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MP, OIR 21.2.2018

REPORT

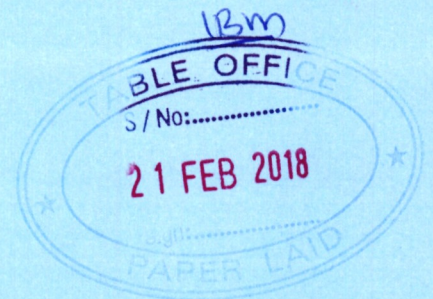
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NURSING COUNCIL OF KENYA

FOR THE YEAR ENDED
30 JUNE 2017





NURSING COUNCIL OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Nursing Council of Kenya was established on 10th June 1983 under The Nurses Act Chapter 257 of the Laws of Kenya. NCK is governed by a Board appointed by the Cabinet Secretary for the Ministry of Health. The Board is responsible for the general policy and strategic direction of the Council.

(b) Principal Activities

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

(c) Key Management

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

- Board of Directors
- Registrar / Chief Executive Officer
- Senior Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Registrar	Edna Tallam - Kimaiyo
2.	Deputy Registrar	Sarah Burje
2.	Head of Finance	Festus Musyoki
3.	Head of Procurement	Augustine Abade

(e) Fiduciary Oversight Arrangements

The primary organ responsible for fiduciary oversight arrangements is the Board of Directors. Other Government bodies also provide oversight. The Board exercised this oversight through Board Committees. These were the Human Resource and Finance Committee, Education, Research & Examination Committee, Discipline, Standards & Ethics Committee, Registration & Licensing Committee and Audit, Governance and Risk Management Committee. The key function of the Board is to guide and control the performance and management of the affairs of the Council.

Human Resource and Finance Committee

The primary responsibility of Finance and Human Resource Committee is to provide advice to the Board on NCK's financial and human resource management, performance and their financial implications.

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The Committee reviews quarterly financial, human resource, information technology and procurement reports and recommends to the Board ways of raising and utilizing the Council's funds and human resources and the establishment of systems and procedures for efficient financial management. It advises the Board on NCK's human resource policies and guidelines.

Education, Research & Examination Committee

This committee is involved in the development of performance evaluation study guidelines, training and research guidelines and participates in, and informs the Council about the outcomes of relevant national and international scientific conferences.

Discipline, Standards & Ethics Committee

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

Registration & Licensing Committee

This committee sets criteria and oversees implementation of regulations governing the enrolment and registration and licensing of Nurses in Kenya. It is also in charge of registers, rolls and records required to be kept under the Nurses Act.

Audit, Governance and Risk Management Committee

The scope of this Committee includes risk management, as well as compliance with the regulatory requirements. The Audit Committee broadly oversees NCK's standards of integrity and behaviour, reporting of financial information and internal control systems. The committee was constituted during the last quarter of the financial year under review and met only once.

(f) Headquarters

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

(g) Contacts

Tel: +254-20-3873556
Email: info@nckkenya.org
Website: www.nckkenya.com

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(h) Bankers

Barclays Bank of Kenya Limited, Queensway Branch | P O Box 30011-00100, Nairobi Kenya
Cooperative Bank of Kenya Limited, Kibera Branch | P O Box 48231 – 00100, Nairobi Kenya

(i) Independent Auditors




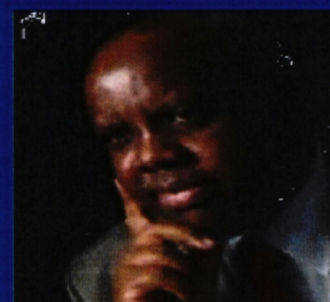

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 - 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

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II. THE COUNCIL MEMBERS

	<p>Thaddeus Mayaka Chairman of the Council</p> <ul style="list-style-type: none"> • DoB: 13th August, 1963 • Degree in Public Administration (on-going) • Degree in Psychology • KECHN • Currently working at Kisii County - Kisii Level 6 Hospital
	<p>Mathew Kipturgo Vice – Chairman of the Council</p> <ul style="list-style-type: none"> • DoB: 25th March, 1974 • Master of Science (Nursing) • Currently: Principal, Kenya Medical Training College, Nairobi Campus.
	<p>Rose Kuria Council Member Representing Director of Nursing Services (DNS)</p> <ul style="list-style-type: none"> • DoB: 30th December, 1960 • MPH&E, BSN, DAN, KRPN, KRCHN, KRM, KRN • Currently: Ag. Director of Nursing Services, MoH • Previously: Deputy Director Nursing Services, MoH
	<p>Kinuthia Wamwangi, EBS Council Member Representing Institute of Human Resource Management</p> <ul style="list-style-type: none"> • DoB: 01st June 1950 • Msc (HRM), LLM, LLB, Advocate, FCS, FIHRM, FKIM • Currently: Leadership & Governance Consultant • Previously: Chairman Emeritus Transition Authority
	<p>Paul Mungai Council Member Representing Ministry of Education (MoE)</p> <ul style="list-style-type: none"> • DoB: 10th November, 1964 • Masters of Education Administration & Planning • Currently: Senior Assistant Director of Education, MoE • Previously: Assistant Director of Education, MoE

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	<p>Dr. Mary Wangai Council Member Representing Ministry of Health (MoH)</p> <ul style="list-style-type: none"> • DoB: 26th May, 1962 • Master of Public Health, MBCHB, PGD (STI/HIV) • Currently: Head, Division of Legislation & Regulation, MOH, Public Health Specialist • Previously: Cancer Prevention and Control Unit, MOH
	<p>Alfred Obengo Council Member Representing National Nurses Association of Kenya (NNAK)</p> <ul style="list-style-type: none"> • DoB: 04th April, 1971 • Public Relations & Human Resource Management, KRCHN • Currently: Senior Nursing Officer, Kenyatta National Hospital
	<p>Samson Cheruiyot Council Member Representing Universities in Kenya</p> <ul style="list-style-type: none"> • DoB: 02nd November, 1973 • Master of Science (Nursing), Bachelor of Science (Nursing), KRCHN • Currently: Lecturer, Kisii University • Previously: Lecturer, University of Kabianga
	<p>Edna Tallam - Kimaiyo Registrar / Chief Executive Officer Secretary to the Council</p> <ul style="list-style-type: none"> • DoB: 21st December, 1982 • Masters of Public Health, Bachelor of Science in Nursing, Global Health Leadership • Previously worked at Kenyatta National Hospital

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III. MANAGEMENT TEAM

	<p>Edna Tallam - Kimaiyo Registrar / Chief Executive Officer Overall leadership and direction of the Council operation on a day to day basis</p> <ul style="list-style-type: none"> • Masters of Public Health, Bachelor of Science in Nursing, Global Health Leadership
	<p>Sarah Burje Ag. Deputy Registrar Deputising Registrar on a day to day management and operation of the Council.</p> <ul style="list-style-type: none"> • Master of Science (Nursing Education), Bachelor of Nursing, KRN, KRM, KRCHN(PB)
	<p>Priscila Najoli Head of Department – In Charge of Registration and Licencing</p> <ul style="list-style-type: none"> • Master of Business Administration (Strategic Management), BA (Psychology), KRN, KRM
	<p>CPA Festus Musyoki Finance Manager – In Charge of Finance Department</p> <ul style="list-style-type: none"> • Master of Business Administration (finance), Bachelor of Commerce (finance), CPA-K, CIFA II, Member of ICPAK, Member of IIA Kenya Chapter.
	<p>Eva Magothe Head of Department – In Charge of Information Technology</p> <ul style="list-style-type: none"> • Bachelor of Business Information Technology, Certified Information System Auditor

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	<p>Augustine Abade Head of Department – In Charge of Procurement and Supply Chain</p> <ul style="list-style-type: none"> • Masters of Science (Procurement & logistics), Bachelor of Business Management, Post-graduate diploma (purchasing & supplies), MCIPS, MKISM, MKIM.
	<p>Christa Riany Head of Department – In Charge of Internal Audit, Risk and Compliance</p> <ul style="list-style-type: none"> • Master of Business Administration (finance), Bachelor of Commerce (finance), Chartered Certified Accountant, Member of ACCA, Member of IIA Kenya Chapter.
	<p>Betina Muthama Ag. Head of Department – In Charge of Education, Research and Examination</p> <ul style="list-style-type: none"> • Master of Science in Health System Management, Bachelor of Science (Nursing), KRCHN
	<p>Judy Kudoyi Ag. Head of Department – In Charge of Discipline, Standards and Ethics</p> <ul style="list-style-type: none"> • Bachelor of Science (Medical Education), KRM, KRN, CCN
	<p>Susan Ndugui Ag. Head of Department – In Charge of Human Resource and Administration</p> <ul style="list-style-type: none"> • Master of Business Administration, Bachelor of Human Resource Management & Development

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IV. CHAIRMAN'S STATEMENT

On behalf of the Board, I have the pleasure of presenting the Annual Report and Financial Statements for the financial year ended 30 June 2017. Established under the Nurses Act Cap 257, The Council is mandated to regulate Nursing profession in Kenya through making provisions for training, registration, enrolment and licensing of Nurses. The Council also regulate their conduct to ensure their maximum participation in the health care of the community and connected purposes.

I am pleased to report that the Council was able to achieve most of the targets set for the financial year. We continued to work within our mandate as stipulated in the Nurses Act. To enhance service delivery, the Council undertook implementing ERP system which was at deployment stage towards the end of financial year. The Council also relooked at Nurses Act and aligned it to Constitution of Kenya and other emerging trends in Health Sector.

The Board is committed to ensuring the Council's prosperity by collectively directing its affairs whilst meeting the diverse interests of stakeholders. The Council has a Board Charter that guides the operation of the Board as well as defining the roles and responsibilities of the Council members and Management. The Board strives to observe the highest standards of corporate governance and corporate ethics in providing overall policy and strategic direction of the Council.

The Council takes cognisance of the prevailing need for health services and the difficult socio-economic circumstances facing the country. In view of this, the NCK launched a five-year strategic plan 2017 – 2022 under four key strategic pillars namely:- education and research, nursing and midwifery practice, institutional capacity development and leadership and governance. The plan is aligned to the national aspirations as envisioned in the Kenya Vision 2030, Medium Term Plan and the Constitution of Kenya 2010.

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



18.01.2018

Mr. Thaddeus Mayaka

Date

Chairman

Nairobi

NURSING COUNCIL OF KENYA
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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the annual report and financial statements for the year ended 30th June 2017.

The Nursing Council of Kenya was established in June 1983 through the enactment of the Nursing Act. The mandate of the Council is to regulate the Nursing profession in Kenya. The strategic plan of the Council is designed to ensure 100% compliance with the requirements under the Nursing Act and other relevant rules and regulations.

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

During the financial year under review, the Council reported a surplus of Kshs 18.5 million compared to Kshs 6.5 million in the previous financial year (183% increase). The value of the total asset rose from Kshs 97.9 million to Kshs 112.9 million (15% growth). To sustain the Council's financial sustainability and independence, the Council will strengthen its revenue collection methods and inspection in the coming years.

The Council successfully administered the August 2016 and April 2017 examinations during the financial year under review and also revised its strategic plan 2017 – 2022 in line with the national aspirations as envisioned in the Kenya Vision 2030, Medium Term Plan and the Constitution of Kenya 2010.

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

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



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

18.01.2018

.....
Date
Nairobi

NURSING COUNCIL OF KENYA

Reports and Financial Statements

For the year ended June 30, 2017

VI. CORPORATE GOVERNANCE STATEMENT

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

Composition of the Board:

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

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

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

Board Committees:

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

The Board has six standing committees which meet at least once per quarter and work under the terms of reference set by the Board. The membership of all the Committees is reviewed on a regular basis by the Board and where necessary, the Board co-opt members to enhance board performance in specific areas where there is need of expertise.

Members who served in the in the committees during the financial year are as follows;

Human Resource and Finance Committee

- a) Mr. Kinuthia Wamwangi, EBS (Chairperson)
- b) Mr. Mathew Kipturgo
- c) Mrs. Rose Kuria

Education, Research & Examination Committee

- a) Mr. Samson Cheruiyot (Chairperson)
- b) Mr. Paul Mungai
- c) Mrs. Rose Kuria

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CORPORATE GOVERNANCE STATEMENT CONTINUED...

Discipline, Standards & Ethics Committee

- a) Mr. Alfred Obengo (Chairman)
- b) Mr. Samson Cheruiyot
- c) Mrs. Rose Kuria

Registration & Licensing Committee

- a) Mr. Mathew Kipturgo (Chairman)
- b) Mr. Alfred Obengo
- c) Mr. Paul Mungai

Audit, Governance and Risk Management Committee

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

Executive Committee

- a) Mr. Thaddeus Mayaka (Chairman)
- b) Mr. Mathew Kipturgo
- c) Mrs. Edna C. Tallam
- d) Mrs. Rose Kuria

Meetings:

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

Board / Committee	Regular Meetings	Special Meetings	Total Meetings
Board of Management	4	1	5
Human Resource and Finance Committee	4	-	4
Education, Research & Examination Committee	4	-	4
Discipline, Standards & Ethics Committee	5	-	5
Registration & Licensing Committee	4	-	4
Audit, Governance and Risk Management Committee	1	-	1
Executive Committee	3		3

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CORPORATE GOVERNANCE STATEMENT CONTINUED...

The Role of the Board

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

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

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

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

Board effectiveness

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

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

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

Director's remuneration

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

Statement of Compliance

The Council Member's participation and attendance confirms that Nursing Council of Kenya has throughout the 2016/2017 financial year complied with the entire Statutory and Regulatory requirement and that the Council has been managed in accordance with the principles of Corporate Governance.

CORPORATE GOVERNANCE STATEMENT CONTINUED...

Internal control and risk management:

Internal Control

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

Standing Instructions

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

Organization Structure

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

Strategic Plan

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

Internal Control Framework

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

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2016/17.

NURSING COUNCIL OF KENYA
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CORPORATE GOVERNANCE STATEMENT CONTINUED...

Risk Management

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

Management Team

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

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

The Council Members submit their report together with the financial statements for the year ended June 30, 2017 which show the state of affairs of the Council.

Principal activities

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

Results

The results of the Council for the year ended June 30, 2017 are set out on page 1 of this report.

Council Members

The Council Members who served during the year are shown on page v and vi of this report.

Auditors

The Auditor General is responsible for the statutory audit of the Council in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Gad Wekesa and Associates, Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Council for the period ended June 30, 2017 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Mr. Thaddeus Mayaka
Chairman

18.01.2018

Date
Nairobi

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017

VIII. STATEMENT OF RESPONSIBILITIES OF THE COUNCIL MEMBERS

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

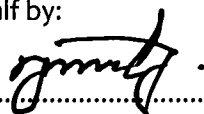
The Council Members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Council; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012, the State Corporations Act and the Nurses Act. The Council Members are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2017, and of the Council's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

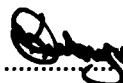
Nothing has come to the attention of the Council Members to indicate that the Council will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Council's financial statements were approved by the Board on 4 OCTOBER 2017 and signed on its behalf by:



.....
Thaddeus Mayaka
Chairman



.....
Edna C. Tallam - Kimaiyo
Registrar / Chief Executive Officer

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NURSING COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Nursing Council of Kenya, set out on pages 1 to 18, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Gad Wekesa and Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nursing Council of Kenya as at 30 June 2017, and of its financial performance and of its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Nurses Act, Cap. 257 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Other Matter section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

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

Key Audit Matter

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 under review.

Report of the Auditor-General on the Financial Statements of Nursing Council of Kenya for the year ended 30 June 2017

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Those charged with governance are responsible for overseeing the Council's financial reporting process.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

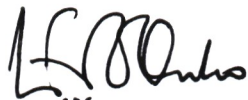
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity's or business activities to express an opinion on the financial statements.
- Perform such other procedure as I consider necessary in the circumstances

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

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



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

Nairobi

23 January 2018

NURSING COUNCIL OF KENYA
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For the year ended June 30, 2017

X. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 Kshs	2016 Kshs
Revenue from exchange transactions			
Income from operations	6	147,680,616	127,430,031
Income from other sources	7	24,201,661	15,805,179
Total revenue		171,882,277	143,235,210
Expenditure			
Operating expenses	8	58,262,410	55,794,129
Staff costs	9	38,400,471	42,642,421
Administrative costs	10	29,924,978	19,402,343
Board expenses	11	8,175,201	8,456,785
Depreciation expense	12	9,494,983	4,569,473
Repairs and Maintenance	13	1,836,206	1,214,379
Utilities	14	7,216,133	4,603,301
Total Expenditure		153,310,382	136,682,831
Surplus for the period		18,571,895	6,552,379

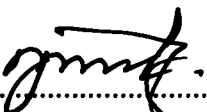
The notes set out on pages 6 to 18 form an integral part of these Financial Statements.

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017


XI. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 Kshs	2016 Kshs
ASSETS			
Current assets			
Cash and cash equivalents	15	14,162,923	18,522,302
Receivable from non-exchange transactions	16	419,698	2,826
Inventories	17	5,220,320	6,140,076
		<u>19,802,941</u>	<u>24,665,204</u>
Non-current assets			
Property, plant and equipment	18	93,099,892	73,267,880
		<u>93,099,892</u>	<u>73,267,880</u>
Total assets		<u>112,902,833</u>	<u>97,933,084</u>
LIABILITIES			
Current liabilities			
Payables from exchange transactions	19	17,805,624	21,412,770
Provisions	20	950,000	945,000
Total liabilities		<u>18,755,624</u>	<u>22,357,770</u>
Net assets		<u>94,147,209</u>	<u>75,575,314</u>
Equity			
Accumulated surplus	21	94,147,209	75,575,314
Total equity		<u>94,147,209</u>	<u>75,575,314</u>
Total net asset and liabilities		<u>112,902,833</u>	<u>97,933,084</u>


The Financial Statements set out on pages 1 to 18 were signed on behalf of the Members of Council by:



 Thaddeus Mayaka
 Chairman



 Edna C. Tallam - Kimaiyo
 Registrar / CEO



 CPA Festus Musyoki
 Finance Manager

NURSING COUNCIL OF KENYA
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For the year ended June 30, 2017

XII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated Surplus Kshs	Surplus (deficit) Kshs	Total Kshs
At 1st July 2015	69,022,935	-	69,022,935
Surplus for the year	-	6,552,379	6,552,379
Transfer to accumulated surplus	6,552,379	(6,552,379)	-
At 30th June 2016	75,575,314	-	75,575,314
At 1st July 2016	75,575,314	-	75,575,314
Surplus for the year		18,571,895	18,571,895
Transfer to accumulated surplus	18,571,895	(18,571,895)	-
At 30th June 2017	94,147,209	-	94,147,209

NURSING COUNCIL OF KENYA
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XIII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 Kshs	2016 Kshs
Cash flows from operating activities:			
Surplus for the period		18,571,895	6,552,379
Adjustments for:			
Depreciation of property, plant & equipment	18	9,494,983	4,569,473
Operating profit before working capital changes		28,066,878	11,121,852
Changes in operating assets and liabilities:			
Decrease / (increase) in inventory		919,756	(4,531,613)
Increase / (decrease) in receivable		(416,872)	27,624
Decrease / (increase) in payable		(3,607,146)	9,031,066
Increase / (decrease) in provisions		5,000	-
Cash generated from operations		24,967,616	15,648,929
Net cash from operating activities		24,967,616	15,648,929
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(29,326,995)	(10,532,148)
Net cash used in investing activities		(29,326,995)	(10,532,148)
Net cash used in financing activities			
		-	-
Net increase (decrease) in cash and cash equivalents		(4,359,379)	5,116,781
Cash and cash equivalents at start of year		18,522,302	13,405,521
Cash and cash equivalents at end of year		14,162,923	18,522,302

NURSING COUNCIL OF KENYA
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For the year ended June 30, 2017

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017

	Original & final budget	Actual on comparable basis	Favorable & (unfavorable) Performance difference	F+ & U- variance
	2016-2017	2016-2017	2016-2017	2016- 2017
	Kshs	Kshs	Kshs	%
Revenue				
Examination & Indexing	50,000,000	54,336,700	4,336,700	8.67
Registration & Enrolment	36,000,000	33,296,200	(2,703,800)	-7.51
Private Practice License	5,000,000	6,245,900	1,245,900	24.92
Curriculum Study	2,000,000	2,823,000	823,000	41.15
License Application & Verification	10,500,000	11,799,801	1,299,801	12.38
Retention Systems Fees	30,000,000	32,006,000	2,006,000	6.69
Accreditation & Inspections	7,350,000	7,173,015	(176,985)	-2.41
Council Rental Income	540,000	540,000	0	0
Sale of training materials	25,000,000	19,349,704	(5,650,296)	-22.6
License storage penalty	650,000	609,350	(40,650)	-6.25
Commodities	6,000,000	0	(6,000,000)	-100
Grant received	0	3,702,607	3,702,607	0
Total income	173,040,000	171,882,277	-1,157,723	
Expenditure				
Operating expenses	58,450,000	58,262,410	187,590	0.32
Staff costs	38,450,000	38,400,471	49,529	0.13
Administrative costs	30,020,000	29,924,978	95,022	0.32
Board expenses	8,200,000	8,175,201	24,799	0.30
Depreciation expense	0	9,494,983	(9,494,983)	0.00
Repairs and Maintenance	1,840,000	1,836,206	3,794	0.21
Utilities	7,280,000	7,216,133	63,867	0.88
Total expenditure	144,240,000	153,310,382	-9,070,382	
Surplus for the period	28,800,000	18,571,895	10,228,105	

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Council's financial statements have been prepared 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 entity. 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 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. <i>The Council adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply.</i>
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. <i>The Council does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i>
IPSAS 35: Consolidated Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017

Standard	Impact
	<p>entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p><i>The Council does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>The Council does not have investments in associates or joint ventures.</i></p>
<p>IPSAS 37: Joint Arrangements</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>The Council does not have an interest in a joint arrangement and therefore the standard does not apply.</i></p>
<p>IPSAS 38: Disclosure of Interests in Other Entities</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The Council does not have an interests in other entities and therefore the standard does not apply.</i></p>

NURSING COUNCIL OF KENYA
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ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. **Early adoption of standards**

The Council did not have early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

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

i) Revenue from non-exchange transactions

Fees and licenses

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Rental income

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

NURSING COUNCIL OF KENYA
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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (Continued)

Donor funds

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

b) Budget information

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation

Depreciation is calculated on a reducing balance method to write off property, plant and equipment over their estimated useful lives. Depreciation is not charged on assets bought during the second half of the financial year. The annual rates used are as here below;

Category	Percentage
Land	nil
Building	2.5
Furniture and fittings	12.5
Computer, printers and software	30
Motor vehicle	25
Office equipment	12.5

d) Leases

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

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

NURSING COUNCIL OF KENYA
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (Continued)

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

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

e) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

f) Inventories

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

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

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

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

g) Provisions

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

Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (Continued)

Contingent assets

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

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates

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

j) Foreign currency transactions

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

k) Related parties

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

l) Cash and cash equivalents

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

m) Comparative figures

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Council based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Council. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions are raised and management determines an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017

		2017	2016
	Notes	Kshs	Kshs
6. Income from operations			
Examination & Indexing		54,336,700	52,249,457
Registration & Enrolment		33,296,200	22,803,144
Private Practice License		6,245,900	5,458,200
Curriculum Study		2,823,000	2,366,000
License Application & Verification		11,799,801	10,920,630
Retention Systems Fees		32,006,000	24,684,000
Accreditation & Inspections		7,173,015	8,948,600
		<u>147,680,616</u>	<u>127,430,031</u>
7. Income from other sources			
Council Rental Income		540,000	480,000
Sale of training materials	7.1	19,349,704	11,588,924
License storage penalty		609,350	2,552,000
Grant received		3,702,607	1,184,255
		<u>24,201,661</u>	<u>15,805,179</u>
7.1 Sale of training materials			
Sales		37,135,960	29,556,765
Opening stock		(6,140,076)	(1,608,463)
Purchases		(16,866,500)	(22,499,454)
Closing stock		5,220,320	6,140,076
		<u>19,349,704</u>	<u>11,588,924</u>
8. Operating expenses			
Seminars & workshops		14,914,104	16,765,675
Printing & signing of certificates		588,865	282,436
Donations & subscription		220,000	579,750
Retention system		10,775,000	6,090,000
Standards, ethics & visits		4,251,595	7,801,354
Council elections		-	2,150,854
Grant expenses		2,676,396	4,287,705
Travelling cost		3,298,013	4,472,496
Examinations		21,538,437	13,363,859
		<u>58,262,410</u>	<u>55,794,129</u>
9. Staff costs			
Basic Salary		11,733,508	14,767,831
House Allowance		5,082,912	5,875,608
Commuter Allowance		1,425,387	2,812,000
Responsibility Allowance		7,524,876	12,854,700
Leave Allowance		120,000	154,000
Wages		1,179,647	1,804,688
Gratuity		1,208,955	1,570,450
Staff development		3,170,716	700,000
Medical cover		6,954,470	2,103,144
		<u>38,400,471</u>	<u>42,642,421</u>

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	2017	2016
	Kshs	Kshs
10. Administrative costs		
General office running cost	1,796,631	1,683,205
Motor vehicle running cost	1,436,096	1,445,183
Motor vehicle insurance	98,768	451,037
Advertising & newspaper	2,629,553	618,721
Stationery	11,128,268	7,365,397
Provision for audit fee	969,500	945,000
Buildings insurance	197,342	147,117
Land rates & valuation	350,924	288,231
Legal fees	8,211,536	3,900,000
Consultancy fees	2,141,240	1,875,000
Bank charges	965,120	683,452
	<u>29,924,978</u>	<u>19,402,343</u>
11. Board Expenses		
Sitting allowance	2,907,000	3,380,000
Accommodation allowance	3,464,808	3,690,100
Lunch allowance	191,000	164,300
Honoraria	960,000	960,000
Transport reimbursement	652,393	262,385
	<u>8,175,201</u>	<u>8,456,785</u>
12. Depreciation expense		
Building	1,289,457	1,051,062
Furniture & fittings	1,092,338	633,837
Computer & networks	4,694,086	2,840,154
Vehicles	2,419,102	44,420
	<u>9,494,983</u>	<u>4,569,473</u>
13. Repair & maintenance		
Repair & maintenance	<u>1,836,206</u>	<u>1,214,379</u>
14. Utilities		
Postage & telephone expense	5,180,367	2,768,605
Electricity & water	1,337,239	1,025,931
Security	698,527	808,765
	<u>7,216,133</u>	<u>4,603,301</u>
15. Cash and cash equivalent		
Barclays Bank of Kenya [Ac No.0948023954]	1,832,422	2,460,102
Cooperative Bank of Kenya [Ac No.01136098613400]	1,970,931	13,037,656
Mpesa Account [Paybill No.992350]	10,160,727	2,977,044
Cash in Hand	198,843	47,500
	<u>14,162,923</u>	<u>18,522,302</u>
16. Receivable from non-exchange transactions		
Prepayments [Insurance & service contracts]	<u>419,698</u>	<u>2,826</u>

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17. Inventory

Stocks of training materials	5,220,320	6,140,076
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18. Property, Plant & Equipment - 2017

	F&F Kshs 12.50%	Computer Kshs 30%	MV Kshs 25%	Building Kshs 2.50%	Land Kshs 0%	Totals Kshs
COST						
1st July 2015	12,693,327	19,668,694	2,023,310	52,826,262	10,816,180	98,027,773
1st July 2016	13,413,327	19,937,694	11,566,458	52,826,262	10,816,180	108,559,921
Additions	4,141,849	14,598,250	-	10,586,896	-	29,326,995
30th June 2017	<u>17,555,176</u>	<u>34,535,944</u>	<u>11,566,458</u>	<u>63,413,158</u>	<u>10,816,180</u>	<u>137,886,916</u>
ACCUMULATED DEPRECIATION						
1st July 2015	7,622,632	10,470,513	1,845,629	10,783,794	-	30,722,568
1st July 2016	8,256,469	13,310,667	1,890,049	11,834,856	-	35,292,041
Charge for the year	1,092,338	4,694,086	2,419,102	1,289,457	-	9,494,983
30th June 2017	<u>9,348,807</u>	<u>18,004,753</u>	<u>4,309,151</u>	<u>13,124,313</u>	<u>-</u>	<u>44,787,024</u>
NET BOOK VALUE						
30th June 2015	5,070,695	9,198,181	177,681	42,042,468	10,816,180	67,305,205
30th June 2016	5,156,858	6,627,027	9,676,409	40,991,406	10,816,180	73,267,880
30th June 2017	<u>8,206,369</u>	<u>16,531,191</u>	<u>7,257,307</u>	<u>50,288,845</u>	<u>10,816,180</u>	<u>93,099,892</u>

Property, Plant & Equipment - 2016

	F&F Kshs 12.50%	Computer Kshs 30%	MV Kshs 25%	Building Kshs 2.50%	Land Kshs 0%	Totals Kshs
COST						
1st July 2014	12,341,159	19,189,314	2,023,310	52,826,262	10,816,180	97,196,225
1st July 2015	12,693,327	19,668,694	2,023,310	52,826,262	10,816,180	98,027,773
Additions	720,000	269,000	9,543,148	-	-	10,532,148
30th June 2016	<u>13,413,327</u>	<u>19,937,694</u>	<u>11,566,458</u>	<u>52,826,262</u>	<u>10,816,180</u>	<u>108,559,921</u>
ACCUMULATED DEPRECIATION						
1st July 2014	6,937,820	6,564,864	1,786,402	9,705,782	-	24,994,868
1st July 2015	7,622,632	10,470,513	1,845,629	10,783,794	-	30,722,568
Charge for the year	633,837	2,840,154	44,420	1,051,062	-	4,569,473
30th June 2016	<u>8,256,469</u>	<u>13,310,667</u>	<u>1,890,049</u>	<u>11,834,856</u>	<u>-</u>	<u>35,292,041</u>
NET BOOK VALUE						
30th June 2014	5,403,339	12,624,450	236,908	43,120,480	10,816,180	72,201,357
30th June 2015	5,070,695	9,198,181	177,681	42,042,468	10,816,180	67,305,205
30th June 2016	<u>5,156,858</u>	<u>6,627,027</u>	<u>9,676,409</u>	<u>40,991,406</u>	<u>10,816,180</u>	<u>73,267,880</u>

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	2017	2016
	Kshs	Kshs
19 Payables from exchange transactions		
Sundry creditors	17,530,624	21,160,353
Tax payable [PAYE]	-	117,417
Rent deposit payable	<u>275,000</u>	<u>135,000</u>
	<u>17,805,624</u>	<u>21,412,770</u>
20 Provisions - Audit fee		
Balance at the beginning of the year	945,000	945,000
Additional provisions	950,000	945,000
Provisions utilized	<u>(945,000)</u>	<u>(945,000)</u>
Balance at the end of the year	<u>950,000</u>	<u>945,000</u>
21 Accumulated fund		
Balance brought forward	75,575,314	69,022,935
Surplus for the period	<u>18,571,895</u>	<u>6,552,379</u>
Balance carried forward	<u>94,147,209</u>	<u>75,575,314</u>

22. Financial Risk Management

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

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

(i) Credit risk

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

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

	2017	2016
Description	Kshs	Kshs
Bank balances	14,162,923	18,522,302
Receivable from non-exchange transactions	<u>419,698</u>	<u>2,826</u>
	<u>14,582,621</u>	<u>18,525,128</u>

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(ii) Liquidity risk management

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

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

(iii) Market risk

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

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

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

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

Currency Risk

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

Capital Risk Management

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

	2017	2016
	Kshs	Kshs
Accumulated Fund	<u>94,147,209</u>	<u>75,575,314</u>
Total funds	<u>94,147,209</u>	<u>75,575,314</u>

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Total borrowings	-	-
Cash and bank balances	14,162,923	18,522,302
Gearing	<u>0%</u>	<u>0%</u>

23. Related Party Disclosure

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

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

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

24. Events after the reporting period

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

25. Ultimate and Holding Entity

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

26. Currency

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