

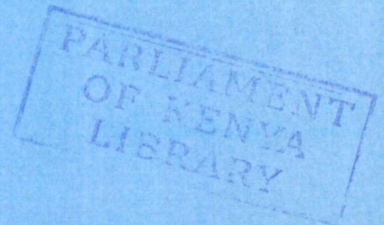
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 07 MAY 2019	DAY: TUE
TABLED BY: LDM	OF
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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA NATIONAL QUALIFICATIONS
AUTHORITY

FOR THE 15 MONTHS PERIOD
ENDED 30 JUNE 2018



KENYA NATIONAL QUALIFICATIONS AUTHORITY (KNQA)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE 15 MONTHS PERIOD ENDED
30 JUNE, 2018**

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

Kenya National Qualifications Authority (KNQA)
Annual Reports and Financial Statements
For the 15 months period ended 30 June 2018

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya National Qualifications Authority was established under the Kenya National Qualifications Framework Act no 22 of 2014. The entity is domiciled in Kenya.

(b) Principal Activities

The principal mandate of Kenya National Qualifications Authority is to establish, implement and maintain the Kenya National Qualifications Framework

(c) Key Management

The Kenya National Qualifications Authority day-to-day management is under the following key organs:

- Council members;
- Director General/ CEO

(d) Fiduciary Management

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

No.	Designation	Name
1.	Ag. CEO	Johnnson Nanjakululu
2.	Ag. Head of Finance	Angelyne Kabasa
3.	Ag. Head of Procurement	Sammuel Muka
4.	Technical Officer	Ephraim Munene

(e) Fiduciary Oversight Arrangements

The following are the committees of the board

- General human resource and administration committee
- Finance and resource mobilisation committee
- Qualifications and standards committee
- Audit and compliance Committee

(f) Headquarters

P.O. Box 72635-00200
Uchumi House
Agha Khan Walk
Nairobi, KENYA

(g) Contacts

Telephone: (254) 20 2100272
E-mail: knqa.go.ke@gmail.com
Info@knqa.go.ke

(h) Bankers

1. Kenya Commercial Bank
Moi Avenue
Nairobi, Kenya

(i) Independent Auditors

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney-General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

REPORT OF THE CHIEF EXECUTIVE OFFICER

The 2017/2018 annual report details the progress that the KNQA has made as well as the challenges that it had to address. The KNQA was set up to regulate all levels of education in Kenya; to ensure that learning is competence based and that the education system develops tools for assessment and quality assurance that meet international standards. Because of this huge mandate that KNQA has it has to work with many stakeholders to achieve results. Over the last one year, the organization has organized and hosted several stakeholder consultative forums; that has increased its understanding of the issues and challenges that affect implementation of its mandate.

Through strategic engagement with our stakeholders, we produced the KNQF regulations 2018 that were gazetted by the CS ministry of Education in July 2018. The Council now has the enormous task of developing policies, standards and guidelines to operationalize these regulations; and kick start the work that KNQA was set up to do. The KNQA also needs to purchase and install infrastructure and recruit staff, to enable it to begin implementing the many and complex objectives that the organization was set up to do. We are confident that this will be achieved in the coming three years.

Sign.....

EUSEBIUS J. MUKHWANA
DIRECTOR GENERAL/CEO

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which organizations are directed, controlled and held to account. The Council of KNQA is responsible for the overall management and governance of the organization and is accountable to the stakeholders for ensuring that KNQA complies with the law and best international practices; in corporate governance as promulgated by relevant authorities.

The Council members are appointed in accordance with section 10 of the KNQF act; and comprises of 10 persons appointed by the cabinet secretary in the Ministry of Education. Council members represent various stakeholders in the council (in their individual capacity) and comprises of;

- (a) A chairperson appointed by the Cabinet Secretary;
- (b) The Principal Secretary responsible for matters relating to education;
- (c) The Principal Secretary responsible for matters relating to labour;
- (d) The Principal Secretary responsible for matters relating to finance;
- (e) *Six persons appointed by the Cabinet Secretary as follows —*

one person representing the Commission for University Education; (ii) one person representing the Technical and Vocational Education and Training Authority; (iii) one person representing the Education Standards and Quality Assurance Council; (iv) one person nominated by an organization representing professional associations in Kenya; (v) one person nominated by the Federation of Kenya Employers; (vi) one person nominated by an organization representing workers unions; and (f) the Director-General who shall be the secretary.

The full council meets at least 4 times in each calendar year at such a place and time as the chairman may from time to time determine. The council retains the responsibility for establishing and maintaining the institution's overall control of financial, operational, compliance and issues as well as implementing strategies for the long-term success of the organization.

The Functions of the KNQA is as set out below;

- (a) Co-ordinate and supervise the development of policies on national qualifications;
- (b) Develop a framework for the development of an accreditation system on qualifications;
- (c) Develop a system for assessment of national qualifications;
- (d) Develop and review interrelationships and linkages across national qualifications in consultation with stakeholders, relevant institutions and agencies;
- (e) Maintain a national database of national qualifications;
- (f) Publish manuals, codes and guidelines on national qualifications;
- (g) Advise and support any person, body or institution which is responsible for the award of national qualifications;
- (h) Publish an annual report on the status of national qualifications;
- (i) Set standards and benchmarks for qualifications and competencies including skills, knowledge, attitudes and values;
- (j) Define the levels of qualifications and competencies;

(k) Provide for the recognition of attainment or competencies including skills, knowledge, attitudes and values;

(l) Facilitate linkages, credit transfers and exemptions and a vertical and horizontal mobility at all levels to enable entry, re-entry and exit; and

(m) Conduct research on equalization of qualifications;

(n) Establish standards for harmonization and recognition of national and foreign qualifications; (o) build confidence in the national qualifications system that contributes to the national economy; (p) provide pathways that support the development and maintenance of flexible access to qualifications; (q) promote the recognition of national qualifications internationally; and (r) perform such other functions as may be provided under this Act.

REPORT OF THE DIRECTORS

The Council Members submit their report for the period ended June 30,2018 which show the state of the Kenya National Qualifications Authority affairs.

Principal activities

The principal mandate of Kenya National Qualifications Authority is to establish, implement and maintain the Kenya National Qualifications Framework

Results

The results of the entity for the year ended June 30, 2018 are set out on the page 1.

Directors

The members of the Board of Directors who served during the year are shown on page iv.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya National Qualifications Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the entity for the year/period ended June 30, 2018 in accordance to section 23 of the Public Audit Act, 2015.

By Order of the Board

Kenya National Qualifications Authority (KNQA)
Annual Reports and Financial Statements
For the 15 months period ended 30 June 2018

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Council members to prepare financial statements in respect of that KNQA, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Council Members are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Council Members are also responsible for safeguarding the assets of the entity.

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

The Council Members accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Council Members are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Kenya National Qualifications Authority Financial Statements were approved by the Council on 21st August 2018 and signed on its behalf by:

Sign 
Council Member

Sign 
Council Member

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE KENYA NATIONAL QUALIFICATIONS AUTHORITY FOR THE 15 MONTHS PERIOD ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya National Qualifications Authority set out on pages 1 to 11, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the 15 months period 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 National Qualification Authority as at 30 June, 2018, and of its financial performance and its cash flows for the 15 months period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya National Qualifications Framework Act no. 22 of 2014.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya National Qualifications Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, 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 of the Auditor-General on the Financial Statements of Kenya National Qualifications Authority for the 15 Months period ended 30 June 2018

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, I confirm that, nothing 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

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 confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management

either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or

operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

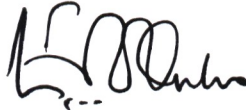
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

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

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



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

Nairobi

08 April 2019

Kenya National Qualifications Authority (KNQA)
Annual Reports and Financial Statements
For the 15 months period ended 30 June 2018

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE 15 MONTHS PERIOD ENDED 30 JUNE 2018**

	Notes	2017- 2018 Kshs
Revenue from non-exchange transactions		
Transfers from other governments – gifts and services-in-kind	4	23,868,000
		23,868,000
Revenue from exchange transactions		
Total revenue		23,868,000
Expenses		
Use of goods and services	5	11,392,873
Council allowances	6	6,641,775
Depreciation and amortization expense	7	723,793
Provision for Audit Fees	8	250,000
Finance costs	9	12,328
Total expenses		19,020,769
Other gains/(losses)		
Surplus before tax		4,847,231
Net Surplus for the period		4,847,231


The notes set out from page 5 form an integral part of these Financial Statements.


Kenya National Qualifications Authority (KNQA)
Annual Reports and Financial Statements
For the 15 months period ended 30 June 2018

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Notes	2017-2018
		Kshs
Assets		
Current assets		
Cash and cash equivalents	10	3,017,984
Receivables	11	547,790
Investments		
		3,565,774
Non-current assets		
Property, plant and equipment	7	1,531,457
Total assets		5,097,231
Liabilities		
Current liabilities		
Creditors		250,000
Total current liabilities	12	250,000
Non-current liabilities		
Net assets		4,847,231
Funds		
Accumulated surplus		4,847,231
Total net assets		4,847,231

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

Sign.....
Director General
Name: Dr. Eusebius J. Mukhwana
Date.....25/03/2019

Sign.....
Head of Accounts
Name: Angelyne Kabasa
ICPAK Member Number; 13382
Date.....25/03/19

Kenya National Qualifications Authority (KNQA)
Annual Reports and Financial Statements
For the 15 months period ended 30 June 2018

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE 15 MONTHS PERIOD ENDED 30 JUNE 2018**

Particulars	Revaluation Reserve Kshs	Fair value adjustment Reserve Kshs	Retained Surplus Kshs	Total Kshs
As at 1 st July 17	-	-	-	-
Surplus for the period	-	-	4,847,231	4,847,231
Net as at 30th June 2018	-	-	4,847,231	4,847,231

**STATEMENT OF CASH FLOWS
FOR THE 15 MONTHS PERIOD ENDED 30 JUNE 2018**

	Notes	2017-2018 Kshs
Cash flows from operating activities		
Receipts		
Transfers from other governments – gifts and services-in-kind	4	23,868,000
Total Receipts		23,868,000
Payments		
Use of Goods and Services	5	11,392,873
Council Allowances	6	6,641,775
Finance cost	9	12,328
Total Payments		18,046,976
Net cash flows from operating activities		5,821,024
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets		(2,255,250)
Proceeds from sale of property, plant and		
Increase in non-current receivables		(547,790)
Net cash flows used in investing activities		(2,803,040)
Net increase/(decrease) in cash and cash equivalents		3,017,984
Cash and cash equivalents at 30 JUNE		3,017,984

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE 15 MONTHS PERIOD ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	%
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Government grants and subsidies	23,868,000		23,868,000	23,868,000	0	0%
Total income	23,868,000		23,868,000	23,868,000	0	0%
Expenses						
Personal Allowances	1,600,000		1,600,000	1,600,000	0	0%
Communication Supplies and Services	566,000		566,000	545,000	21,000	4%
Domestic Travel and subsistence and other transport costs	7,703,200		7,703,200	5,384,310	2,318,890	30%
Printing, advertising and information supplies	228,000		228,000	214,000	14,000	6%
Hospitality supplies and services	9,485,800		9,485,800	9,097,193	388,607	4%
Office and general supplies and Services	1,655,000		1,655,000	913,095	741,905	44%
Other Operating expenses	30,000		30,000	12,328	17,672	58%
Purchase of office furniture and general equipment	2,600,000		2,600,000	2,536,300	63,700	2%
Total expenditure	23,868,000.00		23,868,000.00	20,302,226	3,565,774	
Surplus for the period			-		3,565,774	

Explanation for the variances

The under expenditures were brought about by late receipt of fund

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya National Qualifications Authority was established by and derives its authority and accountability from Kenya National Qualifications Framework Act of 2014. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity are registration and accreditation of institutions and their qualifications; and establishment and maintenance of the Kenya National qualifications framework (KNQF).

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

a) The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

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

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

b) The financial statements have been prepared for a period of 15 months starting from the time the Authority got the funds in April 2017. This is in accordance to IPSAS 1 (69)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

Kenya National Qualifications Authority (KNQA)
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For the 15 months period ended 30 June 2018

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on June 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 these financial statements.

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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized 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 recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

KNQA depreciates its assets on a reducing balance basis at the following rates;

- Furniture, fixtures fittings and equipment at 12.50% per annum.
- Computers and printers at 33.33% per annum

d) Changes in accounting policies and estimates

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

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

f) Subsequent events

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

4) TRANSFERS FROM OTHER GOVERNMENTS- GIFTS AND SERVICES- IN-KIND

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2017-2018
			KShs	KShs	KShs
State Department of Vocational and Technical Training	23,868,000	0	0	0	23,868,000
Total	23,868,000	0	0	0	23,868,000

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5. USE OF GOODS AND SERVICES

Description	2017-2018
	KShs
Communication supplies and services	545,000
Domestic travel and subsistence allowance	5,384,310
Printing advertising and information services	214,000
Hospitality supplies and Services	4,055,418
Office and General supplies	913,095
Purchase of Office Furniture and general Equipment	281,050
Total good and services	11,392,873

6. COUNCIL ALLOWANCES

Description	2017-2018
	KShs
Chairman's Honoraria	1,600,000
Council Allowances	3,100,000
Per diem allowances	1,262,800
Other allowances (travel costs)	678,975
Total Council Allowances	6,641,775

7. DEPRECIATION AND AMORTIZATION EXPENSE

	Furniture, Fixtures Fittings and Equipment @12.5%	Computers and Printers @ 33.33%	Total
Cost	KShs	KShs	KShs
At 1 July 2016	-	-	-
Additions	630,250	1,625,000	2,255,250
Disposals	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2018	630,250	1,625,000	2,255,250
Depreciation and impairment			-
As at 1 st July 2016	-	-	-

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Depreciation Charge	91,912	631,881	723,793
As at 30 June 2018	91,912	631,881	723,793
Net Book Values			
At 30 June 2018	538,338	993,119	1,531,457

8. PROVISION FOR AUDIT FEES

Particulars	2017/2018
	Kshs
Audit Fees	250,000

9. FINANCE COSTS

Description	2017-2018
	KShs
Bank Charges	12,328
Total finance costs	12,328

10. CASH AND CASH EQUIVALENTS

Description	2017-2018
	KShs
Current account	3,017,984
Total cash and cash equivalents	3,017,984

DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2017-2018
		KShs
a) Current account		
Kenya Commercial bank		3,017,984
A/C No. 120862825		
Sub- total		3,017,984
Grand total		3,017,984

11. ACCOUNTS RECEIVABLE

Description	2017-2018
Outstanding Imprest	547,790
Total	547,790

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12. CREDITORS

Particulars	Year	Amount
Provision for Audit Fees	FV2017/18	250,000

13. RELATED PARTIES

Nature of related party relationships

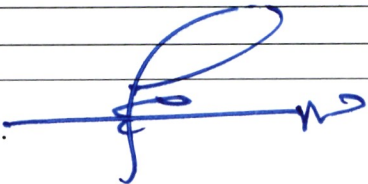
Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Kenya National Qualifications Authority, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Education, State Department of vocational and Technical Training
- iii) Key management;
- iv) Council Members;

	2018	2017
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	15,000,000	8,868,000
Total	15,000,000	8,868,000
b) Key management compensation		
Directors' emoluments	3,620,000	1,200,000
Total	3,620,000	1,200,000

Sign.....
 Director General
 Kenya National Qualifications Authority
 Date... 25/03/2019

Sign.....
 Council Member
 Date... 25/03/19

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INTER-ENTITY TRANSFERS

ENTITY NAME:		KENYA NATIONAL QUALIFICATIONS AUTHORITY		
Break down of Transfers from the State Department of Vocational and Technical Training				
FY 17/18				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Financial Year</u>
		27 th April 2017	8,868,000	2016/17
		13 th October 2017	3,750,000	2017/18
		1 st November 2017	3,750,000	2017/18
		22 nd February 2018	3,750,000	2017/18
		16 th April 2018	3,750,000	2017/18
		Total	23,868,000	
		Total	23,868,000	

The above amounts have been communicated to and reconciled with the Ministry of Education, State Department of Vocational and Technical Training

Accountant
Kenya National Qualifications Authority

Sign



Head of Accounting Unit
State Department of Vocational &
Technical Training

Sign

