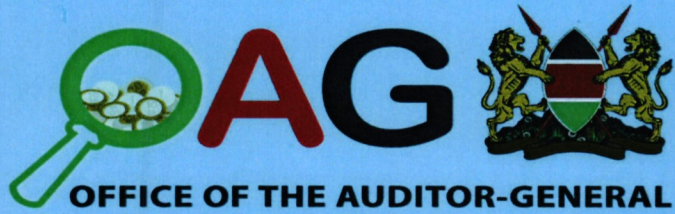



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THE AUDITOR-GENERAL

ON

NURSING COUNCIL OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2020**



NURSING COUNCIL OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

NURSING COUNCIL OF KENYA
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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

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

(b) Principal Activities

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

Vision

A world class regulatory body in nursing and midwifery education and practice

Mission

Develop standards; enforce regulations in nursing and midwifery education and practice

Core Values

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

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

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(c) Key Management

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

- Council members
- Registrar / Chief Executive Officer
- Deputy Registrar
- Senior Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Registrar/CEO	Edna C. Tallam – Kimaiyo
2.	Deputy Registrar	Sarah Burje
3.	Ag. Head of Finance	George Otieno
4.	Head of Supply Chain	Augustine Abade

(e) Fiduciary Oversight Arrangements

The primary organ responsible for fiduciary oversight arrangements is the Council Members. Other Government bodies and agencies also provide oversight. The Council exercised this oversight through its Committees. These were Finance Strategy and Development Committee; Education, Registration and Examination Committee; Discipline, Standards and Ethics Committee; and Risk and Audit Committee. The key function of the Council is to guide and control the performance and management of the affairs of the Council.

Finance Strategy and Development Committee

The primary responsibility of the Finance Strategy and Development Committee is to oversee the financial, human resource, legal and information, communication and technology advancement of the Council.

The Committee reviews quarterly financial, human resource, supply chain, and information, communication and technology reports, and makes recommendations to the Council on ways of raising and utilizing funds and establishment of systems and procedures for efficient financial management. It further advises the Council on Human Resource, ICT, Legal, Communication and Supply Chain policies and guidelines.

Registration, Education and Examination Committee

The Registration, Education and Examination Committee sets the criteria, and oversees implementation of regulations governing the enrolment, registration and licensing of nurses and midwives in Kenya. It is also in charge of registers, rolls and records required to be kept under the Nurses and Midwives Act, Cap 257. The Committee is also involved in the development of performance evaluation study guidelines, training and research guidelines and participates in, and informs the Council about the outcomes of relevant national and international scientific conferences.

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Discipline, Standards and Ethics Committee

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

Risk and Audit Committee

The Risk and Audit Committee's scope includes risk management, as well as compliance with the regulatory requirements. It broadly oversees the Council's standards of integrity and behaviour, reporting of financial information and internal control systems.

(f) Headquarters

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

(g) Contacts

Tel: +254-20-7854665/9, +254-721-920567, +254-733-924669
Email: info@nckkenya.org
Website: www.nckkenya.com

(h) Bankers

Absa Bank Kenya Ltd, Harambee Ave-Premier Life Centre Branch | P O Box 30011-00100,
Nairobi Kenya

Cooperative Bank of Kenya Ltd, Kibera Branch | P.O. Box 48231 – 00100, Nairobi Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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II. THE COUNCIL MEMBERS

	<p>Prof. Eunice Ndirangu Independent Council Member and Chairperson, Nursing Council of Kenya</p> <p>Prof. Eunice Ndirangu, born on 14th July 1978, was appointed to the Council on 5th July 2019 as the Chairperson. She holds a PhD in Nursing Studies and Master in Advanced Nursing Practice both from the University of Nottingham in the United Kingdom, and Bachelor of Science in Nursing (BScN) from the University of East Africa - Baraton. She is currently the Dean, Aga Khan University School of Nursing and Midwifery and a Board Member at Aga Khan University.</p>
	<p>Mathew Kiptoigat Kipturgo Independent Council Member</p> <p>Mr. Mathew Kiptoigat Kipturgo, born on 25th February 1974, is the Chairperson of Finance, Strategy and Development Committee and is a representative of Mid-Level Colleges. He was appointed for another term to the Council on 5th July 2019. He holds Master of Science in Nursing and Bachelor of Science in Nursing both from the University of Nairobi. He is currently the Principal of the Kenya Medical Training College, Machakos Campus. He is also a Senior Principal Lecturer of nursing in the same institution.</p>



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	<p>Dr. Mary Nandili Independent Council Ex-Officio Member Dr. Mary Nandili is an Ex-officio member of the Council and also the Director of Nursing Services (DNS). She holds a PhD in Nursing and a Master of Science in Nursing and Epidemiology, Project Management</p>
	<p>Nyongesa Michael Simiyu Independent Council Member Mr. Nyongesa Michael Simiyu, born on 12th January 1972, was appointed to the Council on 5th July 2019. He is the Chairperson of Risk and Audit Committee and a representative of Kenya Professional Nurses Association. He holds a Bachelor of Science in Health Systems Management from Kenya Methodist University and a Diploma in Kenya Registered Community Health Nurse from the Kenya Medical Training College. He is also the Chair, Kenya Progressive Nurses Association (KPNA) and the Depot Manager, Division of Vaccine and Immunization.</p>
	<p>Boniface Mutisya Kimangau Independent Council Member Mr. Boniface Mutisya Kimangau, born on 30th September 1979, was appointed to the Council on 5th July 2019 and is representative of Midwives Association of Kenya (MAK). He holds a Bachelor of Science in Nursing from Kenya Methodist University and Diploma in Kenya Registered Community Health Nurse from Kenya Medical Training College. He is currently</p>

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	<p>serving as a Senior Nursing Officer, Labour Ward Kenyatta National Hospital.</p>
	<p>Margaret Wangari Muiyuro-Nyaga Independent Council Member Mrs. Margaret Wangari Muiyuro, born on 1st March 1979, was appointed to the Council on 5th July 2019. She is a representative of the Public as per the Nurses Act. She holds a Master in Public Health from Roehampton University United Kingdom, Higher Diploma in Critical Care and Diploma in Registered Nursing both from Cicely McDonnell School of Nursing. She is serving as a Senior Nurse and ICU Infection Control Link Nurse at the Nairobi Hospital, the CEO and Founder Pokea Afya foundation, and the Chair of National Nurses of Kenya Nairobi hospital branch.</p>
	<p>Alfred Obuya Obengo Independent Council Member Mr. Alfred Obuya Obengo, born on 4th April 1971, was appointed for another term to the Council on 5th July 2019. He is the Chairperson of the Discipline, Standards and Ethics Committee and a representative of National Nurses Association of Kenya (NNAK). He holds a Diploma in Kenya Registered Community Health Nurse from Kenya Medical Training College and Public Relations and Personnel Administration from Universal Group of Colleges. He is serving as the Chairperson of National Nurses Association and a Senior Nurse at Kenyatta National Hospital.</p>

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	<p>Dr. Gondi Joel Odhiambo Independent Council Ex-Officio Member Dr. Gondi Joel Odhiambo, born 24th June 1972, is an Ex-officio member of the Council and is a representative of the Office of Director General, Medical Services. He is currently serving as Senior Deputy Director of Medical Services Ministry of Health, and previously served as the Head of Reproductive and Maternal Health Services Unit. He holds an MBChB from Moi University, Master of International/Public Health from Virje University and Executive MBA from JKUAT.</p>
	<p>Prof. Elijah Nyabuti Nyangena Independent Council Member Prof. Elijah Nyabuti Nyangena was born on 23rd June 1963. He was appointed to the Council on 5th July 2019. He is the Chairperson of the Registration, Education and Examination Committee and is a representative of Universities in Kenya. He holds a PhD in Medical Education from Moi University, Master of Science in Nursing from University of Witwatersrand South Africa, and Bachelor in Nursing from University of Eastern Africa Baraton. He is serving as an Associate Professor of Nursing and Head of Department of Nursing at the University of Kabianga.</p>



Dr. Judith Awinja Aluora-
Council Ex-Officio Member

Dr. Judith Awinja Aluora , born on 26th November 1969, is an Ex-officio member of the Council and the current office holder of Director of Nursing Services (DNS) Ministry of Health and is a representative of this Office. She was appointed to the Council on 5th February 2020. She holds a PhD in Public Health Policies and Administration (Strategic Management) from Walden University USA, Master of Science in Public Health (MPH) from University of Liverpool and Bachelor of Nursing (BN) from Dundee University Scotland. She is currently the Head of Home Based Care Programme Ministry of Health and a Member of the Covid 19 Task force.



Edna Tallam – Kimaiyo
Registrar / Chief Executive Officer

Edna C. Tallam-Kimaiyo, born on 21st December 1982, is currently the Registrar/CEO of Nursing Council of Kenya. She holds a Master of Public Health from Kenyatta University, Bachelor of Science in Nursing (BScN) from University of East Africa - Baraton and is a Fellow of Global Health Leadership program, University of Washington. Previously she worked at Kenyatta National Hospital.

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Caroline Wanjiku Muchina
Ag. Corporation Secretary

Caroline Wanjiku Muchina, born on 15th May 1988, is currently the Ag. Corporation Secretary Nursing Council of Kenya. She holds a Bachelor of Laws University of Nairobi and an Advocate of the High Court of Kenya. She is a Certified Company Secretary (CPS-K) and a member of Institute of Certified Secretaries. In addition, she is a certified Governance Auditor and an Associate of the Kenya Institute of Bankers (AKIB). She has previously worked with Green Pot Enterprises Ltd and Imperial Bank (Under Receivership)

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III. MANAGEMENT TEAM

	<p>Edna Tallam - Kimaiyo Registrar / Chief Executive Officer Overall leadership and direction of the Council operation on a day to day basis</p> <ul style="list-style-type: none"> • Masters of Public Health • Bachelor of Science in Nursing, • A Fellow of Global Health Leadership
	<p>Sarah Burje Deputy Registrar Deputising Registrar/CEO on the day to day management and operation of the Council.</p> <ul style="list-style-type: none"> • Master of Science (Nursing Education) • Bachelor of Nursing • KRN, KRM, KRCHN(PB)
	<p>Gladys Omiah Ag. Head of Registration and Licensing</p> <ul style="list-style-type: none"> • Bachelor of Science in Nursing • KRN, KRM

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CPA George Otieno Achieng

Ag. Head of Finance

- Master of Business Administration (Finance)
- Bachelor of Commerce (Finance)
- CPA-K
- Member of ICPAK



Eva Magothe

Head of Information Communication & Technology

- Bachelor of Business Information Technology
- Certified Information System Auditor



Augustine Abade

Head of Supply Chain

- Masters of Science Procurement and logistics
- Bachelor of Business Management
- Post-graduate diploma in Purchasing and supplies
- MCIPS, MKISM, MKIM.

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CPA Michael Kahuthu Mwenda

Head of Internal Audit, Risk and Compliance

- Bachelor of Business Management,
- CPA-K
- Member of ICPAK
- Member of IIA Kenyan Chapter



Gladys Marindi Machira

Head of Education, Research and Examination

- Master of Science in Palliative Care
- Bachelor of Science, Nursing

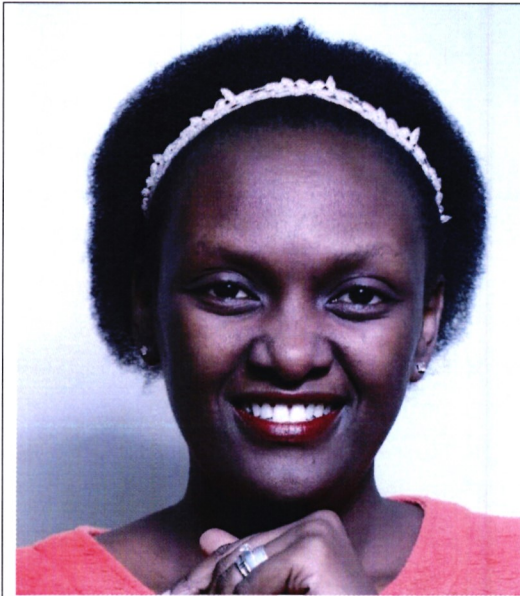


Ann Njeri Mukuna

Head of Standards and Ethics

- Master in Health Systems Management
- Bachelor of Science, Nursing
- KRCHN

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Laura Mugo
Head of Human Resource and Administration

- Masters of Business Administration
- Bachelor of Commerce (Human Resource)
- Member of IHRM



Caroline Wanjiku Muchina
Ag. Corporation Secretary and Head of Legal Services

- Bachelor of Law (LLB)
- Advocate (Dip. KSL)
- ICPS(K)
- Associate of Kenya Institute of Bankers (AKIB)

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IV. CHAIRPERSON'S STATEMENT

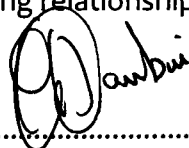
On behalf of the Council, I have the pleasure of presenting the Annual Report and Financial Statements for the financial year ended 30 June 2020. Established under the Nurses and Midwives Act Cap 257, the Council is mandated to regulate nursing and midwifery education and practice in Kenya, through making provisions for training, registration, enrolment and licensing of nurses and midwives. The Council also regulates their conduct to ensure maximum participation in health care of the community and connected purposes.

I am pleased to report that the Council was able to achieve most of the targets set for the financial year 2019-2020 despite the disruptions caused by the Global Covid-19 pandemic. We have continued to work within our mandate as stipulated in the Nurses and Midwives Act. To enhance service delivery, the Council has digitized most of its services including payment platform, retention and registration of nurses and midwives. In addition, the Council has planned to administer its licensure exams online.

The Council is committed to ensuring its prosperity by collectively directing its affairs, whilst meeting the diverse interests of stakeholders. The Council Charter guides the operations of the Council, as well as defining the roles and responsibilities of the Council members and Management. We strive to observe the highest standards of corporate governance and corporate ethics in providing overall policy and strategic direction.

As we celebrate 2020 as the “Year of the Nurse and Midwife” the Council acknowledges the unique contribution that nurses and midwives play in the healthcare system. We are very proud of the nursing and midwifery professionals at the frontline in response to the Covid-19 pandemic. We also continue to Implement our five-year Strategic Plan 2017 – 2022 under four key strategic pillars namely: - Education and Research, Nursing and Midwifery Practice, Institutional Capacity Development, and Leadership and Governance. The plan is aligned to the national aspirations as envisioned in the Kenya Vision 2030, the Medium Term Plan and the Constitution of Kenya 2010.

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



.....
Prof. Eunice Ndirangu
Chairperson

22.04.2021
.....

Date
Nairobi

NURSING COUNCIL OF KENYA
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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the annual report and financial statements for the year ended 30th June 2020.

The Nursing Council of Kenya was established in June 1983 through the enactment of the Nursing Act. The mandate of the Council is to regulate the Nursing and midwifery education and practice in Kenya. The Strategic Plan of the Council is designed to ensure 100% compliance with the requirements under the Nursing and Midwifery Act and other relevant laws and regulations.

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

During the financial year under review, the Council reported a slight increase in revenue reported from Kshs.278.8 million FY 2018-2019 to Kshs.282.5 million FY 2019-2020. However, there was a reduction in surplus for the year from kshs.27.3 million to kshs.2.09 million as a result of utilization of the previous years' surplus to fund current operations and general decline in revenue collection in last quarter of the year occasioned by Covid-19 pandemic. The value of total assets rose from Kshs. 220.4 million to Kshs. 221.3 million the current year. The Council achieved most of its intended plans, programs and activities as set out in the annual work plan and procurement plan.

The Council successfully administered the August 2019 exams. However, April 2020 exams were disrupted by the Covid-19 pandemic. Subsequently, we have made plans to conduct the nursing and midwifery exam online. We have also implemented online CPD for practising nurses to be in good professional standing.

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

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



Edna C. Tallam-Kimaiyo
Registrar/CEO

22-4-2021

Date
Nairobi

NURSING COUNCIL OF KENYA

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VI. CORPORATE GOVERNANCE STATEMENT

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

Composition of the Council:

The Council is made up of Nine non-executive members and who consist of a Chairperson and six members appointed by the Cabinet Secretary in the Ministry of Health to represent major stakeholders. Additional members to the Council comprise of a representative from the office Director General Medical services, and Director of Nursing Services and the Registrar / Chief Executive Officer of the Council who are ex-officio members of the Council.

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

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

Council Committees:

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

The Council has four standing committees which meet at least once per quarter and work under the terms of reference set by the Council. The Council co-opt members to enhance its performance in specific areas where there is need of expertise.

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

Finance, Strategy and Development

- a) Mr Mathew Kiptoigat Kipturgo (Chairperson)
- b) Mrs Margaret Wangari Munyuro
- c) Prof. Elijah Nyabuti Nyangena
- d) Dr. Judith Awinja Aluora
- e) Dr. Mary Nandili

Registration, Education and Examination Committee

- a) Prof. Elijah Nyabuti Nyangena (Chairperson)
- b) Mr Mathew Kiptoigat Kipturgo

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- c) Dr. Judith Awinja Aluora
- d) Mr. Alfred Obuya Obengo
- e) Mr. Boniface Mutisya Kimangau
- f) Dr. Mary Nandili

Discipline, Standards and Ethics Committee

- a) Mr. Alfred Obuya Obengo (Chairperson)
- b) Mr. Nyongesa Michael Simiyu
- c) Dr. Gondi Joel Odhiambo
- d) Mrs Margaret Wangari Munyuro

Audit and Risk Committee

- a) Mr. Nyongesa Michael Simiyu (Chairperson)
- b) Dr. Gondi Joel Odhiambo
- c) Mr. Boniface Mutisya Kimangau
- d) Dr. Julius Akicho (Co-opted, from The National Treasury)

Council Meetings:

The Council meets quarterly or more often, in accordance with the requirements of the business. The Council work plan and calendar are prepared at the beginning of the year and adequate notice is given for all meetings. The agenda and Council papers are circulated within the stipulated timelines.

On 5th February, 2020 Dr. Judith Awinja Aluora was appointed to replace Dr. Mary Nandili as an Ex-officio member of the Council and Director of Nursing Services.

The table below is a summary of Council members' attendance to council meetings held in the period under review:

Council Member	Committee Meetings	Full Council	Special Meetings	Total Meetings
Prof. Eunice Ndirangu		4	4	8
Mr. Mathew Kiptoigat Kipturgo	4	4	4	12
Dr. Judith Awinja Aluora	2	2	2	6
Prof. Elijah Nyabuti Nyangena	4	4	4	12
Mr. Nyongesa Michael Simiyu	4	4	4	12
Mr. Boniface Mutisya Kimangau	4	4	4	12
Mrs. Margaret Wangari Muiyuro	4	4	4	12
Mr. Alfred Obuya Obengo	3	4	4	11
Dr. Gondi Joel Odhiambo	4	4	4	12
Dr. Mary Nandili	0	0	3	3

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CORPORATE GOVERNANCE STATEMENT CONTINUED...

The Role of the Council

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

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

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

Council effectiveness

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

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

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

Director's remuneration

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

Statement of Compliance

The Council Member's participation and attendance confirms that Nursing Council of Kenya has throughout the 2019/2020 financial year complied with the entire Statutory and Regulatory requirement and that the Council is committed to the principles of good corporate governance as stipulated by Mwongozo: The Code of Governance for State Corporations.

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CORPORATE GOVERNANCE STATEMENT CONTINUED...

Internal control and risk management:

Internal Control

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

Standing Instructions

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

Organization Structure

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

Strategic Plan

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

Internal Control Framework

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

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Council. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2019/2020.

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CORPORATE GOVERNANCE STATEMENT CONTINUED...

Risk Management

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

Management Team

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

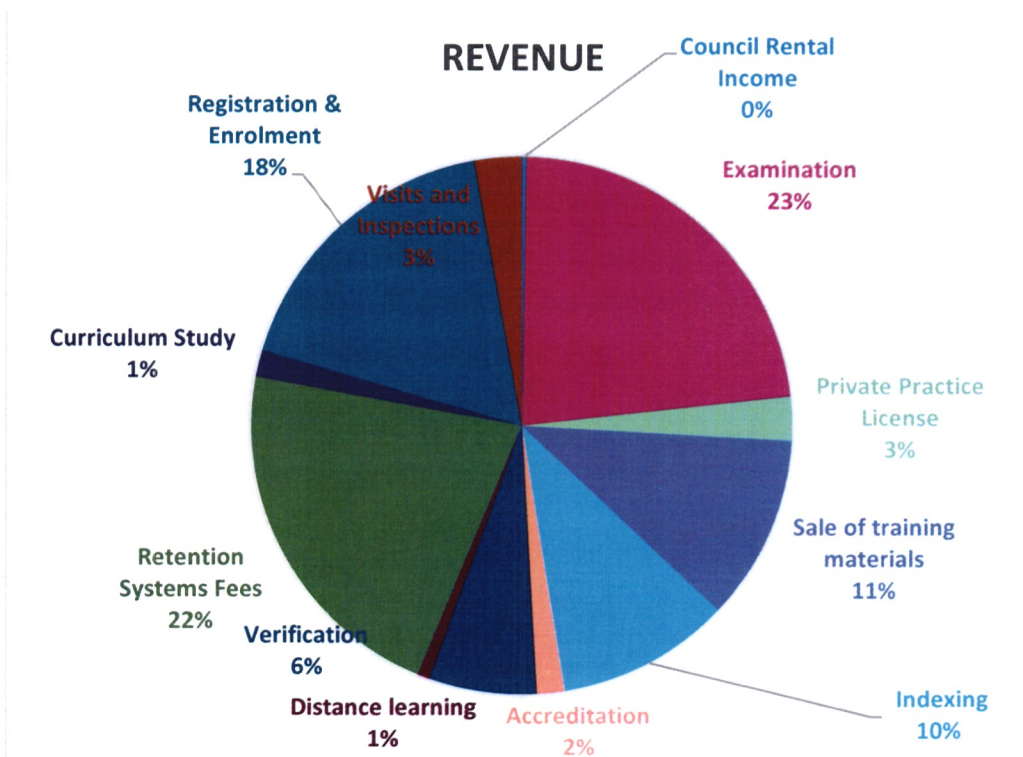
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VII. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Performance

Total Revenue generated recorded a slight improvement in FY 2019-2020 recording kshs.282,501,043 against the previous year’s figure of Kshs.278,817,983. This reflected an increase of kshs.3,683,060 or 1%. The performance was also above the budget figure of Kshs.269,800,000 by kshs.12,701,043 or 4.7% favourable performance.

The pie chart below shows revenue received by categorisation;

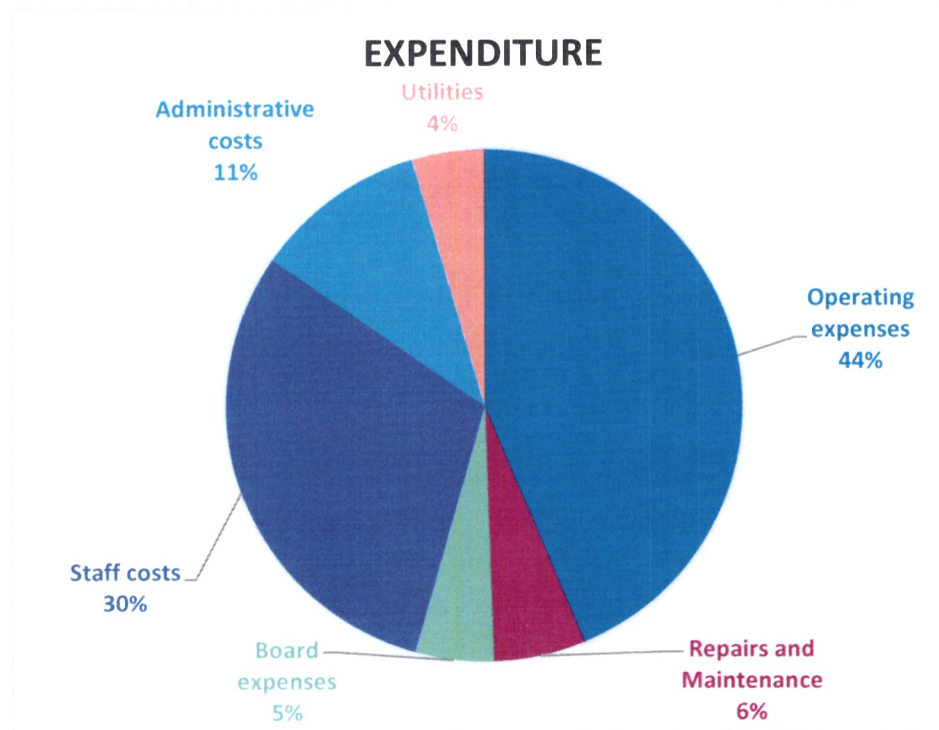


Expenditure Performance

Total expenditure in the period under review increased by 11% to kshs.280,406,457 from kshs.251,467,079. This was slightly above the budget figure of kshs.269,800,000 by kshs.10,607,457 or 3.9% variance. This was mainly on account of increased operating costs attributed to increased compliance visits and inspections, acquisition of retention cards to cater for increased numbers of nurses renewing their licenses and costs of exam execution. There was a notable increase in repairs and maintenance costs whose huge component was driven by repairs and maintenance of the Council’s ICT infrastructure.

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The pie chart below shows expenditure incurred during the period by categorisation;



Total Assets

The Council's total assets rose from kshs.220,462,625 F/Y 2018-2019 to kshs.221,393,740 F/Y 2019-2020 representing a 1% growth level.

Current Assets

The Current assets stood at kshs.79,118,567 up from kshs.78,529,561 the previous F/Y 2018-2019 an increase of 1%. The increase was mainly on account of growth in receivables by kshs.761,986 (1%) and inventories by kshs.2,791,770 (69%). The Cash and cash equivalent declined over the same period from by kshs.2,964,750 (-4%).

Liabilities

The Council's balance of liabilities as at 30 June 2020 were kshs.3,422,201 compared to previous financial year's balance of kshs.4,585,671 representing a decline of 25%.

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VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Nursing Council of Kenya plays an important role in the provision for training, registration, enrolment and licensing of nurses and midwives in Kenya and regulates their conduct to ensure their maximum participation in the health care of the Community and for connected purposes. Corporate Social Responsibility (CSR) is increasingly becoming an integral part of business today as it influences the long-term success of any organisation. In the process of carrying out our activities as the Council, we are keen to work closely with communities and other stakeholders around us, to empower, create value and better their lives.

The Council recognizes its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, stakeholders and the environment as a whole.

In striving to fulfil the corporate social responsibility in the financial year, the Council embarked on the following activities;

- i. Community engagement with nurses and midwives through Zumba Activities as Covid-19 response
- ii. Participation in the Beyond zero marathon
- iii. Support of activities/events organized by Nurses and Midwives Associations

i. COVID-19 Response-Zumba Activities

The Nursing Council of Kenya (NCK), amidst the coronavirus pandemic, has been involved in community engagement with nurses and midwives who are at the forefront of fighting the pandemic through psychosocial support. They worry when they come into contact with the patients, hence making them feel at risk of getting exposed to the disease. This adds distress, uncertainty the situation, and an increased desire to use alcohol or drugs to cope.

NCK came up with an innovative way of boosting the healthcare workers' mental and psychosocial wellbeing through Zumba. Zumba dance exercise allows people of all ages, abilities, and goals to participate and improve their overall health, relieve stress and cope with their anxiety, even helping them overcoming post-traumatic stress disorder and depression.

So far, the Council has successfully undertaken five (5) Zumba events at the Kenyatta University Teaching, Referral and Research Hospital, The Kenyatta National Hospital Infectious Disease Unit at Mbagathi, Mathari National Teaching and Referral Hospital, Machakos Covid-19 Isolation Center at Kenyatta Stadium and Technical University of Mombasa Isolation Centre.



Nurses Zumba Session at Kenyatta National Hospital

ii. The Beyond Zero Marathon

The Council participated in this year's 5th Edition of the Beyond Zero half marathon which coincided with International Women's Day. The main cause of the initiative is to create one stop health services to achieve zero maternal deaths. The Initiative also focuses on raising awareness and funds for neglected health challenges such as fistulae on children living with disabilities, multiple HIV risks faced by young people, breast, cervical and prostate cancers and eye care for the elderly.



Council Staff at a Beyond Zero Marathon

iii. Events Support of Nurses and Midwives Association.

The Nurses and midwives' fraternity has vibrant associations which have been established to champion their various needs and initiatives. On yearly basis the associations do organize events with particular thematic areas for sensitization of their members. The Council is invited as one of the corporate sponsors and participates in such events as well. For the year under review, the Council supported the 61st Annual National Nurses Scientific Conference for National Nurses Association of Kenya (NNAK) Annual Nurses, Kenya Progressive Nurses Association's (KPNA) 33rd Annual scientific conference/Reconstructive Surgeries and the Midwives Association of Kenya's 2019 Annual Scientific Conference.

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Kenya Progressive Nurses Association Conference Held at Garissa



Midwives Association of Kenya Conference Held at St. Paul University

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IX. REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the financial statements for the year ended June 30, 2020 which show the state of affairs of the Council.

Principal activities

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

Results

The results of the Council for the year ended June 30, 2020 are set out on page 1 of this report.

Council Members

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

Auditors

The Auditor General is responsible for the statutory audit of the Council in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General nominated Matengo Githae and Associates to carry out audit of the Council for the period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Council



Caroline Wanjiku Muchina
Ag. Corporation Secretary

22nd April 2021

Date
Nairobi

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X. STATEMENT OF RESPONSIBILITIES OF THE COUNCIL MEMBERS

Section 81 of the Public Finance Management Act 2012, Section 14 of the State Corporations Act and Section 27B (1) Nurses & Midwives Act Cap 257 require the Council to prepare financial statements in respect of Nursing Council of Kenya, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for that year. The Council Members are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Council Members are also responsible for safeguarding the assets of the Council.

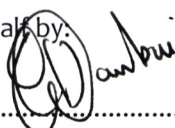
The Council Members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Council; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012, the State Corporations Act and the Nurses Act. The Council Members are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2020, and of the Council's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Council's financial statements were approved by the Council on 28th Sept. 2020 and signed on its behalf by:


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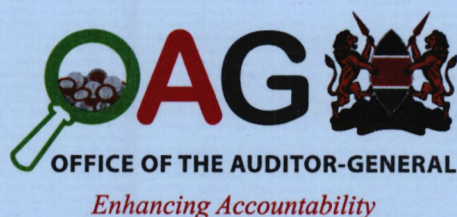
Prof. Eunice Ndirangu
Chairperson


.....

Edna C. Tallam-Kimaiyo
Registrar/CEO

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NURSING COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Nursing Council of Kenya set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Matengo Githae and Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report. I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nursing Council of Kenya as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Nurses Act, Cap 257 of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am Independent of the Nursing Council of Kenya Management in accordance with ISSAI 130 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 audit 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 ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Council Members

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

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the Council or to cease operations.

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

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

The Council Members are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Council monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

16 August, 2021

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XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 Kshs	2019 Kshs
Revenue from exchange transactions			
Income from operations	6	250,185,197	244,563,464
Income from other sources	7	<u>32,315,846</u>	<u>34,254,519</u>
Total revenue		<u>282,501,043</u>	<u>278,817,983</u>
Expenditure			
Operating expenses	8	115,577,002	98,525,548
Staff costs	9	80,548,481	79,612,981
Administrative costs	10	28,648,032	30,717,803
Board expenses	11	13,435,620	10,376,838
Depreciation expense	12	15,514,282	12,289,921
Repairs and Maintenance	13	14,679,750	9,217,561
Utilities	14	<u>12,003,289</u>	<u>10,726,427</u>
Total Expenditure		<u>280,406,457</u>	<u>251,467,079</u>
Surplus for the period		<u>2,094,586</u>	<u>27,350,904</u>

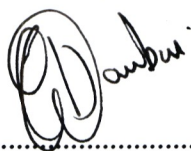
The notes set out on pages 7 to 23 form an integral part of these Financial Statements.

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
For the year ended June 30, 2020

XIII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 Kshs	2019 Kshs
ASSETS			
Current assets			
Cash and cash equivalents	15	63,677,458	66,642,208
Receivable from exchange transactions	16	8,623,219	7,861,233
Inventories	17	6,817,890	4,026,120
		<u>79,118,567</u>	<u>78,529,561</u>
Non-current assets			
Property, plant and equipment	18	139,011,684	137,958,064
Intangible Assets	19	3,263,489	3,975,000
		<u>142,275,173</u>	<u>141,933,064</u>
Total assets		<u>221,393,740</u>	<u>220,462,625</u>
LIABILITIES			
Current liabilities			
Payables from exchange transactions	20	1,632,841	3,585,671
Provisions	21	1,789,360	1,000,000
Total liabilities		<u>3,422,201</u>	<u>4,585,671</u>
Net assets		<u>217,971,540</u>	<u>215,876,954</u>
Equity			
Accumulated surplus	22	169,123,877	167,029,291
Revaluation Reserve	23	48,847,663	48,847,663
Total equity		<u>217,971,540</u>	<u>215,876,954</u>
Total net asset and liabilities		<u>221,393,740</u>	<u>220,462,625</u>

The Financial Statements set out on pages 1 to 23 were signed on behalf of the Members of Council by:



.....
Prof. Eunice Ndirangu
Chairperson



.....
Edna C. Tallam-Kimaiyo
Registrar/CEO



.....
CPA George Otieno
Ag. Head of Finance
ICPAK No. 10430

NURSING COUNCIL OF KENYA
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XIV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation Reserve Kshs	Accumulated Surplus Kshs	Total Kshs
At 1st July 2018	48,847,663	137,684,323	186,531,986
Creditors Write Off		1,994,063	1,994,063
Surplus for the year		27,350,904	27,350,904
At 30th June 2019	<u><u>48,847,663</u></u>	<u><u>167,029,291</u></u>	<u><u>215,876,954</u></u>
At 1st July 2019	48,847,663	167,029,291	215,876,954
Surplus for the year		2,094,586	2,094,586
At 30th June 2020	<u><u>48,847,663</u></u>	<u><u>169,123,877</u></u>	<u><u>217,971,540</u></u>

NURSING COUNCIL OF KENYA
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XV. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 Kshs	2019 Kshs
Cash flows from operating activities:			
Receipts			
Examination & Indexing		94,453,286	111,791,851
Registration & Enrolment		49,844,330	46,195,339
Private Practice License		5,708,050	7,160,197
Curriculum Study		4,335,050	4,443,670
License Application & Verification		19,807,964	16,150,277
Retention Systems Fees		61,133,856	44,165,049
Accreditation & Inspections		12,784,061	10,568,475
Distance learning		2,118,600	4,088,607
Council Rental Income		720,000	720,000
Sale of training materials		31,322,719	34,627,148
Miscellaneous income		221,986	16,461
Total Receipts		282,449,902	279,927,073
Payments			
Operating expenses		115,577,002	98,525,548
Staff costs		80,548,481	79,612,981
Administrative costs		27,448,032	30,717,803
Board expenses		13,435,620	10,376,838
Repairs and Maintenance		14,679,750	9,217,561
Utilities		12,003,289	10,726,426
Prepayments of Insurance		761,986	7,700,807
Disbursement to suppliers		1,952,831	-
Purchase of training materials		2,791,770	-
Audit fees		410,640	659,647
Total Payments		269,609,401	247,537,611
Net cash from operating activities	24	12,840,500	32,389,462
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	18 & 19	(16,286,750)	(11,564,760)
Sale proceeds on disposal		481,500	-
Net cash used in investing activities		(15,805,250)	(11,564,760)
Net cash used in financing activities		-	-
Net increase (decrease) in cash and cash equivalents		(2,964,750)	20,824,702
Cash and cash equivalents at 1st July	15	66,642,208	45,817,506
Cash and cash equivalents at 30 June	15	63,677,458	66,642,208

NURSING COUNCIL OF KENYA
Annual Reports and Financial Statements
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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Supplementary budget	Final budget	Actual on comparable basis	Favorable & (unfavorable) Performance difference	F+ & U-variance
	2019-2020		2019-2020	2019-2020	2019-2020	2019-2020
	Kshs		Kshs	Kshs	Kshs	%
Revenue						
Indexing	29,000,000		29,000,000	29,542,356	542,356	2
Examination	59,000,000		59,000,000	64,910,930	5,910,930	10
Registration & Enrolment	49,000,000		49,000,000	49,844,330	844,330	2
Private Practice License	7,000,000		7,000,000	7,455,960	455,960	7
Accreditation	3,000,000		3,000,000	4,773,851	1,773,851	59
Verification	10,800,000		10,800,000	18,060,054	7,260,054	67
Retention Systems Fees	37,000,000		37,000,000	61,133,856	24,133,856	65
Curriculum Study	5,500,000		5,500,000	4,608,177	(891,823)	-16
Visits and Inspections	7,250,000		7,250,000	8,010,210	760,210	10
Council Rental Income	720,000		720,000	720,000	-	0
Sale of training materials	35,030,000		35,030,000	31,322,719	(3,707,281)	-11
Distance learning	5,000,000		5,000,000	2,118,600	(2,881,400)	-58
Retained Surplus	15,000,000	6,500,000	21,500,000			0
Total income	263,300,000	6,500,000	269,800,000	282,501,043	34,201,043	
Expenditure						
Operating expenses	95,620,000	12,000,000	107,620,000	115,577,002	7,957,002	7
Staff costs	87,150,000	(7,000,000)	80,150,000	80,548,481	398,481	0
Administrative costs	27,200,000	(900,000)	26,300,000	28,648,032	2,348,032	9
Board expenses	14,000,000	1,200,000	15,200,000	13,435,620	(1,764,380)	-12
Depreciation and Amortization	0	0	0	15,514,282	0	0
Repairs and Maintenance	14,180,000	250,000	14,430,000	14,679,750	249,750	2
Utilities	10,150,000	1,550,000	11,700,000	12,003,289	303,289	3
Total expenditure	248,300,000	7,100,000	255,400,000	280,406,457	9,492,175	4
Surplus for the period	15,000,000	(600,000)	14,400,000	2,094,586	24,708,868	

NURSING COUNCIL OF KENYA
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For the year ended June 30, 2020

XVII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. GENERAL INFORMATION

Nursing Council of Kenya is established by and derives its authority and accountability from Nurses Act Cap 257. The Council is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity of NCK is to regulate the Nursing and Midwifery education and practice in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Council's financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Council's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

<p>IPSAS 40: Public Sector Combinations</p>	<p>Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. The Council is not affected by the application of the standard.</p>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

ii. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> • The nature of such social benefits provided by the entity; • The key features of the operation of those social benefit schemes; and • The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

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Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

iii. Early adoption of standards

The Council did not early – adopt any new or amended standards in year 2020.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

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

i) Revenue from non-exchange transactions

Fees and licenses

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rental income

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

Donor funds

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

b) Budget information

The original budget for FY 2019-2020 was approved by the Ministry of Health on 4th June, 2019. An additional appropriation was made to the approved budget in accordance with the approval granted by the Ministry of Health dated 15th May 2020 for support of country Inspections of Quarantine and Isolation/Treatment Centres for tackling Corona Virus Pandemic. Accordingly, the Council recorded additional appropriation of kshs.6.5 million on the 2019-2020 budget in order to conclude the Final Budget for the Council as provided for by the PFM Act.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

c) Property, plant and equipment

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

Depreciation

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

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

d) Leases

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

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

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

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

e) Intangible assets

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

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

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

f) Inventories

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

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

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

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

g) Provisions

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

Contingent liabilities

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

Contingent assets

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

h) Nature and purpose of reserves

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

The Council also maintains a revaluation reserve that resulted from a revaluation surplus when the Council revalued its assets on 31st December 2017.

l) Changes in accounting policies and estimates

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

j) Foreign currency transactions

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

k) Related parties

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

l) Cash and cash equivalents

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

m) Comparative figures

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

Comparative information

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

	2020	2019
	Kshs	Kshs
6 Income from operations		
Examination and Indexing	94,453,286	111,791,851
Registration and Enrolment	49,844,330	46,195,339
Private Practice License	5,708,050	7,160,197
Curriculum Study	4,335,050	4,443,670
License Application and Verification	19,807,964	16,150,277
Retention Systems Fees	61,133,856	44,165,049
Accreditation and Inspections	12,784,061	10,568,475
Distance learning	2,118,600	4,088,607
	<u>250,185,197</u>	<u>244,563,464</u>
7 Income from other sources		
Council Rental Income	720,000	720,000
Sale of training materials	31,322,719	33,518,058
Miscellaneous income	273,127	16,461
	<u>32,315,846</u>	<u>34,254,519</u>
8 Operating expenses		
Seminars and workshops	21,374,866	22,332,378
Printing and signing of certificates	23,203,230	22,426,040
Donations and subscription	803,173	572,160
Retention system	15,950,000	12,575,000
Standards and Compliance visits	18,740,472	11,389,063
Travelling cost	1,170,610	1,759,731
Examinations	33,364,171	25,944,840
Nurses CPD Expenses	970,480	1,526,336
	<u>115,577,002</u>	<u>98,525,548</u>
9 Staff costs		
Basic Salary	31,312,484	27,016,614
House Allowance	11,755,333	8,329,895
Commuter Allowance	3,147,666	2,152,533
Responsibility Allowance	6,890,017	8,372,836
Leave Allowance	2,537,138	2,835,550
Wages	32,500	208,336
Gratuity	9,259,625	15,457,190
Staff development	5,591,562	6,902,358
Medical cover	8,796,604	7,967,333
Employer statutory contributions	660,792	122,580
Other staff costs	564,760	247,756
	<u>80,548,481</u>	<u>79,612,981</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

	2020 Kshs	2019 Kshs
10 Administrative costs		
Office running cost	4,530,527	2,251,624
Motor vehicle running cost	3,761,626	3,112,009
Motor vehicle insurance	509,949	441,602
Advertising and newspaper	2,263,907	1,438,302
Stationery	5,391,288	11,533,025
Audit fees	1,200,000	1,050,000
Building insurance	22,820	94,116
Land rates	49,750	49,750
Legal fees	3,445,400	3,122,800
Consultancy fees	3,272,920	3,961,260
Bank charges	2,201,839	2,026,119
Contracted services	1,998,007	1,637,196
	<u>28,648,032</u>	<u>30,717,803</u>
11 Board Expenses		
Sitting allowance	5,824,600	4,371,300
Accommodation allowance	3,587,500	2,444,400
Lunch allowance	228,000	112,000
Honoraria	880,000	429,333
Transport reimbursement	1,607,920	1,632,865
Board Training	1,307,600	1,386,940
	<u>13,435,620</u>	<u>10,376,838</u>
12 Depreciation and Amortization		
Building	1,250,000	1,250,000
Furniture and fittings	1,585,469	1,294,071
Computer and accessories	3,127,787	2,203,342
Motor Vehicles	5,776,341	4,082,673
Office Equipment	882,374	809,835
Intangible Assets	2,892,311	2,650,000
	<u>15,514,282</u>	<u>12,289,921</u>
13 Repairs & maintenance		
Machinery and office equipment repairs	535,786	423,664
ICT Equipment repairs	1,684,660	733,812
Building repairs	3,650,674	2,885,729
Software maintenance	3,753,140	1,596,625
Computer consumables and accessories	5,055,490	3,577,731
	<u>14,679,750</u>	<u>9,217,561</u>
14 Utilities		
Postage and telephone	9,457,912	8,811,442
Electricity and water	1,604,299	1,143,093
Internet charges	941,078	771,891
	<u>12,003,289</u>	<u>10,726,426</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

	2020	2019
	Kshs	Kshs
15 Cash and cash equivalent		
Absa Bank Kenya Ltd [Ac No.0948023954]	2,300,859	3,017,790
Cooperative Bank of Kenya [Ac No.01136098613400]	57,358,598	58,150,583
Mpesa Account [Paybill No.992350]	4,017,855	5,473,750
Cash in Hand	146	85
	<u>63,677,458</u>	<u>66,642,208</u>
16 Receivable from non-exchange transactions		
Prepayments	8,623,219	6,958,731
Staff imprest	-	902,502
	<u>8,623,219</u>	<u>7,861,233</u>
17 Inventory		
Stocks of training materials	<u>6,817,890</u>	<u>4,026,120</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

18 Property, Plant & Equipment - 30th June 2020

	F&F Kshs 12.50%	Office Equip Kshs 12.50%	Computer Kshs 33%	Vehicle Kshs 25%	Building Kshs 2.50%	Land Kshs 0%	Totals Kshs
COST							
1st July 2018	8,899,300	6,172,380	5,813,700	14,926,108	50,000,000	54,000,000	139,811,488
Additions	2,760,760	514,000	1,548,000	6,742,000	-	-	11,564,760
30th June 2019	11,660,060	6,686,380	7,361,700	21,668,108	50,000,000	54,000,000	151,376,248
1st July 2019	11,660,060	6,686,380	7,361,700	21,668,108	50,000,000	54,000,000	151,376,248
Additions	1,841,610	539,340	3,369,000	8,356,000	-	-	14,105,950
Disposal	(188,000)	(5,000)	(109,600)	(350,000)	-	-	(652,600)
30th June 2020	13,313,670	7,220,720	10,621,100	29,674,108	50,000,000	54,000,000	164,829,598
DEPRECIATION							
1st July 2018	457,106	355,792	859,233	1,481,132	625,000	-	3,778,263
Depreciation	1,294,071	809,835	2,203,342	4,082,673	1,250,000	-	9,639,921
30th June 2019	1,751,177	1,165,627	3,062,575	5,563,805	1,875,000	-	13,418,184
1st July 2019	1,751,177	1,165,627	3,062,575	5,563,805	1,875,000	-	13,418,184
Depreciation	1,585,469	882,374	3,127,787	5,776,341	1,250,000	-	12,621,971
Disposal	(35,253)	(938)	(54,800)	(131,250)	-	-	(222,241)
30th June 2020	3,301,393	2,047,063	6,135,562	11,208,896	3,125,000	-	25,817,914
NET BOOK VALUES							
30th June 2019	9,908,883	5,520,753	4,299,125	16,104,303	48,125,000	54,000,000	137,958,064
30th June 2020	10,012,277	5,173,657	4,485,538	18,465,212	46,875,000	54,000,000	139,011,684

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

19 Intangible Assets - 30th June 2020

	Software Kshs 33%	Totals Kshs
COST		
1st July 2018	7,950,000	7,950,000
Additions	-	-
30th June 2019	<u>7,950,000</u>	<u>7,950,000</u>
1st July 2019	7,950,000	7,950,000
Additions	2,180,800	2,180,800
30th June 2020	<u>10,130,800</u>	<u>10,130,800</u>
AMORTIZATION		
1st July 2018	1,325,000	1,325,000
Amortization	2,650,000	2,650,000
30th June 2019	<u>3,975,000</u>	<u>3,975,000</u>
1st July 2019	3,975,000	3,975,000
Amortization	2,892,311	2,892,311
30th June 2020	<u>6,867,311</u>	<u>6,867,311</u>
NET BOOK VALUE		
30th June 2019	3,975,000	3,975,000
30th June 2020	<u>3,263,489</u>	<u>3,263,489</u>

	2020 Kshs	2019 Kshs
20 Payables from exchange transactions		
Trade payables	1,452,841	3,405,671
Rent deposit payable	180,000	180,000
	<u>1,632,841</u>	<u>3,585,671</u>
21 Provisions		
Audit fees	1,789,360	1,000,000
	<u>1,789,360</u>	<u>1,000,000</u>
22 Accumulated fund		
Balance brought forward	167,029,291	137,684,323
Surplus for the period	2,094,586	27,350,904
Creditors Write Off	-	1,994,063
Balance carried forward	<u>169,123,877</u>	<u>167,029,291</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (Continued)

	2020	2019
	Kshs	Kshs
23 Reserves		
Revaluation Reserve	48,847,663	48,847,663
24 Cash Generated from Operations		
Cash flows from operating activities:		
Surplus for the year	2,094,586	27,350,904
Adjustments for:		
Depreciation	18 12,621,971	9,639,921
Amortization	19 2,892,311	2,650,000
Creditors write-off	-	1,994,063
Gain on disposal	(51,141)	-
	<u>17,557,727</u>	<u>41,634,888</u>
Working capital adjustments		
Decrease / (increase) in inventory	(2,791,770)	745,340
Decrease / (increase) in receivables	(761,986)	(7,700,807)
Increase / (decrease) in payables	(1,952,831)	(1,630,312)
Increase / (decrease) in provisions	789,360	(659,647)
Net cash flow from operating activities	<u>12,840,500</u>	<u>32,389,462</u>

25 Financial Risk Management

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

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The amount that best represents the Council's maximum exposure to credit risk as at 30th June is made up as follows;

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Description	2020 Kshs	2019 Kshs
Bank balances	63,677,458	66,642,208
Receivable from non-exchange transactions	<u>8,623,219</u>	<u>7,861,233</u>
	<u>72,300,677</u>	<u>74,503,441</u>

(ii) Liquidity risk management

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

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

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1Month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	-	550,395	1,082,446	1,632,841
Provisions	-	1,789,360	-	1,789,360
Total	-	2,339,755	1,082,446	3,422,201
At 30th June 2019				
Trade payables	-	1,135,585	2,450,086	3,585,671
Provisions	-	1,000,000	-	1,000,000
Total	-	2,135,585	2,450,086	4,585,671

The over 5 months' trade payable is in respect to the remaining amount due to vendor implementing the ERP software at the Council. The amount represents 14% of the remaining Contract sum for post implementation service support agreement.

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(iii) Market risk

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

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

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

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

iv. Currency Risk

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

v. Capital Risk Management

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

	2020	2019
	Kshs	Kshs
Revaluation reserve	48,847,663	48,847,663
Accumulated Fund	169,123,877	167,029,291
Total funds	<u>217,971,540</u>	<u>215,876,954</u>
Total borrowings	-	-
Cash and bank balances	63,677,458	66,642,208
Gearing	<u>0%</u>	<u>0%</u>

26. Related Party Disclosure

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

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

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Key Management compensation	2019/2020 Kshs	2018/2019 Kshs.
Council Members' Emoluments	12,959,620	10,376,838
Compensation to the Registrar/CEO	5,256,000	5,064,000
Compensation to the key management	24,267,775	19,144,198
Total	42,483,395	34,585,036

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

27. Events after the reporting period

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

28. Ultimate and Holding Entity

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

29. Currency

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

30. Progress on Follow Up of Auditor Recommendations

The Council received unqualified audit opinion for 2018-2019 Financial statements.

31. DIVIDENDS/SURPLUS REMISSION

In accordance with section 219(2) of the public financial management Act regulations, regulatory entities shall remit into the consolidated fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The National Treasury while recommending for approval FY2020-2021 budget advised the Council to invest its surplus in treasury bills/Bonds. The Council is in process of implementing this advisory.

APPENDIX I: EXPLANATION OF MATERIAL VARIANCES FOR STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (10% OVER/ UNDER) IPSAS 24.14

Revenue

- a. **Accreditation:** The Council had additional training institutions that it approved to offer nursing and midwifery courses having fulfilled requirements hence additional revenue collection.
- b. **Verification:** Increased revenue is as result of increased number of nurses emigrating to foreign countries in search of better opportunities.
- c. **Retention:** Increased revenue on retention is attributed to increased vigilance by the Council in ensuring that every practising nurse/midwife operates with a valid license and for nurse holders of a 3-year license who were now brought on board to renew their license annually. The Council phased out 3-year license renewal effective July 1st 2017 and the 3-year circle ended 30th June 2020.
- d. **Curriculum Study:** The underperformance is as result of closure of learning institutions due to Covid-19 pandemic affecting targeted revenue on curriculum reviews and studies which were to be done in the last quarter of the financial year.

Expenditure

- e. **Board Expenses:** The low absorption of the board vote is as result of the Council being forced to conduct its last two quarterly meetings online due to the prevailing Covid-19 pandemic. At the time only sittings allowances were paid.