

Approved Sign-off
[Signature]

kasneb

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

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*How Durrat Al-San
Lender Benefits Public
Lender MGS*



Kasneb is ISO 9001:2015 CERTIFIED

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I. CORPORATE INFORMATION AND MANAGEMENT

(a) Legal framework

kasneb was established as a state corporation under the National Treasury by the Government of Kenya on 24th July 1969. The establishment and operations of kasneb are governed by the following main Acts, among others:

- (i) The Accountants Act, No. 15 of 2008 which repealed and replaced the Accountants Act, Cap 531 of 1977. The Act gave kasneb retroactive recognition since its inception in 1969. The Act also empowered kasneb as the examining body for the Certified Public Accountants (CPA) qualification.
- (ii) The Certified Public Secretaries of Kenya Act, Cap 534 of 1988 empowered and recognised kasneb as the examining body for the Certified Secretaries (CS) qualification.
- (iii) The Investment and Financial Analysts Act, No. 13 of 2015 empowered and recognised kasneb as the examining body for the Certified Investment and Financial Analysts (CIFA) qualification.

kasneb consults with the Councils of ICPAK, ICPSK, ICIFA, ICMK as well as other stakeholders in executing its mandate.

(b) Board of directors

kasneb is governed by a Board appointed by the Cabinet Secretary for the National Treasury. The Board is responsible for the general policy and strategic direction of kasneb. The members of the Board who served during the year are listed on pages 5 and 6.

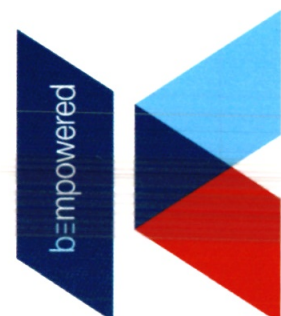
(c) Principal activities

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

(d) Location and principal place of business

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

Telephone: +254 020 4923000
Fax: +254 020 2712915
Email: info@kasneb.or.ke
Website: www.kasneb.or.ke
Facebook: kasnebOfficial
Twitter: @kasnebOfficial



(e) 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

Equity Bank Ltd.
Community Branch
P.O. Box 8181-00100
NAIROBI

Co-operative Bank of Kenya Ltd.
Nairobi Business Centre
P.O. Box 48213-00100
NAIROBI

Kenya Post Office Savings Bank (Postbank)
Post Bank House
P.O. Box 30311-00100
NAIROBI

Kenya Commercial Bank Ltd.
Capital Hill Branch
P.O. Box 58233-00200
NAIROBI

UBA Bank Kenya Ltd.
Upperhill Branch
P.O. Box 34154-00100
NAIROBI

(f) Independent auditors

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

(g) Chief Executive Officer

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

(h) Principal legal advisers

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

Kaplan & Stratton Advocates
Williamson House, 4th Ngong Avenue
P.O. Box 40111-00100
NAIROBI

B. Mbai & Associates
Lower Hill Duplex Apartments,
2nd Flr, 41, Upper Hill Road
P.O. Box 22550-00400
NAIROBI

(i) Fiduciary management

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

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





(j) Fiduciary Oversight Arrangements

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



(k) **Key management team**

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

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

II. MEMBERS OF THE BOARD



**Prof. Margaret Kobia
Chairperson**

Prof. Margaret Kobia was appointed to the Board with effect from 15 September 2011. She was appointed Chairman of the Board effective from 1 July 2014. She is a nominee of the Board of kasneb in accordance with Section 15(1)(h) of the Accountants Act, No.15 of 2008.

She is a holder of a PhD in Human Resource Education, a Master in Education and Bachelor in Education degree. She is also an Honorary Fellow of the Institute of Certified Public Secretaries of Kenya (ICPSK).

Prof. Kobia is the current Chairman of the Public Service Commission and has vast experience in public policy and administration and education having served as Director and Chief Executive Officer of Kenya Institute of Administration (KIA) and founding Director of Kenya School of Government (KSG).



**Dr. Christopher Yegon
Vice -Chairperson**

Dr Christopher Yegon was appointed the Vice Chairman of the Board effective from 1 July 2014. He is a nominee of the Ministry of Education in accordance with Section 15(1)(b) of the Accountants Act, No.15 of 2008.

He is a holder of a PhD in Human Resource Education, Master of Business Administration and Bachelor of Business Management degree.

Dr Yegon has vast experience in education and training having risen through the ranks in the Ministry of Education to his current position of Deputy Director, Higher Education, State Department of University Education



CPA Bernard M. Ndung'u

CPA Bernard M. Ndung'u was appointed to the Board effective from 1 July 2014. He is a nominee of the National Treasury in accordance with Section 15(1)(a) of the Accountants Act, No.15 of 2008.

He is a holder of a Bachelor of Commerce degree (Finance option) and a Master of Business Administration degree. He is also a holder of the CPA qualification and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK).

CPA Ndung'u has wide experience in finance, auditing and consultancy services gained in International accounting firms including Ernst and Young and PriceWaterhouseCoopers (PWC). He is currently the Director General Accounting Services and Quality Assurance in the National Treasury and Chairman of Public Sector Accounting Standards Board (PSASB).



Dr. Nyambura Koigi

Dr Nyambura Koigi was appointed to the Board effective from 21 January 2011. She is a nominee of the Federation of Kenya Employers in accordance with Section 15(1) (c) of the Accountants Act, No. 15 of 2008.

She is a holder of a Bachelor of Arts degree in Economics, Master of Business Administration degree in Strategic Management and a Doctorate in Business Administration. She is also an Honorary Fellow of the Institute of Certified Public Secretaries of Kenya (ICPSK).

Dr Koigi has worked in various capacities rising to the level of Managing Director, Kenya Post Office Savings Bank (Postbank) from which she retired in June 2014.



Mr. Benrodgers M. Milaih

Mr Benrodgers M. Milaih was appointed to the Board effective from 6 June 2016. He is a nominee of the Ministry of Public Service, Youth and Gender Affairs in accordance with Section 15(1)(d) of the Accountants Act, No.15 of 2008.

He is a holder Master of Business Administration (HRM option) and Bachelor of Arts degree.

Mr Milaih has vast experience in the civil service in human resource management. He is currently serving as Director, Human Resource Management in the Ministry of Public Service, Youth and Gender Affairs.



Ms. Mary Njuya

Ms Mary Njuya was appointed to the Board effective from 1 July 2014. She is a nominee of the Attorney General in accordance with Section 15(1)(e) of the Accountants Act, No.15 of 2008.

She is a holder of Bachelor of Laws degree.

Ms Njuya has wide experience in legal matters gained at the Attorney General's Office. She is currently the Acting Registrar General.



FCPA Benson Okundi

FCPA Benson Okundi was appointed to the Board effective from 1 July 2014. He is a nominee of the Institute of Certified Public Accountants of Kenya in accordance with Section 15(1)(f) of the Accountants Act, No.15 of 2008.

He is a holder of Executive Master of Business Administration degree and Bachelor of Commerce degree. He is also a holder of the CPA qualification.

FCPA Okundi has wide experience in Accounting and Auditing services gained at PriceWaterhouseCoopers (PWC). He is currently a partner in PWC Kenya.



CPA DDr. Patrick Ngumi

CPA DDr Patrick Ngumi was appointed to the Board effective from 1 July 2014. He is a nominee of the Institute of Certified Public Accountants of Kenya in accordance with Section 15(1)(f) of the Accountants Act, No.15 of 2008.

He is a holder of PhD in Economics and PhD in Business Administration, Master of Business Administration and Bachelor of Education degree. He is also a holder of the CPA and CPS qualifications.

CPA DDr Ngumi has wide experience in finance and accounting having served in various organisations including Housing Finance and Postbank. Recently he served as Director, Private Sector Enablers and Competitiveness, National Economic and Social Council (NESC) and Chief Executive Officer, ICPAK.



FCS Joe Mbuthia

FCS Joe M. Mbuthia was appointed to the Board effective from 21 January 2011. He is a nominee of the Institute of Certified Public Secretaries of Kenya in accordance with Section 15(1)(g) of the Accountants Act, No. 15 of 2008.

He is a holder of a Bachelor of Science degree in Business Management, Post graduate Diploma in Management, Post graduate diploma in Marketing Management and Master's Degree in Business Administration. He is also a holder of the CPS qualification.

FCS Mbuthia has vast experience as a Practitioner in Company Secretarial Practice, corporate governance, strategic management, education and training and institutional and management consultancy. He is currently the Principal Consultant, Chart Management Consultants.



FCS Catherine Musakali

FCS Catherine Musakali was appointed to the Board effective from 21 January 2011. She is a nominee of the Institute of Certified Public Secretaries of Kenya in accordance with Section 15(1)(g) of the Accountants Act, No. 15 of 2008.

She is a holder of a Bachelor of Laws degree, Master of Laws degree and the CPS qualification. She also holds a Certificate in Securities and Investments from the Securities and Investments Institute, UK.

FCS Musakali has wide experience in company secretarial practice, governance and legal consultancy having worked as Head of Legal Services in blue chip companies including UAP Provincial Insurance Company Ltd. and Kenya Shell Ltd. She is the Founder of Dorion Associates and Director of Women on Boards Network.



FA Dr George O. Wakah

FA Dr George O. Wakah was appointed to the Board effective from 1 July 2014. He is a nominee of the Board of kasneb in accordance with Section 15(1)(h) of the Accountants Act, No.15 of 2008.

He is a holder of Doctorate in Business Administration (Finance option), Master of Business Administration and Bachelor of Education (Accounting Major, Economics Minor) degree. He is also a holder of the CIFA qualification.

FA Dr Wakah has wide experience gained as a lecturer in both public and private universities. He is currently the Director, Finance and Accounting Services, Parliamentary Service Commission.



III. CHAIRMAN'S STATEMENT

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

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

Governance

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

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

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

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

Corporate Strategic Plan (2017-2022)

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

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

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

kasneb Towers Phase II Project

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

Professional branding and e-kasneb electronic payment service

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

ISO 9001:2015 Quality Management System Certification

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

Marketing and promotion

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

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

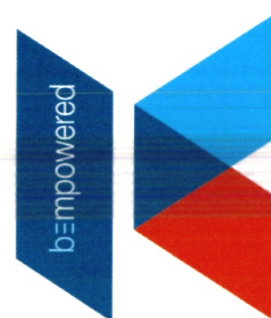
Way forward

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

Appreciation

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

NYAMBURA KOIGI
BOARD MEMBER





IV. REPORT BY THE CHIEF EXECUTIVE OFFICER

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



A new Corporate Strategic Plan (2017-2022) was developed and approved by the Board for implementation effective from 1 July 2017.

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

Financial performance

Through prudent financial management, kasneb has over the years continued to realise good financial performance and to finance its operations from internally generated sources. The financial performance for the year 2016/2017 was lower than in the previous years due to various reasons as explained on pages 16 and 17 of this report.

Administration of examinations

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

e-learning resources

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

Enterprise Resource Planning (ERP) system

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

ISO 9001:2015 quality management system certification

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



New brand identity

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

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

Internal culture change

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

kasneb Towers II project

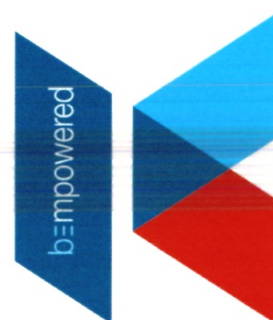
The construction of kasneb Towers II continued during the year and was at advanced stages of completion estimated at 76% as at 30 June 2017. The project, once complete; is expected to provide facilities for enhanced security, integrity and efficiency in examination processes.

Service to the community

Besides the above initiatives, we continued to serve the community through engaging in various corporate social investment initiatives as outlined on page 14 of this report. Further, we finalised the registration of the kasneb Foundation which is expected to offer loans and bursaries to needy students who wish to pursue kasneb qualifications. The Foundation will be operationalised in the 2017/2018 financial year.

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

PIUS M. NDUATIH
CHIEF EXECUTIVE OFFICER





V. CORPORATE GOVERNANCE STATEMENT

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

Members of the Board

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

Committees of the Board

The Board has established the following four standing committees and one sub-committee, whose members are shown on pages 5 and 6, to which it has delegated certain responsibilities:

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

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

The main responsibilities of the committees are as follows:

Examinations Committee

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

Finance and General Purposes Committee

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

Planning and Business Development Committee

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

Audit and Risk Committee

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

Examinations Technical Sub-Committee

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

Membership of Committees

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

Examinations Committee

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

Finance and General Purposes Committee

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

Planning and Business Development Committee

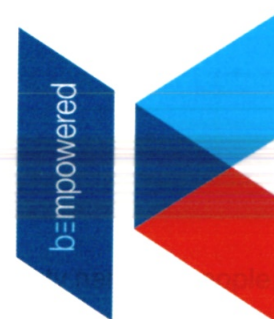
Catherine Musakali (Chairman)
Christopher Yegon
Nyambura Koigi
Bernard M. Ndung'u
Margaret K. Muia
Mary Njuya

Audit and Risk Committee

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

Examinations Technical Sub-Committee

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



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

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

Summary of attendance in meetings

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

KEY:

App. - Applicable

Att. - Attended

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



VI. CORPORATE SOCIAL INVESTMENT STATEMENT

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

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

Environmental activities

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

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

Educational activities

- Payment of school fees for seven (7) orphaned and vulnerable students from Tunyai Childrens' Centre, Tharaka Nithi County. The students are in different secondary schools in the County.
- Donation of funds towards the Kenyatta University Foundation Charity Golf Tournament in aid of scholarships support for orphans and vulnerable students at the University.
- Donation of funds to the 4th Kwale Welfare and Education Association (KWEA) charity walk towards sponsorship of two needy girls in Kwale County.
- Sponsorship of a golf tournament to raise funds for the proposed Kiambu University of Technology and Innovation (KUTI). The proposed University will be closely linked with Kiambu Institute of Science and Technology (KIST) which is a leading TVET institution in Kenya.
- Donation of funds towards the KCA University Scholarship Fund. This sponsorship benefits deserving kasneb students and strengthens the strategic linkage with KCA University.
- Equipping of eleven (11) Kenya National Library Services (KNLS) branches with reading materials and branded shelves namely; Mandera, Mikumbune, Habasweni, Mary Patch Turn Memorial, Moyale, Laikipia, Meisori, Masalani, Mbalambala, Lerechonik and Nakuru. The reading materials are accessible to members of the public through the KNLS network and further promotes devolution of services to the Kenyan people.

Humanitarian activities

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

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



VII. REPORT OF THE MEMBERS OF THE BOARD

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

1. Principal Activities

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

2. Results

The results for the year are set out on pages 23 to 44.

3. Members of the Board

The members of the Board of kasneb who served during the year and to the date of this report are shown on pages 5 and 6.

4. Auditors

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

By order of the Board

PIUS M. NDUATIH
SECRETARY

15 December 2017





VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Operational and Financial Performance

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

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

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

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

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

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

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



- (vii) Collaboration with Kenya Universities and Colleges Central Placement Service (KUCCPS) to facilitate admission of students for kasneb examinations through KUCCPS.

SECTION B

Compliance with regulatory requirements

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

kasneb Towers Phase II Project

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

SECTION D

Major risks facing the entity

Financial risk management

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

IX. STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

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

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

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

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

Approval of the financial Statements

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

NYAMBURA KOIGI
BOARD MEMBER

PIUS M. NDUATHI
CHIEF EXECUTIVE OFFICER

JAMES G. NDUATI
FINANCE DIRECTOR
ICPAK Member No. 2012



REPORT OF THE AUDITOR GENERAL

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR
ENDED 30 JUNE 2017**

REPORT OF THE AUDITOR GENERAL

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Accountants and Secretaries National Examination Board set out on pages 23 to 44, which comprise the statement of financial position as at 30 June 2017, and the statement of income and expenditure, statement of changes in reserves, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Accountants and Secretaries National Examinations Board as at 30 June, 2017, and (of) its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (accrual basis) and comply with Accountants Act, 2008.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

Report of the Auditor-General on the Financial Statements of Kenya Accountants and Secretaries National Examinations Board for the year ended 30 June 2017



REPORT OF THE AUDITOR GENERAL

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

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

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

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

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

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

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

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

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


Report of the Auditor-General on the Financial Statements of Kenya Accountants and Secretaries National Examinations Board for the year ended 30 June 2017

REPORT OF THE AUDITOR GENERAL

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

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

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



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

Nairobi

14 May 2018

Report of the Auditor-General on the Financial Statements of Kenya Accountants and Secretaries National Examinations Board for the year ended 30 June 2017



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

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

The notes set out on pages 29 to 44 form an integral part of the Financial Statements.





STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

ASSETS	Note	2016/2017 Sh.	2015/2016 Sh.
Current assets			
Cash and bank balances	13	220,906,457	295,785,530
Held to maturity investments	14	782,891,450	1,002,140,000
Trade and other receivables	15	<u>82,754,426</u>	<u>121,820,142</u>
		<u>1,086,552,333</u>	<u>1,419,745,672</u>
Non current assets			
Property, plant and equipment	16(b)	1,074,332,791	700,283,896
Leasehold land	16(c)	351,646,340	356,097,560
Intangible assets	17	7,691,968	2,806,247
Held to maturity investments	18	<u>184,684,300</u>	<u>210,629,600</u>
		<u>1,618,355,399</u>	<u>1,269,817,303</u>
Total assets		<u>2,704,907,732</u>	<u>2,689,562,975</u>
LIABILITIES			
Current liabilities			
Trade and other payables	19	99,134,915	91,177,106
Provisions	20	22,511,794	18,792,387
Payments received in advance	21	<u>3,862,485</u>	<u>4,647,550</u>
Total liabilities		<u>125,509,194</u>	<u>114,617,043</u>
Net assets		<u>2,579,398,538</u>	<u>2,574,945,932</u>
Revaluation reserve	22	441,702,021	441,702,021
Accumulated surplus	23	<u>2,137,696,517</u>	<u>2,133,243,911</u>
		<u>2,579,398,538</u>	<u>2,574,945,932</u>
Total net assets and liabilities		<u>2,704,907,732</u>	<u>2,689,562,975</u>

The financial statements on pages 23 to 44 were approved by the Board on 15 December 2017 and were signed on its behalf by:

NYAMBURA KOIGI
BOARD MEMBER
15 December 2017

PIUS M. NDUATIH
CHIEF EXECUTIVE OFFICER

JAMES G. NDUATI
FINANCE DIRECTOR
ICPAK Member No. 2012



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

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





STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016/2017 Sh.	2015/2016 Sh.
Cash flows from operating activities:			
Receipts			
Revenue from exchange transactions	4	717,259,348	797,294,093
Interest income	5.1	143,218,162	187,390,083
Revenue from non-exchange transactions	5.2	<u>5,103,604</u>	<u>7,606,069</u>
Total receipts		<u>865,581,114</u>	<u>992,290,245</u>
Payments			
Operating expenses	6	(315,116,283)	(338,020,314)
Employee costs	7	(456,099,241)	(463,666,826)
Board expenses	8	(21,077,494)	(18,976,375)
Administration costs	9	(24,024,284)	(38,044,696)
Repairs and maintenance	10	(1,647,616)	(3,397,379)
Contracted services	11	(12,129,903)	(10,617,489)
Prior year adjustment		-	116,000
(Increase)/Decrease in trade and other receivables		39,065,716	21,040,957
Increase/(Decrease) in payables and provisions		<u>10,892,151</u>	<u>26,237,569</u>
Total payments		<u>(780,136,954)</u>	<u>(825,328,553)</u>
Net cash generated from operating activities		<u>85,444,160</u>	<u>166,961,692</u>
Cash flows from investing activities			
Purchase/(sale) of financial assets		(25,945,300)	40,003,600
Purchase of intangible assets	17	(9,685,591)	(5,612,495)
Purchase of property, plant and equipment	16 (a)	<u>(395,831,492)</u>	<u>(268,857,541)</u>
Net cash utilised in investing activities		<u>(379,571,783)</u>	<u>(234,466,436)</u>
Cash flows from financing activities			
		-	-
Net increase/(decrease) in cash and cash equivalents		<u>(294,127,623)</u>	<u>(67,504,744)</u>
Cash and cash equivalents at beginning of the year	13.2	<u>1,297,925,530</u>	<u>1,365,430,274</u>
Cash and cash equivalents at the end of the year	13.3	<u>1,003,797,907</u>	<u>1,297,925,530</u>



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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





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

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared on 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 ADOPTION OF NEW AND REVISED STANDARDS

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

IPSAS 33: First time adoption of Accrual Basis of IPSAS

kasneb adopted IPSAS in the financial year 2014.

IPSAS 34: Consolidated Financial Statements

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

IPSAS 35: Separate Financial Statements

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

IPSAS 36: Investments in Associates and Joint Ventures

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

IPSAS 37: Joint arrangements

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

IPSAS 38: Disclosure of Interests in Other entities

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

(b) Early adoption of Standards

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

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

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

Interest income

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

(b) Budget information

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

(c) Property, Plant and equipment

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

Depreciation

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

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

The annual rates of depreciation in use are:

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

(d) Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**(e) Leasehold land**

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

(f) Financial instruments

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

Financial assets**Initial recognition and measurement**

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

Impairment of financial assets

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

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

Financial liabilities**Initial recognition and measurement**

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

(g) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where kasneb expects some or all the provision to be reimbursed,

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

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 26, kasneb has entered into major capital commitments that would entail large cash flow commitments in the future.

(h) Changes in accounting policies and estimates

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

(i) Employee retirement benefits

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

kasneb has no legal or constructive obligation to pay further contributions to the defined contribution scheme if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

(j) Related parties and transactions

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

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

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

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

(k) Financial risk management

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

(i) Currency risk

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

(ii) Interest rate risk

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

(iii) Credit risk

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

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and highly liquid investments in Treasury bills which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to members of staff which were not surrendered or accounted for at the end of the financial year.

(m) Comparative figures

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

(n) Significant judgments and sources of estimation uncertainty

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



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

Estimates and assumptions

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

Useful lives and residual values

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

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

(o) Subsequent events

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

4	INCOME FROM OPERATIONS	Note	2016/2017 Sh.	2015/2016 Sh.
	Examination booking fees		472,586,141	505,721,798
	Registration fees		105,005,393	131,665,149
	Annual registration renewal fees		90,337,142	92,690,006
	Exemption fees		49,026,712	66,973,140
	Sale of publications		303,960	244,000
			<u>717,259,348</u>	<u>797,294,093</u>
5	INCOME FROM OTHER SOURCES			
	Rental income		556,275	452,658
	Interest income		143,218,162	187,390,083
	Miscellaneous income		4,547,329	7,153,411
			<u>148,321,766</u>	<u>194,996,152</u>
5.1	INTEREST INCOME			
	Interest income comprises the following:			
	Interest received from government securities		91,283,414	120,827,744
	Accrued interest from government securities/mortgage		43,423,232	50,284,349
	Interest received from mortgage deposit		4,096,504	11,472,013
	Interest earned from bank balances		3,284,515	3,284,515
	Interest earned from advances to staff		1,130,497	1,521,462
			<u>143,218,162</u>	<u>187,390,083</u>
5.2	REVENUE FROM NON-EXCHANGE TRANSACTIONS			
	Rental income		556,275	452,658
	Miscellaneous income		4,547,329	7,153,411
			<u>5,103,604</u>	<u>7,606,069</u>



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

	Note	2016/2017 Sh.	2015/2016 Sh.
6 OPERATING EXPENSES			
Examinations and invigilation		140,883,272	158,062,246
Examination prizes		6,766,691	4,311,460
Hire of examination halls		6,035,940	6,026,561
Data processing		6,269,695	5,297,280
Printing and stationery		32,839,783	36,762,987
Local travel and transport		5,453,364	3,860,990
Long distance travel and transport		3,177,947	4,302,230
Postage and telephone		11,069,440	14,406,671
Audit fees		812,000	928,000
Insurance		2,422,787	2,169,198
Sundry expenses	6.1	9,455,289	7,839,275
Bank charges		2,784,277	2,126,693
Marketing and communication		59,092,305	64,147,264
kasneb Newline		20,723,238	19,661,256
Legal expenses	6.2	24,400	442,485
Land rent and rates		618,030	649,370
Office Provisions		6,687,825	7,026,348
		315,116,283	338,020,314
6.1 SUNDRY EXPENSES			
End of year and annual anniversary expenses		3,997,324	4,500,053
Staff uniforms, floral and laundry expenses		2,289,151	660,870
Other expenses		3,168,815	2,678,352
		9,455,289	7,839,275
6.2 LEGAL EXPENSES			
Legal expenses relate to payments made to firms of advocates hired by kasneb as:			
(a) Plaintiff in a civil case regarding the access road to kasneb.			
(b) Defendant in civil cases relating to a supplier and an employee who was dismissed from service.			
7 EMPLOYEE COSTS			
Salaries and wages		181,815,915	177,105,978
Contributions to pension		41,594,713	44,497,189
Contributions to medical aid and benefits		30,321,563	32,158,234
Casual labour		3,762,500	3,504,679
Leave allowances		5,304,482	6,953,807
Commuter allowances		20,071,468	20,291,000
Education and training		26,632,018	20,257,963
Housing benefits and allowances		49,208,678	49,645,000
Overtime payments		26,090,616	39,329,945
Entertainment allowance		3,282,097	3,160,000
Examinations security allowance		40,323,548	40,900,000
Extraneous allowances		1,800,000	694,051
Telephone allowances		1,667,903	1,495,000
Performance reward and other bonuses		24,223,740	23,673,980
		456,099,241	463,666,826



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

	Note	2016/2017 Sh.	2015/2016 Sh.
8 BOARD EXPENSES			
Chairman's honoraria		960,000	960,000
Board and committees attendance allowances		6,540,930	13,835,240
Board and committees workshops expenses		13,576,564	4,181,135
		<u>21,077,494</u>	<u>18,976,375</u>
9 ADMINISTRATION COSTS			
Insurance and maintenance of office premises		6,473,315	5,803,209
Social responsibility	9.1	3,570,492	3,304,137
Strategic planning		2,924,771	1,740,605
Website development and maintenance		2,978,276	2,478,015
Research and Innovation Centre		540,237	635,819
Examinations development and Research		-	15,366,947
Miscellaneous expenses		19,977	1,860,790
Other non-recurrent expenses		7,517,216	6,855,174
		<u>24,024,284</u>	<u>38,044,696</u>
9.1 SOCIAL RESPONSIBILITY			
Donations to libraries (KNLS)		2,049,172	1,956,378
Donations to other institutions		947,380	883,400
School fees to needy students		573,940	464,359
		<u>3,570,492</u>	<u>3,304,137</u>
10 REPAIRS AND MAINTENANCE			
Machinery and office equipment		1,328,311	1,840,850
Motor vehicles		26,850	1,096,472
ICT equipment		23,381	-
Building repairs		269,074	460,057
		<u>1,647,616</u>	<u>3,397,379</u>
11 CONTRACTED SERVICES			
Building management and maintenance		3,604,368	2,424,161
Security services		5,779,935	6,024,505
Lift service and maintenance		354,046	229,216
Garbage collection services		152,460	140,350
Sanitary services		361,165	332,551
Car park		1,284,772	1,140,664
Generator services		120,000	37,804
Provision of bottled water		473,158	288,238
		<u>12,129,903</u>	<u>10,617,489</u>
12 DEPRECIATION AND AMORTISATION			
Depreciation- Property, plant and equipment	16 (a)	21,782,597	29,438,043
Amortisation- Leasehold land	16 (c)	4,451,220	4,451,220
Amortisation- Intangible assets	17	4,799,870	4,158,872
		<u>31,033,687</u>	<u>38,048,135</u>



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

	Note	2016/2017 Sh.	2015/2016 Sh.
13 CASH AND BANK BALANCES			
Bank balances	13.1	54,914,282	133,318,588
Cash-on-hand and in transit		990,934	1,562,205
Mortgage deposit		<u>165,001,241</u>	<u>160,904,737</u>
		<u>220,906,457</u>	<u>295,785,530</u>
13.1 BANK BALANCES			
National Bank of Kenya Ltd. - Main account		149,812	9,958,080
National Bank of Kenya Ltd. - Fee collection account		12,884,252	13,734,615
Barclays Bank of Kenya Ltd.		757,819	81,636,724
Equity Bank Ltd.		9,883,455	8,547,502
Cooperative Bank of Kenya Ltd.		15,884,638	11,773,677
Kenya Post Office Savings Bank (Postbank)		1,835,373	743,390
Kenya Commercial Bank Ltd.- Dollar Account		13,319,931	6,924,600
Kenya Commercial Bank Ltd.- Ksh. Account		196,189	-
UBA Kenya Bank Ltd		<u>2,813</u>	<u>-</u>
		<u>54,914,282</u>	<u>133,318,588</u>
13.2 CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR			
Cash and bank balances		295,785,530	258,788,224
Treasury Bills and Bonds maturing within one year		<u>1,002,140,00</u>	<u>1,106,642,050</u>
		<u>1,297,925,530</u>	<u>1,365,430,274</u>
13.3 CASH AND CASH EQUIVALENT AT END THE OF THE YEAR			
Cash and bank balances		220,906,457	295,785,530
Treasury Bills and Bonds maturing within one year		<u>782,891,450</u>	<u>1,002,140,000</u>
		<u>1,003,797,907</u>	<u>1,297,925,530</u>
14 HELD TO MATURITY INVESTMENTS			
Treasury Bills		763,529,950	982,345,600
Treasury Bonds maturing within one year		<u>19,361,500</u>	<u>19,794,400</u>
		<u>782,891,450</u>	<u>1,002,140,000</u>
15 TRADE AND OTHER RECEIVABLES			
Prepayments		-	44,520,873
Interest receivable		43,423,232	50,284,349
Posta Corporation of Kenya (Postapay receipts)		16,287,775	3,166,085
Web Tribe Ltd. (Jambopay receipts)		321,690	-
Other receivables		2,007,749	2,201,470
Staff receivables		<u>20,713,980</u>	<u>21,647,365</u>
		<u>82,754,426</u>	<u>121,820,142</u>

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

16(a) SCHEDULE OF NON CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT - 2016/2017

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

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 2015	<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>10,668,244</u>	<u>700,283,896</u>

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

	Note	2016/2017 Sh.	2015/2016 Sh.
16 (b) PROPERTY, PLANT AND EQUIPMENT (NET BOOK VALUES)			
Building		144,473,696	148,377,609
Building work in progress		908,937,700	524,370,484
Information communication technology equipment		3,579,911	2,897,718
Furniture and fittings		9,244,291	9,253,661
Machinery and office equipment		3,061,007	4,716,180
Motor vehicles		5,036,186	10,668,244
		1,074,332,791	700,283,896
16 (c) LEASEHOLD LAND			
Cost/valuation		365,000,000	365,000,000
As at 30 June		365,000,000	365,000,000
AMORTISATION			
Balance b/f		8,902,440	4,451,220
Amortisation charge for the year		4,451,220	4,451,220
As at 30 June		13,353,660	8,902,440
Net book value as at 30 June		351,646,340	356,097,560
17 INTANGIBLE ASSETS			
Cost/valuation			
Balance brought forward as at 1 July		23,615,846	18,003,351
Additions - WIP		1,711,100	-
Additions - internal developments		7,974,491	5,612,495
As at 30 June		33,301,437	23,615,846
Amortization and impairment			
At 1 July		20,809,599	16,650,727
Amortisation		4,799,870	4,158,872
As at 30 June		25,609,469	20,809,599
Net book value as at 30 June		7,691,968	2,806,247
18 FINANCIAL INSTRUMENTS			
The financial instruments in which kasneb has contracted are held to maturity as indicated in note 3 (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:			
Treasury bonds maturing after one year		184,684,300	210,629,600
19 TRADE AND OTHER PAYABLES			
Examinations and invigilation expenses		4,778,746	19,455,828
Accruals		94,356,169	71,721,278
		99,134,915	91,177,106
20 PROVISIONS			
Leave days: brought forward		8,143,462	7,222,575
Increase/(Decrease) in provision:		(736,799)	920,887
Leave		7,406,663	8,143,462
Gratuity		3,107,571	3,252,925
Other non recurrent expenses		1,197,120	-
Examination prizes		4,723,500	3,200,000
Students Newslines		6,076,940	4,196,000
Carried forward		22,511,794	18,792,387



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

	Note	2016/2017 Sh.	2015/2016 Sh.
21 PAYMENTS RECEIVED IN ADVANCE			
Prepaid examination fees		<u>3,862,485</u>	<u>4,647,550</u>
22 REVALUATION RESERVES		<u>441,702,021</u>	<u>441,702,021</u>
The revaluation reserve arose from a revaluation of land, building and motor vehicles by the following registered firms of valuers:			
Land and buildings- NW Realite			
Motor vehicles- Automobile Association (AA) of Kenya			
23 ACCUMULATED SURPLUS			
Balance as at 1 July		2,133,243,911	2,051,344,880
Disposal of motor vehicle		-	380,000
Surplus		<u>4,452,606</u>	<u>81,519,031</u>
		<u>2,137,696,517</u>	<u>2,133,243,911</u>
24 RECONCILIATION OF NET INCOME TO CASH GENERATED FROM OPERATING ACTIVITIES			
Surplus for the year		4,452,606	81,519,031
Adjustment for:			
Depreciation and amortisation		31,033,687	38,048,135
Prior year adjustment		-	116,000
Working capital adjustments:			
Increase in receivables		39,065,716	21,040,957
Increase in payables, provisions and prepayments		<u>10,892,151</u>	<u>26,237,569</u>
Net cash flow from operating activities		<u>85,444,160</u>	<u>166,961,692</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****25 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 2017 was Sh.908,937,700 which is equivalent to 76% 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 June 2018.

26 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.

27 TAXATION

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

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

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

28.1 INCOME

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****(a) Examination booking fees**

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

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

(b) Registration fees

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

(c) Annual registration renewal fees

The reported income of Sh.90.3 million was lower than the budgeted income of Sh.112 million by Sh.21.7 million representing a negative variance of 19.4%. The variance is attributable to same factors affecting items 28.1 (a) and (b) above.

(d) Exemption fees

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

(e) Interest earned

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

28.2 EXPENDITURE

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****(a) Examinations and invigilation**

The reported expenditure of Sh.140.9 million was lower than the budgeted expenditure of Sh.154 million by Sh.12.9 million representing a positive variance of 8.5%. This is attributable to:

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

(b) Printing and stationery

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

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

(c) Postage and telephone

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

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

(d) Staff emoluments

The reported expenditure of Sh.387.9 million was lower than the budgeted expenditure of Sh.470 million by Sh.82.1 million representing a positive variance of 17.5%. This is attributable to expenditure on projected recruitment of new members of staff to fill vacant positions and implementation of job evaluation and which did not take place during the period.

(e) Education and training

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****(f) Marketing and communication**

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

(g) Sundry expenses

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

(h) KASNEB Foundation - Bursary

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

(i) Strategic planning

The reported expenditure of Sh.2.9 million was lower than the budgeted expenditure of Sh.3.5 million by Sh.0.6 million representing a positive variance of 17.1%. This is attributable to workshops cost for the development of divisional operational and annual work plans which were planned for during the period but were not incurred.

(j) Research and Innovation Centre

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

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

(k) Examinations development and Research

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

(l) Other nonrecurrent

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

29 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

Empowering professionals globally by offering quality examinations and undertaking research and innovation.

Core values

Integrity

Professionalism

Customer focus

Teamwork

Innovativeness



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