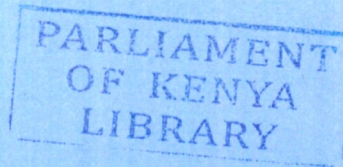


REPUBLIC OF KENYA



*Paper laid by the  
Leader of Majority  
on 06/06/2018  
@Gumli*

OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA ACCOUNTANTS AND SECRETARIES  
NATIONAL EXAMINATIONS BOARD**

**FOR THE YEAR  
ENDED 30 JUNE 2017**



**Kenya Accountants and Secretaries National Examinations Board**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE 2017**

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

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## I. CORPORATE INFORMATION AND MANAGEMENT

### (a) Legal framework

kasneb was established by the Government of Kenya as a State Corporation under the National Treasury on 24 July 1969. The establishment and operations of kasneb are governed by the following main Acts:

- (i) The Accountants Act, No. 15 of 2008 which took effect from 30 December 2008. This Act repealed and replaced the Accountants Act, Cap 531 of 1977 which gave kasneb retroactive recognition since its inception in 1969.
- (ii) The Certified Public Secretaries of Kenya Act, Cap 534 of 1988 which empowered kasneb as the examining body for the Certified Public Secretaries (CPS) profession.
- (iii) The Investment and Financial Analysts Act, No. 13 of 2015 which empowered kasneb as the examining body for the Investment and Financial Analysts (IFA) profession.

### (b) Board of directors

kasneb is governed by a Board appointed by the Cabinet Secretary for the National Treasury. The Board is responsible for the general policy and strategic direction of kasneb. The members of the Board who served during the year are listed on pages 6 and 7.

### (c) Principal activities

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

### (d) Location and principal place of business

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

#### **NAIROBI**

**Telephone:** +254 020 4923000

**Fax:** +254 020 2712915

**Email:** [info@kasneb.or.ke](mailto:info@kasneb.or.ke)

**Website:** [www.kasneb.or.ke](http://www.kasneb.or.ke)

**Facebook:** kasnebOfficial

**Twitter:** @kasnebOfficial

(e) **Principal bankers**

National Bank of Kenya Ltd.  
Hill Plaza Branch  
P.O. Box 45219-00100  
**NAIROBI**

Barclays Bank of Kenya Ltd.  
Enterprise Road Branch  
P.O. Box 18060-00500  
**NAIROBI**

(f) **Independent auditors**

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

(g) **Chief Executive Officer**

Pius M. Nduatih  
P.O. Box 41362-00100  
**NAIROBI**

(i) **Fiduciary management**

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

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

(j) **Fiduciary Oversight Arrangements**

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

(h) **Principal legal advisers**

**The Attorney-General**  
State Law Office  
P.O. Box 40112-00100  
**NAIROBI**

**Kaplan & Stratton Advocates**  
Williamson House, 4<sup>th</sup> Ngong Avenue  
P.O. Box 40111-00100  
**NAIROBI**

**Mbai Waweru Advocates**







Lower Hill Duplex, 1<sup>st</sup> floor  
Office No. 41  
Bunyala/Lower Hill Road Junction  
Next to Hill Park Hotel  
**NAIROBI**






(k) **Key management team**

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

| <b>Name</b>                                                                                                                                                                | <b>Key responsibilities and qualifications</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Pius M. Nduatih</b><br/><b>Chief Executive Officer</b></p>                         | <p>Mr Pius M. Nduatih was appointed Secretary and Chief Executive on 14 January 2008 in accordance with Section 16 (1) of the Accountants Act, No.15 of 2008.</p> <p>He is a holder of a Bachelor of Commerce degree in Accounting and a Master of Business Administration. He is also a holder of the CPA and CPS qualifications and a Fellow of both the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICPSK). He is a member of the Institute of Certified Investment and Financial Analysts (ICIFA), Institute of Credit Management of Kenya (ICMK) and Kenya Institute of Management (KIM).</p> <p>The key responsibilities are providing overall leadership and strategic direction to kasneb, implementing Board and Government of Kenya policies and decisions, mobilising resources, promoting positive corporate image, ensuring adherence to corporate values and promoting good governance and ethical practices for sustainable growth and development.</p> |
|  <p><b>James G. Nduati</b><br/><b>Finance Director</b></p>                               | <p>Mr James G. Nduati was appointed the Finance Director on 1 July 2012.</p> <p>He is a holder of a Bachelor of Commerce degree in Accounting and Executive Masters' degree in Finance. He is also a holder of the CPA and CISA qualifications and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investment and Financial Analysts (ICIFA).</p> <p>The key responsibilities are planning, coordinating and implementing the finance and accounting policies and strategies aligned to the strategic plan of kasneb, ensuring compliance with international standards and advising the Chief Executive Officer on finance and accounting matters.</p>                                                                                                                                                                                                                                                                                                                                  |
|  <p><b>Isaac M. Njuguna</b><br/><b>Examinations Director</b></p>                        | <p>Mr Isaac M. Njuguna was appointed the Examinations Director on 1 July 2015.</p> <p>He is a holder of a Bachelor of Commerce degree in Accounting and a Masters' degree in Finance. He is also a holder of the CPA qualification and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investment and Financial Analysts (ICIFA).</p> <p>The key responsibilities are planning, coordinating and implementing examinations development and administration and related policies and strategies aligned to the strategic plan of kasneb, ensuring development and review of syllabuses, efficient administration of examinations, accreditation of relevant training institutions and advising the Chief Executive Officer on examinations and accreditation matters.</p>                                                                                                                                                                                                                 |
|  <p><b>Marylucy A. Ajwang'</b><br/><b>Human Capital and Administration Director</b></p> | <p>Ms Marylucy A. Ajwang' was appointed the Human Capital and Administration Director on 4 January 2016.</p> <p>She is a holder of a Bachelor of Commerce degree in Business Administration and Commerce and a Masters' degree in Human Resource Management. She is also a holder of a Diploma in Human Resource Management and a member of the Institute of Human Resource Management (IHRM) and Kenya Institute of Management (KIM).</p> <p>The key responsibilities are planning, coordinating and implementing human capital and administration policies and strategies aligned to the strategic plan of kasneb and advising the Chief Executive Officer on human capital and administration matters.</p>                                                                                                                                                                                                                                                                                                                                     |

## II. MEMBERS OF THE BOARD

|                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Prof Margaret Kobia</b><br/>Chairman</p>       | <p>Prof. Margaret Kobia was appointed to the Board with effect from 15 September 2011. She was appointed Chairman of the Board effective from 1 July 2014. She is a nominee of the Board of kasneb in accordance with Section 15(1)(h) of the Accountants Act, No.15 of 2008.</p> <p>She is a holder of a PhD in Human Resource Education, a Master in Education and Bachelor in Education degree. She is also an Honorary Fellow of the Institute of Certified Public Secretaries of Kenya (ICPSK).</p> <p>Prof. Kobia is the current Chairman of the Public Service Commission and has vast experience in public policy and administration and education having served as Director and Chief Executive Officer of Kenya Institute of Administration (KIA) and founding Director of Kenya School of Government (KSG).</p>     |
|  <p><b>Dr Christopher Yegon</b><br/>Vice-Chairman</p> | <p>Dr Christopher Yegon was appointed the Vice Chairman of the Board effective from 1 July 2014. He is a nominee of the Ministry of Education in accordance with Section 15(1)(b) of the Accountants Act, No.15 of 2008.</p> <p>He is a holder of a PhD in Human Resource Education, Master of Business Administration and Bachelor of Business Management degree.</p> <p>Dr Yegon has vast experience in education and training having risen through the ranks in the Ministry of Education to his current position of Deputy Director, Higher Education, State department of University Education.</p>                                                                                                                                                                                                                       |
|  <p><b>CPA Bernard M. Ndung'u</b></p>                | <p>Mr Bernard M. Ndung'u was appointed to the Board effective from 1 July 2014. He is a nominee of the National Treasury in accordance with Section 15(1)(a) of the Accountants Act, No.15 of 2008.</p> <p>He is a holder of a Bachelor of Commerce degree (Finance option) and a Master of Business Administration degree. He is also a holder of the CPA qualification and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p> <p>CPA Ndung'u has wide experience in finance, auditing and consultancy services gained in International accounting firms including Ernst and Young and PriceWaterhouseCoopers (PWC). He is currently the Director General Auditing Services and Quality Assurance in the National Treasury and Chairman of Public Sector Accounting Standards Board (PSASB).</p> |
|  <p><b>Dr Nyambura Koigi</b></p>                    | <p>Dr Nyambura Koigi was appointed to the Board effective from 21 January 2011. She is a nominee of the Federation of Kenya Employers in accordance with Section 15(1)(c) of the Accountants Act, No. 15 of 2008.</p> <p>She is a holder of a Bachelor of Arts degree in Economics, Master of Business Administration degree in Strategic Management and a Doctorate in Business Administration. She is also an Honorary Fellow of the Institute of Certified Public Secretaries of Kenya (ICPSK).</p> <p>Dr Koigi has worked in various capacities rising to the level of Managing Director, Kenya Post Office Savings Bank (Postbank) from which she retired in June 2014.</p>                                                                                                                                               |
|  <p><b>Mr Benrodgers M. Milaih</b></p>              | <p>Mr Benrodgers M. Milaih was appointed to the Board effective from 6 June 2016. He is a nominee of the Ministry of Public Service, Youth and Gender Affairs in accordance with Section 15(1)(d) of the Accountants Act, No.15 of 2008.</p> <p>He is a holder Master of Business Administration (HRM option) and Bachelor of Arts degree.</p> <p>Mr Milaih has vast experience in the civil service in human resource management. He is currently serving as Director, Human Resource Management in the Ministry of Public Service, Youth and Gender Affairs.</p>                                                                                                                                                                                                                                                             |
|  <p><b>Ms Mary Njuya</b></p>                        | <p>Ms Mary Njuya was appointed to the Board effective from 1 July 2014. She is a nominee of the Attorney General in accordance with Section 15(1)(e) of the Accountants Act, No.15 of 2008.</p> <p>She is a holder of Bachelor of Laws degree.</p> <p>Ms Njuya has wide experience in legal matters gained at the Attorney General's Office. She is currently the Acting Registrar General.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                |

|                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>F CPA Benson Okundi</b></p>      | <p>Mr Benson Okundi was appointed to the Board effective from 1 July 2014. He is a nominee of the Institute of Certified Public Accountants of Kenya in accordance with Section 15(1)(f) of the Accountants Act, No.15 of 2008.</p> <p>He is a holder of Executive Master of Business Administration degree and Bachelor of Commerce degree. He is also a holder of the CPA qualification and a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK).</p> <p>F CPA Okundi has wide experience in Accounting and Auditing services gained at PriceWaterhouseCoopers (PWC). He is currently a partner in PWC Kenya.</p>                                                                                                                                                                                                                                                                          |
|  <p><b>CPA DDr. Patrick Ngumi</b></p>   | <p>Dr Patrick Ngumi was appointed to the Board effective from 1 July 2014. He is a nominee of the Institute of Certified Public Accountants of Kenya in accordance with Section 15(1)(f) of the Accountants Act, No.15 of 2008.</p> <p>He is a holder of PhD in Economics and PhD in Business Administration, Master of Business Administration and Bachelor of Education degree. He is also a holder of the CPA and CPS qualifications and a Member of both the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICPSK).</p> <p>CPA DDr Ngumi has wide experience in finance and accounting having served in various organisations including Housing Finance and Postbank. Recently he served as Director, Private Sector Enablers and Competitiveness, National Economic and Social Council (NESC) and Chief Executive Officer, ICPAK.</p> |
|  <p><b>FCS Joe M. Mbuthia</b></p>      | <p>Mr Joe M. Mbuthia was appointed to the Board effective from 21 January 2011. He is a nominee of the Institute of Certified Public Secretaries of Kenya in accordance with Section 15(1)(g) of the Accountants Act, No. 15 of 2008.</p> <p>He is a holder of a Bachelor of Science degree in Business Management, Post graduate Diploma in Management, Post graduate diploma in Marketing Management and Master's Degree in Business Administration. He is also a holder of the CPS qualification and a Fellow of the Institute of Certified Public Secretaries of Kenya (ICPSK).</p> <p>FCS Mbuthia has vast experience as a Practitioner in Company Secretarial Practice, corporate governance, strategic management, education and training and institutional and management consultancy. He is currently the Principal Consultant, Chart Management Consultants.</p>                                         |
|  <p><b>FCS Catherine Musakali</b></p> | <p>Ms Catherine Musakali was appointed to the Board effective from 21 January 2011. She is a nominee of the Institute of Certified Public Secretaries of Kenya in accordance with Section 15(1)(g) of the Accountants Act, No. 15 of 2008.</p> <p>She is a holder of a Bachelor of Laws degree, Master of Laws degree and the CPS qualification and a Fellow of the Institute of Certified Public Secretaries of Kenya (ICPSK). She also holds a Certificate in Securities and Investments from the Securities and Investments Institute, UK.</p> <p>FCS Musakali has wide experience in company secretarial practice, governance and legal consultancy having worked as Head of Legal Services in blue chip companies including UAP Provincial Insurance Company Ltd. and Kenya Shell Ltd. She is the Founder of Dorion Associates and Director of Women on Boards Network.</p>                                   |
|  <p><b>FA Dr George O. Wakah</b></p>  | <p>Dr George O. Wakah was appointed to the Board effective from 1 July 2014. He is a nominee of the Board of kasneb in accordance with Section 15(1)(h) of the Accountants Act, No.15 of 2008.</p> <p>He is a holder of Doctorate in Business Administration (Finance option), Master of Business Administration and Bachelor of Education (Accounting Major, Economics Minor) degree. He is also a holder of the CIFA qualification and a Member of the Institute of Certified Investment and Financial Analysts(ICIFA).</p> <p>FA Dr Wakah has wide experience gained as a lecturer in both public and private universities. He is currently the Director, Finance and Accounting Services, Parliamentary Service Commission.</p>                                                                                                                                                                                |

### **III. CHAIRMAN'S STATEMENT**

On behalf of the Board, I am pleased to present the annual report and financial statements for the financial year ended 30 June 2017.

The Board is responsible for the strategic direction and oversight of kasneb. In this respect, the Board ensured that the mandate of kasneb was efficiently and effectively executed during the year as evidenced by the successful administration of examinations in December 2016 and May 2017 both within and outside Kenya, among other things.

#### **Governance**

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

Under the provisions of the Act, the Board has authority to establish such committees as it considers necessary for the efficient and effective execution of its functions.

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

The members of the Board comprise (11) eleven non-executive members appointed by the Cabinet Secretary for the National Treasury in accordance with the provisions of Section 15(1) of the Accountants Act, No. 15 of 2008. The members of the Board serve for a renewable term of three (3) years.

#### **Corporate Strategic Plan (2017-2022)**

The Board developed the fifth Corporate Strategic Plan (2017-2022) which is aligned to the national development agenda, Sustainable Development Goals (2015-2030), Kenya Vision 2030 and the revised national education curriculum.

The Plan paves the way for new initiatives geared towards the transformation of kasneb. These include online delivery of examinations, use of digital marketing platform, research and innovation, implementation of ISO 9001:2015 Quality Management System and increased adoption of information communication technology.

The plan is premised on four pillars namely; Quality professionals, Customer experience, Institutional capacity and Financial sustainability.

#### **kasneb Towers Phase II Project**

The construction of kasneb Towers Phase II and extension of kasneb Towers I is in progress. The construction works will be completed during the financial year 2017/2018. The project which comprises a multipurpose hall and seminar rooms among others is expected to enhance the integrity, security, efficiency and effectiveness of the examination processes thus reducing operational costs. The project is also expected to generate some rental income.

**Professional branding and e-kasneb electronic payment service**

On 31 March 2017 kasneb launched a new professional brand and e-kasneb electronic payment service. The professional brand and e-kasneb applications were driven by the need to adapt to the dynamic environment and promptly respond to the changing needs and demands for prompt and convenient service delivery to the customer.

**ISO 9001:2015 Quality Management System Certification**

The Certification involved a review of processes and procedures which were undertaken during the financial year 2016/2017 in order to meet the requirements of the new standard. kasneb was recertified with effect from 19 July 2016 and issued with an ISO 9001:2015 Quality Management System certificate in March 2017. It is noteworthy that the certification was under the new ISO Standard which was launched in September 2015.

**Marketing and promotion**

In line with the Kenya Vision 2030 and the performance contract with the Government, kasneb intensified the marketing and promotion of its examinations nationally, regionally and internationally.


The Huduma Service Centres in Nairobi, Mombasa, Kisumu, Kisii, Eldoret, Nakuru, Nyeri and Meru were fully operationalised during the financial year 2016/2017. Customer service provision in the Huduma Service Centres will continue to be enhanced during the financial year 2017/2018 to ensure superior and timely customer experience.

**Way forward**

kasneb will continue to offer market driven quality examinations to empower professionals globally. Research and innovation are considered as key drivers for enhancing the quality of the examinations and service delivery. The ongoing investment in ICT infrastructure and services will add impetus to enhancement of the desired level of customer satisfaction.

**Appreciation**

I wish to thank the students for their loyalty and confidence in the qualifications of kasneb and the parents, guardians and sponsors for their sacrifice. I feel indebted to the Board members for their foresight and encouragement and the members of staff for their dedication and hardwork. I wish to also thank the government and other stakeholders for their partnership and guidance.

  
**NYAMBURA KOIGI**  
**BOARD MEMBER**

#### IV. REPORT BY THE CHIEF EXECUTIVE OFFICER

The financial year 2016/2017 was both successful and transformative for kasneb. The year witnessed the culmination of a number of initiatives in line with the strategic objectives outlined in the corporate strategic plan (2012-2017) which expired on 30 June 2017. The plan was premised on four strategic objectives namely: Quality professionals, Customer satisfaction, Institutional capacity and Financial Sustainability. An implementation rate of 95% overall was achieved.

A new corporate strategic plan (2017-2022) was developed and approved by the Board for implementation effective from 1 July 2017.

The following are some of the key highlights of the financial year:

##### **Financial performance**

Through prudent financial management, kasneb has over the years continued to realise good financial performance and to finance its operations from internally generated sources. The financial performance for the year 2016/2017 was lower than in the previous years due to various reasons as explained on pages 18 and 19 of this report.

##### **Administration of examinations**

The professional and diploma examinations were successfully administered in November 2016 and May 2017. In order to enhance customer satisfaction, we successfully released the results for both professional and diploma examinations simultaneously in June 2017. The early release of results gives training institutions and candidates adequate time for tuition and preparation for the next examination sitting.

##### **e-learning resources**

During the year, we facilitated access to e-learning resources by some students, examiners and accredited training institutions at no cost on a pilot basis through subscription to various e-learning sources. The pilot phase will continue until the end of the calendar year 2017 after which access will be opened to all students of kasneb and training institutions at a subsidised fee.

##### **Enterprise Resource Planning (ERP) system**

With the support of the Information and Communication Technology Authority, we made significant strides in the process of procuring an ERP system. To this end, draft terms of reference were developed to facilitate the tendering process in the 2017/2018 financial year.

##### **ISO 9001:2015 quality management system certification**

kasneb was initially certified in July 2013 under the ISO 9001:2008 quality management system and was due for recertification in July 2016. A new standard, ISO 9001:2015 was launched in September 2015 which kasneb resolved to adopt. We transited to the new standard and were eventually audited and approved for recertification under ISO 9001:2015 quality management system in July 2016.

**New brand identity**

One of the most significant achievements during the year was the launch of the new professional brand of kasneb at KICC COMESA grounds on 31 March 2017 at a function presided over by Mr Henry K. Rotich, EGH, Cabinet Secretary for the National Treasury. During the ceremony, we also launched the e-kasneb application which facilitates online transactions including registration as a student, application for exemptions, examination booking and payment of fees.

As part of the new brand identity, the kasneb website was upgraded and branded to reflect the fresh and bold kasneb new look. We also adopted digital marketing and continued to enhance communication with the students through the social media.

**Internal culture change**

In order to ensure success and sustainability of the new brand identity, we commenced a process of internal culture change in January 2017. This process will continue throughout the financial year 2017/2018 in order to achieve the necessary paradigm shift and mindsets to drive the new brand identity.

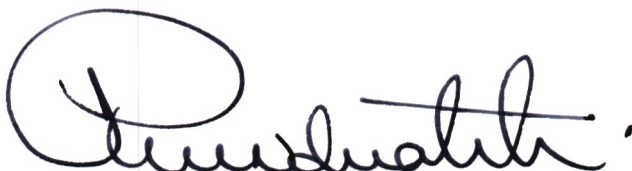
**kasneb Towers II project**

The construction of kasneb Towers II continued during the year and was at advanced stages of completion estimated at 87% as at 30 June 2017. The project, once complete; is expected to provide facilities for enhanced security, integrity and efficiency in examination processes.

**Service to the community**

Besides the above initiatives, we continued to serve the community through engaging in various corporate social investment initiatives as outlined on page 8 of this report. Further, we finalised the registration of the kasneb Foundation which is expected to offer loans and bursaries to needy students who wish to pursue kasneb qualifications. The Foundation will be operationalised in the 2017/2018 financial year.

I thank the members of the Board and staff for their commitment, dedication and support during the year.



**PIUS M. NDUATI**  
**CHIEF EXECUTIVE OFFICER**

**V. CORPORATE GOVERNANCE STATEMENT**

The Board of kasneb is responsible for the overall management of kasneb. The Board comprises eleven non-executive members who are accountable to the Government and the people of Kenya through the Parent Ministry, The National Treasury. The members of the Board are committed to achieving the highest standards of good governance. In this regard, the members of the Board and management have committed to work honestly and diligently and have put in place appropriate policies and strategies to ensure compliance with the law and the highest standards of best practice in good governance and business ethics. The members operate in accordance with the broad principles set out in the Accountants Act, No.15 of 2008, the Certified Public Secretaries of Kenya Act, Cap 534 of 1988 and the Investment and Financial Analysts Act, No. 33 of 2015.

**Members of the Board**

The members of the Board are appointed by the Cabinet Secretary for the National Treasury for a term of three years and comprise the Chairman, Vice-chairman and nine other members. The Chief Executive Officer is an ex-officio member of the Board. The Board meets at least four times a year, with additional meetings being held on a need basis. The Board has delegated authority for the day-to-day operations to the Chief Executive Officer who is also the Secretary to the Board. The members of the Board are provided with appropriate and timely information to enable them discharge their responsibilities and maintain full and effective control over strategic, financial, operational and compliance issues.

**Committees of the Board**

The Board has established the following four standing committees and one sub-committee, whose members are shown on page 13, to which it has delegated certain responsibilities:

- Examinations Committee
- Finance and General Purposes Committee
- Planning and Business Development Committee
- Audit and Risk Committee
- Examinations Technical Sub-Committee

Each committee meets at least four times in a year under the terms of reference approved by the Board.

The main responsibilities of the committees are as follows:

**Examinations Committee**

The principal responsibilities of the Committee are development of syllabuses which comply with international standards, development of strategies for management of examinations, receiving and considering examiners reports and guiding the release of results, advising the Board on matters incidental to good strategies for administration of examinations and accreditation of training institutions offering tuition for the qualifications of kasneb.

**Finance and General Purposes Committee**

The principal responsibilities of the Committee are developing and overseeing the implementation of the finance strategy, human capital strategy and information communication technology strategy. The Committee is also responsible for the approval of the annual procurement plan and annual budget and for ensuring prudent financial management.

**Planning and Business Development Committee**

The principal responsibilities of the Committee are spearheading the development of the corporate strategic plan, monitoring and implementation of the strategic and operational plans and coordinating the performance contracting process. The committee is also responsible for formulating the marketing strategy, business development policy and corporate communication policy.

**Audit and Risk Committee**

The principal responsibilities of the Committee are to provide assurance to the Board and management on the adequacy of procedures relating to risk management, control and governance, reviewing and approving the audit charter and internal audit annual work plans, reviewing the internal and external audit findings and recommendations and proposing preventive and corrective action as appropriate. The Committee is also responsible for reviewing the systems established to ensure sound public financial management and internal controls. The Head of Internal Audit and Risk is an ex-officio member of the Committee.

**Examinations Technical Sub-Committee**

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

**Membership of Committees**

Members who served in the committees during the financial year 2016/2017 were as shown below:

**Examinations Committee**

Christopher Yegon-Chairman  
Margaret Kobia  
Nyambura Koigi  
Catherine Musakali  
George O. Wakah  
Joe M. Mbuthia  
Bernard M. Ndung'u  
Benson Okundi  
Margaret K. Muia  
Mary Njuya  
Patrick Ngumi  
Sharon J. Kisire  
Yonah O. Okidia  
Jonah K. Aiyabei  
Samuel M. Muriu

**Finance and General Purposes Committee**

Nyambura Koigi- Chairman  
Christopher Yegon  
Joe M. Mbuthia  
Bernard M. Ndung'u  
Patrick Ngumi  
Margaret K. Muia

**Planning and Business Development Committee**

Catherine Musakali-Chairman  
Christopher Yegon  
Nyambura Koigi  
Bernard M. Ndung'u  
Margaret K. Muia  
Mary Njuya

**Audit and Risk Committee**

Benson Okundi- Chairman  
Joe M. Mbuthia  
Catherine Musakali  
George O. Wakah  
Mary Njuya

**Examinations Technical Sub-Committee**

George O. Wakah- Chairman  
Patrick Ngumi  
Sharon J. Kisire  
Daniel M. Ndonge  
John N. Walubengo  
Patrick K. Kairu  
Gillian W. Mwaniki

**(Meetings held by the Board and committees (1 July 2016 to 30 June 2017))**

| Board/Committee                                    | Number of meetings held |
|----------------------------------------------------|-------------------------|
| Board                                              | 6                       |
| Examinations Committee (EC)                        | 6                       |
| Finance and General Purposes Committee (FGPC)      | 6                       |
| Planning and Business Development Committee (PBDC) | 5                       |
| Audit and Risk Committee (ARC)                     | 4                       |
| Examinations Technical Sub-Committee (ETSC)        | 4                       |

**Summary of attendance in meetings**

| NAME                 | Board meetings |      | Committee meetings |   |      |   |      |   |     |   |      |   | Total meetings |      |
|----------------------|----------------|------|--------------------|---|------|---|------|---|-----|---|------|---|----------------|------|
|                      | App.           | Att. | EC                 |   | FGPC |   | PBDC |   | ARC |   | ETSC |   | App.           | Att. |
| Margaret Kobia       | 6              | 5    | 6                  | 0 | -    | - | -    | - | -   | - | -    | - | 12             | 5    |
| Christopher Yegon    | 6              | 6    | 6                  | 6 | 6    | 5 | 5    | 5 | -   | - | -    | - | 23             | 22   |
| Nyambura Koigi       | 6              | 6    | 6                  | 5 | 6    | 6 | 5    | 5 | -   | - | -    | - | 23             | 22   |
| Joe M. Mbuthia       | 6              | 5    | 6                  | 4 | 1    | 1 | 4    | 2 | 4   | 4 | -    | - | 19             | 16   |
| Catherine Musakali   | 6              | 4    | 6                  | 2 | -    | - | 5    | 5 | 4   | 3 | -    | - | 21             | 14   |
| Bernard M. Ndungú    | 6              | 1    | 6                  | 2 | 6    | 2 | 1    | 1 | 3   | 3 |      |   | 22             | 9    |
| Margaret K. Muia     | -              | -    | 1                  | 1 | -    | - | 1    | 0 | -   | - | -    | - | 2              | 1    |
| George O. Wakah      | 6              | 6    | 6                  | 2 | -    | - | -    | - | 4   | 2 | 4    | 4 | 20             | 14   |
| Mary Njuya           | 6              | 6    | 6                  | 6 | 5    | 5 | 5    | 5 | 1   | 1 | -    | - | 23             | 23   |
| Benson Okundi        | 6              | 5    | 6                  | 1 | -    | - | -    | - | 4   | 4 | -    | - | 16             | 10   |
| Patrick Ngumi        | 6              | 5    | 6                  | 3 | 6    | 4 | -    | - | -   | - | 4    | 3 | 22             | 15   |
| Benrodgers M. Milaih | 6              | 6    | 4                  | 4 | 5    | 5 | 4    | 4 | -   | - | -    | - | 19             | 19   |
| Sharon J. Kisire     | N/A            | -    | 6                  | 5 | -    | - | -    | - | -   | - | 4    | 3 | 10             | 8    |
| Yonah O. Okidia      | N/A            | -    | 6                  | 6 | -    | - | -    | - | -   | - | -    | - | 6              | 6    |
| Jonah K. Aiyabei     | N/A            | -    | 6                  | 6 | -    | - | -    | - | -   | - | -    | - | 6              | 6    |
| Samuel M. Muriu      | N/A            | -    | 6                  | 6 | -    | - | -    | - | -   | - | -    | - | 6              | 6    |
| Daniel M. Ndonye     | N/A            | -    | -                  | - | -    | - | -    | - | -   | - | 4    | 4 | 4              | 4    |
| John N. Walubengo    | N/A            | -    | -                  | - | -    | - | -    | - | -   | - | 4    | 3 | 4              | 3    |
| Patrick K. Kairu     | N/A            | -    | -                  | - | -    | - | -    | - | -   | - | 4    | 4 | 4              | 4    |
| Gillian W. Mwaniki   | N/A            | -    | -                  | - | -    | - | -    | - | -   | - | 4    | 4 | 4              | 4    |

**KEY:**

App. - Applicable

Att. - Attended

**Note:** Applicable refers to the number of meetings members were eligible to attend during the period.

## **VI. CORPORATE SOCIAL INVESTMENT STATEMENT**

kasneb recognises the important role played by various communities in the realisation of its mandate and therefore continually invests in economic social governance in order to create sustainable partnerships for community development.

In this connection, during the year 2016/2017, kasneb invested over Sh.3.5 million and participated in the following activities among others under the key pillars in the corporate social investment policy.

### **Environmental activities**

Members of staff participated in the 13th Ndakaini Half Marathon ten (10) kilometre corporate race organised by UAP Insurance Company Limited and Ndakaini Dam Environmental Conservation Association (NDEKA) as a way of contributing to a sustainable supply of water for Nairobi and its environs.

kasneb donated funds towards the construction of water storage tanks at Kamariru Primary School, Tunyai, Tharaka Nithi sub-county for the provision of safe drinking water to the community.

### **Educational activities**

- Payment of school fees for seven (7) orphaned and vulnerable students from Tunyai Childrens' Centre, Tharaka Nithi County. The students are in different secondary schools in the County.
- Donation of funds towards the Kenyatta University Foundation Charity Golf Tournament in aid of scholarships support for orphans and vulnerable students at the University.
- Donation of funds to the 4th Kwale Welfare and Education Association (KWEA) charity walk towards sponsorship of two needy girls in Kwale County.
- Sponsorship of a golf tournament to raise funds for the proposed Kiambu University of Technology and Innovation (KUTI). The proposed University will be closely linked with Kiambu Institute of Science and Technology (KIST) which is a leading TVET institution in Kenya.
- Donation of funds towards the KCA University Scholarship Fund. This sponsorship benefits deserving kasneb students and strengthens the strategic linkage with KCA University.

## kasneb

- Equipping of eleven (11) Kenya National Library Services (KNLS) branches with reading materials and branded shelves namely; Mandera, Mikumbune, Habasweni, Mary Patch Turn Memorial, Moyale, Laikipia, Meisori, Masalani, Mbalambala, Lerechonik and Nakuru. The reading materials are accessible to members of the public through the KNLS network and further promotes devolution of services to the Kenyan people.

### **Humanitarian activities**

- Donation of funds to Wells of Hope Centre, Nairobi to build capacity of the women in Kibarage slum in the arts and crafts industry. Wells of Hope Centre is a faith based organisation established in September 2011 that uplifts lives of women, children and youth by building their capacity in a holistic approach.
- Participation in the cleaning up of Upperhill District as a member of the Upper Hill District Association.
- Donation of foodstuff and beddings to women genocide survivors in Shyogwe, Avega Village in Muhanga District, Rwanda.

kasneb is committed to continue to entrench the three principles of sustainability namely; people, planet and profit in its operations.

## **VII. REPORT OF THE MEMBERS OF THE BOARD**

The members of the Board submit their report and audited financial statements for the year ended 30 June 2017 which show the state of affairs of kasneb.

### **1. Principal Activities**

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

### **2. Results**

The results for the year are set out on pages 21 to 42.

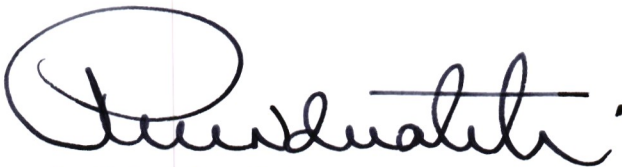
### **3. Members of the Board**

The members of the Board of kasneb who served during the year and to the date of this report are shown on pages 6 and 7.

### **4. Auditors**

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

By order of the Board



**PIUS M. NDUATHI  
SECRETARY**

**15 December 2017**

## **VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

### **SECTION A**

#### **Operational and Financial Performance**

The financial performance continued to be good. The capital and recurrent expenditure were financed from internally generated revenue. Surplus funds were invested in treasury bills and bonds. However, the projected income from operations for the financial year ended 30 June 2017 was below the targeted performance. This was mainly attributable to the following:

- (a) The impact of transition to the revised examinations syllabuses which were implemented effective from 1 July 2015. The first examinations under the revised syllabuses were conducted in November 2015.
- (b) The phasing out of Technician examinations after the November 2015 examinations effective from 1 January 2016.
- (c) The introduction of the Diploma examinations during the November 2015 examination sitting. The minimum entry requirement for Diploma examinations was KCSE mean grade of C- (C minus) compared to D+ (D plus) for the phased out Technician examinations.
- (d) Competition from universities who also offered diploma courses to students with KCSE mean grade of C- (C minus) who subsequently progressed to degree courses.

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

- Automation and re-engineering of processes.
- Phased recruitment for vacant positions.

On 31 March 2017, kasneb launched a new corporate identity and ISO 9001:2015 certification. The e-kasneb application was also launched in order to facilitate students to pay fees online as well as access services using mobile phones. This service delivery innovation is expected to result in additional cost savings and enhanced, effective and efficient service delivery.

In order to improve the financial performance, various strategies are being explored including but not limited to:

- (i) Development of new income streams such as establishment of a research and innovation centre.
- (ii) Availing e-learning resources to students and examiners at a subsidised fee.
- (iii) Introduction of certificate level courses with a minimum requirement of KCSE D+.
- (iv) Adoption of digital marketing in line with the unique needs of the target market.
- (v) Introduction of computer based examinations which would allow students to book and undertake the examinations online.

## **kasneb**

- (vi) Promotion of examinations in foreign countries such as Rwanda, Burundi, Uganda, South Sudan, Somalia and Cameroon.
- (vii) Collaboration with Kenya Universities and Colleges Central Placement Service (KUCCPS) to facilitate admission of students for kasneb examinations through KUCCPS.

### **SECTION B**

#### **Compliance with regulatory requirements**

During the year ended 30 June 2017, kasneb complied with all the statutory and regulatory requirements.

### **SECTION C**

#### **Key projects and investment decisions the entity is planning/implementing**

##### **kasneb Towers Phase II Project**

The construction project for the new kasneb Towers II and extension of the existing kasneb Towers I is in progress. The construction works are estimated to be completed in the financial year 2017/2018. The project which comprises a multipurpose hall and seminar rooms among others is expected to enhance the integrity, security, efficiency and effectiveness of the examination processes thus reducing operational costs. The project is also expected to generate some rental income.

### **SECTION D**

#### **Major risks facing the entity**

##### **Financial risk management**

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

**IX. STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES**

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

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

The members of the Board and management accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates and in conformity with the International Public Sector Accounting Standards, Section 81 of the Public Finance Management Act, 2012 and the State Corporations Act, Cap 446. The members are of the opinion the financial statements give a true and fair view of the state of the financial affairs of kasneb as at 30 June 2017 and of its surplus for the year then ended. The members and management further accept responsibility for the maintenance of accurate and complete accounting records which have been relied upon in the preparation of the financial statements as well as on the adequacy of the systems of internal financial controls.

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

**Approval of the financial Statements**

The financial statements were approved by the Board on 15 December 2017 and signed on its behalf by:

|                                                                                     |                                                                                     |                                                                                      |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|  |  |  |
| <b>NYAMBURA KOIGI</b><br>BOARD MEMBER                                               | <b>PIUS M. NDUATI</b><br>CHIEF EXECUTIVE OFFICER                                    | <b>JAMES G. NDUATI</b><br>FINANCE DIRECTOR<br>ICPAK Member No. 2012                  |

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Kenya Accountants and Secretaries National Examination Board set out on pages 21 to 42, which comprise the statement of financial position as at 30 June 2017, and the statement of income and expenditure, statement of changes in reserves, 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 Kenya Accountants and Secretaries National Examinations Board as at 30 June, 2017, 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 Accountants Act, 2008.

In addition, as required by Article 229(6) of the Constitution, 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 (ISSAIs). I am independent of Kenya Accountants and Secretaries National Examination Board in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key Audit Matters

Key audit matters are those matters that, in my professional 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.

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*Report of the Auditor-General on the Financial Statements of Kenya Accountants and Secretaries National Examinations Board 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 Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Board'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. 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.

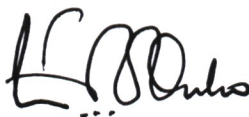
As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 Board'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 Board'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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**14 May 2018**

## kasneb

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

|                                           | Note | 2016/2017<br>Sh.          | 2015/2016<br>Sh.          |
|-------------------------------------------|------|---------------------------|---------------------------|
| <b>Revenue from exchange transactions</b> |      |                           |                           |
| Income from operations                    | 4    | 717,259,348               | 797,294,093               |
| Income from other sources                 | 5    | <u>148,321,766</u>        | <u>194,996,152</u>        |
| <b>Total revenue</b>                      |      | <b><u>865,581,114</u></b> | <b><u>992,290,245</u></b> |
| <b>Expenses</b>                           |      |                           |                           |
| Operating expenses                        | 6    | 315,116,283               | 338,020,314               |
| Employee costs                            | 7    | 456,099,241               | 463,666,826               |
| Board expenses                            | 8    | 21,077,494                | 18,976,375                |
| Administration costs                      | 9    | 24,024,284                | 38,044,696                |
| Repairs and maintenance                   | 10   | 1,647,616                 | 3,397,379                 |
| Contracted services                       | 11   | 12,129,903                | 10,617,489                |
| Depreciation and amortisation             | 12   | <u>31,033,687</u>         | <u>38,048,135</u>         |
| <b>Total expenses</b>                     |      | <b><u>861,128,508</u></b> | <b><u>910,771,214</u></b> |
| <b>Surplus for the period</b>             |      | <b><u>4,452,606</u></b>   | <b><u>81,519,031</u></b>  |

The notes set out on pages 27 to 42 form an integral part of the Financial Statements.


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

| ASSETS                                  | Note   | 2016/2017                   | 2015/2016                   |
|-----------------------------------------|--------|-----------------------------|-----------------------------|
|                                         |        | Sh.                         | Sh.                         |
| <b>Current assets</b>                   |        |                             |                             |
| Cash and bank balances                  | 13     | 220,906,457                 | 295,785,530                 |
| Held to maturity investments            | 14     | 782,891,450                 | 1,002,140,000               |
| Trade and other receivables             | 15     | <u>82,754,426</u>           | <u>121,820,142</u>          |
|                                         |        | <b><u>1,086,552,333</u></b> | <b><u>1,419,745,672</u></b> |
| <b>Non-current assets</b>               |        |                             |                             |
| Property, plant and equipment           | 17(a)  | 1,074,332,791               | 700,283,896                 |
| Leasehold land                          | 17 (b) | 351,646,340                 | 356,097,560                 |
| Intangible assets                       | 18     | 7,691,968                   | 2,806,247                   |
| Held to maturity investments            | 19     | <u>184,684,300</u>          | <u>210,629,600</u>          |
|                                         |        | <b><u>1,618,355,399</u></b> | <b><u>1,269,817,303</u></b> |
| <b>Total assets</b>                     |        | <b><u>2,704,907,732</u></b> | <b><u>2,689,562,975</u></b> |
| <b>LIABILITIES</b>                      |        |                             |                             |
| <b>Current liabilities</b>              |        |                             |                             |
| Trade and other payables                | 20     | 99,134,915                  | 91,177,106                  |
| Provisions                              | 21     | 22,511,794                  | 18,792,387                  |
| Payments received in advance            | 22     | <u>3,862,485</u>            | <u>4,647,550</u>            |
| <b>Total liabilities</b>                |        | <b><u>125,509,194</u></b>   | <b><u>114,617,043</u></b>   |
| <b>Net assets</b>                       |        | <b><u>2,579,398,538</u></b> | <b><u>2,574,945,932</u></b> |
| Revaluation reserve                     | 23     | 441,702,021                 | 441,702,021                 |
| Accumulated surplus                     | 24     | <u>2,137,696,517</u>        | <u>2,133,243,911</u>        |
|                                         |        | <b><u>2,579,398,538</u></b> | <b><u>2,574,945,932</u></b> |
| <b>Total net assets and liabilities</b> |        | <b><u>2,704,907,732</u></b> | <b><u>2,689,562,975</u></b> |

The financial statements on pages 21 to 42 were approved by the Board on 15 December 2017 and were signed on its behalf by:

  
 NYAMBURA KOIGI  
 BOARD MEMBER  
 15 December 2017

  
 PIUS M. NDUATI  
 CHIEF EXECUTIVE OFFICER

  
 JAMES G. NDUATI  
 FINANCE DIRECTOR  
 ICPAK Member No. 2012

# kasneb

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

|                                              | Revaluation Reserves      | Accumulated surplus         | Total                       |
|----------------------------------------------|---------------------------|-----------------------------|-----------------------------|
|                                              | Sh.                       | Sh.                         | Sh.                         |
| <b>Balance as at 30 June 2015</b>            | <b>442,462,021</b>        | <b>2,051,344,880</b>        | <b>2,493,806,901</b>        |
| Prior year adjustment-motor vehicle disposal | (760,000)                 | 380,000                     | (380,000)                   |
| Surplus/(deficit) for the period             | =                         | <u>81,519,031</u>           | <u>81,519,031</u>           |
| <b>Balance as at 30 June 2016</b>            | <b><u>441,702,021</u></b> | <b><u>2,133,243,911</u></b> | <b><u>2,574,945,932</u></b> |
| Surplus for the period                       | =                         | <u>4,452,606</u>            | <u>4,452,606</u>            |
| <b>Balance as at 30 June 2017</b>            | <b><u>441,702,021</u></b> | <b><u>2,137,696,517</u></b> | <b><u>2,579,398,518</u></b> |

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017**

|                                                             | Note   | 2016/2017                   | 2015/2016                   |
|-------------------------------------------------------------|--------|-----------------------------|-----------------------------|
|                                                             |        | Sh.                         | Sh.                         |
| <b>Cash flows from operating activities:</b>                |        |                             |                             |
| <b>Receipts</b>                                             |        |                             |                             |
| Revenue from exchange transactions                          | 4      | 717,259,348                 | 797,294,093                 |
| Interest income                                             | 5.1    | 143,218,162                 | 187,390,083                 |
| Revenue from non-exchange transactions                      | 5      | <u>5,103,604</u>            | <u>7,606,069</u>            |
| <b>Total receipts</b>                                       |        | <b><u>865,518,114</u></b>   | <b><u>992,290,245</u></b>   |
| <b>Payments</b>                                             |        |                             |                             |
| Operating expenses                                          | 6      | (315,116,283)               | (338,020,314)               |
| Employee costs                                              | 7      | (456,099,241)               | (463,666,826)               |
| Board expenses                                              | 8      | (21,077,494)                | (18,976,375)                |
| Administration costs                                        | 9      | (24,024,284)                | (38,044,696)                |
| Repairs and maintenance                                     | 10     | (1,647,616)                 | (3,397,379)                 |
| Contracted services                                         | 11     | (12,129,903)                | (10,617,489)                |
| Prior year adjustment                                       |        | -                           | 116,000                     |
| (Increase)/Decrease in trade and other receivables          |        | 39,065,716                  | 21,040,957                  |
| Increase/(Decrease) in payables and provisions              |        | <u>10,717,889</u>           | <u>26,237,569</u>           |
| <b>Total payments</b>                                       |        | <b><u>(780,311,216)</u></b> | <b><u>(825,328,553)</u></b> |
| <b>Net cash generated from operating activities</b>         |        | <b><u>85,269,898</u></b>    | <b><u>166,961,692</u></b>   |
| <b>Cash flows from investing activities</b>                 |        |                             |                             |
| Purchase/(sale) of financial assets                         |        | (25,945,300)                | 40,003,600                  |
| Purchase of intangible assets                               | 17 (b) | (9,685,591)                 | (5,612,495)                 |
| Purchase of property, plant and equipment                   | 17 (a) | <u>(395,831,492)</u>        | <u>(268,857,541)</u>        |
| <b>Net cash utilised in investing activities</b>            |        | <b><u>(379,571,783)</u></b> | <b><u>(234,466,436)</u></b> |
| <b>Cash flows from financing activities</b>                 |        |                             |                             |
|                                                             |        | -                           | -                           |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |        | <b><u>(294,127,623)</u></b> | <b><u>(67,504,744)</u></b>  |
| Cash and cash equivalents at beginning of the year          | 13.2   | <u>1,297,925,530</u>        | <u>1,365,430,274</u>        |
| <b>Cash and cash equivalents at the end of the year</b>     | 13.3   | <b><u>1,003,797,907</u></b> | <b><u>1,297,925,530</u></b> |

# kasneb

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

|                                                   | Original budget      | Adjustments   | Final budget         | Actual on comparable basis | Performance difference |
|---------------------------------------------------|----------------------|---------------|----------------------|----------------------------|------------------------|
|                                                   | 2016/2017 Sh.        | 2016/2017 Sh. | 2016/2017 Sh.        | 2016/2017 Sh.              | 2016/2017 Sh.          |
| <b>INCOME FROM EXCHANGE TRANSACTIONS</b>          |                      |               |                      |                            |                        |
| Examinations entry fees                           | 606,800,000          | -             | 606,800,000          | 472,586,141                | (134,213,859)          |
| Registration fees                                 | 158,000,000          | -             | 158,000,000          | 105,005,393                | (52,994,607)           |
| Annual registration renewal fees                  | 112,100,000          | -             | 112,100,000          | 90,337,142                 | (21,762,858)           |
| Exemption fees                                    | 65,500,000           | -             | 65,500,000           | 49,026,712                 | (16,473,288)           |
| Sale of past question papers                      | 500,000              | -             | 500,000              | 303,960                    | (196,040)              |
| <b>Sub-Total</b>                                  | <b>942,900,000</b>   | <b>-</b>      | <b>942,900,000</b>   | <b>717,259,348</b>         | <b>(225,640,652)</b>   |
| <b>INCOME FROM OTHER SOURCES</b>                  |                      |               |                      |                            |                        |
| Interest earned                                   | 152,000,000          | -             | 152,000,000          | 143,218,162                | (8,781,838)            |
| Rental income-other tenants                       | 2,000,000            | -             | 2,000,000            | 556,275                    | (1,443,725)            |
| Miscellaneous income                              | 8,500,000            | -             | 8,500,000            | 4,547,329                  | (3,952,671)            |
| <b>Sub-total</b>                                  | <b>162,500,000</b>   | <b>-</b>      | <b>162,500,000</b>   | <b>148,321,766</b>         | <b>(14,178,234)</b>    |
| <b>Total income</b>                               | <b>1,105,400,000</b> | <b>-</b>      | <b>1,105,400,000</b> | <b>865,581,114</b>         | <b>(239,818,886)</b>   |
| <b>EXPENDITURE ON OPERATIONS</b>                  |                      |               |                      |                            |                        |
| Examinations and invigilation                     | 154,000,000          | -             | 154,000,000          | 140,883,272                | 13,116,728             |
| Examination prizes                                | 6,000,000            | -             | 6,000,000            | 6,766,691                  | (766,691)              |
| Rent of examination halls                         | 9,000,000            | -             | 9,000,000            | 6,035,940                  | 2,964,060              |
| Data processing                                   | 8,000,000            | -             | 8,000,000            | 6,269,695                  | 1,730,305              |
| Printing and stationery                           | 40,000,000           | -             | 40,000,000           | 32,839,783                 | 7,160,217              |
| Local travelling and transport                    | 5,400,000            | -             | 5,400,000            | 5,453,364                  | (53,364)               |
| Long distance travel and transport                | 8,500,000            | -             | 8,500,000            | 3,177,947                  | 5,322,053              |
| Postage and telephone                             | 15,000,000           | -             | 15,000,000           | 11,069,440                 | 3,930,560              |
| Salaries and wages                                | 470,000,000          | -             | 470,000,000          | 387,872,510                | 82,127,490             |
| Pensions and benefits                             | 53,000,000           | -             | 53,000,000           | 41,594,713                 | 11,405,287             |
| Education and training                            | 30,000,000           | -             | 30,000,000           | 26,632,018                 | 3,367,982              |
| Repairs and maintenance                           | 3,700,000            | -             | 3,700,000            | 1,647,616                  | 2,052,384              |
| Auditors' remuneration                            | 900,000              | -             | 900,000              | 812,000                    | 88,000                 |
| Insurance                                         | 2,000,000            | -             | 2,000,000            | 2,422,787                  | (422,787)              |
| Sundry expenses                                   | 6,500,000            | -             | 6,500,000            | 9,455,289                  | (2,955,289)            |
| Bank charges                                      | 1,000,000            | -             | 1,000,000            | 2,784,277                  | (1,784,277)            |
| Board expenses                                    | 22,000,000           | -             | 22,000,000           | 21,077,494                 | 922,506                |
| Publicity, promotion, marketing and communication | 70,000,000           | -             | 70,000,000           | 59,092,305                 | 10,907,695             |
| Students' journal-kasneb Newline                  | 20,000,000           | -             | 20,000,000           | 20,723,238                 | (723,238)              |
| Legal expenses                                    | 2,000,000            | -             | 2,000,000            | 24,400                     | 1,975,600              |
| Ground rent and land rates                        | 650,000              | -             | 650,000              | 618,030                    | 31,970                 |
| Office provisions                                 | 7,500,000            | -             | 7,500,000            | 6,687,825                  | 812,175                |
| <b>Sub-total</b>                                  | <b>935,150,000</b>   | <b>-</b>      | <b>935,150,000</b>   | <b>793,940,634</b>         | <b>141,209,366</b>     |

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

|                                              | Original budget           | Adjustments   | Final budget              | Actual on comparable basis | Performance difference     |
|----------------------------------------------|---------------------------|---------------|---------------------------|----------------------------|----------------------------|
|                                              | 2016/2017 Sh.             | 2016/2017 Sh. | 2016/2017 Sh.             | 2016/2017 Sh.              | 2016/2017 Sh.              |
| <b>EXPENDITURE ON OTHER ITEMS</b>            |                           |               |                           |                            |                            |
| Insurance and maintenance of office premises | 6,500,000                 | -             | 6,500,000                 | 6,473,315                  | 26,685                     |
| Contracted services                          | 11,700,000                | -             | 11,700,000                | 12,129,903                 | (429,903)                  |
| Social responsibility                        | 3,500,000                 | -             | 3,500,000                 | 3,570,492                  | (70,492)                   |
| kasneb Foundation Bursary                    | 5,000,000                 | -             | 5,000,000                 | -                          | 5,000,000                  |
| Strategic planning expenses                  | 3,500,000                 | -             | 3,500,000                 | 2,924,771                  | 575,229                    |
| Website development and maintenance          | 1,500,000                 | -             | 1,500,000                 | 2,978,276                  | (1,478,276)                |
| Library books and resource material          | 3,500,000                 | -             | 3,500,000                 | 540,237                    | 2,959,763                  |
| Research and development                     | 3,000,000                 | -             | 3,000,000                 | -                          | 3,000,000                  |
| Miscellaneous expenses                       | 1,100,000                 | -             | 1,100,000                 | 19,977                     | 1,080,023                  |
| Other non - recurrent expenses               | <u>10,500,000</u>         | -             | <u>10,500,000</u>         | <u>7,517,216</u>           | <u>2,982,784</u>           |
| <b>Sub-total</b>                             | <b><u>49,800,000</u></b>  | <b>-</b>      | <b><u>49,800,000</u></b>  | <b><u>36,154,187</u></b>   | <b><u>13,645,813</u></b>   |
| <b>Total expenditure</b>                     | <b><u>984,950,000</u></b> | <b>-</b>      | <b><u>984,950,000</u></b> | <b><u>830,094,821</u></b>  | <b><u>154,855,179</u></b>  |
| Surplus from operations                      | 7,750,000                 | -             | 7,750,000                 | (76,681,286)               | (84,431,286)               |
| Surplus from other sources                   | <u>112,700,000</u>        | -             | <u>112,700,000</u>        | <u>112,167,579</u>         | <u>532,421</u>             |
| Surplus before depreciation and amortisation | <b><u>120,450,000</u></b> | <b>-</b>      | <b><u>120,450,000</u></b> | <b><u>45,486,293</u></b>   | <b><u>(84,963,707)</u></b> |
| Depreciation and amortisation expenses       | <u>33,900,000</u>         | -             | <u>33,900,000</u>         | <u>31,033,687</u>          | <u>2,866,313</u>           |
| <b>Surplus for the year</b>                  | <b><u>86,550,000</u></b>  | <b>-</b>      | <b><u>86,550,000</u></b>  | <b><u>4,452,606</u></b>    | <b><u>(82,097,394)</u></b> |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

**2 ADOPTION OF NEW AND REVISED STANDARDS**

**(a) Relevant new standards and amendments to published standards with effect from the financial year ended 30 June 2017**

**IPSAS 33: First time adoption of Accrual Basis of IPSAS**

Kasneb adopted IPSAS in the financial year 2014.

**IPSAS 34: Consolidated Financial Statements**

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

**IPSAS 35: Separate Financial Statements**

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

**IPSAS 36: Investments in Associates and Joint Ventures**

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

**IPSAS 37: Joint arrangements**

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

**IPSAS 38: Disclosure of Interests in Other entities**

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

**(b) Early adoption of Standards**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Revenue recognition**

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

**Interest income**

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

**(b) Budget information**

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

**(c) Property, Plant and equipment**

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

**Depreciation**

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

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

**The annual rates of depreciation in use are:**

|                                                    |      |
|----------------------------------------------------|------|
| Buildings                                          | 2.5% |
| Buildings - Construction in progress               | Nil  |
| Information and communication technology equipment | 50%  |
| Furniture and fittings                             | 20%  |
| Machinery and office equipment                     | 20%  |
| Motor vehicles                                     | 25%  |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**(d) Intangible assets**

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

**(e) Leasehold land**

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

**(f) Financial instruments**

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

**Financial assets**

**Initial recognition and measurement**

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

**Impairment of financial assets**

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

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

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. kasneb determines the classification of its financial liabilities at initial recognition. Currently kasneb has no financial liabilities.

**(g) Provisions**

In accordance with IPSAS (19): Provisions, provisions are recognised in the financial statements when a present obligation (legal or constructive) due to a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses relating to any provision is presented in the statement of financial performance net of any reimbursement. Additional disclosure of the estimated provisions is included in Note 21.

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

**Contingent assets**

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

**Contingent liabilities**

kasneb does not recognise a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. As disclosed on Note 21, kasneb has entered into major capital commitments that would entail large cash flow commitments in the future.

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

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

**(i) Employee retirement benefits**

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

kasneb has no legal or constructive obligation to pay further contributions to the defined

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

contribution scheme 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.

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

**(j) Related parties and transactions**

The senior management team is regarded as related parties and comprise the Chief Executive Officer, Directors and Senior managers. The total remuneration of senior management team for the financial year ended June 2017 were as follows:

|                                   |            |
|-----------------------------------|------------|
| Number of senior management staff | 15         |
| Total remuneration (Sh.)          | 66,771,009 |

There were no other related party transactions during the financial year ended 30 June 2017.

**(k) Financial risk management**

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

**(i) Currency risk**

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

**(ii) Interest rate risk**

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

**(iii) Credit risk**

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

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank and highly liquid investments in Treasury bills which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts at various commercial banks at the end of the financial year. For the purposes of these financial

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

statements, cash and cash equivalents also include short term cash imprests and advances to members of staff which were not surrendered or accounted for at the end of the financial year.

**(m) Comparative figures**

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

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**(o) Subsequent events**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

|                                                      | Note | 2016/2017<br>Sh.          | 2015/2016<br>Sh.          |
|------------------------------------------------------|------|---------------------------|---------------------------|
| <b>4 INCOME FROM OPERATIONS</b>                      |      |                           |                           |
| Examination entry fees                               |      | 472,586,141               | 505,721,798               |
| Registration fees                                    |      | 105,005,393               | 131,665,149               |
| Annual registration renewal fees                     |      | 90,337,142                | 92,690,006                |
| Exemption fees                                       |      | 49,026,712                | 66,973,140                |
| Sale of past question papers                         |      | <u>303,960</u>            | <u>244,000</u>            |
|                                                      |      | <b><u>717,259,348</u></b> | <b><u>797,294,093</u></b> |
| <b>5 INCOME FROM OTHER SOURCES</b>                   |      |                           |                           |
| Rental income - Other tenants                        |      | 556,275                   | 452,658                   |
| Interest income                                      |      | 143,218,162               | 187,390,083               |
| Miscellaneous income                                 |      | <u>4,547,329</u>          | <u>7,153,411</u>          |
|                                                      |      | <b><u>148,321,766</u></b> | <b><u>194,996,152</u></b> |
| <b>5.1 INTEREST INCOME</b>                           |      |                           |                           |
| Interest income comprises the following:             |      |                           |                           |
| Interest received from government securities         |      | 91,283,414                | 120,827,744               |
| Accrued interest from government securities/mortgage |      | 43,423,232                | 50,284,349                |
| Interest received from mortgage deposit              |      | 4,096,504                 | 11,472,013                |
| Interest earned from bank balances                   |      | 3,284,515                 | 3,284,515                 |
| Interest earned from advances to staff               |      | <u>1,130,497</u>          | <u>1,521,462</u>          |
|                                                      |      | <b><u>143,218,162</u></b> | <b><u>187,390,083</u></b> |
| <b>6 OPERATING EXPENSES</b>                          |      |                           |                           |
| Examinations and invigilation                        |      | 140,883,272               | 158,062,246               |
| Examination prizes                                   |      | 6,766,691                 | 4,311,460                 |
| Rent of examination halls                            |      | 6,035,940                 | 6,026,561                 |
| Data processing                                      |      | 6,269,695                 | 5,297,280                 |
| Printing and stationery                              |      | 32,839,783                | 36,762,987                |
| Local travel and transport                           |      | 5,453,364                 | 3,860,990                 |
| Long distance travel and transport                   |      | 3,177,947                 | 4,302,230                 |
| Postage and telephone                                |      | 11,069,440                | 14,406,671                |
| Auditors' remuneration                               |      | 812,000                   | 928,000                   |
| Insurance                                            |      | 2,422,787                 | 2,169,198                 |
| Sundry expenses                                      | 6.1  | 9,455,289                 | 7,839,275                 |
| Bank charges                                         |      | 2,784,277                 | 2,126,693                 |
| Publicity, promotion, marketing and communication    |      | 59,092,305                | 64,147,264                |
| Students journal - kasneb Newslite                   |      | 20,723,238                | 19,661,256                |
| Legal expenses                                       | 6.2  | 24,400                    | 442,485                   |
| Ground rent and land rates                           |      | 618,030                   | 649,370                   |
| Office Provisions                                    |      | <u>6,687,825</u>          | <u>7,026,348</u>          |
|                                                      |      | <b><u>315,116,283</u></b> | <b><u>338,020,314</u></b> |
| <b>6.1 SUNDRY EXPENSES</b>                           |      |                           |                           |
| End of year and annual anniversary expenses          |      | 3,997,324                 | 4,500,053                 |
| Staff uniforms, floral and laundry                   |      | 2,289,151                 | 660,870                   |
| Other expenses                                       |      | <u>3,168,815</u>          | <u>2,678,352</u>          |
|                                                      |      | <b><u>9,455,289</u></b>   | <b><u>7,839,275</u></b>   |

**6.2 LEGAL EXPENSES**

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

- (a) Plaintiff in a civil case regarding access road to kasneb.
- (b) Defendants in civil cases relating to a supplier and an employee who was dismissed from service.

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

|                                              | Note | 2016/2017<br>Sh.          | 2015/2016<br>Sh.          |
|----------------------------------------------|------|---------------------------|---------------------------|
| <b>7 EMPLOYEE COSTS</b>                      |      |                           |                           |
| Salaries and wages                           |      | 181,815,915               | 177,105,978               |
| Contributions to pensions                    |      | 41,594,713                | 44,497,189                |
| Contributions to medical aids and benefits   |      | 30,321,563                | 32,158,234                |
| Casual labour                                |      | 3,762,500                 | 3,504,679                 |
| Leave allowances                             |      | 5,304,482                 | 6,953,807                 |
| Commuter allowances                          |      | 20,071,468                | 20,291,000                |
| Education and training                       |      | 26,632,018                | 20,257,963                |
| Housing benefits and allowances              |      | 49,208,678                | 49,645,000                |
| Overtime payments                            |      | 26,090,616                | 39,329,945                |
| Entertainment allowance                      |      | 3,282,097                 | 3,160,000                 |
| Examinations security allowance              |      | 40,323,548                | 40,900,000                |
| Extraneous allowances                        |      | 1,800,000                 | 694,051                   |
| Telephone allowances                         |      | 1,667,903                 | 1,495,000                 |
| Performance reward and other bonuses         |      | <u>24,223,740</u>         | <u>23,673,980</u>         |
|                                              |      | <b><u>456,099,241</u></b> | <b><u>463,666,826</u></b> |
| <b>8 BOARD EXPENSES</b>                      |      |                           |                           |
| Chairman's honoraria                         |      | 960,000                   | 960,000                   |
| Board and Committees attendance allowances   |      | 6,540,930                 | 13,835,240                |
| Board and Committees workshops expenses      |      | <u>13,576,564</u>         | <u>4,181,135</u>          |
|                                              |      | <b><u>21,077,494</u></b>  | <b><u>18,976,375</u></b>  |
| <b>9 ADMINISTRATION COSTS</b>                |      |                           |                           |
| Insurance and maintenance of office premises |      | 6,473,315                 | 5,803,209                 |
| Social responsibility                        | 9.1  | 3,570,492                 | 3,304,137                 |
| Strategic planning expenses                  |      | 2,924,771                 | 1,740,605                 |
| Website development and maintenance          |      | 2,978,276                 | 2,478,015                 |
| Library books and resource material          |      | 540,237                   | 635,819                   |
| Research and development                     |      | -                         | 15,366,947                |
| Miscellaneous expenses                       |      | 19,977                    | 1,860,790                 |
| Other non-recurrent expenses                 |      | <u>7,517,216</u>          | <u>6,855,174</u>          |
|                                              |      | <b><u>24,024,284</u></b>  | <b><u>38,044,696</u></b>  |
| <b>9.1 SOCIAL RESPONSIBILITY</b>             |      |                           |                           |
| Donations to libraries (KNLS)                |      | 2,049,172                 | 1,956,378                 |
| Donations to other institutions              |      | 947,380                   | 883,400                   |
| School fees to needy students                |      | <u>573,940</u>            | <u>464,359</u>            |
|                                              |      | <b><u>3,570,492</u></b>   | <b><u>3,304,137</u></b>   |
| <b>10 REPAIRS AND MAINTENANCE</b>            |      |                           |                           |
| Machinery and office equipment               |      | 1,328,311                 | 1,840,850                 |
| Motor vehicles                               |      | 26,850                    | 1,096,472                 |
| ICT equipment                                |      | 23,381                    | -                         |
| Building repairs                             |      | <u>269,074</u>            | <u>460,057</u>            |
|                                              |      | <b><u>1,647,616</u></b>   | <b><u>3,397,379</u></b>   |
| <b>11 CONTRACTED SERVICES</b>                |      |                           |                           |
| Building Management and maintenance          |      | 3,604,368                 | 2,424,161                 |
| Security services                            |      | 5,779,935                 | 6,024,505                 |
| Lift service and maintenance                 |      | 354,046                   | 229,216                   |
| Garbage collection services                  |      | 152,460                   | 140,350                   |
| Sanitary services                            |      | 361,165                   | 332,551                   |
| Car park                                     |      | 1,284,772                 | 1,140,664                 |
| Generator services                           |      | 120,000                   | 37,804                    |
| Provision of bottled water                   |      | <u>473,158</u>            | <u>288,238</u>            |
|                                              |      | <b><u>12,129,903</u></b>  | <b><u>10,617,489</u></b>  |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

| 12          | <b>DEPRECIATION AND AMORTISATION</b>                   |       | <b>2016/2017<br/>Sh.</b>    | <b>2015/2016<br/>Sh.</b>    |
|-------------|--------------------------------------------------------|-------|-----------------------------|-----------------------------|
|             | Depreciation- Property, plant and equipment            | 17(a) | 21,782,597                  | 29,438,043                  |
|             | Amortisation- Leasehold land                           | 17(b) | 4,451,220                   | 4,451,220                   |
|             | Amortisation- Intangible assets                        | 18    | <u>4,799,870</u>            | <u>4,158,872</u>            |
|             |                                                        |       | <b><u>31,033,687</u></b>    | <b><u>38,048,135</u></b>    |
| <b>13</b>   | <b>CASH AND BANK BALANCES</b>                          |       |                             |                             |
|             | Bank balances                                          |       | 54,914,282                  | 133,318,588                 |
|             | Cash-on-hand and in transit                            |       | 990,934                     | 1,562,205                   |
|             | Mortgage deposit                                       |       | <u>165,001,241</u>          | <u>160,904,737</u>          |
|             |                                                        |       | <b><u>220,906,457</u></b>   | <b><u>295,785,530</u></b>   |
| <b>13.1</b> | <b>BANK BALANCES</b>                                   |       |                             |                             |
|             | National Bank of Kenya Ltd. – Main account             |       | 149,812                     | 9,958,080                   |
|             | National Bank of Kenya Ltd. – Fee collection account   |       | 12,884,252                  | 13,734,615                  |
|             | Barclays Bank of Kenya Ltd.                            |       | 757,819                     | 81,636,724                  |
|             | Equity Bank Ltd.                                       |       | 9,883,455                   | 8,547,502                   |
|             | Cooperative Bank of Kenya Ltd.                         |       | 15,884,638                  | 11,773,677                  |
|             | Kenya Post Office Savings Bank (Postbank)              |       | 1,835,373                   | 743,390                     |
|             | Kenya Commercial Bank Ltd. –Dollar Account             |       | 13,319,931                  | 6,924,600                   |
|             | Kenya Commercial Bank Ltd. –Ksh. account               | 13.1  | 196,189                     | -                           |
|             | UBA Kenya Bank Ltd.                                    |       | <u>2,813</u>                | -                           |
|             |                                                        |       | <b><u>54,914,282</u></b>    | <b><u>133,318,588</u></b>   |
| <b>13.2</b> | <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  |       |                             |                             |
|             | Cash and bank balances                                 |       | 295,785,530                 | 258,788,224                 |
|             | Treasury bills and bonds maturing within one year      |       | <u>1,002,140,000</u>        | <u>1,106,642,050</u>        |
|             |                                                        |       | <b><u>1,297,925,530</u></b> | <b><u>1,365,430,274</u></b> |
| <b>13.3</b> | <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>        |       |                             |                             |
|             | Cash and bank balances                                 |       | 220,906,457                 | 295,785,530                 |
|             | Treasury bills and bonds maturing within one year      |       | <u>782,891,450</u>          | <u>1,002,140,000</u>        |
|             |                                                        |       | <b><u>1,003,797,907</u></b> | <b><u>1,297,925,530</u></b> |
| <b>14</b>   | <b>CURRENT INVESTMENTS</b>                             |       |                             |                             |
|             | Treasury bills                                         |       | 763,529,950                 | 982,345,600                 |
|             | Treasury bonds maturing within one year                |       | <u>19,361,500</u>           | <u>19,794,400</u>           |
|             |                                                        |       | <b><u>782,891,450</u></b>   | <b><u>1,002,140,000</u></b> |
| <b>15</b>   | <b>TRADE AND OTHER RECEIVABLES</b>                     |       |                             |                             |
|             | Prepayments                                            |       | -                           | 44,520,873                  |
|             | Interest receivable                                    |       | 43,423,232                  | 50,284,349                  |
|             | Posta Corporation of Kenya (Postapay receipts)         |       | 16,287,775                  | 3,166,085                   |
|             | Web Tribe Ltd. (Jambopay receipts)                     |       | 321,690                     | -                           |
|             | Other receivables                                      |       | 2,007,749                   | 2,201,470                   |
|             | Staff receivables                                      |       | <u>20,713,980</u>           | <u>21,647,365</u>           |
|             |                                                        |       | <b><u>82,754,426</u></b>    | <b><u>121,820,142</u></b>   |
| <b>16</b>   | <b>PROPERTY, PLANT AND EQUIPMENT (NET BOOK VALUES)</b> |       |                             |                             |
|             | Building                                               |       | 144,473,696                 | 148,377,609                 |
|             | Building work in progress                              |       | 908,937,700                 | 524,370,484                 |
|             | Information communication technology equipment         |       | 3,579,911                   | 2,897,718                   |
|             | Furniture and fittings                                 |       | 9,244,291                   | 9,253,661                   |
|             | Machinery and office equipment                         |       | 3,061,007                   | 4,716,180                   |
|             | Motor vehicles                                         |       | <u>5,036,186</u>            | <u>10,668,244</u>           |
|             |                                                        |       | <b><u>1,074,332,791</u></b> | <b><u>700,283,896</u></b>   |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**17 (a)- SCHEDULE OF NON CURRENT ASSETS**

**PROPERTY, PLANT AND EQUIPMENT - 2016/2017**

|                                       | Building           | Building Construction In-progress | Information Communication Technology Equipment | Furniture and Fittings | Machinery and Office Equipment | Motor Vehicles    | Total                |
|---------------------------------------|--------------------|-----------------------------------|------------------------------------------------|------------------------|--------------------------------|-------------------|----------------------|
| <b>COST/ VALUATION</b>                | <b>Sh.</b>         | <b>Sh.</b>                        | <b>Sh.</b>                                     | <b>Sh.</b>             | <b>Sh.</b>                     | <b>Sh.</b>        | <b>Sh.</b>           |
| At 1 July 2016                        | 156,156,522        | 524,370,484                       | 58,745,882                                     | 43,926,820             | 29,020,375                     | 31,585,278        | 843,805,361          |
| Additions                             | -                  | 384,567,216                       | 7,169,261                                      | 4,095,015              | -                              | -                 | 395,831,492          |
| Disposals                             | -                  | -                                 | -                                              | -                      | -                              | -                 | -                    |
| <b>At 30 June 2017</b>                | <b>156,156,522</b> | <b>908,937,700</b>                | <b>65,915,143</b>                              | <b>48,021,835</b>      | <b>29,020,375</b>              | <b>31,585,278</b> | <b>1,239,636,853</b> |
| <b>DEPRECIATION</b>                   |                    |                                   |                                                |                        |                                |                   |                      |
| At 1 July 2016                        | 7,778,913          | -                                 | 55,848,164                                     | 34,673,159             | 24,304,195                     | 20,917,034        | 143,521,465          |
| Charge for the year                   | 3,903,913          | -                                 | 6,487,068                                      | 4,104,385              | 1,655,173                      | 5,632,058         | 21,782,597           |
| Disposals                             | -                  | -                                 | -                                              | -                      | -                              | -                 | -                    |
| <b>At 30 June 2017</b>                | <b>11,682,826</b>  | <b>-</b>                          | <b>62,335,232</b>                              | <b>38,777,544</b>      | <b>25,959,368</b>              | <b>26,549,092</b> | <b>165,304,062</b>   |
| <b>NET BOOK VALUE At 30 June 2017</b> | <b>144,473,696</b> | <b>908,937,700</b>                | <b>3,579,911</b>                               | <b>9,244,291</b>       | <b>3,061,007</b>               | <b>5,036,186</b>  | <b>1,074,332,791</b> |

**PROPERTY, PLANT AND EQUIPMENT - 2015/2016**

|                                       | Building           | Building Construction In-progress | Information Communication Technology Equipment | Furniture and Fittings | Machinery and Office Equipment | Motor Vehicles    | Total              |
|---------------------------------------|--------------------|-----------------------------------|------------------------------------------------|------------------------|--------------------------------|-------------------|--------------------|
| <b>COST/VALUATION</b>                 | <b>Sh.</b>         | <b>Sh.</b>                        | <b>Sh.</b>                                     | <b>Sh.</b>             | <b>Sh.</b>                     | <b>Sh.</b>        | <b>Sh.</b>         |
| At 1 July 2015                        | 155,000,000        | 277,193,722                       | 52,941,008                                     | 38,254,767             | 25,358,365                     | 26,959,958        | 575,707,820        |
| Additions                             | 1,156,522          | 247,176,762                       | 5,804,874                                      | 5,672,053              | 3,662,010                      | 5,385,320         | 268,857,541        |
| Disposals                             | -                  | -                                 | -                                              | -                      | -                              | (760,000)         | (760,000)          |
| <b>At 30 June 2016</b>                | <b>156,156,522</b> | <b>524,370,484</b>                | <b>58,745,882</b>                              | <b>43,926,820</b>      | <b>29,020,375</b>              | <b>31,585,278</b> | <b>843,805,361</b> |
| <b>DEPRECIATION</b>                   |                    |                                   |                                                |                        |                                |                   |                    |
| At 1 July 2015                        | 3,875,000          | -                                 | 48,684,834                                     | 30,540,405             | 20,670,703                     | 10,692,480        | 114,463,422        |
| Charge for the year                   | 3,903,913          | -                                 | 7,163,330                                      | 4,132,754              | 3,633,492                      | 10,604,554        | 29,438,043         |
| Disposals                             | -                  | -                                 | -                                              | -                      | -                              | (380,000)         | (380,000)          |
| <b>At 30 June 2016</b>                | <b>7,778,913</b>   | <b>-</b>                          | <b>55,848,164</b>                              | <b>34,673,159</b>      | <b>24,304,195</b>              | <b>20,917,034</b> | <b>143,521,465</b> |
| <b>NET BOOK VALUE At 30 June 2016</b> | <b>148,377,609</b> | <b>524,370,484</b>                | <b>2,897,718</b>                               | <b>9,253,661</b>       | <b>4,716,180</b>               | <b>10,668,244</b> | <b>700,283,896</b> |

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

|       |                                                                                                                                                                                                                                                                                                                                | Note | 2016/2017<br>Sh.                                                                                                                                                     | 2015/2016<br>Sh.                                                                                                                                             |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 17(b) | <b>LEASEHOLD LAND</b><br>Cost/valuation as at 1 July<br><b>As at 30 June</b><br><b>AMORTISATION</b><br>Balance b/f<br>Amortisation charge for the year<br><b>As at 30 June</b><br><b>As at 30 June</b>                                                                                                                         |      | <u>365,000,000</u><br><b><u>365,000,000</u></b><br><br>8,902,440<br><u>4,451,220</u><br><b><u>13,353,660</u></b><br><b><u>351,646,340</u></b>                        | <u>365,000,000</u><br><b><u>365,000,000</u></b><br><br>4,451,220<br><u>4,451,220</u><br><b><u>8,902,440</u></b><br><b><u>356,097,560</u></b>                 |
| 18    | <b>INTANGIBLE ASSETS</b><br><b>Cost/valuation</b><br>As at 1 July<br>Additions- Work in progress<br>Additions - internal developments<br><b>As at 30 June</b><br><b>Amortization and impairment</b><br>At 1 July<br>Amortisation<br><b>As at 30 June</b><br><b>Net book value as at 30 June</b>                                |      | 23,615,846<br>1,711,100<br><u>7,974,491</u><br><b><u>33,301,437</u></b><br><br>20,809,599<br><u>4,799,870</u><br><b><u>25,609,469</u></b><br><b><u>7,691,968</u></b> | 18,003,351<br>-<br><u>5,612,495</u><br><b><u>23,615,846</u></b><br><br>16,650,727<br><u>4,158,872</u><br><b><u>20,809,599</u></b><br><b><u>2,806,247</u></b> |
| 19    | <b>FINANCIAL INSTRUMENTS</b><br>The financial instruments in which kasneb has contracted are held to maturity as indicated in note 2 (f) and include Treasury bills and bonds. They are included in the financial statements under current and non-current investments. Treasury bonds maturing after one year are as follows: |      |                                                                                                                                                                      |                                                                                                                                                              |
|       |                                                                                                                                                                                                                                                                                                                                |      | <b>2016/2017<br/>Sh.</b>                                                                                                                                             | <b>2015/2016<br/>Sh.</b>                                                                                                                                     |
|       | <b>Treasury bonds maturing after one year</b>                                                                                                                                                                                                                                                                                  |      | <b><u>184,684,300</u></b>                                                                                                                                            | <b><u>210,629,600</u></b>                                                                                                                                    |
| 20    | <b>TRADE AND OTHER PAYABLES</b><br>Examinations and invigilation expenses<br>Accruals                                                                                                                                                                                                                                          |      | 4,778,746<br><u>94,181,907</u><br><b><u>98,960,653</u></b>                                                                                                           | 19,455,828<br><u>71,721,278</u><br><b><u>91,177,106</u></b>                                                                                                  |
| 21    | <b>PROVISIONS</b><br>Leave days: brought forward<br>Increase/(Decrease) in provision:<br>Leave<br>Gratuity<br>Other non-recurrent expenses<br>Examination prizes<br>Students Newslines<br><b>Carried forward</b>                                                                                                               |      | 8,143,462<br><u>(736,799)</u><br>7,406,663<br>3,107,571<br>1,197,120<br>4,723,500<br><u>6,076,940</u><br><b><u>22,511,794</u></b>                                    | 7,222,575<br><u>920,887</u><br>8,143,462<br>3,252,925<br>-<br>3,200,000<br><u>4,196,000</u><br><b><u>18,792,387</u></b>                                      |
| 22    | <b>PAYMENTS RECEIVED IN ADVANCE</b><br>Prepaid examination fees                                                                                                                                                                                                                                                                |      | <b><u>3,862,485</u></b>                                                                                                                                              | <b><u>4,647,550</u></b>                                                                                                                                      |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

|                                                                                                                                     | <b>2016/2017</b>            | <b>2015/2016</b>            |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                                                                                     | <b>Sh.</b>                  | <b>Sh.</b>                  |
| <b>23 REVALUATION RESERVES</b>                                                                                                      | <b><u>441,702,021</u></b>   | <b><u>441,702,021</u></b>   |
| The revaluation reserve arose from a revaluation of land, building and motor vehicles by the following registered firms of valuers: |                             |                             |
| Land and buildings- NW Realite                                                                                                      |                             |                             |
| Motor vehicles- Automobile Association (AA) of Kenya                                                                                |                             |                             |
| <b>24 ACCUMULATED SURPLUS</b>                                                                                                       |                             |                             |
| Balance as at 1 July                                                                                                                | 2,133,243,911               | 2,051,344,880               |
| Disposal of motor vehicle                                                                                                           | -                           | 380,000                     |
| Surplus                                                                                                                             | <u>4,452,606</u>            | <u>81,519,031</u>           |
|                                                                                                                                     | <b><u>2,137,696,517</u></b> | <b><u>2,133,243,911</u></b> |
| <b>25 RECONCILIATION OF NET INCOME TO CASH GENERATED FROM OPERATING ACTIVITIES</b>                                                  |                             |                             |
| Surplus for the year                                                                                                                | 4,452,606                   | 81,519,031                  |
| <b>Adjustment for:</b>                                                                                                              |                             |                             |
| Depreciation and amortisation                                                                                                       | 31,033,687                  | 38,048,135                  |
| Prior year adjustment                                                                                                               | -                           | 116,000                     |
| <b>Working capital adjustments:</b>                                                                                                 |                             |                             |
| Increase in receivables                                                                                                             | 39,065,716                  | 21,040,957                  |
| Increase in payables, provisions and prepayments                                                                                    | <u>10,717,819</u>           | <u>26,237,569</u>           |
| <b>Net cash flow from operating activities</b>                                                                                      | <b><u>85,269,898</u></b>    | <b><u>166,961,692</u></b>   |

**26 MAJOR CAPITAL COMMITMENTS**

kasneb has entered into contractual obligations which will entail major capital commitments for the next two and a half years. The capital commitments relate to the extension of kasneb Towers I and construction of kasneb Towers II. The projects are geared towards enhancing the security and efficiency in the administration of the examinations. The main contractors are Dinesh Construction Limited while the project architects are Jomo Kenyatta University College of Agriculture and Technology (JKUAT) Enterprises Ltd.

The total project costs are as follows:

|                                                        | <b>Sh.</b>           |
|--------------------------------------------------------|----------------------|
| Construction works                                     | 1,074,883,805        |
| Project design and consultancy services (Plus 16% VAT) | 124,686,522          |
| <b>Total</b>                                           | <b>1,199,570,327</b> |

The total cost incurred on certified works and consultancy services as at 30 June 2017 was Sh. 908,937,700 which is equivalent to 76% of the total estimated cost of the project.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

(a) **JKUAT Enterprises Ltd.**

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

(b) **Dinesh Construction Ltd.**

The procurement of Dinesh Construction Ltd. was through open tender. The contract was signed on 11 December 2013 and the contractors took possession of the site on the same day. The construction works commenced on 6 February 2014 and are expected to be completed by 30 June 2018.

### 27 MORTGAGE DEPOSIT

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

### 28 TAXATION

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

### 29 EXPLANATORY NOTES ON VARIANCES IN THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 30 JUNE 2017

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

#### 29.1 INCOME

The reported total income of Sh.866 million for the financial year ended 30 June 2017 was lower than the budgeted income of Sh.1,105 million by Sh.240 million representing a negative variance of 21.7%. The following is a brief analysis of the various major sources of income.

(a) Examination entry fees

The reported income of Sh.473 million was lower than the budgeted income of Sh.607 million by Sh.134 million representing a negative variance of 22.1%. This is attributable to:

- (i) Lower number of candidates who entered for the diploma examinations compared to the projected numbers to slow transition rates from the technician examinations to diploma examinations.
- (ii) Competition from universities with students opting to first join universities and undertake professional examinations concurrently or thereafter.
- (iii) All the students who sat the KCSE in 2016 and obtained C+ and above were admitted to the universities.

(b) Registration fees

The reported income of Sh.105 million was lower than the budgeted income of Sh.158 million by Sh.53 million representing a negative variance of 33.5%. This is attributable to lower number of students who registered compared to the projected number after phasing out the technician examinations. It was worth noting that the minimum entry requirement for diploma examinations was KCSE C- (C minus) while that of the technician examination was KCSE D+ (D plus). In addition, all the students who sat the KCSE in 2016 and obtained C+ and above were admitted to the universities.

(c) Annual registration renewal fees

The reported income of Sh.90.3 million was lower than the budgeted income of Sh.112 million by Sh.21.7 million representing a negative variance of 19.4%. The variance is attributable to same factors affecting items 1.1 and 1.2 above.

(d) Exemption fees

The reported income of Sh.49 million was lower than the budgeted income of Sh.65.5 million by Sh.16.5 million representing a negative variance of 25.2%. This is attributable to the lower than projected growth in diploma graduates who were expected to seek exemptions in the professional courses.

(e) Interest earned

The reported income of Sh.143.2 million was lower than the budgeted income of Sh.152 million by Sh.8.8 million representing a negative variance of 5.8%. This is attributable to lower interest rates of investment in treasury bills and bonds due to capping of interest rates.

**29.2 EXPENDITURE**

The total expenditure before depreciation of Sh.830 million for the financial year ended 30 June 2017 was lower than the budgeted expenditure of Sh.985 million by Sh.155 million representing a positive variance of 15.7%. The following is a brief analysis of some of the main items of expenditure.

(a) Examinations and invigilation

The reported expenditure of Sh.141 million was lower than the budgeted expenditure of Sh.154 million by Sh.13 million representing a positive variance of 8.5%. This is attributable to:

- (i) Savings on marking costs due to lower candidature in the examinations compared to the budget.
- (ii) Savings on examination setting costs. Setters were requested to set one set of examination question papers while the budget had factored two sets.

(b) Printing and stationery

The reported expenditure of Sh.32.8 million was lower than the budgeted expenditure of Sh.40 million by Sh.7.2 million representing a positive variance of 18%. This was attributable to the following:

- (i) Saving on cost of stationery due to increased usage of emails to communicate with students, candidates and members of staff.
- (ii) Savings on cost of examination materials including examination question papers which is pegged to candidature in the examinations.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (c) Postage and telephone

The reported expenditure of Sh.11.1 million was lower than the budgeted expenditure of Sh.15 million by Sh.3.9 million representing a positive variance of 26%. This was attributable to:

- (i) Savings arising from expenditure incurred on postage of receipts and time tables which were posted to students online.
- (ii) Operationalisation of Huduma Services Centres where students accessed documents such as syllabuses instead of through post.
- (iii) Students and candidates accessed and downloaded forms and information required from the enhanced kasneb website.

### (d) Staff emoluments

The reported expenditure of Sh.387.3 million was lower than the budgeted expenditure of Sh.470 million by Sh.82.7 million representing a positive variance of 17.6%. This is attributable to expenditure on projected recruitment of new members of staff to fill vacant positions and implementation of job evaluation and which did not take place during the period.

### (e) Education and training

The reported expenditure of Sh.26.6 million was lower than the budgeted expenditure of Sh.30 million by Sh.3.4 million representing a positive variance of 11.3%. This is attributable to costs incurred in training of the members of staff and refunds for expenses incurred when pursuing degrees, KASNEB examinations and diploma courses including sensitization programmes as per the requirements of performance contracting.

### (f) Publicity, promotion, marketing and communication

The reported expenditure of Sh.59.1 million was lower than the budgeted expenditure of Sh.70 million by Sh.10.9 million representing a positive variance of 15.6%. This is attributable to the budgeted expenditure on rebranding and related expenses on promotional materials which had not been procured.

### (g) Sundry expenses

The reported expenditure of Sh.9.5 million was higher than the budgeted expenditure of Sh.6.5 million by Sh.3 million representing a negative variance of 45.5%. This is attributable to branded staff uniforms procured upon professional branding of kasneb and expenses incurred during the kasneb 47<sup>th</sup> anniversary celebrations.

### (h) KASNEB Foundation - Bursary

Nil expenditure was reported under this item. The budgeted expenditure of Sh.5 million was not incurred. The registration process of the Foundation was ongoing.

### (i) Strategic planning expenses

The reported expenditure of Sh.2.9 million was lower than the budgeted expenditure of Sh.3.5 million by Sh.0.6 million representing a positive variance of 17.1%. This is attributable to workshops cost for the development of divisional operational and annual work plans which were planned for during the period.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

(j) Library books and resources material

The reported expenditure of Sh.0.5 million was lower than the budgeted expenditure of Sh.3.5 million by Sh.3 million. The amount was to cater for library books, reading materials and payment of e-library subscription.

The office is currently providing e-library services to kasneb students on pilot basis. Full subscription was deferred to January 2018.

(k) Research and development

The budgeted expenditure of Sh.3 million was to cater for the development of study materials for KASNEB examinations. However, the process of identification of writers was ongoing as at 30 June 2017.

(l) Other non-recurrent expenses

The reported expenditure of Sh.7.5 million was lower than the budgeted expenditure of Sh.10.5 million by Sh.3 million representing a positive variance 28.6%. This is attributable to cost of undertaking some surveys which had not been concluded by 30 June 2017.

**30 CURRENCY**

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