KENYA INSTITUTE OF ADMINISTRATION

ANNUAL REPORT & FINANCIAL STATEMENTS
for the year ended 30th June 2012

MANDATE
To provide training, research and consultancy services for capacity building in the public and other sectors

VISION
To be a model institution of excellence in management development and capacity building in the public sector

MISSION
To improve service delivery in the public sector by providing quality Training, Research and Consultancy Services.

CORE VALUES
Core values are "What We Believe In" organization-wide; they determine the "norms" or standards of acceptable behavior in our day-to-day operations. The following values form the basis of our corporate culture:

Professionalism
KIA employees of all cadres strive to uphold professionalism in whatever they do. They withstand ethical scrutiny by being committed to high standards of excellence in day-to-day operations.

Self-Drive
KIA employees of all cadres take personal responsibility for the production of the results they are responsible for, withoutsupervision.

Continuous Improvement
KIA employees ofall cadres embrace continuous improvementand learning through experiences, successesand even failures. They translate lessonslearnt into improved service delivery.

Team Work
We endeavor to work togetheras a team in order to achieve our vision,mission and strategic objectives. TheInstitute recognizes team and individual effort as well as output.

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KIA'S TRANSITION TO KENYA SCHOOL OF GOVERMENT

Kenya Institute of Administration was established by KIA act 1996. The Institute through an act of parliament was transformed in to a School of Government. The Kenya School of Government is a Vision 2030 flagship project that was realized within the specified time frame in the first Medium Term Plan of 2008-2012. It was established with the objective of inculcating public service values and ethics as well as enhancing transformative leadership. The School enhances capacity for improved performance in all aspects of public services.

The School, which brings together six institutions which previously were operating independentlyunder different contexts, governance structures, practices and financing models, offers training, research, consultancy, and advisory services.

July 1, 2012 marks the birth of the School. Subject to KSG Act, all rights, duties, obligations, assets and liabilities of the former KIA, Kenya Development Learning Centre and GTIs existing as at July 1, 2012 were automatically and fully transferred to the School. Thereafter, the KSG Act is clear that any reference to those six institutions in any contract or document shall, for all purposes, be deemed to be a reference to the School.

Council Members, Campus Directors and KSG Headquarter staff in a picture during a recent Council retreat.

Core functions of KSG

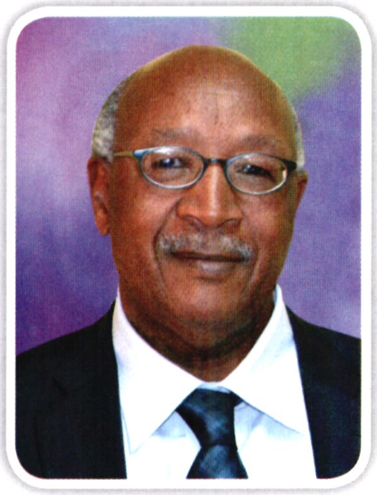
The core functionsof the School as set out in the KSG Act 2012 are to:

i. Provide training, consultancy and research services designed to inform public policy, promote national development and standards of competence, and integrity in the public service;
ii. Promote continuous learning for public service excellence;
iii. Provide programmes that promote a culture of decency, honesty, hard work, transparency and accountability among public servants;
iv. Facilitate the establishment of professional networks and think tanks to develop and grow public sector leaders;
v. Develop linkages and collaborations with institutions of learning, professional organizations, private sector, schools of government and other similar institutions across the world;
vi. Monitor, evaluate and communicate the impact of strengthened education and training programmes for national leadership and management;
vii. Develop and deliver programmes tailored to promote the School's mandate and clients' needs;
viii. Conduct examinations and award diplomas and other forms of suitable awards to successful candidates; and
ix. Do any other thing necessary, or expedient for the discharge of its functions under the KSG Act 2012.

The government has implemented devolution as demanded by the people of Kenya in the Kenya Constitution 2010. Like any other new initiative, implementation of devolution has created new responsibilities that require the players involved to develop or enhance their capabilities so that they ably and effectively handle the issues and situations they find themselves in.

This eventuality was foreseen by the designers of the Kenya Vision 2030, and hence the inclusion of the KSG as a flagship project to develop the capacity of the devolved government and fill any skill gaps. Working together with government agencies in the national and county governments, the School is implementing capacity building initiatives to overcome emerging challenges and to achieve excellence and professionalism in public service delivery.

The School is aware that the public has high expectations from devolution. Whereas all county governments started with similar teething problems, the performance score card in a year or two will show some high performing counties and invariably, some low performing ones. The distinguishing factor will be the capacity and utilization of the human capital, institutionalization of systems, procedures and business processes.



CHAIRMAN'S STATEMENT

The Kenya Institute of Administration (KIA), whose accounts are presented herein, has since transited to form the Kenya School of Government (KSG), together with five other institutions, established by the KSG Act (No. 9 of 2012).

Besides, the former KIA, the other Institutions are the former Kenya Development Learning Centre (KDLC) established by the Education (Board of Governors, Development Learning Centre) Order, 2003 and the former Government Training Institutes (GTIs); Embu, Mombasa, Matuga and Baringo.

The Kenya School of Government Act provides that there shall be a Council of the School which shall consist of a non-executive chairperson, who shall be a person with considerable experience in executive management, appointed by the President. The current KSG Council consists of the following:

1. Prof. Francis N. Kibera, PhD., CBS (Chairman)
2. Ms Juster Nkoroi, EBS (Directorate of Public Service Management)
3. Mr Micah Origa (The National Treasury)
4. Mr Bernard Malenya (Education)
5. Dr Rispa Odongo (Commission for University)
6. Mrs Catherine Musakali (Private Sector)
7. Mr Eliud Oketch Owalo (Private Sector)
8. Mrs Grace Wakesho Maingi – Kimani (Private Sector)
9. Prof. Peter K'Obonyo (Universities)
10. Comm. Prof. Michael Lokuruka (Public Service Commission of Kenya)
11. Dr Eric M. Aligula (KIPPRA)
12. Mr Elijah Wachira, HSC, Secretary, (Ag. Director General, KSG)

The School, therefore, is a newly established State Corporation, whose mandate of providing learning and development programs that inculcate public service values and ethics impacts significantly on national transformation. The KSG Council has already defined the School's strategic direction as contained in the first strategic plan (2012/2013 – 2016/2017).

The plan contains strategies to promote continuous learning for public service excellence, and to establish professional networks and think tanks for growing public sector leaders.

Our vision is to attain excellence in public service capacity development. Further, we are implementing the School's mission of contributing to the transformation of the public service by inculcating national values and developing core skills and competencies for quality service delivery.

In pursuit of our vision and mission, we commit ourselves to the highest ideals of integrity, customer focus, professionalism, innovation and creativity as well as teamwork. The School expects to achieve its role of building appropriate capacity for the smooth and sustainable implementation of devolution in Kenya.

Prof. Francis Kibera, PhD, CBS

THE DIRECTOR GENERAL'S REPORT

The Kenya Institute of Administration (KIA), as a State Corporation was succeeded by the Kenya School of Government with effect from 1st July 2012, as per the KSG Act number 9 of 2012. Therefore, the annual financial reports for the year ended 30th June, 2012 are hereby presented by the KSG Council. Over the period, the Institute recorded a surplus of Ksh 84.5million against Ksh 104.2 million recorded in the previous year.The surplus declined due to the increase in costs mainly personnel wages and reduction in funding.

During the year under review, the Institute achieved a turnover of Ksh 411million as compared to Ksh 416 million that was recorded in 2012. Further, the Institute received funding from Kenya Government as grant of Ksh 21 million in the year under review as compared to Ksh 43 million recorded the previous year for development and a reccurent government grant of Ksh. 10 million for the year under review as well as the previous year 2011. It is noted that the Government reduced development funding for the Institute in the year under review.

The asset base for the Institute increased significantly, which can be attributed to construction of an 80 bed capacity hostel with a kitchen and a dining hall as well as construction of a chapel.

I take this opportunity to sincerely express my gratitude and appreciation to all stakeholders, including the Government, Council Members, Management and, staff of the Schools, our participants and business partners for their continued support which has contributed to continued good performance.

Elijah Wachira, HSC, Ag. DG

KENYA INSTITUTE OF ADMINISTRATION
Financial Statements for The Year Ended 30 June 2012

CORPORATE INFORMATION

1 INCORPORATION

The Kenya Institute of Administration was a Management Development Institute (MDI) incorporated in Kenya through an Act of Parliament (KIA Act No. 2 of 1996) and domiciled in Kenya.

2 PRINCIPAL ACTIVITIES

The Kenya Institute of Administration provides training, research and consultancy services on a cost recovery basis.

3 COUNCIL BOARD MEMBERS

The Institute was run by a Council appointed under KIA Act 2 of 1996 and the members who served during the year were:

i. Dr. Henry M. Chakava, MBS - Chairman
ii Mr. Geylord Avedi, EBS
iii Mr. William S.W. Busolo
iv Mrs. Shellomith Bobotti
v Mr. Benjamin Munywoki Musau
vi Amb. Mary Odinga, MBS
vii Mr. Abraham Kamakil
viii Dr. Teresia Wambui, PhD
ix Mr. Titus Ndambuki Permanent Secretary Ministry of State for Public Service, CBS (Ms. Njoki Kahiga, OGW Alternate)
x Mr. Joseph Kinyua Permanent Secretary Ministry of Finance, CBS (Ms. Diana Mambo, Alternate)
xi Mr. Francis Kimemia, CBS, PS Provincial Administration and Internal Security, (Mr. Joseph Irungu, Alternate)
xii Ms. Josephine Gichuhi - Representing Public Service Commission of Kenya (Until 29/10/2011)
xiii Mr. Johnstone Kibera - Representing Public Service Commission of Kenya (From 30/10/2011)
xiv Prof. Margaret Kobia, Phd, CBS - Director/ C.E.O KIA-Secretary

In May, 2012, the KIA Act was repealed and replaced with Kenya School of Government Act 2012. This Act came into effect on 1st July 2012 and new Council was reconstitute under the new Act on 24th August 2012. Kenya School of Government Act 2012 Sec. 6 prescribes a different composition for the council different from Kenya Institute of Administration.

4 REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Kenya Institute of Administration
PO BOX 23030-00604
Lower Kabete Road
Nairobi.

5 BANKERS

Kenya Commercial Bank Limited
National Bank of Kenya Limited

6 AUDITORS

Auditor General
Kenya National Audit office
P.O Box 30084- 00100
Nairobi.

KIA TOP MANAGEMENT

Director/Chief Executive
Prof. Margaret Kobia, CBS, Ph.D

Deputy Director
Learning and Development
Elijah Wachira, HSC, BSc. MBA

Deputy Director
Finance and Administration
Osman Hassan Ibrahim
OGW, MBA, CPA (K).

REPORT OF THE COUNCIL

The Council have pleasure in submitting their report, together with the financial statements for the year ended 30 June 2012.

1 RESULTS

	2012	2011
	Kshs	Kshs
Surplus for the year	**84,546,459**	104,217,566

2 COUNCIL MEMBERS

The Council members who served during the year are as set out on page 2.

3 AUDITORS

The Auditor General is responsible for the statutory audit of the Financial Statements in accordance with section 14 of the Public Audit Act, 2003.

Dr. Eric Aligula
Member

Date: 4/6/2013

Mr. Elijah Wachira, HSC:
Ag. Director General

Date: 4/6/2013

STATEMENT OF COUNCIL'S RESPONSIBILITIES

The Kenya Institute of Administration Act requires the Council to prepare financial statements for each financial year which include a statement of financial position showing in detail the assets and liabilities of the Institute, a statement of comprehensive income and such other statements that the Council may deem necessary.

It also requires the Council to ensure the Institute keeps proper books of account and other books and records in relation to the Institute and to all the undertakings, funds, investments, activities and property of the Institute. They are also responsible for safeguarding the assets of the Institute.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the Kenya Institute of administration Act. The Council is of the opinion that the financial statements give true and fair view of the state of financial affairs of the Institute and of its operating results. The Council further accepts responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the Institute will not remain as a going concern for at least the next twelve months from the date of this Statement. However, Kenya Institute of Administration Act was repealed and Kenya School of government became a successor of the Institute as from 1st July 2012. All rights, duties, obligations, assets and liabilities were automatically transferred to the School.

Dr. Eric Aligula
Member

EricAligula

Date: 4/6/2013

Mr. Elijah Wachira, HSC:
Ag. Director General

Date: 4/6/2013

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Fax: +254-311482
E-mail: cag@kenao.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Institute of Administration set out on pages 6 to 18, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of section 13 of the Public Audit Act, 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) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified opinion

Trade and Other Receivables

As similarly reported in the previous year, the trade and other receivables balance of Kshs. 112,258,828 was arrived at after an adjustment of Kshs. 23,238,836 out of which the management has only managed to analyse and explain adjustment totaling Kshs. 7,014,058. The remaining balance of Kshs. 16,224,778 has not been analysed or explained with the result that it has not been possible to establish what it represents.

Qualified Opinion

In my opinion, except of the effects of the matter described in the Basis for Qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Institute as at 30 June 2012, and of it's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and Comply with Kenya Institute of Administration Act, 1996.

Edward R.O. Ouko, CBS
AUDITOR GENERAL
Nairobi
13th June 2013

KENYA INSTITUTE OF ADMINISTRATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 Kshs	2011 Kshs
Revenue	5	411,273,458	416,911,553
Cost of Sales	6	(67,690,191)	(65,240,215)
Gross Surplus		343,583,267	351,671,338
Other Operating Income	7	66,758,091	37,805,168
		410,341,358	389,476,506
Selling and Distribution Expenses	8	(1,306,308)	(7,205,753)
Administrative Expenses	9	(210,861,790)	(179,156,240)
Operating Expenses	10	(113,253,945)	(98,553,367)
Finance Costs-Bank charges		(372,856)	(343,580)
		(325,794,899)	(285,258,940)
Surplus		84,546,459	104,217,566

KENYA INSTITUTE OF ADMINISTRATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	2012	2011
		Kshs	Kshs
Non-Current Assets			
Property, Plant & Equipment	11	**991,122,085**	632,695,445
Leasehold land	12	**217,222,214**	219,797,974
Investments-Held to Maturity	15	**52,871,650**	52,871,650
		1,261,215,949	905,365,069
Current Assets			
Inventory	13	**10,826,933**	10,639,159
Trade & Other Receivables	14	**112,258,828**	126,891,761
Cash and Cash Equivalent	16	**232,269,038**	460,206,778
		355,354,799	597,737,698
Total Assets		**1,616,570,748**	1,503,102,767
Reserves and Long Term Liabilities			
Capital Reserve		**360,308,824**	360,308,824
Retained Surplus		**889,826,958**	805,280,499
		1,250,135,782	1,165,589,323
Deferred Income	1d.	**125,697,394**	114,226,147
Total Reserves		**1,375,833,176**	1,279,815,470
Current liabilities			
Trade and Other Payables	17	**240,737,572**	223,287,297
Total Reserves and Long Term Liabilities		**1,616,570,748**	1,503,102,767

The financial statements on pages 6 to 18 are signed on behalf of the Council by:

Dr. Eric Aligula
Member

Date: 4/6/2013

Mr. Elijah Wachira, HSC:
Ag. Director General

Date: 4/6/2013

KENYA INSTITUTE OF ADMINISTRATION
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2012

	Capital reserve Kshs	Retained earnings Kshs	Total Kshs
YEAR ENDED 30 JUNE 2011			
At 1 July 2010	360,308,824	701,062,933	1,061,371,757
Surplus for the year	-	104,217,566	104,217,566
At 30 June 2011	**360,308,824**	**805,280,499**	**1,165,589,323**
YEAR ENDED 30 JUNE 2012			
At 1 July 2011	360,308,824	805,280,499	1,165,589,323
Surplus for the year	-	84,546,459	84,546,459
At 30 June 2012	**360,308,824**	**889,826,958**	**1,250,135,782**

KENYA INSTITUTE OF ADMINISTRATION
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	Kshs	Kshs
Cash flow from operating activities;		
Operating Surplus	**84,546,459**	104,217,566
Adjustments for:		
Depreciation of Property, Plant & Equipment	**31,732,814**	25,128,469
Amortisaton of prepaid operating rentals	**2,575,760**	2,575,758
Deferred income	**(9,528,753)**	(2,977,799)
Gain on Disposal	**(265,970)**	(1,150)
Donation in kind	**-**	270,000
Interest Income	**(29,550,336)**	(10,487,680)
Operating surplus before working capital changes	**79,509,974**	118,725,164
Decrease/(increase) in inventories	**(187,774)**	(2,582,684)
Decrease/ (Increase) in trade & other receivables	**14,632,933**	(14,103,047)
Increase in trade & other payables	**17,450,275**	74,128,779
Net cash generated from operating activities	**111,405,408**	176,168,212
Cash flow from investing activities		
Purchase of property, plant & equipment	**(390,159,454)**	(63,692,018)
Proceeds from disposal of equipment	**265,970**	-
Purchase of investment	**-**	(52,871,650)
Interest Received	**29,550,336**	10,487,680
Net cash used in investing activities	**(360,343,148)**	(106,075,988)
Cash flow from financing activities		
Government grant	**21,000,000**	43,000,000
Net cash generated from financing activities	**21,000,000**	43,000,000
Net increase in cash and cash equivalent	**(227,937,740)**	113,092,224
Cash and cash equivalent at 1 July	**460,206,778**	347,114,554
Cash and cash equivalent at 30 June	**232,269,038**	460,206,778

1 Summary of significant accounting policy

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

a. Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, which is also the functional currency. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses are recognised in the profit and loss account.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Institute. Although such estimates and assumptions are based on the council members best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

b. Translation of foreign currency

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the company operates), which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise.

c. Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the Institute's activities. It is recognised when it is probable that future economic benefits will flow to the Institute and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

Interest income is recognised on a time proportion basis using the effective interest method. Revenue for year was mainly generated throug training, accomodation, research and consultancy.

d. Government of Kenya Grant

i.) GoK grant received within the year related to income is recognized as other income to match with operations and maintenance costs.

ii.) GoK grant received within the year related to grant asset is treated as deferred income and is recognised as income over the useful life of the asset.

iii) There are no unfulfilled conditions or any other contingencies attached to Development grant that has been recognized.

iv) GoK grant was accounted in a systematic basis over the period in which the Institute recognises the expense in accordance with the Accounting Standards (IAS 20).

e. Financial instruments

The Institute classifies financial instruments into the following categories:

Held to maturity investments

Comprise of non-derivative financial assets with fixed or determinable payments and fixed maturity that the Institute has a positive intention and ability to hold to maturity. During the year, the Institute invested in 9 year and 3 years treasury bonds.

Financial instruments held during the year were classified as follows:

i.) Demand and term deposits with banking institutions and trade and other receivables were classifed as receivables

ii.) Trade and other liabilities were classifed as financial liabilities.

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

g. Property, plant & equipment

Property, Plant and Equipment are stated at cost or valuation, less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition of the assets.

Depreciation is provided on the cost/valuation of the assets on straight line basis at rates designed to write down the assets to their estimated residual values over their estimated useful lives as follows:

	Rate
Buildings	2.00%
Plant & equipment	12.50%
Furniture & fittings	12.50%
Linen & beddings	12.50%
Motor vehicles	25.00%
Computers	30.00%
Library books	5.00%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

h. Computer Software and Development Costs

Generally, costs associated with computers software programmes are recognized as expenses in the period in which they are incurred.

However, costs that is clearly associated with an identifiable product, which is controllable by the Institute and has a definite benefit exceeding the cost beyond one year, is recognized as an intangible asset.

i. Retirement Benefit

The Institute operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance company. The scheme is funded by contributions from both the employees at 7.5% and employer at a rate of 15% of employees basic pay respectively. The Institute's contributions are charged to the income statement in the year to which they relate.

The Institute and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are charged to profit and loss account in the year to which they relate.

j. Receivables

The receivables are stated at original invoiced amounts less an estimate made for doubtful receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the end of year.

k. Provision for Doubtful Debts

General provision is made in respect of outstanding revenue where payment is considered doubtful. General provision for bad debts is calculated at the rate of 11% of trade debtors.

l. Cash and Cash Equivalent

For the purposes of the cash flow statement cash and cash equivalents comprise cash in hand and deposits in banks and short-term highly liquid investments net of any bank overdrafts. In the statement of financial position, bank overdrafts are included in current liabilities.

m. Operating Leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/ received under operting leases are charged/ credited to the profit and loss account on a straight line basis over the lease period. Prepaid lease rentals are recognised as assets and are subsequently amortised over the lease period.

2 Significant accounting estimates, judgements and assumptions

The judgement made by the council members in the process of applying the Institute accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

~ Whether the Institute has the ability to hold 'held-to maturity' investments until they mature. If the Institute was to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

3 Financial risk management

The Institute's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Institute's overall risk management policies are set out by the Council and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Institute's performance by setting acceptable levels of risk.

i. Credit Risk

Credit risk is the risk to financial loss to the Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk mainly arises from customers and investment securities.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account past experience and other relevant factors. The management monitors credit on a monthly basis.

The amount that bests represents the Institute's credit risk as at 30 June 2012 is made up as follows:

	2012	2011
	Kshs	Kshs
Cash and cash equivalents	**232,269,038**	460,206,778
Receivables	**112,258,828**	126,891,761
	344,527,866	587,098,539

The Institute does not hold any collateral against the past due receivables.

ii. Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The Institute manages liquidity risk by continuously reviewing forecasts and actual cash flows.

The table below analyses the Institute's financial liabilities at the balance sheet date. The amounts disclosed below are the expected undiscounted cash flows:

	2012	2011
	Kshs	Kshs
Trade and other payables	**240,737,572**	223,287,297

iii. Market risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates.

4 Going Concern

Kenya Institute of Administration was repealed and replaced with Kenya School of Government Act 2012. This does not however affect going concern assumption as Kenya School of Government become a successor to the Kenya Institute of Administration as cited in the Kenya School of Government Act 2012 as from 1st July 2012. Kenya School of Government shall take over all assets and liabilites of Kenya Institute of Administration.

	2012	2011
	Kshs	Kshs
5 Sales		
Training	**191,897,098**	217,671,166
Accomodation	**178,263,265**	193,835,887
Consultancy	**5,855,776**	1,660,000
Conference Centre	**35,257,319**	3,744,500
	411,273,458	416,911,553
6 Cost of sales		
Catering expenses	**42,057,878**	46,880,500
Resource persons fees	**11,783,250**	13,076,732
Gas and fuel expenses	**4,583,659**	1,684,565
Stationery-participant	**5,606,050**	2,940,643
Hire of accomodation services	**3,040,407**	157,500
Hire of transport	**476,097**	395,300
Field study trips	**142,850**	104,975
	67,690,191	65,240,215
7 Other operating income		
Recurrent government grant	**10,000,000**	10,000,000
Rent and Water	**9,161,485**	8,937,688
Miscelleneous receipts	**1,870,978**	3,712,549
Deferred income	**9,528,753**	2,977,799
Hire of Facilities	**3,223,410**	418,510
Interest Income	**29,550,336**	10,487,680
Decrease in provision for bad debts	**995,299**	-
Sale on boarded items	**215,403**	143,200
Gain on disposal of fixed assets	**265,970**	-
	66,758,091	37,805,168
8 Selling and distribution expenses		
Advertising & publicity	**480,924**	4,257,075
Entertainment expenses	**276,712**	1,937,737
Printing and publishing	**548,672**	1,010,941
Marketing expenses	1,306,308	-
	1,306,308	7,205,753

	2012	2011
	Kshs	Kshs
9 Administrative Expenses		
Personnel emoluments	**199,516,378**	168,134,630
Staff training expenses	**1,414,904**	1,870,006
Stationery-staff	**1,509,887**	2,642,652
Council expenses	**3,929,460**	4,373,791
Staff medical expenses	**4,491,161**	2,135,161
	210,861,790	179,156,240

	2012	2011
10 Operating Expenses		
Transport	**2,399,409**	3,708,107
Insurance	**5,231,609**	4,950,887
Electricity	**12,956,166**	11,116,898
Maintenance of building & stations	**7,185,109**	6,830,447
Depreciation	**31,732,814**	25,128,469
Amortisation-Land	**2,575,760**	2,575,758
Telephone & fax	**1,664,864**	1,658,205
Cleaning & sanitation expenses	**4,389,929**	7,699,477
External travelling & accomodation	**6,257,970**	7,701,346
Flowers & decorations	**1,699,476**	1,758,810
Hire of consultancy	**2,650,990**	2,411,184
ICT expense	**7,003,939**	2,445,937
Kitchen utensils	**889,682**	1,052,439
Laundry expenses	**835,818**	2,150,815
Miscellaneous expenses	**2,165,026**	259,917
Uniform & clothing	**687,375**	1,325,916
Wages	**6,343,482**	3,863,873
Increase in general provision for bad debts	-	2,305,100
Water and conservacy	**1,744,212**	1,399,319
Maintenance of plant and equipment	**1,245,964**	1,086,256
Motor vehicle maintenace	**1,497,920**	1,424,013
Other expenses	**12,096,431**	5,700,194
	113,253,945	98,553,367

11a. Property, plant & Equipment

2011	Buildings Kshs	Work in progress Kshs	Plant & equipment Kshs	Office equipment Kshs	Motor vehicles Kshs	Furniture & fittings Kshs	Linen & beddings	Computers & networking Kshs	Library Kshs	Total Kshs
Cost/Valuation										
At 1st July 2010	467,158,515	121,553,230	33,710,679	15,359,105	29,331,445	11,676,258	-	18,016,573	2,394,498	699,200,303
Additions	49,448,397	6,166,125	1,218,390	355,804	-	2,433,342	592,196	2,801,177	676,587	63,692,018
Disposals	-	-	(3,000,000)	-	-	-	-	-	-	(3,000,000)
Transfer from W-I-P	121,553,230	(121,553,230)	-	-	-	-	-	-	-	-
At 30 June 2011	638,160,142	6,166,125	31,929,069	15,714,909	29,331,445	14,109,600	592,196	20,817,750	3,071,085	759,892,321
Depreciation										
At 1st July 2010	35,861,446	-	11,868,424	14,298,676	25,069,899	3,698,246	-	12,029,211	1,973,655	104,799,557
Restate depreciation		-	-	(2,041,966)	-	-	-	-	-	(2,041,966)
Charge for the year	12,763,204	-	3,283,514	2,130,919	3,029,711	1,732,521	74,025	4,002,987	153,554	27,170,435
Disposals	-	-	(2,731,150)	-	-	-	-	-	-	(2,731,150)
At 30 June 2011	48,624,650	-	12,420,788	14,387,629	28,099,610	5,430,767	74,025	16,032,198	2,127,209	127,196,876
Net book value										
At 30th June 2011	**589,535,492**	**6,166,125**	**19,508,281**	**1,327,280**	**1,231,835**	**8,678,833**	**518,171**	**4,785,552**	**943,876**	**632,695,445**

11b. Property, plant & Equipment

2012	Buildings Kshs	Work in progress Kshs	Plant & equipment Kshs	Office equipment Kshs	Motor vehicles Kshs	Furniture & fittings Kshs	Linen & beddings	Computers & networking Kshs	Library Kshs	Total Kshs
Cost/Valuation										
At 1 July 2011	638,160,142	6,166,125	31,929,069	15,714,909	29,331,445	14,109,600	592,196	20,817,750	3,071,085	759,892,321
Additions	1,719,183	353,130,041	5,310,092	3,423,016	4,395,000	6,679,281	954,814	14,281,370	266,657	390,159,454
Transfer from W-I-P	3,267,344	(3,267,344)	-	-	-	-	-	-	-	-
Disposals	-	-	(678,000)	(6,498,910)	-	(230,750)	-	(219,751)	-	(7,627,411)
At 30 June 2012	**643,146,669**	**356,028,822**	**36,561,161**	**12,639,015**	**33,726,445**	**20,558,131**	**1,547,010**	**34,879,369**	**3,337,742**	**1,142,424,364**
Depreciation										
At 1 July 2011	48,624,650	-	12,420,788	14,387,629	28,099,610	5,430,767	74,025	16,032,198	2,127,209	127,196,876
Disposals	-	-	(678,000)	(6,498,910)	-	(230,750)	-	(219,751)	-	(7,627,411)
Charge for the year	13,156,272	-	4,008,834	2,021,559	2,330,584	2,406,481	193,375	7,448,822	166,887	31,732,814
At 30 June 2012	**61,780,922**	**-**	**15,751,622**	**9,910,278**	**30,430,194**	**7,606,498**	**267,400**	**23,261,269**	**2,294,096**	**151,302,279**
Net book value										
At 30th June 2012	**581,365,747**	**356,028,822**	**20,809,539**	**2,728,736**	**3,296,251**	**12,951,633**	**1,279,610**	**11,618,100**	**1,043,646**	**991,122,085**

	2012	2011
	Kshs	Kshs
12 Leasehold land		
At 1 July	**219,797,974**	222,373,732
Amotisation charge for the year	**(2,575,760)**	(2,575,758)
At 30th June	**217,222,214**	219,797,974

The Institute holds a piece of land L.R. 23160, 28.91 ha, for a term of 99 years starting from 1/11/1997.

	2012	2011
13 Inventories		
Dry foodstuff	**1,746,637**	1,036,113
Oil and Lubricants	**82,064**	52,071
Cleaning materials	**615,195**	870,782
Hardware, electrical and water fittings	**1,315,911**	1,756,395
Stationery	**1,866,153**	1,993,400
Cutlery & crockery	**159,545**	-
Linen	**111,030**	-
Bookshop books	**4,930,398**	4,930,398
	10,826,933	10,639,159
14 Trade and other receivables		
Trade debtors	**115,027,189**	129,711,739
Provision for bad debts	**(13,272,992)**	(14,268,291)
	101,754,197	115,443,448
Bookshop debtors	-	6,579,807
Staff debtors	**5,624,373**	-
Other receivables	**4,880,258**	4,868,506
	112,258,828	126,891,761
15 Investment		
Held to maturity		
Treasury bond-9 years	**48,377,700**	48,377,700
Treasury bond-30 years	**4,493,950**	4,493,950
At 30th June	**52,871,650**	52,871,650
16 Cash and cash equivalent		
Cash on hand	**230,046**	273,175
Cash at bank	**70,979,354**	115,907,263
Bookshop bank balance	-	1,166,985
Treasury bills & term deposits	**161,059,638**	342,859,355
	232,269,038	460,206,778

	2012	2011
	Kshs	Kshs
17 Trade and other payables		
Trade and other payables	**45,543,710**	51,162,036
Retentions	**33,195,245**	13,500,317
Advance receipts	**133,393,986**	101,466,546
Audit fees	**400,000**	400,000
VAT	**27,080,540**	49,641,327
Deposits	**1,124,091**	5,658,449
Bookshop creditors	**-**	1,458,622
	240,737,572	223,287,297

18 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 Institute'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 Institute has requested Mwaniki Gachoka & Co. Advocates to pursue the matter and ensure the titles revert back to KIA.

ii. Mr. John Kiguru Karume has sued the Institute claiming plot numbers 11512, 11513 and 11514 at the KIA shopping centre and partly inside KIA compound. He filed a court case HCCC ELC 80 of 2009. The titles were revoked through a gazette notice in November 2010 by the Minister of Lands Hon. James Orengo. The Institute has requested Mwaniki Gachoka & Co. Advocates to pursue the matter and ensure the Titles revert back to KIA.

iii. Mr.Keffa N.Mwithaga sued the Institute alleging wrongful dismissal. He filed a Case No.HCCC 314 of 2007 in the High Court. Mr.Mwithaga revised his plaintiff to include notice for termination of service, un paid leave and pending honoria payment amounting to Ksh.607, 000.The plaintiff was allowed by the Judge and will proceed to final hearing.

iv. Mr.Bishar Aden Sanweini a former KIA employee whose services were terminated took the Institute to court claiming wrongful dismissal. The case was thrown out/dismissed at the commercial court due to lack of representation and frequent absenteeism by the Advocate representing the plaintiff. However the Complainant has sued the Institute a fresh at the Industrial Court. The Institute has requested Mr.Mwaniki Gachoka to represent it in the Industrial Court.

Although there can be no assurances on the above litigations, the Institute 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.

Notes

Notes

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