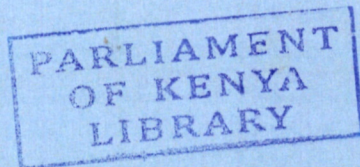


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



*Paper laid by
Lom on 25/5/2017 (pm)*

REPORT



OF

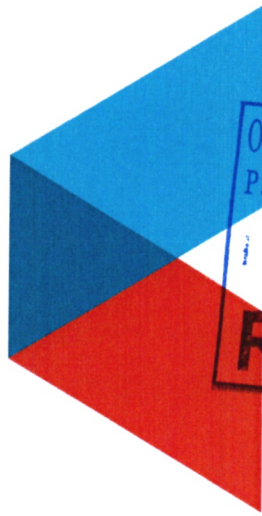
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2016**





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
24 APR 2017
RECEIVED

kasneb

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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



KASNEB IS ISO 9001: 2015 CERTIFIED

bempowered

PROFESSIONAL QUALIFICATIONS



Certified Public Accountants (CPA)

Certified Public Accountants are skilled and competent professional accountants, auditors, finance managers, tax consultants and practitioners both in public and private sectors.



Certified Secretaries (CS)

Certified Secretaries are expert practitioners in governance, governance audits and compliance, corporate secretarial practice, corporate law, consultancy and business management and administration.



Certified Information Communication Technologists (CICT)

Certified Information Communication Technologists are skilled and competent system developers and programmers, network administrators, system engineers, ICT consultants and practitioners.



Certified Investment and Financial Analysts (CIFA)

Certified Investment and Financial Analysts are experts in financial analysis, consultants and practitioners in investments and securities, portfolio management, pensions management, investment banking among other related areas.



Certified Credit Professionals (CCP)

Certified Credit Professionals are skilled and competent top level managers, practitioners and consultants in the rapidly developing field of credit management.

Vision

To be a world-class professional examinations body.



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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, Cap 531 which was enacted in July 1977 gave KASNEB retroactive recognition since its inception in 1969. The Accountants Act, Cap 531 was repealed and replaced with the Accountants Act, No. 15 of 2008 which took effect from 30 December 2008.
- (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. 33 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 page 4.

(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: 4923000

Fax: 2712915

Email: info@kasneb.or.ke

Website: www.kasneb.or.ke



(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
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084-00100
NAIROBI

(g) **Chief Executive Officer**

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

(h) **Fiduciary management**

The key management personnel who held office during the financial year ended 30 June 2016 and who had direct fiduciary responsibility were:

Designation	Name
Chief Executive officer	Pius M. Nduatih
Finance Director	James G. Nduati
Examinations Director	Isaac M. Njuguna
Human Capital and Administration Director (Effective from 1 January 2016)	Marylucy A. Ajwang'





II. MEMBERS OF THE BOARD



Prof. Margaret Kobia
Chairperson



Dr. Christopher Yegon - Vice-Chairperson
(Representing the Ministry of Education, Science and Technology)



Mr. Pius M. Nduath
Chief Executive Officer



CPA Bernard M. Ndung'u
(Representing The National Treasury)



Dr. Nyambura Koigi
(Representing the Federation of Kenya Employers)



Ms. Margaret K. Muia
(Representing the Ministry of Devolution and Planning)



Ms. Mary Njuya
(Representing the Office of the Attorney General)



CPA Benson Okundi
(Representing the Institute of Certified Public Accountants of Kenya)



CPA Dr. Patrick Ngumi
(Representing the Institute of Certified Public Accountants of Kenya)



FCS Catherine Musakali
(Representing the Institute of Certified Public Secretaries of Kenya)



FCS Joe M. Mbutia
(Representing the Institute of Certified Public Secretaries of Kenya)



Dr. George O. Wakah
(Nominated by the Board)

III. CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual financial statements for the financial year ended 30 June 2016.

The Board executed its mandate of developing syllabuses, conducting professional, diploma and technician examinations and certifying candidates in accountancy, finance, credit, governance and management, information technology among other related disciplines and promoting the qualifications nationally, internationally and accrediting relevant training institutions.



I am delighted that KASNEB which is a not for profit organisation has continued to prudently manage its resources and report some surplus over the years. During the financial year ended 30 June 2016, the reported surplus of Sh. 815 million was lower than the preceding year mainly due to increase in operating costs.

Governance of KASNEB

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. Section 15(1) of the Accountants Act provides for the appointment by the National Treasury of eleven (11) Board members to serve the Board for a period of three (3) years. The eleven members who served the Board during the year were appointed and gazetted during the preceding financial year 2014/2015.

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

During the year, the Board met six (6) times while the committees met at least once quarterly as guided by the provisions of Mwongozo, "The Code of Governance for State Corporations".

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 2016/2017. 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.

KASNEB Foundation

During the year, the Board approved the establishment of a KASNEB Foundation for which a no objection was issued by the National Treasury. The registration of the Foundation is in progress. The Foundation will serve as a vehicle for corporate social investment whose objectives are to provide grants to extremely needy students and loans to needy students who wish to obtain the qualifications of KASNEB.

KASNEB will provide the seed capital for the Foundation and thereafter solicit for funding from other donors in order to finance as many needy students as possible.

The Foundation targets to provide assistance to students from all the forty seven (47) counties.

Revised Corporate Strategic Plan (2012-2017)

The fourth Corporate Strategic Plan (2012-2017) which was revised in June 2015 is under implementation. The term of the strategic plan will expire on 30 June 2017. During the current strategic plan (2012-2017) a major review of the syllabuses was completed and the revised examination syllabuses which introduced diploma examinations were successfully administered with effect from November 2015.



The development of the fifth Corporate Strategic Plan (2017-2022) which will be implemented effective from 1 July 2017 has commenced.

Performance contracting

The performance contract for the financial year 2015/2016 was implemented successfully and quarterly performance and annual performance reports submitted to relevant government departments in compliance with the law and regulations. The evaluation process is awaited. The performance contract for the financial year 2016/2017 has been developed and is waiting to be negotiated with the Government.

Operationalisation of Huduma Services

KASNEB has fully operationalised services in ten (10) Huduma Service Centres at Mombasa, Kisumu, Kisii, Eldoret, Nakuru, Nyeri, Meru and General Post Office (GPO), Kibra and Makadara in Nairobi. KASNEB will strive to operationalise services in other selected Huduma Service Centres in order to further devolve its services to the people of Kenya.

Recertification under the ISO 9001:2015 Quality Management System

During the year, KASNEB transitioned from ISO 9001:2008 Quality Management Systems standard to ISO 9001:2015 Quality Management System. As a consequence, a review of processes and procedures was undertaken to meet the requirements of the new ISO 9001:2015 Standard. The recertification under the new Standard is expected to be issued in the financial year 2016/2017.

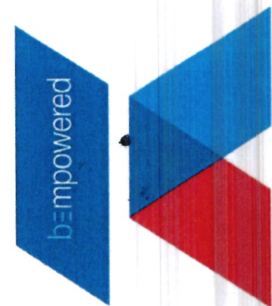
Way forward

KASNEB will continue to offer globally competitive professionals who are market driven by offering high quality examinations. In this regard, KASNEB is partnering with relevant institutions in order to provide e-learning and other study materials to students. In addition, plans are under way to introduce online examination delivery.

Appreciation

On behalf of the Board, I wish to thank the government for the continued support. I also wish to thank the members of the Board for their foresight, dedication and commitment to good governance of KASNEB. I further recognise the members of staff for their dedication and hard work during the year. I also wish to thank our students for their faith and confidence in the examinations of KASNEB and all other stakeholders for their support.

**MARGARET KOBIA
CHAIRMAN**



IV. REPORT BY THE CHIEF EXECUTIVE OFFICER

I am happy to report that during the financial year 2015/2016 the Board, management and staff continued to work diligently in order to achieve the mandate of KASNEB and to wow our customers through continuous improvement in service delivery.



During the year, we successfully implemented the revised examination syllabuses which were approved in June 2015. As a result, the examinations in the November 2015 and May 2016 sittings were based on the reviewed examination syllabuses. Of further note was the reduction in the time taken to administer examinations from nine (9) days to five (5) days. The reduction was aimed at enhancing the security and integrity of examinations. We plan to offer online examinations in the near future and to release all examinations results in the months of January and July for the November sitting and May sitting respectively.

In order to further enhance service delivery and improve operational efficiency and effectiveness we have commenced a re-engineering process for key operations. The development of a mobile payment gateway is at an advanced stage and is expected to be completed by 31 December 2016. Once implemented, the students will be able to access services using the mobile application platform to enter for examinations online. We are also in the process of implementing Enterprise Resource Planning system. The Enterprise Resource Planning system will improve efficiency through integrated information, provide platform for easier and more customized reporting, customer service and also improve security and accuracy of data.

Our efforts to continuously offer better services have been guided by continuous customer feedback and the results of the customer satisfaction surveys which are undertaken every two years. We also continued to devolve services to the counties through the Huduma centres.

During the year, The Cabinet Secretary National Treasury, Mr. Henry K. Rotich, EGH graced the laying of the foundation stone for the KASNEB Towers Phase II project. The project which is aimed at providing facilities for enhanced security, integrity, efficiency and effectiveness of examinations processes was assessed at 62.5% completion at the end of the financial year.

We successfully adopted and implemented the ISO 9001:2015 Quality Management System immediately after it was launched in September 2015 to replace the ISO 9001:2008 Quality Management System. We look forward to being recertified under the new Standard in the financial year 2016/2017. KASNEB is in the process of professional branding and will soon launch a new logo during the financial year 2016/2017. To accompany and actualise the new brand, we have commenced a process of internal culture change.

In our commitment to serve the community we continued to engage in Corporate Social Investments as outlined on page 11. We are in the process of registering a KASNEB Foundation which will offer bursaries to the needy students taking KASNEB examination effective from the financial year 2016/2017 and have invested in a KCA University Endowment Fund to assist KASNEB students studying at the University.

I am grateful for the continued support and guidance received from the Board and the commitment of members of staff.

A handwritten signature in black ink, appearing to read 'Pius M. Nduati'. The signature is fluid and cursive, with a large initial 'P'.

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 Securities 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 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 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 4, 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 examinations of KASNEB.

Finance and General Purposes Committee

The principal responsibilities of the Committee are developing and overseeing the implementation of the finance strategy, human resource 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 formulating the marketing strategy, business development policy, corporate communication policy, spearheading the development of the corporate strategic plan, monitoring and implementation of the strategic and operational plans and coordinating the performance contracting process.



Audit and Risk Committee

The principal responsibilities of the Committee is 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 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.

Members who served in the committees during the financial year 2015/2016 are 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

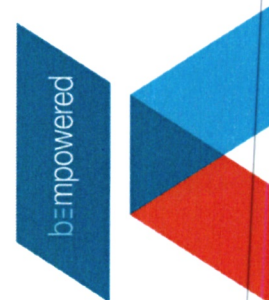
- Catherine Musakali (Chairman)
- Christopher Yegon
- Nyambura Koigi
- Bernard M. Ndung'u
- Margaret K. Muia
- Mary Njuya

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. Ndonye
- John N. Walubengo
- Patrick K. Kairu
- Gillian W. Mwaniki





Meetings held by the Board and committees (1 July 2015 to 30 June 2016)

Board/Committee	Number of meetings held
Board	6
Examinations Committee (EC)	5
Finance and General Purposes Committee (FGPC)	5
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	6	5	3	-	-	-	-	-	-	-	-	11	9
Christopher Yegon	6	6	5	5	5	5	5	5	-	-	-	-	21	21
Nyambura Koigi	6	6	5	5	5	4	5	4	-	-	-	-	21	19
Joe M. Mbuthia	6	6	5	5	5	5	-	-	4	4	-	-	20	20
Catherine Musakali	6	6	5	4	-	-	5	5	4	4	-	-	20	19
Bernard M. Ndungú	6	4	5	2	5	2	5	2					21	10
Margaret K. Muia	6	5	5	5	5	4	5	3	-	-	-	-	21	17-
George O. Wakah	6	4	5	3	-	-	-	-	4	4	4	4	19	15
Mary Njuya	6	6	5	5	-	-	5	5	4	4	-	-	20	20
Benson Okundi	6	5	5	2	-	-	-	-	4	4	-	-	15	11
Patrick Ngumi	6	4	5	4	5	5	-	-	-	-	4	1	20	14
Sharon J. Kisire	N/A	-	5	5	-	-	-	-	-	-	4	4	9	9
Yonah O. Okidia	N/A	-	5	5	-	-	-	-	-	-	-	-	5	5
Jonah K. Aiyabei	N/A	-	5	5	-	-	-	-	-	-	-	-	5	5
Samuel M. Muriu	N/A	-	5	5	-	-	-	-	-	-	-	-	5	5
Daniel M. Ndonye	N/A	-	-	-	-	-	-	-	-	-	4	4	4	4
John N. Walubengo	N/A	-	-	-	-	-	-	-	-	-	4	4	4	4
Patrick K. Kairu	N/A	-	-	-	-	-	-	-	-	-	4	4	4	4
Gillian W. Mwaniki	N/A	-	-	-	-	-	-	-	-	-	4	2	4	2

KEY:

App. - Applicable

Att. - Attended

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



VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KASNEB recognises the important role played by various communities in the realisation of its mandate and has a policy which takes consideration of the need for sustainable practices and values and creating sustainable partnerships for community development.

During the year 2015/2016, KASNEB invested over Sh.3 million and participated in various corporate social responsibility activities including the following:

Environmental activities

Members of staff participated in the 12th 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.

Educational activities

KASNEB paid 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. KASNEB also made a donation to Tunyai Childrens' Centre for the completion of a third water storage tank at Kamariru Primary School, Tharaka Nithi to provide safe drinking water.

KASNEB donated money to the Miss Koch Kenya Education Scholarship Fund. The fund was established to financially support bright and vulnerable children from the informal settlements of Korogocho and Viwandani in Nairobi to get secondary school education.

KASNEB equipped ten (10) Kenya National Library Services (KNLS) branches with reading materials and branded shelves namely; Awendo, Lusumu, Koru, Rambula, Isiolo, Kapsabet, Kimilili, Kinyambu, Kithasyu and Kwale. The donation ensured that the reading materials are accessible to members of the public through the KNLS network and also strengthened the partnership between KASNEB and KNLS.

Humanitarian activities

KASNEB donated money to Wells of Hope Centre, Nairobi to purchase raw materials to make bags for export. 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.

KASNEB also donated money to Friends Kaimosi Special School to purchase beddings for the mentally handicapped children. The school is a primary school located in Vihiga County and caters for children with mental handicaps.

Health activities

KASNEB partnered with Ahadi Kenya Trust to participate in the Jigger Staircase Relay held at Kenyatta International Convention Centre. The aim of the relay was to raise awareness on the eradication of jiggers in various parts of the country.

In partnership with Rotary Club of Ongata Rongai, KASNEB sponsored and participated in a charity walk in aid of purchasing medical laboratory equipment for Ongata Rongai Health Centre, Kajiado. The health centre is the only public health facility in Ongata Rongai town and the demand for health services from the growing population is high.

KASNEB also participated in the First Lady's Beyond Zero Campaign half Marathon and the Mater Heart Run Marathon.



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 2016 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 17 to 36.

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 page 4.

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 14 of the Public Audit Act, 2003.

By order of the Board

PIUS M. NDUATHI
SECRETARY

16 September 2016



VIII. 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 and the Public Finance Management Act, 2012. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of KASNEB as at 30 June 2016 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.

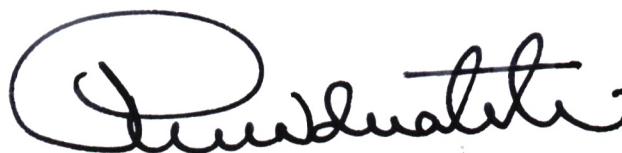
Nothing has come to the attention of the members of the Board and management to indicate that KASNEB will not remain a going concern for the next twelve months from the date of this statement.

Approval of the financial Statements

The financial statements were approved by the Board on Friday, 16 September 2016 and signed on its behalf by:



MARGARET KOBIA
CHAIRMAN



PIUS M. NDUATI
CHIEF EXECUTIVE OFFICER





REPORT OF THE AUDITOR GENERAL

Pages 14-16



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Accountants and Secretaries National Examinations Board set out on pages 17 to 38, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows 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 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.

Management's Responsibility 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 misstatements, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

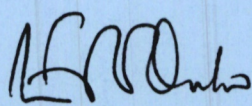
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act 2012 and the Accountants Act, 2008.



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

Nairobi

12 May 2017

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/2016 Sh.	2014/2015 Sh.
Revenue from exchange transactions			
Income from operations	3	797,294,093	791,715,367
Income from other sources	4	194,996,152	171,750,319
Total revenue		<u>992,290,245</u>	<u>963,465,686</u>
Expenses			
Operating expenses	5	338,020,314	297,298,335
Employee costs	6	463,666,826	408,009,139
Board expenses	7	18,976,375	14,306,626
Administration costs	8	38,044,696	29,306,730
Repairs and maintenance	9	3,397,379	4,419,408
Contracted services	10	10,617,489	10,423,935
Depreciation and amortisation	11	38,048,135	32,394,538
Total expenses		<u>910,771,214</u>	<u>796,158,711</u>
Surplus for the period		<u>81,519,031</u>	<u>167,306,975</u>

The notes set out on pages 23 to 36 form an integral part of the Financial Statements.





STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

ASSETS	Note	2015/2016 Sh.	2014/2015 Sh.
Current assets			
Cash and bank balances	12	295,785,530	258,788,224
Held to maturity investments	13	1,002,140,000	1,106,642,050
Trade and other receivables	14	<u>121,820,142</u>	<u>142,861,099</u>
		<u>1,419,745,672</u>	<u>1,508,291,373</u>
Non current assets			
Property, plant and equipment	15(a)	700,283,896	461,244,398
Leasehold land	15 (b)	356,097,560	360,548,780
Intangible assets	16	2,806,247	1,352,624
Held to maturity investments	17	<u>210,629,600</u>	<u>250,633,200</u>
		<u>1,269,817,303</u>	<u>1,073,779,002</u>
Total assets		<u>2,689,562,975</u>	<u>2,582,070,375</u>
LIABILITIES			RESTATED
Current liabilities			
Trade and other payables	18	91,177,106	64,187,318
Provisions	19	18,792,387	19,429,014
Payments received in advance	20	<u>4,647,550</u>	<u>4,763,142</u>
Total liabilities		<u>114,617,043</u>	<u>88,379,474</u>
Net assets		<u>2,574,945,932</u>	<u>2,493,690,901</u>
Revaluation reserve		441,702,021	442,462,021
Accumulated surplus		<u>2,133,243,911</u>	<u>2,051,344,880</u>
		<u>2,574,945,932</u>	<u>2,493,690,901</u>
Total net assets and liabilities		<u>2,689,562,975</u>	<u>2,582,070,375</u>

The financial statements on pages 17 to 36 were approved by the Board on Friday, 16 September 2016 and were signed on its behalf by:

**MARGARET KOBIA
CHAIRMAN**

16 September 2016

**PIUS M. NDUATIH
CHIEF EXECUTIVE OFFICER**



STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Revaluation reserves	Accumulated surplus	Total
	Sh.	Sh.	Sh.
Balance as at 30 June 2014	442,462,021	1,883,921,905	2,326,383,926
Surplus/(deficit) for the period	-	167,306,975	167,306,975
Prior year adjustment - overprovision for auditors remunerations - 2014/2015	-	116,000	116,000
Balance as at 30 June 2015	442,462,021	2,051,344,880	2,493,806,901
Disposal	(760,000)	380,000	(380,000)
Surplus for the period	-	81,519,031	81,519,031
Balance as at 30 June 2016	441,702,021	2,133,243,911	2,574,945,932





STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/2016 Sh.	2014/2015 Sh.
Cash flows from operating activities:			
Surplus for the year		81,519,031	167,306,975
Adjustments for:			
Depreciation and amortisation	15 & 16	38,048,135	32,394,538
Prior year adjustment		116,000	-
Interest income	4.1	<u>(187,390,083)</u>	<u>(157,081,506)</u>
Operating surplus before working capital changes		<u>(67,706,917)</u>	<u>42,620,007</u>
Changes in working capital			
(Increase) / Decrease in trade and other receivables		21,040,957	(4,889,855)
Increase / (Decrease) in payables, provisions and prepayments		<u>26,237,569</u>	<u>28,162,834</u>
Cash generated from operations		<u>(20,428,391)</u>	<u>65,892,986</u>
Interest received	4.1	<u>187,390,083</u>	<u>157,081,506</u>
Net cash generated from operating activities		<u>166,961,692</u>	<u>222,974,492</u>
Cash flows from investing activities			
Purchase/(sale) of financial assets		40,003,600	80,431,165
Purchase of intangible assets	16	(5,612,495)	(2,705,250)
Purchase of property, plant and equipment	15 (a)	<u>(268,857,541)</u>	<u>(175,728,522)</u>
Net cash utilised in investing activities		<u>(234,466,436)</u>	<u>(98,002,607)</u>
Net increase in cash and cash equivalents		<u>(67,504,744)</u>	<u>124,971,885</u>
Cash and cash equivalents at beginning of the year	12.2	<u>1,365,430,274</u>	<u>1,240,458,389</u>
Cash and cash equivalents at the end of the year	12.3	<u>1,297,925,530</u>	<u>1,365,430,274</u>



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
	Sh.	Sh.	Sh.	Sh.	Sh.
INCOME FROM EXCHANGE TRANSACTIONS					
Examinations entry fees	540,600,000	15,800,000	556,400,000	505,721,798	(50,678,202)
Registration fees	138,400,000	1,600,000	140,000,000	131,665,149	(8,334,851)
Annual registration renewal fees	120,600,00	(24,600,000)	96,000,000	92,690,006	(3,309,994)
Exemption fees	63,000,000	-	63,000,000	66,973,140	3,973,140
Sale of past question papers	600,000	(100,000)	500,000	244,000	(256,000)
Sub-Total	863,200,000	(7,300,000)	855,900,000	797,294,093	(58,605,907)
INCOME FROM OTHER EXCHANGE TRANSACTIONS					
Students' identity card fees	12,500,000	(12,500,000)	-	-	-
Interest earned	120,000,000	22,000,000	142,000,000	187,390,083	45,390,083
Rental income - other tenants	400,000	200,000	600,000	452,658	(147,342)
Miscellaneous income	8,500,000	-	8,500,000	7,153,411	(1,346,589)
Sub-total	141,400,000	9,700,000	151,100,000	194,996,152	43,896,152
Total income	1,004,600,000	2,400,000	1,007,000,000	992,290,245	(14,709,755)
EXPENDITURE ON OPERATIONS					
Examinations and invigilation	165,000,000	(15,000,000)	150,000,000	158,062,246	(8,062,247)
Examination prizes	6,000,000	-	6,000,000	4,311,460	1,688,540
Rent of examination halls	8,500,000	-	8,500,000	6,026,561	2,473,439
Data processing	8,500,000	(1,000,000)	7,500,000	5,297,280	2,914,476
Printing and stationery	30,000,000	6,000,000	36,000,000	36,762,987	(762,987)
Local travelling and transport	9,000,000	(4,000,000)	5,000,000	3,860,990	1,139,010
Long distance travel and transport	11,000,000	(3,000,000)	8,000,000	4,302,230	3,697,770
Postage and telephone	16,000,000	(2,000,000)	14,000,000	14,406,671	(406,671)
Salaries and wages	385,000,000	25,000,000	410,000,000	398,911,674	11,088,326
Pensions and benefits	42,000,000	3,000,000	45,000,000	44,497,189	502,811
Education and training	18,000,000	-	18,000,000	20,257,963	(2,257,963)
Repairs and maintenance	1,300,000	2,200,000	3,500,000	3,397,379	102,621
Auditors' remuneration	900,000	-	900,000	928,000	(28,000)
Insurance	4,000,000	(2,500,000)	1,500,000	2,169,198	(669,198)
Sundry expenses	7,000,000	(1,000,000)	6,000,000	7,839,275	(1,839,275)
Bank charges	2,000,000	(1,000,000)	1,000,000	2,126,693	(1,126,693)
Board expenses	20,000,000	-	20,000,000	18,976,375	1,023,625
Publicity, promotion, marketing and communication	65,000,000	-	65,000,000	64,147,264	852,736
Students' journal- KASNEB Newsline	19,000,000	-	19,000,000	19,661,256	(661,256)
Legal expenses	1,500,000	-	1,500,000	442,485	1,057,515
Ground rent and land rates	600,000	50,000	650,000	649,370	630
Office provisions	7,000,000	-	7,000,000	7,026,348	(26,348)
Sub-total	827,300,000	6,750,000	834,050,000	824,060,894	9,989,106



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015/2016 Sh.	2015/2016 Sh.	2015/2016 Sh.	2015/2016 Sh.	2015/2016 Sh.
EXPENDITURE ON OTHER ITEMS					
Students's identity card	4,200,000	(4,200,000)	-	-	-
Insurance and maintenance of KASNEB Towers	14,600,000	(9,100,000)	5,500,000	5,803,209	(303,209)
Contracted services	-	-	10,000,000	10,617,489	(617,489)
Social responsibility	3,500,000	-	3,500,000	3,304,137	195,863
KASNEB Foundation Bursary	-	-	-	-	-
Strategic planning expenses	2,500,000	-	2,500,000	1,740,605	759,395
Website development and maintenance	1,500,000	-	1,500,000	2,478,015	(978,015)
Library books and resource material	2,000,000	(1,000,000)	1,000,000	635,819	364,181
Research and development	7,000,000	7,000,000	14,000,000	15,366,947	(1,366,947)
Miscellaneous expenses	1,000,000	-	1,000,000	1,860,790	(860,790)
Other non - recurrent expenses	7,000,000	-	7,000,000	6,855,174	144,826
Sub-total	43,300,000	(2,700,000)	46,000,000	48,662,185	(2,662,185)
Total expenditure	870,600,000	9,450,000	880,050,000	872,723,080	7,326,920
Surplus from operations	35,900,000	(14,050,000)	21,850,000	(26,766,801)	(48,616,801)
Surplus from other sources	98,100,000	7,000,000	105,100,000	146,333,967	41,233,967
Surplus before depreciation and amortisation expenses	134,000,000	(7,050,000)	126,950,000	119,567,166	(7,382,834)
Depreciation and amortisation expenses	30,000,000	5,400,000	35,400,000	38,048,135	(2,648,135)
Surplus for the year	104,000,000	(12,450,000)	91,550,000	81,519,031	(10,030,969)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

2 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. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

(c) Property, Plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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%

(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 capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of 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 into account 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 as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- (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) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 19.

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 of a 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****(i) Employee benefits****Retirement benefits**

KASNEB operates a staff retirement benefits scheme for its employees. The scheme, which was established on 1 January 1980, operates according 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 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 2016 were as follows:

Number of senior management staff	11
Total remuneration (Sh.)	60,568,260

There were no other related party transactions during the financial year ended 30 June 2016.

(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 12.1, 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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

minimised since students fees is 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 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 comparative figures for the previous financial year have been adjusted or 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 have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2016.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3	INCOME FROM OPERATIONS	Note	2015/2016 Sh.	2014/2015 Sh.
	Examination entry fees		505,721,798	508,686,505
	Registration fees		131,665,149	113,804,613
	Annual registration renewal fees		92,690,006	115,573,897
	Exemption fees		66,973,140	53,172,372
	Sale of past question papers		244,000	477,980
			<u>797,294,093</u>	<u>791,715,367</u>
4	INCOME FROM OTHER SOURCES			
	Students' identity card fees		-	8,483,589
	Rental income - Other tenants		452,658	591,271
	Interest income	4.1	187,390,083	157,081,506
	Miscellaneous income		7,153,411	5,593,953
			<u>194,996,152</u>	<u>171,750,319</u>
4.1	INTEREST INCOME			
	Interest income comprises the following:			
	Interest received from government securities		120,827,744	98,886,044
	Accrued interest from government securities/mortgage		50,284,349	45,099,571
	Interest received from mortgage deposit		11,472,013	9,144,210
	Interest earned from bank balances		3,284,515	2,408,807
	Interest earned from advances to staff		1,521,462	1,542,874
			<u>187,390,083</u>	<u>157,081,506</u>
5	OPERATING EXPENSES			
	Examinations and invigilation		158,062,246	135,769,408
	Examination prizes		4,311,460	4,643,836
	Rent of examination halls		6,026,561	6,503,532
	Data processing		5,297,280	5,018,491
	Printing and stationery		36,762,987	29,953,189
	Local travel and transport		3,860,990	4,986,595
	Long distance travel and transport		4,302,230	12,416,091
	Postage and telephone		14,406,671	13,806,625
	Auditors' remuneration		928,000	1,002,000
	Insurance		2,169,198	1,010,547
	Sundry expenses	5.1	7,839,275	5,012,367
	Bank charges		2,126,693	2,162,844
	Publicity, promotion, marketing and communication		64,147,264	50,360,595
	Students journal - KASNEB Newslite		19,661,256	17,022,381
	Legal expenses	5.2	442,485	1,052,517
	Ground rent and land rates		649,370	649,260
	Office Provisions		7,026,348	5,928,057
			<u>338,020,314</u>	<u>297,298,335</u>
5.1	SUNDRY EXPENSES			
	End of year and annual anniversary expenses		4,500,053	2,825,140
	Staff uniforms, floral and laundry expenses		660,870	575,634
	Other expenses		2,678,352	1,611,593
			<u>7,839,275</u>	<u>5,012,367</u>
5.2	LEGAL EXPENSES			
	Legal expenses relate to payments made to firms of advocates hired by KASNEB in a civil case regarding the access road to KASNEB premises. KASNEB is the plaintiff in the civil suit.			



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/2016 Sh.	2014/2015 Sh.
6	EMPLOYEE COSTS		RESTATED
	Salaries and wages	177,105,978	167,259,464
	Contributions to pensions	44,497,189	41,133,364
	Contributions to medical aids and benefits	32,158,233	28,766,271
	Casual labour	3,504,679	1,110,900
	Leave allowances	6,953,807	7,212,769
	Commuter allowances	20,291,000	19,560,120
	Education and training	20,257,963	18,486,974
	Housing benefits and allowances	49,645,000	47,892,624
	Overtime payments	39,329,945	34,049,132
	Entertainment allowance	3,160,000	2,930,000
	Examinations security allowance	40,900,000	20,091,786
	Extraneous allowances	694,051	-
	Telephone allowances	1,495,000	-
	Performance reward and other bonuses	23,673,980	19,515,735
		<u>463,666,826</u>	<u>408,009,139</u>
7	BOARD EXPENSES		
	Chairman's honoraria	960,000	960,000
	Board and committees attendance allowances	14,515,240	9,065,910
	Board and committees workshops expenses	4,181,135	4,280,716
		<u>18,976,375</u>	<u>14,306,626</u>
8	ADMINISTRATION COSTS		
	Student identity cards	-	2,751,207
	Insurance and maintenance of KASNEB Towers	5,803,209	4,665,630
	Social responsibility	8.1 3,304,137	3,450,726
	Strategic planning expenses	1,740,605	1,173,130
	Website development and maintenance	2,478,015	2,178,168
	Library books and resource material	635,819	341,737
	Research and development	15,366,947	11,098,964
	Miscellaneous expenses	1,860,790	6,375
	Other non - recurrent expenses	6,855,174	3,640,793
		<u>38,044,696</u>	<u>29,306,730</u>
8.1	SOCIAL RESPONSIBILITY		
	Donations to libraries (KNLS)	1,956,378	1,509,157
	Donations to other institutions	883,400	1,456,281
	School fees to needy students	464,359	330,539
		<u>3,304,137</u>	<u>3,295,977</u>
9	REPAIRS AND MAINTENANCE		
	Machinery and office equipment	1,840,850	413,322
	Motor vehicles	1,096,472	1,656,419
	ICT equipment	-	1,652,781
	Building repairs	460,057	696,886
		<u>3,397,379</u>	<u>4,419,408</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/2016 Sh.	2014/2015 Sh.
10			
CONTRACTED SERVICES			
Building management and maintenance		2,424,161	1,822,320
Security services		6,024,505	6,013,680
Lift service and maintenance		229,216	328,765
Garbage collection services		140,350	135,740
Sanitary services		332,551	320,043
Car park		1,140,664	1,340,646
Generator services		37,804	83,930
Provision of bottled water		288,238	378,811
		10,617,489	10,423,935
11			
DEPRECIATION AND AMORTISATION			
Depreciation- Property, plant and equipment		29,438,043	25,926,505
Amortisation- Leasehold land		4,451,220	4,451,220
Amortisation- Intangible assets		4,158,872	2,016,813
		38,048,135	32,394,538
12			
CASH AND BANK BALANCES			
Bank balances	12.1	133,318,588	107,031,520
Cash-on-hand and in transit		1,562,205	2,323,980
Mortgage deposit		160,904,737	149,432,724
		295,785,530	258,788,224
12.1			
BANK BALANCES			
National Bank of Kenya Ltd. - Main account		9,958,080	466,059
National Bank of Kenya Ltd. - Fee collection account		13,734,615	2,072,256
Barclays Bank of Kenya Ltd.		81,636,724	75,604,793
Equity Bank Ltd.		8,547,502	2,127,937
Cooperative Bank of Kenya Ltd.		11,773,677	6,812,677
Kenya Post Office Savings Bank (Postbank)		743,390	4,135,440
Kenya Commercial Bank Ltd.		6,924,600	15,812,358
		133,318,588	107,031,520
12.2			
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR			
Cash and bank balances		258,788,224	284,190,819
Treasury Bills and Bonds maturing within one year		1,106,642,050	956,267,571
		1,365,430,274	1,240,458,389
12.3			
CASH AND CASH EQUIVALENT AT END THE OF THE YEAR			
Cash and bank balances		295,785,530	258,788,224
Treasury Bills and Bonds maturing within one year		1,002,140,000	1,106,642,050
		1,297,925,530	1,365,430,274
13			
TREASURY BILLS/BONDS MATURING WITHIN ONE YEAR			
Bills maturing within one year		982,345,600	1,046,028,250
Bonds maturing within one year		19,794,400	60,613,800
		1,002,140,000	1,106,642,050
14			
TRADE AND OTHER RECEIVABLES			
Prepayments		44,520,873	70,595,563
Interest receivable		50,284,349	45,099,571
Postal Corporation of Kenya (Postapay receipts)		3,166,085	-
Other receivables		2,201,470	1,930,449
Staff receivables		21,647,365	25,235,516
		121,820,142	142,861,099



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

15(a) SCHEDULE OF NON CURRENT ASSETS

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
COST/ VALUATION	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
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)
At 30 June 2016	<u>156,156,522</u>	<u>524,370,484</u>	<u>58,745,882</u>	<u>43,926,820</u>	<u>29,020,375</u>	<u>31,585,278</u>	<u>843,805,361</u>

DEPRECIATION

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)
At 30 June 2016	<u>7,778,913</u>	<u>-</u>	<u>55,848,164</u>	<u>34,673,159</u>	<u>24,304,195</u>	<u>20,917,034</u>	<u>143,521,465</u>

NET BOOK VALUE

At 30 June 2016	<u>148,377,609</u>	<u>524,370,484</u>	<u>2,897,718</u>	<u>9,253,661</u>	<u>4,716,180</u>	<u>10,688,244</u>	<u>700,283,896</u>
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PROPERTY, PLANT AND EQUIPMENT - 2014/2015

	Building	Building Construction In-progress	Information Communication Technology Equipment	Furniture and Fittings	Machinery and Office Equipment	Motor Vehicles	Total
COST/VALUATION	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
At 1 July 2014	155,000,000	116,729,891	44,419,222	32,934,174	23,936,053	26,959,958	399,979,298
Additions	-	160,463,831	8,521,786	5,320,593	1,422,312	-	175,728,522
Revaluation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 30 June 2015	<u>155,000,000</u>	<u>277,193,722</u>	<u>52,941,008</u>	<u>38,254,767</u>	<u>25,358,365</u>	<u>26,959,958</u>	<u>575,707,820</u>

DEPRECIATION

At 1 July 2014	-	-	42,459,613	27,143,747	17,768,567	1,164,990	88,536,917
Charge for the year	3,875,000	-	6,225,221	3,396,658	2,902,136	9,527,490	25,926,505
Revaluation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 30 June 2015	<u>3,875,000</u>	<u>-</u>	<u>48,684,834</u>	<u>30,540,405</u>	<u>20,670,703</u>	<u>10,692,480</u>	<u>114,463,422</u>

NET BOOK VALUE

At 30 June 2015	<u>151,125,000</u>	<u>277,193,722</u>	<u>4,256,174</u>	<u>7,714,362</u>	<u>4,687,662</u>	<u>16,267,478</u>	<u>461,244,398</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/2016 Sh.	2014/2015 Sh.
15(b) LEASEHOLD LAND			
Cost/valuation		365,000,000	365,000,000
As at 30 June		365,000,000	365,000,000
Balance b/f		4,451,220	
Amortisation charge for the year		4,451,220	4,451,220
As at 30 June		8,902,440	4,451,221
Net book value asat 30 June		356,097,560	360,548,780
16 INTANGIBLE ASSETS			
Cost/valuation			
Balance brought forward as at 1 July		18,003,351	15,298,101
Additions - internal developments		5,612,495	2,705,250
As at 30 June		23,615,846	18,003,351
Amortization and impairment			
At 1 July		16,650,727	14,633,914
Amortisation		4,158,872	2,016,813
As at 30 June		20,809,599	16,650,727
Net book value as at 30 June		2,806,247	1,352,624
17 FINANCIAL INSTRUMENTS			
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:			
		2015/2016 Sh.	2014/2015 Sh.
Treasury bonds maturing after one year			
Maturing after one year		210,629,600	250,633,200
18 TRADE AND OTHER PAYABLES			RESTATED
Examinations and invigilation expenses		19,455,828	17,647,683
Accruals		71,721,278	46,539,635
		91,177,106	64,187,318
19 PROVISIONS			
Leave days: brought forward		7,222,575	5,811,435
Increase/(Decrease) in provision:		920,887	1,411,140
Leave		8,143,462	7,222,575
Gratuity		3,252,925	1,774,659
Other non recurrent expenses		-	83,786
Examination prizes		3,200,000	3,315,000
Students Newslines		4,196,000	7,032,994
Carried forward		18,792,387	19,429,014
20 PAYMENTS RECEIVED IN ADVANCE			
Prepaid examination fees		4,647,550	4,763,142



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/2016 Sh.	2014/2015 Sh.
18	TRADE AND OTHER PAYABLES		RESTATED
	Examinations and invigilation expenses	19,455,828	17,647,683
	Accruals	<u>71,721,278</u>	<u>46,539,635</u>
		<u>91,177,106</u>	<u>64,187,318</u>
19	PROVISIONS		
	Leave days: brought forward	7,222,575	5,811,435
	Increase/(Decrease) in provision:	<u>920,887</u>	<u>1,411,140</u>
	Leave	8,143,462	7,222,575
	Gratuity	3,252,925	1,774,659
	Other non recurrent expenses	-	83,786
	Examination prizes	3,200,000	3,315,000
	Students Newslines	<u>4,196,000</u>	<u>7,032,994</u>
	Carried forward	<u>18,792,387</u>	<u>19,429,014</u>
20	PAYMENTS RECEIVED IN ADVANCE		
	Prepaid examination fees	<u>4,647,550</u>	<u>4,763,142</u>

21 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:

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

The total cost incurred on certified works and consultancy services as at 30 June 2016 was Sh.524,370,484 which is equivalent to 44% of the total estimated cost of the project.

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 31 December 2016.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****22 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.

23 TAXATION

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

24 EXPLANATORY NOTES ON VARIANCES IN THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 30 JUNE 2016

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

(a) Income from operations

The non-achievement of the budgeted income was mainly attributable to low uptake of the diploma examinations which were introduced after the major review of the syllabuses which were implemented in July 2015. Consequently, the income targets from the following major sources were not achieved.

(i) Examination entry fees

The reported income of Sh.505.7 million was lower than the budgeted income of Sh.556.4 million by Sh.50.7 million representing a negative variance of 9.1%.

(ii) Registration fees

The reported income of Sh.131.7 million was lower than the budgeted income of Sh.140 million by Sh.8.3 million representing a negative variance of 6 %.

(iii) Annual registration renewal fees

The reported income of Sh.92.7 million was lower than the budgeted income of Sh.96 million by Sh.3.3 million representing a negative variance of 3.4%. Students are required to pay renewal fees before booking for examinations.

(iv) Exemption fees

The reported income of Sh.67 million was lower than the budgeted income of Sh.63 million by Sh.4 million representing a negative variance of 6.3%.

(b) Interest earned

The reported income of Sh.187.4 million was significantly higher than the budgeted income of Sh.142 million by Sh.45.4 million representing a positive variance of 32% which was attributed to investment in surplus in Treasury bills and bonds which fetched higher rates than the budgeted rates.

(c) Examinations and invigilation

The reported expenditure of Sh.158.1 million was higher than the budgeted expenditure of Sh.150 million by Sh.8.1 million representing a negative variance of 5.4%. This is attributable to the increase in the rate of subsistence and accomodation allowance paid to officers delivering examinations as well as answer scripts and supervising examinations in the line with the revised government rates.

(d) Rent of examination halls

The reported expenditure of Sh.6 million was lower than the budgeted expenditure of Sh.8.5 million by Sh.2.5 million representing a positive variance of 29.1%. This is attributable to:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- (i) Savings arising from the reduction of examination administration period from nine (9) days to five (5) days.
 - (ii) Reduction of cost of hiring of examination halls due to the consolidation of some of the examination centres.
- (e) **Data processing**
The reported expenditure of Sh.5.3 million was lower than the budgeted expenditure of Sh.7.5 million by Sh.2.2 million representing a positive variance of 29.3%. This is attributable to savings on toners arising from the increased use of ICT in communication to students such as issuance of receipts and timetables through email and the students portal and including the use of intranet in the office.
- (f) **Local travelling expenses**
The reported expenditure of Sh.3.9 million was lower than the budgeted expenditure of Sh.5 million by Sh.1.1 million representing a positive variance of 22.8%. This is attributable to the reduction of fuel costs from the budgeted cost of Sh 100 per litre to an average of below Sh 90 per litre during the year.
- (g) **Long distance travel and transport**
The reported expenditure of Sh.4.3 million was lower than the budgeted expenditure of Sh.8 million by Sh.3.7 million representing a positive variance of 46.2%. This is attributable to reduction in the rate of hire charges of outsourced transport services during the delivery of examination question papers and marketing activities.
- (h) **Education and training**
The reported expenditure of Sh.20.3 million was higher than the budgeted expenditure of Sh.18 million by Sh.2.3 million representing a negative variance of 12.5%. This is attributable to the cost incurred in training of the members of staff and refunds for expenses incurred when pursuing degrees, KASNEB examinations and diploma courses. In addition, various sensitisation programmes were undertaken during the financial year.
- (i) **Legal expenses**
The reported expenditure of Sh.0.4 million was lower than the budgeted expenditure of Sh.1.5 million by Sh.1.1 million representing a positive variance of 70.5%. The cost incurred on this item is based on the actual legal fee charged by advocates representing KASNEB in court cases.
- (j) **Strategic planning expenses**
The reported expenditure of Sh.1.7 million was lower than the budgeted expenditure of Sh.2.5 million by Sh. 0.8 million representing a positive variance of 30.4%. This is attributable to the savings arising from budgeted expenses for workshops to develop divisional plans and annual work plans since the plans were developed in the office.
- (k) **Website development and maintenance**
The reported expenditure of Sh.2.5 million was higher than the budgeted expenditure of Sh.1.5 million by Sh.1 million representing a negative variance of 65.2% because of:
- (i) Monthly charges paid to Telkom Kenya to the Huduma service centres.
 - (ii) Costs of cloud hosting, MPLS and ISP services paid to Safaricom Limited.
 - (iii) ISP costs to Access Kenya for Internet services.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(l) **Library books and resource material**

The reported expenditure of Sh.0.6 million was lower than the budgeted expenditure of Sh.1 million by Sh.0.4 million representing a variance of 36.4%. This is attributable to savings on library books and e-learning materials which were not procured during the period.

25 EXPLANATION ON REVISION OF ORIGINAL BUDGETARY ESTIMATES FOR THE FINANCIAL YEAR 2015/2016

The original budgeted net surplus for the financial year 2015/2016 was revised downwards by Sh.12,450,000 that is, from the budgeted surplus of Sh.104,000,000 to the revised surplus of Sh.91,550,000.

The revision was attributable to:

(a) **Revision of budgeted income items**

- (i) The budgeted income from examination entry fees, registration fees, annual registration renewal and exemption fees was revised downwards due to lower number of candidates who entered for examinations compared to the projected numbers.
- (ii) The budgeted income from interest earned was revised upwards due to investment of surplus funds which were projected to be used in payment for construction costs of the KASNEB Towers II.

(b) **Revision of expenditure items**

- (i) The budgeted expenditure of the items listed below was revised downwards due to the lower number of candidates who entered for the examinations compared to the projected numbers.
 - Examinations and invigilation
 - Data processing
 - Postage and telephone
 - Local travel and transport
 - Long distance travel and transport
 - Sundry expenses
- (ii) Salaries and wages budget was revised upwards due to revision of some allowances payable to staff.
- (iii) Projected budget for printing and stationery was revised upwards.

26 CURRENCY

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



DIPLOMA QUALIFICATIONS



Accounting Technicians Diploma (ATD)

The Accounting Technicians Diploma qualification equips candidates with skills and competencies to work as middle level accountants providing technical support in accounting, auditing and taxation in both the public and private sectors



Diploma in Information Communication Technology (DICT)

The Diploma in Information Communication Technology graduates possess the technical know-how and skills necessary to work in the dynamic ICT industry as technicians in systems development, systems programming, internet and networking, administration and maintenance.



Diploma in Credit Management (DCM)

The Diploma in Credit Management graduates are competent and skilled to work as middle level credit managers and credit controllers in both financial and non-financial enterprises.

Mission

To provide globally competitive professionals by offering quality examinations in accountancy, finance, credit, governance and management, information technology and related disciplines.

Core values

Integrity

Professionalism

Equity

Teamwork

Innovativeness



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