

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI



KENYA NATIONAL AUDIT OFFICE

AA/KEWI/2012-13/VOL.II/(14)

22 May 2014

Mr. Justin N. Bundi
Clerk of the National Assembly
Parliament Building
P.O. Box 41842-00100
NAIROBI.

Dear Mr. Bundi,

**REPORT OF THE AUDITOR-GENERAL ON KENYA WATER INSTITUTE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

I transmit the report of the Auditor-General on the examination and audit of the financial statements of Kenya Water Institute for the year ended 30 June 2013 in accordance with the provisions of Article 229(7) of the Constitution of Kenya for necessary action as required by Article 229(8) of the Constitution.

Yours sincerely,

EDWARD R.O. OUKO, CBS
AUDITOR-GENERAL

Copy to: The Principal Secretary
National Treasury
P.O. Box 30007
NAIROBI. (for information only)

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA WATER INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE 2013**



KENYA WATER INSTITUTE



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Ole Shapara Avenue
Nairobi South C
P. O. BOX 60013 - 00200
NAIROBI

When replying please quote

REF: KEWI/FIN/3/65 Vol. II/97

DATE: 28th April, 2014

The Controller Auditor General
Kenya National Audit Office
P.O. Box 30084-00100

NAIROBI

Attn: J. M. Karingithi

FINAL AUDIT FOR THE KENYA WATER INSTITUTE FOR THE FY 2012/2013

We are pleased to forward herewith the final audit report for the Financial Year 2012/2013.

Dr. Leunita. A. Sumba (PhD)

Ag. DIRECTOR

Encl: KEWI AUDIT REPORT

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KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

VISION

KEWI'S vision is:

**“To be the Center of Excellence in Training, Applied Research, Outreach and Consultancy
in the Water Sector.”**

MISSION

KEWI'S mission is:

**“To offer Quality Training, Research and Related Services in the Water Sector for
Sustainable Development.”**

CORE BUSINESS

KEWI'S core business is therefore:

“Training, Applied Water Research, Outreach and Consultancy.”

INSTITUTE INFORMATION

DOMICILE

KENYA

LEGAL FORM

Is a Separate Legal entity under Kenya Water Institute Act, 2001, No 11 of 2001

COUNTRY OF INCORPORATION

KENYA

REGISTERED OFFICE

Ole Shapara Avenue
Nairobi South C
P.O. Box 60013 – 00200
NAIROBI

MAIN BANKERS

Kenya Commercial Bank
P.O. Box 30081
NAIROBI

AUDITORS

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

KENYA WATER INSTITUTE
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FOR THE YEAR ENDED 30 JUNE 2013

GOVERNING COUNCIL MEMBERS

		
	Hon. Ochilo G. M. Ayanko Chairman KEWI Governing Council	
		
Mr. Joseph Kiarri Rep. Principal Secretary Ministry National Treasury	Arch. Lawrence Maina Mwangi Rep. Principal Secretary Ministry of Devolution and Planning	Ms. Juliet Mwadime Rep. Water User Association
		
Eng. Julius Riungu Chairman Association of Engineers of Kenya	Mr. Urbanus M. Mativa Rep. Non-Governmental Organizations	Eng. Peter Mangit Director of Water Services Ministry of Environment, Water and Natural Resources
		
	Mr. Nthuku Mutiso Rep. Water and Sanitation Companies	
		
	Dr. L. A. Sumba Secretary	

MANAGEMENT TEAM



Dr. L. A. Sumba
Ag. Director



Mr. David Ngetich
Deputy Director
Academic Affairs



Mr. J. K. Gatiri
Deputy Director Management
Services



Mr. Paul N. Muthama
Deputy Director
Research & Consultancy



Mr. J. K. Mweni
Ag. Human Resources &
Administration Manager



Mr. Isaac Agevi
Corporate Affairs Manager



Mr. James Kande
Audit & Risk Manager



Mr. Riaga O. K
Senior Accountant



Ms. A. J. Rotich
Senior Supplies Chain Management Officer

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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Report of the Governing Council Members

The Governing Council Members submit their report and the Financial Statements for the year ended 30th June 2013, which show the state of Institute's financial affairs.

1. Principal activities

The principal activities of the Institute are to offer quality Training, Research, Consultancy and outreach services.

2. Results

The results of the Institute for the year are set out on page 13

3. Reserves

The movements in the Institute's reserves are as shown on page 15

4. Director/ Governing Council Members who served during the year and to the date of this report were:

No.	Name	Organization	Designation	W. e.f
1	Hon. Ochilo Ayacko George	Kenya Nuclear Development Commission	Chair man	2-9-2010
2	Ms Juliet Mwadime	DembwaUsi Water Supplies	Member	2-9-2010
3	Mr. Mutiso Nthuku	Kitui Water & Sewerage Co	Member	2-9-2010
4	Eng. Julius Riungu	Institute of Engineers of Kenya	Member	2-9-2011
5	Mr. J. Kiarie	Rep. Principal Secretary Ministry National Treasury	Member	28-10-08
6	Eng. P. Mangit	Ministry of Water & Irrigation	Member	18-8-12
7	Arch. Lawrence Maina Mwangi	Rep. Principal Secretary Ministry of Devolution and Planning	Member	2-1-2012
8	Mr. Urbanus Mutinda Mativa	KUPPET	Member	2-9-2010
9	Dr. L. A. Sumba	KEWI	Secretary	23-3-2013

5. Auditors

The Auditor General, as amended by the new Constitution of Kenya, commenced audit of the Institute's accounting records in accordance with the Public Audit Act of 2003.

Chairman's Statement

It gives me great pleasure to present to you the 2012-2013 Kenya Water Institute Annual Report and Financial Statements. KEWI strives to be a world class leader in Training, Research, Consultancy and Outreach Services. This will be achieved through a deliberately well planned, carefully and translucently executed investment in; Human Resource, Systems and Physical Facilities aimed at attracting and retaining business.

Financial Results:

The year just ended was quite a difficult one with direct GOK budgetary allocations being KShs162,880,000 as compared to KShs. 820,000,000 envisaged in the budget proposal for the same period. We however managed to generate KShs 90,764,299 in AIA compared to the previous year of KShs 73,719,142. This translates into a 23.1% increase in AIA generation.

Future Outlook:

The current national challenges in water, climate and environment provide that strategically place KEWI in a position to play a leading role in capacity development in the water and irrigation sector which is in line with Kenya's Vision 2030. KEWI therefore is positioning itself as captured in the corporate strategic plan for the period 2010-2015 to be a centre of excellence by devolving its functions to the catchments or basins and water service board level through establishment of satellite campuses and research stations. This will widen the customer base and enhance service delivery in Training, Research, Outreach and Consultancy services as well as leverage the revenue base. Even with the strained budget, the Institute was able to open its third satellite Campus in Kisumu City.

Acknowledgement:

I wish to thank the Government through the Ministry of Water and Irrigation, my fellow distinguished members of the KEWI Governing Council for facilitation, the Management team, employees and business partners for your dedicated service to the Institute.

As we soldier on in our quest to fulfill our mandate of Training, Research, Consultancy and Outreach service to the Kenyan populace, it is my sincere appeal to the Government of Kenya to continue supporting my Council in its quest to make KEWI a fountain of water Knowledge.



Dr. L.A Sumba, PhD
For: Chairman, Governing Council

Date: 28th April, 2014

Corporate Governance Statement

Good Governance and effective Management lies at the heart of the Kenya Water Institute. The Institute's leadership is vested in the Governing Council, made up of members appointed by the Government from different professional fields. KEWI's Governing Council is responsible for good corporate governance and is accountable to Government through the Ministry of Water and Irrigation in ensuring that the Institute complies with the highest standard of corporate governance and business ethics. The activities in the Institute are conducted with integrity and in accordance with generally accepted corporate practice and principles.

The Governing Council holds scheduled meetings at least four times annually. For the smooth running of the council, the Governing Council has the following sub-committees that assist in handling specific issues; Finance and Administration, Programs and Development, and Audit. All the Committees have well spelt out responsibilities.

The Governing Council members are regularly given appropriate information by the Director to enable them maintain an effective control over the Institute's strategic, financial, operational and compliance issues.

The Council has delegated authority for the conduct of day to day business to the Director. The Director brings a wealth of experience to the Council for deliberations.


The board has put in place a structure that is intended to ensure that decisions are made at the most appropriate management level for efficient conduct of business, while at the same time maintaining a sound level of accountability.

Governing Council Members Responsibilities

The Kenya Water Institute Act requires the Governing Council to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Institute as at the end of the financial year and of its operating results for that year. It also requires the Governing Council to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Governing Council is also tasked with the responsibility of safeguarding the assets of the Institute.

The Governing Council members accept responsibility for the Annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years, and in conformity with International Financial Reporting Standards and in the manner required by the Kenya Water Institute Act. The Governing Council members are of the opinion that the financial statements herein give a true and fair view of the state of the financial affairs of the Institute and of its operating results. The Governing Council members further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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



Dr. Leunita Asande Sumba, PhD

Ag. Director, KEWI

Date: 28th April 2014

KENYA WATER INSTITUTE
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JUNE 2013**

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON THE KENYA WATER INSTITUTE FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Water Institute set out on pages 13 to 27, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) and (3) of the Public Audit Act, 2003, and submit the report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

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

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Ownership and Accuracy

As reported in the previous year the property plant and equipment balance of Kshs.573,292,025.00 as at 30 June 2013, includes the value of parcels of land in Nairobi and at Ciakariga in Tharaka-Nithi valued at Kshs. 210,000,000.00 and Kshs.4,500,000.00, respectively for which the Institute has not acquired title documents. In addition, the balance also excludes other land and buildings situated at the industrial area in Nairobi, which though belonging to the Institute, has not been transferred from the Ministry of Water and Irrigation to the Institute. Further, no fixed assets register was maintained. Consequently, the ownership and accuracy of the property, plant and equipment balance of Kshs.573,292,025.00 as at 30 June 2013 could not be confirmed.

1.2 Valuation of Assets

Similarly, and as was reported in the year 2011/12, the Institute had in June 2011 contracted a valuer to verify, value and reconcile all the assets of the Institute and to prepare a fixed asset register at a cost of Kshs. 800,000.00. Despite the fact that the valuer was fully paid, the Institute's motor vehicles and computers were not valued and the assets register was also not prepared by the valuer. It is not clear why the valuer was paid for services not rendered and it is doubtful that the Institute got value for money in this transaction.

2. Governing Council (Board) Expenses

The statement of comprehensive income also reflects board expenses as at 30 June 2013 as Kshs.6,227,047.00. However, this expenditure includes Kshs.960,000.00 paid in respect of Chairman's monthly honoraria at the rate of Kshs.80,000.00 which was increased from Kshs.50,000.00 by the Governing Council without the authority of the Parent Ministry. The board expenses also

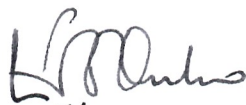
include Kshs.2,720,000.00 paid to Board Members as sitting allowance at a revised rate of Kshs.20,000.00 instead of Kshs.15,000.00 earlier approved by the Ministry. This increase was done contrary to the guidelines issued by the Office of the President through Circular number OP/CAB.9/21/2A/L11/43 of 23 November 2004. Further, during the year under review, the Institute continued to pay the allowances using the same unapproved rates. Under the circumstances, the propriety of the Governing Council expenses amounting to Kshs.3,680,000.00 could not be confirmed.

3. Cash and Cash Balances

The cash and cash equivalent balance of Kshs.39,580,541.00 as at 30 June 2013 has not been supported with an updated cashbook and bank reconciliation statement. It was therefore not possible to ascertain whether all bank transactions and balances during the year under audit as at 30 June 2013 were fairly stated.

Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kenya Water Institute as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Water Institute Act, 2001.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

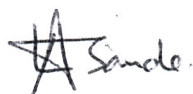
15 May 2013

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013			
		2012/2013	2011/2012
		KShs	KShs
	Notes		
Income			
Fees & Grants	9	247,744,048	308,719,142
Expenditure			
Personnel Emoluments	10	149,302,974	136,490,227
Administration Costs	11	85,470,252	115,772,356
Depreciation	2	14,154,583	12,333,571
Amortization	2A	1,855,348	1,855,348
Board Expenses	12	6,277,047	6,021,912
Audit Fees	6	403,680	348,000
Finance Costs	13	480,992	409,131
Total Expenditure		257,944,876	273,230,545
Surplus\ (Shortfall) for the year		(10,200,829)	35,488,597

KENYA WATER INSTITUTE
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013			
	Notes	2012/2013	2011/2012
		KShs	KShs
Non - Current assets			
Property Plant and Equipment	2A	573,292,025	560,838,705
Intangible Assets	2B	4,923,518	6,778,866
Total Non - Current Assets		578,215,543	567,617,571
Current assets			
Inventories	3	2,703,134	8,399,529
Receivables	4A	37,755,752	20,824,989
Prepayments	4B	3,320,551	3,067,701
Cash and cash equivalents	5	39,580,541	75,491,422
Total Current Assets		83,359,978	107,783,641
Total Assets		661,575,520	675,401,212
Equity and Liabilities			
Reserves			
Capital Reserves	7	144,184,894	144,184,894
Revaluation Reserves	7	406,263,457	406,263,457
Revenue Reserves	8	86,483,559	96,684,388
Total Reserves		636,931,910	647,132,739
Current Liabilities			
Payables	6	24,634,610	28,268,473
Total Liabilities		24,634,610	28,268,473
Total Equity and Liabilities		661,575,520	675,401,212



Dr. Leunita Asande Sumba, PhD

Ag. Director, KEWI

Date 28th April, 2014

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Revenue Reserves	Capital Reserves	Revaluation Reserves	Accumulated Funds
	KShs	KShs	KShs	KShs
Balances as at 1 July 2011	61,195,791	144,184,894	28,894,773	234,275,458
Revaluation for the year	-	-	377,368,684	377,368,684
Surplus for the year	35,488,597	-	-	35,488,597
Balances as at 30 June 2012	96,684,388	144,184,894	406,263,457	647,132,739
Balances as at 1 July 2012	96,684,388	144,184,894	406,263,457	647,132,739
Revaluation for the Year	-	-	-	-
Surplus \ (Deficit) for the year	(10,200,829)			(10,200,829)
Balances as at 30 June 2013	86,483,559	144,184,894	406,263,457	636,931,910

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STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2013			
		2012/2013	2011/2012
		KShs	KShs
	Notes		
Cash flow from Operating Activities before changes in working capital			
Net profit (Shortfall) for the year		(10,200,829)	35,488,597
Adjustment for - Depreciation	2A	14,154,583	12,333,571
-Amortisation	2B	1,855,348	1,855,348
		5,809,102	50,677,516
Changes in working capital			
(Increase)/Decrease in Receivables	4A	(16,930,763)	14,343,567
(Increase)/Decrease in Inventories	3	5,696,395	(2,650,272)
Increase/(Decrease) in Payables	6	(3,624,863)	19,996,507
(Increase)/Decrease in Prepayments	4B	(252,850)	(958,385)
Net Cashflow generated from operating activities		(15,112,081)	30,730,416
Cash flow from Investing Activities			
(Acquisition)/ Disposal of Property, Plant and Equipment		(26,536,408)	(21,575,029)
Net Cash flow from investing activities		(26,536,408)	(21,575,029)
Net Increase/(Decrease) in Cash and Cash equivalents		(35,910,880)	58,833,903
Cash and cash equivalents at the start of year	5	75,491,421	16,657,518
Cash and cash equivalents at end of year		39,580,541	75,491,421

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Statements are set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets.

b) Revenue recognition

Fees represent invoiced value of services rendered during the year in relation to training and consultancy.

c) Property, Plant and Equipment

Fixed assets are stated at cost less accumulated depreciation.

The first KEWI audited accounts for the FY 2003/2004 shows that the original valuation of KEWI Property, Plant and Equipment to the tune of KShs. 141,627,439 was carried out by a valuation firm in the year 2000 and KShs. 125,578,337 valuation by an inter-ministerial technical committee on transition of KEWI to a Semi-Autonomous Government Agency. These valuations have been used to come up with the reported capital reserves of KShs.144, 894,773.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off carrying values of the assets over their expected useful lives at the rates below:

Buildings	2.00%
Plant and Equipment	12.50%
Furniture	10.00%
Motor Vehicles	20.00%
Computers	30.00%
Software	20.00%

KENYA WATER INSTITUTE
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d) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs on a weighted average basis. Net realizable value is the price at which the stock can be realized in the normal course of business after allowing for the costs of the realization and, where appropriate, the cost of conversion from its existing state to a realizable condition. Provision is made for obsolete, slow moving and defective stocks as and when determined

e) Bad and doubtful debts

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The institute's policy on provision for bad debts is 1%, 15%, 20%, 25% and 35% for debts aged current, 1-30, 31-60, 61-90 and > 90 days respectively.

f) Retirement benefits

The retirement benefits for majority of staff are managed through an independent registered pension schedule.

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

2. **Property Plant and Equipment**

Cost	Land	Buildings	Motor Vehicles	Furniture & Fittings	Plant & Equipments	Computers	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs
As at 1st July 2012	214,500,00	319,922,000	857,568	14,852,740	18,463,978	4,775,990	573,372,276
Revaluations	-	-	-	-	-	-	-
Additions	-	16,910,485	4,305,120	1,406,250	889,503	3,025,050	26,536,408
At 30th June 2013	214,500,000	336,832,485	5,162,688	16,258,990	19,353,481	7,801,040	599,908,684
DEPRECIATION							
At 1st July 2012	-	6,398,440	857,568	1,465,274	2,307,997	1,432,797	12,462,076
Charge for the year	-	6,736,650	1,032,538	1,625,899	2,419,185	2,340,312	14,154,583
At 30th June 2013	-	13,135,090	1,890,106	3,091,173	4,727,182	3,773,109	26,616,659
NET BOOK VALUE							
At 30 th June 2013	214,500,000	323,697,395	3,272,582	13,167,817	14,626,299	4,027,931	573,292,025
At 30th June 2012	214,500,000	313,523,560	-	13,187,466	16,155,981	3,343,193	560,838,705

KENYA WATER INSTITUTE
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2A: SOFTWARE

COST	SOFTWARE
	KSh:
As at 1st July 2012	9,276,740
Additions	-
At 30th June 2013	9,276,740
AMORTIZATION	
At 1st July 2012	2,497,874
Charge for the year	1,855,348
At 30th June 2013	4,353,222
NET BOOK VALUE	
At 30th June 2013	4,923,518
At 30th June 2012	6,778,866

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		2012/2013	2011/2012
		KShs	KShs
3	Inventories	2,703,134	8,399,529
	Receivables		
4A	Trade receivables	81,553,145	59,655,363
	Provisions for Bad & Doubtful Debts	(43,797,392)	(38,829,364)
	Net Receivables	37,755,752	20,825,990
4B	Prepayments	3,320,551	3,067,701
	Cash & Cash Equivalent		
5	Account with Kenya Commercial Bank -Current	38,267,600	74,241,800
	Account with Kenya Commercial Bank -Savings	117,823	117,472
	Account with Kenya Commercial Bank -Guarantee	1,000,000	1,000,000
	Cash in Hand	195,117	131,150
	Total Cash & Cash Equivalent	39,580,541	75,490,422
6	Payables		
	Trade Creditors	5,246,477	25,743,573
	Provision for Audit Fee	403,680	348,000
	Accruals	-	-
	Student Welfare Funds	513,200	1,996,900
	Graduation Gown Deposit	5,000	
	Medical Refunds	6,388,487	180,000
	Project Creditors	7,926,222	-
	Student Over Payment	3,009,545	-
	Caution Money	1,151,000	-
	Total Payables	24,643,610	28,268,473
7	Capital Reserves		
	Equity	144,184,894	144,184,894
	Revaluation Reserve	406,263,457	406,263,457

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8	Revenue Reserves		
	Retained Earnings	96,684,388	61,195,791
	Net Income	(10,200,829)	35,488,597
	Retained Earnings c/f	86,483,559	96,684,388
9	Fees & Grants		
	Sales & Fees	77,896,331	73,611,927
	Miscellaneous Receipts	6,967,717	107,215
	Generated Income	84,864,048	73,719,142
	Current GoK Grants - Salaries	92,880,000	130,000,000
	Current GoK Grants - Operations & Maintenance		
	Capital GoK Grants - Development	70,000,000	105,000,000
	Total GoK Grants	162,880,000	235,000,000
	Donor Funds	-	-
	Total Fees & Grants	<u>247,744,048</u>	<u>308,719,142</u>
10	Personnel Emoluments		
	Basic Salary	97,577,017	106,628,962
	House Allowance & other allowances	41,215,625	29,861,265
	Gratuity	3,580,631	
	Contributions to Pension Scheme	6,929,701	-
		<u>149,302,974</u>	<u>136,490,227</u>
11	Administration Expenses		
	Utilities Supplies and Services		
	2210101. Electricity	4,477,602	4,299,146
	2210102. Water and Sewerage Charges	1,508,251	1,271,581
	2210103 Gas expense	3,364,837	2,602,321
		9,350,690	8,173,048
	Communication Supplies and Services		
	2210201. Telephone, telex, facsimile, mobile	1,651,478	1,319,070
	2210202. Internet connections	530,324	598,780
	2210203. Courier and postal services	104,345	65,480
	2210300. Domestic Travel and Subsistence	2,745,254	2,887,707
	2210400. Foreign Travel and Subsistence, - Other	420,070	185,774
		5,451,471	5,056,811

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	Printing ,Advertisement & OTHERS		
	2210502. Publishing, Advertising and Printing Service	813,552	670,549
	2210503. Subscription to newspapers, magazines	395,023	428,199
	2210504. Advertising, Awareness and Publications	2,094,175	3,910,523
	2210505. Trade Show & Exhibition	16,000	19,140
	Rents & Rates	1,830,000	345,000
	Graduation Expenses	4,808	
	2210700. Training Expenses	66,330	437,151
		5,219,888	5,810,562
	Hospitality Supplies and Services		
	2210801. Catering Services	1,718,448	4,550,257
	Group Personal Insurance	492,707	
	2210904 . Motor Vehicle Insurance	1,003,429	939,930
	2210905 . Insurance - Other properties	895,762	196,870
	2210910. Medical Insurance	9,798,659	8,389,290
		13,909,005	14,076,347
	Specialized Materials and Supplies		
	2211004. Fungicides and Fumigation Expenses	152,106	143,861
	2211006. Workshop Tools and small Equipments	36,200	
	2211008. Laboratory Materials, Supplies	47,940	143,269
	2211009. Education & Library Supplies	27,600	982,231
	2211010. Refunds	-	
	2211015. Food and Rations	22,422,233	16,717,482
	Purchase of Beddings &Clothing	-	908,607
	2211016. Uniform & Clothing	31,386	113,423
		22,717,465	19,008,873
	Office and General Supplies & Services		
	2211101. General Office Supplies (Papers)	3,478,782	3,524,597
	2211102. Accessories for Computers & Printers.	121,955	590,737
	2211103. Sanitary & Cleaning Materials	399,181	699,284
	2211104Misc Supplies	5,114,701	
		9,114,619	4,814,618
	Fuel Oil and Lubricants		
	2211201. Refined Fuels & Lubricants for	3,319,973	3,697,335
		3,319,973	3,697,335

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	Other Operating Expenses		
	2211305. Contracted Guards and Cleaning	1,919,607	1,579,339
	2211306. Membership fees, Dues and Subscriptions	189,400	152,200
	2211311. Contracted Technical Services	74,240	363,062
	2211314. Increase in Provision of Bad & Doubtful	4,968,029	6,130,557
		7,151,276	8,225,157
	Routine Maintenance		
	2220101. Maintenance Expenses - Motor Vehicles	1,480,017	3,188,117
	2220202. Routine Maintenance-Furniture & Fittings	49,302	250,426
	2220201. Maintenance of Plants & Machinery	619,777	1,350,542
	2220205. Maintenance Of Buildings & Stations	431,145	331,455
	2220210. Maintenance Of Computers & Software	56,300	82,610
		2,636,541	5,203,150
	Development Expenses		
	3111401. Pre-Feasibility, Feasibility & Appraisal Studies	2,551,073	14,317,957
	311403. Research	915,343	1,863,083
	311405. Capacity Building	802,811	1,750,933
	3110300. Refurbishment of Buildings	2,330,098	23,774,481
		6,599,325	41,706,454
	TOTAL	85,470,252	134,812,777

12. Board Expenses

Board expenses comprise of sitting allowance, Board Travel Expenses and Chairman's Honoraria

13. Finance Costs

These are Bank charges on the Institutes Bank accounts

14. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year

15. Capital commitments

Capital commitments this financial year are in respect of the following approved projects:

COMMITMENTS	
a) Rotary Rig	30,000,000.00
b) Construction of classrooms and administration block-Kitui campus Borehole Construction	700,000,000.00
c) Construction of classrooms and administration block-Kisumu campus	400,000,000.00
Sub- Total	1,120,000,000.00

16. Currency

The Institute financial statements have been presented in Kenya shillings (KShs)

17. Taxation:

The Institute major source of income comprises of government grants. The Institute is exempted from paying taxes as per the statutory requirement with other organizations.

18. Government Grants:

The government grants are recognized when realized and spread throughout the financial year. Grants constitute 64.2% of the Institutes revenue.

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19. **Leave Pay:**
The leave allowances are recognized when the employees take the leave. There exist no material outstanding leave allowances to warrant alternative treatment.
20. **Contingent liabilities:**
The former Director Eng Mwalimu Musau has taken the Institute to court claiming damages of approximately 39 Million for wrongful termination of employment. The case is pending determination in High court of Kenya.
21. **Composition, Nature, and Purpose of Reserves:**
The reserves comprise of accumulated revenue and capital reserves as set out in the Statement of changes in the Owners' Funds. The reserves have been set aside to meet future growth and expansion needs of the Institute.
22. **Restated balances**
The financial statement for the previous accounting period has been restated to conform to IAS No. 8 and to be in line with IFRS 1 which came to effect in January, 2011

S/No.	Description	Previous Audited Amount(KShs)	Restated Amount(KShs)	Reason for Restatement
1	Administration Costs	122,203,399	115,772,356	The difference of 6,431,043 is as a result of separation of board expenses of 6,021,912 and finance cost of 409,131 from administration cost
2	Depreciation Cost	14,188,919	12,333,571	The difference of 1,855,348 is as a result of separation of amortization cost from depreciation

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3	Amortization Cost	0	1,855,348	The difference of 1,855,348 is as a result of separation of amortization cost from depreciation cost
4	Board Expenses	0	6,021,912	The difference of 6,021,912 is as a result of separation of board expenses from administration costs
5	Finance Cost	0	409,131	The difference of 409,131 is as a result of separation of finance costs from administration costs
6	Property Plant & Equipment	567,617,571	560,838,705	The difference of 6,778,866 is as a result of separating software cost from PPE
7	Intangible Assets	0	6,778,866	The difference of 6,778,866 is as a result of separating software cost from PPE

