The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

Annual Report & Financial Statements

FOR THE YEAR ENDED
30 JUNE 2018

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA INSTITUTE FOR PUBLIC POLICY RESEARCH AND ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2018

The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

Annual Report and Financial Statements for the Financial Year Ended 30 June 2018

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
- 7 FEB 2019
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Prepared in Accordance with the Accrual Basis of Accounting Method under the International Public-Sector Accounting Standards (IPSAS)

Vision

An international centre of excellence in public policy research and analysis

Mission

To provide quality public policy advice to the Government of Kenya and other stakeholders by conducting objective research and capacity building towards the achievement of national development goals

Kenya Institute for Public Policy Research and Analysis

2nd Floor Bishops Garden Towers, Bishops Road
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Fax: +254 20 2719951
Email: admin@kippra.or.ke
Website: www.kippra.org

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I: KEY INSTITUTE INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) was formed through an Act of Parliament, the KIPPRA Act No. 15 of 2006. At Cabinet level, the Institute is represented by the Cabinet Secretary for The National Treasury and Planning, who is responsible for the general policy and strategic direction.

(b) Principal activities

The principal activity of the Institute is to provide quality public policy advice to the Government of Kenya and other stakeholders by conducting objective research and analysis and through capacity building to contribute to the achievement of national development goals. Under the KIPPRA Act, the Institute is mandated to:

1. Develop capacities in public policy research and analysis and assist the Government in the process of policy formulation and implementation;

2. Identify and undertake independent and objective programmes of research and analysis, including macroeconomic, inter-disciplinary and sectoral studies on topics affecting public policy in areas such as human resource development, social welfare, environment and natural resources, agriculture and rural development, trade and industry, public finance, money and finance, and macroeconomic and microeconomic modeling;

3. Provide advisory and technical services on public policy issues to the Government and other agencies of the Government;

4. Communicate the findings and recommendations of the Institute's research programmes to the agencies of the Government concerned with the implementation of public policy;

5. Serve as a point of communication and encourage the exchange of views between the Government, the private sector and other bodies or agencies of the Government on matters relating to public policy research and analysis;

6. Collect and analyze relevant data on public policy issues and disseminate the Institute's research findings to persons it deems appropriate to publish such research findings;

7. Develop and maintain a reservoir of research resources on public policy and related issues and make these available to the Government, the private sector and learning institutions in Kenya;

8. Undertake public policy research and analysis for the Government and for clients in the private and public sectors;

9. Control the publication and use of the Institute's research findings;

10. Organize symposia, conferences, workshops and other meetings to promote the exchange of views on issues relating to public policy research and analysis;

11. Undertake public policy research relevant to governance and its implications to development; and

12. Undertake any other business which is incidental to the performance of any of the foregoing functions.

(c) Key management

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

- Board of Directors (Board Committees);
- Executive Director; and
- Senior Management.

(d) Fiduciary management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

Dr Rose Ngugi	Executive Director
Dr Augustus Muluvi	Head, Productive Sector Division
Dr Eldah Onsomu	Head, Social Sector Division
Mr Benson Kiriga	Ag. Head, Macroeconomics Division
Mr Moses Njenga	Ag. Head, Private Sector Development Division
Dr Chris H. Onyango	Ag. Head, Trade and Foreign Policy
Dr Helen Hoka	Ag. Head, Infrastructure and Economic Services Division
Mr Mogeni Ong'era	Accountant
Mr Felix Murithi	Head, Knowledge Management and Communications Division
Ms Hellen Anyumba	Ag.Head, Human Resource and Administration
Ms Caroline Mukiira	Senior Legal Officer

e) Fiduciary oversight arrangements

The management of KIPPRA is vested in a Board of Directors. The Board operates through four committees (Finance, Audit, Programmes, and General Purposes) and is guided by a Board Charter.

The KIPPRA Board Charter sets out the roles, functions, obligations, rights, responsibilities and powers of the Board, and the policies and practices of the Board in respect of its duties, functions and responsibilities. It guides and clarifies the roles of the Chairman, Directors, Executive Director; their powers; and their involvement in the day-to-today running of the Institute; and to be a point of reference.

The Charter is also aimed at improving and enhancing the level of performance and effectiveness of the Board, including provision of strategic leadership and observance of high standards of corporate governance. It provides guidelines that help the Board ensure that strong leadership is in place at Board level.

Finance Committee: This is an advisory body with no executive powers. Its broad function is to assist the Audit Committee and Board in ensuring that the Institute meets the highest standards of financial management and accountability in the use of its financial resources. The Chairman of the Finance Committee shall be a person with financial background and experience. The committee is authorized to carry out its mandate in line with its terms of reference, which are to: Approve the Institute's accounting policies and principles (and any changes thereof) that are required to be reported in the notes to the annual financial statements; Review and assess the appropriateness of accounting policies and principles, including conformance with relevant accounting and reporting standards; Review annual budgets, and make recommendations to the Board; Receive and consider quarterly financial, procurement and investment reports; Review annual financial statements and recommend them to the Board for approval; Review the use of financial resources, ensuring that value for money is achieved; Review the periodic financial reports and projections, paying particular attention to critical financial and budgetary control issues, financial strategy decisions requiring a major element of judgment, making recommendations to the Board as appropriate; Provide oversight over procurement in line with the procurement law; Advise the Board on resource mobilization, and; Ensure that the finance function is appropriately resourced and meets, or exceeds, best professional practice.

Audit Committee: The duties and responsibilities of the Audit Committee are to assist, and where relevant, make recommendations to the Board on the discharge of Board's responsibilities as they relate to external financial reporting; external and internal audits; effective systems of internal control comprising financial and operational controls and compliance; and risk management.

Programmes Committee: The overall purpose of the Committee is to advise the Board on technical issues; that is, on how to continuously improve the research and capacity building outputs of the Institute.

The Programmes Committee reviews annual work plans and quarterly implementation progress reports, and recommends them for Board approval; monitors implementation of the strategic plan, annual performance contracts, and timely publication of the Kenya Economic Report and other statutory reports; assesses periodically the quality and effectiveness of the Institute's technical outputs, and advises the Board on the achievement of global benchmarks; assists the General Purposes Committee in recruiting senior technical staff; and attends to other matters assigned by the Board, including matters that may be assigned to two or more Board Committees.

General Purposes Committee: The Committee, which is non-executive, advises the Board on organizational structure, administration, human resource policy and capacity enhancement; review salaries, benefit packages and service contracts; reviews performance management policies and procedures and makes recommendations to the Board; recruits senior staff and recommends them for Board approval; presides over disciplinary hearings/interviews for senior staff; and makes recommendations on broad guidelines that promote operational efficiency.

(f) Institute Headquarters

Bishops Garden Towers

2nd Floor, Bishops Road

P.O. Box 56445-00200

Nairobi

(g) Institute contacts

Telephone: (254) 2719933/4

E-mail: admin@kippra.or.ke

Website: www.kippra.org

Twitter: @kipprakenya

(h) Principal Banker

Commercial Bank of Africa

Mama Ngina Street

P.O. Box 30437-00100 Nairobi

(i) Independent Auditor

Auditor General

Kenya National Audit Office (KENAO)

Anniversary Towers,

University Way

P.O. Box 30084-00100 Nairobi

(j) Principal Legal Advisor

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112-00200 Nairobi

II: THE BOARD OF DIRECTORS

Dr Rose Ngugi

Dr Rose Ngugi is the Executive Director of the Kenya Institute for Public Policy Research and Analysis (KIPPRA). She is involved in providing technical guidance and capacity building on policy and strategy formulation to the Government of Kenya and other stakeholders, with the overall aim of contributing to the achievement of national development goals. Before then, she was a Senior Advisor in the Office of Executive Director, Africa Group 1, International Monetary Fund, and Washington DC. Dr Ngugi has been a member of Central Bank of Kenya Monetary Policy Committee and has vast teaching experience in the University of Nairobi, School of Economics. Dr Ngugi has published widely. Her research interests are in public policy, financial sector, investments, reforms and institutional issues. She holds a PhD from Business School Birmingham University, UK specializing in Financial Markets, a Masters and Bachelors degree in Economics from the University of Nairobi, Kenya.

Ms Sabina Maghanga

Ms Sabina Maghanga is the Director of Macroeconomic Planning and International Cooperation, Ministry of Devolution and Planning. She has been in public service for 33 years, coordinating national economic policy formulation and promoting regional and international economic cooperation towards realization of the Kenya Vision 2030, among other activities. She has a wealth of experience in economic policy formulation and analysis, programme and project management, negotiation, data collection and analysis, project proposal and report writing, monitoring and evaluation, team building, and management, organizational, and leadership skills.

Amb. Nelson Ndirangu

Ambassador Ndirangu is an international trade expert with more than 30 years of experience on trade/economic policy issues. He has strong managerial, leadership and negotiations skills and more than 20 years of experience in strategic planning, programmatic design, implementation, team building, fund raising and setting of impact assessment systems. He holds several awards, including Order of the Golden Warrior of Kenya (OGW) in recognition of his contribution to trade policy formulation, development and implementation. He was appointed Ambassador/High Commissioner mid-December 2012 and resumed his duties in the Ministry of Foreign Affairs as the Director General in charge of Economic Affairs and International Trade Directorate, a post he is holding up to date. He is responsible for formulation, implementation, coordination and review of international trade and economic policies, including trade negotiations. He has keen interests on legal and economic analysis of the WTO agreements, regional and bilateral trade relations, with a focus on Africa. He has worked as a consultant for various institutions, international and national organizations such as WTO, WHO, FAO, UNCTAD, ACP, COMESA, IGAD, EAC, and South Centre. He was Chief Negotiator for Kenya in the WTO from 1999 to 2007, and Director of Asia Division at the Ministry of Foreign Affairs, Nairobi, from August 2007 to December 2008. He took time off from 2009 to 2012 to manage an ACP Programme that provided technical assistance to enhance the capacities of ACP countries to negotiate and implement WTO agreements.

Amb. Ndirangu has a Master of Arts (MA) and a Post-Graduate Diploma in International Economic Relations from the University of East Anglia in UK, a Post-Graduate Diploma in International Trade Policy from the WTO, and a Bachelor of Commerce degree (BCom Hons) from the University of Nairobi.

Mr. Musa N. Kathanje

Mr Musa Kathanje was appointed to the KIPPRA Board as the Alternate to the Cabinet Secretary, National Treasury in October 2015. He is currently the Director of Macro and Fiscal Affairs Department at the National Treasury. He Joined the National Treasury in June 2013 as Head of Macro Division on secondment from the Central Bank of Kenya where he served as Head of Monetary Policy Analysis Division in the Research Department. He has over 21 years of experience in monetary policy formulation, macroeconomic policy formulation and analysis, fiscal policy, and regional economic integration gained from both the Central Bank of Kenya (June 1996 to June 2013) and at the National Treasury (June 2013 to date). He holds both Bachelors and Masters Degrees from the University of Nairobi and is currently finalising a PhD in Business Administration - Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya. He holds among others, a certificate in macroeconomic modelling under the United Nations/African Research Network for Development Policy Analysis from the University of Pretoria, South Africa.

Dr Phoebe Josiah

Dr Phoebe Ayugi Josiah was appointed as a Director of the Board of Management of the Kenya Institute for Public Policy Research and Analysis (KIPPRA) on 21st October 2016 for a period of three years. Dr Josiah is a Scientist with specialized training in Biomedical Sciences, Public Health and Epidemiology. She is also a Policy and Technical Advisor, Trainer and Mentor for Science Technology and Innovation.

She received her education at Makerere University where she graduated with BSc (Hons) in Zoology, Botany and Chemistry. She later proceeded to London School of Hygiene and Tropical Medicine, London, UK; Imperial College, London; Durham University, UK; and University of Edinburgh, Scotland; where she obtained her MSc and PhD in Medical Parasitology, Entomology, Public Health and Epidemiology.

Dr Josiah has been recognized as a Chevening Scholar, following the successful completion of her Doctorate Degree while on Chevening Scholars Fellowship from 1987 to 1991.

Between July, 2002 and August 2015, Dr Josiah worked at the Kenya Medical Research Institute (KEMRI) as a Chief Research Officer in various capacities. Her key functions were developing policy guidelines in addressing the conduct of research, research administration including the administration and management of sponsored projects. She was further involved in promotion of biomedical research innovations, capacity building, training, skills development, and mentorship of young upcoming scientists. She played a pivotal role while heading the Corporate Affairs and Partnerships Department, in enhancing the corporate image of the institute and strengthening collaborative research initiatives with partner institutions, donor agencies, the private sector and communities.

In the early part of her career Dr Josiah was employed by the Ministry of Health, Kenya where for twenty years, she worked as a researcher and trainer in the integrated management, surveillance and control of vector borne and parasitic diseases. In the early part of her work, she was the only woman scientist in the Ministry of Health working in the Division of Vector Borne and Parasitic Diseases Control. Upon acquiring advanced training she became one of the few experts in Kenya on Neglected Tropical Diseases (NTDs) and she is currently a Member of the Expert Committee for the Elimination and Certification of Neglected Tropical Diseases in Kenya, a joint Ministry of Health and World Health Organization (WHO) initiative.

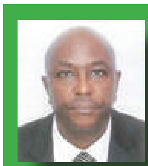
Dr Josiah has also worked with a number of UN agencies and NGOs as a Technical Advisor and a Research Consultant in Science Technology, Engineering and Maths (STEM) Initiatives for the advancement of women in science, public and environmental health, maternal, adolescent and child health, and humanitarian issues affecting displaced and vulnerable communities. Dr Josiah has been a Trainer, an Honorary Lecturer and a visiting Scholar at a number of institutions locally, regionally and globally. She has authored and co-authored a number of publications including policy papers. She has travelled widely and has participated in a number of conferences and collaborative networks, locally, regionally and globally.

III: MANAGEMENT TEAM

Dr Rose Ngugi

PhD in Economics (Financial Markets)

Executive Director



Dr Augustus Muluvi

PhD in Economics

Head, Productive Sector Division

Mr Benson Kiriga

MA in Economics

Ag. Head, Macroeconomics Division

Mr Moses Njenga

MA in Economics

Ag. Head Private Sector Development Division

Dr Eldah Onsomu

PhD in Economics

Head, Social Sector Division

Dr Christopher Hugh Onyango

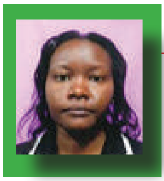
PhD in Economics

Ag. Head, Trade and Foreign Policy

Dr Helen Hoka

PhD in Economics

Ag. Head, Infrastructure and Economic Services Division



Ms Juliah Muguro

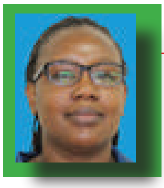
MSc (Finance & Economics), CPA(K)

Ag. Senior Accountant

Mr Felix Murithi

MPhil in Publishing Studies

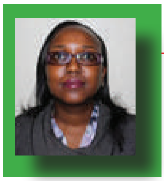
Head, Knowledge Management and Communications Division



Ms Hellen Anyumba

MSc Human Resources

Ag. Human Resource Manager



Ms Caroline Mukiira

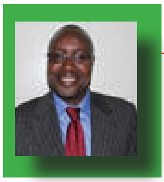
LLM, Masters in Law

Senior Legal Officer

Mr Samuel Githinji

MSc Finance, CPA (K), CIA, CRMA

Senior Internal auditor



Mr Peter M. Munene

MA Economics

Senior Supply Chain Management Officer

IV: CHAIRPERSON'S STATEMENT

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) was established to support the government in strengthening the public policy process by developing human and institutional capacity and providing evidence-based policy advice through objective research and analysis. This is in recognition that objective policy formulation, implementation and evaluation plays a critical role in achievement of the national long-term development agenda.

2017/18 is yet another year where we reflect on achievements and lessons as we forge forward. The reason why this year is important for reflection is because it marks the end of the Institute's third strategic plan. The commitment and gains to effectively deliver on its core mandate are evidence how far the journey has been. Being conceptualized in the 1980s, starting as a department in the Ministry of Planning and eventually being established through an Act of Parliament in 2007 is no mean feat. KIPPRA's involvement in developing critical policy documents, incubating KEPSA and continually supporting the government's policy agenda is something we celebrate.

The year under review was critical in creating a foundation for the next strategic plan 2018/19-2022/23 that is designed to ensure an "EASIER" business model by embracing Efficiency, Accountability, Sustainability, Innovation, Effectiveness, Responsiveness and Relevance in undertaking its activities. Further, the year 2017/18 was also important in scaling up capacity development on public policy formulation by developing new programs and specifically to support the county governments in the delivery of their mandate.

The research conducted in the year focused on how Kenya can build resilience to mitigate against adverse effects of drought and floods at both the household and firm level, public sector reforms from governance, leadership and sectoral perspectives, and youth unemployment.

With just more than a decade left in achieving the Kenya Vision 2030 goals, researchers also investigated priority areas for investment in meeting Kenya's long-term development goal.

Institutional development and sustainability is of importance to effectively deliver on the core mandate. Government support, new partners, competent staff, prudent use of resources and expanding the Institute's activities have been instrumental in ensuring sustainability of the Institute. Approval of a new organizational structure that will see the Institute increase its human capacity, increased demand for capacity development programmes and contracted research will also go a long way towards ensuring delivery of its mandate.

Chairperson, Board of Directors

V: REPORT OF THE EXECUTIVE DIRECTOR

In the period 2017/18, KIPPRA celebrated its two decades of existence. Having been born of the Long Range Planning Unit at the Ministry of Planning, the Institute has grown to acquire a significant space at regional and international levels. The Institute has continued to play a key role in supporting evidence-based policy making by developing capacity and conducting objective policy research and analysis. As a statutory requirement, the Institute prepares an annual report that highlights the achievements and institutional developments.

Capacity Development

A key function of the Institute as stipulated in the KIPPRA Act 2006 is to develop capacities in public policy research and analysis and assist the Government in policy formulation and implementation. In the period, the Institute offered a wide range of capacity building programmes including the Young Professionals (YPs) programme, and other tailor made trainings.

Further, in response to emerging needs of the stakeholders, the Institute developed two new programmes; that is, Creating an Enabling Environment for Private Sector (CEEP) and KIPPRA Mentorship Programme for Universities (KMPUS). The two programmes will be rolled out in the coming year.

Policy Research and Analysis

During the year, the Institute continued to strengthen its research and analysis programme. To ensure that research and analysis activities are relevant in providing timely policy advice, the Institute strengthened its policy surveillance with weekly updates on emerging policy issues. Further, a Data Management Committee was set up to guide the Institute in building a database to support the research and analysis activities. The Institute also seized the opportunity to build skills for staff on various technical aspects.

The annual KIPPRA flagship report, the Kenya Economic Report themed "Boosting Investments for Delivery of the Kenya Vision 2030" was completed as stipulated in the KIPPRA Act. The theme was timely in exploring potential areas for expanding the capacity of the economy to achieve the "Big Four" agenda.

Further, in deepening interdisciplinary research, the Institute undertook a research project themed "Building Resilience to Mitigate Against the Effects of Drought and Floods". The study focused on various aspects including establishing the impact of drought and floods on macroeconomic variables, including economic growth, inflation, fiscal pressures; social sector including education and health; agriculture (food security); gender; security and infrastructure.

On thematic research, the Institute covered various topical policy issues including assessing health care delivery in a devolved system of government, improving business environment for the MSEs, public expenditure and financial accountability at county level, exploiting opportunities for youth employment opportunities, and public sector reforms. Further, through collaboration with other institutions, KIPPRA initiated research projects on Economic Inclusion of Young People and Women Through Inclusive Entrepreneurship, and on National Information Platform for Food and Nutrition in Kenya.

Policy Engagement, Dissemination and Networking

KIPPRA continued its engagement with various stakeholders including the Government and other key stakeholders. Through working groups and task forces, the Institute provided technical and advisory services to Government. Further, through policy seminars, the Institute was able to engage stakeholders in exchange of views on emerging policy issues. Moreover, the Institute organized the first KIPPRA Annual Regional conference that saw a diverse participation. The Institute also participated in various forums disseminating its research findings.

Institutional Sustainability

In executing its mandate, KIPPRA continued to widen its networks. New memoranda were signed with various organizations and collaborative research activities undertaken. In the year under review, the Institute drafted a comprehensive resource mobilization, investment and partnerships policy focusing on research networking, collaborations, exchange programmes and financial partnerships, which it aims to finalize and implement in the next financial year.

As part of the activities towards boosting institutional development and sustainability the Institute sought to strengthen the monitoring and evaluation function of the Institute, including by operationalizing the Strategy and Planning Department where the M&E function is domiciled. In recognition of the Institutes' objective for policy evaluation as a critical role in achievement of the national long-term development agenda, the Institute has committed to strengthening evaluation as a technical skill in subsequent years.

KIPPRA was among the Ministries, Departments and Agencies (MDAs) that signed the 2017/18 performance contract. This saw the Institute comply with statutory requirements such as promotion of National Values and Principles of Governance, procurement requirements, and activities towards prevention of HIV/AIDS infections in the workplace. Further, the approval of a new organizational structure was a significant milestone in enhancing the capacity to deliver on its mandate.

With the implementation of the third strategic plan (2013/14-2017/18) having come to an end, the Institute developed its fourth strategic plan (2018/19-2022/23) that emphasises on efficiency, accountability, sustainability, innovation, effectiveness, responsiveness and responsibility. Further, signalling its continued commitment to maintain and improve the quality management system, the Institute made significant progress in transitioning to ISO: 9001:2015. On behalf of the management and staff, I take the opportunity to thank all those who made it possible for the Institute to successfully deliver on its mandate.

Dr Rose Ngugi, Executive Director KIPPRA

VI: CORPORATE GOVERNANCE STATEMENT

KIPPRA practices good corporate governance to achieve the best possible level of organizational performance. Effective governance is the most fundamental among imperatives for successful, effective and sustainable think tanks. It was recognized from the onset of KIPPRA's establishment that for the Institute to support policy formulation within the Government of Kenya, both operational autonomy and an effective governance framework were requisite for the Institute to effectively achieve its mandate.

The Institute adhered to the Mwongozo code of governance for state corporations in its use of public resources. The Institute has drafted a KIPPRA Amendment Bill 2018 to align it to the 2010 Constitution of Kenya, the code of governance for state corporations (Mwongozo), and as relevant laws, regulations and policy directives. The bill addresses the Board composition by encompassing competence and experience, leadership and integrity, equity and regional distribution in board membership. The bill proposes competitive, merit-based recruitment, vetting and approval of potential board members. Board membership in KIPPRA is proposed to be nine (9) members down from thirteen (13) members. The Bill introduces the position of Corporation Secretary in line with good corporate governance practices.

During the financial period 2017/2018, KIPPRA did not have a full Board in place, with the previous term of board members having expired on 9th May 2017. The Institute relied on the leadership and guidance of the Principal Secretary, State Department of Planning, who together with KIPPRA management gave the Institute's strategic direction, safeguarded the Institute's resources, and monitored corporate performance.

Organizational goals and values of the Institute are stated and articulated in the Institute's Strategic Plan, Annual Work Plans, and the Service Charter. The Institute is running a five-year strategic plan that is implemented through annual work plans. The strategic plan is reviewed mid-way, while annual work plans are reviewed on a quarterly basis. Implementation of the Strategic Plan, Work Plan, and Service Charter is monitored through the annual Performance Contract agreement signed between the Board and the Government (parent ministry), between the Executive Director and the Board, and between the Executive Director and Heads of Divisions.

VII: CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KIPPRA takes part in corporate social responsibility (CSR) for various reasons. For one, besides using it as a tool to advocate for an ethical, social, and environmentally responsible practice, it uses CSR as a platform to sensitise stakeholders on the public policy process, National Values and Principles of Governance as highlighted in the 2010 Constitution of Kenya and HIV/AIDS.

In 2017/18, the Institute undertook two CSR activities in collaboration with the then Ministry of Devolution and Planning. On 23rd December 2017, the Institute donated books and stationery to Wahundura High School in Murang'a County. The function was graced by, among others, the then Principal Secretary, State Department of Planning, Mr Irungu Nyakera and KIPPRA's Executive Director, Dr Rose Ngugi.

KIPPRA participated in the National Tree Planting Day held on 26th April 2018 in Makueni County. The event was organized by the State Department of Planning, National Treasury and Planning. KIPPRA Staff led by the Executive Director, Dr Rose Ngugi and the Principal Secretary for State Department for Planning Dr Julius Muia planted over 50 different species of trees in celebration of the event whose theme was "Makueni Tree Planting Drive."

VIII: CORPORATE INFORMATION

BOARD OF DIRECTORS

1.	Ms Sabina Maghanga:	Alternate for PS, Ministry of Devolution and Planning
2.	Mr Musa Kathanje:	Alternate for CS, The National Treasury
3.	Amb. Nelson Ndirangu, OGW:	Alternate for PS, Ministry of Foreign Affairs & International Trade
4.	Dr Phoebe Josiah:	Gazetted 27th October 2016

SENIOR MANAGEMENT TEAM

1.	Dr Rose Ngugi:	Executive Director
2.	Dr Augustus Muluvi:	Head, Productive Sector Division
3.	Mr Benson Kiriga:	Ag. Head, Macroeconomics Division
4.	Dr Eldah Onsomu:	Head, Social Sector Division
5.	Mr Moses Njenga:	Ag. Head, Private Sector Development Division
6.	Dr Helen H. Osiolo:	Head, Infrastructure & Economic Services Division
7.	Dr Christopher H. Onyango:	Ag. Head, Trade and Foreign Policy Division
8.	Mr Mogeni Ong'era:	Ag. Senior Accountant
9.	Mr Felix Murithi:	Head, Knowledge Management & Communications Division
10.	Ms Hellen Anyumba:	Ag. Head of Human Resource Management Division
11.	Ms Caroline Mukiira:	Senior Legal Officer
12.	Mr Samuel Githinji:	Senior Internal Auditor
13.	Mr Peter M. Munene:	Senior Supply Chain Management Officer

REGISTERED OFFICE

Bishops Garden Towers, 2nd Floor, Bishops Road

P.O. Box 56445-00200

NAIROBI

INDEPENDENT AUDITOR

Auditor General

Kenya National Audit Office (KENAO)

Anniversary Towers

P.O. Box 49384-00100

NAIROBI

PRINCIPAL BANKER

Commercial Bank of Africa Limited

Mama Ngina Street

P.O. Box 30437-00100

NAIROBI

IX: BOARD COMMITTEES

The Board has four standing Committees, which are required to meet at least quarterly or as required. The Committees have been set up with clear terms of reference to facilitate efficient and effective decision making of the Board in discharging its duties, powers and authorities.

The Programmes Committee is charged with the review of annual and quarterly work plans, and Performance Contracts.

The Finance Committee reviews annual budgets and procurement plans, quarterly and annual financial reports.

The Audit Committee works closely with the internal audit unit and plays a critical role in reviewing financial information and ensuring that the system of internal controls is effectively administered. It considers significant audit findings identified by the Institute's internal and external auditors. The Committee maintains oversight on internal controls, and makes recommendations on financial information, risk management, policies and audit issues.

The General Purposes Committee advises the Board on organizational structure, administration, human resource policy and capacity enhancement/building, reviews the salaries, benefit packages and service contracts, recruitment of senior staff ensuring that these are competitively structured and linked to performance. The Committee also makes recommendations for broad guidelines that promote operational efficiency.

X: REPORT OF THE DIRECTORS

The Board of Directors submit their annual report and financial statements for the year ended 30 June 2018, which disclose the state of affairs of the Institute.

1. INCORPORATION

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) was formally established through Legal Notice No. 56 in the Kenya Gazette of 9 May 1997, and later through the KIPPRA Act No. 15 of 2006. KIPPRA is a public Institute whose primary mandate is to develop capacity and conduct public policy research and analysis leading to evidence-based policy advice to the Government of Kenya (GoK). The Institute operates under The National Treasury and Planning.

Over the two decades of existence, KIPPRA has grown leaps from the Long Range Planning Unit at the Ministry of Planning to becoming a renowned think tank at international level, ranking among the top 5 in Sub-Saharan Africa. The idea of establishing a public policy research institute for Kenya was conceptualized as early as the 1980s, with the growing need to enhance analytical capacity within the Government to support evidence-based policy making.

Since its establishment, KIPPRA has achieved key milestones. For capacity development in public policy process, KIPPRA in 2003 launched the Young Professional's training programme, which aims to enhance technical competence in policy analysis for both public and private sector. Since then, the programme has graduated over 110 policy analysts, many of whom play a key role in policy making process in government ministries, departments and agencies, and for non-state actors. On policy research and analysis, in addition to the thematic activities, since 2009, KIPPRA has been producing the Kenya Economic Report annually to provide an in-depth analysis of the Kenyan economy and prospects for the next three years. The report has become an invaluable source of analysis on the state of Kenya's economy.

In providing advisory and technical services, the Institute has supported the Government in preparing key economic blueprints. This includes working closely with the National Economic and Social Council (NESC) in developing the Kenya Vision 2030. Consequently, the Institute continues to provide technical assistance in development of Medium Term Plans in implementing the blueprint.

Further, the development of the KIPPRA-Treasury Macroeconomic Model (KTMM) in 2001/02 was a key milestone. As a joint initiative by staff of KIPPRA and then Ministry of Finance and Planning, KTMM is used for macroeconomic analysis to provide economic forecasts underpinning the Medium Term Expenditure Framework (MTEF). Every year, KIPPRA staff participate in over 20 government task forces and technical working groups, providing advisory and technical services on public policy issues to the Government and other agencies of the Government.

In supporting private sector development, KIPPRA was instrumental in incubating the Kenya Private Sector Alliance (KEPSA), previously known as the Private Sector Forum. The strengthening of KEPSA was important in providing a forum for the private sector to engage with the Government and play a more active role in national development, by articulating and advocating for policy implementation from a more evidence-based perspective. Through collaboration with KIPPRA, KEPSA was able to participate in the agenda for improving the enabling environment for business in Kenya, which led to improved policy, legal, and regulatory environment for business.

In maintaining quality of the operational systems, in 2010, KIPPRA was certified under the Quality Management System ISO 9001: 2008 and is in the process of transitioning to ISO 9001: 2015. Further, KIPPRA is preparing implementation of the ISO/IEC standard for Information Security. KIPPRA is a signatory to Performance Contracting and signed its first Performance contract in 2008/09 during the first cycle. The PC entrenches results-based management in delivery of the Institute's mandate. The PC quarterly evaluation provides an assessment of achievement of the Institute's negotiated performance targets.

KIPPRA remains committed to providing evidence-based policy advice and will continue investing resources to enhance the capacity of the Government in policy making process, strengthen the quality of its research and expand policy engagement with the Government and other key stakeholders.

2. PRINCIPAL ACTIVITIES

In 2017/18, the Institute mark the end of its third strategic plan (2013/14-2017/18). The Institute focused its activities on five broad strategic areas, namely: i) Capacity development in public policy process; ii) Public policy research and analysis; iii) Dissemination, networking and partnerships; iv) Knowledge management; and v) Financial and operational sustainability of the Institute.

2.1 Capacity Development Programmes

A key function of the Institute as stipulated in the KIPPRA Act 2006 is to develop capacities in public policy research and analysis and assist the Government in policy formulation and implementation. In doing so the Institute recruited 12 Young Professionals into its flagship capacity development programme, the Young Professional Programme (YPP) of whom 50 per cent were from the public sector. In tandem with the devolved system of government, the Institute introduced a new course to the programme, focusing on enhancing understanding on the governance structures and operations. Further, the Institute offered tailor made courses including Public Policy Process and role of Research in Policy Formulation, Regional Integration and Foreign Direct Investments and System Dynamics, and T21 Model Application for Policy to government and private sector officers. Under the mentorship programme for students, the Institute saw a diverse group of students from universities visit the Institute. Further, in line with the Internship Policy and Guidelines for the Public Service, 2016, the Institute engaged 14 interns and industrial attaches.

In response to emerging needs of the stakeholders, the Institute developed an additional capacity building programme, Creating an Enabling Environment for Private Sector (CEEP). The programme is aimed at strengthening the capacity of Government officers at county level in articulating key priorities in providing an enabling environment to grow private sector economic activity.

Further, to scale up and provide a structured framework for mentorship programme, the KIPPRA Mentorship Programme for Universities (KMPUS), was developed with the objective to create a platform for intellectual exchange on policy-related issues with the University community, and create awareness on priority government development agenda. KIPPRA is looking to roll-out these programmes in the next financial year. KIPPRA is also looking to fully operationalize the capacity building department to address the growing demand.

2.2 Public Policy Research and Analysis Activities

KIPPRA is mandated to conduct independent and objective research and analysis activities, that include inter-disciplinary and sectoral studies on topical public policy issues. Further, pursuant to the KIPPRA Act 2006, Part V Section 23(3), KIPPRA is mandated to prepare an annual Kenya Economic Report (KER) on the country's economic performance and prospects for the medium term.

To ensure that the research and analysis activities are relevant to current policy issues the Institute revamped its policy surveillance activity, and policy seminar where stakeholders are involved in conceptualization of the research projects. Further, the Institute set up a Data Management Committee to support in building a database to support the research and analysis activities.

A draft policy on data management was prepared and will be finalised in the next financial year.

a) Kenya Economic Report

In the period under review, the Institute prepared the Kenya Economic Report (KER) 2018 under the theme "Boosting Investments for Delivery of the Kenya Vision 2030". The theme explored the potential areas for expanding the capacity of the economy to achieve a strong inclusive economic growth and emphasized on the "Big Four" agenda as a channel for ensuring that realized growth improves welfare for all.

While the Kenya's economy remained stable and resilient to various macroeconomic shocks, the prolonged electioneering period, and severe drought in the year 2017, reduced the prospects for securing double-digit economic growth envisaged to deliver the Kenya Vision 2030. Economic growth rate slowed to 4.9 per cent in 2017 from 5.9 per cent in 2016, largely due to decline in growth in key sectors such as agriculture and manufacturing. In addition, investment performance for the Medium-Term Plans II remained below the envisaged 30 per cent target.

The report emphasises on maintaining macroeconomic stability as a priority for Kenya to attain double digit growth with a growth-enhancing fiscal policy that keeps to the consolidation path. To meet the 15 per cent growth in manufacturing sector requires more than doubling growth in priority areas, including agro-processing, textiles, leather and blue economy through enhanced innovations and a shift to medium and high technologies, and supporting SMEs development through access to affordable credit, training and sub-contracting with large firms. To maintain external balance, strengthening the “Buy Kenya Build Kenya” initiative is important in addition to coordinating the implementation of the National Trade Policy, and the Industrialization Strategy, which are pertinent in encouraging use of local materials, value addition and diversification of production. Achieving food security requires use of enhanced modern preservation technologies in the food value chains and extensively promoting irrigated agriculture and adopting climate smart agriculture to reduce vulnerability to climate risks. Development of human capital through education and training, provision of health, education and other social services are critical for poverty reduction, youth employment and sustainable development. More importantly, a strong institutional and coordination framework is key to effectively implement the various investment programmes in the country.

b) Inter-disciplinary research activity

In deepening inter-disciplinary research activity as mandated by the Act, the Institute undertook a research project themed “Building Resilience to Mitigate Against the Effects of Drought and Floods”.

This was informed by the increased frequency and intensity in occurrence of drought and floods posing severe economic and social challenges. For example, in 2017, the Government of Kenya declared drought a national disaster and allocated Ksh 11 billion to cater for drought-related interventions, including providing food rations and cash transfers to affected households. Likewise, in first two quarters of 2018, the government set aside Ksh 4 billion for drought-related activities, out of which Ksh 2.5 billion was for relief food and cash transfers.

The study focused on establishing the impact of drought and floods on macroeconomic variables including economic growth, inflation, fiscal pressures; social sector including education and health; agriculture (food security); security and infrastructure. Further, the study evaluated governance and coordination mechanisms in managing the disasters and explored various interventions that can improve capacity to effectively prepare and respond to emergencies of drought and floods. Finally, the study sought to establish the role of gender and social protection in mitigating the impacts of drought and floods. Some of the outputs of the study were disseminated in the KIPPRA Annual Regional Conference in June 2018. Additional outputs are expected to be disseminated in form of book chapters in the next financial year.

c) Thematic policy research and analysis activities

Policy research and analysis activities at the Institute are carried out in seven thematic departments including: Macroeconomics, Private Sector Development, Governance, Infrastructure and Economic Services, Social Sector, Productive Sector and Trade and Foreign Policy departments. Key among the key research and analysis projects undertaken in the review period included the following:

i) Assessing health care delivery in Kenya under devolution

The devolved system of Government saw distribution of functions between the National and

County governments. Among the functions devolved included health, whose function is now carried out by the County governments as stipulated in the Fourth Schedule of the 2010 Constitution of Kenya. In assessing the implications of these changes to the delivery of health care services, the Institute conducted a countrywide survey that captured all the counties. The survey was conducted during a period that experienced industrial unrest with strikes by doctors and nurses almost paralyzing the public health sector. For policy considerations, the study recommends that requires well trained health professionals and enhanced institutional coordination in managing health workers to provide effective and efficient health services to citizens and effectively managing the sector.

ii) Improving business environment for MSEs

Significant progress has been made towards creating an enabling business environment, and the improved ranking by the World Bank Ease of Doing Business Indicators is a test to this. However, with the critical role that the informal sector is playing in job creation, the Institute targeted to look at the specific business environment factors that determine growth and development of the MSEs. At the same time, given the increased role that the county governments are playing in promoting economic growth, the Institute focused on identifying key factors specific to each county to support in articulating clearly the policy direction. During the period, the Institute embarked on developing a Micro and Small Enterprises Framework to be used in assessment of business environment for MSEs at county level. The tool was piloted in two counties, and in the coming financial year piloting will be extended to additional counties.

iii) Public Expenditure and Financial Accountability (PEFA) assessment in County Governments in Kenya

KIPPRA in collaboration with the International Development Research Centre (IDRC) and the World Bank undertook the first county level public expenditure and financial accountability assessment in Kenya. The assessment covered six counties, namely: Makueni, Kajiado, Nakuru, Baringo, West Pokot and Kakamega, aimed at strengthening Public Financial Management (PFM) systems for the counties. The findings provide a baseline on the state of PFM within the counties and the reforms required to enhance efficiency in the use of public resources to effectively deliver services. The study concludes that addressing identified challenges would significantly strengthen fiscal discipline, improve allocation of resources and service delivery.

iv) Exploiting youth employment opportunities

Youth unemployment is a growing cause of concern for policy makers. According to the 2015-16 Kenya Integrated Household Budget Survey (KIHBS), total unemployment rate in the country stood at 7.4 per cent, with youth constituting about 85 per cent of the unemployed (KNBS, 2018). It is in this regard that the Institute is undertaking a long term research project focused on exploiting opportunities for generating youth employment.

During the review period, researchers under the Young Professionals Programme, undertook to analyze the distribution, supply, productivity and policy framework in understanding the youth in the labour market. Six research outputs were produced focusing on labour demand across sectors, characteristics of youth supplying labour in the market, labour productivity across various sectors, youth employment preferences, distribution and Government empowerment programmes for the youth. In the next financial year, the Institute will continue with this research focusing on the theme "Improving Productivity of the Informal Sector in Creating Decent Jobs for the Youth"

v) Public sector reforms

Attempts at Public Sector Reforms (PSR) and transformation in Kenya began at independence, gaining momentum in the early 1990s to date. The reforms are geared towards improving public service delivery. Two studies were undertaken during the review period. The first one focused on understanding the challenges and opportunities for public sector reform initiatives in Kenya looking at the civil service reforms, institutional reforms, strengthening public policy process and administrative capacity building. The second was a collaborative research between KIPPRA and the Africa Capacity Building Foundation (ACBF) in conducting a study on the role of transformative leadership in public sector reforms, which identified various strategies, legislation and institutional frameworks and special initiatives undertaken in Kenya to enhance transformative leadership in the public sector, and how these strategies have affected the country's socio-economic performance. The study also identified the leadership capacity gaps to transform the public sector. The need for dedicated leadership training budgets, capacity development on public finance management for leaders at both national and county levels and entrenchment of results-based management and performance contracting at county level were identified as key recommendations to transforming the public sector.

d) Demand-driven and contracted research work

The Institute signed a four-year contract with the European Union (EU) in collaboration with the Kenya National Bureau of Statistics (KNBS) in the project "National Information Platform for Food and Nutrition in Kenya". Additionally, the Institute signed a two (2) year contract under the International Development Research Centre (IDRC) project themed "Economic Inclusion of Young People and Women Through Inclusive Entrepreneurship: The Case of Kenya", which will analyze the contribution of inclusive entrepreneurship to young people and women well-being in Côte d'Ivoire, Burkina Faso and Kenya.

Further, KIPPRA was contracted to develop a "Coordination Strategy" for coordinating, harmonizing and facilitating the integration of various public and private sector activities, programmes, and development plans relating to Micro and Small Enterprises (MSEs) in Kenya. Specifically, the study objectives were to: i) Review effective evidence-based coordination mechanisms in different countries; ii) Carry out a review of the Micro and Small Enterprises Authority (MSEA) stakeholders in selected clusters; iii) Review of selected stakeholders implementing MSE programmes; iv) Conduct an internal assessment of MSEA; and Draft a coordination strategy for MSEs in Kenya. In total, 193 MSE associations, 140 support institutions; 19 county field officers and 16 head office staff were interviewed. Two outputs in form of a technical report and a strategy on coordination of the MSEs sector in Kenya were generated. The findings were presented to MSEA and currently awaiting presentation to the Board of Directors once a suitable date is provided by the Authority.

The Institute also completed a long-term project commissioned by UNECA on the impact of climate change on agricultural production systems, welfare and trade policies in the East Africa Community (EAC) and their implications on food security. The focus for the three studies was on exploring spatial effects of climate change on agricultural production, assessing how the welfare of EAC member states would evolve over a thirty-year period (2015-2045) looking at selected crops, and analysing the implications of trade policies on agricultural products. It assessed the consequences of climate change on intra-EAC flows of agricultural trade forecasting to 2050.

In the same period, the Food and Agriculture Organization (FAO) Kenya commissioned KIPPRA to undertake an evaluation of FAO programmes in Kenya for the period 2013-2016. The project was successfully completed in June 2018.

3. Policy Engagement, Dissemination and Networking

KIPPRA engages with the Government and other key stakeholders in various stages of the policy making process, providing technical and advisory services and exchanging views with key stakeholders through various forums.

a) Policy Seminars, Workshops and Conferences

One of the Institute's core function is to organize symposia, conferences, workshops and other meetings to promote the exchange of views on issues relating to public policy research and analysis. To meet this objective and better inform its research, the Institute revamped policy seminars which are guided forums that bring together carefully selected stakeholders for discussion, debate and exchange of views on policy issues. The success of this approach has ensured that the public policy research and analysis that the Institute undertakes is factual, relevant and researchers keep abreast on topical issues. For instance, the Institute held policy seminars on Sources of Financing for Infrastructure Projects in Kenya; Creating and Sustaining Jobs in Kenya; Deepening Islamic Finance in Kenya; Effective Regulation of Kenya's Wholesale and Retail Trade Sector; Improving the Effectiveness of Policies and Strategic Investments in the Fertilizer Supply Chain; Economic Inclusion of Young People and Women through Inclusive Entrepreneurship in Kenya; and Challenges and Opportunities for Public Sector Reforms in Kenya, among others.

The Institute also held various dissemination workshops including the following: launch of the Kenya Economic Report 2017; Devolution and the Health Sector; Capital Flows in Kenya; Role of Transformative Leadership in Public Sector Reforms in Kenya; Building Economic Complexity in Kenya: Laying the Foundation for Expanding Economic Opportunities for Women and Youth in Kenya, and; Appraisal of the Performance of the Track and Trace System of Excisable Goods in Kenya, among others.

The year 2017/18 marked a milestone for the Institute in organizing the first Annual Regional Conference from 5-7 June 2018. The conference came at a time when the country was experiencing floods after a prolonged drought spell that started in 2016. From a policy perspective, the conference came at an opportune time when Cabinet has approved the National Disaster Risk Management (DRM) Policy 2017, which will serve as the overarching framework on Disaster Risk Management for the country and establishes a robust DRM system that contributes to achievement of Kenya's national development.

Further, a National Drought Emergency Fund (NDEF) and a Disaster Risk Financing Strategy for the country to effectively respond to drought and floods emergencies and associated residual risks have also been developed.

Other engagements included KIPPRA's participation in the 2018 Universal Health Care (UHC) Conference in Makueni County held from 4th to 5th April 2018 where the Institute presented findings from the study on Assessing Health Care Delivery in Kenya under Devolution.

Further, the Institute took part in the 5th Annual Devolution Conference held in Kakamega from 23rd -27th April 2018. The conference is organized by the Council of Governors (COG). The Institute's participated as part of various sectoral organizing committees, presentation and discussants in the health and agriculture plenary sessions and conference exhibition.

b) Advisory and technical services

KIPPRA staff were involved in several government constituted task forces, working groups and committees in delivering the Institute mandate on providing advisory and technical services on public policy issues. Throughout the year, the Institute participated in 52 taskforces including supporting drafting of sectoral MTP III chapters and formulation of policies in trade, HIV/AIDS, Extractives, Cyber Security, and supporting institutions such as the Tourism Research Institute and Foreign Affairs Academy in developing research strategies. The Institute continued to play a key role in the Macroeconomic Working Group.

4. Knowledge Management

Knowledge Management facilitates the Institute in conducting objective research and policy analysis and communicating findings and recommendations by capturing, developing and storing individual and institutional knowledge, and by putting in place mechanisms for sharing experiences and lessons learnt for integration and continuous improvement and for future reference.

a) Library services/Documentation centre

The Institute is mandated to develop and maintain a reservoir of research resources on public policy and related issues. In the period under review, the library continued to serve the public with information and disseminate KIPPRA publications. In updating library resources, 116 new information resources were acquired. Further, the documentation centre has the function to distribute publications and during the year distributed 18,556 publications at the conference, workshops, policy seminars and exhibitions that the Institute participated.

b) Records Management

The Institute embarked on rigorous process to manage records and information. With the Records Management Policy developed the process of establishing a central registry was kick-started envisaging to have all the Institute's documents digitized by September 2019. A Records Management Committee was set up to oversee the activities as the Institute establishes the function. Among the processes initiated included appraisal of records to be held in the registry and classification of registry records.

c) Research data management

Collecting and analysing relevant data on public policy issues is an important function for the Institute. In this regard, KIPPRA is transforming its research databases and in the year a Research Data Management Committee was constituted to identify and document data needs and data gaps, ensure that research data is captured, organized and processed in a consistent manner and packaging of research data sets are in accessible format.

d) Publications

As part of its knowledge management strategy, the Institute has set high standards in the content it produces through publications. Publications in the Institute are categorised into series including the Kenya Economic Report, discussion, working, policy and special papers, policy briefs, newsletters, blogs and media articles.

Many of the publication themes are informed by national development agenda, incorporated in the Institute's annual work plan, policy intelligence and policy seminars.

In 2017/18, the Institute re-introduced the quarterly newsletter KIPPRA Policy monitor and four (4) issues were published. The Institute also promoted exchange of policy views through the publication of 57 media articles. In addition, the Institute published 32 discussion and special papers, 7 policy briefs, 1 Kenya Economic Report 2017, and 4 client reports. The research outputs enabled KIPPRA to contribute to debate, and bring new perspectives to key policy issues in Kenya.

5. Institutional Sustainability

a) Partnerships

In the year under review the Institute drafted a comprehensive resource mobilization, investment and partnerships policy focusing on research networking, collaborations, exchange programmes and financial partnerships, which it aims to finalize and implement in the next financial year.

The partnerships with Government agencies, think tanks, donors and private sector ranged from collaboratively holding dissemination workshops and launches, joint publications, conducting research on behalf of organizations to the support for KIPPRA staff on PhD training.

KIPPRA has continued to be favourably ranked as one of the leading think tanks in Sub-Saharan Africa. The Institute has continued to expand its network of collaborations and partnerships, both in the Africa and the rest of the world. For the financial year 2017/18, the Institute through key partners and networks managed to raise Ksh 26.46 million in contracted research.

Among the Memorandum of Understanding (MoU) signed during the year included with the Kenya Railways Corporation (KRC), Nation Media Group (NMG), Kenya Association of

Manufacturers (KAM), National Oil Corporation (NOCK), Public Procurement Regulatory Authority (PPRA), Water Sector Trust Fund (WSTF), and Anti-Counterfeit Agency (ACA). Research-related partnerships included the ACBF, the Africa Economic Research Consortium (AERC), International Development Research Centre (IDRC), The Economic Policy Analysis Unit of CIRES (CAPEC), Korea Institute for International Economic Policy (KEIP), International Food Policy Research Institute (IFPRI), European Union, World Bank, Food and Agriculture Organization (FAO), South African Institute of International Affairs (SAIIA) and the Brookings Institution.

b) Monitoring and evaluation

As part of the activities towards boosting institutional development and sustainability, the Institute sought to strengthen the Monitoring and Evaluation function of the Institute, including by operationalizing the Strategy and Planning Department where the M&E function is domiciled. The Institute monitored implementation of the Strategic Plan, Work Plan, commitments in the Annual Presidential Report 2017, annual Performance Contract signed with the Government, and compliance with Government directives and laws. To this end, the Institute constituted an M&E committee to initiate the process of developing an M&E framework. Further the Institute conducted a mid and end-term review of implementation of the Institute's Work Plan and Performance Contract for 2017/18.

In recognition of the Institutes objective for policy evaluation as a critical role in achievement of the national long-term development agenda, the Institute has committed to strengthen evaluation as a technical skill in subsequent years.

c) Human Resource Development

During 2017/18, the Institute commenced implementation of the new Human Resource Policy and Manual, and the new organizational structure which were approved in September 2017. This was a significant milestone as it enables the Institute to expand its staff establishment, facilitating delivery of its mandate. The Institute is also in transition from contract to permanent and pensionable tenure for employees, excluding senior management.

As at 30th June 2018, KIPPRA had sixty (60) staff members on long term contracts (3 years), of whom thirty-five (35) were researchers with the rest being support staff. These numbers were comparably low against a staff establishment of ninety-eight (98). As such, the Institute augmented human resources with research associates, research assistants and staff seconded from public agencies for short contracts and/or programme or projects. In its staffing, the Institute emphasizes diversity in its recruitment and promotion regardless of ethnic backgrounds, ability or religion.

In 2017/18, the Institute undertook skills gap analysis and four areas for skills improvement were identified: i) Managerial skills; ii) Professional skills; iii) Entrepreneurial skills; and iv) Behavioural skills. In this regard, the Institute has embarked on an intense systematic enhancement of skills and proficiencies to address career progression of individual employees and improve institutional performance. The training of mid and senior management on leadership skills at the Kenya School of Government commenced.

Various researchers have been trained on technical aspects such as CGE, fiscal incidence, survey methodology, and T21 modelling.

KIPPRA is committed to welfare and productivity of its staff and during the year under review several activities were conducted. Foremost in getting approval of an new organization structure, the Institute began transitioning staff from contract to pensionable terms, which provides job security. Secondly, KIPPRA acquired more office space to provide a conducive working environment and continued to implement recommendations made from an employee satisfaction survey conducted in 2016/17. The implementation included creation and equipping of a mother's room that also serves as a lactation station. The Institute also initiated the exploration of options in facilitating car and mortgage facilities lower than the market rates.

d) Performance contract

The Institute signed the 2017/18 performance contract and cascaded targets to staff. Alongside indicators on financial stewardship and activities related to the Institute's core mandate, the focus has been on compliance with statutory requirements such as promotion of the National Values and Principles of Governance; 30 per cent preferential procurement to women, youth and PWDs; promotion of the purchase for goods and services produced locally through the promotion of local content in procurement initiative; gender and disability mainstreaming; and other presidential directives and circulars. For example, for disability mainstreaming, during the year KIPPRA conducted an Accessibility and Usability audit whose findings will enable the Institute ensure gender and disability inclusivity in its operations. During the 2018 KIPPRA Annual Regional Conference held in June, the Institute engaged 15 Persons With Disabilities (PWDs), and facilitated aides of the visually and hearing impaired. A Braille version of the conference concept was also published.

In complying with the procurement requirements, the Institute in 2017/18 awarded a total of 69 Youth, Women and PWDs a total of Ksh 26,492,138. Similarly, 2017/18, the Institute awarded tenders of Ksh 88,014,605 for locally purchased goods and services, surpassing the annual target by 51 per cent.

The Institute also undertakes quarterly activities towards prevention of HIV and AIDS infections in the workplace through continuous sensitization on infections, treatment and care literacy and stigma and discrimination using the Maisha 1 framework.

In its commitment to promote national cohesion, national values and principles of governance, KIPPRA has produced an abridged booklet of the 17 values that it disseminates to stakeholders during workshops, conferences and other events. In the 2018 Annual Presidential Report, KIPPRA had undertaken an activity in almost all the thematic areas.

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE FOR PUBLIC POLICY RESEARCH AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Institute for Public Policy Research and Analysis set out on pages 34 to 58, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and 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 Kenya Institute for Public Policy Research and Analysis as at 30 June 2018, 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 Institute for Public Policy Research and Analysis Act, No. 15 of 2006.

Basis for Qualified Opinion

1. Unauthorized Reallocation and Utilization of Funds

During the year under review the Institute budgeted and was allocated development grants amounting Kshs.52,236,486 in respect of acquisition for capital project of its headquarters offices. However, the funds were reallocated, utilized and accounted for under recurrent operations contrary to the Public Financial Management Act, Section 43 and PFM Regulations, Section 48 and Section 49. No documentation was availed in support of approval of reallocation of funds in the budget for the financial year. The details of how the funds were reallocated was also not provided for audit verification. In addition, the management used a total of Kshs19,111,000 restricted capital expenditure funding brought forward from the previous year on recurrent operations but no reallocation request and approvals were availed for audit verification.

Under the circumstances, the propriety of Institute's expenditure totaling Kshs.71,347,486 could not be confirmed.

2. Transfers from Governments

The statement of financial performance reflects amount of Kshs.333,931,000 in respect of Transfers from Governments and as detailed in note 3 to the financial statements includes transfer from retained earnings of Kshs.5,994,000. The amount has not been explained or supported in any way.

3. Project Income

As reported in the previous year the statement of financial performance for year ended 30 June 2018 and Note 4 to the financial statements, discloses project income totaling Kshs.26,461,000 (2016/2017 – Kshs.79,963,000). Although some of the projects commenced before and were spreading beyond the financial year under review, the basis of revenue allocation between the prior years, current financial year and subsequent years was not provided for audit review.

Under the circumstances, the accuracy and completeness of the project income balance of Kshs.26,461,000 for the year ended 30 June 2018 could not be confirmed.

4. Employees costs

The statement of financial performance and note 7 to the financial statements reflects employees costs of Kshs.189,598,000 which include acting allowances amounting to Kshs.1,294,462 paid to five (5) staff while appointed on acting capacities. However, the officers acted and got paid for more than six months contrary to KIPPRA Human Resource policy and the Public Service Commission Human Resource Policies and Guidelines, 2016.

5. Deferred Income

The statement of financial position reflects a deferred income balance of Kshs.284,448,000 which is explained in note 19 as representing the development grants received over the years. The amount has decreased from Kshs.303,559,000 in the previous year thus a reduction of Kshs.19,111,000. The reduction of Kshs.19,111,000 has not been fully supported as there is no documentation to show what the funds were used for and where the amount was transferred to in the statement of financial performance in line with accounting policy.

Under the circumstances, the deferred income balance of Kshs.288,448,000 is not fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of in accordance with ISSAI 30 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion 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.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

As required by Section 7(1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 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 going concern 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 as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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.

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

Nairobi

22 March 2019

XI: STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of the Institute, which give true and fair view of the state of affairs and the operating results of the Institute for the year ended 30 June 2018.

The Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on 30 June 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of entity's transactions during the financial year ended 30 June 2018, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

Approved by the board of directors on 28th September 2018 and signed on its behalf by:

DR ROSE NGUGI	***DR LINDA MUSUMBA***
EXECUTIVE DIRECTOR	***BOARD CHAIRPERSON***

XII: STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2018 Shs'000'	2017 Shs'000'
Revenue from non - exchange transactions			
Transfers from government – gifts and services-in-kind	3	333,931	323,562
Revenue from exchange transactions			
Rendering of services	4	26,641	79,963
Finance income - external investments	5	1,833	22,421
Other income	6	2,492	117
		30,786	**102,501**
Total revenue		**364,717**	**426,063**
Expenses			
Employee costs	7	(189,598)	(196,439)
Depreciation and amortization expense	8	(7,281)	(10,835)
Repairs and maintenance	9	(1,527)	(1,365)
General expenses	10	(165,692)	(156,026)
Board Expenses	23(iii)	(144)	(17,995)
Total expenses		**(364,242)**	**(382,660)**
Other gains			
Gain on foreign exchange transactions		1,177	889
Gain on Disposal of property and equipment's		202	-
Net surplus for the year		1,854	44,292
Total comprehensive income for the year		**1,854**	**44,292**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Institute's financial statements were approved and authorised for issue by the Board of Directors on 28th September 2018 and signed on its behalf by:

DR ROSE NGUGI
EXECUTIVE DIRECTOR

DR LINDA MUSUMBA
BOARD CHAIRPERSON

JULIAH MUGURO
ACCOUNTANT
MEMBER NO. 12930

XIII: STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 Shs'000'	2017 Shs'000'
ASSETS			
Current assets			
Cash and cash equivalents	11	435,818	760,168
Receivables from exchange transactions	12	25,498	15,314
Investments in treasury bills	13	290,011	-
EFD-Kenya Account	14	5,002	9,607
		756,329	785,089
Non - current assets			
Property and equipment	15	34,693	20,084
Intangible assets	16	3,129	2,849
		37,822	22,933
Total assets		**794,151**	**808,022**
LIABILITIES			
Trade and other payables from exchange Transactions/Accruals	18	7,367	7,030
Deferred income	19	284,448	303,559
EFD-Kenya Account	14	5,002	9,607
Other accrued liabilities	20	4,208	5,375
		301,025	325,571
Retirement benefit obligations	17	50,900	42,079
Total liabilities		351,925	367,650
Net assets		**442,226**	**440,372**
Accumulated funds		442,226	440,372

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Institute's financial statements were approved and authorised for issue by the Board of Directors on 28th September 2018 and signed on its behalf by:

DR ROSE NGUGI
EXECUTIVE DIRECTOR

DR LINDA MUSUMBA
BOARD CHAIRPERSON

JULIAH MUGURO
ACCOUNTANT
MEMBER NO. 12930

XIV: STATEMENT OF CHANGES IN NET ASSETS

	Accumulated Funds Shs'000'	Total Shs'000'
Year ended 30 June 2017		
At start of year	396,080	396,080
Total comprehensive income for the year	44,292	44,292
At end of year	440,372	440,372
Year ended 30 June 2018		
At start of year	440,372	440,372
Total comprehensive income for the year	1,854	1,758
At end of year	442,226	442,130

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Institute's financial statements were approved and authorised for issue by the Board of Directors on 28th September 2018 and signed on its behalf by:

DR ROSE NGUGI
EXECUTIVE DIRECTOR

DR LINDA MUSUMBA
BOARD CHAIRPERSON

JULIAH MUGURO
ACCOUNTANT
MEMBER NO. 12930

XV: STATEMENT OF CASH FLOWS

	Notes	2018 Shs'000'	2017 Shs'000'
Operating activities			
Receipts			
Government grants		270,903	270,781
Development partners grants		37,156	75,425
Rendering of services		24,461	54,815
Retained Earnings		5,898	-
Other Income		2,492	117
		342,910	401,138
Payments			
Compensation of employees		189,598	175,894
Goods and services		144,657	139,229
Board Expenses	23(iii)	144	17,995
Rent paid		23,626	18,203
		358,025	351,321
Net cash from operating activities		(15,115)	49,817
Investing activities			
Cash paid for purchase of property and equipment	15	(20,088)	(8,188)
Cash paid for purchase of property and equipment	16	(2,146)	(1,404)
Net movement in financial assets maturing after 91 days		(290,011)	162,641
Income earned from Treasury bills investment	5	1,666	21,834
Interest received	5	167	587
Net cash (used in) investing activities		(310,412)	175,470
Increase/Decrease in cash and cash equivalents		(325,527)	225,287
Movement in cash and cash equivalents			
At start of year		760,168	533,992
Increase/Decrease		(325,527)	225,287
Effect of exchange rate changes		1,177	889
At end of year	11	435,818	760,168

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Institute's financial statements were approved and authorised for issue by the Board of Directors on 28th September 2018 and signed on its behalf by:

DR ROSE NGUGI
EXECUTIVE DIRECTOR

DR LINDAMUSUMBA
BOARD CHAIRPERSON

JULIAH MUGURO
ACCOUNTANT
MEMBER NO. 12930

XVI: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2017-2018	Adjustment 2017-2018	Final budget 2017 - 2018	Actual on comparable basis 2017 - 2018	Performance difference 2017 - 2018
Revenue	**Shs '000'**	**Shs '000'**	**Shs '000'**	**Shs '000'**	**Shs '000'**
Think Tank Initiative (TTI)	30,000	0	30,000	15,424	14,576
African Capacity Building Foundation (ACBF)	20,000	0	20,000	21,733	(1,733)
GOK Grant and Subsidies	391,000	(100,219)	290,781	290,781	0
Rendering Service	50,000	2,000	52,000	26,461	25,539
Spending from Retained Earnings	100,000	(55,000)	45,000	20,850	24,150
Finance Income	20,000	8,000	28,000	5,800	22,200
Total Income	**611,000**	**(145,219)**	**465,781**	**381,049**	**84,732**
Expenses					
Operating Costs					
Compensation of Employees	210,000	(7,574)	202,426	189,598	12,828
Goods & Services	220,264	(6,627)	213,637	144,298	69,339
Board Expenses	6,000	(5,000)	1,000	144	856
Finance Costs	500	100	600	359	241
Rent Paid	22,000		22,000	22,562	(562)
Other Payments (Capital & Development)	152,236	(126,118)	26,118	22,234	3,884
Total Expenditure	**611,000**	**(145,219)**	**465,781**	**379,195**	**86,586**
Surplus for the period	**-**	**-**	**-**	**1,854**	**(1,854)**

XVII: NOTES ON THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

Kenya Institute for Public Policy Research and Analysis (KIPPRA) is established by and derives its authority and accountability from KIPPRA Act 2006. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide quality public policy advice to the Government of Kenya by conducting objective research and analysis and through capacity building in order to contribute to the achievement of national development goals.

B. ADOPTION OF NEW AND REVISED STANDARDS

a) First time adoption of Accrual Basis IPSAS - IPSAS 33

IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSAS.

The Institute adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.

b) Separate Financial Statements - IPSAS 34

It prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

The Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

c) Consolidated Financial Statements - IPSAS 35

Establish principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. The Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

d) Investments in Associates and Joint Ventures - IPSAS 36

The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The entity does not have investments in associates or joint ventures.

e) Joint Arrangements - IPSAS 37

Establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The Institute does not have an interest in a joint arrangement and therefore the standard does not apply.

f) Disclosure of Interests in Other Entities - IPSAS 38

Require an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The Institute does not have interests in other entities and therefore the standard does not apply.

SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation – IPSAS 1

The Institute's financial statements have been prepared in accordance with and comply with International Public-Sector Accounting Standards (IPSAS).

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Institute and all values are rounded to the nearest thousand (Ksh '000'). The accounting policies have been consistently applied to all the years presented.

The financial statements of the previous year were prepared in accordance with International Public-Sector Accounting Standards. Transition to International Public-Sector Accounting Standards did not have any material effect on the comparative figures hence no prior year adjustment has been made.

The financial statements have been prepared based on historical cost, unless stated otherwise and on an accrual basis. The cash flow statement is prepared using the direct method.

2. Summary of significant accounting policies

a) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Institute's financial statements in conformity with IPSAS requires management to make judgments, 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 period. 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

- Useful lives of property and equipment. The Institute reviews the estimated useful lives of property and equipment at the end of each annual reporting period. Critical estimates are made by the authority members in determining depreciation rates for the property and equipment. The rates are set out in note (f).

- Provisions and contingent liabilities. The Institute reviews its obligations at the end of each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities. In the process of applying the Institute's accounting policies, management has made judgments in determining:

  - Whether assets are impaired
  - The classification of financial assets and leases
  - Provisions and contingent liabilities

b) Changes in accounting policies and estimates - IPSAS 3

The Institute recognises the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

c) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized 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 services potential related to the asset will flow to the Institute and can be measured reliably.

Unrestricted grants are accounted for in the period when confirmation of the commitment to pay is received from the donors or the Government of Kenya (GoK).

Grants received for specific purposes are treated as deferred income and only credited to the income and expenditure statement when the activities for which they were provided for have been undertaken.

Grants received for specific asset purchases are treated as deferred income for asset acquisition and only credited to the income and expenditure statement when the activities for which they were provided for have been undertaken.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

Project income represents income generated from commissioned projects carried out by the Institute and is accounted for on an accrual basis. The income is net of withholding tax, where applicable.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is recognized on an accrual basis under the effective interest rate method.

d) Foreign currency transactions – IPSAS 4

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. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include cash in hand deposits held at call with banks and financial assets of less than 3 months.

f) Property and equipment - IPSAS 17

All property and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation on other assets is calculated on the straight-line balance basis to write down the cost of each asset, or the re-valued amount, to its residual value over its estimated useful life using the following annual rates:

Rate	%
Computers	33.3
Motor vehicles	25.0
Furniture and fittings	12.5
Office equipment	12.5

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit 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.

g) Intangible assets - IPSAS 31

Intangible assets acquired separately are initially recognized 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 amortization and accumulated impairment losses.

The costs are amortized on a straight-line basis over the expected useful lives, not exceeding three years.

h) Financial instruments – IPSAS 29

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement 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 Institute determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized 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. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Institute has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized 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 recognized in surplus or deficit.

Impairment of financial assets

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets 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 or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty or have shown tendency of not honouring their obligation due to change in entity's identity and or inability of the delivered output to achieve earlier intended objectives. In this regard, the Institute shall document a policy to guide on the procedure of writing off bad debts.
- Default or delinquency in interest or principal payments.
- The probability that debtors will enter bankruptcy or other financial reorganization.
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

j) Financial liabilities

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of other payables, accruals and staff gratuity fund, plus directly attributable transaction costs.

k) Taxation

The Institute does not have tax exemption certificate. However, under section 27 of the Kenya Institute for Public Policy Research and Analysis Act (KIPPRA Act 2006), subject to other applicable laws, the Institute is exempt from taxes as the Minister for the time being responsible for Finance may by notice in the Gazette specify.

l) Employee benefits - IPSAS 25

Retirement benefit plans

The Institute operates a gratuity scheme for its qualifying staff. Under the plan, the employees are entitled to 31% of their monthly basic salary for every month of service. This scheme is classified as a defined benefit retirement scheme and is accounted for under the projected unit credit method with valuations being internally carried out by the Institute annually. Re-measurements relating to actuarial gains and losses are recognised in the statement of comprehensive income and current service costs as well as net interest expense/income are recognised in profit or loss.

The Institute and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

m) Budget information - IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Institute. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis timing or Institute differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

n) Related parties – IPSAS 20

The Institute 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 Institute, or vice versa. The Government of Kenya and members of key management are regarded as related parties and comprise the board of directors and the senior management team.

o) Provisions – IPSAS 19

Provisions are recognized when the Institute 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.

p) Contingent liabilities

The Entity does not recognize 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.

q) Comparatives

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

r) Subsequent events– IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2018.

3. Transfers from other governments – gifts and services-in-kind

	2018 Shs'000'	2017 Shs'000'
Grant income		
Support from the Government of Kenya (GoK)	290,781	248,137
Support from Development partners	37,156	75,425
Retained Earnings	5,994	-
Total grant income	**333,931**	**323,562**

4. Rendering of services

	2018 Shs'000'	2017 Shs'000'
Total project income	**26,461**	**79,963**
Made up of:		
MAFAP (FAO)		2,197
ESCOBOX (IDS)		937
Preliminary Green Economy indicators (UNEP)		3,820
Domestic Climate Financing Policy (FANRPAN)		112
Green Growth Diagnostic for Africa (IDS)		4,006
Strengthening PFM of the County Govt (TTI)		12,372
Micro & Small Enterprises in Kenya (MSEA)	3,555	4,111
Impact of Monetary & Fiscal Policies on Pension Schemes (RBA)	1,512	2,033
AFCOP Workshop (ACBF)	-	6,528
Values and Principles of Public service (PSC)	-	25,594
Assessment of Health Care Delivery in Kenya (REPOA)	-	2,142
Development of Kenya Railways Strategic plan	1,941	5,824
Joint Kenya County Programme Evaluation (FAO)	1,021	3,289
ACBF Workshops	733	4,216
Public Procurement Regulatory Authority (PPRA)	-	2,782
AERC	1,241	-
UNICEF	2,506	-
ACBF – Transformative Leadership	986	-
CAPEC	7,071	-
University of Cape Town	720	-
IFPRI	542	-
World Bank	986	-
NACADA	3,647	-
	26,461	**79,963**

5.	**Finance income - external investments**		
	Investment Income (Treasury Bills Interest)	1,666	21,834
	Interest received on bank deposits	167	587
	Total finance income - external investments	**1,833**	**22,421**
6.	**Other operating income**		
	Sale of KIPPRA Publications	93	51
	Disposal of Assets	266	0
	Other income	2,133	66
	Total other operating income	**2,492**	**117**

		2018 Shs'000'	2017 Shs'000'
7.	**Employment costs**		
	Employee related costs - salaries and wages	172,644	179,379
	Recruitment cost	564	1,197
	Medical cost	13,446	12,539
	Group Life Insurance	1,529	673
	Other staff costs	1,415	2,651
	Total employment costs	**189,598**	**196,439**
8.	**Depreciation and amortization expense**		
	Property and equipment	5,415	6,950
	Intangible assets	1,866	3,885
	Total depreciation and amortization expense	**7,281**	**10,835**
9.	**Repairs and maintenance**		
	Property and equipment	1,371	1,221
	Other repairs and maintenance	156	144
	Total repairs and maintenance	**1,527**	**1,365**

10.	**General expenses**		
	Provision for doubtful receivables	0	0
	Motor vehicle expenses	1,250	2,452
	Postage & courier	157	280
	Telephone	593	586
	Internet	2,784	3,655
	Stationery	2,503	3,266
	Library	1,409	1,387
	Publications	12,241	10,342
	Legal fees	835	-
	Audit fees	1,018	1,799
	Travel	9,242	26,634
	Research costs	46,933	47,863
	Other expenses	15,348	3,437
	Training & Workshops	47,704	34,734
	Bank Charges	359	510
	Rent	22,562	18,162
	Insurance	754	919
	Total general expenses	**165,692**	**156,026**

11.	**Cash and cash equivalents**		
	Bank	435,813	760,119
	Cash in hand	5	49
		435,818	760,168

For the purpose of the statement cash flow, the year-End cash and cash equivalents comprise the following:

Cash and bank balances	435,818	760,168

Not included within cash and cash equivalents are funds designated for the EFD liability (note 14)

Account Name	Account No.	Currency	Amount	Exchange Rate	2018 Shs'000'
KIPPRA - ACBF	6433060031	Ksh			-
KIPPRA - Projects	6433060047	USD	461,533	96	44,307
KIPPRA - Projects	6433060052	Ksh			98,731
KIPPRA - TTI	6433060073	Ksh			19,364
KIPPRA - GoK	6433060094	Ksh			10,011
KIPPRA-Sustainability	6433060115	Ksh			212,507
KIPPRA-Gratuity	6433060107	Ksh			50,893
Petty Cash		Ksh			5
Total					435,818

12. Receivables from exchange transactions

	2018 shs'000'	2017 shs'000'
Accrued project income	31,835	31,835
Provisions for impairment	(31,835)	(31,835)
Accrued Project Income	-	10,493
Receivables from Gok – Recurrent Grant	19,878	-
KeNHA performance guarantee	-	-
Rent deposit	3,017	3,017
ACBF ACEES Receivables	278	500
Prepaid Insurance	-	-
Prepaid Rent	1,584	520
Car park deposits	332	332
Security Bid – Ministry of Culture & National Heritage	182	182
Due from UAP	-	-
Salary Advance	227	270
	25,498	**15,314**

13. Investments in treasury bills

Held to maturity

Opening balance	-	386,557
Additional investments made during the year, net of liquidations	290,011	271,609
Closing balance	290,011	658,166

Held-to-maturity investments can be analyzed as follows:

Maturing within 91 days (Note 11)	213,287	-
Maturing after 91 days	76,724	-
	290,011	-

14 Environment for Development (EFD - Kenya Account)

The Institute entered into an agreement with the Environment Economics Unit (EEU) at Gothenburg University represented by the Environment for Development - Kenya (EFD Kenya) in 2015 for a 3-year research collaboration. Funds received from Gothenburg University are normally to support specific annual budgeted activities. Surplus funds at the end of each year are normally carried forward to the following year and remain a liability to EEU. The Institute normally charges the Unit a nominal rent and proportionate level of overheads. The outstanding EFD balance as at 30 June 2018 was Shs. 5.0 million (2017: Shs. 9.6 million). The Institute is holding the same amount in a separate bank account for repayment of this liability, which is presented separately from cash and cash equivalents.

Account Name	Account No.	Currency	Amount	Exchange Rate	2018 Shs'000'
KIPPRA -EFD	6433060128	USD	46,724.23	96	4,486
KIPPRA -EFD	6433060136	Ksh			516
Total					**5,002**

15. Property and equipment

Year ended 30 June 2018

	Land	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer Equipment	Total
	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'
Cost						
At start of year 1st July 2017	64,000	24,661	12,903	19,568	12,674	69,806
Additions			13,100	1,946	5,042	20,088
Disposal			(790)	(544)	(1,460)	(2,794)
At end of year	64,000	24,661	25,213	20,970	16,256	87,100
Depreciation						
At start of year	-	24,661	8,154	7,209	9,698	49,722
Charge for the year	-	-	1,602	2,273	1,540	5,415
Depreciation on Disposal			(790)	(480)	(1,460)	(2,730)
At end of year	-	24,661	8,966	9,002	9,778	52,407
Net book value	64,000	-	16,247	11,968	6,478	34,693

Note:

KIPPRA was allocated land measuring 2.570 hectares by Government of Kenya in August 2010 situated in Kabete – Kangemi. The land's ownership was disputed by Ministry of Agriculture, livestock & Fisheries and proposed an alternative.

Year ended 30 June 2017						
Cost						
At start of year 1st July 2016	64,000	24,661	11,565	14,761	10,631	61,618
Additions			1,338	4,807	2,043	8,188
At end of year	64,000	24,661	12,903	19,568	12,674	69,806
Depreciation						
At start of year	-	21,309	7,642	5,198	8,623	42,772
Charge for the year	-	3,352	512	2,011	1,075	6,950
At end of year	-	24,661	8,154	7,209	9,698	49,722
Net book value	64,000	-	4,749	12,359	2,976	20,084

16. Intangible assets - Software costs

	2018 Shs'000'	2017 Shs'000'
Cost		
At the start and end of the year	7,327	5,923
Additions	2,146	1,404
At end of year	9,473	7,327
Amortization		
At start of year	4,478	593
Charge for the year	1,866	3,885
At end of year	6,344	4'478
Net book value	3,129	2,849

17. Retirement benefit obligations

The Institute operates a gratuity scheme for qualifying employees which qualifies as a defined benefit scheme. Under the plan, the employees are entitled to 31% of their monthly basic salary for every month of service. The monthly gratuity is paid to a separate gratuity bank account maintained internally by the Institute from where gratuity is paid out from whenever a staff contract comes to an end or whenever an employee leaves employment. Interest earned from the fund is retained in the account for the period. The staff gratuity fund (see non - current asset section of the balance sheet) represents the total funds held with respect of gratuity. This amount is represented by the gratuity bank account balance amounting to Shs. 50,900,262

As the funds designated for settlement of the obligation are not independently held by a separate scheme, such funds have been presented on a gross basis in the assets of Institute.

	2018 Shs'000'	**2017 Shs'000'**
Present value of internally funded obligations	50,900	42,079
The movement in the defined benefit obligation over the year was as follows:		
At start of year	42,079	25,868
Utilized during the year	(22,109)	(14,480)
Charge to profit or loss	30,930	30,655
Interest earned during the year	-	36
At end of year	50,900	42,079

In the opinion of the directors, the carrying amount of gratuity approximate to its fair value. The amounts recognized in the profit or loss for the year were as follows: follows:

	50,900	42,079

		2018	**2017**
18.	**Other payables**	**Shs'000'**	**Shs'000'**
	Projects payable	3,711	-
	GoK payable	3,314	7,030
	TTI payable	342	-
		7,367	**7,030**
19.	**Deferred income**		
	Support from the Government of Kenya (GoK)	284,448	303,559

Represent the balance of Development Grant received for KIPPRA Head quarters' project, accumulated over the years. The reduction was due to financing of activities through retained earnings because of delays in exchequer release for quarter 4.

20. **Other accrued liabilities (Provision for outstanding leave days)**

	2018	2017
	Shs'000'	Shs'000'
At start of year	5,375	3,672
Payments to staff during the year	(531)	(67)
Charge/(credit) to profit or loss	(636)	1,771
At end of year	**4,208**	**5,375**

21. **Commitments**

Operating lease commitments IPSAS 13 - as a lessee

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term

The future minimum lease payments payable under non-cancellable operating leases are as follows:	2018	2017
	Shs'000'	Shs'000'
Not later than 1 year	5,062	5,062
Later than 1 year and not later than 5 years	14,889	14,889
	19,951	**19,951**

22. Risk management objectives and policies

Financial risk management

The Institute's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk.

The Institute's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Institute's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies and evaluates financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and investment of excess liquidity.

(a) Market Risk

- Foreign exchange risk

The Institute is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The risk arises from future transactions, assets and liabilities in the statement of financial position date. The Institute manages foreign exchange risk by converting its foreign currency collection into local currency on an on-going basis to cater for its operational requirements. As a result, the Institute does not hold large amounts of foreign currency deposits.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, considering their financial position, past experience and other factors.

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(c) Liquidity risk

Cash flow forecasting is performed by the finance committee of the Institute by monitoring the Institute's liquidity requirements to ensure it has sufficient cash to meet operational needs. All liquidity policies and procedures are subject to review of the management and approval by the Board of Directors. The ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Institute's short, medium and long-term funding and liquidity management requirements.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Institute's management maintains flexibility in funding by maintaining availability under committed credit lines.

No undiscounted liquidity risk analysis has been presented as there are no financial liabilities that mature more than 12 months

23.	**Related party transactions and balances**	**2018 Shs'000'**	**2017 Shs'000'**
	The following transactions were carried out with related parties.		
i)	**Support from Government of Kenya**	270,903	247,223
ii)	**Land – Donated by Government of Kenya**	64,000	64,000
iii)	**Board of Directors**	144	17,995
iv)	**Senior Management**	49,638	51,032
		49,782	**69,027**

24. Events after the reporting period

No material events or circumstances have arisen between the accounting date and the date of this report.

25. Contingent liabilities

Under section 27 of the Kenya Institute for Public Policy Research and Analysis Act (KIPPRA Act), subject to other applicable laws, the Institute is exempt from taxes as the Minister for the time being responsible for Finance may by notice in the Gazette specify. Therefore, no provision for tax liability has been made in the financial statements.

There is no output VAT that is charged by the Institute on services rendered that would normally be subject to VAT at the standard rate.

26. Incorporation

The Kenya Institute of Public Policy Research and Analysis is a non-profit making organization and was formally established through Legal Notice No.56 in The Kenya Gazette of 9 May 1997.

The KIPPRA Act No. 15 of 2006 was enacted in December 2006 and became operational effective on 1st February 2007 making the Institute a semi-autonomous State Corporation under the Ministry of Planning, National Development and Vision 2030.

27. Presentation currency

The financial statements are presented in Kenya Shillings (Shs) to the nearest a thousand Shillings.

28. Progress on follow up of auditor recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Issue / Observations from Auditor	**Management comments**	**Focal Point person to resolve the issue**	**Status: *(Resolved / Not Resolved)***	**Timeframe**
The Institute had discontinued investment in Treasury bills. This lead to loss of an opportunity by the Institute to increase its other income for the period under review.	KIPPRA intended to start building own premises in 2016/17. As a result, investment in treasury bills was put on hold so that the funds could be utilized in the development of the land. However, the process stalled because of land ownership dispute raised by	Juliah Muguro - Accountant	Resolved. The management have since resumed the investment exercise and put together an investment committee to oversee the	

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: *(Resolved / Not Resolved)*	Timeframe
	the Department of Veterinary Services.		process	
The revenue allocation of project income between prior years, current financial year and subsequent years was not clear	The management has revised the structure of contracts for projects to include the terms of payment and the deliverables thereof. Incomes will be recorded based on the percentages of completion as stipulated in the contracts issued for research work.	Juliah Muguro - Accountant	Resolved. The management have since strengthened the system of project management by introducing a tracing template for projects and fund accountability statement.	

Executive Director

Chairperson Of The Board

For More Information Contact:

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