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# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# REGISTRATION OF CERTIFIED PUBLIC SECRETARIES BOARD

# FOR THE YEAR ENDED 30 JUNE, 2024

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 18 FEB 2015 DAY: WED
TABLED BY: HON. DMBOKO MILEMBA, MP
CLERK-AT THE-TABLE: VIVIAN WAMBUI

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# REGISTRATION OF CERTIFIED PUBLIC SECRETARIES BOARD (RCPSB)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED

## 30TH JUNE 2024

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

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## 1. Acronyms, Abbreviations and Glossary of Terms

### A: Acronyms and Abbreviations

| | |
|---|---|
| CEO | Chief Executive Officer |
| DG | Director General |
| CBK | Central Bank of Kenya |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| ICPSK/ICS | Institute of Certified Public Secretaries of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| Kasneb | Kenya Accountants and Secretaries National Examinations Board |
| MD | Managing Director |
| NT | National Treasury |
| OCOB | Office of the Controller of Budget |
| OAG | Office of the Auditor General |
| OSHA | Occupational Safety and Health Act of 2007 |
| PFM | Public Finance Management |
| PPE | Property Plant & Equipment |
| PSASB | Public Sector Accounting Standards Board |
| SAGAs | Semi-Autonomous Government Agencies |
| RCPSB | Registration of Certified Public Secretaries Board |
| SC | State Corporations |
| WB | World Bank |
| VC | Vice Chancellor |

### B: Glossary of Terms

**Fiduciary Management**- Members of Management directly entrusted with the responsibility of financial resources of the organization.

**Comparative Year**- Means the prior period

## 2. Key Entity Information and Management

### (a) Background information

Registration of Certified Public Secretaries Board (RCPSB) is established under the Certified Public Secretaries of Kenya Act Cap 534 of the laws of Kenya. The Board has 10 members who are in charge of developing policies and strategies in order to achieve the mandate of the Board. The day-to-day operations of the RCPSB are under the responsibility of a Chief Executive Officer appointed by the Board.

### (b) Principal Activities

The principal activity of the RCPSB is to register qualified Secretaries and issue practicing certificates to those registered Secretaries who are eligible to offer services to the public as Certified Public Secretaries of Kenya. The other mandate of the RCPSB is a regulatory role which is to de-register members out of their professional misconduct or any other reason as stipulated in the Certified Public Secretaries Act Cap 534, Section 24.

### (c) Key Management

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

| No. | Designation | Name |
|---|---|---|
| 1. | Board of Directors/ Council/ Management etc; | 1. Happi Kilongosi<br>2. Peter Kitonyo<br>3. Joyce Afanda<br>4. Kiarie Njuguna<br>5. Margaret Odinyo<br>6. Jeremiah Karanja<br>7. Isaac Gathirwa<br>8. Elijah O. Nyamamba<br>9. Nevis Ombasa<br>10. Nancy Gathuku<br>11. Patrick Mulwa |
| | | |

| No. | Designation | Name |
|---|---|---|
| 1. | Accounting officer/ CEO | **Patrick Mulwa** |
| 2. | Senior Accountant | **Patrick Tanui** |

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|---|---|---|
| 1. | CEO | **Patrick Mulwa** |
| 2. | Head of Corporate Services | - |
| 3. | Head of Finance | **Patrick Tanui** |
| 4. | Head of Procurement | - |

**(e) Fiduciary Oversight Arrangements**

- **The Board**: Sets policy and is charged with the overall supervision of the RCPSB's activities.
- **Governance and Finance Committee**: in Charge of Finance, Human Resources and Governance Issues and reports to the Board.
- **Registration, Strategy and Professional Development Committee**: in charge of Registration, Issue of Practicing Certificates, strategy formulation, implementation and reports to the Board
- **Audit and Risk Committee**: review in conjunction with the management the RCPSB's internal and disclosure controls and procedures over financial reporting, including whether there are deficiencies, material weaknesses, potential fraud opportunities, or any other corrective actions to be taken with regard to controls and procedures. The Committee is also in charge of report on legal and regulatory compliance.
- **The Registrar**: An Ex-officio member of the Board appointed by the Cabinet Secretary, The National Treasury.

**(f) RCPSB Headquarters**

P.O. Box 58218 -00200

KASNEB Towers II,

Hospital Road, Upper Hill, Nairobi, KENYA

**(g) RCPSB Contacts**

Telephone: 0706 376 624
E-mail: regcpsb@gmail.com
Website: www.rcpsb.or.ke

**(h) RCPSB Bankers**

1. Central Bank of Kenya
   Haile Selassie Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya

2. National Bank of Kenya Limited
   Harambee Avenue Branch,
   P. O. Box 41862 - 00100,
   Nairobi.

**(i) Independent Auditors**

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

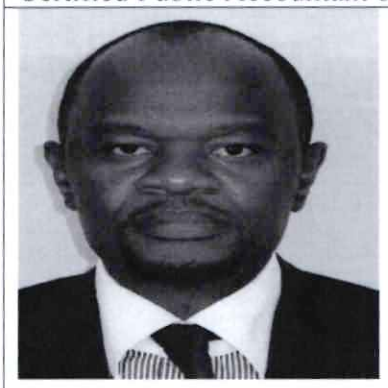
**(j) Principal Legal Adviser**

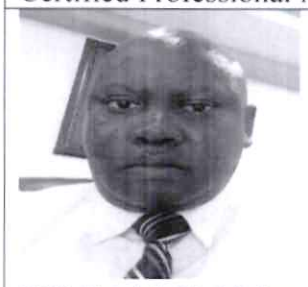
The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

## 3. The Board of Directors/Council

| II BOARD OF DIRECTORS | PROFESSIONAL EXPERIENCE |
|---|---|
| <br>CS. Happi C. Kilongosi (Chairman)<br>D.O.B: 1974<br>Bachelor of Laws (University of Nairobi)<br>Diploma in Business Management (KIM)<br>Diploma in Secretarial Studies (Kenya Polytechnic)<br>Certified Public Secretary (kasneb)<br>Member Institute of Certified Public Secretaries of Kenya | Relationship Manager- External Business and Trust Fund (CPF Financial Services Limited (Current), Assistant Benefits and Risks Administrator (CPF Financial Services Limited), Personal Assistant to the University Legal Officer) (University of Nairobi)<br><br>She is an independent Director |
| <br>Dr. Peter Kitonyo (Vice Chairman)<br>D.O.B 17/08/1971<br>Phd (Economics, UON<br>MBA (Finance), Bronte International University, USA MA (Economics), University of Manchester, UK, BA (Economics), University of Nairobi, Kenya, Fellow Institute of Certified Public Secretaries of Kenya, Full Member of Institute of Directors (IoD) of Kenya, Full Member of Institute of Certified Public Accountants of Kenya (ICPAK), Full Member of the Institute of Human Resources Management (IHRM), Full Member of the Kenya Institute of Management (KIM) | Deputy Director Resolution, Kenya Deposit Insurance Corporation, Head of Monetary Policy Communications Central Bank of Kenya, Finance and Administrative Manager, LANTech Africa Limited, Finance and Administrative Manager, Amani Housing Trust, Casualty Finance Office Supervisor, Mater Misericordiae Hospital,<br>Chair, Registration, Strategy and Professional Development Committee<br>He is an independent Director |
| <br>CS. Jeremiah Karanja (Member)<br>D.O.B: 1982 | Chief Executive Officer/ Secretary-ICPSK, Manager/Secretary- ICPSK Sacco Society Limited, Company Secretary and Manager- CPS Governance Centre, Company Secretary and Business Consultant – Haki Associates, Human Resource |

| | |
|---|---|
| Master of Business Administration (UON), Bachelor of Arts-Public Administration, Political Science and Communication (University of Nairobi), Higher Diploma in Human Resources Development (ICM)<br>Certified Public Secretary (kasneb), Member Institute of Certified Public Secretaries of Kenya | Officer-Training Securex Agencies (K) Limited<br>He is an independent Director |
| <br>CPA. Isaac Wamute Gathirwa (Member)<br>D.O.B -2/02//1972<br>Masters of Law –LLM (University of Nairobi)<br>Masters of Business Administration (Kenyatta University)<br>Bachelor of Laws (Moi University)<br>Diploma in Law (Kenya School of Law)<br>Certified Public Secretary (kasneb)<br>Member Institute of Certified Public Secretaries of Kenya<br>Member Law Society of Kenya | Chief Legal Officer (Commission for University Education (Current), Senior State Counsel ( Advocates Complaints Commission- State Law Office), Associate Counsel ( Gichuki King'ara and Company Advocates)<br>He is an independent Director |
| <br>Elijah O. Nyamamba (Member)<br>D.O.B.30/10/1969<br>Bachelor of Arts (Economics)<br>Diploma Purchasing and Supplies Management<br>MSc Procurement and Logistics<br>KISM Member | Deputy Director Supply Chain Management Services, The National Treasury and Planning (current)<br>Supplies Officer, Department of Defence<br>He is an Alternate Director |
| <br>CS. Joyce M. Afanda (Member)<br>D.O.B 19/07/1985<br>Master of Business Administration (Kenyatta University) | Ag. Corporation Secretary & Deputy Director Legal Services and also the Data Protection Officer, kasneb (Current), Senior Research and Development Officer (kasneb), Auditor (RSM Ashvir)<br>Chair, Governance and Finance Committee<br>She is an independent Director |

| | |
|---|---|
| Bachelor of Laws ((University of Nairobi)<br>Certified Public Secretary (kasneb)<br>Certified Public Accountant (kasneb)<br>Member Institute of Certified Public Secretaries of Kenya<br>Member Institute of Certified Public Accountants of Kenya | |
| <br>**Geoffrey Kiarie Njuguna (Member)**<br>D.O.B: 4/10/1970<br>Master of Letters in Peace and Conflict Studies; University of Sydney, Australia<br>B.A. Political Science (Government) and Linguistics (Swahili) University of Nairobi, Kenya | Senior Deputy Secretary, State Department for Public Service, Deputy County Commissioner, Under Secretary Betting Control and Licensing Board, Project Coordinator/ CEWARN Desk Officer: Kenya's Conflict Earl Warning and Response Unit (CEWERU)<br>He is an independent Director |
| <br>**Margaret Odinyo**<br>D.O.B: 13/07/1980<br>Bachelor of Commerce- Kenyatta University<br>Chartered Institute of Arbitrators - Member<br>Certified Public Secretary of Kenya- CS (K)<br>Certified Public Accountant of Kenya- CPA (K) | Assistant Manager- Finance& Accounts-Credit Management- Kenya Electricity Generating Company (KenGen), Senior Accountant- Corporate Finance-- Kenya Electricity Generating Company (KenGen), Accountant - Kenya Electricity Generating Company (KenGen)<br>Chair, Audit and Risk Committee<br>She is an independent Director |
|  | Principal State Counsel, Government Transactions Department, Office of the Attorney General and Department of Justice, Member of LAPSSET Corridor Development Authority, Member of the Board of the CMA, Member of the Public Private Partnership Committee, Member of the Board of the Competition |

| | |
|---|---|
| **Nevis Ombasa**<br>D.O.B: 24/10/1980<br>Bachelor of Laws (Karnataka University, India) and Bachelor of Arts (D.A.V.V University, India)<br>Post Graduate Diploma in Law, Kenya School of Law<br>Member of the Law Society of Kenya | Authority of Kenya, Associate Advocate Omboga & Co. Advocates<br>He is an independent Director |
| <br>Nancy Gathuku<br>D.O. B: 08/07/1963<br>Master of Business Administration (Africa Nazarene University)<br>Bachelor of Commerce ((University of South Africa)<br>Coaching Diploma (Dispute &Conflict Resolution International)<br>Certified Professional Mediator | Head Sourcing and Facilities Management<br>Cooperative Bank of Kenya Limited<br>Branch Manager – Equity Bank<br>Head of Credit – Guardian Bank<br>Credit Manager – Trust Bank |
|  <br>FCS Patrick K. Mulwa (Executive Officer &Secretary to the Board)<br>D.O.B -18/10/1969<br>Bachelor of Commerce (UON), CPSK (K), Fellow Institute of Certified Public Secretaries of Kenya (ICPSK), Associate Member, Kenya Institute of Management, Member, Professional Trainers Association of Kenya) | Chief Executive Officer (RCPSB), Academic Administrator (KIDS), Principal (Legacy College), Principal and Chief Trainer (EASM), Lecturer, (KIM), Programs Manager (TEC Institute of Management), Training and Marketing Manager (Onix Computer Services Limited) |

## 4. Key Management Team

| MANAGEMENT | PROFESSIONAL EXPERIENCE |
|---|---|
| <br>FCS Patrick K. Mulwa (Executive Officer &Secretary to the Board)<br>D.O.B -18/10/1969<br>Bachelor of Commerce (UON), CPSK (K), Fellow Institute of Certified Public Secretaries of Kenya (ICPSK), Associate Member, Kenya Institute of Management, Member, Professional Trainers Association of Kenya) | Chief Executive Officer (RCPSB), Academic Administrator (KIDS), Principal (Legacy College), Principal and Chief Trainer (EASM), Lecturer (KIM), Programs Manager ( TEC Institute of Management), Training and Marketing Manager (Onix Computer Services Limited) |
| <br>CPA Patrick Tanui<br>D.O.B: 01/07/1988<br>Certified Public Accountant of Kenya- CPA (K)<br>Diploma in Cooperative Management | Senior Accountant – RCPSB<br>Accountant- Bartek Investment Cooperative Society<br>Accountants Assistant - Bartek Investment Cooperative Society |

## 5. Chairman's Statement

It is my pleasure, honour and privilege to once again on behalf of the Board to present the RCPSB annual report and financial statements for the year ended 30 June 2024. The RCPSB has continued to implement its core mandate which is to register qualified secretaries and issue practicing certificates to those registered secretaries who are eligible to offer services to the public as Certified Secretaries. The Board has continued to discharge its responsibility which is to guide the mission, vision and purpose of the RCPSB. In this regard the Board has guided in the finalization of the Strategic Plan 2024/2028. The strategic plan seeks to implement more stakeholder focused engagement to increase the value proposition of the Certified Secretaries qualification. The plan also aims at creating awareness of the Certified Secretarial profession and enhancing the numbers of Certified Secretaries. During a Board Strategic Plan Retreat held in June 2024, the Board identified areas and proposed amendments to the regulations governing registration and issue of practicing certificates. This is aimed at easing entry into the profession.

To inform the development of the Strategic Plan 2024-2028, the RCPSB will be guided by the findings of the research done jointly by the RCPSB and the ICPSK on the State of the Certified Secretaries Profession in Kenya in 2021.The research focused on three key areas:

(i) Access to Certified Secretaries services,
(ii) Quality Assurance and
(iii)Awareness.

From the research it was apparently clear that Certified Secretaries Institutions have their work cut for them to take the profession to the next level. The Research informed the critical areas that need to be addressed in the Strategic Plan 2024-2028. The Strategic Plan creates a platform for the RCPSB to embrace new ways of doing things, redefining value creation, creating a strong profile amongst its stakeholders and become a strong financially sustainable institution. Board members and the Secretariat were actively involved in the development of the plan.

The Strategic Plan details key goals, objectives and strategies to deliver the aspirations of RCPSB that are categorized into 5 Key Result Areas namely:

1. Key Result Area 1: Increase in registered and practicing Certified Secretaries through enhanced access.
2. Key Result Area 2: Quality assurance through improved the policy and regulatory framework for the CS profession.
3. Key Result Area 3: Awareness and Acceptance of the Certified Secretaries profession
4. Key Result Area 4: Financial Sustainability and Resource Mobilization.
5. Key Result Area 5: Organizational capacity Strengthening

With this plan the RCPSB is poised for growth and enhanced relevance among its stakeholders.

The RCPSB continues to grapple with a number of challenges. This includes late appointments to the board that have impacted negatively on governance and oversight. Other challenges include staffing and equipment. As at the end of the Financial Year 2023/2024 the Board had no substantiative chair and this had impacted negatively on governance. The Board will continue engaging with the relevant stakeholders to ensure substantive appointment of a chairperson and Vice Chairperson. The Board will progressively guide on how to resolve these issues.

In the financial year 2023/2024 the RCPSB was able to purchase two vehicles. These will be used to enhance service delivery for the RCPSB

I would like to thank the staff of the Board for their dedication and hard work that has ensured that the Board is able to discharge its mandate effectively. Finally, I would like to thank my fellow Board members for their commitment to the Board and the support they have accorded me and the RCPSB in implementing its mandate.

**FCS Happi Kilongosi**

**Chairperson**

.....

**Date:** 24/12/2024

## 6. Report of the Chief Executive Officer

It is my pleasure, honour and privilege as the Accounting Officer of the RCPSB to present the annual report and financial statements for the year ended 30 June 2024. The RCPSB has continued implementing its core mandate which is to register qualified secretaries and issue practicing certificates to those registered secretaries who are eligible to offer services to the public as Certified Secretaries. As the Accounting Officer I wish to present the following highlights concerning the key issues impacting on the RCPSB.

During the Financial Year 2023-2024 the RCPSB continued with the development of the third strategic plan covering the planning period 2024-2028. The process had been delayed by the absence of a fully constituted Board. A new Board was appointed on 27th September 2023, the term of the previous Board having come to an end on 31st December 2022. The strategic plan aims at achieving the following strategic objectives:

- Increase in registered and practicing Certified Secretaries through enhanced access.
- Quality assurance through improved the policy and regulatory framework for the CS profession.
- Awareness and Acceptance of the Certified Secretaries profession
- Financial Sustainability and Resource Mobilization.
- Organizational capacity Strengthening

With this plan the RCPSB is poised for growth and enhanced relevance among its stakeholders. The Board held a strategic plan retreat between 24th and 27th June 2024 to refine and internally validate the strategic plan and it is envisaged that the plan will be externally validated with stakeholder in the second quarter of the financial year 2024/2025.

The RCPSB continues to grapple with a number of challenges. This includes late appointments to the board that have impacted negatively on governance and oversight. The Current Board was appointed on 27th September 2023 since the end of term for the previous Board on 31st December 2022. Other challenges include staffing and equipment. The RCPSB has a staff complement of only 4 against an establishment of 28. In place include:

- Executive Officer
- Accountant
- Office Administrator
- Communication and Marketing Officer.

A lean staff complement poses a number of operational and compliance challenges. These include inadequate segregation of duties, unclear job roles, role conflicts. There is also lack of an internal

audit function, procurement function and human resource management. It also makes it difficult to enter into performance contracting due to the specialized skills needed and reporting requirements. The Board will progressively guide on how to resolve these issues.

The RCPSB was able to enhance its operational capacity by acquiring new Information and Communication Technology in the form of laptop computers, additional office furniture and two motor vehicles. This will enhance service delivery and the profile of the RCPSB.

The RCPSB will progressively continue devising strategies to overcome the above challenges in order to give value to the diverse stakeholders. Some of the initiatives include engaging with the parent ministry to have the Human Resource Instruments approved so as to address the staffing issues. The RCPSB participated in drafting the amendment bill of the Certified Public Secretaries Act in 2023. The proposed bill is aimed at enhancing opportunities for Certified Secretaries by ring fencing the profession against unqualified practitioners. The Bill is before the Office of the Attorney General for publication and submission to parliament.

During the FY 2023/2024 there was an observed fair performance in the submission of applications. The RCPSB saw the number of registered Certified Secretaries for the year increase to 213 against a budgeted number of 231. Issue of Practicing Certificates was 73 against a budgeted 60. This saw an increase in internally generated revenue to Ksh. 3,126,500 from the previous period of Ksh. 2,772,000.

I would like to thank the staff of the RCPSB for their dedication and hard work that has ensured that the RCPSB is able to discharge its mandate effectively. Finally, I would like to thank the Board members for their commitment, strategic leadership and the support they have accorded me and the RCPSB in implementing its mandate.

.....

**FCS Patrick K Mulwa**
**Chief Executive Officer**

**Date:** 24/12/2024

## 7. Statement of Performance against Predetermined Objectives for FY 2023/2024

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

RCPSB has 5 strategic pillars and objectives within its Strategic Plan for the FY 2023/2024. These strategic pillars are as follows:

Pillar 1: Increase in registered and practicing Certified Secretaries through enhanced access.

Pillar 2: Quality assurance through improved the policy and regulatory framework for the CS profession.

Pillar 3: Awareness and Acceptance of the Certified Secretaries profession

Pillar 4: Financial Sustainability and Resource Mobilization.

Pillar 5: Organizational capacity Strengthening

RCPSB develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The RCPSB achieved its performance targets set for the FY 2023/2024 period for its 5 strategic pillars, as indicated in the diagram below:

| Strategic Pillar | | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|---|---|---|---|
| Pillar 1: Increase in registered and practicing Certified Secretaries through enhanced access. | | Increase in registration by 10% | Number of registrations | • Approve additional requirements for qualification (Alternative routes to membership)<br>• Work with relevant stakeholders to recognize prior learning in developing qualifications<br>• Review documentation | The RCPSB registered 213 certified Secretaries against the budgeted 231. This can be considered an achievement given that the RCPSB did not have a Board for 9 months. |

| | | | | | |
|---|---|---|---|---|---|
| | | | | required for registration<br>• Joint sensitization and promotion with key stakeholders as agreed through MOUs<br>• Enhance online registration by optimizing website<br>• Support the Student Society created by the ICS and training institution<br>• Enhance affordability through review fees so as to be competitive with other professions | |
| | | Increase in issue of Practicing Certificates | Number of practicing certificates issued | • Review documentation required for issue of a practicing certificate<br>• Review requirements for issue of practicing certificates.<br>• Support mentorship programme as envisaged in the MOU between CS Institutions<br>• Communicate to members | The RCPSB was able to issue 73 practicing Certificates against the budgeted 60 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | who qualify for issue of practicing certificates<br>• Publish requirements of Practicing as a Certified Secretary in relation to the Companies Act and other laws and regulations<br>• Reach out to deregistered members and work out waivers with the ICS | |
| | | Reduce Dormancy through re-registration | Number of Re-registrations | Reach out to deregistered members and work out waivers with the ICS | The RCPSB was able to reregister 4 members against a budget of 15 |
| Pillar 2: Quality assurance through improved the policy and regulatory framework for the CS profession. | | To review of the CPS Act | Amended or repealed Act | Stakeholder engagement to ensure review of the CPS Act | The RCPSB together with the Institute of Certified Secretaries and the National Treasury were able to prepare a draft Certified Secretaries Bill which is before the Attorney General for publication and submission to parliament |
| | | To review of regulations on requirements for | Reviewed Regulation | Stakeholder engagement to ensure review of the regulations governing | The RCPSB together with the Institute of Certified Secretaries and |

| | | | | | |
|---|---|---|---|---|---|
| | | registration and issue of practicing | | registration and issue of practicing certificates | the National Treasury were able to prepare a draft Certified Secretaries Bill which is before the Attorney General for publication and submission to parliament |
| | | To enhance governance and compliance with laws and regulations governing the Certified Secretaries profession | Number of publications | Engage individually or collaboratively with CS Institutions technical advisor in governance and compliance | |
| | | To create additional membership categories | Additional membership categories | To amend the CPS Act to provide for additional categories of membership such as associate and affiliate | The RCPSB together with the Institute of Certified Secretaries and the National Treasury were able to prepare a draft Certified Secretaries Bill which is before the Attorney General for publication and submission to parliament. The bill proposed additional categories of membership |
| Pillar 3: Awareness and Acceptance of | | To conduct research on corporate governance and the Certified | Number of researches | Support to CS Institutions to carry out joint research of areas of areas of | ▪ The RCPSB was nominated to the Research and Publication |

| | | | | | |
|---|---|---|---|---|---|
| the Certified Secretaries profession | | Secretaries profess | | professional practice | Committee of the ICS which coordinates research on behalf of the Certified Secretaries Institutions |
| | | To create market awareness of the CS qualification | Number of joint events | Support targeted advocacy by the CS Institutions | The three Certified Secretaries institutions, ICS, RCPSB and kasneb formed a Task to Market the Certified Secretaries profession |
| | | To effect a change in the name of the profession | Reviewed Act | Amend the CPS Act for the names of the CS Institutions and qualification to incorporate governance | The RCPSB together with the Institute of Certified Secretaries and the National Treasury were able to prepare a draft Certified Secretaries Bill which is before the Attorney General for publication and submission to parliament |
| | | To lobby with stakeholders for recognition of the CS Profession | An amendment of the Companies Act, Scheme of service for certified secretaries | Engage individually or collaboratively with CS Institutions technical advisor in Partnerships and advocacy services | The three Certified Secretaries institutions, ICS, RCPSB and kasneb formed a Task to deliberate on ways of increasing the recognition of the profession |

| | | | | | |
|---|---|---|---|---|---|
| | | To enhance stakeholder engagement Partnership Development and Publicity | Number of joint events | Implementation of the MOU between CS Institutions | The Board approved the renewal of the MOU signed in 2021 between the Certified Secretaries institutions and formed a joint taskforce to promote the profession |
| Pillar 4: Financial Sustainability and Resource Mobilization. | | To have alternative sources of funding | Increase in funding | • Develop a Fundraising Policy<br>• Fundraising initiatives | The Board has approved the development of a fundraising policy |
| Pillar 5: Organizational capacity Strengthening | | To increase the staff, complement to enhance operational capacity | Increase in Staff levels | • Human Resource Management Instruments approved by relevant Government bodies<br>• To petition the relevant government Institutions to categorize the RCPSB among state corporations | • The RCPSB has a Succession Planning and Management Policy in place<br>• The RCPSB acquired two vehicles to facilitate operations |

## 8. Corporate Governance Statement

Governance is the structure and the system of rules, practices and processes by which an organization is directed, controlled and held accountable. Governance also provides the framework of achieving the objectives of the organization and creates benchmarks for the measurement of corporate performance and disclosure. The core of RCPSB's governance structure is the Board and its committees that advice and guide decision making for the RCPSB.

The Board meets once every two months except in December to consider and approve applications for registration of Certified Secretaries and to approve issue Practicing Certificates. Committees of the Board meet quarterly.

In the Financial year ended 30 June 2024, Board held the following number of meetings.

| S/N | TYPE OF MEETING | NUMBER OF MEETINGS |
|---|---|---|
| 1 | Board Meeting | 7 |
| 2 | Governance and Finance Committee Meeting | 3 |
| 3 | Registration, Strategy and Professional Development Committee Meeting | 5 |
| 4 | Audit and Risk Committee Meeting | 2 |
| | **Total Number of Meetings** | **17** |

The Board carries an executive role of approving applications for registration and issue of practicing certificates as per the requirements of the CPS Act Cap 534 of the laws of Kenya. This necessitates a higher frequency of meetings.

The table below indicates the individual attendance of Board Members in Board Meetings:

**Board Meetings**

| S/N | NAME OF BOARD MEMBER | DESIGNATION | ATTENDANCE OUT OF SITTINGS |
|---|---|---|---|
| 1 | Happi Kilongosi | Member | 7 |
| 2 | Peter Kitonyo | Member | 6 |
| 3 | Margaret Odinyo | Member | 7 |
| 4 | Joyce Afanda | Member | 7 |
| 5 | Jeremiah Karanja | Member | 7 |
| 6 | Geoffrey K. Njuguna | Member | 7 |

| | | | |
|---|---|---|---|
| 7 | Nevis Ombasa | Member | 6 |
| 8 | Elijah Nyamamba | Member | 7 |
| 9 | Isaac Gathirwa | Member | 4 |
| 10 | Nancy Gathuku | Member | 3 |
| 11 | Patrick Mulwa | CEO/ Secretary | 7 |

**Governance and Finance Committee**

| S/N | COMMITTEE MEMBER | DESIGNATION | ATTENDANCE OUT OF SITTINGS |
|---|---|---|---|
| 1 | Joyce Afanda | Chairman | 3 |
| 2 | Elijah Nyamamba | Member | 3 |
| 3 | Geoffrey K. Njuguna | Member | 2 |
| 4 | Patrick Mulwa | CEO/ Secretary | 3 |

**Registration, Strategy and Professional Development Committee**

| S/N | NAME OF BOARD MEMBER | DESIGNATION | ATTENDANCE OUT OF SITTINGS |
|---|---|---|---|
| 1 | Peter Kitonyo | Chairman | 5 |
| 2 | Jeremiah N. Karanja | Member | 5 |
| 3 | Isaac W. Gathirwa | Member | 4 |
| 5 | Patrick Mulwa | CEO/ Secretary | 5 |

**Audit and Risk Committee**

| S/N | NAME OF BOARD MEMBER | DESIGNATION | ATTENDANCE OUT OF SITTINGS |
|---|---|---|---|
| 1 | Margeret Odinyo | Chairman | 2 |
| 2 | Isaac W. Gathirwa | Member | 2 |
| 3 | Jeremiah N. Karanja | Member | 2 |

**Note: Some Committees did not have 4 meetings in the financial year due to the delayed appointment of the Board.**

**Board and CEO Remuneration**

The table below shows the Board members remuneration

| | 2024 | 2023 |
|---|---|---|
| | Kshs | Kshs |

| | | |
|---|---|---|
| Directors Remuneration | 5,100,000 | 2,780,000 |
| Key management compensation | 2,808,933 | 2,676,335 |
| **Total** | **7,908,933** | **5, 456,335** |

During the year under review, the Board whose was fully reconstituted although the Board was appointed 9 months late due to the transition into a new government.

The members of the Board are appointed by the Cabinet Secretary, The National Treasury according to the requirements of the Certified Public Secretaries of Kenya Act, Cap 534 of the Laws of Kenya. The members are appointed to serve for a term of 3 years. It is worth noting that the current Board was appointed late on 27th September 2023, the term of the previous Board having expired on 31st December 2022. Also the Board does not have a substantive Chairperson and Vice Chairperson. Efforts have been made to expedite the appointments with the Head of Public Service, Executive Office of the President.

Three months before the expiry of the term of the Board, the Registrar of the Board through the Office of the Director General Accounting Services and Quality Assurance, the National Treasury writes to the nominating institutions to nominate members for appointment by the Cabinet Secretary.

Directors can be removed by the nominating institution writing to the Cabinet Secretary and requesting for revocation of the director's nomination.

**Roles and Functions of the Board**

(a) The Board carries an executive role of approving applications for registration and issue of practicing certificates as per the requirements of the CPS Act Cap 534 of the laws of Kenya. Determine the Board's mission, vision, purpose and core values;

(b) Review, evaluate and approve, on a regular basis, long-term plans for the Board;

(c) Review, evaluate and approve the Board's budget and financial forecasts;

(d) Review, evaluate and approve major resource allocations and capital investments;

(e) Ensure that the procurement process is cost-effective and delivers value for money;

(f) Review and approve the operating and financial results of the Board;

(g) Ensure effective, accurate, timely and transparent disclosure of pertinent information on the Board's operations and performance;

(h) Ensure that effective processes and systems of risk management and internal controls are in place;

(i) Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;

(j) Review, evaluate and approve the remuneration structure of the Board;

(k) Adopt, implement and monitor compliance with the Board's Code of Conduct and Ethics;

(l) Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;

(m) Review periodically the Board's strategic objectives and policies relating to sustainability and social responsibility/investment;

(n) Protect the rights of stakeholders and optimize stakeholder value;

(o) Enhance the Board's public image and ensure engagement with stakeholders through effective communication;

(p) Monitor compliance with the Constitution, all applicable laws, regulations and standards; and

(q) Review, monitor and ensure that the organization is effectively and consistently delivering on its mandate.

The current Board was appointed on 27th September 2023 and gazetted on 29th September 2023 and an internal induction of the Board held on 13th October 2023. The Board was inducted by the State Corporations Advisory Committee (SCAC) in January 2024. The board undertakes a Board evaluation at the end of each financial year. The evaluation of the Board is scheduled to be done on 16th August 2024. Board members are paid sitting allowances these are disclosed as board members' remuneration in the statement of financial performance. The members of the Board are bound by the provisions of Mwongozo: The Code of Governance for State Corporations.

## 9. Management Discussion and Analysis

The Board continued its core mandate which is to register qualified secretaries and issue practicing certificates to those who are eligible to offer services to the public as Certified Secretaries. The following is a summary of comparative applications for registrations and issues of practicing certificates as at June 2024.

The Board continued its core mandate which is to register qualified secretaries and issue practicing certificates to those who are eligible to offer services to the public as Certified Secretaries. The following is a summary of comparative applications for registrations and issues of practicing certificates for 2023/2024.

| | 2022/2023 | | 2023/24 | Q1-2023/24 | | Q2-2023/24 | | Q3-2023/24 | | Q4-2023/24 | | | FOR THE YEAR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BUDGET | ACTUAL | BUDGETED | BUDGETED | ACTUAL | BUDGETED | ACTUAL | BUDGETED | ACTUAL | BUDGET | ACTUAL | TOTAL BUDGETED | TOTAL ACTUAL |
| **Registration** | 208 | 217 | 231 | 58 | 49 | 58 | 52 | 58 | 77 | 57 | 35 | 231 | 213 |
| **Practicing** | 60 | 44 | 60 | 15 | 20 | 15 | 15 | 15 | 19 | 15 | 19 | 60 | 73 |

| CATEGORY OF MEMBERSHIP | 2022/23 (30TH JUNE 2023) | 2023/2024 CUMULATIVE UP TO (30TH JUNE 2024 APPROVED BY THE BOARD | INCREASE IN REGISTRATIONS AND ISSUED PRACTICING CERTIFICATES AS AT 30TH JUNE 2024 |
|---|---|---|---|
| **Registration** | 4,122 | 4,436 | 314 |
| **Practicing** | 1,512 | 1,592 | 80 |

The numbers of registrations and practicing certificates received registered a fair performance in the 2023/2024 financial year. Kasneb held examinations in August 2023, December 2023 and May 2024. The RCPSB has formulated a number of initiatives aimed at increasing the number of registered Certified Secretaries namely:

1. Partnering with the Institute of Certified Secretaries and kasneb to market the Certified Secretaries qualification

2. Sponsoring marketing awareness campaigns on the Certified Secretaries qualification

## 10. Environmental and Sustainability Reporting

### i) *Sustainability strategy and profile*

The legal and regulatory environment remains inhibiting to the realization of the potential impact envisaged for the profession. The Board has worked with ICPSK, which is leading the initiative in lobbying GOK for an improved legal and regulatory environment for the practice of the Certified Secretaries profession. These efforts have targeted amendments to a number of statutes including:

(1) The CPS Act to, inter alia, reflect the evolving role of the profession in the promotion of good governance. In this regard, draft legislation has been submitted to the parent Ministry for its consideration prior to its transmission to the State Law office. Some of the changes are in support of rebranding the profession as well as expanding the categories of membership to encourage growth in numbers.

(2) Changes to the insolvency Act to allow members of the Certified Secretaries profession to serve as insolvency practitioners,

(3) The Companies Act, to widen the number of businesses to require Certified Secretarial professional services, as well as eliminate quacks from purporting to engage in Certified Secretarial practice.

The RCPSB and other Stakeholders participated in the review and development of the Certified Secretaries Amendment Bill 2024.

### ii) *Environmental performance*

The RCPSB is a purely service organization and does not have an environment policy at the moment.

### iii) *Employee welfare*

The RCPSB wrote to the Ministry of Public Service and Gender, State Department of Public Service in January 20, 2019 to be assisted in developing Human Resource Management instruments. The Principal Administrative Secretary appointed a Team from the Management Consultancy Division of the Ministry to develop the RCPSB Human Resource Management Instruments. The team working with the Secretariat finalized the report which was received on 23rd May 2019 and the Board approved and adopted the report and Instruments on 29th May 2019. The Instruments were delivered to the RCPSB on 4th July 2019. The Board adopted the following RCPSB Human Resource Management developed by the Management Consultancy Services Department, State Department of Public Service, Ministry of Public Service, and Gender:

- Organization Structure and Staffing of the Registration of Certified Public Secretaries Board (Incorporating RCPSB Organization Structure and RCPSB Staff Establishment)
- Career Progression Guidelines for the Staff of the Registration of Certified Public Secretaries Board
- RCPSB Human Resources Policies and Procedures Manual.

These instruments enable the RCPSB to manage its human resources equitably and according to best practices and the laws and regulations governing the employment contract.

The RCPSB started implementing the Instruments in December 2020 with the re-designation of the staff of the RCPSB.

**iv)** ***Market place practices-***

**a)** ***Responsible competition practice.***

The RCPSB is a regulator that is established under the Certified Public Secretaries Act (CPS Act), Cap 534 and does not have a competitor profile

**b)** ***Responsible Supply chain and supplier relations***

The RCPSB endeavours to maintain good and value adding relationship with its supply chain partners. Specifically, the RCPSB ensures that payments are made in time and that communications with partners are clear and timely.

**c)** ***Responsible marketing and advertisement***

In discharging its mandate, the RCPSB endeavours to follow the requirements of the Act and any other related laws and regulations. In carrying its role, the RCPSB complements the work of the Institute of Certified Public Secretaries of Kenya (ICPSK), also established through the CPS Act

**d)** ***Product stewardship***

The RCPSB ensure that its clients get accurate and timely information on its services. This information is available on the RCPSB's website, at the Institute of Certified Public Secretaries of Kenya website and at request when required.

**v)** ***Corporate Social Responsibility / Community Engagements***

In the Financial Year 2023-2024 the RCPSB did not have any community engagements. This was due to late appointment of the Board which affected procurement, budget and work plan approvals.

## 11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the RCPSB's affairs.

**(i) Principal activities**

The principal activities of the Registration of Certified Public Secretaries Board continue to be to register qualified Secretaries and issue practicing certificates to those registered Secretaries who are eligible to offer services to the public as Certified Public Secretaries of Kenya. The other mandate of the Board is a regulatory role which is to de-register members out of their professional misconduct or any other reason as stipulated in the Certified Public Secretaries Act Cap 534, Section 24.

**(ii) Results**

The results of the RCPSB for the year ended June 30, 2024 are set out on pages 1 to 6.

**(iii) Directors**

The members of the Board of Directors who served during the year financial year 2023/2024 shown on page (iv)- (vii)

**(iv) Surplus remission**

The RCPSB is categorised in Schedule 4 and hence did not make any remittance to the Consolidated Fund. However, a cash call of Ksh. 20,000,000 was made by the National Treasury in April 2024.

**(v) Auditors**

The Auditor General is responsible for the statutory audit of the RCPSB in accordance with the Section 34 of the Certified Public Secretaries Act, Section 14 (3) of the State Corporations Act (CAP 446) and Section 68 (2) of the Public Finance Management (PFM) Act, 2012)

By Order of the Board

.....

**FCS Patrick Mulwa**
Chief Executive Officer and Secretary to the Board

Date: 24/12/2024

## 12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 34 of the Certified Public Secretaries Act (CAP 534), and section 14 (2) of the State Corporations Act, require the Directors to prepare financial statements in respect of that RCPSB, which give a true and fair view of the state of affairs of the RCPSB at the end of the financial year/period and the operating results of the RCPSB for that year/period. The Directors are also required to ensure that the RCPSB keeps proper accounting records which disclose with reasonable accuracy the financial position of the RCPSB. The Directors are also responsible for safeguarding the assets of the RCPSB.

The Directors are responsible for the preparation and presentation of the RCPSB's financial statements, which give a true and fair view of the state of affairs of the RCPSB for and as at the end of the financial year (period) ended on June 30, 2023. 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 RCPSB; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the RCPSB'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 Certified Public Secretaries Act (CAP 534). The Directors are of the opinion that the 's financial statements give a true and fair view of the state of RCPSB's transactions during the financial year ended June 30, 2024, and of the RCPSB's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the RCPSB, which have been relied upon in the preparation of the RCPSB's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the RCPSB 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 RCPSB's financial statements were approved by the Board on 26th September 2024 and signed on its behalf by:

.....

**Chairperson of the Board**

.....

**Chief Executive Officer**

# REPUBLIC OF KENYA

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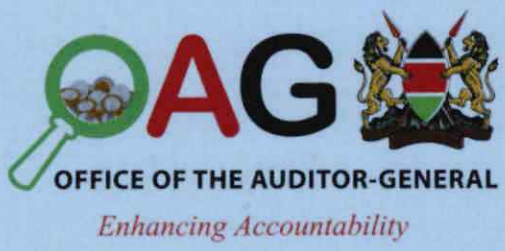


**HEADQUARTERS**
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON REGISTRATION OF CERTIFIED PUBLIC SECRETARIES BOARD FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

I draw your attention to the contents of my report, which is in three parts:

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance, which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

**Opinion**

I have audited the accompanying financial statements of Registration of Certified Public Secretaries Board set out on pages 1 to 34 which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of

changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Registration of Certified Public Secretaries Board as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Certified Public Secretaries of Kenya Act, 2015 (Revised) 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 the Registration of Certified Public Secretaries Board Management in accordance with ISSAI 130 on the 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 Information**

The Directors are responsible for the other information set out on page (iv) to (xxxi) which comprise of Key Entity Information and Management, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Board's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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 3000 and ISSAI 4000. The standards require 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 comply 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, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

**Basis for Conclusion**

1. **Failure to Gazette Appointment of the Chairperson and Vice Chairperson of the Board**

Review of Board's records indicate that the current board members were appointed on 16 June, 2023 and some members gazetted on 27 September, 2023 for a period of three (3) years effective 29 September, 2023. However, by the time of the audit in November, 2024, the appointment of the Chairperson and the Vice Chairperson had not been gazetted. This is contrary to the provision of the Third Schedule of the Certified Public Secretaries of Kenya Act, 2015 (Revised) which provides for the appointment of a Chairperson and Vice Chairperson of the Board.

In the circumstances, the appointing Authority was in breach of the law and the effectiveness of the Board in guiding corporate governance during the year could not be confirmed.

2. **Lack of Internal Audit Function**

During the year under review, the Board operated without an internal audit function contrary to Section 73(1) of the Public Finance Management Act, 2012 which states that

every national Government entity shall ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board. The Board was therefore exposed to operational risks due to lack of assurance from the internal audit function.

In the circumstances, the adequacy of internal controls and governance systems in place could not be confirmed.

**3. Under-staffing**

Review of the human resource records indicated that during the year under review, the Board operated with only four (4) staff against an approved establishment of twenty-eight (28) staff resulting in a shortfall of twenty-four (24) staff. The under-staffing is likely to compromise on segregation of duties and may have impacted negatively on the effectiveness of the Board in the achievement of its objectives.

In the circumstances, the adequacy and effectiveness of the Board's internal controls could not be confirmed.

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 controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

**Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 controls, risk management and governance.

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

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

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

The Board of Directors is responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how Management 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

**FCPA Nancy Gathungu, CBS**
**AUDITOR-GENERAL**

**Nairobi**

**24 December, 2024**

## 14. Statement of Financial Performance for the year ended 30 June 2024

| | Note | 2023-2024 | 2022-2023 |
|---|---|---|---|
| **Incomes** | | Kshs | Kshs |
| **Revenue from non-exchange transactions:** | | | |
| Transfers from other governments – gifts and services-in-kind | 6 | 43,800,000 | 22,907,500 |
| **Revenue from exchange transactions:** | | | |
| Rendering of services | 7 | 3,126,500 | 2,772,000 |
| Finance income - external investments | 8 | 134,768 | 1,648,340 |
| Other Incomes | 9 | - | 21,061 |
| Total revenue | | 47,061,268 | 27,348,901 |
| **Expenditure** | | | |
| Employee Cost | 10 | 6,520,711 | 5,883,045 |
| Board Expenses | 11 | 9,100,296 | 4,221,149 |
| Depreciation and amortization expense | 12 | 552,551 | 552,551 |
| Repairs and maintenance | 13 | 117,740 | 117,740 |
| Use of Goods and Services | 14 | 11,432,762 | 6,416,830 |
| Total expenses | | 27,724,060 | 17,191,315 |
| Surplus/(deficit) for the period | | **19,337,208** | **10,157,586** |

The notes set out on pages 7 to 33 form an integral part of these Financial Statements

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

**CEO**
Patrick Mulwa
.....
Sign:
Date: 24/12/2024

**Head of Finance**
Patrick K Tanui
.....
Sign:
.....
ICPAK Member Number:
24/12/2024

**Chairperson:**
\Happi C. Kilongosi
.....
Sign
Date:
24/12/2024

## 15 Statement of Financial Position as at 30 June 2024

| | NOTES | 2023-2024 | 2021-2022 |
|---|---|---|---|
| **Assets** | | Kshs | Kshs |
| **Current Assets** | | | |
| Cash and cash equivalents | 15 | 26,577,244 | 23,689,411 |
| Investments | 16 | - | 17,000,000 |
| Receivables from non-exchange transactions | 17 | 48,000 | 122,000 |
| Prepayments | 18 | 1,229,573 | 766,030 |
| Total Current Assets | | **27,854,817** | **41,577,441** |
| | | | |
| **Non-current assets:** | | | |
| Property, plant and equipment | 19 | 14,594,477 | 1,519,496 |
| Intangible Assets | 20 | 115,130 | 161,182 |
| Total Non-current Assets | | **14,709,607** | **1,680,678** |
| **Total assets** | | **42,564,424** | **43,258,119** |
| | | | |
| **Liabilities:** | | | |
| **Current liabilities:** | | | |
| Trade and other payables from exchange transactions | 21 | - | 35,903 |
| Provisions | 22 | 135,000 | 130,000 |
| Total Current Liabilities | | **135,000** | **165,903** |
| **Total liabilities** | | **135,000** | **165,903** |
| **Net assets** | | | |
| Reserves | 23 | 43,092,216 | 32,934,630 |
| Prior Year Adjustments/ Remmitance to Exchequer | | (20,000,000) | - |
| Accumulated surplus (Deficit) for the year | | 19,337,208 | 10,157,586 |
| Total net assets | | **42,429,424** | **43,092,216** |
| **Total net assets and liabilities** | | **42,564,424** | **43,258,119** |

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by

| **CEO** | **Head of Finance** | **Chairperson:** |
|---|---|---|
| Patrick Mulwa | Patrick K Tanui | \Happi C. Kilongosi |
| ..... | ..... | ..... |
| Sign: | Sign: | Sign |
| | ..... | |
| Date: | ICPAK Member Number: | Date: |
| 24/12/2024 | 24/12/2024 | 24/12/2024 |

## 16. Statement of Changes in Net Assets for the year ended 30 June 2024

| | Reserves | Capital /Development Fund | Total Net Assets |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| | | | |
| **Balance as at 1 July 2022** | **32,934,630** | - | **32,934,630** |
| | | - | |
| Surplus/(deficit) for the period | 10,157,586 | - | 10,157,586 |
| Prior year adjustments | - | - | - |
| **Balance as at 30 JUNE 2023** | **43,092,216** | - | **43,092,216** |
| | | | |
| **Balance as at 1 July 2023** | **43,092,216** | - | **43,092,216** |
| | | | |
| Surplus for the period | 19,337,208 | - | 19,337,208 |
| Prior year adjustments/Remittance to Exchequer | (20,000,000) | - | (20,000,000) |
| **Balance as at 30 JUNE 2024** | **42,429,424** | - | **42,429,424** |

**Note.** The prior years adjustment/ Remittance to exchequer relates to a cash called by the National treasury.

**17. Statement of Cash Flows for the year ended 30 June 2024**

| | NOTES | 2023-2024 | 2022-2023 |
|---|---|---|---|
| | | Kshs | Kshs |
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Transfers from other governments – gifts and services-in-kind | 6 | 43,800,000 | 22,907,500 |
| Rendering of services | 7 | 3,126,500 | 2,772,000 |
| Finance income - external investments | 8 | 134,768 | 1,648,340 |
| Other Incomes | 9 | - | 21,061 |
| **Total Receipts** | | **47,061,268** | **27,348,901** |
| **Payments** | | | |
| Employee costs | 10 | 6,520,711 | 5,883,045 |
| Board Expenses | 11 | 9,100,296 | 4,221,149 |
| Repairs and maintenance | 13 | 117,740 | 117,740 |
| Use of goods & services | 14 | 11,432,762 | 6,416,830 |
| **Total Payments** | | **27,171,509** | **16,638,764** |
| **Net cash flows from operating activities** | | **19,889,759** | **10,710,137** |
| **Working Capital Changes** | | | |
| Increase/Decrease in payables | | (35,903) | (64,097) |
| Increase/Decrease in provisions | | 5,000 | 9,000 |
| Increase/Decrease in receivables | | 74,000 | (122,000) |
| Increase/ Decrease in prepayments | | (463,543) | 516,157 |
| Prior year adjustments/ Remittance to exchequer | | (20,000,000) | - |
| **Cash generated from operations** | 24 | **(20,420,446)** | **339,060** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant, equipment and intangible assets | | (13,581,480) | - |
| Proceeds from sale of property, plant and Equipment | | - | - |
| Decrease /Decrease in non-current receivables | | - | - |
| Increase /Decrease in investments | | 17,000,000 | - |
| **Net cash flows used in investing activities** | | **3,418,520** | **-** |
| | | | |
| **Cash flows from financing activities** | | - | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Increase in deposits | | - | - |
| **Net cash flows used in financing activities** | | **-** | **-** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **2,887,833** | **11,049,197** |
| Cash and cash equivalents at 1 July | | 23,689,410 | 12,640,213 |
| **Cash and cash equivalents at 30 JUNE 2024** | | **26,577,243** | **23,689,410** |

## 18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of Utilization |
|---|---|---|---|---|---|---|
| | 2023-2024 | 2023-2024 | 2023-2024 | 2023-2024 | 2023-2024 | |
| **Revenue** | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Government grants and subsidies | 24,800,000 | 19,000,000 | 43,800,000 | 43,800,000 | - | 100% |
| Rendering of services | 3,240,000 | - | 3,240,000 | 3,126,500 | (113,500) | 96% |
| Finance Income | 1,190,000 | | 1,190,000 | 134,768 | (1,055,232) | 11% |
| Other Income | 200,000 | - | 200,000 | - | (200,000) | 0% |
| **Total income** | **29,430,000** | **19,000,000** | **48,430,000** | **47,061,268** | **(1,368,732)** | |
| **Expenses** | | | | | | |
| Compensation of Employees | 7,773,080 | 1,259,197 | 9,032,277 | 6,520,711 | 2,511,566 | 72% |
| Board Expenses | 9,150,000 | 540,000 | 9,690,000 | 9,100,296 | 589,704 | 94% |
| Depreciation and Amortization | 761,000 | 959,300 | 1,720,300 | 552,551 | 1,167,749 | 32% |
| Repairs and maintenance | 135,000 | 500,000 | 635,000 | 117,740 | 517,260 | 19% |
| Use of goods & services | 11,075,800 | 5,647,100 | 16,722,900 | 11,432,762 | 5,290,138 | 68% |
| **Total expenditure** | **28,894,880** | **8,905,597** | **37,800,477** | **27,724,060** | **10,076,417** | |
| **Surplus for the period** | **535,120** | **10,094,403** | **10,629,523** | **19,337,208** | **8,707,685** | |

**Budget Notes**

1. Income from Rendering of services declined due to the decline in the number of applications for registration and practicing certificates.
2. Finance Income fall short of the budget due to the redemption of all treasury bills due to a cash call to the Exchequer by the National Treasury.
3. Other Incomes were below the budget because other fundraising avenues were not achieved in the current Financial Year.
4. Compensation of employees declined due to the fact that the intended recruitment of additional staff was not successfully implemented in the current financial year.
5. Board expenses was not fully absorbed due to non-payment of honoraria owing to non-gazettement of the chairperson and late appointment of the Board.
6. Depreciation expense is below the budget because the intended partitions and installation of ERP system was not successfully implemented in the current financial year.
7. Repairs and maintenance decline due the efficient use of office equipment.
8. Expenses on use of goods and services are lower than budget due to prudent spending.

**Reconciliation between surplus as per the Budget and surplus as per the Statement of Financial Performance.**

| | Kshs. |
|---|---|
| Surplus under statement of financial performance | 19,337,208 |
| Less: Surplus under the statement of Budgeted and actual amounts | 19,337,208 |
| **Difference** | - |

## 19. Notes to the Financial Statements

### 1. General Information

Registration of Certified Public Secretaries Board (RCPSB) is established and derives its authority and accountability from the Certified Public Secretaries of Kenya Act Cap 534. The Board is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity of the Board is to register qualified Secretaries and issue practicing certificates to those registered Secretaries who are eligible to offer services to the public as Certified Public Secretaries of Kenya. The other mandate of the Board is a regulatory role which is to de-register members out of their professional misconduct or any other reason as stipulated in the Certified Public Secretaries of Kenya Act Cap 534, Section 24.

### 2. Statement of Compliance and Basis of Preparation

The Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Board. The accounting policies have been consistently applied to all the years presented.

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

### 3. Adoption of New and Revised Standards

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2024**

There were no new and amended standards issued in the financial year.

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024**

| Standard | Effective date and impact: |
|---|---|
| **IPSAS 43:** | ***Applicable 1st January 2025***<br>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.<br>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.<br>**Impact:** There is no impact RCPSB. |

**Notes to the Financial Statements (Continued)**

| | |
|---|---|
| **IPSAS 44:** Non- Current Assets Held for Sale and Discontinued Operations | ***Applicable 1st January 2025***<br>The Standard requires,<br>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:<br>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.<br>**Impact**: There is no impact on RCPSB. |
| **IPSAS 45:** Property Plant and Equipment | ***Applicable 1st January 2025***<br>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard.<br>IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.<br>**Impact:** There will be no impact on RCPSB. |
| **IPSAS 46:** Measurement | ***Applicable 1st January 2025***<br>The objective of this standard was to improve measurement guidance across IPSAS by:<br>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.<br>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;<br>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.<br>The standard also introduces a public sector specific measurement bases called the current operational value.<br>**Impact**: There will be no impact. |
| **IPSAS 47:** Revenue | ***Applicable 1st January 2026***<br>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.<br>**Impact:** There will be no impact on RCPSB. |

**Notes to the Financial Statements (Continued)**

| | |
|---|---|
| **IPSAS 48:** Transfer Expenses | ***Applicable 1st January 2026***<br>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.<br>**Impact:** There will be no impact |
| **IPSAS 49:** Retirement Benefit Plans | ***Applicable 1st January 2026***<br>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.<br>**Impact:** There will be no impact on RCPSB. |

**iii. Early adoption of standards**

The RCPSB did not early – adopt any new or amended standards in year 2023/2024.

## 4. Summary of Significant Accounting Policies

### a) Revenue recognition

#### i) Revenue from non-exchange transactions

**Fees, taxes and fines**

The RCPSB recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. 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 RCPSB and the fair value of the asset can be measured reliably.

**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 RCPSB 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

**Notes to the Financial Statements (Continued)**

**ii) Revenue from exchange transactions**

***Rendering of services***

The RCPSB recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

***Sale of goods***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the RCPSB.

**Interest income**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the RCPSB's right to receive payments is established.

**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.

**b) Budget information**

The original budget for FY 2023-2024 was approved by the National Treasury on 30 June 2023. 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 RCPSB upon receiving the respective approvals in order to conclude the final budget. Accordingly, the RCPSB recorded additional appropriations of on the 2023-2024 budget following the governing body's approval.

The RCPSB'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.

**Notes to the Financial Statements (Continued)**

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 under section xxx of these financial statements.

**c) Taxes**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the RCPSB operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is

**Notes to the Financial Statements (Continued)**

probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable RCPSB and the same taxation authority.

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

**Notes to the Financial Statements (Continued)**

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

**e) 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 RCPSB 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.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the RCPSB. 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 RCPSB 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 RCPSB 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 RCPSB. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**Notes to the Financial Statements (Continued)**

**g) 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.

**h) Research and development costs**

The RCPSB expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the RCPSB can demonstrate:

i) The technical feasibility of completing the asset so that the asset will be available for use or sale

ii) Its intention to complete and its ability to use or sell the asset

iii) How the asset will generate future economic benefits or service potential

iv) The availability of resources to complete the asset

v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**i) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The RCPSB determines the classification of its financial assets at initial recognition.

***Loans and receivables***

**Notes to the Financial Statements (Continued)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the RCPSB has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

***Impairment of financial assets***

The RCPSB assesses at each reporting date whether there is objective evidence that a financial asset or an RCPSB of financial assets is impaired. A financial asset or a RCPSB of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the RCPSB of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as

**Notes to the Financial Statements (Continued)**

appropriate. The RCPSB determines the classification of its financial liabilities at initial recognition.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**j) 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.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

i) Raw materials: purchase cost using the weighted average cost method

ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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 RCPSB.

**k) Provisions**

Provisions are recognized when the RCPSB 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.

**Notes to the Financial Statements (Continued)**

Where the RCPSB expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The RCPSB 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 RCPSB 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 RCPSB 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.

**l) Nature and purpose of reserves**

The RCPSB creates and maintains reserves in terms of specific requirements.

**m) Changes in accounting policies and estimates**

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

**n) Employee benefits**
**Retirement benefit plans**

The RCPSB provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an RCPSB pays fixed contributions into a separate RCPSB (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit

**Notes to the Financial Statements (Continued)**

credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**o) 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.

**p) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**q) Related parties**

The RCPSB 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 RCPSB, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**r) Service concession arrangements**

The RCPSB analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the RCPSB recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the RCPSB also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**s) 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

**Notes to the Financial Statements (Continued)**

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.

**t) Comparative figures**

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

**u) 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, 2024.

## 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the RCPSB'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. State all judgements, estimates and assumptions made: e.g.

**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 RCPSB 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 RCPSB. 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:

a) The condition of the asset based on the assessment of experts employed by the RCPSB
b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
c) The nature of the processes in which the asset is deployed

**Notes to the Financial Statements (Continued)**

d) Availability of funding to replace the asset
e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22.

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.

## 6. Transfers from Ministries, Departments and Agencies (MDAs)

| Name of The Entity Sending the grant | Amount recognized to Statement of Financial performance | Amount deferred under deferred income. | Amount recognised in capital fund. | Total transfers **2023- 2024** | Prior year **2022- 2023** |
|---|---|---|---|---|---|
| | **KShs** | **Kshs** | **KShs** | **KShs** | **KShs** |
| National Treasury | 43,800,000 | - | - | 43,800,000 | 22,907,500 |
| **Total** | **43,800,000** | **-** | **-** | **43,800,000** | **22,907,500** |

## 7. Rendering of services

| Description | **2023-2024** | **2022-2023** |
|---|---|---|
| | **Kshs** | **Kshs** |
| Registration | 2,138,000 | 2,178,000 |
| Re-registration | 60,000 | 30,000 |
| Practicing Certificates | 912,500 | 550,000 |
| Certificate replacement | 6,000 | 4,000 |
| Authority to practice | 10,000 | 10,000 |
| **Total** | **3,126,500** | **2,772,000** |

## 8. Finance income - external investments

| **Description** | **2023-2024** | **2022-2023** |
|---|---|---|
| | **KShs** | **KShs** |
| Interest income from Treasury Bills | 134,768 | 1,648,340 |
| Discount on T.Bills | - | - |
| **Total finance income – external investments** | **134,768** | **1,648,340** |

**Notes to the Financial Statements (Continued)**

## 9. Other incomes

| Description | 2023-2024 KShs | 2022-2023 KShs |
|---|---|---|
| Decrease in provision | - | 21,000 |
| Miscellaneous receipts | - | 61 |
| **Total Other income** | **-** | **21,061** |

## 10. Employee costs

| | 2023-2024 KShs | 2022-2023 KShs |
|---|---|---|
| Salaries and wages | 3,490,080 | 3,265,420 |
| Employee related costs - contributions to pensions | 446,171 | 304,166 |
| Travel, motor car, accommodation, subsistence and other allowances | 396,000 | 368,000 |
| Housing benefits and allowances | 1,362,000 | 1,288,000 |
| Performance and other bonuses | 84,000 | 84,000 |
| Medical Insurance | 628,460 | 468,459 |
| Airtime | 114,000 | 105,000 |
| **Employee costs** | **6,520,711** | **5,883,045** |

## 11. Board Expenses

| Description | 2023-2024 KShs | 2022-2023 KShs |
|---|---|---|
| Chairman's Honoraria | - | 480,000 |
| Airtime- Board Members | 92,000 | 114,000 |
| Directors' emoluments | 5,100,000 | 2,780,000 |
| Fare refund | 104,298 | 4,000 |
| Medical Cover | 170,544 | 343,789 |
| Board Capacity building | 2,978,254 | 431,660 |
| Board retreat | 655,200 | 67,700 |
| **Total director emoluments** | **9,100,296** | **4,221,149** |

**Notes to the Financial Statements (Continued)**

**12. Depreciation and amortization expense**

| **Description** | **2023-2024** | **2022-2023** |
|---|---|---|
| | **KShs** | **KShs** |
| Property, plant and equipment | 506,499 | 506,499 |
| Intangible Asset | 46,052 | 46,052 |
| **Total depreciation and amortization** | **552,551** | **552,551** |

**13. Repairs and maintenance**

| **Description** | **2023-2024** | **2022-2023** |
|---|---|---|
| | **KShs** | **KShs** |
| Website Maintenance | 117,740 | 117,740 |
| Computer & Printer repair | - | - |
| **Total repairs and maintenance** | **117,740** | **117,740** |

**14. Use of Goods and Services**

| **Description** | **2023-2024** | **2022-2023** |
|---|---|---|
| | **KShs** | **KShs** |
| Miscellaneous Expenses | 71,860 | 63,895 |
| Hospitality | 112,862 | 184,049 |
| Rental expenses | 4,154,179 | 3,801,991 |
| Audit fees | 135,000 | 130,000 |
| Seminars, Conferences & Workshops | 1,412,192 | 228,535 |
| CPS Plan & Development | 1,000,000 | 1,192,000 |
| News paper | 10,260 | 13,500 |
| Transport | 49,430 | 44,820 |
| Postage | 4,000 | 5,600 |
| Printing and stationery | 510,671 | 259,487 |
| Post Box Rental | 9,450 | 9,450 |
| Telecommunication | 5,150 | 5,300 |
| Staff training and development | 3,048,090 | 147,340 |
| Internet Services | 267,354 | 271,818 |
| Subscriptions to professional bodies | 30,200 | 30,200 |
| Bank charges | 39,364 | 28,845 |
| Marketing & Public relations | 572,700 | - |
| **Total general expenses** | **11,432,762** | **6,416,830** |

**Notes to the Financial Statements (Continued)**

**15. Cash and cash equivalents**

| Description | 2023-2024 | 2022-2023 |
|---|---|---|
| | KShs | KShs |
| Current account (NBK) | 26,577,244 | 23,689,411 |
| **Total cash and cash equivalents** | **26,577,244** | **23,689,411** |

**16. Investments**

| | 2023-2024 | 2022-2023 |
|---|---|---|
| **Investment in Treasury bills-** | **Kshs** | **KShs** |
| **Central bank of kenya:-** | | |
| - 91 Days Treasury Bills | - | 4,000,000 |
| - 182 Days Treasury Bills | - | 13,000,000 |
| **Sub- total** | **-** | **17,000,000** |

**17. Receivables from non-exchange contracts**

| **Description** | **2023-2024** | **2022-2023** |
|---|---|---|
| | **KShs** | **KSh** |
| **Current receivables** | | |
| Balance B/d | 122,000 | - |
| Additions (Salary Advance) | 102,000 | 267,000 |
| Amount received (Salary advance) | (176,000) | (145,000) |
| **Total** | **48,000** | **122,000** |

**18. Prepayment:**

| **Description:** | **2023-2024** | **2022-2023** |
|---|---|---|
| | **Kshs** | **Kshs** |
| Office rent deposit | 462,378 | 462,378 |
| Parking pay deposit | 54,000 | 54,000 |
| Service Charge deposit. | 119,198 | 119,198 |
| Prepaid Insurance cover | 593,997 | 130,454 |
| **Total** | **1,229,573** | **766,030** |

**Notes to the Financial Statements (Continued)**

**19. Property plant and equipment**

| | Motor Vehicles | Office equipment/ Computers | Furniture and Partitions | Total |
|---|---|---|---|---|
| Cost | KShs | KShs | KShs | Kshs |
| At 1st July 2022 | - | - | 4,051,991 | 4,051,991 |
| Additions | - | - | - | - |
| Disposals/Scrap | - | - | - | - |
| Transfers | | | | |
| At 30th June 2023 | - | - | 4,051,991 | 4,051,991 |
| Additions | 12,811,350 | 527,920 | 242,210 | 13,581,480 |
| Disposals/Scrap | - | - | - | - |
| Transfers | - | - | - | - |
| **At 30th June 2024** | **12,811,350** | **527,920** | **4,294,201** | **17,633,471** |
| **Depreciation & Impairment** | | | | |
| At 1st July 2022 | - | - | 2,025,996 | 2,025,996 |
| Depreciation for the year | - | - | 506,499 | 506,499 |
| Impairment | - | - | - | - |
| **At 30th June 2023** | **-** | **-** | **2,532,495** | **2,532,495** |
| Depreciation for the year | - | - | 506,499 | 506,499 |
| Disposals/Scrap | - | - | - | - |
| Impairment | - | - | - | - |
| **At 30th June 2024** | **-** | **-** | **3,038,994** | **3,038,994** |
| Net Book Values: | | | | |
| **At 30th June 2023** | **-** | **-** | **1,519,496** | **1,519,496** |
| **At 30th June 2024** | **12,811,350** | **527,920** | **1,255,207** | **14,594,477** |

**Notes to the Financial Statements (Continued)**

**20. Intangible Assets**

| | Website | Others | Total |
|---|---|---|---|
| Cost | KShs | KShs | KShs |
| At 1st July 2022 | - | - | - |
| Additions | 230,260 | - | 230,260 |
| Disposals/Scrap | - | - | - |
| Transfers | | | |
| At 30th June 2023 | **230,260** | **-** | **230,260** |
| Additions | - | - | - |
| Disposals/Scrap | - | - | - |
| Transfers | - | - | - |
| At 30th June 2024 | **230,260** | **-** | **230,260** |
| **Amortization** | | | |
| At 1st July 2022 | 23,026 | - | 23,026 |
| Amortization for the year | 46,052 | - | 46,052 |
| At 30th June 2023 | **69,078** | **-** | **69,078** |
| Amortization for the year | 46,052 | - | 46,052 |
| Disposals/Scrap | - | - | - |
| Transfers | - | - | - |
| At 30th June 2024 | **115,130** | **-** | **115,130** |
| Net Book Value: | | | |
| **At 30th June 2023** | **161,182** | **-** | **161,182** |
| **At 30th June 2024** | **115,130** | **-** | **115,130** |

**21. Trade and other payables from exchange transactions**

| **Description:** | **2023-2024 Kshs** | **2022-2023 Kshs** |
|---|---|---|
| Audit Fees | - | - |
| Medical Insurance | - | 35,183 |
| Newspapers | - | 720 |
| **Total** | **-** | **35,903** |

**22. Current provisions**

| **Audit Fee:** | **2023-2024 Kshs** | **2022-2023 Kshs** |
|---|---|---|
| Balance b/d (1/7/2023) | 130,000 | - |
| Additional provision | 135,000 | 130,000 |
| Amount cleared | (130,000) | - |
| **Total** | **135,000** | **130,000** |

**Notes to the Financial Statements (Continued)**

**23. Reserves**

| **Description:** | **2023-2024** | **2022-2023** |
|---|---|---|
| | **Kshs** | **Kshs** |
| Balance as at 1 July | 43,092,216 | 32,934,630 |
| Prior year adjustment/ remittance to exchequer | (20,000,000) | - |
| Surplus/deficit for the period | 19,337,208 | 10,157,586 |
| Transfer of excess depreciation on revaluation | - | - |
| **Total** | **42,429,424** | **43,092,216** |

**24. CASH GENERATED FROM OPERATIONS**

| | **NOTES** | **2023-2024** | **2022-2023** |
|---|---|---|---|
| | | **Kshs** | **Kshs** |
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Transfers from other governments – gifts and services-in-kind | 6 | 43,800,000 | 22,907,500 |
| Rendering of services | 7 | 3,26,000 | 2,772,000 |
| Finance income - external investments | 8 | 134,768 | 1,648,340 |
| Other Incomes | 9 | - | 21,061 |
| **Total Receipts** | | **47,061,268** | **27,348,901** |
| **Payments** | | | |
| Employee costs | 10 | 6,520,711 | 5,883,045 |
| Board Expenses | 11 | 9,100,296 | 4,221,149 |
| Repairs and maintenance | 13 | 117,740 | 117,740 |
| Use of goods & Services | 14 | 11,432,762 | 6,416,830 |
| **Total Payments** | | **27,171,509** | **16,638,764** |
| **Net cash flows from operating activities** | | **19,889,759** | **10,710,137** |
| **Working Capital Changes** | | | |
| Increase/Decrease in payables | | (35,903) | (55,097) |
| Increase/Decrease in Provisions | | 5,000 | 9,000 |
| Increase/Decrease in receivables | | 74,000 | (122,000) |
| Increase/ Decrease in prepayments | | (463,543) | 516,157 |
| Prior year adjustments/ Remittance to Exchequer | | (20,000,000) | - |
| | | **(20,420,446)** | **11,049,197** |

**Notes to the Financial Statements (Continued)**

## 25. FINANCIAL RISK MANAGEMENT

The RCPSB activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The RCPSB'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 RCPSB 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 RCPSB's financial risk management objectives and policies are detailed below:

### (i) Credit risk

The RCPSB 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. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the RCPSB's management based on prior experience and their assessment of the current economic environment.

**Notes to the Financial Statements (Continued)**

**26. FINANCIAL RISK MANAGEMENT (Continued)**

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| | **Total amount** | **Fully performing** | **Past due** | **Impaired** |
|---|---|---|---|---|
| | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As at 30th June 2024** | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | 48,000 | 48,000 | - | - |
| Bank balances | 26,577,244 | 26,577,244 | - | - |
| **Total** | **26,625,244** | **26,625,244** | **-** | **-** |
| **As at 30th June 2023** | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | 122,000 | 122,000 | - | - |
| Bank balances | 23,689,411 | 23,689,411 | - | - |
| **Total** | **23,811,411** | **23,811,411** | **-** | **-** |

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the RCPSB has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. RCPSB has significant concentration of credit risk on amounts due from banks.

The board of directors sets the RCPSB's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**Notes to the Financial Statements (Continued)**

**(ii) Liquidity risk management**

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

| | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|---|---|---|---|---|
| | Kshs | Kshs | Kshs | Kshs |
| **At 30th June 2024** | | | | |
| Trade payables | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | 135,000 | 135,000 |
| Employee benefit obligation | - | - | - | - |
| **Total** | **-** | **-** | **135,000** | **135,000** |
| **At 30th June 2023** | | | | |
| Trade payables | 720 | 35,183 | - | 35,903 |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | 130,000 |
| Employee benefit obligation | - | - | - | - |
| **Total** | **720** | **35,183** | **130,000** | **165,903** |

The table above represents cash flows payable by the RCPSB under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**Notes to the Financial Statements (Continued)**

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the RCPSB 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 RCPSB'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 RCPSB's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

**ii) Foreign currency risk**

The *Entity* has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

**ii) Interest rate risk**

Interest rate risk is the risk that the Entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**Financial Risk Management**

**Sensitivity analysis**

The Entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**Notes to the Financial Statements (Continued)**

**iv) Capital Risk Management**

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

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | Kshs |
| Revaluation Reserve | - | - |
| Retained Earnings | 42,371,586 | 43,092,216 |
| Capital Reserve | - | - |
| **Total Funds** | **42,371,586** | **43,092,216** |
| Total Borrowings | - | - |
| Less: Cash and Bank Balances | 26,577,244 | 23,689,411 |
| Net Debt/(Excess Cash And Cash Equivalents) | (26,577,244) | (23,689,411) |
| **Gearing** | 0% | 0% |

**27. Related Party Balances**

**a) Nature of related party relationships**

Entities and other parties related to the Board 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 Board is related to:

**(i)** The Parent Ministry (The National Treasury)
**(ii)** Key management;
**(iii)** Board of directors;

**b) Related party transactions**

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | Kshs |
| **Transactions with related parties** | | |
| | | |
| **a) Sales to related parties** | | |
| | | |
| Sales of goods | - | - |
| Sales of services | - | - |
| | | |
| **Total** | - | - |
| | | |

**Notes to the Financial Statements (Continued)**

| | | |
|---|---|---|
| **b) Grants from the Government** | | |
| | | |
| Grants from National Govt | 43,800,000 | 22,907,500 |
| Grants from County Government | - | - |
| Donations in kind | - | - |
| | | |
| **Total** | **43,800,000** | **22,907,500** |
| | | |
| **c) Expenses incurred on behalf of related party** | | |
| | | |
| Payments of salaries and wages for RCPSB employees | 3,083,318 | 3,206,710 |
| Payments for goods and services | 11,432,762 | 6,848,490 |
| | | |
| **Total** | **14,516,080** | **10,055,200** |
| | | |
| **d) Key management compensation** | | |
| Directors' emoluments | 5,100,000 | 2,780,000 |
| Compensation to the CEO | 2,808,933 | 2,676,335 |
| Compensation to key management | - | - |
| | | |
| **Total** | **7,908,933** | **5,456,335** |

## 28. Capital Commitments

| **Capital Commitments** | **2023-2024** | **2022-2023** |
|---|---|---|
| | **Kshs** | **Kshs** |
| Authorised for ERP System | 3,000,000 | 3,000,000 |
| Authorised for Office partitions | 3,000,000 | - |
| Authorised for motor vehicle acquisition | 13,000,000 | |
| Authorised for computers acquisitions | 500,000 | - |
| Authorised for furniture acquisition | 600,000 | - |
| **Total** | **20,100,000** | **3,000,000** |

## 29. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Registration Board remitted Ksh. 20,000,000 to the exchequer in April 2024.

**Notes to the Financial Statements (Continued)**

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

**31. Ultimate and Holding Board**
The Board is a State Corporation under the National Treasury. Its ultimate parent is the Government of Kenya.

**32. Currencies**

The financial statements are presented in Kenya Shillings (Kshs)

## 20. Appendices

### Appendix 1

The following is a summary of the issues raised by the external auditor and management comments that were provided to the auditor

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: | Timeframe: | |
|---|---|---|---|---|---|---|
| | There were no issues raised in the previous audit | N/A | N/A | N/A | N/A | |

CHIEF EXECUTIVE OFFICER

.....

DATE: 24/12/2024