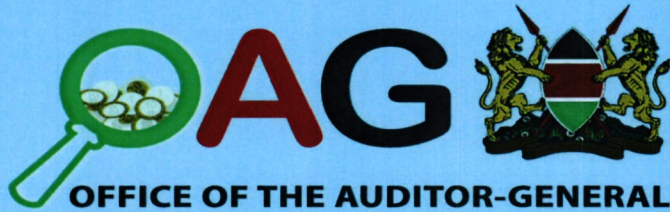




REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



PARLIAMENT OF KENYA LIBRARY

REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 06 MAY 2021	DAY: Thursday
TABLED BY: John A. Kimani	Leader of the Majority Party
BY: P. Muigai	

THE AUDITOR-GENERAL

ON

KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

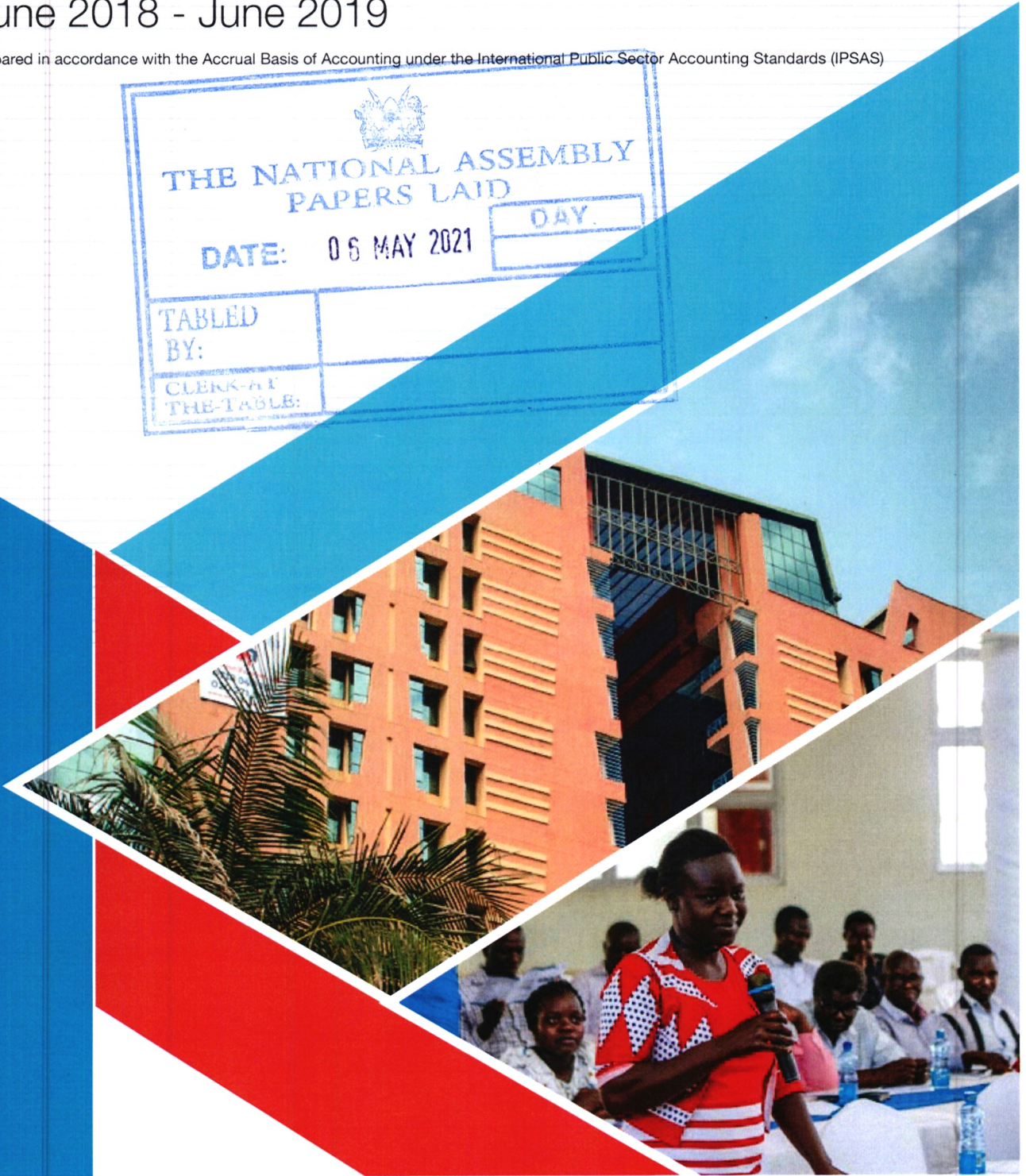
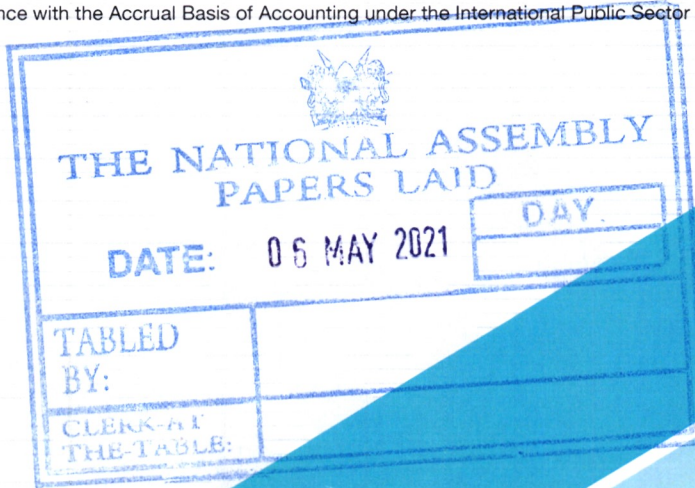
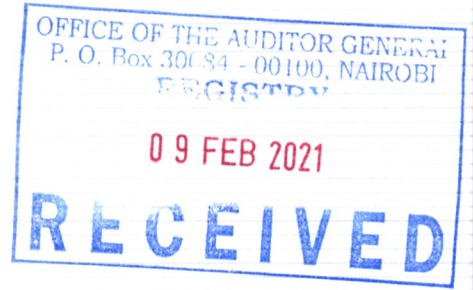
FOR THE YEAR ENDED 30 JUNE, 2019



ANNUAL REPORT AND FINANCIAL STATEMENTS

June 2018 - June 2019

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





Vision

Global leader in examination and certification of business professionals

Mission

Empowering professionals globally by offering quality examinations and undertaking research and innovation

Core Values

Integrity
Professionalism
Customer Focus
Teamwork
Innovativeness



kasneb is ISO 9001:2015 certified

CONTENTS

CORPORATE INFORMATION.....	2
CHAIRMAN'S STATEMENT	5
REPORT BY THE SECRETARY/CHIEF EXECUTIVE OFFICER.....	7
CORPORATE GOVERNANCE	9
CORPORATE GOVERNANCE STATEMENT	14
CEO AND HEADS OF DIVISIONS/UNITS.....	19
ECONOMIC SOCIAL GOVERNANCE (ESG) STATEMENT	22
STATEMENT OF THE MEMBERS OF THE BOARD	24
MANAGEMENT DISCUSSION AND ANALYSIS	25
STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES	28
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019.....	29
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019.....	30
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019.....	31
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019	32
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	33
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019	35



CORPORATE INFORMATION

(a) Legal framework

kasneb was established as a state corporation under the National Treasury by the Government of Kenya on 24th July 1969. The establishment and operations of kasneb are governed by the following main Acts, among others:

- (i) The Accountants Act, No. 15 of 2008 which repealed and replaced the Accountants Act, Cap 531 of 1977. The Act gave kasneb retroactive recognition since its inception in 1969. The Act also empowered kasneb as the examining body for the Certified Public Accountants (CPA) qualification.
- (ii) The Certified Public Secretaries of Kenya Act, Cap 534 of 1988 empowered and recognised kasneb as the examining body for the Certified Secretaries (CS) qualification.
- (iii) The Investment and Financial Analysts Act, No. 13 of 2015 empowered and recognised kasneb as the examining body for the Certified Investment and Financial Analysts (CIFA) qualification.

kasneb consults with the Councils of the Institute of Certified Public Accountants (ICPAK), Institute of Certified Secretaries (ICS), Institute of Certified Investment and Financial Analysts (ICIFA), Institute of Credit Management of Kenya (ICMK) as well as other stakeholders in executing its mandate.

(b) Principal activities

The principal activities of kasneb are the development of syllabuses, conduct of professional, diploma and technician examinations and certification of candidates in accountancy, finance, credit, governance and management, information technology and related disciplines, the promotion of its qualifications nationally and internationally and the accreditation of relevant training institutions.

(c) Location and principal place of business

kasneb Towers

Hospital Road, Upper Hill
P.O. Box 41362-00100
NAIROBI

Telephone: +254 020 4923000

Fax: +254 020 2712915

Email: info@kasneb.or.ke

Website: www.kasneb.or.ke

Facebook: kasnebOfficial

Twitter: @kasnebOfficial

(d) Bankers

National Bank of Kenya Ltd. Hill Plaza Branch P.O. Box 45219-00100 NAIROBI	Co-operative Bank of Kenya Ltd. Nairobi Business Centre P.O. Box 48213-00100 NAIROBI	UBA Bank Kenya Ltd. Upperhill Branch P.O. Box 34154-00100 NAIROBI
Barclays Bank of Kenya Ltd. Enterprise Road Branch P.O. Box 18060-00500 NAIROBI	Kenya Commercial Bank Ltd. Capital Hill Branch P.O. Box 58233-00200 NAIROBI	
Equity Bank Ltd. Community Branch P.O. Box 8181-00100 NAIROBI	Kenya Post Office Savings Bank (Post Bank) Post Bank House P.O. Box 30311-00100 NAIROBI	



CORPORATE INFORMATION

(e) **Independent auditors**

Auditor-General

Office of the Auditor General
Anniversary Towers
P.O. Box 30084-00100
NAIROBI

(f) **Principal legal advisers**

The Attorney-General

State Law Office
P.O. Box 40112-00100
NAIROBI

Kaplan & Stratton Advocates

Williamson House,
4th Ngong Avenue
P.O. Box 40111-00100
NAIROBI

Mbai Waweru & Associates

Lower Hill Duplex Apartments,
2nd Flr, 41, Upper Hill Road
P.O. Box 22550-00400
NAIROBI

(g) **Fiduciary management**

The day to day management is under the following key organs:

- (i) Board of Directors
- (ii) Committees of the Board
- (iii) Secretary/Chief Executive Officer
- (iv) Directors/Heads of Divisions
- (v) Heads of Unit

(h) **Fiduciary Oversight Arrangements**

kasneb has in place an Audit Committee of the Board which provides oversight with respect to the management of affairs of kasneb.

(i) **Members of the Board**

Dr. Nancy N. Muriuki	Appointed Chairman on 1 September 2018
Dr Christopher Yegon	Reappointed to the Board on 7 August 2017 and appointed Vice-Chairman on 1 September 2018
Bernard M. Ndung'u	Reappointed on 7 August 2017
Dr. Nyambura Koigi	Reappointed on 7 August 2017
Benrodgers M. Milaih	Reappointed on 1 September 2018
Mary Njuya	Reappointed on 7 August 2017
Julius W. Mwatu	Appointed on 1 September 2018
Edwin N. Makori	Appointed on 1 September 2018
Catherine Musakali	Reappointed on 7 August 2017
Joe M. Mbuthia	Reappointed on 7 August 2017
George O. Wakah	Reappointed on 1 September 2018
Benson Okundi	Reappointed on 7 August 2017 and appointment revoked effective 1 September 2018
Prof. Patrick Ngumi	Reappointed on 7 August 2017 and appointment revoked effective 1 September 2018



CORPORATE INFORMATION

(j) Senior management

Secretary/Chief Executive Officer

Nicholas K. Letting'	Appointed on 2 May 2019
Pius M. Nduatih	Appointed on 14 January 2008 and retired 13 January 2018

Heads of Divisions/Units

James G. Nduati	Finance Director
Isaac M. Njuguna	Examinations Director (Acting Chief Executive Officer - 14 January 2019 to 1 May 2019)
Marylucy A. Ajwang'	Human Capital and Administration Director
Caroline W. Karia	Head of Planning and Strategy
Jason K. Mwangi	Head of Audit and Risk
Samuel M. King'oo	Head of Information Technology
Francis A. Okubo	Acting Head of Supply Chain Management
Hamida A. Mwilu	Manager, Marketing and Communication

(k) Board Committees

The Board has established four standing committees and one sub-committee to which it has delegated certain responsibilities. Each Committee meets at least four times a year under the terms of reference approved by the Board. The following is the list of committees of the Board and membership during the financial year 2018/2019.

Examinations Committee	Examinations Technical Sub-Committee	Finance and General Purposes Committee	Planning and Business Development Committee	Audit Committee
Christopher Yegon (Chairman)	Joe M. Mbuthia (Chairman)	Nyambura Koigi (Chairman)	Catherine Musakali (Chairman)	Julius W. Mwatu (Chairman)
Nancy N. Muriuki	Edwin N. Makori	Christopher Yegon	Joe M. Mbuthia	Catherine Musakali
Christopher Yegon	Sharon J. Kisire *	Bernard M. Ndung'u	Nyambura Koigi	Bernard M. Ndung'u
Bernard M. Ndung'u	Gillian W. Mwaniki*	Benrodgers M. Milaih	Mary Njuya	Mary Njuya
Benrodgers M. Milaih	Yonah O. Okidia*	Edwin N. Makori	Julius W. Mwatu	Christopher Yegon
Mary Njuya	Samuel M. Muriu*	George O. Wakah	George O. Wakah	Benson Okundi**
Joe M. Mbuthia	Jonah K. Aiyabei*	Patrick Ngumi**	Patrick Ngumi**	
Catherine Musakali	David M. Mwangi*			
Julius W. Mwatu	John O. Nyangweta*			
Edwin N. Makori	Dorcas M. Omukhulu*			
George O. Wakah				
Benson Okundi**				
Patrick Ngumi**				

*Board appointee

** Appointment revoked effective 1 September 2018

Benson Okundi was the Chairman of the Audit Committee before his appointment was revoked



CHAIRMAN'S STATEMENT



Dr. Nancy N. Muriuki
Chairman

On behalf of the Board, I am honoured to present to our stakeholders the annual report and financial statements for the financial year ended 30 June 2019. The report is a reflection of our mandate, performance for the year, achievements, challenges and the areas of improvement.

The Board is responsible for the strategic direction and oversight of kasneb. During the year, the Board ensured that the mandate of kasneb was efficiently and effectively executed as evidenced by the successful administration of examinations in November 2018 and May 2019 both within and outside the country, among other things.

Governance

The operations of kasneb are governed by the Accountants Act, No. 15 of 2008, the Certified Public Secretaries Act, Cap. 534 of 1988 and the Investment and Financial Analysts Act, No. 13 of 2015.

Section 15(1) of the Accountants Act provides for the appointment by the Cabinet Secretary, National Treasury and Planning of eleven (11) members to serve the Board for a period of three years.

Under the provisions of the Accountants Act no.15 of 2008, the Board has authority to establish committees it considers necessary for the efficient and effective execution of its functions.

The members of the Board are provided with appropriate and timely information to enable them discharge their responsibilities and maintain full and effective control over strategic, financial, operational and compliance issues.

Corporate Strategic Plan (2017-2022)

The implementation of the fifth Corporate Strategic Plan (2017-2022) commenced on 1 July 2017 and was in the second year of implementation. The strategic plan is anchored on four (4) strategic pillars namely: quality professionals; customer experience; institutional capacity; and financial sustainability. The plan is aligned to the national development agenda, sustainable development goals (2015-2030) and Kenya Vision 2030 and pave way for new initiatives geared towards transformation of kasneb. These initiatives include online delivery of examinations, use of digital marketing platform, research and innovation, implementation of ISO Standards and increased adoption of information communication technology. A mid-term review of the strategic plan is scheduled to be undertaken in the financial year 2019/2020.

kasneb Towers Phase II Project

The construction of the kasneb Towers II and extension of kasneb Towers I Project was completed and partial hand over/take over done on 22 February 2018. The Multipurpose hall is already being used in the Administration of kasneb examinations as well as other activities such as workshops, trainings and meetings. In addition, three tenants had already leased space while some tenancy agreements were at advanced stages of conclusion. It is envisaged the building would be fully occupied by the end of financial year 2019/2020 thus earning kasneb rental income.



CHAIRMAN'S STATEMENT

ISO Quality Management System and Information Security Management System

kasneb continued to implement the ISO 9001:2015 Quality Management System (QMS). In addition, during the year, kasneb embarked on the implementation plan for the ISO/IEC 27001:2013 Information Security Management System with a view to enhancing business continuity.

Marketing and communication

In line with the new professional brand which was launched on 31 March 2017, kasneb continued to sensitise the public on the professional brand through various media channels. Kasneb has also continued to undertake various marketing initiatives including but not limited to digital and agency marketing, sensitisation to students through career talks in universities, colleges and secondary schools and participation in national and international trade fairs.

The Huduma Service Centres in GPO Nairobi, Mombasa, Kisumu, Kisii, Eldoret, Nakuru and Nyeri continued to provide devolved customer service in order to ensure superior and timely customer experience. Kasneb has also opened a satellite office in Kigali, Rwanda in order to serve the students and also market kasneb qualifications in the Rwandan market.

Way forward

The Board is committed to supporting the President's Big Four Agenda by producing quality professionals who will drive the manufacturing, agricultural and housing sectors. In this regard, kasneb will continue to offer market driven quality examinations to empower professionals globally. This will be achieved through the major syllabuses review which will be undertaken in the financial year 2019/2020, continuous research and innovation, capacity building and increased investment in ICT for enhanced operational efficiency. Greater emphasis will be placed on quality and enhanced customer experience.

Appreciation

I wish to express our sincere gratitude to our valued students for their loyalty and confidence in the qualifications of kasneb, their parents, guardians and sponsors for their sacrifice and continued support. I feel indebted to the members of the Board for their foresight and the members of staff for their diligence and commitment during the year. I wish to also thank the government through our parent Ministry, the National Treasury and Planning for appointing me the Chairman of the Board and other new Board members to serve for a period of three years and for providing unwavering support and guidance. We remain focused on the continued prosperity of kasneb.

Thank you and God bless you.



Dr. Nancy N. Muriuki, Ph.D

Chairman





Dr. Nicholas K. Letting', Ph.D
Secretary/Chief Executive Officer

The year 2018/2019 has been kasneb 49th year of operation since its establishment. This report therefore marks yet another milestone for kasneb as we endeavour to fulfill our mandate and mission of empowering professionals globally by offering quality examinations and undertaking research and innovation.

Financial Stewardship and Fiscal Discipline

The financial performance for the twelve months ended 30 June 2019 was satisfactory. Although the budgeted income targets were not met, austerity measures continued to be instituted in order to address income shortfalls and meet the capital and recurrent expenditure commitments from internally generated revenue and retained earnings without recourse to the Exchequer. kasneb realised total income amounting to Sh.682.1 million compared to Sh.677.7 million during the financial year ended 30 June 2018. This represents a growth of 0.65%.

A deficit of Sh.76 million during the financial year was reported which was mainly attributed to provision for depreciation and amortisation charge of Sh.52.5 million and impairment of receivables of Sh.18.5 million owed by Postal Corporation of Kenya.

During the period under review, kasneb adhered to the provisions Public Finance Management Act, Public Procurement and Assets Disposal Act. No.33 of 2015, Treasury Circulars and related regulations.

Customer Service Delivery

In an effort to keep abreast with the market, Graduate Tracer Study, a Customer Satisfaction and Brand Awareness Surveys was undertaken and the recommendations were being implemented. During the period and in order to enhance customer experience, the following measures among, others were adopted: more e-learning resources were availed to students and training institutions, Kasneb KCB MPESA Paybill number was launched, mass issuance of certificates to eligible students was undertaken, e-kasneb mobile application was enhanced and intergrated with the visa card payment system, staff attended trainings on public complaints management, sign language, public relations and customer care. In order to reach out to the visually impaired, the service charter was transcribed to braille and distributed to various Huduma Centres.

In addition, a Virtual Private Network (VPN) link between kasneb and Integrated Population Registration System (IPRS) was established and tested in order to allow verification of identification documents.

The above initiatives led to increase of customer satisfaction level from 79.7% in 2016/2017 to 80.7% during the period under review.

Strategic Partnerships and Collaborations

During the year, kasneb initiated negotiations for the establishment of a strategic partnership with Kenya Bureau of Standards (KEBS) for development of syllabus, examination and certification of Quality Management Practitioners. In addition, Kasneb partnered with Kenya Universities Colleges Central Placement Services (KUCCPS) where the kasneb diploma and certificate qualifications were listed on the KUCCPS portal.



Information Communication and Technology

Information Communication and Technology continues to play a key role in Kasneb's operations and value chain management. During the year, the following systems among others were procured or were in the process of being procured: Electronic Board Management System (EBMS), Enterprise Resource Planning (ERP) Software, Internet Protocol Closed Circuit Television (IPCCTV) and Biometric Access Control Security Solutions. Kasneb also adopted paperless issuance of result notifications during the May 2019 examinations through the use of ekasneb system, sms query system and email system.

Administration of Examinations

Kasneb successfully administered the November 2018 and May 2019 examination sittings. The Certificate in Accounting and Management Skills (CAMS) examination was administered for the first time during the November 2018 examination sitting. To enhance the security and integrity of examinations and efficiency of examination processes, the following plans are at advanced stage:

- (a) Reduction of the period for conducting examinations from five (5) days to three (3) days.
- (b) Further reduction of the period of marking examinations and release of examination results.
- (c) In house development of an enhanced examinations processing system.
- (d) Introduction of photos on examination timetables for identification of candidates during examinations.

Looking into the Future

Taking cognisance of the dynamic business environment, technological advancements and the anticipated policy shifts, in the coming year we shall endeavour to:

- (i) Enhance quality and integrity of examination processes.
- (ii) Enhance Research and Innovation initiatives.
- (iii) Diversify income generating streams.
- (iv) Enhance strategic partnerships and collaborations with various public and private institutions nationally, regionally and globally.
- (v) Focus on costs containment and optimal utilisation of assets.
- (vi) Revamp the system of monitoring and evaluating policies and guidelines to assess if intended objectives are being met and also get feedback from various stakeholders on the implementation of such policies.
- (vii) Enhance staff competencies and entrenchment of a leadership philosophy that is instrumental in steering the mission of kasneb.
- (viii) Further modernise and strengthen Information and Communication Technology.

In conclusion, I wish to extend my sincere gratitude to the Government of Kenya for the support and guidance, the Board for their dedication and visionary leadership, students and the various stakeholders from both the public and private sector for their continued contribution and loyalty in the qualifications of kasneb and the members of staff for their tireless dedication to implementation of the plans and aspirations of the Board. We are confident that together, we shall continually strive to transform kasneb and strategically position it as a Global leader in examination and certification of business professionals.

We look forward to a more promising performance in the 2019/2020 fiscal year.



Dr. Nicholas K. Letting', Ph.D
Secretary/Chief Executive Officer



CORPORATE GOVERNANCE

WHO GOVERNS KASNEB



Dr. Nancy N. Muriuki
Chairman

Dr Nancy N. Muriuki, PhD was appointed the Chairman of the Board effective from 1 September 2018. She is a nominee of the Board of kasneb in accordance with Section 15(1)(h) of the Accountants Act, No. 15 of 2008.

She is a holder of PhD in Organizational Leadership, Masters of Business Administration and Bachelor of Commerce (BA) degree. She is also a holder of the Certified Secretaries (CS) qualification and Diploma in Management. She is a member of the Institute of Human Resource Management (IHRM-K) and the Institute of Certified Secretaries (ICS).

Dr Muriuki has vast experience in organizational leadership and governance, human resource management, Board and Institutional strengthening spanning diverse sectors and across cultures. She is the Founder and currently the Managing Director, Africa Success Enhancement Lab.



Dr. Christopher Yegon

Dr. Christopher Yegon was appointed the Vice Chairman of the Board effective 1 July 2014 up to 30 June 2017. He was reappointed as a member of the Board effective 7 August 2017 and appointed Vice Chairman of the Board effective 1 September 2018. He is a nominee of the Ministry of Education in accordance to Section (1)(b) of the Accountants Act, No. 15 of 2008.

He is a holder of a PhD in Human Resource Education, Master of Business Administration and Bachelor of Business Management degree.

Dr Yegon has vast experience in education and training having risen through the ranks in the Ministry of Education to his current position of Deputy Director, Higher Education, State department of University Education.



CPA Bernard M. Ndung'u

CPA Bernard M. Ndung'u was appointed to the Board effective from 1 July 2014 up to 30 June 2017 and was reappointed to the Board effective 7 August 2017. He is a nominee of the National Treasury in accordance with Section 15(1)(a) of the Accountants Act, No.15 of 2008.

He is a holder of a Bachelor of Commerce degree (Finance option) and a Master of Business Administration degree. He is also a holder of the CPA qualification and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK).

CPA Ndung'u has wide experience in finance, auditing and consultancy services gained in International accounting firms including Ernst and Young and PriceWaterhouseCoopers (PWC). He is currently the Director General Accounting Services and Quality Assurance in the National Treasury and Chairman of Public Sector Accounting Standards Board (PSASB).



CORPORATE GOVERNANCE

Dr Nyambura Koigi was appointed to the Board effective from 21 January 2011 up to 30 June 2017 and was reappointed to the Board effective 7 August 2017. She is a nominee of the Federation of Kenya Employers in accordance with Section 15(1)(c) of the Accountants Act, No. 15 of 2008.

Dr. Nyambura is a seasoned practitioner with extensive experience in microfinance, leadership, project management, product development and ICT. She led the transformation process for Postbank where she worked as Managing Director, 2005-2014 and where she had worked as a manager in various capacities before then. She has proven skills in top level leadership, developing and motivating teams to achieve strategic objectives. She has experience in the national and international level having represented Africa Savings Banks at the World Savings Bank Institute Board for several years and spear heading the transformation agenda. In 2009, she was awarded the Moran of the Burning Spear [MBS] by H. E. Hon. Mwai Kibaki, the President of the Republic of Kenya for her transformative work and contribution to national development.

Dr Nyambura is trained in management of Pensions Funds, corporate governance and is also a certified trainer in governance. She holds a Doctorate in Business Administration from the Nelson Mandela Metropolitan University, South Africa, an MBA and Bachelor Degree both from the University of Nairobi. She is a Fellow of the Kenya Institute of Management as well as the Institute of Certified Secretaries. She is currently a consultant in strategic planning, and corporate governance. She sits in several private and public sector boards.



Dr. Nyambura Koigi

Mr Benrodgers M. Milaih was appointed to the Board effective from 6 June 2016 and was reappointed to the Board effective 1 September 2018. He is a nominee of the Ministry of Public Service, Youth and Gender Affairs in accordance with Section 15(1)(d) of the Accountants Act, No.15 of 2008.

He is a holder of Master of Business Administration (HRM option) and Bachelor of Arts degree.

Mr Milaih has vast experience in the civil service in human resource management. He is currently serving as Director, Human Resource Management in the Ministry of Public Service, Youth and Gender Affairs.



Benrodgers M. Milaih



CORPORATE GOVERNANCE



Ms. Mary Njuya

Ms Mary Njuya was appointed to the Board effective from 1 July 2014 up to 30 June 2017 and was reappointed to the Board effective 7 August 2017. She is a nominee of the Attorney General in accordance with Section 15(1)(e) of the Accountants Act, No.15 of 2008.

She is a holder of Bachelor of Laws degree. Ms Njuya has wide experience in legal matters gained at the Attorney General's Office. She is currently the Acting Registrar General.



FCPA Julius W. Mwatu

FCPA Julius W. Mwatu was appointed to the Board effective 1 September 2018. He is a nominee of the Institute of Certified Public Accountants of Kenya in accordance with Section 15(1)(f) of the Accountants Act, No. 15 of 2008.

He is a holder of a Masters in Business administration (Finance) and a Bachelor's degree in Statistics (BSc). He is also a holder of the CPA, CS and the Certified Financial Analyst qualifications. He is a member of the ICPAK.

FCPA Mwatu has over 17 years' experience in the Accounting profession. He is the past Chairman of ICPAK. He is an Audit & Tax partner at CPJ & Associates. He is also Board member of KCAU Board of Trustees, Pan-African Federation of Accountants (PAFA) and the International Federation of Accountants (IFAC).



CPA Edwin N. Makori

CPA Edwin N. Makori was appointed to the Board effective

1 September 2018. He is a nominee of the Institute of Certified Public Accountants of Kenya in accordance with Sections 15(1)(f) of the Accountants Acts, No. 15 of 2008.

He is a holder of Masters in Business administration (Finance) and a Bachelor of Commerce Degree. He is also a holder of the CPA and CISA qualifications. He is also a certified ERP consultant. He is a member of the Information Systems and Audit Control Association (ISACA) as well the Institute of Leadership Management ILM (U).

CPA Makori is the Chief Executive officer of ICPAK and has served on several boards internationally and locally and currently serves in the International Accounting Education Standards Board (IAESB) as a technical advisor.



CORPORATE GOVERNANCE

FCS Catherine Musakali was appointed to the Board effective from 21 January 2011 up to 30 June 2017 and was reappointed to the Board effective 7 August 2017. She is a nominee of the Institute of Certified Secretaries (ICS) in accordance with Section 15(1)(g) of the Accountants Act, No. 15 of 2008.

She is a holder of a Bachelor of Laws degree, Master of Laws degree and the CS qualification. She also holds a Certificate in Securities and Investments from the Securities and Investments Institute, UK.

FCS Musakali has wide experience in company secretarial practice, governance and legal consultancy having worked as Head of Legal Services in blue chip companies including UAP Provincial Insurance Company Ltd and Kenya Shell Ltd. She is the Founder of Dorion Associates and Director of Women on Boards Network.



FCS Catherine Musakali

FCS Joe M. Mbutia was appointed to the Board effective from 21 January 2011 up to 30 June 2017 and was reappointed to the Board effective 7 August 2017. He is a nominee of the Institute of Certified Secretaries (ICS) in accordance with Section 15(1)(g) of the Accountants Act, No. 15 of 2008.

A recipient of three Fellowship Awards, he holds a Bachelor of Science (Business Administration) and Master of Business Administration from Indira Gandhi National Open University, New Delhi, India. He is currently the Director, Centre for Open and Distance Education which coordinates IGNOU programmes in East Africa

FCS Mbutia is an Institutional development expert with specialisation in strategic management, corporate governance, organizational behaviour, project management and e-learning and is a Certified Secretary in practice.



FCS Joe M. Mbutia

Dr George O. Wakah was appointed to the Board effective from 1 July 2014. He is a nominee of the Board of kasneb in accordance with Section 15(1)(h) of the Accountants Act, No.15 of 2008. He was reappointed on 1 September 2018.

He is a holder of Doctorate in Business Administration (Finance option), Master of Business Administration and Bachelor of Education (Accounting Major, Economics Minor) degree. He is also a holder of the CIFA qualification and a Member of the Institute of Certified Investment and Financial Analysts (CIFA).

FA Dr Wakah has wide experience gained as a lecturer in both public and private universities. He is currently the Director, Finance and Accounting Services, Parliamentary Service Commission.



FA Dr. George O. Wakah



CORPORATE GOVERNANCE



FCPA Benson Okundi

FCPA Benson Okundi was appointed to the Board effective from 1 July 2014 up to 30 June 2017 and was reappointed to the Board effective 7 August 2017. His appointment was revoked effective 1 September 2018. He was a nominee of the Institute of Certified Public Accountants of Kenya in accordance with Section 15(1)(f) of the Accountants Act, No. 15 of 2008.

He is a holder of Executive Master of Business Administration degree and Bachelor of Commerce degree. He is also a holder of the CPA qualification and a Fellow of the Institute of CPA.

FCPA Okundi has wide experience in Accounting and Auditing services gained at PriceWaterhouseCoopers (PWC). He is currently a partner in PWC Kenya.



CPA Prof. Patrick Ngumi

CPA Prof. Patrick Ngumi was appointed to the Board effective from 1 July 2014 up to 30 June 2017 and was reappointed to the Board effective 7 August 2017. His appointment was revoked effective 1 September 2018. He was a nominee of the Institute of Certified Public Accountants of Kenya in accordance with Section 15(1)(f) of the Accountants Act, No. 15 of 2008.

He is a holder of PhD in Economics and PhD in Business Administration, Master of Business Administration and Bachelor of Education degree. He is also a holder of the CPA and CS qualifications.

CPA Prof. Ngumi has wide experience in finance and accounting having served in various organisations including Housing Finance and Postbank. Recently he served as Director, Private Sector Enablers and Competitiveness, National Economic and Social Council (NESC) and Chief Executive Officer, ICPAK.



Current Board of kasneb



CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall management of kasneb. The members of the Board are committed to achieving the highest standards of good governance. In this regard, the members of the Board and management have committed to work honestly and diligently and have put in place appropriate policies and strategies to ensure compliance with the law and the highest standards of best practice in good governance and business ethics.

The members of the Board operate in accordance with the broad principles set out in the Accountants Act, No.15 of 2008, the Certified Public Secretaries of Kenya Act, Cap 534 of 1988 and the Investment and Financial Analysts Act, No. 33 of 2015.

The Board is committed to the principles of good governance as stipulated in Mwongozo: The Code of Governance for State Corporations. The members of the Board are provided with appropriate and timely information to enable them discharge their responsibilities and maintain full and effective control over strategic, financial, operational and compliance issues

COMPOSITION OF THE BOARD

The Board comprises eleven non-executive members who are appointed by the Cabinet Secretary for the National Treasury and Planning for a term of three years; including the Chairman, Vice-Chairman and nine other members. The Secretary/Chief Executive Officer is an ex-officio member of the Board. The Board meets at least four times a year, with additional meetings being held on need basis. The Board has delegated authority for the day-to-day operations to the Chief Executive Officer who is also the Secretary to the Board.

BOARD CHARTER

Upon appointment members of the Board are provided with a Board charter which is a critical document detailing good governance practices and principles the Board should adhere to in executing their mandate. The charter outlines among others:

- Board statement of good governance.
- Board composition and the roles of the Chairman, members, Chief Executive Officer and the Secretary.
- Conduct of meetings.
- Conflict of interest.
- Principles of public service as provided in the Constitution of Kenya.

ROLE OF THE BOARD

The Board provides strategic leadership, enterprise, integrity and judgement in directing kasneb so as to achieve continuing prosperity and acts in a manner based on transparency, accountability and responsibility. In this respect, the Board is responsible for:

- (a) Ensuring that kasneb meets its mandate as established by the law.
- (b) Formulating, monitoring and evaluating strategies, policies, management performance criteria and business plans for the good management of kasneb.
- (c) Ensuring that kasneb will survive, thrive and continue as a going concern by regularly reviewing policies, systems and procedures to ensure effectiveness of the internal systems of control so that the decision making capability and the accuracy of the reporting and financial results are maintained at a high level at all times.



CORPORATE GOVERNANCE STATEMENT

- (d) Ensuring the welfare of staff and security of the assets and resources of the organisation.
- (e) Providing guidance to the Secretary and Chief Executive Officer.
- (f) Regularly assessing performance and effectiveness of the Board and that of the individual members including the Secretary and Chief Executive Officer.

BOARD MEETINGS

The Board meets quarterly in accordance with the yearly almanac approved by the Board. However, the Board also holds special meetings on need basis to conduct business as appropriate. The agenda and Board papers are circulated to members in advance. Following the appointment of five (5) new Board members and revoking of appointment of two Board members on 1 September 2018 vide Gazette Notice numbers 352 and 353 dated 11 January 2019 which was published on 18 January 2019, the Board was reconstituted as appropriate including membership to various committees of the Board.

Attendance

During the financial year 2018/2019 the Board held eleven (11) meetings whose attendance is as follows::

No.	Name	Meetings	
		Eligible	Attended
1	Nancy N. Muriuki *	3	3
2	Christopher Yegon	11	9
3	Bernard M. Ndung'u	11	5
4	Nyambura Koigi	11	11
5	Benroddgers M. Milaih	11	9
6	Mary Njuya	11	11
7	Joe M. Mbuthia	11	11
8	Catherine Musakali	11	7
9	Julius W. Mwatu *	3	3
10	Edwin N. Makori *	3	2
11	George O. Wakah **	5	5
12	Benson Okundi ***	7	6
13	Patrick Ngumi ***	7	5

* Appointed effective 1 September 2018.

** Term expired on 7 August 2017 reappointed effective 1 September 2018.

*** Appointment revoked effective 1 September 2018.



CORPORATE GOVERNANCE STATEMENT

COMMITTEES OF THE BOARD

The committees of the Board meet at least four times in a year. The main responsibilities of the committees and meetings attended were as follows:

EXAMINATIONS COMMITTEE

The committee comprises all the members of the Board and Chief Examiners who are appointees of the Board. The principal responsibilities of the Committee are:

- (a) Development of syllabuses which comply with international standards.
- (b) Development of strategies for management of examinations.
- (c) Receiving and considering examiners reports and guiding the release of results.
- (d) Advising the Board on matters incidental to good strategies for administration of examinations.
- (e) Accreditation of training institutions offering tuition for the qualifications of kasneb.
- (f) Promoting research and innovation.

Attendance

During the financial year the Committee held four (4) meetings whose attendance is as follows:

No.	Name	Meetings	
		Eligible	Attended
1	Christopher Yegon	4	4
3	Bernard M. Ndung'u	4	4
4	Nyambura Koigi	4	3
5	Benrodgers M. Milaih	4	3
6	Mary Njuya	4	3
7	Joe M. Mbuthia	4	4
8	Catherine Musakali	4	4
9	Benson Okundi **	4	1
10	Patrick Ngumi **	4	4
11	Sharon J. Kisire***	4	4
12	Yonah O. Okidia***	4	4
13	Jonah K. Aiyabei***	4	2
14	Samuel M. Muriu***	4	4

** Appointment revoked effective 1 September 2018.

*** Chief examiners nominated to the Committee by the Board.

EXAMINATIONS TECHNICAL SUB-COMMITTEE

The Examinations Technical Sub-Committee is a permanent Sub-Committee of the Examinations Committee. Its principal responsibility is dealing with technical issues on examination matters including syllabuses, accreditation of training institutions research and innovation as delegated by the Examinations Committee from time to time.



CORPORATE GOVERNANCE STATEMENT

Attendance

The members who served in the Sub-Committee and attendance to meeting during the financial year is as follows:

No.	Name	Meetings	
		Eligible	Attended
1	Joe M. Mbuthia	2	2
2	Edwin N. Makori *	1	1
3	Patrick Ngumi *	1	1
4	Sharon J. Kisire	2	2
5	Gillian W. Mwaniki	2	2
6	Yonah O. Okidia	2	2
7	Samuel M. Muriu	2	2
8	Jonah K. Aiyabei	2	2
9	David M. Mwangi	2	1
10	John O. Nyangweta	2	2
11	Dorcas M. Omukhulu	2	2

* Appointed/Appointment revoked effective 1 September 2018.

FINANCE AND GENERAL PURPOSES COMMITTEE

The principal responsibilities of the Committee are:

- (a) Developing and overseeing the implementation of the finance strategy, human capital strategy and information communication technology strategy.
- (b) Approval of the annual procurement plan and annual budget.
- (c) Ensuring prudent financial management.

Attendance

During the financial year the Committee held five (5) meetings whose attendance is as follows:

No.	Name	Meetings	
		Eligible	Attended
1	Nyambura Koigi	5	5
2	Christopher Yegon	5	5
3	Bernard M. Ndung'u	5	2
4	Edwin Makori *	2	2
5	Benroddgers M. Milaih	5	3
6	George O. Wakah *	2	1
7	Patrick Ngumi **	3	3

* Appointed/reappointed on 1 September 2018 and Gazetted on 18 January 2019.

** Appointment revoked on 1 September 2018 and Gazetted on 18 January 2019.



CORPORATE GOVERNANCE STATEMENT

PLANNING AND BUSINESS DEVELOPMENT COMMITTEE

The principal responsibilities of the Committee are:

- Spearheading the development of the corporate strategic plan.
- Monitoring and implementation of the strategic and operational plans.
- Coordinating the performance contracting process.
- Formulating the marketing strategy, business development policy and corporate communication policy and risk management.

Attendance

During the financial year the Committee held five (5) meetings whose attendance is as follows:

No.	Name	Meetings	
		Eligible	Attended
1	Catherine Musakali	5	5
2	Joe M. Mbuthia	5	5
3	Nyambura Koigi	5	5
4	Mary Njuya	5	4

No.	Name	Meetings	
		Eligible	Attended
5	Julius W. Mwatu *	1	1
6	George O. Wakah *	1	1
7	Benson Okundi **	1	1

* Appointed/reappointed on 1 September 2018 and Gazetted on 18 January 2019.

** Appointment revoked on 1 September 2018 and Gazetted on 18 January 2019.

AUDIT COMMITTEE

The principal responsibilities of the Committee are:

- To provide assurance to the Board and management on the adequacy of procedures relating to risk management, control and governance.
- Reviewing and approving the audit charter and internal audit and annual work plans.
- Reviewing the internal and external audit findings and recommendations and proposing preventive and corrective action as appropriate.
- Reviewing the systems established to ensure sound public financial management and internal controls.

The Head of Internal Audit Unit is an ex-officio member and Secretary to the Committee.

Attendance

During the financial year the Committee held two (2) meetings whose attendance is summarised below:

No.	Name	Meetings	
		Eligible	Attended
1	Julius W. Mwatu *	1	1
2	Catherine Musakali	2	1
3	Christopher Yegon	2	2

No.	Name	Meetings	
		Eligible	Attended
4	Bernard M. Ndung'u	2	1
5	Mary Njuya	2	2
6	Benson Okundi **	1	1

** Served as the Chairman to the Committee before his appointment was revoked on 1 September 2018.



CEO AND HEADS OF DIVISIONS/UNITS



Dr. Nicholas K. Letting', Ph.D
Secretary/Chief Executive Officer

Dr. Nicholas K. Letting' was appointed Secretary/Chief Executive Officer effective 2 May 2019 in accordance with Section 16 (1) of the Accountants Act, No.15 of 2008.

He is a holder of a Bachelor of Commerce degree in Marketing, a Masters of Business Administration in Strategic Management and a PhD in Business Administration, Strategic Management. He is also a holder of the CPA, CS and CIFA qualifications. He is a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Secretaries (ICS) and the Kenya Institutes of Management. He is a member of the Institute of Certified Investment and Financial Analysts (ICIFA), Institute of the Human Resource Management of Kenya (IHRM) and Institute of Directors (IOD).

The key responsibilities are providing overall leadership and strategic direction to kasneb, implementing Board and Government of Kenya policies and decisions, mobilising resources, promoting positive corporate image, ensuring adherence to corporate values and promoting good governance and ethical practices for sustainable growth and development.



James G. Nduati
Finance Director

James G. Nduati was appointed the Finance Director on 1 July 2012.

He is a holder of a Bachelor of Commerce degree in Accounting and Executive Masters' degree in Finance. He is also a holder of the CPA and CISA qualifications. He is and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investment and Financial Analysts (ICIFA).

The key responsibilities are planning, coordinating and implementing the finance and accounting policies and strategies aligned to the strategic plan of kasneb, ensuring compliance with international standards and advising the Chief Executive Officer on finance and accounting matters.



Isaac M. Njuguna
Examinations Director

Isaac M. Njuguna was appointed the Examinations Director on 1 July 2015.

Mr. Njuguna was appointed Acting Chief Executive Officer effective 14 January 2019 to 1 May 2019.

He is a holder of a Bachelor of Commerce degree in Accounting and a Masters' degree in Finance. He is also a holder of the CPA qualification. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Investment and Financial Analysts (ICIFA) and the Kenya Institute of Management.

The key responsibilities are planning, coordinating and implementing examinations development and administration and related policies and strategies aligned to the strategic plan of kasneb, ensuring development and review of syllabuses, efficient administration of examinations, accreditation of relevant training institutions and advising the Chief Executive Officer on examinations and accreditation matters



HEADS OF DIVISIONS/UNITS



Marylucy A. Ajwang'
Human Capital and
Administration Director

Marylucy A. Ajwang' was appointed the Human Capital and Administration Director on 4 January 2016.

She is a holder of a Bachelor of Commerce degree in Business Administration and Commerce and a Masters' degree in Human Resource Management. She is also a holder of a Diploma in Human Resource Management and a member of the Institute of Human Resource Management (IHRM) and Kenya Institute of Management (KIM).

The key responsibilities are planning, coordinating and implementing human capital and administration policies and strategies aligned to the strategic plan of kasneb and advising the Chief Executive Officer on human capital and administration matters.



Caroline W. Karia
Head of Planning and Strategy

Caroline W. Karia was appointed the Head of Planning and Strategy Unit on 1 July 2010.

Prior to joining kasneb, Caroline served in different senior strategic management and management consulting/training roles in both public and private sectors in Swaziland and Australia.

Caroline holds a Bachelor of Education degree from Moi University and Master of Business Administration from Deakin University, Melbourne, Australia. She is currently pursuing a Doctorate in Business Administration at Edinburgh Business School, Heriot-Watt University, UK.

Caroline is a Chartered Secretary/governance professional and member of the Institute of Chartered Secretaries and Administrators (ICSA). She holds a post-graduate diploma in marketing and is a member of the Chartered Institute of Marketing (CIM), a professional diploma in quality management and is a practitioner member of the Chartered Quality Institute (CQI). She also holds a Post-graduate diploma in Project Planning and Management from Catholic University of Eastern Africa.

Caroline's key responsibilities are to advice and guide on matters relating to; the development, review, implementation, monitoring, evaluation and reporting on the Corporate Strategic Plan, Performance Contracts and aligned plans, ISO 9001 Quality Management System (QMS) and ISO/IEC 27001 Information Security Management System (ISMS); business intelligence and research; policy analysis and review.



CPA Jason K. Mwangi
Head of Internal Audit
and Risk

Jason K. Mwangi was appointed Head of Internal Audit and Risk Unit on 17 June 2013.

He holds Bachelor of Commerce degree in Accounting and a Masters degree in Strategic Management. He is also a Certified Public Accountant of Kenya, Certified Internal Auditor, Certified Information Systems Auditor and Certified Professional in Risk Management Assurance (CRMA). He is an active member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA) and Information Systems Audit & Control Association (ISACA).

The key responsibilities are providing an independent and objective assurance to management and the Board on the effectiveness of risk management, internal controls and governance processes.



HEADS OF DIVISIONS/UNITS



Samuel M. King'oo
Head of Information
Communication Technology

Samuel M. King'oo was appointed the Head of Information Technology and Communication Unit on 3 January 2017.

He holds a degree in Civil Engineering and a Masters of Computer Science. He is a Certified Project Manager and a member of the Computer Society of Kenya with a certification in Information Technology Infrastructure Library (ITIL).

The key responsibilities are ICT policy and strategy formulation and implementation, ICT security and risk, user support and maintenance, ICT infrastructure, hardware, software, databases and applications.



Francis A. Okubo
Acting Head of Supply
Chain Management

Francis A. Okubo was appointed Acting Head of Supply Chain Management Unit on 1 August 2017.

He holds a Bachelor of Education degree and a Masters of Business Administration. He is also a licensed supplies practitioner and hold an advanced certificate in organisation development and Diploma in Supplies Chain Management. He is a member of the Kenya Institute of Supplies Management (KISM).

The key responsibilities are procurement of goods, works and services, development and implementation of the annual procurement plan, prequalification and registration of suppliers, inventory management and stock control, projects management and asset disposal.



Hamida A. Mwilu
Manager, Marketing and
Communication

Hamida A. Mwilu was appointed as Acting Head of Marketing and Communication Unit on 1 July 2017.

She holds a Bachelors degree in Marketing and Management, a professional diploma in Marketing (HL). She is a member of Chartered Institute of Marketing (CIM) and Public Relations Society of Kenya (PRSK).

The key responsibilities are marketing of the qualifications nationally, regionally and internationally, promoting a positive corporate image, corporate affairs, corporate communication, customer relationship management and corporate social investment.



ECONOMIC SOCIAL GOVERNANCE (ESG) STATEMENT

In recognition of the important role played by communities in which kasneb operates, a vibrant Economic Social Governance (ESG) policy is continually being implemented. The policy takes into consideration the need for sustainable practices and the social governance core value which kasneb has committed to uphold. This is in recognition of the vital role played by the society in which kasneb goals and aspirations are centered. The pillars of kasneb ESG policy are:

- (a) Education and training
- (b) Health
- (c) Disaster relief
- (d) Environment
- (e) Youth talent development
- (f) Voluntary community service

During the year 2018/2019, kasneb contributed Sh.2,240,804 (shillings two million, two hundred and forty thousand, eight hundred and four) only towards economic social governance. In addition, members of staff participated in related ESG activities. The following were some of the key ESG activity engagements:

Environmental activities

kasneb sponsored and participated in the Ndakaini Half Marathon ten (10) kilometre corporate race organised by Ndakaini Dam Environmental Conservation Association (NDEKA).

kasneb sponsored and participated in the National Tree Planting exercise in Voi, Taita Taveta County organised by the Ministry of Environment and Forestry.

Educational activities

During the year ended 30 June 2019, kasneb paid school fees for seven (7) orphaned and vulnerable students from Tunyai Childrens' Centre, Tharaka Nithi for third term (2018) first and second term (2019). The students are in different secondary schools in Meru County.

kasneb also donated textbooks and branded shelves to two (2) Kenya National Library Service (KNLS) branches namely; Gatimbi Library - Nkubu and Kangema Library, Muranga and three (3) prisons namely; Kamiti Maximum Prison, Langata Women's Prison and Naivasha Maximum Prison.

kasneb donated branded shelves only to the following KNLS branches; Meru District Library, Kisumu Provincial Library and Kericho District Library.

Health Activities

kasneb sponsored and participated in the Beyond Zero Half Marathon ten (10) kilometre corporate race organised by Beyond Zero Marathon Trust.

kasneb sponsored and participated in the Mater Heart Half Marathon ten (10) kilometre corporate race organised by Mater Hospital.



STATEMENT OF THE MEMBERS OF THE BOARD

The members of the Board submit their report together with the audited financial statements for the year ended 30 June 2019 which disclose the state of affairs of kasneb.

Principal Activities

The principal activities of kasneb are the development of syllabuses, conduct of professional, diploma and technician examinations and certification of candidates in accountancy, finance, credit, governance and management, information technology and related disciplines, the promotion of its qualifications nationally and internationally and the accreditation of relevant training institutions.

Results

The results for the year are set out on pages 29 to 52.

Members of the Board

The members of the Board of kasneb who served during the year and to the date of this report are disclosed on page 3.

Auditors

The Auditor-General is responsible for the statutory audit of kasneb financial statements in accordance with the provisions of Article 229 of the Constitution of Kenya, 2010 and Section 7 and 35 of the Public Audit Act, No. 34 of 2015.

By order of the Board

Dr. Nicholas K. Letting', Ph.D
Secretary/Chief Executive Officer



MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Operational and Financial Performance

The performance for the financial year 2018/2019 was fairly good considering the difficult operating environment. The education sector and specifically institutions of higher learning were hit by low student enrolment in the recent past which affected the financial performance of both public and private institutions of higher learning and professional examination bodies including kasneb.

The reported total income of Sh.683 million for the twelve months ended 30 June 2019 was lower than the budgeted income of Sh.747 million by Sh.64 million representing a negative variance of 8.6%. The following are some of the global factors that affected the performance of kasneb during the financial year:

- (a) The impact of placement of Diploma students in Technical Training Institutes by Kenya Universities and Colleges Central Placement Service (KUCCPS) and subsequent funding of diploma students through HELB loans. Students prefer to be placed by KUCCPS to the Technical Training Institutes in order to benefit from the financial assistance.
- (b) The impact of downward trend of students' performance in KCSE leading to all students with grade C+ and above being admitted to both public and private universities. Students prefer to go to the universities and graduate before registering for professional qualifications offered by kasneb.
- (c) The impact of the new requirement for students to report to universities in the same year when the Kenya Certificate of Secondary Education (KCSE) results are released. Previously many students used to take kasneb qualifications as they waited to join universities for one or two years after release of results.
- (d) The impact of transition to the revised examinations syllabuses which were implemented effective from 1 July 2015 including the phasing out of Technician examinations effective from 1 January 2016. Many active students for the technician examinations did not transit to the diploma examinations when the technician examinations were phased out.
- (e) The introduction of the Diploma examinations whose minimum entry requirement was KCSE mean grade of C- (C minus) compared to D+ (D plus) for the phased out Technician examinations.
- (f) Competition from universities and other examination bodies such as Kenya National Examination Council (KNEC) who also offered diploma courses to students with KCSE mean grade of C- (C minus) who subsequently progressed to degree courses.

The impact of the negative income variance was however compensated by savings arising from austerity measures undertaken in managing operating costs including but not limited to:

- (a) Automation and re-engineering office processes.
- (b) Cost cutting measures including phased recruitment for vacant positions.

e-kasneb student payment service was launched to facilitate students to pay fees online as well as access services using the mobile phones and web portal. This service delivery innovation contribute to cost savings and effective and efficient service delivery.

In order to improve on financial performance, various strategies were being implemented or were in the process of being implemented but not limited to:

- (i) Development of new income streams such as establishment of a research and innovation centre.
- (ii) Availing e-learning resources to students and examiners at a subsidised fee.



MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) Introduction of Certificate in Accounting and Management Skills (CAMS) whose minimum requirement was a mean grade of D+.
- (iv) Adoption of digital marketing in line with the unique needs of the target market.
- (v) Introduction of computer based examinations which would allow students to book and undertake the examinations online.
- (vi) Promotion of examinations in foreign countries such as Rwanda, Uganda, South Sudan and Cameroon.
- (vii) Collaboration with Kenya Universities and College Central Placement Service (KUCCPS) to recognise kasneb examinations in the KUCCPS career booklet.
- (viii) Re-engineering of processes through adoption of ICT in most of the processes to enhance efficiency and effectiveness.

SECTION B

Compliance with regulatory requirements

During the year ended 30 June 2019, kasneb complied with all the statutory and regulatory requirements.

SECTION C

Key projects and investment decisions the entity is planning/implementing

kasneb Towers Phase II Project

The construction of kasneb Towers II was completed and partial handover undertaken on 22 February 2018. kasneb Towers II is being used as an examination and marking centre, training centre and some space is being leased out for rental income.

SECTION C

Major risks facing the entity

Financial risk management

kasneb seeks to minimise its exposure to financial risk by investing only in secure government treasury bills and bonds. kasneb has no financial liabilities like loans and overdrafts other than suppliers liabilities.

Currency risk

kasneb bank accounts are denominated in Kenyan shillings except for Kenya Commercial Bank (KCB) Dollar Account which is domiciled at KCB, Capital Hill Branch. Income and expenses are settled in Kenya Shilling hence there is minimal or no exposure to currency risk. As at 30 June 2019, kasneb held US dollars 203,592 in KCB dollar account. If the currency rate were to fall by 5%, the impact on the kasneb performance will be minimal, that is Ksh.1,036,792.

Interest rate risk

Interest rate risk arises from possible impact of changes in interest rates on the value of financial instruments. By investing only in government treasury bills and bonds, kasneb has minimal exposure to interest rate risk.



MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk

Credit risk is the risk that a party to financial instrument transaction will fail to discharge an obligation and cause the other party to incur a financial loss. kasneb is exposed to minimal credit risk on the debtor account. The risk is minimised since students fees is paid in advance. Mortgage and car loans advanced to members of staff are fully secured on the property. Only minimal credit facilities are granted mainly to customers advertising in kasneb Newline and bulk short service message (SMS).

The total receivables from Postal Corporation of Kenya and Jambopay as at 30 June 2019 was Sh.19,481,840. If 10% of the debtors failed to pay, kasneb risked a loss of Sh.1,948,184 which would have minimal effect on the performance of kasneb. The impairment of receivables from Postal Corporation of Kenya of Sh.18,451,969 have been fully provided in the income and expenditure statement.

SECTION E

Major arrears in statutory/financial obligations

There were no major arrears in statutory or other financial obligations.

SECTION F

Financial probity and serious governance issues

There were no financial improbity or serious government issues reported by internal audit/Audit Committee of the Board , external auditors, or other National Government Agencies. No governance issues among the Board or members of the Board and top management including conflict of interest were reported.



STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

The members of the Board and management are responsible for preparing financial statements which give a true and fair view of the state of affairs of kasneb as at the end of each financial year and of the operating results for that year.

The members of the Board and management are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of kasneb. The members and management are also responsible for safeguarding the assets of kasneb.

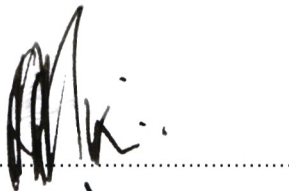
The members of the Board and management accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates and in conformity with the International Public Sector Accounting Standards, Section 81 of the Public Finance Management Act, 2012 and the State Corporations Act, Cap 446. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of kasneb as at 30 June 2019 and of its deficit for the year then ended. The members and management further accept responsibility for the maintenance of accurate and complete accounting records which have been relied upon in the preparation of the financial statements as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the members of the Board and management to indicate that kasneb will not remain a going concern for the next twelve months from the date of this statement.

Approval of the financial Statements


The financial statements set out on pages 29 to 52 were approved by the Board on 30 August 2019 and signed on its behalf by:

Dr. Nancy N. Muriuki, Ph.D
Chairman



.....

Dr. Nicholas K. Letting', Ph.D
Secretary/Chief Executive Officer



.....

James G. Nduati
Finance Director
ICPAK Member No.2102



.....



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Accountants and Secretaries National Examinations Board (KASNEB) set out on pages 29 to 52, which comprise the statement of financial position as at 30 June, 2019, and statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Accountants and Secretaries National Examinations Board as at 30 June, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Accountants Act, 2008.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Accountants and Secretaries National Examinations Board Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Compensation to Employees

As disclosed in Note 7 to the financial statements, the statement of financial performance reflects employee costs of Kshs.407,627,717;(2018 – Kshs.414,620,464). The employee costs accounts for fifty-three percent (53%) and sixty percent (60%) of the total expenses and total revenue of Kshs.758,101,192 and Kshs.682,070,817 respectively. This exceeds the set limit under Regulation 26(a) of Public Finance Management (National Government) Regulations, 2015 on fiscal responsibility principles, which provides that expenditure on the compensation to employees shall not exceed thirty-five (35%) percent of the total revenue.

The Board is in breach of law to this extent.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and The Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board 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.



Nancy Gathungu
AUDITOR-GENERAL

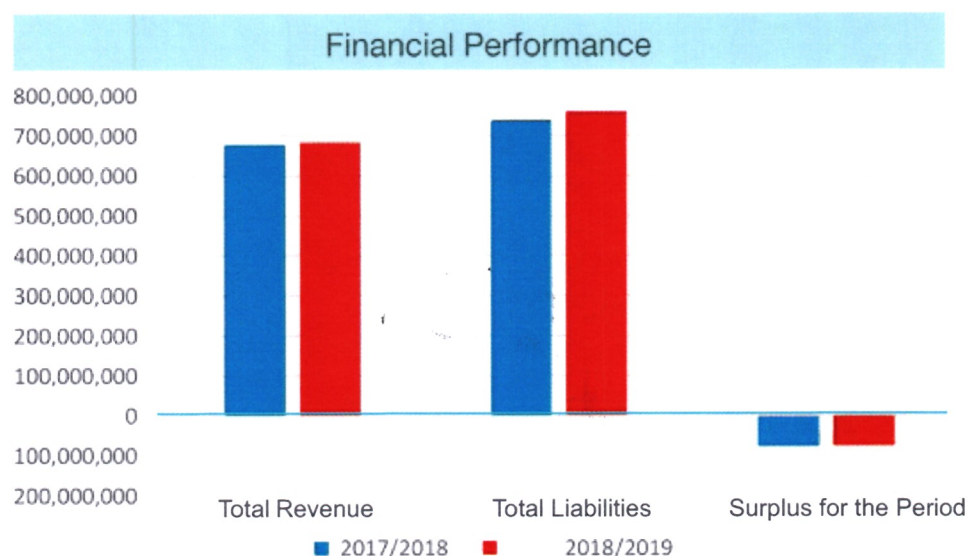
Nairobi

11 March, 2021

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
		Sh.	Sh.
Revenue from exchange transactions			
Income from operations	4	606,799,198	583,674,708
Income from other sources	5	75,271,619	94,017,609
Total revenue		682,070,817	677,692,317
Expenses			
Operating expenses	6	236,082,365	255,861,217
Employee costs	7	407,627,717	414,620,464
Board expenses	8	10,339,109	4,405,065
Administration costs	9	27,688,785	24,772,583
Repairs and maintenance	10	2,060,050	,323,036
Contracted services	11	21,854,016	13,001,500
Depreciation and amortisation	12	52,469,150	23,998,449
Total expenses		758,101,192	737,982,284
Surplus for the period		(76,030,375)	(60,289,967)

The notes set out on pages 35 to 52 form an integral part of the Financial Statements.

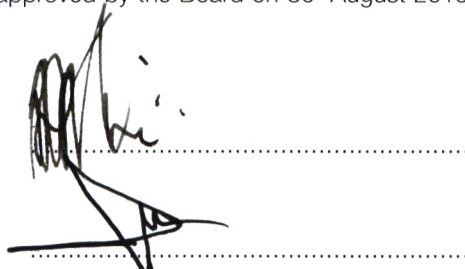


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

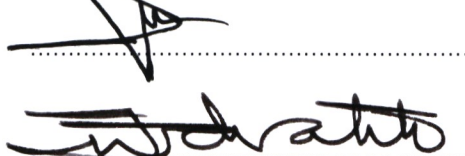
ASSETS	Note	2018/2019	2017/2018
		Sh.	Sh.
Current assets			
Cash and bank balances	13	293,831,050	312,138,486
Held to maturity investments	14.1	350,058,900	449,128,200
Trade and other receivables	15	41,018,431	63,912,861
		<u>684,908,381</u>	<u>825,179,547</u>
Non current assets			
Property, plant and equipment	16(a)	1,332,724,959	1,303,129,863
Leasehold land	16(b)	342,743,900	347,195,120
Intangible assets	17	4,117,155	4,328,922
Held to maturity investments	18	172,231,700	176,535,500
		<u>1,851,817,714</u>	<u>1,831,189,405</u>
Total assets		<u>2,536,726,095</u>	<u>2,656,368,952</u>
LIABILITIES			
Current liabilities			
Trade and other payables	19	87,201,977	120,881,375
Provisions	20	12,824,892	15,171,013
Prepayments	21	1,947,250	1,207,993
Total liabilities		<u>101,974,119</u>	<u>137,260,381</u>
Net assets		<u>2,434,751,976</u>	<u>2,519,108,571</u>
			RESTATED
Revaluation reserve	22	380,583,214	388,909,434
Accumulated surplus	23	2,054,168,762	2,130,199,137
		<u>2,434,751,976</u>	<u>2,519,108,571</u>
Total net assets and liabilities		<u>2,536,726,095</u>	<u>2,656,368,952</u>

The financial statements on pages 29 to 52 were approved by the Board on 30 August 2019 and were signed on its behalf by:

Dr. Nancy N. Muriuki, Ph.D
Chairman



Dr. Nicholas K. Letting', Ph.D
Secretary/Chief Executive Officer



James G. Nduati
Finance Director (ICPAK Member No.2102)




STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserves	Accumulated surplus	Total
	Sh.	Sh.	Sh.
Balance as at 30 June 2017	441,702,021	2,137,696,517	2,579,398,538
Prior year adjustment	(52,792,587)	52,792,587	-
Surplus/(deficit) for the period	-	(60,289,967)	(60,289,967)
Balance as at 30 June 2018	388,909,434	2,130,199,137	2,519,108,571
Depreciation/Amortisation charge for the year	(8,326,220)	-	(8,326,220)
Surplus/(deficit) for the period		(76,030,375)	(76,030,375)
Balance as at 30 June 2019	380,583,214	2,054,168,762	2,434,751,976

*The prior year adjustment relates to depreciation provided on account of assets which were revalued during the financial year 2013/2014. However, the depreciation/amortisation of these assets was charged to the statement of financial performance instead of revaluation reserve.



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019 Sh.	2017/2018 Sh.
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Revenue from operations	4	606,799,198	583,674,708
Interest income	5.1	61,746,003	85,560,314
Revenue from other sources	5	13,525,616	8,457,295
Total receipts		682,070,817	677,692,317
Payments			
Operating expenses	6	(236,082,365)	(255,861,217)
Employee costs	7	(407,627,717)	(414,620,464)
Board expenses	8	(10,339,109)	(4,405,065)
Administration costs	9	(27,668,785)	(24,772,583)
Repairs and maintenance	10	(2,060,050)	(1,323,036)
Contracted services	11	(21,854,016)	(13,001,500)
Decrease in trade and other receivables		22,894,430	18,841,565
Increase/Decrease in payables, provisions and prepayments		(35,286,262)	11,751,187
Total payments		(718,023,874)	(683,391,083)
Net cash generated from operating activities		(35,953,007)	(5,698,766)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets		4,303,800	8,148,800
Purchase of intangible assets	17	(150,500)	(936,300)
Purchase of property, plant and equipment	16 (b)	(85,576,979)	(244,044,955)
Net cash utilised in investing activities		(81,423,679)	(236,832,455)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in cash and cash equivalents		(117,376,736)	(242,531,221)
Cash and cash equivalents at beginning of the year	14	761,266,686	1,003,797,907
Cash and cash equivalents at the end of the year	14	643,889,950	761,266,686



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
	Sh.	Sh.	Sh.	Sh.	Sh.
INCOME FROM EXCHANGE TRANSACTIONS					
Examinations booking fees	514,000,000	(65,900,000)	448,100,000	404,011,533	(44,088,467)
Registration fees	95,200,000	(15,200,000)	80,000,000	90,601,658	10,601,658
Annual registration renewal fees	77,600,000	(10,700,000)	66,900,000	56,285,614	(10,614,386)
Exemption fees	50,800,000	1,800,000	52,600,000	55,764,093	3,164,093
Sale of publications	200,000	100,000	300,000	136,300	(163,700)
Sub-Total	737,800,000	(89,900,000)	647,900,000	606,799,198	(41,100,802)
INCOME FROM OTHER SOURCES					
Interest earned	75,000,000	15,000,000	90,000,000	61,746,003	(28,253,997)
Rental income	17,500,000	(14,500,000)	3,000,000	2,363,881	(636,119)
Miscellaneous income	4,000,000	2,000,000	6,000,000	11,161,735	5,161,735
Sub-total	96,500,000	2,500,000	99,000,000	75,271,619	(23,728,381)
Total income	834,300,000	(87,400,000)	746,900,000	682,070,817	(64,829,183)
EXPENDITURE ON OPERATIONS					
Examinations and invigilation	125,000,000	(15,000,000)	110,000,000	107,629,513	2,370,487
Examination prizes	3,500,000	-	3,500,000	2,585,916	914,084
Hire of examination halls	5,700,000	-	5,700,000	4,606,180	1,093,820
Data processing	6,500,000	-	6,500,000	6,150,361	349,639
Printing and stationery	28,500,000	(2,500,000)	26,000,000	23,684,582	2,315,418
Local travel and transport	5,000,000	-	5,000,000	2,930,600	2,069,400
Long distance travel and transport	5,000,000	-	5,000,000	4,886,257	113,743
Postage and telephone	8,200,000	(2,200,000)	6,000,000	5,034,994	965,006
Salaries and wages	360,000,000	(2,000,000)	358,000,000	348,149,468	9,850,532
Pension and benefits	43,000,000	4,500,000	47,500,000	43,012,324	4,487,676
Education and training	15,000,000	(1,000,000)	14,000,000	16,465,925	(2,465,925)
Repairs and maintenance	2,000,000	-	2,000,000	2,060,050	(60,050)
Audit fees	820,000	180,000	1,000,000	1,000,000	-
Insurance	1,000,000	2,000,000	3,000,000	2,856,726	143,274
Sundry expenses	9,000,000	(1,000,000)	8,000,000	5,842,452	2,157,548
Bank charges	1,200,000	-	1,200,000	622,807	577,193
Board expenses	15,000,000	(1,000,000)	14,000,000	10,339,109	3,660,891
Marketing and communication	40,000,000	(2,000,000)	38,000,000	35,634,524	2,365,476
kasneb Newslite	10,000,000	(3,000,000)	7,000,000	2,806,288	4,193,712
Legal expenses	1,000,000	-	1,000,000	2,464,561	(1,464,561)
Land rent and rates	700,000	-	700,000	631,754	68,246



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Office provisions	6,000,000	-	6,000,000	6,400,063	(400,063)
Research and Innovation Centre	5,500,000	(2,000,000)	3,500,000	1,804,818	1,695,182
Examinations development and Research	8,000,000	(3,000,000)	5,000,000	58,000	4,942,000
Impairment of receivables	-	-	-	18,451,969	(18,451,969)
Sub-total	705,620,000	(28,020,000)	677,600,000	656,109,241	21,490,759
EXPENDITURE ON OTHER ITEMS					
Insurance and maintenance of office premises	9,100,000	4,900,000	14,000,000	10,495,272	3,504,728
Contracted services	15,000,000	-	15,000,000	21,854,016	(6,854,016)
Social responsibility	2,500,000	-	2,500,000	2,240,804	259,196
Kasneb Foundation Bursary	5,000,000	-	5,000,000	129,600	4,870,400
Strategic planning	1,000,000	-	1,000,000	-	1,000,000
Website development and maintenance	5,000,000	-	5,000,000	3,626,858	1,373,142
Miscellaneous expenses	2,200,000	-	2,200,000	249,927	1,950,073
Other nonrecurrent expenses	7,000,000	7,600,000	14,600,000	10,926,324	3,673,676
Sub-total	46,800,000	12,500,000	59,300,000	49,522,801	9,777,199
Total expenditure	752,420,000	(15,520,000)	736,900,000	705,632,042	31,267,958
Surplus from operations	45,680,000	(66,880,000)	(29,700,000)	(49,310,043)	(19,610,043)
Surplus from other sources	36,200,000	(5,000,000)	39,700,000	25,748,818	(13,951,182)
Surplus before depreciation and amortisation expenses	81,880,000	(71,880,000)	10,000,000	(23,561,225)	(33,561,225)
Depreciation and amortisation expenses	78,800,000	(30,700,000)	48,100,000	52,469,150	(4,369,150)
Surplus for the year	3,080,000	(41,180,000)	(38,100,000)	(76,030,375)	(37,930,375)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Public Finance Management (PFM) Act, 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, kasneb has adopted the pronouncements made by the IPSAS Board in preparation of its current year financial statements. The financial statements are presented in Kenya shillings.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flows is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. ADOPTION OF NEW AND REVISED STANDARDS

(a) Relevant new standards and amendments to published standards with effect from the financial year ended 30 June 2019

IPSAS 33: First time adoption of Accrual Basis of IPSAS

kasneb adopted IPSAS in the financial year 2014.

IPSAS 34: Consolidated Financial Statements

This standard is not applicable since kasneb does not have subsidiaries, joint ventures or investments in other companies/institutions.

IPSAS 35: Separate Financial Statements

This standard is not applicable since kasneb does not have subsidiaries, joint ventures or investments in other companies/institutions.

IPSAS 36: Investments in Associates and Joint Ventures

This standard is not applicable since kasneb has no associates or joint ventures.

IPSAS 37: Joint arrangements

This standard is not applicable since kasneb has no joint arrangements with other companies/institutions.

IPSAS 38: Disclosure of Interests in Other entities

This standard is not applicable since kasneb does not have interests in other entities.

(b) Early adoption of Standards

There are no new or amended Standards which were adopted before the commencement dates.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Examination fees is accounted for in the financial year in which the relevant examination takes place. No value is placed on stocks of examination stationery and past examination papers. Other fees income is accounted for when received. Examination fees refunded to students and candidates are accounted for in the year in which the refunds are made.

Interest income

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

(b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned income and costs are presented in a single statement. On the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity 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.

(c) Property, Plant and equipment

All property, plant 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, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in 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.

Depreciation

Depreciation is calculated on a straight-line basis to write off property, plant and equipment over their estimated useful lives.

Non-current assets acquired during the financial year are depreciated using full year depreciation in the year of purchase while no depreciation is provided in the year of disposal. Construction work in progress is not depreciated.

The annual rates of depreciation in use are:

Buildings/Investment property	2.5%
Buildings - Construction in progress	Nil
Information and communication technology equipment	33.3%
Furniture and fittings	20%
Machinery and office equipment	20%
Motor vehicles	25%



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(d) **Intangible assets**

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of intangible assets is assessed as finite and cost amortised over a two-year period.

(e) **Leasehold land**

kasneb owns leasehold land on plot LR.209/522/1 in Upper Hill area, Nairobi, on which stands its office premises. The lease on the land is for a period of 93 years and expires in the year 2097. The cost/valuation of the leasehold land is amortised over the remaining lease period on a straight-line basis.

(f) **Financial instruments**

Financial instruments are contracts that give rise to both financial assets and financial liabilities.

Financial assets

Initial recognition and measurement

Financial instruments are contracts that give rise to both financial assets and financial liabilities. The financial assets comprise government securities in form of Treasury bills and bonds and are held to maturity. Financial assets within the scope of IPSAS 29: Recognition and Measurement are classified as financial assets and are held to maturity and recognised in the financial statements at cost taking cognisance of any discount or premium on acquisition.

Impairment of financial assets

kasneb 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 arising from 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:

- (i) The debtors or entity of debtors are experiencing significant financial difficulty.
- (ii) Default or delinquency in interest or principal payments.
- (iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- (iv) Observable data indicates a measurable decrease in estimated future cash flows (such as changes in arrears or economic conditions that correlate with defaults).

Financial liabilities

Initial recognition and measurement

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. kasneb determines the classification of its financial liabilities at initial recognition. Currently kasneb has no financial liabilities.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(g) **Provisions**

In accordance with IPSAS (19): Provisions, provisions are recognised in the financial statements when a present obligation (legal or constructive) due to 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. Expenses relating to any provision is presented in the statement of financial performance net of any reimbursement. Additional disclosure of the estimated provisions is included in Note 20.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where kasneb expects some or all the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent assets

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

Contingent liabilities

kasneb does not recognise a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. As disclosed on Note 26, kasneb has entered into major capital commitments that would entail large cash flow commitments in the future.

(h) **Changes in accounting policies and estimates**

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

(i) **Employee retirement benefits**

kasneb operates a staff retirement benefits scheme for its employees. The scheme, which was established on 1 January 1980, operates in accordance to the provisions of the Retirement Benefits Act, 1997. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions from both the employees and kasneb as the sponsor. The scheme was converted from a defined benefits scheme to a defined contribution scheme with effect from 1 July 2011 in compliance with Treasury Circular No. 18/2010 and the Retirements Benefits Act.

kasneb has no legal or constructive obligation to pay further contributions to the defined contribution scheme if the fund does not hold sufficient assets to pay all employee benefits



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

kasneb and all its employees also contribute to a statutory defined contribution scheme, the National Social Security Fund (NSSF). The contributions are determined by the National Social Security (NSSF) Act, 2013.

(j) **Related parties and transactions**

The senior management team is regarded as related parties and comprise the Chief Executive Officer, Directors and Senior managers. The total remuneration of senior management team for the financial year ended June 2019 were as follows:

Number of senior management staff	15
Total remuneration (Sh.)	85,124,169

There were no other related party transactions during the financial year ended 30 June 2019.

(k) **Financial risk management**

kasneb seeks to minimise its exposure to financial risk by investing only in secure government treasury bills and bonds. There are no financial liabilities like loans and overdrafts other than suppliers' liabilities.

(i) **Currency risk**

kasneb bank accounts are denominated in Kenyan shilling as shown in note 13.1, except for Kenya Commercial Bank (KCB) Dollar Account which is domiciled at KCB, Capital Hill Branch. Income and expenses are settled in Kenya shilling hence there is minimal or no exposure to currency risk.

(ii) **Interest rate risk**

Interest rate risk arises from possible impact of changes in interest rates on the value of financial instruments. By investing only in government treasury bills and bonds, kasneb has minimal exposure to interest rate risk.

(iii) **Credit risk**

Credit risk is the risk that a party to financial instrument transaction will fail to discharge an obligation and cause the other party to incur a financial loss. kasneb is exposed to minimal credit risk on the debtor account. The risk is minimised since students' fees are paid in advance. Mortgage and car loans advanced to members of staff are fully secured on the property. Only minimal credit facilities are granted mainly to customers advertising in kasneb Newsline and bulk short service message (SMS) service providers.

(iv) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank and highly liquid investments in Treasury bills which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to members of staff which were not surrendered or accounted for at the end of the financial year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(l) **Comparative figures**

Where necessary the previous financial year comparative figures have been adjusted/ reconfigured to conform to the required changes in presentation.

(m) **Significant judgments and sources of estimation uncertainty**

The preparation of the 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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. kasneb based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of kasneb. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

Subsequent events

There are no subsequent events to the financial year end with a significant impact on the financial statements for the year ended 30 June 2019.

4.

INCOME FROM OPERATIONS	Note	2018/2019	2017/2018
		Sh.	Sh.
Examination booking fees		404,011,533	394,313,941
Registration fees		90,601,658	78,067,411
Annual registration renewal fees		56,285,614	64,991,720
Exemption fees		55,764,093	46,133,471
Sale of publications		136,300	168,165
		606,799,198	583,674,708



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5.	INCOME FROM OTHER SOURCES	Note	2018/2019	2017/2018
			Sh.	Sh.
	Rental income		2,363,881	877,516
	Interest income		61,746,003	85,560,314
	Miscellaneous income		11,161,735	7,579,779
			75,271,619	94,017,609
5.1	INTEREST INCOME			
	Interest income comprises the following:			
	Interest received from government securities		39,160,206	54,177,464
	Accrued interest from government securities/ mortgage		15,409,139	20,990,394
	Interest received from mortgage deposit		4,277,333	6,929,782
	Interest earned from bank balances		2,348,025	2,856,388
	Interest earned from advances to staff		551,301	606,286
			61,746,003	85,560,314
6.	OPERATING EXPENSES			RESTATED
	Examinations and invigilation		107,629,513	118,725,083
	Examination prizes		2,585,916	3,062,070
	Hire of examination halls		4,606,180	5,484,826
	Data processing		6,150,361	5,553,818
	Printing and stationery		23,684,582	29,881,849
	Local travel and transport		2,930,600	4,484,842
	Long distance travel and transport		4,886,257	4,342,724
	Postage and telephone		5,034,994	8,115,358
	Audit fees		1,000,000	812,000
	Insurance		2,856,726	909,833
	Sundry expenses	6.1	5,842,452	9,666,713
	Bank charges		622,807	1,718,628
	Marketing and communication		35,634,524	38,395,959
	kasneb Newslite		2,806,288	9,561,384
	Legal expenses	6.2	2,464,561	640,856
	Land rent and rates		631,754	618,000
	Office Provisions		6,400,063	5,487,070
	Research and Innovation Centre	6.3	1,804,818	4,216,004
	Examinations development and Research	6.3	58,000	4,184,200
	Impairment of receivables	6.4	18,451,969	-
			236,082,365	255,861,217
6.1	SUNDRY EXPENSES			
	End of year and annual anniversary expenses		2,259,550	5,817,418
	Staff uniforms, floral and laundry expenses		965,097	1,318,547
	Other expenses		2,617,805	2,530,748
			5,842,452	9,666,713



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6.2 LEGAL EXPENSES

Legal expenses relate to payments made to firms of advocates hired by kasneb as:

(a) Plaintiff in a civil case regarding the access road to kasneb.

(b) Defendant in civil cases relating to a supplier and an employee who was dismissed from service.

6.3 RECLASSIFICATION OF EXPENSES

Research and Innovation Centre and Examination Development and research expenses were initially classified under administration costs. However, they have been reclassified under operating expenses and comparative figures for 2017/2018 restated as appropriate.

6.4 IMPAIRMENT OF RECEIVABLES

The Impairment of receivables relates to revenue collected by the Postal Corporation of Kenya on behalf of kasneb in the financial year 2015/2016 under Revenue Collection contract between the two entities. However, the Postal Corporation of Kenya had failed to remit an amount of Sh. 18,451,969 as at 30 June 2019.

7

EMPLOYEE COSTS	Note	2018/2019	2017/2018
		Sh.	Sh.
Salaries and wages		172,990,048	181,564,104
Contributions to pension		43,012,324	40,902,932
Contributions to medical aid and benefits		38,253,646	26,791,352
Casual labour		3,784,598	3,629,027
Leave allowances		4,405,709	5,319,432
Commuter allowances		17,896,646	19,296,694
Education and training		16,465,925	17,107,081
Housing benefits and allowances		43,633,225	47,360,904
Overtime payments		15,387,145	16,392,861
Entertainment allowance		3,060,000	3,247,419
Examinations security allowance		35,316,613	38,483,226
Extraneous allowances		1,540,195	1,710,000
Telephone allowances		1,637,746	1,849,355
Performance reward and other bonuses		10,243,897	10,966,077
		407,627,717	414,620,464

8.

BOARD EXPENSES

Chairman's honoraria		400,000	-
Board and committees attendance allowances		5,457,040	3,704,000
Board Medical expenses		317,889	-
Board and committees workshops expenses		4,164,180	701,065
		10,339,109	4,405,065
			RESTATED

9.

ADMINISTRATION COSTS

Insurance and maintenance of office premises		10,495,272	9,066,661
Social responsibility	9.1	2,240,804	1,949,650
kasneb Foundation - Bursary		129,600	220,600
Strategic planning		-	1,513,220
Website development and maintenance		3,626,858	4,378,766
Miscellaneous expenses		249,927	1,831,774
Other nonrecurrent expenses		10,926,324	5,811,882
		27,668,785	24,772,583



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	9.1	SOCIAL RESPONSIBILITY	Note	2018/2019	2017/2018
				Sh.	Sh.
		Donations to libraries (KNLS)		383,317	1,362,283
		Donations to other institutions		847,110	232,700
		School fees to needy students		1,010,377	354,667
				2,240,804	1,949,650
10.		REPAIRS AND MAINTENANCE			
		Machinery and office equipment		1,131,986	1,171,766
		Motor vehicles		711,863	-
		ICT equipment		138,101	39,040
		Building repairs		78,100	112,230
				2,060,050	1,323,036
11.		CONTRACTED SERVICES			
		Building management and maintenance		12,859,558	6,636,480
		Security services		7,955,996	3,990,221
		Lift service and maintenance		82,940	111,708
		Garbage collection services		-	153,120
		Sanitary services		335,721	362,724
		Car park		-	1,074,781
		Provision of bottled water		619,801	672,466
				21,854,016	13,001,500
12.		DEPRECIATION AND AMORTISATION			
		Depreciation - Property, plant and equipment	16(c)	52,106,883	15,247,883
		Amortisation - Leasehold land		-	4,451,220
		Amortisation - Intangible assets	17	62,267	4,299,346
				52,469,150	23,998,449
13.		CASH AND BANK BALANCES			
		Bank balances	13.1	117,374,832	139,758,550
		Cash-on-hand and in transit		247,862	448,913
		Mortgage deposit		176,208,356	171,931,023
				293,831,050	312,138,486
13.1		BANK BALANCES			
		National Bank of Kenya Ltd. - Main account		20,097,013	25,276,608
		National Bank of Kenya Ltd. - Fee collection account		19,240,297	26,538,660
		Barclays Bank of Kenya Ltd.		27,912,266	40,651,966
		Equity Bank Ltd.		12,361,965	3,003,050
		Cooperative Bank of Kenya Ltd.		9,901,170	3,538,182
		Kenya Post Office Savings Bank (Postbank)		3,460,836	6,471,776
		Kenya Commercial Bank Ltd.- Dollar Account		1,220,828	2,516,048
		Kenya Commercial Bank Ltd.- Ksh. Account		23,098,594	31,750,197
		UBA Kenya Bank.ltd		81,863	12,063
				117,374,832	139,758,550



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

14.	CASH AND CASH EQUIVALENT	Note	2018/2019	2017/2018
			Sh.	Sh.
	Cash and bank balances		293,831,050	312,138,486
	Treasury Bills and Bonds maturing within one year	14.1	350,058,900	449,128,200
			<u>643,889,950</u>	<u>761,266,686</u>
14.1	TREASURY BILLS/BONDS MATURING WITHIN ONE YEAR			
	Treasury Bills maturing within one year		350,058,900	443,632,400
	Treasury Bonds maturing within one year		-	5,495,800
			<u>350,058,900</u>	<u>449,128,200</u>
15.	TRADE AND OTHER RECEIVABLES			
	Prepayments		213,340	2,644,214
	Interest receivable		15,409,139	20,990,394
	Postal Corporation of Kenya (Postapay receipts)	6.3	-	18,520,305
	Web Tribe Ltd. (Jambopay receipts)		1,029,871	1,135,916
	Other receivables		5,023,495	2,342,359
	Staff receivables		19,342,586	18,279,673
			<u>41,018,431</u>	<u>63,912,861</u>
16 (a)	PROPERTY, PLANT AND EQUIPMENT (NET BOOK VALUES)			
	Building		160,351,803	140,569,783
	Investment property		1,123,369,596	-
	Construction work in progress		-	1,141,781,587
	Information communication technology equipment		2,965,987	4,298,993
	Furniture and fittings		7,737,677	11,703,720
	Machinery and office equipment		30,060,396	1,749,267
	Motor vehicles		8,239,500	3,026,513
			<u>1,332,724,959</u>	<u>1,303,129,863</u>
16 (b)	LEASEHOLD LAND			
	Cost/valuation		365,000,000	365,000,000
	As at 30 June		<u>365,000,000</u>	<u>365,000,000</u>
	AMORTISATION			
	Balance b/f		17,804,880	13,353,660
	Amortisation charge for the year		4,451,220	4,451,220
	As at 30 June		<u>22,256,100</u>	<u>17,804,880</u>
	Net book value as at 30 June		<u>342,743,900</u>	<u>347,195,120</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16(c) SCHEDULE OF NON CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT - 2018/2019

RESTATED	Building	Investment property	Building Construction In-progress	Information Communication Technology Equipment	Furniture and Fittings	Machinery and Office Equipment	Motor Vehicles	Total
COST/ VALUATION	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
At 1 July 2018	156,156,522	-	1,141,781,587	69,559,637	55,389,972	29,020,375	29,540,278	1,481,448,371
Additions	24,293,265	-	30,620,101	2,572,509	672,855	16,432,249	10,986,000	85,576,979
Disposal	-	-	-	-	-	(2,362,916)	-	(2,362,916)
Transfer	-	1,152,173,945	(1,172,401,688)	-	-	20,227,743	-	-
At 30 June 2019	180,449,787	1,152,173,945	-	72,132,146	56,062,827	63,317,451	40,526,278	1,564,662,434
DEPRECIATION								
At 1 July 2018	15,586,739	-	-	65,260,644	43,686,252	27,271,108	26,513,765	178,318,508
Revaluation	3,875,000	-	-	-	-	-	-	3,875,000
Charge for the year	639,245	28,804,349	-	3,905,515	4,638,898	8,348,863	5,773,013	52,106,883
Eliminated on disposal	-	-	-	-	-	(2,362,916)	-	(2,362,916)
At 30 June 2019	20,097,984	28,804,349	-	69,166,159	48,325,150	33,257,055	32,286,778	231,937,475
NET BOOK VALUE								
At 30 June 2019	160,351,803	1,123,369,596	-	2,965,987	7,737,677	30,060,396	8,239,500	1,332,724,959

* The building construction in progress is reclassified to investment property.

PROPERTY, PLANT AND EQUIPMENT - 2017/2018

COST/ VALUATION	Building	Building Construction In-progress	Information Communication Technology Equipment	Furniture and Fittings	Machinery and Office Equipment	Motor Vehicles	Total
	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
At 1 July 2017	156,156,522	908,937,700	65,915,143	48,021,835	29,020,375	31,585,278	1,239,636,853
Additions	-	232,843,887	3,767,094	7,433,974	-	-	244,044,955
Disposals	-	-	(122,600)	(65,837)	-	(2,045,000)	(2,233,437)
At 30 JUNE 2018	156,156,522	1,141,781,587	69,559,637	55,369,972	29,020,375	29,540,278	1,481,448,371
DEPRECIATION							
At 1 July 2017	11,682,826	-	62,335,232	38,777,544	25,959,368	26,549,092	165,304,062
Charge for the year	3,903,913	-	3,048,012	4,974,545	1,311,740	2,009,673	15,247,883
Disposals	-	-	(122,600)	(65,837)	-	(2,045,000)	(2,233,437)
At 30 June 2018	15,586,739	-	65,260,644	43,686,252	27,271,108	26,513,765	178,318,508
NET BOOK VALUE							
At 30 JUNE 2018	140,569,783	1,141,781,587	4,298,993	11,703,720	1,749,267	3,026,513	1,303,129,863



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
		Sh.	Sh.
17. INTANGIBLE ASSETS			
Cost/valuation		34,237,737	33,301,437
Balance brought forward as at 1 July		-	-
Additions - Software		150,500	936,300
As at 30 June		34,388,237	34,237,737
Amortization and impairment			
At 1 July		29,908,815	25,609,469
Amortisation		362,267	4,299,346
As at 30 June		30,271,082	29,908,815
Net book value as at 30 June		4,117,155	4,328,922
18. FINANCIAL INSTRUMENTS			
The financial instruments in which kasneb has contracted are held to maturity as indicated in note 3 (f) and include Treasury bills and bonds. They are included in the financial statements under current and non-current investments. Treasury bonds maturing after one year are as follows:			
		172,231,700	176,535,500
19. TRADE AND OTHER PAYABLES			
Examinations and invigilation expenses		5,358,603	14,682,780
Accruals		81,843,374	106,198,595
		87,201,977	120,881,375
20. PROVISIONS			
Leave days: brought forward		6,795,443	7,406,663
Increase/(Decrease) in provision:		(1,097,239)	(611,220)
Carried forward		5,698,204	6,795,443
Gratuity		4,162,868	4,588,918
Other non recurrent expenses		1,843,820	-
Examination prizes		1,120,000	2,412,200
Students Newslite		-	1,374,452
Carried forward		12,824,892	15,171,013
21. PAYMENTS RECEIVED IN ADVANCE			
Prepaid examination fees		1,947,250	1,207,993
22. REVALUATION RESERVES		380,583,214	388,909,434

The revaluation reserve arose from a revaluation of land, building and motor vehicles in 2013/2014 by the following registered firms of valuers:

Land and buildings- NW Realite
 Motor vehicles- Automobile Association (AA) of Kenya



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
		Sh.	Sh.
23.			
		ACCUMULATED SURPLUS	
		2,130,199,137	2,137,696,517
		-	52,792,587
		(76,030,375)	(60,289,967)
		2,054,168,762	2,130,199,137
24.			
		RECONCILIATION OF NET INCOME TO CASH GENERATED FROM OPERATING ACTIVITIES	
		(82,776,595)	(60,289,967)
		Adjustment for:	
		59,215,370	23,998,449
		Working capital adjustments:	
		22,894,430	18,841,565
		(35,286,262)	11,751,187
		(35,953,057)	(5,698,766)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

25. MAJOR CAPITAL COMMITMENTS

kasneb entered into major capital commitments relating to the extension of kasneb Towers I and construction of kasneb Towers II on 11 December 2013. The projects were geared towards enhancing the security and efficiency in the administration of the examinations. The main contractors are Dinesh Construction Limited while the project architects are Jomo Kenyatta University College of Agriculture and Technology (JKUAT) Enterprises Ltd.

The total project costs are as follows:

	Sh.
Contract sum	1,074,883,805
Provision for variations of works	27,149,345
Project design and consultancy services (Plus 16% VAT)	127,835,845
Total	1,229,868,995

As at 30 June 2019 a total of Sh.1,152,173,945 had been spent on certified works and consultancy services which is equivalent to 94% of the total estimated cost of the project.

The procurement method used to identify the project architects and contractors were as follows:

(a) JKUAT Enterprises Ltd.

The procurement of JKUAT Enterprises Ltd. as the project managers was undertaken in accordance with the provisions of section 4(2)(c) of the Public Procurement and Disposal Act, 2005 given that JKUAT Enterprises Ltd. is a subsidiary of a Government entity.

(b) Dinesh Construction Ltd.

The procurement of Dinesh Construction Ltd. was through open tender. The contract was signed on 11 December 2013 and the contractors took possession of the site on the same day. The construction works commenced on 6 February 2014. The project works were completed and partially handed over on 22 February 2019. The contractors provided for defect liability period of 6 months. The final hand over was expected to be on 30 August 2019.

26. MORTGAGE DEPOSIT

kasneb operates a staff mortgage scheme. The staff mortgage scheme is administered by Kenya Commercial Bank Ltd. A revolving fund is maintained with Kenya Commercial Bank Ltd. for the purpose of advancing mortgage loans to members of staff. An interest rate of 4% per annum on reducing balance basis is charged on the mortgage loans.

27. TAXATION

The income of kasneb is exempt from income tax by virtue of legal notice No. 116/1975.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

28. EXPLANATORY NOTES ON VARIANCES IN THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 30 JUNE 2018

The following are explanations on some variances in the financial statements:

28.1 INCOME

The reported total income of Sh.682.1 million for the year ended 30 June 2019 was lower than the budgeted income of Sh.746.9 million by Sh.64.8 million representing a negative variance of 8.6%.

During the financial year 2018/2019, kasneb implemented the following strategies to address the downward trend on income:

- Aggressive marketing of qualifications through Huduma offices, agency marketing, marketing in institutions of higher learning, secondary schools and trade fairs.
- Review of syllabuses to incorporate revision of entry grades and introduction of certificate course.
- Waiver of registration reactivation fees for dormant students and introduction of early bird discounts.
- Operationalisation of kasneb Foundation Fund to assist students pursuing kasneb qualifications with loans/grants.
- Lobbying for recognition of kasneb qualifications.
- Reduced the rental rate for Kasneb Towers II from Sh.115 in financial year 2017/2018 to Sh.80 in the year 2018/2019 per square foot in order to attract clients to take up office space.

The following is a brief analysis of the various major sources of income.

(a) Examination booking fees

The reported income of Sh.404 million was lower than the budgeted income of Sh.448.1 million by Sh.44.1 million representing a negative variance of 9.9%. However, it is worth noting that the reported income was higher than the booking fee reported in the financial year 2017/2018 of Sh.394.3 million representing an increase of 2.4%.

(b) Registration fees

The reported income of Sh.90.6 million was higher than the budgeted income of Sh.80 million by Sh.10.6 million representing a positive variance of 13.2%. It is also note worthy that the reported income was higher than the comparative income for the financial year 2017/2018 of Sh.78 million representing a positive variance of 16.2%. This is attributable to increased number of students who registered in the financial year 2018/2019.

(c) Annual registration renewal fees

The reported income of Sh.56.3 million was lower than the budgeted income of Sh.66.9 million by Sh.10.6 million representing a negative variance of 15.9%. The variance is attributable to lower numbers of students who booked examinations compared to the projected numbers during the financial year 2018/2019.

(d) Exemption fees

The reported income of Sh.55.8 million was marginally higher than the budgeted income of Sh.52.6 million by Sh.3.2 million representing a positive variance of 6%.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(e) Interest earned

The reported income of Sh.61.7 million was lower than the budgeted income of Sh.90 million by Sh.28.3 million representing a negative variance of 31.4%. This is attributable to:

- (i) Amounts invested in treasury bills and bonds which were lower than projected as a result of the shortfall in income targets.
- (ii) Moratorium by the National Treasury not to competitively bid for treasury bills and bonds.

(f) Miscellaneous income

The reported income of Sh.11.2 million was higher than the budgeted income of Sh.6 million by Sh.5 million representing a positive variance of 86.7%. This is attributable to amounts received from new revenue streams during the financial year 2018/2019 namely;

- (i) Fees on storage of certificates.
- (ii) Fees on confirmation of results.

28.2. TAXATION

The total expenditure before depreciation of Sh.705.6 million for the year ended 30 June 2019 was lower than the budgeted expenditure of Sh.736.9 million by Sh.31.3 million representing a positive variance of 4.2%. The following is a brief analysis of some of the main items of expenditure.

(a) Examinations and invigilation

The reported expenditure of Sh.107.6 million was lower than the budgeted expenditure of Sh.110 million by Sh.2.3 million representing a positive variance of 2%. This is attributable to savings realised as a result of enhanced efficiency in the administration of examinations and processing of examinations results as itemised below:

- (i) Utilisation of kasneb Towers II multipurpose hall as an examination centre and as a marking centre.
- (ii) Reduced number of examinations centres.
- (iii) Reduced number of days for marking the examinations from 30 days in the financial year 2017/2018 to 25 days in the financial year 2018/2019.

(b) Examination prizes

The reported expenditure of Sh.2.6 million was lower than the budgeted expenditure of Sh.3.5 million by Sh.0.9 million representing a positive variance of 25.7%. This is attributable to cost savings for use of kasneb Towers II during the prize giving ceremony rather than hiring hotel conference facilities.

(c) Postage and telephone

The reported expenditure of Sh.5 million was lower than the budgeted expenditure of Sh.6 million by Sh.1 million representing a positive variance of 17%. This was attributable to:

- (i) Savings arising from postage of receipts, syllabuses and the authority to sit examinations (time tables) to students online rather than through post.
- (ii) Access and downloading of forms and information by students and candidates from the enhanced kasneb website and e-kasneb.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(d) Salaries and wages

The reported expenditure of Sh.348 million was lower than the budgeted expenditure of Sh.358 million by Sh.10 million representing a positive variance of 3%. This is attributable to:

- (i) Savings due to freeze on recruitment and need to further rationalise the organization structure and establishment.
- (ii) Staff separation during the year.
- (iii) Savings on overtime costs due to increased automation of processes.

(e) Board expenses

The reported expenditure of Sh.10.3 million was lower than the budgeted expenditure of Sh.14 million by Sh.3.6 million representing a positive variance of 26.1%. This is attributable to performance bonus which had been factored in the budget but was not approved by the National Treasury.

(f) Students' journal – kasneb newslite

The reported expenditure of Sh.2.8 million was lower than the budgeted expenditure of Sh.7 million by Sh.4.2 million representing a positive variance of 60%. This is attributable to savings from the budgeted expenditure on:

- (i) The reduced number of copies printed from 50,000 copies to 5,000 copies per issue.
- (ii) The reduced number of issues from 4 issues to 3 issues during the year.

(g) Insurance and maintenance of office premises

The reported expenditure of Sh.10.5 million was lower than the budgeted expenditure of Sh.14 million by Sh. 3.5 million representing a negative variance of 25%. This is attributable to expenses relating to maintenance of kasneb Towers II where no service charge was realised due to unoccupied office space in kasneb Towers II.

(h) Contracted services

The reported expenditure of Sh.21.9 million was higher than the budgeted expenditure of Sh.15 million by Sh.6.9 million representing a negative variance of 46%. This is attributable to costs of management expenses and security services and other expenses for kasneb Towers II where no service charge was realised due to unoccupied office space in kasneb Towers II.

(i) kasneb Foundation – Bursary

The reported expenditure of Sh.0.1 million was lower than the budgeted expenditure of Sh.5 million by Sh.4.9 million representing a positive variance of 97.4%. This is attributable to the incorporation process which was ongoing by the end of the financial year before commencement of disbursement of bursary and loans to students.

(j) Examinations Development and Research

The reported expenditure of Sh.0.06 million was lower than the budgeted expenditure of Sh.5 million by Sh.4.94 million representing a positive variance of 98.8%. This is attributable to savings on printing syllabuses which were accessible online and workshop for setters and markers, workshop for trainers on pedagogy and regional workshops for Invigilators and Coordinators which were deferred to financial year 2019/2020.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(k) Other non-recurrent expenses

The reported expenditure of Sh.10.9 million was lower than the budgeted expenditure of Sh.14.6 million by Sh.4.6 million representing a positive variance of 25.3%. This is attributable to work study, organization structure and optimal staff establishment survey and ISO/IEC 27001 Information Security Management system expenses which were deferred to the financial year 2019/2020.

29. CURRENCY

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

30. RESTATED FIGURES

The comparative figures in the financial year 2017/2018 in the statement of financial performance and notes to the financial statements have been restated as follows:

Item	Note	Original amount	Restated amount	Difference
Operative expenses	6	247,461,013	255,861,217	8,400,204
Administrative expenses	9	33,172,757	24,772,553	(8,400,204)

kasneb QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS



Certified Public Accountants (CPA)

Certified Public Accountants are skilled and competent professional accountants, auditors, finance managers, tax consultants and practitioners both in public and private sectors.



Certified Secretaries (CS)

Certified Secretaries are expert practitioners in governance, governance audits and compliance, corporate secretarial practice, corporate law, consultancy and business management and administration.



Certified Investment and Financial Analysts (CIFA)

Certified Investment and Financial Analysts are experts in financial analysis, consultants and practitioners in investments and securities, portfolio management, pensions management, investment banking among other related areas.



Certified Information Communication Technologists (CICT)

Certified Information Communication Technologists are skilled and competent system developers and programmers, network administrators, system engineers, ICT consultants and practitioners.



Certified Credit Professionals (CCP)

Certified Credit Professionals are skilled and competent top level managers, practitioners and consultants in the rapidly developing field of credit management.

DIPLOMA QUALIFICATIONS



Accounting Technicians Diploma (ATD)

The Accounting Technicians Diploma qualification equips candidates with skills and competencies to work as middle level accountants providing technical support in accounting, auditing and taxation in both the public and private sectors.



Diploma in Information Communication Technology (DICT)

The Diploma in Information Communication Technology graduates possess the technical know-how and skills necessary to work in the dynamic ICT industry as technicians in systems development, systems programming, internet and networking, administration and maintenance.



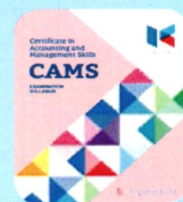
Diploma in Credit Management (DCM)

The Diploma in Credit Management graduates are competent and skilled to work as middle level credit managers and credit controllers in both financial and non-financial enterprises.

CERTIFICATE QUALIFICATION

Certificate in Accounting and Management Skills (CAMS) examination

The Certificate in Accounting and Management Skills (CAMS) is aimed at equipping candidates with fundamental accounting and management skills to provide essential services to small and medium size enterprises (SMEs), non-governmental organisations (NGOs), corporate and the public sector.





kasneb Towers
Hospital Road, Upper Hill
P.O. Box 41362 - 00100
Nairobi - Kenya
Tel: 254 020 4923000
Cellphone: 0722-201214/0734-600624

Fax: 254 020 2712915
E-mail: info@kasneb.or.ke
Website: www.kasneb.or.ke
Facebook: [kasnebOfficial](https://www.facebook.com/kasnebOfficial)
Twitter: [@kasnebOfficial](https://twitter.com/kasnebOfficial)

