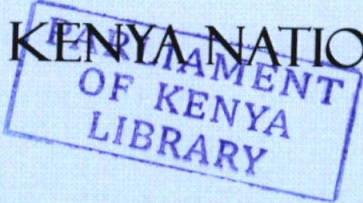


REPUBLIC OF KENYA



Paper laid
By the leader of
majority, Hon
Steven Diale
on Tuesday
25/8/20

KENYA NATIONAL AUDIT OFFICE



REPORT



OF

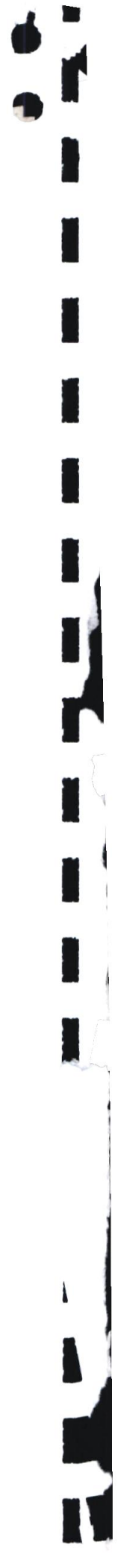
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA ACCOUNTANTS AND
SECRETARIES NATIONAL EXAMINATIONS
BOARD

FOR THE YEAR ENDED
30 JUNE 2014







KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.

- 9 JUN 2015

RECEIVED

KASNEB

Providing globally competitive professionals

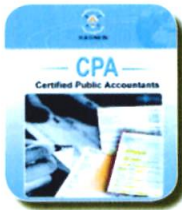
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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



KASNEB IS ISO 9001: 2008 CERTIFIED

PROFESSIONAL QUALIFICATIONS



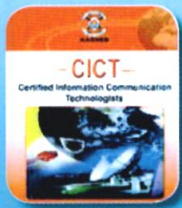
Certified Public Accountants (CPA)

Certified Public Accountants are skilled and competent professional accountants, auditors, finance managers, tax consultants and practitioners.



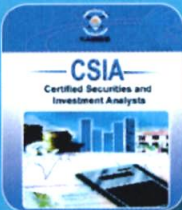
Certified Public Secretaries (CPS)

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



Certified Information Communication Technologists (CICT)

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



Certified Securities and Investment Analysts (CSIA)

Certified Securities and Investment Analysts are experts in financial analysis, consultants and practitioners in investments and securities, portfolio management and investment banking.



Certified Credit Professionals (CCP)

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

Our vision

To be a world-class professional examinations body.

Contents

Table of Contents	1
Corporate Information and management	2
Members of the Board.....	4
Chairman’s Statement.....	6
Report by the Secretary and Chief Executive	8
Corporate Governance Statement.....	10
Corporate Social Responsibility Statement	13
Report of the Members of the Board	14
Statement of Board Members’ Responsibilities	15
Statement of Financial Performance.....	16
Statement of Financial Position	17
Statement of Changes in Net Assets	18
Statement of Cash Flows	19
Statement of Comparison of Budget and Actual amounts.....	20
Notes to the Financial Statements	22

I. CORPORATE INFORMATION AND MANAGEMENT

(a) Establishment

KASNEB was established by the Government of Kenya on 24 July 1969. The Accountants Act, Cap 531 of the Laws of Kenya enacted in July 1977 gave KASNEB retroactive recognition since its inception in 1969.

The Accountants Act, Cap 531 of the Laws of Kenya was repealed and replaced with the Accountants Act, No. 15 of 2008 which took effect from 30 December 2008. The Accountants Act, No. 15 of 2008 is buttressed by the Certified Public Secretaries of Kenya Act, Cap 534, which reaffirms KASNEB as the examining body for the Certified Public Secretaries (CPS) profession.

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.

(b) Principle Activities

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

(c) Location and Principal Place of Business

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

Telephone: 4923000
Fax: 2712915
Website: www.kasneb.or.ke
Email: info@kasneb.or.ke

(d) Principal bankers

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

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

(e) Independent Auditors

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

(f) Secretary and Chief Executive

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

(g) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2014 and who had direct fiduciary responsibility were:

Designation	Name
Secretary and Chief Executive	Pius M. Nduatih
Director Human Resource and Administration	Salome K. Onyonka
Director of Examinations Retired on 25 January 2014	Joyce Z. Onyango
Director of Finance	James G. Nduati
Ag. Director of Information Communication Technology	Jessie R. Kirongothi



II. MEMBERS OF THE BOARD



**Prof. Wanyama
Kulundu-Bitonye**
Chairman

Professor Wanyama Kulundu-Bitonye was appointed to the Board of KASNEB on 4 January 2006 and reappointed on 21 January 2011. He was a nominee of the Office of the Attorney General in accordance with Section 15(1)(e) of the Accountants Act, No.15 of 2008.

He was appointed Chairman of the Board on 1 January 2008. His term expired on 20 January 2014.

Professor Kulundu-Bitonye holds a Bachelor of Laws degree and a Master of Laws degree. He specialises in education, training and consultancy and legal advice.

His term expired on 20 January 2014.



Dr. Nyambura Koigi

Dr Nyambura Koigi was appointed to the Board of KASNEB on 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, Masters of Business Administration degree in Strategic Management and a PhD in Business Administration.

Dr Koigi's area of expertise is in the field of leadership, project management, product development, ICT and micro finance.

Her term expired on 20 January 2014 and was reappointed to the Board on 1 July 2014.



Joe m. Mbuthia

Mr Joe M. Mbuthia was appointed to the Board of KASNEB on 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 Masters of Business Administration degree. He is also a holder of the CPS qualification and a fellow of the Institute of Certified Public Secretaries of Kenya (FCPSK).

Mr Mbuthia is a Company Secretary. He specialises in strategic management, project management, corporate governance and education and training.

His term expired on 20 January 2014 and was reappointed to the Board on 1 July 2014.



Prof. Margaret K. Kobia
Vice-Chairman

Professor Margaret K. Kobia was appointed to the Board of KASNEB on 15 September 2011. 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 was appointed Vice-Chairman of the Board on 1 October 2011.

Professor Kobia was appointed Chairman of the Board on 1 July 2014.

She is a holder of a PhD in Human Resource Education.

Professor Kobia specialises in management consultancy with special interest in human resource development, business strategy development, organisational development and learning facilitation.



Ms. Catherine Musakali

Ms Catherine Musakali was appointed to the Board of KASNEB on 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 is a fellow of the Institute of Certified Public Secretaries of Kenya (FCPSK). She also holds a Certificate in Securities and Investments from the Securities and Investments Institute, UK.

Ms Musakali is a Company Secretary and an expert in Legal services.

Her term expired on 20 January 2014 and was reappointed to the Board on 1 July 2014.



Mrs. Caroline J. Kigen

Mrs Caroline J. Kigen was appointed to the Board of KASNEB on 21 January 2011. She was 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.

She is a holder of a Bachelors degree in Finance and a Masters degree in Finance. She is also a holder of the CPA qualification.

Mrs Kigen specialises in accounting and auditing, financial management and strategic management as well as education and training.

Her term expired on 20 January 2014.



Dr. George O. Wakah

Dr George O. Wakah was appointed to the Board of KASNEB on 15 September 2011. 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 holds a Bachelor of Education degree - Arts (Accounting and Economics), Masters of Business Administration degree in Finance and a Doctorate in Business Administration.

Dr Wakah specialises in finance, accountancy and research.



Ms. Jane W. Chege

Ms Jane W. Chege was appointed to the Board of KASNEB on 21 January 2011. She is a nominee of the Ministry of State for Public Service in accordance with Section 15(1)(d) of the Accountants Act, No. 15 of 2008.

She a holder of Bachelors' degree in Political Science and Linguistics and Master of Science in Human Resources Management.

Her term expired on 20 January 2014.



Mr. Pius M. Nduatih
Secretary and
Chief Executive

Mr Pius Mungai 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.

He is a holder of a Bachelor of Commerce degree in Accounting and a Masters of Business Administration degree. He is also a holder of the CPA and CPS qualifications. He is a fellow of Certified Public Accountants of Kenya (FCPAK) and a fellow of the Institute of Certified Public Secretaries of Kenya (FCPSK).

Mr Nduatih's areas of specialisation are: leadership and governance, examinations management, finance and accountancy.

IV. CHAIRMAN'S STATEMENT

On behalf of the Board, it is my pleasure to present the annual report and financial statements of KASNEB for the year ended 30 June 2014.

The Board continued to successfully execute its mandate of developing syllabuses, conducting professional and technician examinations and certifying candidates in accountancy, finance, governance, management, information technology among other disciplines and promoting qualifications nationally, regionally, internationally and accrediting relevant training institutions.



Governance of KASNEB

The operations of KASNEB are governed by the Accountants Act, No. 15 of 2008 and the Certified Public Secretaries Act, Cap. 534 of 1988. Section 15(1) of the Accountants Act provides for the appointment by the Cabinet Secretary, National Treasury of eleven (11) members to serve the Board for a period of three (3) years.

Under the provisions of the Act, the Board has authority to establish committees it considers necessary for the efficient and effective execution of its functions. As indicated on Page 4, the term of the Chairman and some members expired during the financial period. However, new members of the Board were appointed and gazetted vide gazette notices No. 5029 and No. 5030 dated 9 July 2014 and published on 25 July 2014.

Implementation of Corporate Strategic Plan (2012-2017)

The Corporate Strategic Plan (2012-2017) continued to act as the guiding light in the operations of the Board. The plan is geared to achievement of the strategic objectives which are harmonised with the national aspirations and development objectives and in particular, the Kenya Vision 2030 education sector target of globally competitive quality education, training and research for sustainable development. A mid-term review of the strategic plan is scheduled to be undertaken by 31 December 2014.

Development of KASNEB Towers Phase II Project

KASNEB has through prudent management of resources managed to finance its operations from the modest examination fees paid by students without recourse to the Exchequer. In this regard, KASNEB has over the years realised some surplus which is being utilised to finance the operational needs and the construction of KASNEB Towers Phase II Project. The project is aimed at providing facilities for enhancing the security and integrity of the examination processes and the establishment of an examinations resource centre.

Research and development

KASNEB is in the process of carrying out a major review of the examinations syllabuses. The review has been necessitated by the changing market environment, global trends in education and training, the Constitution of Kenya 2010 and changes in the requirements

bodies such as the International Federation of Accountants (IFAC), International Accounting Standards Board (IASB), Association of Certified International Investment Analysts (ACIIA) and Corporate Secretaries International Association (CSIA) among others.

The new syllabuses will be examined for the first time in the November/December 2015 examination sitting. KASNEB is also in the process of exploring modalities of facilitating the provision of study and reading materials for students and other interested parties.

Performance contracting

The performance contract for the financial year 2013/2014 was implemented successfully and the annual performance contract report promptly submitted to the Performance Contracting Division in the Ministry of Devolution and Planning for evaluation. Following the evaluation process, KASNEB was ranked under the “very good” category with a composite score of 2.84.

KASNEB has negotiated the performance contract targets for the financial year 2014/2015 with the National Treasury and the performance contract has been vetted and approved.

Way forward

In line with the Kenya Vision 2030, the Corporate Strategic Plan (2012-2017) and the performance contract with the Government, KASNEB will accelerate and intensify the promotion and marketing of its examinations within and outside the country in order to continue to provide globally competitive professionals. In furtherance of the provisions of the Constitution of Kenya 2010, KASNEB is putting in place mechanisms for providing proximate access of service delivery to the people through either; the opening of county offices or using the “Huduma Centres” to take services closer to the people in Mombasa, Kisumu, Nakuru, Eldoret, Kisii, Nyeri and Meru. The ultimate goal is to take services closer to the people in all the counties.

We shall also endeavour to promote the quality culture and continuous improvement while operating under the ISO 9001:2008 Quality Management System environment.

Appreciation

Reflecting on a successful year 2013/2014, on behalf of the Board, let me commend the National Treasury and the Government for formulating policies to encourage the private sector and the public sector to provide industrial attachments to students and give priority to holders of professional qualifications in recruitment and placement. I further appreciate the members of staff for their dedication to duty and good performance and other stakeholders for their unwavering support.

Special thanks to my fellow members of the Board and Committees for good stewardship and commitment to the success and governance of KASNEB.



MARGARET K. KOBIA
CHAIRMAN

V. REPORT BY THE SECRETARY AND CHIEF EXECUTIVE

I am happy to report that during the financial year 2013/2014, KASNEB recorded positive growth despite the competitive and dynamic market environment. We increased our customer satisfaction levels, achieved key performance targets and reported a net increase in cash flows.



The good performance is attributable to prudent management of resources and careful management of costs. During the financial year, KASNEB reported a surplus of Sh. 703.4 million compared to Sh.273.4 million in the financial year 2012/2013. The significant growth in surplus arose from unrealised gain in revaluation of land, building and motor vehicles resulting in an increase in the value of total assets from Sh.1,722.4 million to Sh. 2,390.3 million.

In furtherance of our mandate, we conducted professional and technician examinations as scheduled in November/December 2013 and May/June 2014 nationally and internationally. The examinations were geared towards providing globally competitive professionals in line with our vision of being a world class professional examinations body.

Expansion to the counties remained a key focus of our growth strategy anchored on the Constitution of Kenya 2010. The strategy will be leveraged on an information communication technology (ICT) platform to ensure speedy and quality service delivery to the customers. In this connection, we are at advanced stages in operationalising services in seven (7) counties in Kenya in order to serve the people more effectively and efficiently and meet the broad objectives of the devolved governance structure. The services will be interconnected through a wide area network (WAN).

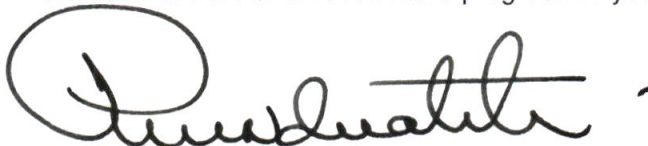
During the year, KASNEB commenced a major review of the examination syllabuses which was aimed at addressing the national aspirations as envisioned in the Kenya Vision 2030, the changing needs of the market and emergent and emerging issues of globalisation. This process is expected to be completed in June 2015.

The construction of KASNEB Towers Phase II was commissioned during the year. The project is intended to facilitate the enhancement of the security and efficiency in the administration of examinations and the establishment of an examination resource centre. The project is expected to be completed within the stipulated timeframe of three years.

KASNEB is responsive to the needs of the communities and the environment and engaged in various corporate social investment activities in accordance with the policy on corporate social responsibility which has six pillars, namely; education, health, humanitarian intervention, environment, youth development and service volunteering.

Our staff are the most important asset. We are guided in our operations by the highest standards of integrity, professionalism and ethics. Consequently, KASNEB continued to invest in continuous development programmes in order to ensure that staff possessed the requisite skills to effectively serve and wow our clients.

I am grateful to the members of the Board for their dedication and leadership and to members of staff for their commitment and support. I appreciate the students, guardians and other stakeholders and look forward to an even more progressive year ahead.



PIUS M. NDUATHI
SECRETARY AND CHIEF EXECUTIVE



VI. 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 and the Certified Public Secretaries of Kenya Act, Cap 534 of 1988.

Members of the Board

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

Committees of the Board

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

Examinations Committee

Finance and General Purposes Committee

Planning and Business Development Committee

Audit, Governance and Risk Management Committee

Examinations Technical Sub-Committee

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

The main responsibilities of the committees are as follows:

Examinations Committee

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

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.

Finance and General Purposes Committee

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

Planning and Business Development Committee

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

Audit, Governance and Risk Management Committee

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

Members who served in the committees during the financial year 2013/2014 are as shown below:

Examinations Committee

Joe M. Mbutia (Chairman)
Wanyama Kulundu-Bitonye
Margaret K. Kobia
Nyambura Koigi
Catherine Musakali
George O. Wakah
Jane W. Chege
Caroline J. Kigen
Vincent O. Kamasara
Sharon J. Kisire
Yonah O. Okidia
Jonah K. Aiyabei
Samuel M. Muriu

Finance and General Purposes Committee

Catherine Musakali (Chairman)
Margaret K. Kobia
Nyambura Koigi
Joe M. Mbutia
George O. Wakah
Jane W. Chege

Planning and Business Development Committee

Nyambura Koigi (Chairman)
Margaret K. Kobia
Joe M. Mbutia
Catherine Musakali
George O. Wakah

Audit, Governance and Risk Management Committee

Jane W. Chege (Chairman)
George O. Wakah
Nyambura Koigi
Joe M. Mbutia

Examinations Technical Sub-Committee

George O. Wakah (Chairman)
Margaret K. Kobia
Jane W. Chege
Daniel M. Ndonge
Vincent O. Kamasara
Sharon J. Kisire
John N. Walubengo
Patrick K. Kairu

The Board and committees held various meetings from 1 July 2013 to 20 January 2014. No meetings were held from 21 January 2014 to 30 June 2014 since the term of most members expired on 20 January 2014. The number of meetings held by the Board and the committees during the period 1 July 2013 to 20 January 2014 and the summary of attendance is as shown on page 12.

Meetings held by the Board and committees (1 July 2013 to 20 January 2014)

Board/Committee	Number of meetings held
Board	4
Examinations Committee	4
Finance and General Purposes Committee	3
Planning and Business Development Committee	2
Audit, Governance and Risk Management Committee	2
Examinations Technical Sub-Committee	-

Note: No meetings were held by the Examinations Technical Sub-Committee but it held one (1) workshop.

Summary of attendance in meetings

NAME	Board meetings		Committee meetings										Total meetings	
	EXAM	FGPC	P&BD	A,G&RM	ET S-C	App.	Att.	App.	Att.	App.	Att.	App.	Att.	
Wanyama Kulundu-Bitonye	4	4	4	-	N/A	-	N/A	-	N/A	-	N/A	-	8	4
Margaret K. Kobia	4	4	4	2	3	2	2	1	N/A	-	-	-	13	9
Joe M. Mbuthia	4	4	4	4	2	2	2	2	2	2	N/A	-	14	14
Catherine Musakali	4	4	4	3	3	3	2	1	N/A	-	N/A	-	13	11
Caroline J. Kigen	4	1	4	-	N/A	-	N/A	-	N/A	-	N/A	-	8	1
Jane W. Chege	4	4	4	2	3	3	N/A	-	1	1	-	-	12	10
Nyambura Koigi	4	2	4	4	3	2	2	2	2	2	N/A	-	15	12
George O. Wakah	4	4	4	3	2	2	2	2	2	2	-	-	14	13
Vincent O. Kamasara	N/A	-	4	4	N/A	-	N/A	-	N/A	-	-	-	4	4
Sharon J. Kisire	N/A	-	4	3	N/A	-	N/A	-	N/A	-	-	-	4	3
Yonah O. Okidia	N/A	-	4	4	N/A	-	N/A	-	N/A	-	N/A	-	4	4
Jonah K. Aiyabei	N/A	-	4	4	N/A	-	N/A	-	N/A	-	N/A	-	4	4
Samuel M. Muriu	N/A	-	4	4	N/A	-	N/A	-	N/A	-	N/A	-	4	4
Daniel M. Ndonye	N/A	-	N/A	-	N/A	-	N/A	-	N/A	-	-	-	-	-
John N. Walubengo	N/A	-	N/A	-	N/A	-	N/A	-	N/A	-	-	-	-	-
Patrick K. Kairu	N/A	-	N/A	-	N/A	-	N/A	-	N/A	-	-	-	-	-

KEY:

- EXAM - Examinations Committee
- FGPC - Finance and General Purposes Committee
- P&BD - Planning and Business Development Committee
- A,G&RM - Audit, Governance and Risk Management Committee
- ET S-C - Examinations Technical Sub-committee
- APP - Applicable
- ATT - Attended

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

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In recognition of the important role played by communities in which organisations operate, KASNEB has developed a vibrant Corporate Social Responsibility (CSR) policy which takes cognisance of the importance of sustainable environmental practices and the need to support the vulnerable and needy persons in the community. The key thematic areas of the Policy include promoting education, health, humanitarian intervention, environmental protection, youth development, improving the livelihood of disadvantaged groups and creating sustainable partnerships for community development.

During the financial year 2013/2014, KASNEB made donations amounting to Sh.2.1 million in support of various social initiatives. In addition, members of staff participated in a range of other corporate social responsibility activities as detailed below:

Environmental activities

KASNEB sponsored and participated in the Ndakaini Half Marathon ten (10) kilometre corporate race organised by UAP Insurance Company Limited. Members of staff thereafter planted trees at Ndakaini Dam as a way of contributing to a sustainable supply of water to Nairobi county and its environs.

Humanitarian activities

In partnership with the Kenya Freedom from Hunger Council (KFFHC), KASNEB sponsored the Kenya Freedom from Hunger Walk in order to raise funds to facilitate community based food security projects. KASNEB also donated foodstuff to Shanzu Good Hope Children's' Home and Kibarani School for the Disabled in Kilifi County. In addition, KASNEB donated blankets and nutritional support to the elderly at Wells of Hope Centre, Kibarage Slums, Westlands in Nairobi County.

Educational activities

KASNEB continued to support seven (7) orphaned and vulnerable students from Tunyai Children's' Centre, Tharaka Nithi County by paying their school fees in different secondary schools where the students are admitted. KASNEB also donated branded furniture to Nyayo Tea Zone Primary School in Kakamega County in order to enhance and improve the students' learning environment.

Health Activities

KASNEB partnered with Kenya Medical Association (KMA) by sponsoring the Annual World Cancer Day. The World Cancer Day is observed in order to raise awareness on early detection and testing of cancer amongst children and adults.

VIII. 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 2014 which show the state of affairs of KASNEB.

1. Principal Activities

The principal activities of KASNEB are the development of syllabuses, conduct of professional and technician examinations and certification of candidates in finance, accountancy, governance, 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 16 to 32.

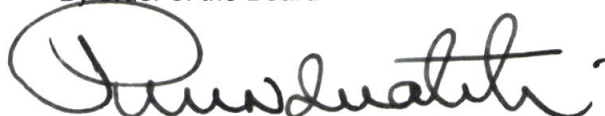
3. Members of the Board

The members of the Board of KASNEB who served during the year and to the date of this report are shown on pages 4 and 5.

4. Auditors

The Auditor-General is responsible for the statutory audit of the books of account of KASNEB in accordance with the provisions of article 229 of the Constitution of Kenya, 2010 and Section 14 of the Public Audit Act, 2003.

By order of the Board



PIUS M. NDUATI
SECRETARY

26 September 2014



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. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of KASNEB as at 30 June 2014 and of its surplus for the year then ended. The members and management further accept responsibility for the maintenance of accurate and complete accounting records which have been relied upon in the preparation of the financial statements as well as on the adequacy of the systems of internal financial controls.

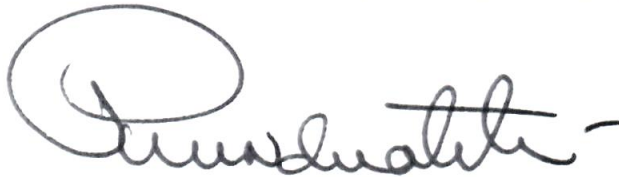
Nothing has come to the attention of the members of the Board and management to indicate that KASNEB will not remain a going concern for the next twelve months from the date of this statement.

Approval of the financial Statements

The financial statements were approved by the Board on Friday, 26 September 2014 and signed on its behalf by:



MARGARET K. KOBIA
CHAIRMAN



PIUS M. NDUATI
SECRETARY AND CHIEF EXECUTIVE



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Accountants and Secretaries National Examinations Board, set out on pages 16 to 32, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

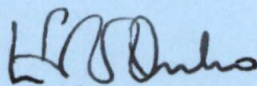
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Accountants Act, 2008.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

23 June 2015

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013/2014 Sh.	2012/2013 Sh.
Revenue from exchange transactions			
Income from operations	3	837,387,401	801,723,889
Income from other sources	4	176,548,468	171,341,339
Total revenue		1,013,935,869	973,065,228
Expenses			
Operating expenses	5	326,101,342	313,393,986
Employee costs	6	355,109,498	327,426,144
Board expenses	7	11,805,724	10,056,639
Administration costs	8	45,435,190	19,359,976
Repairs and maintenance	9	2,696,110	3,561,183
Contracted services	10	7,015,987	7,601,850
Depreciation and amortisation	11	13,154,600	18,233,820
Total expenses		761,318,451	699,633,598
Surplus for the period		252,617,418	273,431,630

The notes set out on pages 22 to 32 form an integral part of the Financial Statements.



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

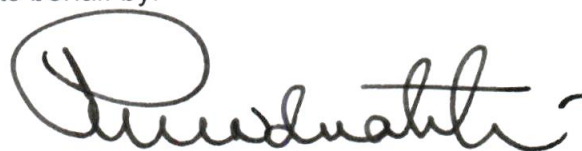
ASSETS	Note	2013/2014 Sh.	2012/2013 Sh.
Current assets			
Cash and bank balances	12	284,190,819	159,684,603
Held to maturity investments	13	956,267,570	926,788,910
Trade and other receivables	14	137,971,244	64,013,331
		<u>1,378,429,633</u>	<u>1,150,486,844</u>
Non current assets			
Property, plant and equipment	15(a)	311,442,381	150,516,469
Leasehold land	15 (b)	365,000,000	5,520,982
Intangible assets	16	664,187	1,219,846
Held to maturity investments	17	331,064,365	414,612,865
		<u>1,008,170,933</u>	<u>571,870,162</u>
Total assets		<u>2,386,600,566</u>	<u>1,722,357,006</u>
EQUITY AND LIABILITIES			RESTATED
Current liabilities			
Trade and other payables	18	38,607,816	72,407,470
Provisions	19	15,710,165	9,532,849
Payments received in advance	20	5,898,659	9,112,200
		<u>60,216,640</u>	<u>91,052,519</u>
Net assets		<u>2,326,383,926</u>	<u>1,631,304,487</u>
Revaluation reserve		442,462,021	-
Accumulated surplus		1,883,921,905	1,631,304,487
		<u>2,326,383,926</u>	<u>1,631,304,487</u>
Total equity and liabilities		<u>2,386,600,566</u>	<u>1,722,357,006</u>

The financial statements on pages 16 to 32 were approved by the Board on Friday, 26 September 2014 and were signed on its behalf by:



MARGARET K. KOBIA
CHAIRMAN

26 September 2014



PIUS M. NDUATHI
SECRETARY AND CHIEF EXECUTIVE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Revaluation reserve	Accumulated surplus	Total
	Sh.	Sh.	Sh.
Balance as at 30 June 2012	-	1,362,005,294	1,362,005,294
Surplus/(deficit) for the period	-	273,431,630	273,431,630
Prior year adjustment - under provisions for leave days	-	(4,132,437)	(4,132,437)
Balance as at 30 June 2013	-	1,631,304,487	1,631,304,487
Surplus for the period	-	252,617,418	252,617,418
Gain on revaluation of assets	442,462,021	-	442,462,021
Balance as at 30 June 2014	442,462,021	1,883,921,905	2,326,338,926



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013/2014 Sh.	2012/2013 Sh.
Cash flows from operating activities:			
Surplus for the year		252,617,418	273,431,630
Adjustments for:			
Depreciation and amortisation		13,154,600	18,233,820
Interest income		(157,761,116)	(153,799,767)
(Gain)/loss on disposal of property, plant and equipment		-	(604,056)
Operating surplus before working capital changes		108,010,902	137,261,627
Changes in working capital			
(Increase) / Decrease in trade and other receivables		(73,957,913)	(12,862,038)
Increase / (Decrease) in payables, provisions and prepayments		(30,835,879)	42,397,284
Cash generated from operations		3,217,110	166,796,873
Interest received		157,761,116	153,799,767
Net cash generated from operating activities		160,978,226	320,596,640
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	604,056
Purchase/(sale) of financial assets		83,548,500	(33,060,250)
Purchase of intangible assets		(1,328,375)	(2,439,692)
Purchase of property, plant and equipment		(89,213,475)	(48,318,677)
Net cash utilised in investing activities		(6,993,350)	(83,214,563)
Net increase in cash and cash equivalents		153,984,876	237,382,077
Cash and cash equivalents at beginning of the year		1,086,473,513	849,091,436
Cash and cash equivalents at the end of the year		<u>1,240,458,389</u>	<u>1,086,473,513</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013/2014	2013/2014	2013/2014	2013/2014	2013/2014
	Sh.	Sh.	Sh.	Sh.	Sh.
INCOME FROM EXCHANGE TRANSACTIONS					
Examinations entry fees	559,100,000	(34,100,000)	525,000,000	514,545,886	(10,454,114)
Registration fees	146,800,000	(4,800,000)	142,000,000	142,869,951	869,951
Annual registration renewal fees	140,600,000	(10,600,000)	130,000,000	118,320,432	(11,679,568)
Exemption fees	60,300,000	-	60,300,000	61,061,832	761,832
Sale of past question papers	700,000	(200,000)	500,000	589,300	89,300
Sub-Total	907,500,000	(49,700,000)	857,800,000	837,387,401	(20,412,599)
INCOME FROM OTHER EXCHANGE TRANSACTIONS					
Students' identity card fees	13,500,000	(1,500,000)	12,000,000	10,953,570	(1,046,430)
Interest earned	125,000,000	31,000,000	156,000,000	157,761,116	1,761,116
Rental income - other tenants	400,000	-	400,000	563,198	163,198
Miscellaneous income	8,400,000	(400,000)	8,000,000	7,270,584	(729,416)
Sub-total	147,300,000	29,100,000	176,400,000	176,548,468	148,468
Total income	1,054,800,000	(20,600,000)	1,034,200,000	1,013,935,869	(20,264,131)
EXPENDITURE ON OPERATIONS					
Examinations and invigilation	172,000,000	-	172,000,000	152,613,342	19,386,658
Examination prizes	5,000,000	-	5,000,000	4,020,272	979,728
Rent of examination halls	9,000,000	-	9,000,000	5,565,119	3,434,881
Data processing	10,000,000	(5,000,000)	5,000,000	5,828,509	(828,509)
Printing and stationery	33,000,000	-	33,000,000	21,127,430	11,872,570
Local travelling and transport	7,000,000	-	7,000,000	4,446,869	2,553,131
Long distance travel and transport	9,900,000	-	9,900,000	9,781,526	118,474
Postage and telephone	16,900,000	-	16,900,000	18,682,366	(1,782,366)
Salaries and wages	350,000,000	(40,000,000)	310,000,000	306,094,664	3,905,336
Pensions and benefits	46,000,000	(10,000,000)	36,000,000	37,156,549	(1,156,549)
Education and training	20,000,000	(5,000,000)	15,000,000	11,858,285	3,141,715
Repairs and renewals	1,100,000	-	1,100,000	800,058	299,942
Auditors' remuneration	900,000	-	900,000	792,000	108,000
Insurance	3,300,000	-	3,300,000	1,923,236	1,376,764
Sundry expenses	5,500,000	-	5,500,000	5,053,967	446,033
Bank charges	2,200,000	-	2,200,000	2,077,734	122,266
Board expenses	13,100,000	-	13,100,000	11,805,724	1,294,276
Publicity, promotion, marketing and communication	70,000,000	-	70,000,000	71,719,916	(1,719,916)
Students' journal- KASNEB Newslite	20,500,000	-	20,500,000	15,791,276	4,708,724
Legal expenses	2,800,000	-	2,800,000	821,311	1,978,689
Ground rent and land rates	600,000	-	600,000	649,260	(49,260)
Office provisions	5,500,000	-	5,500,000	6,438,898	(938,898)
Sub-total	804,300,000	(60,000,000)	744,300,000	695,048,311	49,251,689

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013/2014	2013/2014	2013/2014	2013/2014	2013/2014
	Sh.	Sh.	Sh.	Sh.	Sh.
EXPENDITURE ON OTHER ITEMS					
Students's identity card	2,800,000	1,200,000	4,000,000	4,176,101	(176,101)
Insurance and maintenance of KASNEB Towers	12,100,000	-	12,100,000	12,954,958	(854,958)
Social responsibility	2,500,000	-	2,500,000	2,320,476	179,524
Strategic planning expenses	5,500,000	-	5,500,000	-	5,500,000
Website development and maintenance	2,000,000	-	2,000,000	2,693,513	(693,513)
Library books and resource material	1,700,000	-	1,700,000	-	1,700,000
Research and development	21,000,000	14,000,000	35,000,000	22,480,212	12,519,788
Miscellaneous expenses	800,000	-	800,000	1,938,460	(1,138,460)
Other non - recurrent expenses	<u>5,500,000</u>	<u>6,000,000</u>	<u>11,500,000</u>	<u>6,551,820</u>	<u>4,948,180</u>
Sub-total	<u>53,900,000</u>	<u>21,200,000</u>	<u>75,100,000</u>	<u>53,115,540</u>	<u>21,984,460</u>
Total expenditure	<u>858,200,000</u>	<u>(38,800,000)</u>	<u>819,400,000</u>	<u>748,163,351</u>	<u>71,236,149</u>
Surplus from operations	103,200,000	10,300,000	113,500,000	142,339,090	28,839,090
Surplus from other sources	<u>93,400,000</u>	<u>7,900,000</u>	<u>101,300,000</u>	<u>123,432,928</u>	<u>22,132,928</u>
Surplus before depreciation and amortisation expenses	196,600,000	18,200,000	214,800,000	265,772,018	50,972,018
Depreciation and amortisation expenses	<u>30,065,725</u>	<u>(7,100,000)</u>	<u>22,965,725</u>	<u>13,154,600</u>	<u>9,811,125</u>
Surplus for the year	<u>166,534,275</u>	<u>25,300,000</u>	<u>191,834,275</u>	<u>252,617,418</u>	<u>41,160,893</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 comparative financial statements for the year 2012/2013 which were prepared using the International Financial Reporting Standards have been restated where necessary. The financial statements are presented in Kenya shillings.

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

2 Summary of significant accounting policies**(a) Revenue recognition**

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

Interest income

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

(b) Budget information

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

(c) Property, Plant and equipment

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

During the financial year, land, buildings and motor vehicles were revalued by the following registered firms of valuers:

Land and buildings - NW Realite Limited.

Motor vehicles- Automobile Association (AA) of Kenya.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

The annual rates of depreciation in use are:

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

(d) Intangible assets

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

(e) Leasehold land

KASNEB owns leasehold land on plot LR.209/522/1 in Upper Hill area, Nairobi, on which stands its office premises. The lease on the land is for a period of 93 years and expires in the year 2097. The cost of the leasehold land is treated as prepaid operating lease rentals and amortised over the remaining lease period. The lease rentals payable under the operating lease are charged to the income and expenditure statement on a straight line basis over the remaining lease period. The leasehold land was revalued during the year and no amortisation was charged during the year of revaluation.

(f) Financial instruments

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

Financial assets**Initial recognition and measurement**

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

Impairment of financial assets

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

- (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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Financial liabilities**Initial recognition and measurement**

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

(g) Provisions

In accordance with IPSAS (19): Provisions, provisions are recognised in the financial statements when a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses relating to any provision is presented in the statement of financial performance net of any reimbursement. Additional disclosure of the estimated provisions is included in Note 14.

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

Contingent asset

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 16 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 benefits**Retirement benefits**

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

KASNEB has no legal or constructive obligation to pay further contributions to the defined contribution scheme if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

KASNEB regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over KASNEB, or vice versa. The members of the Board, the Chief Executive, heads of divisions and units are regarded as related parties.

(k) 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.

(l) Comparative figures

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

(m) Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

(n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3 INCOME FROM OPERATIONS	Note	2013/2014	2012/2013
		Sh.	Sh.
Examination entry fees		514,545,886	487,260,408
Registration fees		142,869,951	137,025,514
Annual registration renewal fees		118,320,432	122,200,260
Exemption fees		61,061,832	54,702,881
Sale of past question papers		589,300	534,826
		<u>837,387,401</u>	<u>801,723,889</u>
4 INCOME FROM OTHER SOURCES			
Students' identity card fees		10,953,570	10,525,523
Rental income - Other tenants		563,198	419,890
Interest income	4.1	157,761,116	153,799,767
Miscellaneous income		7,270,584	6,596,159
		<u>176,548,468</u>	<u>171,341,339</u>
4.1 INTEREST INCOME			
Interest income comprises the following:			
Interest received from government securities		104,111,475	104,351,087
Accrued interest from government securities/mortgage		41,164,673	33,351,334
Interest received from mortgage deposit		8,854,260	13,674,894
Interest earned from bank balances		2,140,259	1,265,260
Interest earned from advances to staff		1,490,449	1,157,192
		<u>157,761,116</u>	<u>153,799,767</u>
5 OPERATING EXPENSES			
Examinations and invigilation		152,613,342	158,925,099
Examination prizes		4,020,272	5,485,576
Rent of examination halls		5,565,119	5,882,554
Data processing		5,828,509	3,364,350
Printing and stationery		21,127,430	23,707,506
Local travel and transport		4,294,465	3,996,499
Long distance travel and transport		9,781,526	6,242,499
Postage and telephone		18,682,366	15,103,524
Auditors' remuneration		792,000	792,000
Insurance		843,951	1,125,135
Sundry expenses	5.1	5,053,967	4,299,020
Bank charges		2,077,734	1,576,493
Publicity, promotion, marketing and communication		71,719,916	57,352,571
Students journal - KASNEB Newslines		15,791,276	19,438,891
Legal expenses	5.2	821,311	321,503
Ground rent and land rates		649,260	590,270
Office Provisions		6,438,898	5,190,097
		<u>326,101,342</u>	<u>313,393,986</u>
5.1 SUNDRY EXPENSES			
End of year and annual anniversary expenses		2,113,058	1,893,955
Staff uniforms, floral and laundry expenses		809,781	1,003,769
Other expenses		2,131,128	1,401,296
		<u>5,053,967</u>	<u>4,299,020</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5.2 LEGAL EXPENSES

Legal expenses relate to payments made to a firm of advocates hired by KASNEB in a civil case regarding the access road to KASNEB premises. KASNEB is the plaintiff in the civil suit.

	Note	2013/2014 Sh.	2012/2013 Sh.
6 EMPLOYEE COSTS			
Salaries and wages		155,315,734	143,857,074
Contributions to pensions		37,156,549	37,234,117
Contributions to medical aids and benefits		24,259,487	26,594,833
Casual labour		1,712,100	377,400
Leave allowances		6,320,464	2,962,287
Commuter allowances		18,963,307	18,539,602
Education and training		11,858,285	11,173,770
Housing benefits and allowances		46,406,613	44,785,022
Overtime payments		31,543,591	22,344,209
Entertainment allowance		3,005,968	2,792,000
Performance reward and other bonuses		<u>18,567,400</u>	<u>16,765,830</u>
		<u>355,109,498</u>	<u>327,426,144</u>
7 BOARD EXPENSES			
Chairman's honoraria		448,129	888,000
Board and committees attendance allowances		7,982,000	7,375,809
Board and committees workshops expenses		<u>3,375,595</u>	<u>1,792,830</u>
		<u>11,805,724</u>	<u>10,056,639</u>
8 ADMINISTRATION COSTS			
Student identity cards		4,176,101	2,510,140
Insurance and maintenance of KASNEB Towers		5,274,608	3,401,658
Social responsibility	8.1	2,320,476	1,902,930
Strategic planning expenses		-	233,749
Website development and maintenance		2,693,513	673,135
Library books and resource material		-	879,432
Research and development		22,480,212	7,189,611
Miscellaneous expenses		1,938,460	766,806
Other non - recurrent expenses		6,551,820	1,802,515
Operating lease rentals		-	65,725
		<u>45,435,190</u>	<u>19,359,976</u>
8.1 SOCIAL RESPONSIBILITY			
Donations to libraries (KNL)		1,935,398	654,155
Donations to other institutions		75,000	973,957
School fees to needy students		<u>310,078</u>	<u>274,818</u>
		<u>2,320,476</u>	<u>1,902,930</u>
9 REPAIRS AND MAINTENANCE			
Machinery and office equipment		800,058	1,170,008
Motor vehicles		850,439	1,548,287
ICT equipment		804,847	707,833
Building repairs		<u>240,766</u>	<u>135,055</u>
		<u>2,696,110</u>	<u>3,561,183</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013/2014 Sh.	2012/2013 Sh.
10 CONTRACTED SERVICES			
Building management and maintenance		1,651,840	4,112,621
Security services		4,447,378	2,784,253
Lift service and maintenance		174,580	231,420
Garbage collection services		114,840	102,080
Sanitary services		211,591	218,261
Car park		381,250	-
Generator services		34,508	153,215
		<u>7,015,987</u>	<u>7,601,850</u>
11 DEPRECIATION AND AMORTISATION			
Depreciation - Property, plant and equipment		11,270,566	16,758,299
Amortisation - Leasehold land		-	65,725
Amortisation - Intangible assets		1,884,034	1,409,796
		<u>13,154,600</u>	<u>18,233,820</u>
12 CASH AND BANK BALANCES			
Bank balances	12.1	140,865,260	27,501,462
Cash-on-hand and in transit		3,037,045	748,887
Mortgage deposit		140,288,514	131,434,254
		<u>284,190,819</u>	<u>159,684,603</u>
12.1 BANK BALANCES			
National Bank of Kenya Ltd. - Main account		30,281,438	11,770,881
National Bank of Kenya Ltd. - Fee collection account		3,271,354	1,640,080
Barclays Bank of Kenya Ltd.		94,184,853	5,559,387
Equity Bank Ltd.		1,860,030	938,150
Cooperative Bank of Kenya Ltd.		3,210,128	4,258,515
Kenya Post Office Savings Bank (Postbank)		1,394,080	1,965,900
Kenya Commercial Bank Ltd.		6,663,377	1,368,549
		<u>140,865,260</u>	<u>27,501,462</u>
Treasury bills amounting to Sh.110 million matured on 30 June 2014 and were credited to Barclays Bank of Kenya Ltd Bank account.			
13 TREASURY BILLS/BONDS MATURING WITHIN ONE YEAR			
Bills maturing within 91 days		523,928,350	515,072,710
Bills maturing after 91 days		368,359,420	347,990,050
Bonds maturing within one year		63,979,800	63,726,150
		<u>956,267,570</u>	<u>926,788,910</u>
14 TRADE AND OTHER RECEIVABLES			
Prepayments		70,763,625	2,957,497
Interest receivable		41,164,673	33,351,334
Other receivables		1,765,000	2,293,515
Staff receivables		24,277,946	25,410,985
		<u>137,971,244</u>	<u>64,013,331</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

SCHEDULE OF NON CURRENT ASSETS

15 (a) PROPERTY, PLANT AND EQUIPMENT - 2013/2014

	Building	Building Construction In-progress	Information Communication Technology Equipment	Furniture and Fittings	Machinery and Office Equipment	Motor Vehicles	Total
COST	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
At 1 July 2013	132,493,514	40,220,498	40,490,566	30,583,084	22,461,675	36,097,266	302,346,603
Additions	290,000	76,509,393	3,928,656	2,351,090	1,474,378	4,659,958	89,213,475
Revaluation	22,216,486	-	-	-	-	(13,797,266)	8,419,220
Disposals	-	-	-	-	-	-	-
At 30 June 2014	155,000,000	116,729,891	44,419,222	32,934,174	23,936,053	26,959,958	399,979,298

DEPRECIATION

At 1 July 2013	40,808,810	-	38,841,646	24,115,025	14,309,680	33,754,973	151,830,134
Charge for the year	-	-	3,617,967	3,028,722	3,458,887	1,164,990	11,270,566
Revaluation	(40,808,810)	-	-	-	-	(33,754,973)	(74,563,783)
Disposals	-	-	-	-	-	-	-
At 30 June 2014	-	-	42,459,613	27,143,747	17,768,567	1,164,990	88,536,917

NET BOOK VALUE

At 30 June 2014	155,000,000	116,729,891	1,959,609	5,790,427	6,167,486	25,794,968	311,442,381
------------------------	--------------------	--------------------	------------------	------------------	------------------	-------------------	--------------------

PROPERTY, PLANT AND EQUIPMENT - 2012/2013

	Building	Building Construction In-progress	Information Communication Technology Equipment	Furniture and Fittings	Machinery and Office Equipment	Motor Vehicles	Total
COST	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
At 1 July 2012	132,493,514	-	39,549,577	28,153,698	20,810,209	36,097,266	257,104,264
Additions	-	40,220,498	3,297,839	3,083,174	1,717,166	-	48,318,677
Disposals	-	-	(2,356,850)	(653,788)	(65,700)	-	(3,076,338)
At 30 June 2013	132,493,514	40,220,498	40,490,566	30,583,084	22,461,675	36,097,266	302,346,603

DEPRECIATION

At 1 July 2012	37,496,472	-	36,844,878	21,831,083	10,848,801	31,126,939	138,148,173
Charge for the year	3,312,338	-	4,353,618	2,937,730	3,526,579	2,628,034	16,758,299
Disposals	-	-	(2,356,850)	(653,788)	(65,700)	-	(3,076,338)
At 30 June 2013	40,808,810	-	38,841,646	24,115,025	14,309,680	33,754,973	151,830,134

NET BOOK VALUE

At 30 June 2013	91,684,704	40,220,498	1,648,920	6,468,059	8,151,995	2,342,293	150,516,469
------------------------	-------------------	-------------------	------------------	------------------	------------------	------------------	--------------------

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013/2014 Sh.	2012/2013 Sh.
15(b) LEASEHOLD LAND			
Cost		<u>6,112,507</u>	<u>6,112,507</u>
At 1 July 2013		591,525	525,800
Amortisation charge for the year		-	<u>65,725</u>
		591,525	591,525
Revaluation		<u>359,479,018</u>	-
Net book value		<u><u>365,000,000</u></u>	<u><u>5,520,982</u></u>
16 INTANGIBLE ASSETS			
Cost/valuation			
Balance brought forward as at 1 July		13,969,726	11,530,034
Additions - software		319,000	1,075,120
Additions - internal developments		<u>1,009,375</u>	<u>1,364,572</u>
As at 30 June		<u><u>15,298,101</u></u>	<u><u>13,969,726</u></u>
Amortization and impairment			
At 1 July		12,749,880	11,340,084
Amortisation		<u>1,884,034</u>	<u>1,409,796</u>
As at 30 June		<u><u>14,633,914</u></u>	<u><u>12,749,880</u></u>
Net book value as at 30 June		<u><u>664,187</u></u>	<u><u>1,219,846</u></u>
17 FINANCIAL INSTRUMENTS			
The financial instruments in which KASNEB has contracted are held to maturity as indicated in Note 2 (f) and include Treasury bills and bonds. They are included in the financial statements under current and non-current investments. Treasury bonds included under non-current investments mature as follows:			
Treasury bonds maturing after one year			
Maturing between 1-3 years		121,400,965	159,679,665
Maturing after 3 years		<u>209,663,400</u>	<u>254,933,200</u>
		<u><u>331,064,365</u></u>	<u><u>414,612,865</u></u>
18 TRADE AND OTHER PAYABLES			
Examinations and invigilation expenses		11,460,816	17,385,968
Accruals		21,303,518	54,993,304
Other payables		<u>5,843,482</u>	<u>28,198</u>
		<u><u>38,607,816</u></u>	<u><u>72,407,470</u></u>
19 PROVISIONS			
RESTATED			
Leave provisions: Brought forward		5,355,369	4,132,437
Increase/(Decrease) in provisions		<u>456,066</u>	<u>1,222,932</u>
		5,811,435	5,355,369
Gratuity		779,061	122,082
Other non recurrent expenses		2,742,142	-
Examination prizes		2,215,000	-
Students Newline		<u>4,162,527</u>	<u>4,055,398</u>
		<u><u>15,710,165</u></u>	<u><u>9,532,849</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

20 PROVISION FOR LEAVE DAYS BALANCE

The provision for leave days balance is restated to include Sh. 4,132,437 being understated leave days balance not utilised in the financial year 2012/2013.

	2013/2014 Sh.	2012/2013 Sh.
21 PAYMENTS RECEIVED IN ADVANCE		
Prepaid examination fees	<u>5,898,659</u>	<u>9,112,200</u>

22 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 is 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 Enterprises.

The total project costs are as follows:

	Sh.
Construction works	1,074,883,805
Project design and consultancy services	<u>107,488,381</u>
Total	<u>1,182,372,186</u>

As at 30 June 2014 a total of Sh.116,729,891 had been spent on certified works and consultancy services.

23 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 6% per annum on reducing balance basis is charged on the mortgage loans.

24 TAXATION

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

25 EXPLANATION ON VARIANCES IN STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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

(a) Annual registration renewal fees - Sh.11.7 million

The negative variance of Sh.11.7 million was attributable to lower number of students/candidates who renewed their annual registration/ entered for the examinations compared to the projected numbers.

(b) Examinations and invigilation - Sh.19.3 million

The savings of Sh.19.3 million was attributable to the following:

- (i) Marking of scripts expenses due to lower candidature.
- (ii) Savings on invigilation expenses due to the consolidation of some examination centres.
- (iii) Savings from utilisation of government institutions as workshop venues.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**(c) Printing and stationery - Sh.12 million**

The savings of Sh.12 million was attributable to the following:

- (i) Favourable inflation rates and fuel costs that reduced the cost of printing and stationery.
- (ii) Enhanced interactive website that enabled students to download examination forms and timetables from the website.

(d) Local travelling expenses - Sh. 2.6 million

The savings of Sh.2.6 million was attributable to reduced motor vehicle running expenses as a result of lower fuel prices during the financial year.

(e) Education and training - Sh. 3.2 million

The savings of Sh.3.2 million was attributable to some budgeted training activities which were not carried out during the financial year due to exigency of duty.

(f) Insurance - Sh. 1.4 million

The savings of Sh.1.4 million was attributable to budgeted cost of insurance for machinery, office equipment and ICT equipment that were not procured during the financial year.

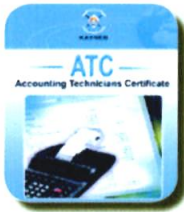
(g) Students journal - KASNEB Newline Sh. 4.7 million

The savings of Sh.4.7 million was attributable to favourable prices arising from market competition during the financial year.

26 CURRENCY

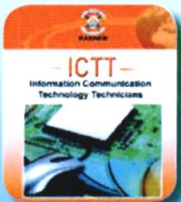
The financial statements are presented in Kenya Shillings (Sh.)

TECHNICIAN QUALIFICATIONS



Accounting Technicians Certificate (ATC)

The Accounting Technicians qualification equips candidates with skills and competencies to work as middle level accountants providing technical support in accounting, auditing and taxation.



Information Communication Technology Technicians (ICTT)

Information Communication Technology Technicians have the technical know-how and skills to work in the dynamic ICT industry as technicians in systems development, systems programming, administration and maintenance.



Investment and Securities Technicians (IST)

Investment and Securities Technicians work as technical analysts in the specialised fields of investment, securities analysis and pension administration.



Credit Management Technicians (CMT)

Credit Management Technicians are competent and skilled to work as technicians in credit management and credit control in both financial and non-financial enterprises

Our mission

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



KASNEB Towers

Hospital Road, Upper Hill

P.O. Box 41362 - 00100 Nairobi - Kenya

Tel: 254 (020) 4923000

Cellphone: 0722-201214/0734-600624

Fax: 254(020) 2712915

E-mail: info@kasneb.or.ke

Website: www.kasneb.or.ke