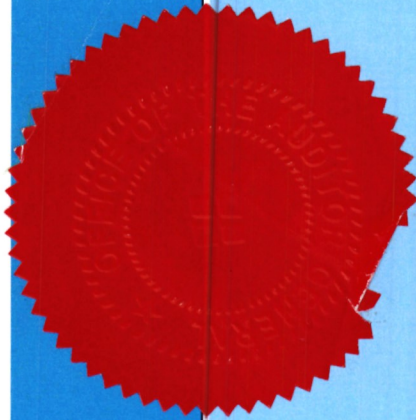



REPUBLIC OF KENYA



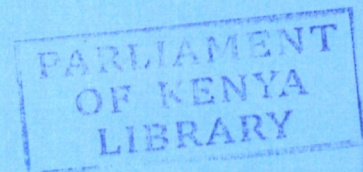
Enhancing Accountability



| | |
|---|----------------------|
|  THE NATIONAL ASSEMBLY REPORT LAPSE LAID | |
| DATE: 10 SEP 2020 | DAY: _____ |
| TABLED BY: | LEADER OF OPPOSITION |
| CLERK-AT THE-TABLE: | SUSAN MARITIM |

THE AUDITOR-GENERAL

ON



NURSING COUNCIL OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2019**



NURSING COUNCIL OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Nursing Council of Kenya is regulatory body under the Ministry of Health established on 10th June 1983 by an Act of Parliament under the Nurses Act Chapter 257 of the Laws of Kenya. The Council's mandate is to make provision for the training, registration, enrolment and licensing of nurses: to regulate their conduct and to ensure their maximum participation in the health care of community and for connected purposes.

The Council has a Secretariat to facilitate it in carrying out its mandate. The functions of the Secretariat are organized under three technical departments and Support service section. The technical departments comprise of Registration & Licensing, Education & Examination, and Standards, Ethics & Compliance. The support service departments include Finance, Supply Chain, Human Resource & Administration, Internal Audit, Legal, Information Technology and Communication.

NCK is governed by a Council appointed by the Cabinet Secretary for the Ministry of Health. The Council is responsible for the general policy and strategic direction of the Council.

(b) Principal Activities

The principal activity of NCK is to regulate the Nursing and midwifery education and practice in Kenya.

Vision

A world class regulatory body in nursing and midwifery education and practice

Mission

Develop standards; enforce regulations in nursing and midwifery education and practice

Core Values

These are the DNA of the Council that everything we do comes from deeply-held commitment and shared understanding of our values, what we stand for, how we treat each other and those we serve; that inform every policy and steer every action summarized as:

- ❖ Integrity
- ❖ Social Responsibility
- ❖ Innovation
- ❖ Excellence
- ❖ Nurture
- ❖ Professionalism
- ❖ Responsiveness

NURSING COUNCIL OF KENYA
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For the year ended June 30, 2019

(c) Key Management

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

- Council members
- Registrar / Chief Executive Officer
- Deputy Registrar
- Senior Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|------------|----------------------|-----------------------|
| 1. | Registrar | Edna Tallam – Kimaiyo |
| 2. | Deputy Registrar | Sarah Burje |
| 3. | Ag. Head of Finance | George Otieno |
| 4. | Head of Supply Chain | Augustine Abade |

(e) Fiduciary Oversight Arrangements

The primary organ responsible for fiduciary oversight arrangements is the Council Members. Other Government bodies and agencies also provide oversight. The Council exercised this oversight through its Committees. These were Finance Strategy & Development Committee; Education, Registration & Examination Committee; Discipline, Standards & Ethics Committee; and Risk & Audit Committee. The key function of the Council is to guide and control the performance and management of the affairs of the Council.

Finance Strategy and Development Committee

The primary responsibility of the Finance Strategy and Development Committee is to oversee the financial, human resource, legal and information, communication & technology advancement of the Council.

The Committee reviews quarterly financial, human resource, supply chain, and information, communication & technology reports, and makes recommendations to the Council on ways of raising and utilizing funds and establishment of systems and procedures for efficient financial management. It further advises the Council on Human Resource, Finance, ICT, Legal, Communication and Supply Chain policies and guidelines.

Registration, Education & Examination Committee

The Registration, Education & Examination Committee sets the criteria, and oversees implementation of regulations governing the enrolment, registration and licensing of nurses and midwives in Kenya. It is also in charge of registers, rolls and records required to be kept under the Nurses and Midwives Act, Cap 257. The Committee is also involved in the development of performance evaluation study guidelines, training and research guidelines and participates in, and informs the Council about the outcomes of relevant national and international scientific conferences.

Discipline, Standards and Ethics Committee

The Standards, Ethics and Compliance Committee is responsible for establishment, improvement and control of conditions, standards and quality of nursing and midwifery education and practice within the ambit of the Nurses and Midwives Act. It is also responsible for determining issues against persons or institutions brought before the Council.

Risk and Audit Committee

The Risk and Audit Committee's scope includes risk management, as well as compliance with the regulatory requirements. It broadly oversees the Council's standards of integrity and behaviour, reporting of financial information and internal control systems.

(f) Headquarters

P.O. Box 20056 – 00200,
NCK Plaza, Kabarnet Road, off Ngong Road,
Nairobi, Kenya.

(g) Contacts

Tel: +254-20-7854665/9, +254-721-920567, +254-733-924669
Email: info@nckkenya.org
Website: www.nckkenya.com

(h) Bankers

Barclays Bank of Kenya Limited, Harambee Ave-Premier Life Centre Branch | P O Box
30011-00100, Nairobi Kenya
Cooperative Bank of Kenya Limited, Kibera Branch | P.O. Box 48231 – 00100, Nairobi
Kenya

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 - 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

NURSING COUNCIL OF KENYA
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II. THE COUNCIL MEMBERS



Prof. Eunice Ndirangu

Chairperson, Nursing Council of Kenya

Dr. Eunice Ndirangu was appointed to the Council on 5th July 2019 as the Chairperson. She holds a PhD in Nursing Studies and Master in Advanced Nursing Practice both from the University of Nottingham in the United Kingdom, and a Bachelor of Science in Nursing (BScN) from the University of East Africa - Baraton. She is currently the Interim Dean, Aga Khan University School of Nursing & Midwifery and a Board Member at Aga Khan University.



Mathew Kiptoigat Kipturgo

Council Member

Mr. Mathew Kiptoigat Kipturgo is the Chairperson of the Finance, Strategy and Development Committee and also represents Mid-Level Colleges. He was appointed for another term to the Council on 5th July 2019. He holds Master of Science in Nursing and Bachelor of Science in Nursing both from the University of Nairobi. He is currently the Principal of the Kenya Medical Training College, Nairobi Campus. He is also a Senior Principal Lecturer of nursing in the same institution.



Dr. Mary Nandili

Council Ex-Officio Member

Dr. Mary Nandili is an Ex-officio member of the Council and also the Director of Nursing Services (DNS). She holds a PhD in Nursing and a Master of Science in Nursing and Epidemiology, Project Management



Nyongesa Michael Simiyu
Council Member

Mr. Nyongesa Michael Simiyu was appointed to the Council on 5th July 2019. He is the Chairperson of Risk and Audit Committee, representing the Kenya Professional Nurses Association. He holds a Bachelor of Science in Health Systems Management from Kenya Methodist University and Diploma in Kenya Registered Community Health Nurse from the Kenya Medical Training College. He is also the Chair, Kenya Progressive Nurses Association (KPNA) and the Depot Manager, Division of Vaccine and Immunization.




Boniface Mutisya Kimangau
Council Member

Mr. Boniface Mutisya Kimangau was appointed to the Council on 5th July 2019 and he is representing the Midwives Association of Kenya (MAK). He holds a Bachelor of Science in Nursing from Kenya Methodist University and Diploma in Kenya Registered Community Health Nurse from Kenya Medical Training College. He is currently serving as a Senior Nursing Officer, Labour Ward Kenyatta National Hospital.

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

| | |
|---|---|
|  | <p>Margaret Wangari Muiyuro-Nyaga Council Member</p> <p>Mrs. Margaret Wangari Muiyuro was appointed to the Council on 5th July 2019. She holds a Master in Public Health from Roehampton University United Kingdom, Higher Diploma in Critical Care and Diploma in Registered Nursing both from Cicely McDonnell School of Nursing. She is serving as a Senior Nurse and ICU Infection Control Link Nurse at the Nairobi Hospital, the CEO and Founder Pokea Afya foundation, and the Chair of National Nurses of Kenya Nairobi hospital branch.</p> |
|  | <p>Alfred Obuya Obengo Council Member</p> <p>Mr. Alfred Obuya Obengo was appointed for another term to the Council on 5th July 2019. He is the Chairperson of the Discipline, Standards and Ethics Committee and is representing National Nurses Association of Kenya (NNAK). He holds a Diploma in Kenya Registered Community Health Nurse from Kenya Medical Training College and Public Relations and Personnel Administration from Universal Group of Colleges. He is serving as the Chairperson of National Nurses Association and a Senior Nurse at Kenyatta National Hospital.</p> |
|  | <p>Dr. Gondi Joel Odhiambo Council Ex-Officio Member</p> <p>Dr. Gondi Joel Odhiambo is an Ex-officio member of the Council representing the Director General, Medical Services. He is currently serving as Senior Deputy Director of Medical Services Ministry of Health, and previously served as the Head of Reproductive and Maternal Health Services Unit. He holds an MBChB from Moi University, Master of</p> |

| | |
|--|---|
| | <p>International/Public Health from Virje University and Executive MBA from JKUAT.</p> |
|  | <p>Prof. Elijah Nyabuti Nyangena Council Member Prof. Elijah Nyabuti Nyangena was appointed to the Council on 5th July 2019. He is the Chairperson of the Registration, Education and Examination Committee and represents Universities in Kenya. He holds a PhD in Medical Education from Moi University, Master of Science in Nursing from University of Witwatersrand South Africa, and Bachelor in Nursing from University of Eastern Africa Baraton. He is serving as an Associate Professor of Nursing and Head of Department of Nursing at Kabianga University.</p> |
|  | <p>Edna Tallam – Kimaiyo Registrar / Chief Executive Officer Secretary to the Council Edna C. Tallam-Kimaiyo is currently the Registrar/CEO of Nursing Council of Kenya. She holds a Master of Public Health from Kenyatta University, Bachelor of Science in Nursing (BScN) from University of East Africa - Baraton and is a Fellow of Global Health Leadership program, University of Washington. Previously she worked at Kenyatta National Hospital.</p> |

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

III. MANAGEMENT TEAM

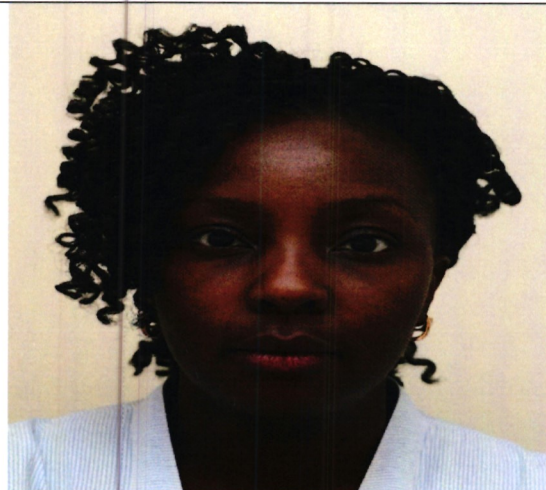
| | |
|---|--|
|  | <p>Edna Tallam - Kimaiyo Registrar / Chief Executive Officer Overall leadership and direction of the Council operation on a day to day basis</p> <ul style="list-style-type: none">• Masters of Public Health• Bachelor of Science in Nursing,• A Fellow of Global Health Leadership |
|  | <p>Sarah Burje Deputy Registrar Deputising Registrar/CEO on the day to day management and operation of the Council.</p> <ul style="list-style-type: none">• Master of Science (Nursing Education)• Bachelor of Nursing• KRN, KRM, KRCHN(PB) |
|  | <p>Gladys Omiah Ag. Head of Registration and Licensing</p> <ul style="list-style-type: none">• Bachelor of Science in Nursing• KRN, KRM |



CPA George Otieno Achieng

Ag. Head of Finance

- Master of Business Administration (Finance)
- Bachelor of Commerce (Finance)
- CPA-K
- Member of ICPAK



Eva Magothe

Head of Information Communication & Technology

- Bachelor of Business Information Technology
- Certified Information System Auditor



Augustine Abade

Head of Supply Chain

- Masters of Science Procurement and logistics
- Bachelor of Business Management
- Post-graduate diploma in Purchasing and supplies
- MCIPS, MKISM, MKIM.

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019



CPA Michael Mwenda

Head of Internal Audit, Risk and Compliance

- Bachelor of Business Management,
- CPA-K
- Member of ICPAK
- Member of IIA Kenyan Chapter



Gladys Machira

Head of Education, Research and Examination

- Master of Science in Palliative Care
- Bachelor of Science, Nursing



Ann Njeri Mukuna

Head of Standards and Ethics

- Master in Health Systems Management
- Bachelor of Science, Nursing
- KRCHN



Laura Mugo
Head of Human Resource and Administration

- Masters of Business Administration
- Bachelor of Commerce (Human Resource)
- Member of IHRM



Caroline Wanjiku Muchina
Head of Legal Unit

- Bachelor of Law (LLB)
- Advocate (Dip. KSL)
- CS(K)
- Associate of Kenya Institute of Bankers (AKIB)

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

IV. CHAIRPERSON'S STATEMENT

On behalf of the Council, I have the pleasure of presenting the Annual Report and Financial Statements for the financial year ended 30 June 2019. Established under the Nurses and Midwives Act Cap 257, the Council is mandated to regulate nursing and midwifery education and practice in Kenya, through making provisions for training, registration, enrolment and licensing of nurses and midwives. The Council also regulates their conduct to ensure maximum participation in health care of the community and connected purposes.

I am pleased to report that the Council was able to achieve most of the targets set for the financial year 2018-2019. We have continued to work within our mandate as stipulated in the Nurses and Midwives Act. To enhance service delivery, the Council has digitized most of its services including payment platform, retention and registration of nurses and midwives. The Council also relooked at Nurses and Midwives Act and aligned it to the Constitution of Kenya as well as other emerging trends in Health Sector.

The Council is committed to ensuring its prosperity by collectively directing its affairs, whilst meeting the diverse interests of stakeholders. The Council Charter guides the operations of the Council, as well as defining the roles and responsibilities of the Council members and Management. We strive to observe the highest standards of corporate governance and corporate ethics in providing overall policy and strategic direction.

We are cognisance of the Universal Health Coverage spearheaded by Government as one of the Big Four Agenda. In this regard the Council has planned and prioritized a number of Initiatives towards acceleration of Universal Health Coverage. We also continue to Implement our five-year Strategic Plan 2017 – 2022 under four key strategic pillars namely: - Education and Research, Nursing and Midwifery Practice, Institutional Capacity Development, and Leadership and Governance. The plan is aligned to the national aspirations as envisioned in the Kenya Vision 2030, the Medium Term Plan and the Constitution of Kenya 2010.

Lastly, I wish to express my sincere appreciation to my fellow Council members, management and staff for their dedication in improving the operations of the Council. In addition, I wish to thank our clients and all other stakeholders for their continued patronage and support of our activities. Finally, I would like to thank the Government for the continued support, guidance and good working relationship.

11-06-2020

.....
Prof. Eunice Ndirangu

.....
Date

Chairperson

Nairobi

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the annual report and financial statements for the year ended 30th June 2019.

The Nursing Council of Kenya was established in June 1983 through the enactment of the Nursing Act. The mandate of the Council is to regulate the Nursing and midwifery education and practice in Kenya. The Strategic Plan of the Council is designed to ensure 100% compliance with the requirements under the Nursing and Midwifery Act and other relevant laws and regulations.

The core business of the Council is to make provision for training, registration, enrolment and licensing of nurses and midwives: to regulate their conduct and to ensure their maximum participation in the health care of the community and for connected purposes. This is in line with the mission and vision statement of the Council as nurtured by our core values.

During the financial year under review, the Council reported a reduction of its surplus from Kshs.43.5 million the previous year, to Kshs.27.3 million. This was occasioned by additional expenditure of the supplementary budgets on staff gratuity Kshs.13.3million transferred to a pension scheme provider, ICEA Lion, and Kshs.8 million for the Rapid Results Initiative (RRI) for Universal Health Coverage. The value of total assets rose from 193.4 million to 220.4 million representing a 14% increment. The Council achieved its intended plans, programs and activities as set out in the annual work plan and procurement plan.

The Council successfully administered the August 2018 and April 2019 examination. We have also continued to enhance the rollover of online services thereby increasing efficiency and speed in service delivery.

The Council considers its customers experience an integral part of measure of success of operations. Therefore, the Council continually strives to remain customer centric in its service delivery. We are aware that in order to be successful, we need to continually change and adapt to the customers' ever-changing needs and wants. In this regard, processes have been designed and re-engineered to ensure that customer get the best service in the Council.

I appreciate the support and guidance received from the Council and the devotion of Council staff members.



.....
Edna C. Tallam-Kimaiyo
Registrar/CEO

9-6-2019

.....
Date
Nairobi

NURSING COUNCIL OF KENYA

Annual Reports and Financial Statements

For the year ended June 30, 2019

VI. CORPORATE GOVERNANCE STATEMENT

The Management of Nursing Council of Kenya is responsible for the overall management of the organization and is accountable to its stakeholders for ensuring that the organization complies with the law and the highest standards of best practices in corporate governance and quality service delivery. The Council is committed to integrity in accordance with the generally accepted corporate governance practices and endorses the principles of good corporate governance.

Composition of the Council:

The Council is made up of Seven non-executive members who consist of a Chairperson and six members appointed by the Cabinet Secretary in the Ministry of Health to represent major stakeholders. The Registrar / Chief Executive Officer of the Council is an ex-officio member of the Council and acts as Secretary to the Council.

The Council exercises leadership, enterprise, integrity and judgement in managing the Council. The Council members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues.

The day-to-day running of the operations of the Council is delegated to the Registrar / Chief Executive Officer but the Management is responsible for establishing and maintaining the Council's system of internal controls for the realization of the Council's mandate.

Council Committees:

The Council is assisted in its work by Council Committees attending to specific matters. The Committees report to and remain accountable to the Council for all their activities. The Council Committees' main function is to reinforce the wholeness of the Council's responsibility.

The Current Council appointed on 5th July 2019 has four standing committees. The previous Council whose term expired on 7th December 2018 had five committees which met on quarterly basis as required in the terms of reference set by the Council. The membership of all the Committees is reviewed on a regular basis by the Council and where necessary, the Council co-opts members to enhance Council performance in specific areas where there is need of expertise.

Members of who served in the in the committees of the previous Council for the financial year under review were as follows;

Human Resource and Finance Committee

- a) Mr. Kinuthia Wamwangi, EBS (Chairperson)
- b) Mr. Mathew Kipturgo
- c) Dr. Mary Nandili

NURSING COUNCIL OF KENYA
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Education, Research & Examination Committee

- a) Mr. Samson Cheruiyot (Chairperson)
- b) Mr. Paul Mungai
- c) Dr. Mary Nandili

Standards, Ethics & Compliance Committee

- a) Mr. Alfred Obengo (Chairperson)
- b) Mr. Samson Cheruiyot
- c) Dr. Mary Nandili

Registration & Licensing Committee

- a) Mr. Mathew Kipturgo (Chairperson)
- b) Mr. Alfred Obengo
- c) Mr. Paul Mungai
- d) Dr. Mary Nandili

Audit, Governance and Risk Management Committee

- a) Dr. Mary Wangai (Chairperson)
- b) Mr. Paul Mungai
- c) Mr. Samson Cheruiyot

Meetings:

The table below is a summary of the meetings which were held by the Council and Committees in the period under review:

| Council / Committee | Regular Meetings | Special Meetings | Total Meetings |
|---|-------------------------|-------------------------|-----------------------|
| Human Resource and Finance Committee | 2 | - | 2 |
| Education, Research & Examination Committee | 2 | - | 2 |
| Discipline, Standards & Ethics Committee | 2 | - | 2 |
| Registration & Licensing Committee | 2 | - | 2 |
| Audit, Governance and Risk Management Committee | 2 | - | 2 |

NURSING COUNCIL OF KENYA

Annual Reports and Financial Statements

For the year ended June 30, 2019

CORPORATE GOVERNANCE STATEMENT CONTINUED...

The Role of the Council

As guided by Nurses and Midwives Act, the State Corporations Act, Cap 446, and other relevant laws of Kenya, the Council's role is to provide effective leadership and control, in terms of approving Council's strategy and ensuring best practice of corporate governance.

The Council retains full and effective control over the Council by monitoring the implementation of Council plans and strategies, review of management accounts and major capital expenditure. It reviews processes for the identification and management of risks as well as those concerning compliance with key regulatory and legal areas.

The Council also reviews succession plans for the management team and endorses senior executive appointments, organisational changes and remuneration matters. It is concerned with key elements of the governance processes which sustain the operations of the Council, performance reporting processes as well as other disclosure requirements.

On a quarterly basis, the Council considers reports from each Council Committee. The Council meets at least once a quarter. The calendar of meetings is prepared annually in advance and detailed papers to be discussed are made available to Council members in good time before the meeting.

Council effectiveness

The independence of the Council from the NCK's corporate management is ensured by the separation of the functions of the Chairperson and Registrar / CEO, and a clear definition of their responsibilities.

The Chairperson is a non-executive Council member and is primarily responsible for providing leadership to the Council while the Registrar / CEO is responsible for the day-to-day management of the Council. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making.

The Council has a Charter to facilitate its governance system. Each Council member has signed the Charter.

Director's remuneration

In accordance with guidelines provided in the State Corporations Act, the Council members are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowance while on the Council's duty. The Chairperson is also paid a monthly honorarium.

Statement of Compliance

The Council Member's participation and attendance confirms that Nursing Council of Kenya has throughout the 2018/2019 financial year complied with the entire Statutory and Regulatory requirement and that the Council has been managed in accordance with the principles of Corporate Governance.

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

CORPORATE GOVERNANCE STATEMENT CONTINUED...

Internal control and risk management:

Internal Control

The Council Members are responsible for reviewing the effectiveness of the Council's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of the assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instructions

The Council has a Code of Ethics and a Service Charter that is applicable to all employees. These two are standing Instructions to employees of the Council designed to enhance internal control. The Council has also designed other set of standing instructions to be followed in the management of various functions in the organization.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Council can meet its future management requirements.

Strategic Plan

The business of the Council is determined by the Strategic Plan. It sets out the objectives of the Council, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Council on an annual basis, approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The Council continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Council, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Council. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2018/2019.

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

CORPORATE GOVERNANCE STATEMENT CONTINUED...

Risk Management

The Council has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. This team reviews all the risks in the Council and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Council in the management of risk.

Management Team

The management team headed by the Registrar / CEO implements the Council decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Council's objectives are achieved effectively and efficiently. Such policies developed include the financial management policy, internal audit policy, procurement policy, education policy, examination policy, among others.

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
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VII. REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the financial statements for the year ended June 30, 2019 which show the state of affairs of the Council.

Principal activities

The principal activity of the Council is to regulate the Nursing and midwifery education and practice in Kenya

Results

The results of the Council for the year ended June 30, 2019 are set out on page 1 of this report.

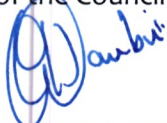
Council Members

The term of the previous Council Members expired on 7th December, 2018. The newly appointed Council Members are as shown on page v and viii of this report.

Auditors

The Auditor General is responsible for the statutory audit of the Council in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General nominated Matengo & Githae Associates to carry out the audit of the Council for the period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Council



.....
Prof. Eunice Ndirangu

Chairperson

11.06.2020

.....
Date

Nairobi

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

VIII. STATEMENT OF RESPONSIBILITIES OF THE COUNCIL MEMBERS

Section 81 of the Public Finance Management Act 2012, Section 14 of the State Corporations Act and Section 27B (1) Nurses & Midwives Act Cap 257 require the Council to prepare financial statements in respect of Nursing Council of Kenya, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for that year. The Council Members are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Council Members are also responsible for safeguarding the assets of the Council.

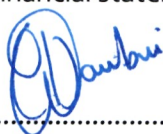
The Council Members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate 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 Council; (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 Council; (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 Council'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, the State Corporations Act and the Nurses Act. The Council Members are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2019, and of the Council's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the 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 the Council 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 Council's financial statements were approved by the Council on 2nd October 2019 and signed on its behalf by:



.....
Prof. Eunice Ndirangu
Chairperson



.....
Edna C. Tallam-Kimaiyo
Registrar/CEO

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NURSING COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Nursing Council of Kenya set out on pages 1 to 21, which comprise the statement of financial position as at 30 June, 2019, and the 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, have been audited on my behalf by Matengo Githae and Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nursing Council of Kenya as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Nurses Act, Cap 257 of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am Independent of Nursing Council of Kenya 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.

Other Matter

Budgetary Control and Performance

During the year under review, the Council generated revenue totalling to Kshs.278,817,983 against an approved revenue budget of Kshs.243,160,000 resulting in a revenue surplus of Kshs.35,657,983. Further, actual expenditure amounted to Kshs.251,467,079 against approved expenditure budget of Kshs.231,580,000 resulting in an over expenditure of Kshs.7,597,158. No Council approval for the over-expenditure was availed for audit verification. The over expenditure was mainly on operating expenses which had an over expenditure of Kshs.7,175,548.

Consequently, there is need for the Council to review its budget process to ensure that a more realistic budget is achieved while adhering to the approved budgetary provisions.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue to sustain its 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 liquidate the Council 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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Council 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 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 Council'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 Council to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the revenue 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 Council 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.

1 September, 2020

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

X. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

| | Notes | 2019 Kshs | 2018 Kshs |
|---|-------|--------------------|--------------------|
| Revenue from exchange transactions | | | |
| Income from operations | 6 | 244,563,464 | 205,802,867 |
| Income from other sources | 7 | 34,254,519 | 32,186,337 |
| Total revenue | | 278,817,983 | 237,989,205 |
| Expenditure | | | |
| Operating expenses | 8 | 98,525,548 | 64,130,231 |
| Staff costs | 9 | 79,612,981 | 56,912,361 |
| Administrative costs | 10 | 30,717,803 | 29,441,763 |
| Council expenses | 11 | 10,376,838 | 15,167,537 |
| Depreciation expense | 12 | 12,289,921 | 14,221,598 |
| Repairs and Maintenance | 13 | 9,217,561 | 6,458,020 |
| Utilities | 14 | 10,726,427 | 8,120,581 |
| Total Expenditure | | 251,467,079 | 194,452,090 |
| Surplus for the period | | 27,350,904 | 43,537,114 |

The notes set out on pages 6 to 21 form an integral part of these Financial Statements.

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

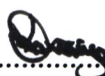
XI. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

| | Notes | 2019 Kshs | 2018 Kshs |
|--|-------|---------------------------|---------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 15 | 66,642,208 | 45,817,506 |
| Receivable from exchange transactions | 16 | 7,861,233 | 160,426 |
| Inventories | 17 | 4,026,120 | 4,771,460 |
| | | <u>78,529,561</u> | <u>50,749,392</u> |
| Non-current assets | | | |
| Property, plant and equipment | 18 | 137,958,064 | 136,033,225 |
| Intangible Assets | 19 | 3,975,000 | 6,625,000 |
| | | <u>141,933,064</u> | <u>142,658,225</u> |
| Total assets | | <u>220,462,625</u> | <u>193,407,617</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables from exchange transactions | 20 | 3,585,671 | 5,215,984 |
| Provisions | 21 | 1,000,000 | 1,659,647 |
| Total liabilities | | <u>4,585,671</u> | <u>6,875,631</u> |
| Net assets | | <u>215,876,954</u> | <u>186,531,986</u> |
| Equity | | | |
| Accumulated surplus | 22 | 167,029,291 | 137,684,323 |
| Revaluation Reserve | 23 | 48,847,663 | 48,847,663 |
| Total equity | | <u>215,876,954</u> | <u>186,531,986</u> |
| Total net asset and liabilities | | <u>220,462,625</u> | <u>193,407,617</u> |

The Financial Statements set out on pages 1 to 21 were signed on behalf of the Members of Council by:



.....
Prof. Eunice Ndirangu
Chairperson



.....
Edna C. Tallam-Kimaiyo
Registrar/CEO



.....
CPA George Otieno
Ag. Head of Finance
ICPAK No. 10430

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

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

| | Revaluation Reserve Kshs | Accumulated Surplus Kshs | Total Kshs |
|--------------------------|--------------------------------|--------------------------------|---------------------------|
| At 1st July 2017 | - | 94,147,209 | 94,147,209 |
| Surplus for the year | 48,847,663 | 43,537,114 | 92,384,777 |
| At 30th June 2018 | <u><u>48,847,663</u></u> | <u><u>137,684,323</u></u> | <u><u>186,531,986</u></u> |
| At 1st July 2018 | 48,847,663 | 137,684,323 | 186,531,986 |
| Creditors Write Off | | 1,994,063 | 1,994,063 |
| Surplus for the year | | 27,350,904 | 27,350,904 |
| At 30th June 2019 | <u><u>48,847,663</u></u> | <u><u>167,029,291</u></u> | <u><u>215,876,954</u></u> |

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

XIII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

| | Notes | 2019 Kshs | 2018 Kshs |
|---|---------|---------------------|---------------------|
| Cash flows from operating activities: | | | |
| Surplus for the period | | 27,350,904 | 43,537,114 |
| Adjustments for: | | | |
| Depreciation & Amortization | 18 & 19 | 12,289,921 | 14,221,598 |
| Creditors write off | 22 | 1,994,063 | |
| Operating profit before working capital changes | | 41,634,888 | 57,758,712 |
| Changes in operating assets and liabilities: | | | |
| Decrease / (increase) in inventory | | 745,340 | 448,860 |
| Decrease / (increase) in receivable | | (7,700,807) | 259,272 |
| Increase / (decrease) in payable | | (1,630,312) | (12,589,640) |
| Increase / (decrease) in provisions | | (659,647) | 709,647 |
| Cash generated from operations | | 32,389,462 | 46,586,851 |
| Net cash from operating activities | | 32,389,462 | 46,586,851 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 18 | (11,564,760) | (14,932,268) |
| Net cash used in investing activities | | (11,564,760) | (14,932,268) |
| Net cash used in financing activities | | | |
| | | - | - |
| Net increase (decrease) in cash and cash equivalents | | 20,824,702 | 31,654,583 |
| Cash and cash equivalents at start of year | | 45,817,506 | 14,162,923 |
| Cash and cash equivalents at end of year | 15 | 66,642,208 | 45,817,506 |

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2019

| | Original budget | Supplementary budget | Final budget | Actual on comparable basis | Favorable & (unfavorable) Performance difference | F+ & U- variance |
|-------------------------------|--------------------|-------------------------|--------------------|----------------------------------|---|---------------------|
| | 2018-2019 | | 2018-2019 | 2018-2019 | 2018-2019 | 2018- 2019 |
| | Kshs | | Kshs | Kshs | Kshs | % |
| Revenue | | | | | | |
| Indexing | 25,000,000 | | 25,000,000 | 43,760,548 | 18,760,548 | 75 |
| Examination | 42,000,000 | | 42,000,000 | 68,031,303 | 26,031,303 | 62 |
| Registration & Enrolment | 48,000,000 | | 48,000,000 | 46,195,339 | (1,804,661) | -4 |
| Private Practice License | 7,500,000 | | 7,500,000 | 9,379,531 | 1,879,531 | 25 |
| Accreditation | 2,000,000 | | 2,000,000 | 3,470,260 | 1,470,260 | 74 |
| Verification | 8,000,000 | | 8,000,000 | 13,930,943 | 5,930,943 | 74 |
| Retention Systems Fees | 45,000,000 | | 45,000,000 | 44,165,049 | (834,951) | -2 |
| Curriculum Study | 3,200,000 | | 3,200,000 | 4,460,131 | 1,260,131 | 39 |
| Visits and Inspections | 4,500,000 | | 4,500,000 | 7,098,215 | 2,598,215 | 58 |
| Council Rental Income | 660,000 | | 660,000 | 720,000 | 60,000 | 9 |
| Sale of training materials | 32,000,000 | | 32,000,000 | 33,518,058 | 1,518,058 | 5 |
| Distance learning | 4,000,000 | | 4,000,000 | 4,088,607 | 88,607 | 2 |
| Retained Surplus | - | 21,300,000 | 21,300,000 | - | (21,300,000) | 0 |
| Total income | 221,860,000 | 21,300,000 | 243,160,000 | 278,817,983 | (35,657,983) | |
| Expenditure | | | | | | |
| Operating expenses | 84,550,000 | 6,800,000 | 91,350,000 | 98,525,548 | 7,175,548 | 8 |
| Staff costs | 66,610,000 | 13,300,000 | 79,910,000 | 79,612,981 | (297,019) | 0 |
| Administrative costs | 28,880,000 | 1,200,000 | 30,080,000 | 30,717,803 | 637,803 | 2 |
| Council expenses | 11,000,000 | | 11,000,000 | 10,376,838 | (623,162) | -6 |
| Depreciation expense | 0 | 0 | 0 | 12,289,921 | 0 | 0 |
| Repairs and Maintenance | 8,830,000 | | 8,830,000 | 9,217,561 | 387,561 | 4 |
| Utilities | 10,410,000 | | 10,410,000 | 10,726,427 | 316,427 | 3 |
| Total expenditure | 210,280,000 | 21,300,000 | 231,580,000 | 251,467,079 | 7,597,158 | |
| Surplus for the period | 11,580,000 | - | 11,580,000 | 27,350,904 | (43,255,141) | |

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

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

1. GENERAL INFORMATION

Nursing Council of Kenya is established by and derives its authority and accountability from Nurses Act Cap 257. The Council is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity of NCK is to regulate the Nursing education and practice in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Council's 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. 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 Council's accounting policies.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the Council.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

| | |
|--|--|
| <p>IPSAS 40: Public Sector Combinations</p> | <p>Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. The Council is not affected by the application of the standard.</p> |
|--|--|

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

| Standard | Effective date and impact: |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> • The nature of such social benefits provided by the entity; • The key features of the operation of those social benefit schemes; and • The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows. |

NURSING COUNCIL OF KENYA
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For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

iii. Early adoption of standards

The Council did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

The Council recognises revenue when it is probable that future economic benefits will flow to the Council and the amount of revenue can be measured reliably.

i) Revenue from non-exchange transactions

Fees and licenses

Revenues from fees and licenses is recognised when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Council and the fair value of the asset can be measured reliably (accounted for when received). Fees refunded to students and candidates are accounted for in the year in which the refunds are made.

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.

ii) Revenue from exchange transactions

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Donor funds

The donations are recognised by the Council when received and any unexpended fund at the end of period adjusted to unspent donor fund.

b) Budget information

The original budget for FY 2018-2019 was approved by the Ministry of Health on 5th September, 2018. Additional appropriations were made through two supplementary budgets. The 1st Supplementary budget of kshs.13.3 million for provision of staff gratuity was approved on 11th April,2019 while the second supplementary budget of kshs.8 million for support of activities under Universal Health Care Coverage was approved on 3rd June 2019 respectively by the Ministry of Health. Accordingly, the Council recorded additional appropriation of kshs.21.3 million on the 2018-2019 budget in order to conclude the Final Budget for the Council as provided for by the PFM Act.

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

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

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 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.

Depreciation

Depreciation is calculated on a straight-line method to write off property, plant and equipment over their estimated useful lives. Depreciation is charged on a pro-rata basis for assets bought during the financial year. The annual rates used are as here below;

| Category | Percentage |
|------------------------|------------|
| Land | nil |
| Building | 2.5 |
| Furniture and fittings | 12.5 |
| Computer | 33 |
| Software | 33 |
| Motor vehicle | 25 |
| Office equipment | 12.5 |

d) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

NURSING COUNCIL OF KENYA
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For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized 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 the intangible assets is assessed as either finite or indefinite.

f) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Council.

g) Provisions

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Council does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Council does not recognize 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 the Council 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 recognized in the financial statements of the period in which the change occurs.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

h) Nature and purpose of reserves

The Council maintains accumulated revenue reserve which is continually updated by statement of financial performance with regard to surplus or deficit for a particular period. The reserve is retained for purpose of further growth.

On 31st December 2017 the Council revalued all its assets creating a revaluation reserve from the resulting revaluation surplus.

i) 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.

j) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

k) Related parties

The Council regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Council, or vice versa. Members of key management are regarded as related parties and comprise the Council members, the CEO and senior managers.

l) 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 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.

m) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

n) 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, 2019

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Council's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods

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. The Council 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 the Council. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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:

- The condition of the asset based on the assessment of experts employed by the Council
- The nature of the asset, its susceptibility and adaptability to changes in technology
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions are raised and management determines an estimate based on the information available. 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.

Comparative information

Except when an IPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the Current period's financial statements.

When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose: - 1. The nature of reclassification. 2. The amount of each item or class of items that is reclassified and 3. The reason for reclassification. (IPSAS 1. 54-55)

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| | 2019 | 2018 |
|------------------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| 6 Income from operations | | |
| Examination & Indexing | 111,791,851 | 83,780,458 |
| Registration & Enrolment | 46,195,339 | 47,448,901 |
| Private Practice License | 7,160,197 | 6,986,076 |
| Curriculum Study | 4,443,670 | 4,838,210 |
| License Application & Verification | 16,150,277 | 10,014,561 |
| Retention Systems Fees | 44,165,049 | 35,234,595 |
| Accreditation & Inspections | 10,568,475 | 10,210,038 |
| Distance learning | 4,088,607 | 7,290,028 |
| | <u>244,563,464</u> | <u>205,802,867</u> |
| 7 Income from other sources | | |
| Council Rental Income | 720,000 | 660,000 |
| Sale of training materials | 33,518,058 | 31,476,287 |
| Miscellaneous income | 16,461 | 50,050 |
| | <u>34,254,519</u> | <u>32,186,337</u> |
| 8 Operating expenses | | |
| Seminars & workshops | 22,332,378 | 13,398,374 |
| Printing & signing of certificates | 22,426,040 | 15,715,491 |
| Donations & subscription | 572,160 | 621,960 |
| Retention system | 12,575,000 | 6,203,320 |
| Standards, ethics & visits | 11,389,063 | 4,919,647 |
| Grant expenses | - | 1,123,506 |
| Travelling cost | 1,759,731 | 1,685,544 |
| Examinations | 25,944,840 | 19,987,156 |
| Nurses CPD Expenses | 1,526,336 | 475,233 |
| | <u>98,525,548</u> | <u>64,130,231</u> |
| 9 Staff costs | | |
| Basic Salary | 27,016,614 | 18,813,256 |
| House Allowance | 8,329,895 | 6,207,789 |
| Commuter Allowance | 2,152,533 | 1,635,686 |
| Responsibility Allowance | 8,372,836 | 9,321,165 |
| Leave Allowance | 2,835,550 | 298,021 |
| Wages | 208,336 | 494,562 |
| Gratuity | 15,457,190 | 6,028,875 |
| Staff development | 6,902,358 | 4,816,038 |
| Medical cover | 7,967,333 | 8,239,241 |
| Employer statutory contributions | 122,580 | 82,677 |
| Other staff costs | 247,756 | 975,051 |
| | <u>79,612,981</u> | <u>56,912,361</u> |

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| | | |
|--------------------------------------|-------------------|-------------------|
| 10 Administrative costs | | |
| General office running cost | 2,251,624 | 2,325,865 |
| Motor vehicle running cost | 3,112,009 | 2,297,227 |
| Motor vehicle insurance | 441,602 | 579,693 |
| Advertising & newspaper | 1,438,302 | 1,425,669 |
| Stationery | 11,533,025 | 12,590,078 |
| Audit fee | 1,050,000 | 966,950 |
| Buildings insurance | 94,116 | 137,162 |
| Land rates & valuation | 49,750 | 786,678 |
| Legal fees | 3,122,800 | 2,627,922 |
| Consultancy fees | 3,961,260 | 2,475,900 |
| Bank charges | 2,026,119 | 1,739,772 |
| Contracted services | 1,637,196 | 1,488,846 |
| | <u>30,717,803</u> | <u>29,441,763</u> |
| 11 Council Expenses | | |
| Sitting allowance | 4,371,300 | 5,159,690 |
| Accommodation allowance | 2,444,400 | 5,613,087 |
| Lunch allowance | 112,000 | 290,000 |
| Honoraria | 429,333 | 1,040,000 |
| Transport reimbursement | 1,632,865 | 2,018,486 |
| Council Training | 1,386,940 | 1,046,274 |
| | <u>10,376,838</u> | <u>15,167,537</u> |
| 12 Depreciation expense | | |
| Building | 1,250,000 | 1,417,664 |
| Furniture & fittings | 1,294,071 | 1,580,980 |
| Computer & accessories | 2,203,342 | 4,961,515 |
| Vehicles | 4,082,673 | 2,926,939 |
| Office Equipment | 809,835 | 355,792 |
| Software | 2,650,000 | 2,978,708 |
| | <u>12,289,921</u> | <u>14,221,598</u> |
| 13 Repairs & maintenance | | |
| Machinery & office equipment repairs | 423,664 | 840,729 |
| ICT Equipment repairs | 733,812 | 675,155 |
| Building repairs | 2,885,729 | 2,053,161 |
| Software maintenance | 1,596,625 | 1,311,950 |
| Computer consumables & accessories | 3,577,731 | 1,577,025 |
| | <u>9,217,561</u> | <u>6,458,020</u> |
| 14 Utilities | | |
| Postage & telephone expense | 8,811,442 | 6,177,068 |
| Electricity & water | 1,143,093 | 976,568 |
| Internet charges | 771,891 | 966,945 |
| | <u>10,726,426</u> | <u>8,120,581</u> |

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| | | |
|---|-------------------|-------------------|
| 15 Cash and cash equivalent | | |
| Barclays Bank of Kenya [Ac No.0948023954] | 3,017,790 | 8,228,668 |
| Cooperative Bank of Kenya [Ac No.01136098613400] | 58,150,583 | 34,794,702 |
| Mpesa Account [Pay bill No.992350] | 5,473,750 | 2,789,521 |
| Cash in Hand | 85 | 4,615 |
| | <u>66,642,208</u> | <u>45,817,506</u> |
| 16 Receivable from non-exchange transactions | | |
| Prepayments (staff medical Insurance) | 6,958,731 | - |
| Staff Imprest | 902,502 | 44,000 |
| Trade Receivables | - | 7,360 |
| Salary Advance | - | 109,066 |
| | <u>7,861,233</u> | <u>160,426</u> |
| 17 Inventory | | |
| Stocks of training materials | <u>4,026,120</u> | <u>4,771,460</u> |

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18 Property, Plant & Equipment - 30th June 2019

| | F&F | Office Equip | Computer | Vehicle | Building | Land | Totals |
|---------------------------|-------------|--------------|-------------|------------|------------|------------|-------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| | 12.50% | 12.50% | 33% | 25% | 2.50% | 0% | |
| COST | | | | | | | |
| 1st July 2017 | 17,555,176 | - | 34,535,944 | 11,566,458 | 63,413,158 | 10,816,180 | 137,886,916 |
| Revalued Cost | 8,378,520 | - | 12,040,700 | 8,410,000 | 50,000,000 | 54,000,000 | 132,829,220 |
| Reclassification | (4,994,900) | 4,994,900 | (7,950,000) | - | - | - | (7,950,000) |
| Additions | 5,515,680 | 1,177,480 | 1,723,000 | 6,516,108 | - | - | 14,932,268 |
| 30th June 2018 | 8,899,300 | 6,172,380 | 5,813,700 | 14,926,108 | 50,000,000 | 54,000,000 | 139,811,488 |
| 1st July 2018 | 8,899,300 | 6,172,380 | 5,813,700 | 14,926,108 | 50,000,000 | 54,000,000 | 139,811,488 |
| Additions | 2,760,760 | 514,000 | 1,548,000 | 6,742,000 | - | - | 11,564,760 |
| 30th June 2019 | 11,660,060 | 6,686,380 | 7,361,700 | 21,668,108 | 50,000,000 | 54,000,000 | 151,376,248 |
| DEPRECIATION | | | | | | | |
| 1st July 2017 | 9,348,807 | - | 18,004,753 | 4,309,151 | 13,124,313 | - | 44,787,024 |
| Depreciation for the Year | 1,580,980 | 355,792 | 4,961,515 | 2,926,939 | 1,417,664 | - | 11,242,890 |
| 1st July 2018 | 457,106 | 355,792 | 859,233 | 1,481,132 | 625,000 | - | 3,778,263 |
| Depreciation for the Year | 1,294,071 | 809,835 | 2,203,342 | 4,082,673 | 1,250,000 | - | 9,639,921 |
| 30th June 2019 | 1,751,177 | 1,165,627 | 3,062,575 | 5,563,805 | 1,875,000 | - | 13,418,184 |
| NET BOOK VALUES | | | | | | | |
| 30th June 2018 | 8,442,194 | 5,816,588 | 4,954,467 | 13,444,976 | 49,375,000 | 54,000,000 | 136,033,225 |
| 30th June 2019 | 9,908,883 | 5,520,753 | 4,299,125 | 16,104,303 | 48,125,000 | 54,000,000 | 137,958,064 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

19 Intangible Assets - 30th June 2019

| | Software Kshs 33% | Totals Kshs |
|-----------------------|-------------------------|------------------|
| COST | | |
| 1st July 2017 | 7,950,000 | 7,950,000 |
| Additions | - | - |
| 30th June 2018 | <u>7,950,000</u> | <u>7,950,000</u> |
| 1st July 2018 | 7,950,000 | 7,950,000 |
| Additions | - | - |
| 30th June 2019 | <u>7,950,000</u> | <u>7,950,000</u> |
| AMORTIZATION | | |
| 1st July 2017 | - | - |
| Amortization | 1,325,000 | 1,325,000 |
| 30th June 2018 | <u>1,325,000</u> | <u>1,325,000</u> |
| 1st July 2018 | 1,325,000 | 1,325,000 |
| Amortization | 2,650,000 | 2,650,000 |
| 30th June 2019 | <u>3,975,000</u> | <u>3,975,000</u> |
| NET BOOK VALUE | | |
| 30th June 2018 | 6,625,000 | 6,625,000 |
| 30th June 2019 | <u>3,975,000</u> | <u>3,975,000</u> |

| | 2019 Kshs | 2018 Kshs |
|---|--------------------|--------------------|
| 20 Payables from exchange transactions | | |
| Trade payables | 3,405,671 | 4,921,384 |
| Rent deposit payable | 180,000 | 294,600 |
| | <u>3,585,671</u> | <u>5,215,984</u> |
| 21 Provisions | | |
| Audit fee | 1,000,000 | 950,000 |
| Staff Gratuity | - | 709,647 |
| | <u>1,000,000</u> | <u>1,659,647</u> |
| 22 Accumulated fund | | |
| Balance brought forward | 137,684,323 | 94,147,209 |
| Surplus for the period | 27,350,904 | 43,537,114 |
| Creditors Write Off | 1,994,063 | |
| Balance carried forward | <u>167,029,291</u> | <u>137,684,323</u> |

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- A creditors write off of kshs. 1,994,063 was approved by the Council on 7th December 2018. The creditors whose amount was written off were part of historical creditors that had been long outstanding in the books of the Council. The creditors had been paid but owing to manual processes they were still reflected as outstanding.
- The Council has since automated its records with the implementation of ERP software and the current records including those of creditors are up to date.

23 Reserves

| | | |
|---------------------|------------|------------|
| Revaluation Reserve | 48,847,663 | 48,847,663 |
|---------------------|------------|------------|

24 Financial Risk Management

The Council's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Council's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Council does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Council's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Council has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The amount that best represents the Council's maximum exposure to credit risk as at 30th June is made up as follows;

| Description | 2019 Kshs | 2018 Kshs |
|---|--------------|--------------|
| Bank balances | 66,642,208 | 45,817,506 |
| Receivable from non-exchange transactions | 7,861,233 | 160,426 |
| | 74,503,441 | 45,977,932 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council Members, who have built an appropriate liquidity risk management framework for the management of the Council's short, medium and long-term funding and liquidity management requirements. The Council manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The Council's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Council's reputation.

| | Less than 1Month | Between 1-3 months | Over 5 months | Total |
|--------------------------|-------------------------|---------------------------|----------------------|---------------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2019 | | | | |
| Trade payables | - | 1,135,585.36 | 2,450,086.00 | 3,585,671.36 |
| Provisions | - | 1,000,000.00 | - | 1,000,000.00 |
| Total | - | 2,135,585.36 | 2,450,086.00 | 4,585,671.36 |
| At 30th June 2018 | | | | |
| Trade payables | - | 2,765,897.78 | 2,450,086.00 | 5,215,983.78 |
| Provisions | - | 1,659,647.00 | - | 1,659,647.00 |
| Total | - | 4,425,544.78 | 2,450,086.00 | 6,875,630.78 |

The over 5 months' trade payable is in respect to the remaining amount due to vendor implementing the ERP software at the Council. The amount represents 30% of the Contract sum for self service and electronic document management.

(iii) Market risk

The Council has put in place an internal audit function to assist it in assessing the risk faced by the Council on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Council's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Council's Finance Department is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

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There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

iv. Currency Risk

The Council's transactions are denominated in Kenya Shillings and in cases of foreign currency payments, sufficient negotiations are carried out to obtain better foreign currency exchange rates.

v. Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Council's ability to continue as a going concern. The entity capital structure comprises of the following fund:

| | 2019 | 2018 |
|------------------------|---------------------------|---------------------------|
| | Kshs | Kshs |
| Revaluation reserve | 48,847,663 | 48,847,663 |
| Accumulated Fund | 167,029,291 | 137,684,323 |
| Capital reserve | - | - |
| Total funds | <u>215,876,954</u> | <u>186,531,986</u> |
| | | |
| Total borrowings | - | - |
| Cash and bank balances | 66,642,208 | 45,817,506 |
| Gearing | <u>0%</u> | <u>0%</u> |

25. Related Party Disclosure

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. The entity is related to;

- i) The National Government
- ii) The Ministry of Health
- iii) Council Members
- iv) Key management

| Key Management compensation | 2018/2019 | 2017/2018 |
|------------------------------------|-------------------|-------------------|
| | Kshs | Kshs. |
| Council Members' Emoluments | 10,376,838 | 15,167,537 |
| Compensation to the Registrar/CEO | 5,064,000 | 5,064,000 |
| Compensation to the key management | 19,144,198 | 14,033,022 |
| Total | 34,585,036 | 34,264,559 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (Continued)

The Council has 9 key management personnel. The managers participate in making key management decisions of the Council and reports to Council of Management for guidance and the Ministry of Health for policy direction.

26. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

27.Ultimate and Holding Entity

The Council is a Semi- Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

28. Currency

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

29. Progress on Follow Up of Auditor Recommendations

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

| Reference No. on the external audit Report | Issue/ Observations from Auditor | Management comments | Focal point person to resolve the issue | Status (Resolved/ Not resolved) | Timeframe |
|--|--|--|---|---------------------------------|-----------|
| 1. | Lack of approval of co-opted Council members and exceeding of actual Council expenditure of kshs.15,167,537 to the final budget of kshs.14,000,000 | -The term of last Council under question expired on 7 th December 2018 and the current Council has been appointed on 5 th July 2019. The list of members to be co-opted to the current Council has been forwarded for approval -There is no Council over-expenditure in the FY 2018-2019. The actual expenditure is kshs.10,376,838 against a final budget of kshs.11,000,000 | CEO and Head of Finance | Resolved | |

30. DIVIDENDS/SURPLUS REMISSION

In accordance with section 219(2) of the public financial management Act regulations, regulatory entities shall remit into the consolidated fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Treasury has however advised the council to invest its surplus in treasury bills, which is currently in the process of being implemented.