

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NURSING COUNCIL OF KENYA

FOR THE YEAR ENDED
30 JUNE 2018



NURSING COUNCIL OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

Table of Content	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
II. THE COUNCIL MEMBERS	v
III. MANAGEMENT TEAM	vii
IV. CHAIRMAN’S STATEMENT.....	x
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xii
VI. CORPORATE GOVERNANCE STATEMENT	xii
VII. REPORT OF THE COUNCIL MEMBERS.....	xviii
VIII. STATEMENT OF RESPONSIBILITIES OF COUNCIL MEMBERS.....	xviii
IX. REPORT OF THE INDEPENDENT AUDITORS ON THE NURSING COUNCIL OF KENYA.....	xix
X. STATEMENT OF FINANCIAL PERFORMANCE.....	1
XI. STATEMENT OF FINANCIAL POSITION.....	2
XII. STATEMENT OF CHANGES IN NET ASSETS	3
XIII. STATEMENT OF CASH FLOWS.....	4
XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XV. NOTES TO THE FINANCIAL STATEMENTS.....	6-19

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

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

(b) Principal Activities

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

Vision

A world class regulatory body in nursing education and practice

Mission

Develop standards; enforce regulations in nursing education and practice

Core Values

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

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

NURSING COUNCIL OF KENYA

Reports and Financial Statements

For the year ended June 30, 2018

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

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

Human Resource and Finance Committee

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

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

Education, Research & Examination Committee

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

Standards Ethics and Compliance Committee

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

Registration & Licensing Committee

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

Audit, Governance and Risk Management Committee

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

(f) Headquarters

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

(g) Contacts

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

(h) Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

II. THE COUNCIL MEMBERS

	Thaddeus Mayaka Chairman of the Council • DoB: 13th August, 1963 • Degree in Public Administration (on-going) • Degree in Psychology • KECHN • Currently working at Kisii County - Kisii Level 6 Hospital
	Mathew Kipturgo Vice – Chairman of the Council • DoB: 25th March, 1974 • Master of Science (Nursing) • Currently: Principal, Kenya Medical Training College, Nairobi Campus.
	Dr. Mary Nandili Council Member Representing Director of Nursing Services (DNS) • DoB: 22nd November, 1960 • Master of Science in Nursing and Epidemiology, Project Management • Currently: Director of Nursing Services, MoH
	Kinuthia Wamwangi, EBS Council Member Representing Institute of Human Resource Management • DoB: 01st June 1950 • Msc (HRM), LLM, LLB, Advocate, FCS, FIHRM, FKIM • Currently: Leadership & Governance Consultant • Previously: Chairman Emeritus Transition Authority
	Paul Mungai Council Member Representing Ministry of Education (MoE) • DoB: 10th November, 1964 • Masters of Education Administration & Planning • Currently: Senior Assistant Director of Education, MoE • Previously: Assistant Director of Education, MoE

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

	Dr. Mary Wangai Council Member Representing Ministry of Health (MoH) • DoB: 26th May, 1962 • Master of Public Health, MBCHB, PGD (STI/HIV) • Currently: Head, Division of Legislation & Regulation, MOH, Public Health Specialist • Previously: Cancer Prevention and Control Unit, MOH
	Alfred Obengo Council Member Representing National Nurses Association of Kenya (NNAK) • DoB: 04th April, 1971 • Public Relations & Human Resource Management, KRCHN • Currently: Senior Nursing Officer, Kenyatta National Hospital
	Samson Cheruiyot Council Member Representing Universities in Kenya • DoB: 02nd November, 1973 • Master of Science (Nursing), Bachelor of Science (Nursing), KRCHN • Currently: Lecturer, Kisii University • Previously: Lecturer, University of Kabianga
	Edna Tallam – Kimaiyo Registrar / Chief Executive Officer Secretary to the Council • DoB: 21st December, 1982 • Masters of Public Health, Bachelor of Science in Nursing, Global Health Leadership • Previously worked at Kenyatta National Hospital

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

III. MANAGEMENT TEAM

	Edna Tallam - Kimaiyo Registrar / Chief Executive Officer Overall leadership and direction of the Council operation on a day to day basis • Masters of Public Health, Bachelor of Science in Nursing, Global Health Leadership
	Sarah Burje Deputy Registrar Deputising Registrar on a day to day management and operation of the Council. • Master of Science (Nursing Education), Bachelor of Nursing, KRN, KRM, KRCHN(PB)
	Priscila Najoli Head of Department – In Charge of Registration and Licencing • Master of Business Administration (Strategic Management), BA (Psychology), KRN, KRM
	CPA Festus Musyoki Finance Manager – In Charge of Finance Department • Master of Business Administration (finance), Bachelor of Commerce (finance), CPA-K, CIFA II, Member of ICPAK, Member of IIA Kenya Chapter.
	Eva Magothe Head of Department – In Charge of Information Technology • Bachelor of Business Information Technology, Certified Information System Auditor

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

	Augustine Abade Head of Department – In Charge of Procurement and Supply Chain • Masters of Science (Procurement & logistics), Bachelor of Business Management, Post-graduate diploma (purchasing & supplies), MCIPS, MKISM, MKIM.
	CPA Michael Mwenda Head of Department – In charge of Internal Audit, Risk and Compliance • Bachelor of Business Management, CPA-K, Member of ICPAK, Member of IIA Kenyan Chapter
	Betina Muthama Head of Department – In Charge of Education, Research and Examination • Master of Science in Health System Management, Bachelor of Science (Nursing), KRCHN
	Judy Kudoyi Ag. Head of Department – In Charge of Discipline, Standards and Ethics • Bachelor of Science (Medical Education), KRM, KRN, CCN
	Laura Mugo Human Resource and Administration Manager - In charge of Human Resource and Administration department • Masters of Business Administration • Bachelor of Commerce (Human Resource) • Member of IHRM

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018



Caroline Wanjiku Muchina

Head of Department –In charge of Legal Unit

- Bachelor of Law (LLB)
- Advocate (Dip. KSL)
- CS(K)

Associate of Kenya Institute of bankers (AKIB)

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the annual report and financial statements for the year ended 30th June 2018.

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

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

During the financial year under review, the Council reported a surplus of Kshs 43.5 million compared to Kshs 18.5 million in the previous financial year (135% increase). The value of the total asset rose from Kshs 112.9 million to Kshs 193.4 million (71% increase) largely attributed to revaluation of assets exercise undertaken during the year. To sustain the Council's financial sustainability and independence, the Council will strengthen its revenue collection methods and inspection in the coming years.

The Council successfully administered the April 2018 and August 2018 examinations during the financial year under review and managed to roll over online retention and online registration of nurses thereby increasing efficiency and speed in service delivery.

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

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



Edna C. Tallam – Kimaiyo
Registrar / CEO

31-01-2019

Date
Nairobi

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

IV. CHAIRMAN'S STATEMENT

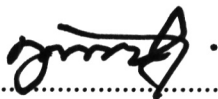
On behalf of the Board, I have the pleasure of presenting the Annual Report and Financial Statements for the financial year ended 30 June 2018. Established under the Nurses Act Cap 257, The Council is mandated to regulate Nursing profession in Kenya through making provisions for training, registration, enrolment and licensing of Nurses. The Council also regulate their conduct to ensure their maximum participation in the health care of the community and connected purposes.

I am pleased to report that the Council was able to achieve most of the targets set for the financial year. We continued to work within our mandate as stipulated in the Nurses Act. To enhance service delivery, the Council rolled over online retention and online registration of nurses. The Council also relooked at Nurses Act and aligned it to Constitution of Kenya and other emerging trends in Health Sector.

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

The Council takes cognisance of the Universal Health Coverage spearheaded by Government as one of the Big Four Agenda. In this regard the Council has planned and prioritized a number of Initiatives towards acceleration of Universal Health Coverage. NCK also to continues to Implement its five-year strategic plan 2017 – 2022 under four key strategic pillars namely: - education and research, nursing and midwifery practice, institutional capacity development and leadership and governance. The plan is aligned to the national aspirations as envisioned in the Kenya Vision 2030, Medium Term Plan and the Constitution of Kenya 2010.

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



Mr. Thaddeus Mayaka
Chairman

31-01-2019

Date
Nairobi

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

VI. CORPORATE GOVERNANCE STATEMENT

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

Composition of the Board:

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

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

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

Board Committees:

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

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

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

Human Resource and Finance Committee

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

Education, Research & Examination Committee

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

CORPORATE GOVERNANCE STATEMENT CONTINUED...

Standards, Ethics & Compliance Committee

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

Registration & Licensing Committee

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

Audit, Governance and Risk Management Committee

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

Executive Committee

- a) Mr. Thaddeus Mayaka (Chairman)
- b) Mr. Mathew Kipturgo
- c) Mrs. Edna C. Tallam
- d) Dr. Mary Nandili

Meetings:

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

Board / Committee	Regular Meetings	Special Meetings	Total Meetings
Board of Management	4	2	6
Human Resource and Finance Committee	4	-	4
Education, Research & Examination Committee	4	-	4
Discipline, Standards & Ethics Committee	5	-	5
Registration & Licensing Committee	4	-	4
Audit, Governance and Risk Management Committee	4	-	4
Executive Committee	2		2
Ad hock Committee	6		6

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

CORPORATE GOVERNANCE STATEMENT CONTINUED...

The Role of the Board

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

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

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

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

Board effectiveness

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

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

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

Director's remuneration

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

Statement of Compliance

The Council Member's participation and attendance confirms that Nursing Council of Kenya has throughout the 2017/2018 financial year complied with the entire Statutory and Regulatory requirement and that the Council has been managed in accordance with the principles of Corporate Governance.

NURSING COUNCIL OF KENYA

Reports and Financial Statements

For the year ended June 30, 2018

CORPORATE GOVERNANCE STATEMENT CONTINUED...

Internal control and risk management:

Internal Control

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

Standing Instructions

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

Organization Structure

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

Strategic Plan

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

Internal Control Framework

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

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2017/2018.

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

VII. REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the financial statements for the year ended June 30, 2018 which show the state of affairs of the Council.

Principal activities

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

Results

The results of the Council for the year ended June 30, 2018 are set out on page 1 of this report.

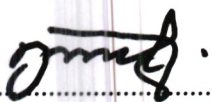
Council Members

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

Auditors

The Auditor General is responsible for the statutory audit of the Council in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General will carry out the audit of the Council for the period ended June 30, 2018.

By Order of the Board



Mr. Thaddeus Mayaka
Chairman

31-01-2019

Date
Nairobi

CORPORATE GOVERNANCE STATEMENT CONTINUED...

Risk Management

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

Management Team

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

VIII. STATEMENT OF RESPONSIBILITIES OF THE COUNCIL MEMBERS

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

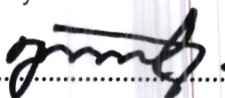
The Council Members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Council; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012, the State Corporations Act and the Nurses Act. The Council Members are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2018, and of the Council's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Council's financial statements were signed on behalf of the Board on 31st Jan 2019 and signed on its behalf by:


.....

Thaddeus Mayaka
Chairman


.....

Edna C. Tallam - Kimaiyo
Registrar / Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NURSING COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nursing Council of Kenya set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statements 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nursing Council of Kenya as at 30 June 2018, 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 Nurses Act, Cap 257 of the Laws of Kenya.

Basis for Qualified Opinion

Board Expenses

Note 11 to the financial statements reflects board expenses of Kshs.15,167,537 which includes sitting allowance of Kshs.5,159,690 out of which Kshs.1,008,000 was paid to twenty three (23) individuals who were not board members contrary to Section 10 of the State Corporations Act Cap 446, which state that the chairman and members of a board other than the chief executive officer shall be paid out of the funds of the state corporation such sitting allowances or other remuneration as the board may within the scales of remuneration specified from time to time by the committee approve. Although management explained that the twenty-three individuals were co-opted to the board to enhance board's effectiveness and performance, no approval of appointment from the parent ministry was availed for audit verification. In addition, the total board expenditure of Kshs.15,167,537 exceeded the final budget figure of Kshs.14,000,000 leading to unapproved excess expenditure of Kshs.1,167,537.

Report of the Auditor-General on the Financial Statements of Nursing Council of Kenya for the year ended 30 June 2018

Consequently, the validity of sitting allowances paid to non-board members of Kshs.1,008,000 and excess expenditure of Kshs.1,167,537 could not be confirmed for the year ended 30 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am Independent of Nursing Council of Kenya in accordance with ISSAIs 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 qualified 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. Except for the matter described in the Basis for Qualified Opinion section on my report, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Qualified Opinion sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for conclusion

Staff Costs

The statement of financial performance reflects staff costs of Kshs.56,912,361 for the year ended 30 June 2018, for which approved staff salary structure by the Salaries and Remuneration Commission was not availed for audit review. This is contrary to Article 230(4) of the Constitution which empowers the Salaries and Remuneration Commission to (a) set and regularly review the remuneration and benefits of all state officers and (b) advise the national and county government on the remuneration and benefits of all public officers. Consequently, the Council was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters discussed in the Basis for Qualified Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern / sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Council 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 provisions of Section 47 of the Public Audit Act, 2015.

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

Those charged with governance are responsible for overseeing the Council's revenue reporting process, reviewing the effectiveness of how the entity monitors compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

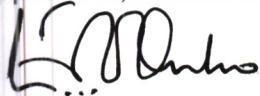
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Council's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the revenue statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

27 February 2019

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

X. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 Kshs	2017 Kshs
Revenue from exchange transactions			
Income from operations	6	205,802,868	147,680,616
Income from other sources	7	32,186,337	24,201,661
Total revenue		237,989,205	171,882,277
Expenditure			
Operating expenses	8	64,130,231	58,262,410
Staff costs	9	56,912,361	38,400,471
Administrative costs	10	29,441,763	29,924,978
Board expenses	11	15,167,537	8,175,201
Depreciation expense	12	14,221,598	9,494,983
Repairs and Maintenance	13	6,458,020	1,836,206
Utilities	14	8,120,581	7,216,133
Total Expenditure		194,452,091	153,310,382
Surplus for the period		43,537,114	18,571,895

The notes set out on pages 6 to 19 form an integral part of these Financial Statements.

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

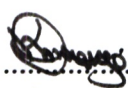
XI. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 Kshs	2017 Kshs
ASSETS			
Current assets			
Cash and cash equivalents	15	45,817,506	14,162,923
Receivable from exchange transactions	16	160,426	419,698
Inventories	17	4,771,460	5,220,320
		<u>50,749,392</u>	<u>19,802,941</u>
Non-current assets			
Property, plant and equipment	18	136,033,225	93,099,892
Intangible Assets	19	6,625,000	
		<u>142,658,225</u>	<u>93,099,892</u>
Total assets		<u>193,407,617</u>	<u>112,902,833</u>
LIABILITIES			
Current liabilities			
Payables from exchange transactions	20	5,215,984	17,805,624
Provisions	21	1,659,647	950,000
Total liabilities		<u>6,875,631</u>	<u>18,755,624</u>
Net assets		<u>186,531,986</u>	<u>94,147,209</u>
Equity			
Accumulated surplus	22	137,684,323	94,147,209
Revaluation Reserve	23	48,847,663	
Total equity		<u>186,531,986</u>	<u>94,147,209</u>
Total net asset and liabilities		<u>193,407,617</u>	<u>112,902,833</u>

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Members of Council by:



 Thaddeus Mayaka
 Chairman
 31-01-2019



 Edna C. Tallam - Kimaiyo
 Registrar / CEO
 31-01-2019



 CPA Festus Musyoki
 Head of Finance
 ICPAK No. 9775
 31-01-2019

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

XII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Revaluation Reserve Kshs	Accumulated Surplus Kshs	Total Kshs
At 1st July 2016	-	75,575,314	75,575,314
Surplus for the year	-	18,571,895	18,571,895
At 30th June 2017	-	94,147,209	94,147,209
At 1st July 2017	-	94,147,209	94,147,209
Revaluation gain	48,847,663		48,847,663
Surplus for the year		43,537,114	43,537,114
At 30th June 2018	48,847,663	137,684,323	186,531,986

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

XIII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 Kshs	2017 Kshs
Cash flows from operating activities:			
Surplus for the period		43,537,114	18,571,895
Adjustments for:			
Depreciation & Amortization	18 & 19	14,221,598	9,494,983
Operating profit before working capital changes		57,758,712	28,066,878
Changes in operating assets and liabilities:			
Decrease / (increase) in inventory		448,860	919,756
Increase / (decrease) in receivable		259,272	(416,872)
Decrease / (increase) in payable		(12,589,640)	(3,607,146)
Increase / (decrease) in provisions		709,647	5,000
Cash generated from operations		46,586,851	24,967,616
Net cash from operating activities		46,586,851	24,967,616
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(14,932,268)	(29,326,995)
Net cash used in investing activities		(14,932,268)	(29,326,995)
Net cash used in financing activities		-	-
Net increase (decrease) in cash and cash equivalents		31,654,583	(4,359,379)
Cash and cash equivalents at start of year		14,162,923	18,522,302
Cash and cash equivalents at end of year	15	45,817,506	14,162,923

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	F+ & U- variance
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-18
	Kshs		Kshs	Kshs	Kshs	%
Revenue						
Examination & Indexing	64,000,000	-	64,000,000	83,780,458	19,780,458	31
Registration & Enrolment	42,000,000	-	42,000,000	47,448,901	5,448,901	13
Private Practice License	7,000,000	-	7,000,000	6,986,076	-13,924	0
Curriculum Study & Misc.	3,000,000	-	3,000,000	4,888,260	1,888,260	63
Verification	9,000,000	-	9,000,000	10,014,561	1,014,561	11
Retention Systems Fees	35,000,000	-	35,000,000	35,234,595	234,595	1
Accreditation & Inspections	8,000,000	-	8,000,000	10,210,038	2,210,038	28
Council Rental Income	660,000	-	660,000	660,000	0	0
Sale of training materials	26,000,000	-	26,000,000	31,476,287	5,476,287	21
Distance learning	7,000,000	-	7,000,000	7,290,028	290,028	4
Total income	201,660,000	-	201,660,000	237,989,205	36,329,205	
Expenditure						
Operating expenses	62,200,000	2,500,000	64,700,000	64,130,231	569,769	1
Staff costs	62,500,000	(3,250,000)	59,250,000	56,912,361	2,337,639	4
Administrative costs	32,960,000	(3,800,000)	29,160,000	29,441,763	(281,763)	-1
Board expenses	11,000,000	3,000,000	14,000,000	15,167,537	(1,167,537)	-8
Depreciation expense	0	-	0	14,221,598	(14,221,598)	0
Repairs and Maintenance	5,500,000	1,450,000	6,950,000	6,458,020	491,980	7
Utilities	7,500,000	500,000	8,000,000	8,120,581	(120,581)	-2
Total expenditure	181,660,000	400,000	182,060,000	194,452,091	-12,392,090	
Surplus for the period	20,000,000	400,000	19,600,000	43,537,114	-23,937,115	

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Council's financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Council's accounting policies.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

iii. Early adoption of standards

The Council did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

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

i) Revenue from non-exchange transactions

Fees and licenses

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rental income

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

Donor funds

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

b) Budget information

The original budget for FY 2017-2018 was approved by the Ministry of Health on 26th July 2017. There was a budget re-allocation in the second half of the year that was approved by the Council's Board and this formed the Final Budget for the Council as provided for by the PFM Act.

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

c) Property, plant and equipment

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

Depreciation

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

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

d) Leases

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

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

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

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

e) Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
(Continued)

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

f) Inventories

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

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

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

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

g) Provisions

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

Contingent liabilities

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

Contingent assets

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

h) Nature and purpose of reserves

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

In addition, on 31st December 2017 the Council revalued all its assets creating a revaluation reserve from the revaluation surplus. The exercise was done by an Independent Valuer; Damon Appraisers Limited.

i) Changes in accounting policies and estimates

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

j) Foreign currency transactions

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

k) Related parties

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

l) Cash and cash equivalents

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

m) Comparative figures

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

Comparative information

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

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

		2018	2017
	Notes	Kshs	Kshs
6 Income from operations			
Examination & Indexing		83,780,458	54,336,700
Registration & Enrolment		47,448,901	33,296,200
Private Practice License		6,986,076	6,245,900
Curriculum Study		4,838,210	2,823,000
License Application & Verification		10,014,561	11,799,801
Retention Systems Fees		35,234,595	32,006,000
Accreditation & Inspections		10,210,038	7,173,015
Distance learning		7,290,028	-
		<u>205,802,867</u>	<u>147,680,616</u>
7 Income from other sources			
Council Rental Income		660,000	540,000
Sale of training materials	7.1	31,476,287	19,349,704
License storage penalty		-	609,350
Grant received		-	3,702,607
Miscellaneous income		50,050	-
		<u>32,186,337</u>	<u>24,201,661</u>
7.1 Sale of training materials			
Sales		31,476,287	25,775,564
Opening stock		-	5,220,320
Purchases		-	(16,866,500)
Closing stock		-	5,220,320
		<u>31,476,287</u>	<u>19,349,704</u>
8 Operating expenses			
Seminars & workshops		13,398,374	14,914,104
Printing & signing of certificates		15,715,491	588,865
Donations & subscription		621,960	220,000
Retention system		6,203,320	10,775,000
Standards, ethics & visits		4,919,647	4,251,595
Grant expenses		1,123,506	2,676,396
Travelling cost		1,685,544	3,298,013
Examinations		19,987,156	21,538,437
Nurses CPD Expenses		475,233	-
		<u>64,130,231</u>	<u>58,262,410</u>

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

	2018	2017
	Kshs	Kshs
9 Staff costs		
Basic Salary	18,813,256	11,733,508
House Allowance	6,207,789	5,082,912
Commuter Allowance	1,635,686	1,425,387
Responsibility Allowance	9,321,165	7,524,876
Leave Allowance	298,021	120,000
Wages	494,562	1,179,647
Gratuity	6,028,875	1,208,955
Staff development	4,816,038	3,170,716
Medical cover	8,239,241	6,954,470
Employer statutory contributions	82,677	-
Other staff costs	975,051	-
	<u>56,912,361</u>	<u>38,400,471</u>
10 Administrative costs		
General office running cost	2,325,865	1,796,631
Motor vehicle running cost	2,297,227	1,436,096
Motor vehicle insurance	579,693	98,768
Advertising & newspaper	1,425,669	2,629,553
Stationery	12,590,078	11,128,268
Provision for audit fee	966,950	969,500
Buildings insurance	137,162	197,342
Land rates & valuation	786,678	350,924
Legal fees	2,627,922	8,211,536
Consultancy fees	2,475,900	2,141,240
Bank charges	1,739,772	965,120
Contracted services	1,488,846	-
	<u>29,441,763</u>	<u>29,924,978</u>
11 Board Expenses		
Sitting allowance	5,159,690	2,907,000
Accommodation allowance	5,613,087	3,464,808
Lunch allowance	290,000	191,000
Honoraria	1,040,000	960,000
Transport reimbursement	2,018,486	652,393
Board Training	1,046,274	-
	<u>15,167,537</u>	<u>8,175,201</u>
12 Depreciation expense		
Building	1,417,664	1,289,457
Furniture & fittings	1,580,980	1,092,338
Computer & accessories	4,961,515	4,694,086
Vehicles	2,926,939	2,419,102
Office Equipment	355,792	-
Software	2,978,708	-
	<u>14,221,598</u>	<u>9,494,983</u>

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

	2018	2017
	Kshs	Kshs
13 Repairs & maintenance		
Repair & maintenance	-	1,836,206
Machinery & office equipment repairs	840,729	-
ICT Equipment repairs	675,155	-
Building repairs	2,053,161	-
Software maintenance	1,311,950	-
Computer consumables & accessories	1,577,025	-
	<u>6,458,020</u>	<u>1,836,206</u>
14 Utilities		
Postage & telephone expense	6,177,068	5,180,367
Electricity & water	976,568	1,337,239
Security	-	698,527
Internet charges	966,945	-
	<u>8,120,581</u>	<u>7,216,133</u>
15 Cash and cash equivalent		
Barclays Bank of Kenya [Ac No.0948023954]	8,228,668	1,832,422
Cooperative Bank of Kenya [Ac No.01136098613400]	34,794,702	1,970,931
Mpesa Account [Pay bill No.992350]	2,789,521	10,160,727
Cash in Hand	4,615	198,843
	<u>45,817,506</u>	<u>14,162,923</u>
16 Receivable from non-exchange transactions		
Prepayments [Insurance & service contracts]	-	419,698
Staff Imprest	44,000	-
Trade Receivables	7,360	-
Salary Advance	109,066	-
	<u>160,426</u>	<u>419,698</u>
17 Inventory		
Stocks of training materials	<u>4,771,460</u>	<u>5,220,320</u>

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

18 Property, Plant & Equipment - 30th June 2018

	F&F	Office Equip	Computer	Vehicle	Building	Land	Totals
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	12.50%	12.50%	33%	25%	2.50%	0%	
COST							
1st July 2017	17,555,176	-	34,535,944	11,566,458	63,413,158	10,816,180	137,886,916
Revalued Cost	8,378,520	-	12,040,700	8,410,000	50,000,000	54,000,000	132,829,220
Reclassification	(4,994,900)	4,994,900	(7,950,000)	-	-	-	(7,950,000)
Additions	5,515,680	1,177,480	1,723,000	6,516,108	-	-	14,932,268
30th June 2018	8,899,300	6,172,380	5,813,700	14,926,108	50,000,000	54,000,000	139,811,488
ACCUMULATED DEPRECIATION							
1st July 2017	9,348,807	-	18,004,753	4,309,151	13,124,313	-	44,787,024
Charge for the Year	1,580,980	355,792	4,961,515	2,926,939	1,417,664	-	11,242,890
NET BOOK VALUE							
30th June 2017	8,206,369	-	16,531,191	7,257,307	50,288,845	10,816,180	93,099,892
30th June 2018	8,442,194	5,816,588	4,954,467	13,444,976	49,375,000	54,000,000	136,033,225

Property, Plant & Equipment - 30th June 2017

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

19 Intangible Assets - 30th June 2018

	Software Kshs 33%	Totals Kshs
COST		
1st July 2017	-	-
Reclassification from Computers	7,950,000	7,950,000
Additions for the Year	-	-
30th June 2018	7,950,000	7,950,000
ACCUMULATED DEPRECIATION		
1st July 2017	-	-
Charge for the year	2,978,708	2,978,708
NET BOOK VALUE		
30th June 2017	-	-
30th June 2018	6,625,000	6,625,000

During the year, the Council carried out revaluation exercise of all its assets; as at 31st December 2017. Independent valuers; Damon Appraisers Limited were engaged by the Council. The assets were revalued net of six-month's accumulated depreciation up to December 2017. The exercise also saw Furniture & Fittings valued at (cost) Kshs. 4,994,900 reclassified as Office Equipment and Computers valued at (cost) Kshs. 7,950,000 reclassified as Computer Software. Resultant revaluation surplus from all classes of assets amounting to Ksh. 48,847,663 was posted to Revaluation Reserve Account as disclosed in Note 23 of the financial statements (IPSAS 1.55).

Depreciation charge for the year relates to six months ending June 2018 and after revaluation. The first six months' depreciation for the year was posted to accumulated depreciation account to reflect their correct carrying amounts of assets as at six months ending December 2017. This is as shown below:

	F&F Kshs	Office Equip Kshs	Computer Kshs	Vehicle Kshs	Building Kshs	Land Kshs	Totals Kshs
Cost							
1st July 2017	17,555,176	-	34,535,944	11,566,458	63,413,158	10,816,180	137,886,916
31st December 2017	17,555,176	-	34,535,944	11,566,458	63,413,158	10,816,180	137,886,916
Accumulated depreciation							
1st July 2017	9,348,807	-	18,004,753	4,309,151	13,124,313	-	44,787,024
Charge for 6 months	1,123,874	-	5,755,990	1,445,807	792,664	-	9,118,335
31st December 2017	10,472,681	-	23,760,743	5,754,958	13,916,977	-	53,905,359
Carrying Amount							
31st December 2017	7,082,495	-	10,775,201	5,811,500	49,496,181	10,816,180	83,981,557

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

	2018 Kshs	2017 Kshs
20 Payables from exchange transactions		
Trade payables	4,921,384	17,530,624
Rent deposit payable	294,600	275,000
	<u>5,215,984</u>	<u>17,805,624</u>
21 Provisions		
Audit fee	950,000	950,000
Staff gratuity	709,647	-
	<u>1,659,647</u>	<u>950,000</u>
22 Accumulated fund		
Balance brought forward	94,147,209	75,575,314
Surplus for the period	43,537,114	18,571,895
Balance carried forward	<u>137,684,323</u>	<u>94,147,209</u>
23 Reserves		
Revaluation Reserve	<u>48,847,663</u>	<u>-</u>

A breakdown of the revaluation surplus that was transferred to the revaluation reserve is shown below:

	F&F Kshs	Computer Kshs	Vehicle Kshs	Building Kshs	Land Kshs	Totals Kshs
Revaluation Surplus	1,296,025	1,265,499	2,598,500	503,819	43,183,820	48,847,663

IPSAS 17.

22. Financial Risk Management

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

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

experience and their assessment of the current economic environment. The amount that best represents the Council's maximum exposure to credit risk as at 30th June is made up as follows;

Description	2018 Kshs	2016 Kshs
Bank balances	45,817,506	14,162,623
Receivable from non-exchange transactions	<u>160,426</u>	<u>419,698</u>
	<u>45,977,932</u>	<u>14,582,321</u>

(ii) Liquidity risk management

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

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

(iii) Market risk

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

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

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

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

Currency Risk

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

NURSING COUNCIL OF KENYA
Reports and Financial Statements
For the year ended June 30, 2018

Capital Risk Management

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

	2018 Kshs	2017 Kshs
Revaluation reserve	48,847,663	-
Accumulated Fund	137,684,323	94,147,209
Capital reserve	-	-
Total funds	186,531,986	94,147,209
Total borrowings	-	-
Cash and bank balances	45,817,506	14,162,923
Gearing	0%	0%

23. Related Party Disclosure

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

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

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

24. Events after the reporting period

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

25. Ultimate and Holding Entity

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

26. Currency

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

27. Progress on Follow Up of Auditor Recommendations

There were no key Audit matters for follow up in the Auditors report for 2016-2017 Financial Year. The Council had un qualified opinion.