | 2. Develop and roll out Environmental Governance Program by | 2. Environmental and Social Safeguards in Development program has been developed and rolled out through the training calendar and advertised in School Website www.ksg.ac.ke and print and social. |

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FOR THE YEAR ENDED 30 JUNE 2020

VI REVIEW OF THE SCHOOL'S PERFORMANCE

| | | | | | |
|---|--------------------------------|---|---|--|--|
| | | | | 3. Develop advertise and roll out a programs for officers in National Government, County Government, Independent Commissions and State Corporations on Disaster Management and Food Security | 3. Disaster and Risk Management program has been developed and rolled out through the training calendar, School Website www.ksg.ac.ke and print and social media. |
| | | | | 4. Roll out Agricultural Entrepreneurship programs for Youth Empowerment | |
| 2 | Research and Advisory services | Promote research , scholarship and innovation | Research report on status of AGPO in Isiolo County Published research series | 1. Carry out research on uptake of the Access to Government Procurement opportunities | 1. Research on uptake of AGPO has been undertaken with the County Government of Isiolo |
| | | | | 2. Publish research series on Exemplary Public Service Leadership | 2. Manuscript on exemplary public service ready for publishing. |
| | | Enhance evidence based advisory services | Conference resolution Conference communiqué | 1. Hold one Regional Conference on SDGs | 1. Regional conference on SDGs with the theme 'Transformational and Innovative Leadership' was held from 16th – 18th October 2019 at Lower Kabete. |

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

VI REVIEW OF THE SCHOOL'S PERFORMANCE

| | | | | | |
|---|------------------------|--|---|---|--|
| | | | | 2. Hold one conference in collaboration with a Professional Body | 2. Due to the Covid 19 Pandemic, the school managed to hold a webinar instead of a conference with the Institute of Human Resource Management (IHRM) |
| 3 | Consultancy | Expand consultancy services to support delivery of quality service | No. of consultancies undertaken in priority areas within the public service | Undertake consultancies in priority areas in the Public Service | Consultancies mainly on strategic plans, executive selection and recruitment, knowledge management, performance management and evaluation conducted. 16 consultancies have been concluded. |
| 4 | Institutional capacity | Expand and modernize existing infrastructure | Refurbishment of Bahari Hostels at the Mombasa campus & Completion of the ultra-modern complex in Mombasa | Conversion of the hostels to self contained rooms & Completion of the super structure | Bahari hostels refurbishment completed and ready for occupation The ultra-modern complex completion is at 65%, super structure has been completed and works begun to complete the interior. |
| | | Develop suitable infrastructure | Integrate ICT in the business operations of the school. | Implementation of ERP for selected modules | KSG successfully launched ERP for Human Resource , Procurement function at Lower Kabete campus to pilot it and full roll out will be carried out in FY 20-21 |

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

VI REVIEW OF THE SCHOOL'S PERFORMANCE

| | | | | |
|--|--|--|---|---|
| | Enhance good corporate governance in the School | Strengthen Quality Management System | Maintain ISO 9001:2015 certification | KSG successfully maintained this prestigious certification |
| | Strengthen the human resource capacity of the school | Strengthen Performance management system | Review and implement the performance appraisal and staff recognition guidelines | n 2019/2020, KSG rolled out a new performance appraisal system and launched an automated a staff recognition system for reward. |
| | Ensure financial sustainability | Strengthen Internal controls | Develop and implement Debt Management Strategy | All services requested on credit must first be cleared through accounts office to confirm the outstanding debt if any. |

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020



VII CORPORATE GOVERNANCE STATEMENT

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

The Council of the Kenya School of Government is responsible for School's governance. Both the Council and senior management of the School are committed to the highest levels of corporate governance, which it considers critical in achieving the School's mandate. Accordingly, the School therefore fosters a culture that values and rewards the highest ethical standards and personal and corporate integrity. The Council also has a charter that is reviewed from time to time within a period not exceeding five years.

The Role of the Council

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

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

Composition and removal of the Council

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

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

Council Meetings

The Council schedule of meetings is prepared annually in advance. The Council holds its regular meetings at least once every three months and special meetings may be called when necessary.

Below is the attendance of the meetings by the Council Members:

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

VII CORPORATE GOVERNANCE STATEMENT

| | Council Member | No. of meetings held in the year | No. of meetings attended | % of attendance |
|---|-----------------------|----------------------------------|--------------------------|-----------------|
| 1 | Prof. Gituro Wainaina | 8 | 8 | 100% |
| 2 | Prof. Peter Ngatia | 8 | 6 | 75% |
| 3 | Mr. Joseph Musyoki | 8 | 8 | 100% |
| 4 | Mr. Micah Origa | 8 | 3 | 38% |
| 5 | Mr. Denis Mutahi | 8 | 8 | 100% |
| 6 | Ms. Gatwiri Kirimi | 8 | 7 | 88% |
| 7 | Prof. Teresa Akenga | 8 | 4 | 50% |
| 8 | Prof Adams Oloo | 8 | 8 | 100% |

COMMITTEES OF THE COUNCIL

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

(a) Risk and Audit Committee

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

Below is the attendance of meetings by the Committee

| | Council Member | No. of meetings held in the year | No. of meetings attended | % of attendance |
|---|--------------------------|----------------------------------|--------------------------|-----------------|
| 1 | Prof. Peter Ngatia | 5 | 5 | 100% |
| 2 | Denis Mutahi | 5 | 4 | 80% |
| 3 | Micah Origa | 5 | 5 | 100% |
| 4 | Charles Tirok (Co-opted) | 5 | 4 | 80% |
| 5 | Prof. Adams Oloo | 5 | 3 | 60% |

(b) Learning and Development Committee

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

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

VII CORPORATE GOVERNANCE STATEMENT

Below is the attendance of the committee members in the meetings:

| | Council Member | No. of meetings held in the year | No. of meetings attended | % of attendance |
|---|---------------------|----------------------------------|--------------------------|-----------------|
| 1 | Prof. Peter Ngatia | 4 | 4 | 100% |
| 2 | Prof Adams Oloo | 4 | 4 | 100% |
| 3 | Mr. Denis Mutahi | 4 | 4 | 100% |
| 4 | Mr. Joseph Musyoki | 4 | 3 | 75% |
| 5 | Prof. Teresa Akenga | 4 | 3 | 75% |

c) Human Resource Committee

The Committee reviews and provides recommendations on issues relating to all human resource matters including career progression, performance management, training needs, staff recruitment, staff placement, promotions, demotions, discipline, and staff welfare.

Below is the attendance of the committee members in the meetings:

| | Council Member | No. of meetings held in the year | No. of meetings attended | % of attendance |
|---|------------------------|----------------------------------|--------------------------|-----------------|
| 1 | Gatwiri Kirimi | 12 | 12 | 100% |
| 2 | Mr. Denis Mutahi | 12 | 9 | 75% |
| 3 | Prof. Michael Lokuruka | 12 | 10 | 83% |
| 4 | Prof. Ngatia | 12 | 10 | 83% |
| 5 | Prof. Teresa Akenga | 12 | 7 | 58% |

(d) Finance and General Purpose Committee

The Committee assists the Council to fulfill its oversight responsibilities relating to the School's finance, information and technology, procurement and related activities.

Below is the attendance of the committee members in the meetings:

| | Council Member | No. of meetings held in the year | No. of meetings attended | % of attendance |
|---|--------------------------|----------------------------------|--------------------------|-----------------|
| 1 | Mr. Joseph Musyoki | 8 | 7 | 88% |
| 2 | Mr. Micah Origa | 8 | 6 | 75% |
| 3 | Mr. Denis Mutahi | 8 | 8 | 100% |
| 4 | Ms. Gatwiri Kirimi | 8 | 8 | 100% |
| 5 | Charles Tirok (Co-opted) | 8 | 5 | 63% |

Succession Plan

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VII CORPORATE GOVERNANCE STATEMENT

In order to ensure succession planning and management in the Council, the School has a mechanism of ensuring a staggered appointment or rotation of Council members so as to ensure proper skills mix and infusion of skills and experience from time to time.

Induction and Training

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

Conflict of Interest and Ethics

The Council Members and management are required to make disclosures of any transaction in which they have interest and which would constitute a conflict of interest and abstain from voting for the case of Council members when such matters are being considered. Further, the Council and the management are required to adhere to ethical standards that govern the School's activities. In order to ensure compliance each council member is required to declare in writing before commencement of each meeting whether he or she has any conflict on any of the agenda before them. This is documented in the minutes as well.

Council Remuneration

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

Council Performance

The Council invites State Corporations Advisory Committee to carry out evaluation of the Council on an annual basis. The Council also carry's out self evaluation annually to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year as guided by the Council Charter.

Governance Audit

A governance audit was conducted for the financial year 2019/2020 and recommendations will be implemented in Financial Year 2020/2021.

VIII MANAGEMENT DISCUSSION AND ANALYSIS

1 Operational and financial performance

Kenya School of Government established an Ethics and Integrity Institute, one of a kind in the region. In partnership with the United Nations Office on Drugs and Crime (UNODC), the School located the Institute in Lower Kabete, from where it will serve the East Africa region. The two institutions set up a joint technical committee to design curricular for e-learning programs for the first six months of the project and developed the modules that incorporated UNODC anti-corruption educational materials.

The curricular was to guide the training of public servants from the national and county governments as well as the private sector and other non-state actors. The project will be implemented over an initial period of 24 months and will be coordinated through the Project Management Team consisting members from the two Institutions. Teaching methods will be adaptable to different regional and discipline contents, relevant for anti-corruption and decision making.

The School's role being to provide training, research and consultancy to the Public Service. Its programs has indeed caught the attention of local, regional and global public. For instance, during the year 2019-2020, Zimbabwe delegation led by the Secretary for Public Service Labour and Social Welfare visited the School to learn how best they can contribute to Zimbabwe public service excellence through the establishment of public service collective bargaining council.

During the year 2019-2020, various programs were developed and some were rolled out. For instance, Climate change policy, planning and budgeting was developed and rolled out in our campuses. Other programs that were developed were environmental governance program, disaster and risk management, youth entrepreneurship in agriculture and leadership and governance for health sector. These programs were advertised in the training calendar and posted on the School's website. The School expects to generate revenue out of these programs in the subsequent years.

The School has continued to evaluate its programs. For instance, during the year 2019-2020 the School together with the University of Nairobi jointly reviewed the progress of implementation of Masters in Public Administration program that has been running since the year 2011.

The School also signed memorandum of understanding with various institutions during the year 2019-2020. One of this institution is the Outward Bound Trust Kenya whose role was to empower civil servants and public officers through a structured experiential learning program jointly with the School. The program seeks to address shortfalls that may exist as regards ethics, integrity, patriotism and nationalism and it targets civil servants and public officers undergoing training at the School

The School trained 13,234 participants in year 2019-2020 as compared to 22,668 participants in the

VIII MANAGEMENT DISCUSSION AND ANALYSIS

year 2018-2019. The decline in numbers in the current year compared to the previous year is due to discontinuation of operations due to emergence of COVID 19 pandemic.

In an effort to elevate and sustain the level of uptake of government procurement opportunities among the youth, women and persons living with disability (PWD), the Kenya School of Government organized a sensitization forum aimed at infusing knowledge and skills on how to successfully participate and benefit from Government procurement opportunities. This was done upon the realization that uptake to procurement opportunities set aside for them is a little low which can be attributed to inadequate information and knowledge among the targeted beneficiaries. The forum therefore created awareness and increased knowhow among the targeted group on how to conduct business with Government.

The School has four ongoing projects i.e Ultra modern complex in Mombasa at a contract sum of Kshs. 1B, construction of convention centre in Embu at a contract sum of Kshs. 1.1B, construction of tuition block in Matuga and Baringo campuses at a contract sum of Kshs. 745M and Kshs. 623M respectively. Upon completion of the projects, there will be additional accommodation rooms in Mombasa and increase in the number of lecture halls in Embu, Baringo and Matuga campuses.

2 Compliance with statutory requirements

The School complies with the statutory regulations and remits statutory deductions to relevant authorities in time.

3 Major risks facing the School

The School's major risk is operational risk. This is due to emergence of COVID 19 pandemic that led to discontinuation of training as directed by the Government towards the end of quarter three of financial year 2019-2020. This resulted to decline in revenue drastically since most of the courses ran by the School were face to face.

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IX CORPORATE SOCIAL RESPONSIBILITY/ SUSTAINABILITY REPORTING

Kenya School of Government exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy which is founded on training, research and advisory services, consultancy services, institutional strengthening and positioning, human capital and talent management and financial growth and sustainability; putting the customer citizens first, delivering relevant services and improving operational excellence. Below is a brief highlight of the School's achievements:

1 Sustainability strategy and profile

Our sustainability is anchored on our vision, statement of purpose and core values which determine the strategic objectives of the School. Our role is to ensure that our business and by extension our various stakeholders are able to grow in a sustainable manner and not in the short term.

Our aim is to create value for shareholders and the society alike and in order to achieve this; we focus on several key areas:

- a. **Economic:** Kenya School of Government continues to contribute to the economy through the remittance of taxes such as a pay as you earn (PAYE), withholding tax, withholding vat excise duty and value added tax (VAT).
- b. **Socio-Economic:** KSG awarded various tenders for special groups consisting of Women, Youth and People Living with Disability (PWDs). In addition, sensitizations were held in all our campuses for special groups in order to equip them with skills on how to successfully bid for tender opportunities with the School. All tenders were published on the School's website and the Public Procurement Information Portal (PPIP)

2 Environmental performance

KSG invested in indigenous, medicinal and fruit trees that were planted during the rainy season. In an effort to increase National forest coverage in Kenya, KSG partnered with the local community to plant 4,000 Mangrove Trees in Mukupe Miritini, Mombasa County. The area was allocated by Kenya Forest Service and through a collaboration with the Local Community to ensure its sustainability. Similarly, KSG partnered with Kenya Forest Service and Thambana Community to conserve Thambana Riverine in Embu County, by planting giant bamboo trees. In total the School planted 10,281 trees. The Staff of the school together with the Ministry of Public Service were engaged in a tree planting exercise at Ngong Hills to mark the Africa Public Service Day on June 23, 2020.

3 Employee welfare

The School has Human Resource Management Policy and Procedure Manual seek to assist the School in implementation of its strategic plan to be consistent with the legal framework governing employer-employee relationship in Kenya and internationally recognized best practice. The purpose of the manual is to facilitate the attraction, development and retention of high performing staff. The policy is reviewed from time to time.

The School has continued to train staff on short courses both held within the School and outside the School such as professional bodies in order to improve skills to staff. Further, the School

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IX CORPORATE SOCIAL RESPONSIBILITY/ SUSTAINABILITY REPORTING

has continued to reimburse fees for those who out of their own initiative have embarked on a course relevant to their duties in order to manage careers. Appraisals and reward systems were also reviewed in the year 2019-2020 and appraisals carried out accordingly and rewards granted to the best performers.

4 Market place practices

The School has ensured that:

- a. **Responsible competition practice**: In order to ensure responsible competition practices with issues like anti-corruption, the School has been ensuring that it undertakes all its activities within the laws of Kenya. Also in order to ensure fair competition and respect for competitors the School has continued to engage the Government for assistance that they may require.
- b. **Responsible supply chain and supplier relations**: The School has ensured that it complies with Public Procurement and Asset Disposal Act 2015 while carrying out procurement operations in order to ensure good business practice. Further, the School has a procurement and procedure manual that guides operations in procurement. Also in order to ensure that all contracts signed between the School and the suppliers are honoured including payment of their supplies when they fall due.
- c. **Responsible marketing and advertisement**: The School has been carrying out advertisements on "my Gov" platform as well as on its website for new and existing programs.
- d. **Product stewardship**: In order to protect consumer rights and interests, our customers are provided with information regarding the course requirements before admission and during the commencement of the course. Further, the School ensures confidentiality while interacting with customers.

5 Community engagement

The School participates in many activities in its effort to contribute socially to the society in which it operates

- a. The Beyond Zero Campaign; launched by the First Lady of the Republic of Kenya, KSG has participated every year since inception.
- b. KSG Ogopa Football Club; the school sponsors a Football club that is in the Nairobi West Regional level of the Kenya Premier League
- c. Disability Access in buildings; the school's properties have been modified to be disability friendly and allow for access for persons living with disabilities (PWDs) with minimal inconvenience.

KENYA SCHOOL OF GOVERNMENT

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X REPORT OF THE COUNCIL

The Council submit their report together with the financial statements of Kenys School of Government for the year ended June 30, 2020 which show the state of the School's affairs.

Principal activities

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

Results

The results of the School for the year ended June 30, 2020 are set out on page 27. Below is a summary of the performance of the School during the year.

| | 2020 | 2019 |
|----------------------|----------------------|--------------------|
| | kshs | kshs |
| Total Revenue | 1,540,928,166 | 2,084,674,565 |
| Total Expenditure | (2,012,621,144) | (1,978,622,022) |
| Other gains/ losses | (18,779,494) | (1,294,502) |
| Surplus for the year | <u>(490,472,472)</u> | <u>104,758,041</u> |

Council Members

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

Auditors

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

KENYA SCHOOL OF GOVERNMENT

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XI STATEMENT OF COUNCIL RESPONSIBILITIES

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

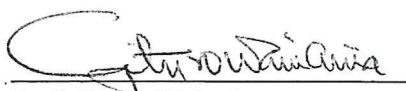
The Council is responsible for the preparation and presentation of the School's financial statements, which give a true and fair view of the state of affairs of the School for and as at the end of the financial year ended on June 30, 2020. The responsibility includes: (i) maintaining adequate financial 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 School; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that these are free from material misstatements, whether due to error or fraud; (iv) make accounting estimates that are reasonable in the circumstances (v) safe guarding the assets of the School; (vi) selecting and applying appropriate accounting policies.

The Council accepts responsibility for the School's financial statements which have been prepared using appropriate accounting policies, supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting standards (IPSAS), and in the manner required by Public Finance Management Act 2012 and the Kenya School of Government Act 2012. The Council is of the opinion that the School's financial statements give true and fair view of the state of the School's transactions during the financial year ended June 30, 2020 and of the School's financial position as at that date. The Council further, confirms the completeness of the accounting records maintained for the School which have been relied upon in the preparation of the School's financial statements as well as the adequacy of the systems of internal financial control.

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

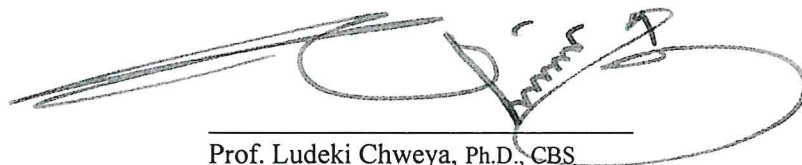
Approval of the financial statements

The School's financial statements were approved by the Council on 2020 and signed on its behalf by:



Prof. Gituro Wainaina, PhD.

Chairman of the Council

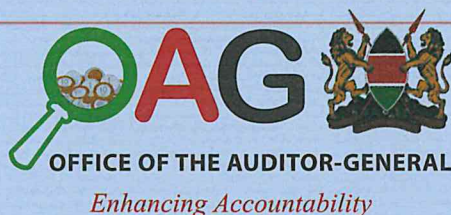


Prof. Ludeki Chweya, Ph.D., CBS

Director General & Chief Executive Officer

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REPORT OF THE AUDITOR-GENERAL ON KENYA SCHOOL OF GOVERNMENT FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya School of Government set out on pages 27 to 54, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya School of Government as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya School of Government Act No.9, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Land Without Ownership Documents

The statement of financial position and Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.6,640,465,746. Included in the balance are freehold parcels of land owned by the School at Mombasa and Matuga campuses valued at Kshs.736,200,000 and Kshs.47,500,000 respectively but whose title deeds were not provided for audit review.

1.1 Excluded Leasehold Land

The statement of financial position and Note 18 to the financial statements reflects leasehold land balance of Kshs.1,971,989,175. The balance includes six parcels of land valued at Kshs.1,677,336,407 located at Lower Kabete that have been illegally hived off

and allocated. Although available information indicates that these allocations have since been revoked by a court of law, and the School has taken back possession of the six parcels of land, ownership documents to the parcels are yet to be obtained.

Consequently, the completeness and ownership of the Leasehold land of Kshs.1,971,989,175 as at 30 June, 2020 could not be confirmed.

1.2 Lack of a Comprehensive Fixed Assets Register

The fixed asset register maintained by the School is not comprehensive and lacks the following aspects; cost of the assets, date of acquisition, physical location and depreciation charge for the year, the accumulated depreciation and net book value. Further, the School's assets valued at Kshs.11,070,763 are not tagged for unique identification. The risk of loss due to pilferage or theft is high.

Consequently, it was not possible to confirm the completeness and existence of the Property, Plant and Equipment of Kshs.6,640,465,746 as at 30 June, 2020.

1.3 Non-Valuation of Assets

As reported previously, the School continues to carry in its books, assets which are fully depreciated but accrued benefits from their usage. Although the valuation process has commenced with part of the headquarter assets having been valued during the year under review, the valuation amounts have not been incorporated into the financial statements.

Consequently, the accuracy and completeness of the Property, Plant and Equipment balances of Kshs.6,640,465,746 as at 30 June, 2020 could not be confirmed.

2. Unexplained Receivables from Exchange and Non-Exchange Transactions Balances

The statement of financial position reflects receivables from exchange and non-exchange transactions balances of Kshs.1,200,186,725;(2019 - Kshs.1,369,047,064) and as disclosed under Note 22 to the financial statements, includes unexplained and unsupported Embu campus debits and credits balances of Kshs.26,052,224 and Kshs.5,975,139 respectively resulting in a net of Kshs.20,077,085. The balance owed by the campus being a related party should have been reconciled.

2.1 Long Outstanding Receivables

The receivables balance includes an amount of Kshs.526,916,141 that have been outstanding for a period exceeding 120 days. Included in this balance are amounts due from defunct Institutions of Kshs.20,401,731 and foreign customers of Kshs.20,295,271 all totalling to Kshs.40,697,002. Management has not explained how the credits were extended to the concerned institutions and individuals despite the Schools credit policy requirement of advance payments prior to the commencement of any courses /activities. No much efforts have been made to recover the balances and no provisions have been made for their doubtful collection.

In view of the foregoing, the accuracy and completeness of the receivables from exchange and non-exchange transactions balances of Kshs.1,200,186,725 as at 30 June, 2020 could not be confirmed.

3. Unsupported Staff Remittances

The statement of financial position reflects trade and other payables balance of Kshs.1,165,137,530 and as disclosed in Note 24 to the financial statements. Included in the balance of trade and other payables is staff remittances of Kshs.28,472,436 comprising of bank and Sacco check-offs and staff welfare of Kshs.8,209,755, Kshs.6,340,315 and Kshs.2,331,392 respectively. However, the documents provided in support amounted to Kshs.26,381,742 resulting to an unexplained variance of Kshs.2,360,694.

3.1 Unsupported VAT Payable Balance

Included in the payables balance is VAT payable amount of Kshs.25,634,424. However, the schedule provided in support of the balance amounted to Kshs.1,107,437 leaving out Kshs.24,526,987 unsupported.

3.2 Unsupported Withholding Taxes (VAT & Income)

Included also in the balance is withholding taxes on VAT and income of Kshs.5,789,801 whose detailed analysis of the tax return certificates making up the balance was not provided for audit verification.

Consequently, the accuracy and completeness of the trade and other payables balance of Kshs.1,165,137,530 as at 30 June, 2020 could not be confirmed.

4. Un-Supported Expenditures

The statement of financial performance reflects general expenses expenditure of Kshs.669,710,478 and as disclosed in Note 16 to the financial statements. Included in the expenditure is advertising and publicity, hospitality and hire of accommodation costs of Kshs.947,146, Kshs.872,061 and Kshs.969,123 respectively all totalling Kshs.2,788,330. However, documents in support of the payments were not provided for audit review.

4.1 Included also in general expenses are repairs and maintenance and security services expenditure of Kshs.4,624,557 and Kshs.814,615 respectively totalling Kshs.5,439,172. However, the supporting documents for procurement process, professional opinions and the contract documents or service agreements were not provided for audit review.

Under the circumstances, the accuracy and validity of the general expenditure totalling to Kshs.669,710,478 could not be confirmed.

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

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

1. Irregular Payment of Allowances to Council Members

The statement of financial performance and Note 13 to the financial statements reflects Kshs.10,942,602 for council expenses. Included in this figure is Kshs.400,000 paid by the School in form of sitting allowances to persons who were not gazetted as Council members as provided under Section 7(1) of the KSG Act. This is contrary to the requirements of Article 226(5) of the Constitution of Kenya, 2010, Section 10(1) of the State Corporation Act Cap 446, Paragraph 4 of the Attorney General's advisory letter reference number AG/CONF/6/D/73 VOL.1 of 22 August, 2013 and the Office of the President Circular number OP/CAB.9/1A of 8 November, 2013.

Further, the term of the representative of Public Service Commission to the Council expired on 7 January, 2019 upon retirement but continued serving without formal authorization of the extension. The Council however, in its 51st Special Council meeting of 7 January, 2019 resolved to co-opt the person as a member of Council in accordance with Section 6(6) of the KSG Act. The lawfulness of the resolution of the Council, could however not be established.

To the extent, the Council is in breach of the law.

2. Long Outstanding Imprests

The statement of financial position reflects receivables of Kshs.1,200,186,725 as disclosed in Note 22. The balance includes outstanding staff imprests of Kshs.10,703,908. This is contrary to the Public Financial Management Regulation, 2012

Section 93. Of the amount, Kshs.9,378,805 were imprests held by three (3) staff which have remained outstanding for more than one year. Although the regulations require that imprest and interest be charged to the officers for any un-surrendered/un-accounted for monies, no action appears to have been taken against the defaulting officers.

To the extent, the Management is in breach of the law.

3. Unremitted Statutory Deductions

Included in the trade and other payables balance of Kshs.1,165,137,530 are statutory deductions on account of PAYE and NHIF of Kshs.13,987,381 and Kshs.1,517,052 respectively which are overdue and remained unremitted throughout the year. No explanation has been provided for the continued delay in remitting the deductions despite the risk of penalties and interests.

To the extent, the Management is in breach of the law.

4. Irregular Staff Recruitment

The School advertised for twenty-three (23) vacant positions in various departments in the Daily Nation of Friday 18 December, 2018. In the advert, it was required that interested persons log into the School's website for detailed description of the job vacancies and submit their applications through the School's physical address or email not later than 4 January, 2019. As such, the applicants were only allowed a fifteen-day (15) window period contrary to the Public Service Commission Human Resources Policies and Procedures Manual for the Public Service, 2016, Part B.4(1) which provides that Ministries/State Departments will advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert.

To the extent, the Management is in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 the Council Members

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and 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 overall governance.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 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 School 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 School to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

For the year ended 30 June 2020

XIII STATEMENT OF FINANCIAL PERFORMANCE

| | Note | 2020 kshs | 2019 Kshs |
|--|------|----------------------|----------------------|
| REVENUES | | | |
| Revenue from Non exchange | | | |
| Government grant | 11 | 341,560,927 | 413,255,862 |
| Revenue from Exchange transactions | | | |
| Training fees | | 483,532,767 | 646,710,192 |
| Research and consultancy | | 57,821,881 | 120,110,851 |
| Accommodation | | 307,520,074 | 534,004,089 |
| Conferences and Workshops | | 207,555,349 | 223,933,580 |
| Other income | 12 | 142,937,168 | 146,659,991 |
| TOTAL REVENUE | | 1,540,928,166 | 2,084,674,565 |
| OPERATING EXPENSES | | | |
| Council expenses | 13 | 10,942,602 | 12,944,383 |
| Employee costs | 14 | 1,030,293,861 | 813,666,642 |
| Repairs and maintenance | 15 | 56,496,189 | 48,295,754 |
| General Expenses | 16 | 669,710,478 | 862,403,687 |
| Depreciation | 17 | 219,732,003 | 215,865,545 |
| Amortisation | 18 | 25,446,011 | 25,446,011 |
| TOTAL OPERATING EXPENSES | | 2,012,621,144 | 1,978,622,022 |
| Loss on disposal of assets | 19 | - | (2,713,800) |
| Gain /(Loss) on foreign exchange transations | | 6,220,506 | 1,419,298 |
| Transfer to Treasury | | (25,000,000) | - |
| | | (18,779,494) | (1,294,502) |
| Surplus before tax | | (490,472,472) | 104,758,041 |
| Taxation | | - | - |
| SURPLUS/ (DEFICIT) FOR THE YEAR | | (490,472,472) | 104,758,041 |

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

As at 30 June 2020

XIV STATEMENT OF FINANCIAL POSITION

| | Note | 2020 kshs | 2019 Kshs |
|--|------|-----------------------|-----------------------|
| Non- current assets | | | |
| Property plant & equipment | 17 | 6,640,465,746 | 6,323,400,691 |
| Leasehold land | 18 | 1,971,989,175 | 1,997,435,186 |
| Investments | 20 | 4,474,598 | 6,223,163 |
| | | <u>8,616,929,519</u> | <u>8,327,059,040</u> |
| Current Assets | | | |
| Inventories | 21 | 33,456,352 | 24,845,940 |
| Receivables from exchange & non exchange | 22 | 1,200,186,725 | 1,369,047,064 |
| Investments | 20 | 154,296 | 21,332,183 |
| Cash and cash equivalent | 23 | 793,293,024 | 788,047,178 |
| | | <u>2,027,090,397</u> | <u>2,203,272,365</u> |
| Total Assets | | <u>10,644,019,916</u> | <u>10,530,331,405</u> |
| Current Liabilities | | | |
| Trade and other payables from exchange | 24 | 1,165,137,530 | 1,001,901,551 |
| | | <u>1,165,137,530</u> | <u>1,001,901,551</u> |
| Net Assets | | | |
| Revaluation reserves | | 4,539,728,060 | 4,539,728,060 |
| Accumulated surplus | | 1,631,606,730 | 2,122,079,202 |
| Deferred Income | | 3,307,547,596 | 2,866,622,592 |
| | | <u>9,478,882,386</u> | <u>9,528,429,854</u> |
| Total net assets and liabilities | | <u>10,644,019,916</u> | <u>10,530,331,405</u> |

The financial statements as set out on pages 27 to 51 were approved by Council onand signed on its behalf by:

Head of Accounts: Eveline Wahome ICPAK M/NO.5099 Eveline Wahome Date: 21/5/21

Director General/ C.E.O: Ludeki Chweya, PhD,CBS, Ludeki Chweya

Date: 21/5/21

Chairman: Prof. Gituro Wainaina Gituro Wainaina

Date: May 26, 2021

KENYA SCHOOL OF GOVERNMENT

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For the year ended 30 June 2020

XV STATEMENT OF CHANGES IN NET ASSETS

| | Revaluation reserves Kshs | Accumulated surplus Kshs | Development Grant Kshs | Total Kshs |
|----------------------------|---------------------------------|--------------------------------|------------------------------|----------------------|
| Balance as at 30 June 2018 | 4,539,728,060 | 2,017,321,161 | 2,418,707,364 | 8,975,756,585 |
| Surplus for the year | - | 104,758,041 | - | 104,758,041 |
| Additions | - | - | 528,772,739 | 528,772,739 |
| Amortisation | - | - | (80,857,511) | (80,857,511) |
| Balance as at 30 June 2019 | <u>4,539,728,060</u> | <u>2,122,079,202</u> | <u>2,866,622,592</u> | <u>9,528,429,854</u> |
| Balance as at 1 July 2019 | 4,539,728,060 | 2,122,079,202 | 2,866,622,592 | 9,528,429,854 |
| Surplus for the year | - | (490,472,472) | - | (490,472,472) |
| Additions | - | - | 518,367,855 | 518,367,855 |
| Amortisation | - | - | (77,442,851) | (77,442,851) |
| Balance as at 30 June 2020 | <u>4,539,728,060</u> | <u>1,631,606,730</u> | <u>3,307,547,596</u> | <u>9,478,882,386</u> |

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

For the year ended 30 June 2020

XVI STATEMENT OF CASH FLOWS

| | | 2020 | 2019 |
|---|------|----------------------|----------------------|
| | Note | Kshs | Kshs |
| Operating surplus | | (490,472,472) | 104,758,041 |
| Depreciation | 17 | 219,732,003 | 215,865,545 |
| Amortisation of land | 18 | 25,446,011 | 25,446,011 |
| Amortisation of deferred income | | (77,442,851) | (80,857,511) |
| Loss on disposal of assets | 19 | - | 2,713,800 |
| Operating surplus before working capital changes | | (322,737,309) | 267,925,886 |
| (Increase)/ decrease in inventories | | (8,610,412) | 8,235,678 |
| (Increase)/ decrease in trade and other receivables | | 168,860,339 | (249,655,731) |
| Increase/ (decrease) in trade and other payables | | 163,235,979 | 117,212,908 |
| Cash generated from operations | | 748,597 | 143,718,741 |
| Interest accrued from Treasury bonds | 20 | (16,868) | (906,911) |
| | | <u>731,729</u> | <u>142,811,830</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant & equipment | 17 | (536,797,058) | (524,825,185) |
| Redemption of Treasury bond | 20 | 22,943,320 | - |
| | | <u>(513,853,738)</u> | <u>(524,825,185)</u> |
| FINANCING ACTIVITIES | | | |
| Government grant | | 510,182,739 | 528,772,739 |
| Grant from donors | | 8,185,116 | - |
| Net cash generated from financing activities | | <u>518,367,855</u> | <u>528,772,739</u> |
| Increase/ (decrease) in cash and cash equivalent | | 5,245,846 | 146,759,384 |
| Cash and cash equivalent at the beginning | | 788,047,178 | 641,287,794 |
| Cash and cash equivalent at end of the year | 23 | <u>793,293,024</u> | <u>788,047,178</u> |

KENYA SCHOOL OF GOVERNMENT
Annual Report and Financial Statements
For the year ended 30 June 2020

XVII STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| | Original Budget Kshs | Adjustments Kshs | Final Budget Kshs | Actual Ksh | Variance Kshs. | % | NOTE |
|--|-------------------------|---------------------|----------------------|----------------------|----------------------|------|------|
| Revenue | | | | | | | |
| Government grant | 323,343,331 | 39,409,121 | 362,752,452 | 313,223,327 | (49,529,125) | -14% | 1 |
| Grant development partners | - | 57,000,000 | 57,000,000 | 28,337,600 | (28,662,400) | -50% | 2 |
| Training fees | 703,816,380 | 36,874,179 | 740,690,559 | 483,532,767 | (257,157,792) | -35% | 2 |
| Research and consultancy | 79,344,459 | 29,000,000 | 108,344,459 | 57,821,881 | (50,522,578) | -47% | 2 |
| Accommodation | 641,159,980 | 21,000,000 | 662,159,980 | 307,520,074 | (354,639,906) | -54% | 2 |
| Hire out of facilities | 81,440,655 | 156,722,083 | 238,162,738 | 207,555,349 | (30,607,389) | -13% | 2 |
| Other income | 252,778,287 | (102,288,834) | 150,489,453 | 142,937,168 | (7,552,285) | -5% | |
| Other Gains/(Losses) | - | - | - | (18,779,494) | - | 0% | |
| Total Income | 2,081,883,091 | 237,716,550 | 2,319,599,641 | 1,522,148,672 | (797,450,969) | | |
| Expenses | | | | | | | |
| Council expenses | 25,725,000 | (8,725,000) | 17,000,000 | 10,942,602 | 6,057,398 | 36% | 3 |
| Compensation of employees | 861,101,410 | 208,336,203 | 1,069,437,613 | 1,030,293,861 | 39,143,752 | 4% | |
| General expenses | 822,995,586 | (19,325,934) | 803,669,652 | 669,710,478 | 133,959,174 | 17% | 4 |
| Depreciation and amortisation | 264,626,341 | 20,274,206 | 284,900,547 | 245,178,014 | 39,722,533 | 14% | 5 |
| Repairs and maintenance | 51,059,589 | 6,311,786 | 57,371,375 | 56,496,189 | 875,186 | 2% | |
| Total expenditure | 2,025,507,926 | 206,871,261 | 2,232,379,187 | 2,012,621,144 | 219,758,043 | | |
| Surplus/ (deficit) for the year | 56,375,166 | 30,845,288 | 87,220,454 | (490,472,472) | | | |

NOTES

Difference between actual and budgeted amounts

- 1.) Government grant was reduced as funds for in service training wasn't released due to emergence of COVID 19.
- 2.) The Revenue budget for Training, accommodation and consultancy wasn't met due to discontinuation of services due to emergence of COVID 19.
- 3.) Unutilised funds for council expense was due to postponement of scheduled retreats, trainings and workshops due to emergence of COVID 19.
- 4.) General expenses includes food and ration, stationery for participants and other participants related costs that reduced due to discontinuation of training activities since emergence of COVID 19.
- 5.) Depreciation was below the budget because planned capital expenditures were not procured due to discontinuation of activities in School.

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements FOR THE YEAR ENDED 30 JUNE 2020

XVIII NOTES TO THE FINANCIAL STATEMENTS

1 General Information

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

2 Statement of Compliance and basis of preparation

The financial statements have been prepared on historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment and financial instruments at fair value, impaired assets at their estimated recoverable amounts and liabilities at their present value where applicable. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAs) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the School's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note No. 5

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the School.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and the International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3 Adoption of new and revised standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020.

| Standard | Impact |
|--------------------------------------|---|
| IPSAS 40: Public Sector combinations | Applicable: 1st January 2019 The Standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). <i>This standard is not applicable to the School as it did not acquire any business during the year.</i> |

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020.

| Standard/ Amendment to a standard | Effective date and impact |
|--|--|
| IPSAS 41: Financial Instruments | <p>Applicable: 1st January 2022</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held: • Applying a single forward looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>This standard is not applicable to the School as it does not hedge its financial instruments</i></p> |
| IPSAS 42: Social benefits | <p>Applicable: 1st January 2022.</p> <p>The objective of this standard is to improve the relevancy, faithful representatives and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purposes financial reports assess:</p> <ol style="list-style-type: none"> a.) The nature of such social benefits provided by the entity; b.) The key features of the operation of those social benefit schemes; c.) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>This standard is not applicable to the School as it does not offer social benefit</i></p> |
| Amendments to other IPSAS resulting from IPSAS 41, Financial | <p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a.) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when |

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020.

| Standard/ Amendment to a standard | Effective date and impact |
|-----------------------------------|---|
| Instruments | <p>IPSAS 41 was issued.</p> <p>b.) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c.) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |
| Other improvements on IPSAS | <p>Applicable: 1st January 2021</p> <p>a.) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment in place of the current references to other international and/ or national accounting frameworks.</p> <p>b.) IPSAS 13, Leases and IPSAS 17, Property, Plant and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c.) IPSAS 21, Impairment of Non-Cash Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant and Equipment and IPSAS 31, Intangible Assets.</p> <p>d.) IPSAS 33, First time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the standard.</p> |

iii. Early adoption of standards

The School did not adopt early any new or amended standards in year 2019-2020.

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue recognition

i. Revenue from non-exchange transactions

The entity recognises revenues from fees when the event occurs to the extent that would give rise to a liability to repay the amount. Other non-exchange revenues are recognised when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other Government entities

Revenues from non-exchange transactions with other Government entities are measured at fair value and recognised on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognised in the statement of comprehensive income. Development/ capital grants are recognised in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Deferred income

This relates to grants received from the Government of Kenya and development partners for purposes of capital expenditure. This amount is amortised gradually and the amortised amount recognised in the statement of financial performance at the same rate as depreciation on an annual basis.

ii. Revenue from exchange transactions

1) Rendering of services

The sale of services is recognised in the year in which the School delivers the service to the customer, the customer has accepted the service and collectability of the related receivables is reasonably assured.

2) Sale of goods

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

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

3.) Interest Income

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

4.) Rental Income

This is income arising from renting out the School's houses to mainly its staff.

b. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costs includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of financial performance as incurred. Where an asset is acquired in a non exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

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

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

| | Rate |
|----------------------|------------------------------|
| Buildings | 2.00% |
| Plant & equipment | 12.50% |
| Furniture & fittings | 12.50% |
| Linen & beddings | 12.50% |
| Motor vehicles | 25.00% |
| Computers | 30.00% |
| Softwares | 20.00% |
| Library books | 5.00% |
| Leasehold land | Over the period of the lease |

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

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

c. Leases

Finance lease are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the School. Assets held under a finance lease are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The School also recognises the associated lease liability at the inception of the lease. The liability recognised is measured as the present value of the future minimum lease payments at initial recognition.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the School will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

d. Inventories

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

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

Raw materials: purchase cost using the weighted average cost method;

Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity.

After initial recognition, inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges and is determined on weighted average price method. Inventories are recognised as an expense when deployed for utilisation or consumption in the ordinary course of operations of the School.

e. Financial Instruments

1.) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: recognition and measurements are classified as financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments or available for sale financial assets as appropriate. The School determines the classification of its financial assets at initial recognition.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Losses arising from impairment are recognized in the surplus or deficit.

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

Held to maturity

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the School has the positive intention and ability to hold it to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in surplus or deficit.

Impairment of financial assets

The School assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include the following indicators:

- i.) The debtors are experiencing significant financial difficulty;
- ii.) Default or delinquency in interest or principal payments;
- iii.) The probability that debtors will enter bankruptcy or other financial reorganisation;
- iv.) Observable data indicates a measurable decrease in estimated future cash flows.

2.) Initial recognition and measurement of financial liabilities

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit as appropriate. The School determines the classification of its financial liabilities at initial recognition. The School determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus directly attributable transactions costs.

f. Nature and purpose of reserves

The School creates and maintains reserves in terms of revaluation reserves. This reserve is a non cash reserves created to reflect the true value of the asset when the market value of the assets is higher or lower than the book value. Any increase or decrease as a result of revaluation of the asset is posted in this account as per the International Public Sector Accounting Standards.

KENYA SCHOOL OF GOVERNMENT

Annual Report and Financial Statements

For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

g. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and cash at bank, short term deposits, on call deposits and highly liquid investments within original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

h. Retirement benefit obligation

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

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

i. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as income or expenses in the period in which they arise.

j. Budget information

The original budget for the FY 2019-2020 was approved by the Council in January 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented on page 31 of these financial statements.

KENYA SCHOOL OF GOVERNMENT

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For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

k. Intangible asset

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in statement of financial performance in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

l. Provisions

Provisions are recognised when the School has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the School expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

1.) Contingent liabilities

The School does not recognise a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

2.) Contingent assets

The School does not recognise a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the School in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the change occurs.

m. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year June 30, 2020.

n. Currency

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

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For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

o. Taxes

Current income tax

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

Sales tax

Expenses and assets are recognised net of the amount of sales tax except:

- i.) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- ii.) When receivables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

p. Comparative figures

Comparative figures for water bottling sales have been amended to separate between income and expenditure in compliance with IPSAS 1(S.48). Further, other expenses reflected in note 16 have been clarified further by disclosing library expenses separately from other income.

5 Significant Judgement and Sources of Estimation uncertainty

to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a.) Estimates and assumptions

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

b.) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal;

- i.) The condition of the asset based on the assessment of experts employed by the School;
- ii.) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- iii.) The nature of the processes in which the asset is deployed;
- iv.) Availability of funding to replace the asset;
- v.) Changes in the market in relation to the asset.

NOTES TO THE FINANCIAL STATEMENTS (continued)

c.) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The School has made a general provision for bad debts at the rate of 11%.

7 Retained Earnings

The retained earnings represent net income left over to finance the School's activities mainly capital expenses.

8 Related party disclosures

Nature of related party relationships

The School regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the School or vice versa. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the School, holding 100% of the School's equity interest. Other related parties include:

- i. The parent ministry- Ministry of Public Service & Gender
- ii. The National Treasury
- iii. County Government
- iv. Key Management

9 FINANCIAL RISK MANAGEMENT

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

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

i. Market risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

i. Market risk (Continue..)

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

The School's finance department is responsible for development of detailed risk management policies and for the day to day implementation of those policies.

During the year 2019-2020 from the month of March 2020, the Government of Kenya discontinued activities and closed down all training institutions due to the emergence of COVID 19. This affected the performance of the School since admissions of participants could not take place.

ii. Credit Risk

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

Management assesses the credit quality of each customer taking into account its past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the School's management based on prior experience and their assessment of the current and economic environment.

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

| | Total amount Kshs. Kshs | Fully performing Kshs. Kshs | Past due Kshs. Kshs | Impaired Kshs. Kshs |
|--|--|--|--------------------------------|------------------------------------|
| At 30 June 2020 | | | | |
| Receivables from exchange transactions | 1,274,746,835 | 1,247,933,143 | 26,813,692 | - |
| Receivables from non exchange transactions | 10,703,908 | 10,703,908 | - | - |
| Bank balances | 692,293,024 | 692,293,024 | - | - |
| Total | 1,977,743,767 | 1,950,930,075 | 26,813,692 | - |
| At 30 June 2019 | | | | |
| Receivables from exchange transactions | 1,348,379,408 | 1,194,372,179 | 154,007,229 | |
| Receivables from non exchange transactions | 10,429,771 | 10,429,771 | - | |
| Bank balances | 738,047,178 | 738,047,178 | - | |
| Total | 2,096,856,357 | 1,942,849,128 | 154,007,229 | - |

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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

iii. Liquidity risk management

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

The table below represents cash flows payable by the School. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 month Kshs | Between 1-3 months Kshs | Over 3 months Kshs | Total Kshs |
|------------------------------|---------------------------------------|--|-------------------------------|-----------------------|
| At 30 June 2020 | | | | |
| Trade payables | | | 289,595,791 | 289,595,791 |
| Payments received in advance | - | 520,284,970 | - | 520,284,970 |
| Third party payments | - | 51,277,180 | - | 51,277,180 |
| Retentions | - | 122,167,729 | - | 122,167,729 |
| VAT payable | - | 25,634,424 | - | 25,634,424 |
| Audit fees | 3,500,000 | - | - | 3,500,000 |
| Service Gratuity | | 47,692,420 | | 47,692,420 |
| Other payables | 49,856,921 | 551,280,955 | | 1,049,857,876 |
| Total | 53,356,921 | 822,184,818 | 289,595,791 | 1,165,137,530 |
| At 30 June 2019 | | | | |
| Trade payables | | | 306,365,573 | 306,365,573 |
| Payments received in advance | - | 361,533,449 | - | 361,533,449 |
| Third party payments | - | 50,613,201 | - | 50,613,201 |
| Retentions | - | 121,535,974 | - | 121,535,974 |
| VAT payable | - | 45,388,703 | - | 45,388,703 |
| Audit fees | 5,000,000 | - | - | 5,000,000 |
| Service Gratuity | | 39,422,329 | | 39,422,329 |
| Other payables | 38,946,830 | 33,095,492 | | 72,042,322 |
| Total | 43,946,830 | 651,589,148 | 306,365,573 | 1,001,901,551 |

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NOTES TO THE FINANCIAL STATEMENTS (continued)

iv. Foreign Currency Risk

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

v. Interest rate risk

Interest rate risk is the risk that the School's financial condition may be adversely affected as a result of changes in interest rate levels. The School's interest rate risk arises from bank deposits. This exposes the School's cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the School's deposits.

vi. Capital Risk Management

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

| | 2020 kshs | 2019 Kshs |
|---------------------|----------------------|----------------------|
| Revaluation Reserve | 4,539,728,060 | 4,539,728,060 |
| Accumulated surplus | 1,631,606,730 | 2,122,079,202 |
| Deferred Income | 3,307,547,596 | 2,866,622,592 |
| | <u>9,478,882,386</u> | <u>9,528,429,854</u> |

10 Transfer from Ministries, departments and agencies

| Name | Amount recognised to statement of comprehensive income Kshs | Amount deferred under deferred income Kshs | Amount recognised in capital fund Kshs | Total grant income during the year Kshs | 2018-2019 Kshs |
|--|--|--|--|--|-------------------|
| Ministry of Public Service & Gender | 313,223,327 | 510,182,739 | - | 823,406,066 | 845,678,601 |

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NOTES TO THE FINANCIAL STATEMENTS (continued)

| | 2020 kshs | 2019 Kshs |
|---------------------------------------|----------------------|--------------------|
| 11 Government grants | | |
| Recurrent grant- development partners | 28,337,600 | 96,350,000 |
| Recurrent- salaries | 313,223,327 | 316,905,862 |
| | <u>341,560,927</u> | <u>413,255,862</u> |
| 12 Other Income | | |
| Deferred Income | 77,442,851 | 80,857,511 |
| Rent | 14,532,798 | 14,216,945 |
| Interest from investments | 14,202,423 | 11,743,122 |
| Miscellaneous receipts | 15,310,515 | 22,729,361 |
| Water Bottling sales | 21,448,581 | 17,113,052 |
| | <u>142,937,168</u> | <u>146,659,991</u> |
| 13 Council expenses | | |
| Allowances | 9,916,865 | 7,655,970 |
| Training and retreats | 1,025,737 | 5,288,413 |
| | <u>10,942,602</u> | <u>12,944,383</u> |
| 14 Employee costs | | |
| Salaries and wages | 901,279,542 | 714,421,346 |
| Gratuity | 24,001,828 | 29,088,727 |
| Bonus | 33,276,179 | 17,225,260 |
| Staff training | 5,509,647 | 12,151,142 |
| Staff medical | 39,329,151 | 26,787,554 |
| Staff welfare | 22,695,749 | 9,918,157 |
| Staff uniform | 4,201,765 | 4,074,456 |
| | <u>1,030,293,861</u> | <u>813,666,642</u> |
| 15 Repairs and maintenance | | |
| Maintenance of building and grounds | 34,384,993 | 29,125,457 |
| Maintenance of equipment | 9,689,169 | 7,926,490 |
| Motor vehicle repairs | 12,422,027 | 11,243,807 |
| | <u>56,496,189</u> | <u>48,295,754</u> |

KENYA SCHOOL OF GOVERNMENT
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| | 2020 kshs | 2019 Kshs |
|------------------------------------|--------------------|--------------------|
| 16 General expenses | | |
| Advertising and publicity | 11,207,479 | 4,881,276 |
| Bank charges | 1,437,513 | 1,574,188 |
| Casual wages | 93,258,065 | 116,962,882 |
| Cleaning and sanitation | 33,571,822 | 28,643,120 |
| Conference committees and seminars | 6,711,387 | 6,150,650 |
| Domestic travel | 75,066,504 | 103,240,282 |
| Electricity | 25,498,443 | 35,693,836 |
| External travel costs | 6,487,453 | 2,810,588 |
| Food and ration | 201,944,098 | 286,314,835 |
| Gas and fuel | 14,973,532 | 15,425,052 |
| Field study trips | 2,170,735 | 3,698,577 |
| Hire of accomodation | 13,467,402 | 25,650,746 |
| Hire of transport | 3,681,744 | 9,507,832 |
| Hire of consultancy | 4,753,455 | 3,279,275 |
| ICT costs | 28,539,512 | 25,070,082 |
| Insurance | 13,431,224 | 13,786,368 |
| Intergration of the School costs | - | 1,960,700 |
| ISO Certification | 501,386 | 431,200 |
| Legal fees | - | 1,326,068 |
| Marketing | 5,098,285 | 4,387,457 |
| Performance contracting expenses | 305,570 | 3,312,237 |
| Printing & publishing | 941,772 | 471,082 |
| Provision for bad debts | (9,958,904) | 18,189,939 |
| Refined fuels | 14,344,506 | 11,801,568 |
| Research expenses | 1,303,489 | 2,349,778 |
| Security expenses | 6,816,689 | 6,845,824 |
| Stationery for participants | 16,958,520 | 24,683,048 |
| Stationery for staff | 8,423,221 | 9,673,289 |
| Students costs | - | 252,773 |
| Sundry | 3,046,198 | 2,054,408 |
| Telephone and fax | 12,973,413 | 11,039,969 |
| Training and consultancy | 44,594,205 | 46,488,767 |
| Water and conservancy | 1,823,741 | 7,932,399 |
| Hospitality expense | 6,348,901 | 8,765,057 |
| Audit fees | 2,000,000 | 2,000,000 |
| Water bottling costs | 13,889,456 | 11,406,082 |
| Corporate Social Responsibility | 185,852 | 171,000 |
| Library expenses | 1,286,276 | 1,281,336 |
| Other expenses | 2,627,534 | 2,890,117 |
| | 669,710,478 | 862,403,687 |

KENYA SCHOOL OF GOVERNMENT
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17 b. Property, plant & Equipment

| | Land Kshs | Buildings Kshs | Work in progress Kshs | Plant & equipment Kshs | Kitchen equipment Kshs | Office equipment Kshs | Motor vehicles Kshs | Furniture & fittings Kshs | Linen & beddings Kshs | Computers & networking Kshs | Library Kshs | Softwares Kshs | Total Kshs |
|------------------------|--------------------|----------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|------------------------|---------------------------------|-----------------------------|-----------------------------------|-------------------|-------------------|----------------------|
| 2020 | | | | | | | | | | | | | |
| Cost/Valuation | | | | | | | | | | | | | |
| At 1 July 2018 | 965,350,000 | 3,920,037,930 | 1,386,706,930 | 132,108,531 | 37,500,335 | 60,536,853 | 134,376,328 | 165,459,907 | 78,668,309 | 223,752,167 | 31,484,984 | - | 7,135,982,274 |
| Additions | - | 66,066,518 | 296,139,940 | 9,173,988 | 4,174,211 | 9,021,421 | 6,752,541 | 69,377,722 | 29,138,186 | 23,340,419 | 2,641,587 | 8,584,728 | 524,411,261 |
| Reclassification | (181,650,000) | - | - | - | - | - | - | - | - | (5,901,929) | - | 5,901,929 | (181,650,000) |
| Adjustments | - | 1,110,147,182 | (1,110,147,182) | - | - | - | - | - | (6,724) | (1,487,069) | - | 1,907,717 | 413,924 |
| Transfer from W-I-P | - | (2,672,000) | (309,000) | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| At 30 June 2019 | 783,700,000 | 5,093,579,630 | 572,390,688 | 141,282,519 | 41,674,546 | 69,558,274 | 141,128,869 | 234,837,629 | 107,799,771 | 239,703,588 | 34,126,571 | 16,394,374 | 7,476,176,459 |
| Depreciation | | | | | | | | | | | | | |
| At 1 July 2018 | - | 388,600,726 | - | 72,582,906 | 15,674,641 | 31,641,220 | 100,864,228 | 90,089,855 | 31,730,341 | 195,403,138 | 10,590,368 | - | 937,177,423 |
| Disposals | - | (267,200) | - | - | - | - | - | - | - | - | - | - | (267,200) |
| Adjustments | - | 103,355,538 | - | 17,660,316 | 5,209,323 | 8,344,965 | (1,959,550) | 29,354,703 | 12,781,258 | (11,731,520) | 1,706,331 | - | (13,691,070) |
| Charge for the year | - | 491,689,064 | - | 90,243,222 | 20,883,964 | 39,986,185 | 122,364,705 | 119,444,558 | 44,511,599 | 211,355,772 | 12,296,699 | - | 229,556,615 |
| At 30 June 2019 | - | 491,689,064 | - | 90,243,222 | 20,883,964 | 39,986,185 | 122,364,705 | 119,444,558 | 44,511,599 | 211,355,772 | 12,296,699 | - | 1,152,775,768 |
| Net book value | | | | | | | | | | | | | |
| At 30 June 2019 | 783,700,000 | 4,601,890,566 | 572,390,688 | 51,039,297 | 20,790,582 | 29,572,089 | 18,764,164 | 115,393,071 | 63,288,172 | 28,347,816 | 21,829,872 | 16,394,374 | 6,323,400,691 |
| At 30th June 2018 | 965,350,000 | 3,531,437,204 | 1,386,706,930 | 59,525,625 | 21,825,694 | 28,895,633 | 33,512,100 | 75,370,052 | 46,937,968 | 28,349,029 | 20,894,616 | - | 6,198,804,851 |

KENYA SCHOOL OF GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

17 b. Property, plant & Equipment

| | Land Kshs | Buildings Kshs | Work in progress Kshs | Plant & equipment Kshs | Kitchen equipment Kshs | Office equipment Kshs | Motor vehicles Kshs | Furniture & fittings Kshs | Linen & beddings Kshs | Computers & networking Kshs | Library Kshs | Softwares Kshs | Total Kshs |
|------------------------|--------------------|----------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|------------------------|---------------------------------|-----------------------------|-----------------------------------|-------------------|-------------------|----------------------|
| 2020 | | | | | | | | | | | | | |
| Cost/Valuation | | | | | | | | | | | | | |
| At 1 July 2019 | 783,700,000 | 5,093,579,630 | 572,390,688 | 141,282,519 | 41,674,546 | 69,558,274 | 141,128,869 | 234,837,629 | 107,799,771 | 239,703,588 | 34,126,571 | 16,394,374 | 7,476,176,459 |
| Additions | - | 9,390,528 | 442,049,886 | 3,179,919 | 10,923,340 | 5,976,298 | - | 11,367,309 | 11,716,830 | 39,763,907 | 76,200 | 2,350,841 | 536,797,058 |
| Reclassification | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjustments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer from W-I-P | - | 158,427,128 | (180,280,630) | 10,833,000 | - | - | - | - | - | 11,020,502 | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| At 30 June 2020 | 783,700,000 | 5,261,397,286 | 834,159,944 | 155,295,438 | 52,599,886 | 75,534,572 | 141,128,869 | 246,204,938 | 119,516,601 | 290,487,997 | 34,202,771 | 18,745,215 | 8,012,973,517 |
| Depreciation | | | | | | | | | | | | | |
| At 1 July 2019 | - | 491,689,064 | - | 90,243,222 | 20,883,964 | 39,986,185 | 122,364,705 | 119,444,558 | 44,511,599 | 211,355,772 | 12,296,699 | - | 1,152,775,768 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjustments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Charge for the year | - | 105,227,945 | - | 18,396,336 | 6,400,759 | 8,814,515 | 8,764,514 | 30,775,617 | 13,825,607 | 25,346,404 | 1,710,138 | 470,168 | 219,732,003 |
| At 30 June 2020 | - | 596,917,009 | - | 108,639,558 | 27,284,723 | 48,800,700 | 131,129,219 | 150,220,175 | 58,337,206 | 236,702,176 | 14,006,837 | 470,168 | 1,372,507,771 |
| Net book value | | | | | | | | | | | | | |
| At 30 June 2020 | 783,700,000 | 4,664,480,277 | 834,159,944 | 46,655,880 | 25,315,163 | 26,733,872 | 9,999,650 | 95,984,763 | 61,179,395 | 53,785,821 | 20,195,934 | 18,275,047 | 6,640,465,746 |
| At 30th June 2019 | 783,700,000 | 4,601,890,566 | 572,390,688 | 51,039,297 | 20,790,582 | 29,572,089 | 18,764,164 | 115,393,071 | 63,288,172 | 28,347,816 | 21,829,872 | 16,394,374 | 6,323,400,691 |

KENYA SCHOOL OF GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

| | 2020 | 2019 |
|--|----------------------|----------------------|
| 18 Leasehold land | kshs | kshs |
| At 1 July | 1,997,435,186 | 1,841,231,197 |
| Reclassification | - | 181,650,000 |
| Amortisation charge for the year | (25,446,011) | (25,446,011) |
| At 30th June | <u>1,971,989,175</u> | <u>1,997,435,186</u> |
| The School holds pieces of land in Lower Kabete, Kabarnet effective 1/11/1997 and Embu campuses effective 1/9/2010 all for a period of 99 years. | | |
| 19 Disposal of assets | | |
| Demolition of customer care- Mombasa campus | - | 309,000 |
| Demolition of supplies store- Lower Kabete | - | 2,404,800 |
| Demolition of lecture rooms in Embu & Lower Kabete | - | - |
| Total | <u>-</u> | <u>2,713,800</u> |
| Demolition of building in year 2018/19 was to pave way for construction of car parks both at Mombasa Campus and Lower Kabete | | |
| 20 Investments | | |
| Treasury bond-9 years @6% P.a-Face value Kshs. 55M | - | 22,053,277 |
| Treasury bond-30 years @12% P.a-Face value Kshs.5M | 4,612,026 | 4,595,158 |
| Discount amortisation | 16,868 | 906,911 |
| Fair value as at 30th June | <u>4,628,894</u> | <u>27,555,346</u> |
| a. Short term | 154,296 | 21,332,183 |
| b. Long term | 4,474,598 | 6,223,163 |
| | <u>4,628,894</u> | <u>27,555,346</u> |
| 21 Inventories | | |
| Nairobi | 21,040,971 | 15,654,795 |
| Eldi | 992,159 | 866,603 |
| Baringo | 2,894,875 | 2,262,218 |
| Embu | 2,707,308 | 2,702,992 |
| Matuga | 2,667,046 | 193,553 |
| Mombasa | 3,153,993 | 3,165,779 |
| | <u>33,456,352</u> | <u>24,845,940</u> |
| 22 Receivables | | |
| Trade debtors | 1,274,746,835 | 1,348,379,408 |
| Provision for bad debts | (140,329,611) | (150,288,514) |
| | <u>1,134,417,224</u> | <u>1,198,090,894</u> |
| Staff debtors | 10,703,908 | 10,429,771 |
| Other receivables | 55,065,593 | 160,526,399 |
| | <u>1,200,186,725</u> | <u>1,369,047,064</u> |

KENYA SCHOOL OF GOVERNMENT
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For the year ended 30 June 2020

| | | | 2020 | 2019 |
|--|-------------------------|-----------------|----------------------|----------------------|
| | | | Kshs | Kshs |
| 23 Cash and cash equivalent | Note | | | |
| Bank | 25a | | 691,347,878 | 737,331,366 |
| Cash in hand | | (1) | | 78,789 |
| Petty cash | | | 945,147 | 637,023 |
| | | | <u>692,293,024</u> | <u>738,047,178</u> |
| Detailed analysis of the cash and cash equivalent | | | | |
| 23a Banks | | | | |
| Name of bank | Bank account No. | Currency | | |
| KCB Corporate | 1145987281 | Kshs | 495,911,219 | 556,844,178 |
| KCB Corporate | 1145987184 | USD | 154,952,701 | 139,492,315 |
| KCB Embu | 1146029837 | Kshs | 625,240 | 1,604,571 |
| KCB Kwale | 1146019173 | Kshs | 603,001 | 538,011 |
| KCB Mombasa | 1145993303 | Kshs | 599,990 | 627,990 |
| KCB Baringo | 1145978851 | Kshs | 544,774 | 892,842 |
| KCB Nairobi | 1107057957 | USD | 10,639 | 10,218 |
| KCB Eldi | 1107050251 | USD | 8,074 | 9,596 |
| KCB Nairobi | 1106972732 | Kshs | 459,690 | 99,990 |
| KCB Eldi | 1106676823 | Kshs | 99,630 | 99,630 |
| NBK | 01003000909500 | Kshs | 37,532,920 | 37,112,025 |
| | | | <u>691,347,878</u> | <u>737,331,366</u> |
| 23b Cash deposits | | | | |
| Name of bank | | | | |
| Kenya Commercial bank- Mortgage lien account | | | 90,000,000 | 40,000,000 |
| Kenya Commercial bank- Car lien account | | | 11,000,000 | 10,000,000 |
| | | | <u>101,000,000</u> | <u>50,000,000</u> |
| 24 Trade and other payables | | | | |
| Trade payables | | | 289,595,791 | 306,365,573 |
| Payments received in advance | | | 520,284,970 | 361,533,449 |
| Third party payments | | | 51,277,180 | 50,613,201 |
| Retentions | | | 122,167,729 | 121,535,974 |
| VAT payable | | | 25,634,424 | 45,388,703 |
| Service Gratuity | | | 47,692,420 | 39,422,329 |
| Audit fees | | | 3,500,000 | 5,000,000 |
| PAYE | | | 13,987,381 | 14,572,646 |
| NHIF | | | 1,517,052 | 1,351,581 |
| Helb | | | 90,251 | 36,030 |
| Withholding Taxes (VAT & Income) | | | 5,789,801 | 8,123,443 |
| Staff Remittances | | | 28,472,436 | 14,863,130 |
| Other payables | | | 55,128,095 | 33,095,492 |
| | | | <u>1,165,137,530</u> | <u>1,001,901,551</u> |

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25 Contingent liabilities

- i. Julie Nyawira Mathenge sued the Institute over Plot Nos. 11509-11514 Lower Kabete Nairobi. She was allegedly allocated the said plots which stand on the School's plot. She filed a court case HCC No. 679 of 2006 at high court. The titles were revoked through a gazette notice in November 2010 by the Minister of Lands Hon. James Orengo. The School has requested L.G. Kimani & Co. Advocates to pursue the matter and ensure the titles revert back to Kenya School of Government. Evidence of KSG witness concluded in June 2020 and remaining Public service witness evidence is due to be tendered by AG as well as EACC. Next hearing date to be communicated by court.

- ii. A section of Annex Plot No. M1/XXVI/234 for Mombasa Campus was grabbed by private developers whose case HCC MBA No. 323 of 2009 and HCC No. 94 of 2012 are still pending in court. The block was illegally and irregularly subdivided into pieces 951, 1059, 1060, 1083 and 1084 without the School's consent and allocated as follows:-
 - (a) Parcels XXVI/951 and 1059 were allocated to Messrs Mohamed Baker, Hassan Ali and Hassanali Yusufali and MECAP Company. In 2009 MECAP Company filed a case in the High Court of Mombasa i.e. HCCC No.323 of 2009 against the Attorney General and the Ministry of State for Public Service. A witness statement has since been prepared by the Legal Officer in the Ministry and presented to the State Law Office.
 - (b) Mombasa Env. & Land Ct. No. 94 of 2012 – Kalliste Ltd. –vs- A.G, Tulsi Construction Ltd. & KSG - The A.G. (Mombasa Office) who is also a defendant is representing the Government and KSG in the case. The Plaintiff claims that it was allocated land by Government which is directly opposite KSG Mombasa campus where the Ultra Modern Complex is being built and seeks compensation by Government. The A.G. has prepared witnesses and documents (survey plans and witnesses from the Ministry of Lands, Department of Survey and KSG Mombasa) showing that the allocation to the Plaintiff was illegal. The School's efforts to get EACC to be enjoined due to the fraudulent acquisition of KSG land by the Plaintiff have not been successful. Hearing started on January 28, 2020 and the next hearing will be on October 5, 2020.

- iii. Milimani NRB HCCC no. 151 of 2016 ;Fahari Building & Civil Engineering LTD. -vs- the Hon. Attorney General. The Claimant Fahari Building & Civil Engineering Ltd was awarded the contract for construction of the conference facility at the KSG Matuga campus in 2008. Claimant raised issues of re-measurement of the works in 2010 which were dealt with to the satisfaction of the contractor and the client campus in 2011. At the handing over of the building in 2012 Claimant repeated the issue of re-measurements in the hope of a more favourable finding. Remeasurements were done by the Ministry of Public Works in 2013 which Matuga Campus rejected as they were undeserved. Plaintiff claims Kshs 12,554,980 which includes the last moiety retention totaling Kshs 3,416,552 The AG entered appearance and filed a defence. Mediation Reference Number 115 of 2016 did not proceed and the Litigation Department State Law Office Nairobi obtained orders to transfer the case to Mombasa where expert Govt. witnesses (Public Works) familiar with the Matuga campus contract are based. Principal State Counsel Mombasa is following up hearing of the case.

- iv. Nairobi ELRC Petition No. 135 Of 2016; Obuya Bagaka –Vs- Kenya School Of Government. The

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25 Contingent liabilities

Attorney General (Nairobi Litigation Department) is representing KSG with the support of one external counsel. The Petitioner who was a faculty member at KSG Nairobi filed a case challenging his interdiction and termination of service in October 2016. The claim is for salary and allowances from the date of termination of employment and damages for unfair termination. All applications by the Petitioner to the Employment and Labour Relations Court as well as the Court of Appeal for stay orders were dismissed.

- vi. Employment And Labour Relations Court Nakuru, Cause No. 109 Of 2018; June Chebet –Vs- Director General Kenya School Of Government & Anor. The Claimant June Chebet was a former employee of KSG Baringo Campus who alleges that she was unfairly terminated from employment. She is represented by Sabaya & Associates Advocates of Nakuru. The claim is for compensation for alleged wrongful termination of employment as well as damages. Ruling was delivered on February 7, 2019 and judgment was for the Claimant. An application for leave to appeal by KSG was filed and is pending in court.
- vii. Arbitration Between Teledata Technologies Ltd. –vs- Tulsi Construction Ltd, & KSG. The Attorney General (Nairobi Litigation Department) is representing KSG. Teledata Technologies Ltd is one of the sub-contractors engaged at the ongoing Ultra Modern Centre under construction at Mombasa Campus. The main contractor is Tulsi Construction Limited. Teledata commenced arbitration proceedings pursuant to the terms of its sub-contract with Tulsi Construction Ltd to claim payment of Kshs 14, 024,117.13 for delivery of construction items in 2014 and 2015 which the Main contractor failed to pay for. The Arbitration proceedings commenced in April, 2018 with Colins Odipo as sole Arbitrator. After a challenge to jurisdiction in May, 2018, the Arbitrator withdrew and an Order was duly issued on 7th June 2018. The sub-contractor (Claimant) has not taken steps to appoint another arbitrator or seek resumption of the proceedings. However, the claim was paid and Teledata continues to perform its sub-contract works with the materials for which a claim was made.
- viii Chief Magistrate’s Court Nakuru, Civil Case No. 306 Of 2019 Africa Commercial Motor Group –Vs- Kenya School Of Government & Trident Insurance Company Ltd. - The Attorney General (Nakuru Litigation Department) is representing KSG. The Plaintiff, a motor vehicle repairs company based in Nakuru has filed a claim for payment of the cost of repairs to a KSG motor vehicle in 2017. The claim is for Kshs. 712,765.83 being the cost of repairs one of the School’s official vehicles. The Attorney General entered appearance and is monitoring progress in the case. Trident Insurance Company failed to settle the insurance claim filed by KSG due to its status as an almost insolvent company. Through a Third Party Notice the Attorney General would be able to get orders of court ensuring that the insurance company bears responsibility for the unpaid claim.

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

XIX PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The audit is yet to be finalised for the financial year 2018/2019 hence no follow up report has been issued.

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APPENDIX II

APPENDIX II

XX Projects

None of the projects undertaken by the School during the year were funded by donors.

Status of Projects completion

| Project | Total project cost Kshs. | Total expended to date Kshs. | Completi on % to date | Budget Kshs. | Actual Kshs | Sources of funds |
|---|-----------------------------|---------------------------------|-----------------------------|--------------------|--------------------|---------------------|
| 2 Ultra modern complex- Mombasa | 1,037,763,330 | 783,162,480 | 75% | 373,280,000 | 373,280,000 | G.O.K |
| 4 Construction of tuition block- Matuga | 745,050,231 | 71,805,478 | 10% | 40,902,739 | 40,902,739 | G.O.K |
| 5 Construction of tuition block- Baringo | 623,518,963 | 98,000,000 | 16% | 49,000,000 | 49,000,000 | G.O.K |
| 6 Construction of convention centre- Embu | 1,129,695,090 | 94,000,000 | 8% | 47,000,000 | 47,000,000 | G.O.K |
| | 3,536,027,614 | 1,046,967,958 | | 510,182,739 | 510,182,739 | |

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APPENDIX III

XXI INTER-ENTITY TRANSFERS

TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

| Break down of Transfers from the State Department of Public Service Youth & Gender Affairs | | | |
|--|---------------------|--------------------|-----------|
| FY 19/20 | | | |
| a. Recurrent Grants | | | |
| | Bank Statement Date | Amount (KShs) | FY |
| | 30/08/2019 | 78,106,364 | 2019-2020 |
| | 02/03/2020 | 78,505,292 | 2019-2020 |
| | 04/03/2020 | 78,468,709 | 2019-2020 |
| | 11/06/2020 | 78,142,963 | 2019-2020 |
| | Total | 313,223,327 | |
| b. Development Grants | | | |
| | Bank Statement Date | Amount (KShs) | FY |
| | 05/03/2020 | 255,091,370 | 2019-2020 |
| | 05/03/2020 | 255,091,370 | 2019-2020 |
| | Total | 510,182,739 | |
| c. Direct Payments | | | |
| | Bank Statement Date | Amount (KShs) | FY |
| NONE | - | - | |
| | | - | |
| | | - | |
| | Total | - | |
| d. Donor Receipts | | | |
| | Bank Statement Date | Amount (KShs) | FY |
| NONE | | | |
| | Total | - | |

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APPENDIX IV

XXII RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring the funds | Date received as per bank statement | Recurrent/Development/ Others | Total Amount - KES | Where Recorded/recognized | | | | Total Transfers during the Year |
|--|-------------------------------------|-------------------------------|--------------------|------------------------------------|--------------|--------------------|-------------|---------------------------------|
| | | | | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Others |
| Ministry of Public Service & Gender | 2019-2020 | Recurrent | 313,223,327 | 313,223,327 | - | - | - | - |
| Ministry of Public Service & Gender | 2019-2020 | Development | 510,182,739 | - | - | 510,182,739 | - | - |
| Total | | | 823,406,066 | 313,223,327 | - | 510,182,739 | - | - |
| | | | | | | | | 823,406,066 |

