



*Paper laid
By Hon Aden Duale
Leader of Majority
on the 20/9/16
[Signature]*

KASNEB

Providing globally competitive professionals



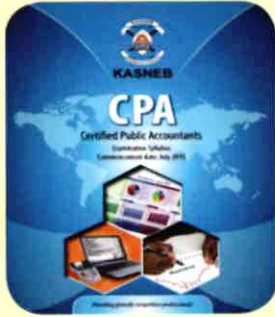
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

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



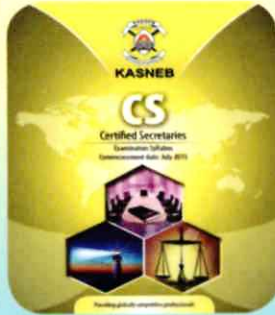
KASNEB IS ISO 9001: 2008 CERTIFIED

PROFESSIONAL QUALIFICATIONS



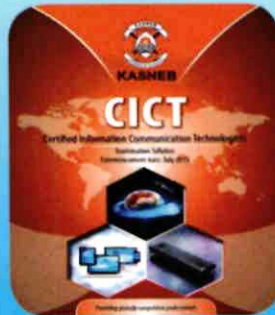
Certified Public Accountants (CPA)

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



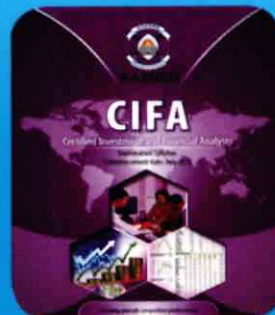
Certified Secretaries (CS)

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



Certified Information Communication Technologists (CICT)

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



Certified Investment and Financial Analysts (CIFA)

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



Certified Credit Professionals (CCP)

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

Corporate vision

To be a world-class professional examinations body.

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Paper laid
By Hon Aden Du
Leader of Majority
on Tue 20/9/16
[Signature]

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I. CORPORATE INFORMATION AND MANAGEMENT

(a) Establishment

- (i) KASNEB was established by the Government of Kenya on 24 July 1969. The Accountants Act, Cap 531 which was enacted in July 1977 gave KASNEB retroactive recognition since its inception in 1969. The Accountants Act, Cap 531 was repealed and replaced with the Accountants Act, No. 15 of 2008 which took effect from 30 December 2008.
- (ii) The Certified Public Secretaries of Kenya Act, Cap 534, reaffirmed KASNEB as the examining body for the Certified Public Secretaries (CPS) profession.

(b) Board of directors

KASNEB is governed by a Board appointed by the Cabinet Secretary for the National Treasury. The Board is responsible for the general policy and strategic direction of KASNEB. The members of the Board who served during the year are listed on page 4.

(c) Principal activities

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

(d) Location and principal place of business

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

NAIROBI

Telephone: 4923000

Fax: 2712915

Email: info@kasneb.or.ke

Website: www.kasneb.or.ke

(e) Principal bankers

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

NAIROBI

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

NAIROBI

(f) **Independent auditors**

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

(g) **Secretary and Chief Executive**

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

(h) **Fiduciary management**

The key management personnel who held office during the financial year ended 30 June 2015 and who had direct fiduciary responsibility were:

Designation	Name
Secretary and Chief Executive	Pius M. Nduatih
Director Human Resource and Administration (Resigned effective from 1 February 2015)	Salome K. Onyonka
Director of Finance	James G. Nduati
Ag. Director of Information Communication Technology	Jessie R. Kirongothi
Ag. Director of Examinations	Isaac M. Njuguna



II. MEMBERS OF THE BOARD



Prof. Margaret Kobia
Chairperson



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



Mr. Pius M. Nduath
Secretary and Chief Executive



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



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



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



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



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



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



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



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



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

III. CHAIRMAN'S STATEMENT

On behalf of the Board, it is my pleasure to present the annual report and financial statements of KASNEB for the year ended 30 June 2015.



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

Governance of KASNEB

The operations of KASNEB are governed by the Accountants Act, No. 15 of 2008 and the Certified Public Secretaries Act of Kenya Cap. 534 of 1988. Section 15(1) of the Accountants Act provides for the appointment by the Cabinet Secretary for the National Treasury of eleven (11) members to serve the Board for a period of three (3) years. In this regard, new members of the Board were appointed and gazetted vide Kenya Gazette notices No. 5029 and No. 5030 dated 9 July 2014 and published on 25 July 2014. In addition Dr. George O. Wakah was reappointed for a further term of 3 years effective from 15 September 2014 vide Kenya Gazette notice No. 7253 dated 3 October 2014 and published on 17 October 2014.

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

Revised Corporate Strategic Plan (2012-2017)

A mid-term review of the Corporate Strategic Plan (2012-2017) was completed and a revised strategic plan approved in June 2015. The plan is aligned to the national aspirations as envisioned in the Kenya Vision 2030, second Medium Term Plan (MTP) 2013-2017 and the Constitution of Kenya 2010.

The strategic goals of the plan are based on the balanced score card approach and are aimed at repositioning KASNEB as a world-class professional examination body. The plan has been cascaded through the development of functional operational plans and annual work plans.

KASNEB Towers Phase II Project

The construction of KASNEB Towers Phase II Project is in progress. The project comprises among others, a multipurpose hall and seminar rooms to facilitate enhanced security, efficiency and effectiveness of the examination processes and to serve as an examination marking centre. As at 30 June 2015, the construction works were estimated to be 20% complete. The total cost of the project was estimated at Sh 1.2 billion.

Research and development

A major review of the examination syllabuses was completed in June 2015. The revised examination syllabuses introduced diploma examinations which will be examined for the first time in November/December 2015 examinations sitting. The technician examinations will be phased

out after the November/December 2015 examinations. The review of the examination syllabuses was necessitated by the changing market environment, global trends, the Constitution of Kenya 2010 and other emerging and emergent issues.

Performance contracting

The performance contract for the year 2014/2015 was implemented successfully. The annual performance contract report was submitted to the Performance Contracting Division in the Ministry of Devolution and Planning for evaluation. Following the evaluation, KASNEB was awarded a composite target score of 2.4294 which falls under the "very good" category.

KASNEB has already negotiated the performance contract for the financial year 2015/2016 with the National Treasury and the Ministry of Devolution and Planning. The performance contract has been vetted and approved and is being implemented as appropriate.

Operationalisation of KASNEB Huduma counters

During the year, KASNEB integrated its point of service (POS) with the Huduma Secretariat data centre to facilitate the delivery of proximate services to the counties. KASNEB services have been operationalised at the General Post Office (GPO) Nairobi and Kibera Huduma Centres. Plans are underway to operationalise Huduma Centre services in Mombasa, Kisumu, Nyeri, Eldoret, Nakuru, Kisii and Meru counties.

Implementation of Mwongozo: The Code of Governance for State Corporations

Members of the Board and staff have signed Mwongozo: The Code of Governance for State Corporations. Members of the Board and staff commit to implement and comply with Mwongozo as per the Executive Order No. 7 issued by His Excellency the President.

Way forward

KASNEB will continue to provide globally competitive professionals who meet the needs of the job market through the development and administration of quality professional and diploma examinations in tune with the demands of the global job market. KASNEB will also continue to implement the Revised Corporate Strategic plan (2012-2017). The plan will guide the strategic direction of KASNEB for the next two(2) years through the vision, mission and core values which are the guiding principles in order to realise its objectives.

Appreciation

I wish to take this opportunity on behalf of the Board to thank the government for the appointment of the members of the Board. I further appreciate the members of staff for their dedication and good performance and other stakeholders for their unwavering support. Special thanks to fellow members of the Board and Committees for good stewardship and commitment to the success and governance of KASNEB.

MARGARET KOBIA
CHAIRMAN

IV. REPORT BY THE SECRETARY AND CHIEF EXECUTIVE

I am happy to report that the Board, management and staff continued to rededicate their efforts towards the achievement of the mandate and enhancement of quality service delivery to customers during the financial year 2014/2015.



In line with our brand promise of providing globally competitive professionals we successfully administered the November/December 2014 and May/June 2015 examinations both within Kenya and outside Kenya. In addition, a major review of the examinations syllabuses was concluded resulting in five revised Professional syllabuses and three new Diploma syllabuses effective 1 July 2015. The five revised Professional syllabuses are Certified Public Accountants (CPA), Certified Secretaries (CS), Certified Information Communication Technologists (CICT), Certified Investment and Financial Analysts (CIFA) and Certified Credit Professionals (CCP). The three new Diploma syllabuses are Accounting Technicians Diploma (ATD), Diploma in Information Communication Technology (DICT) and Diploma in Credit Management (DCM). The Technician examination syllabuses will be phased out after the November 2015 examinations.

During the financial year, KASNEB reported a surplus of Sh. 170.2 million compared to Sh. 252.6 million in the previous financial year. The value of total assets rose from Sh. 2,386.6 million to Sh. 2,584.5 million.

In an effort to keep abreast with the market, a competitor analysis was undertaken and the recommendations were being implemented. KASNEB was allocated counters at the Huduma centres to facilitate faster devolution of services to the counties. Some members of staff were trained on Huduma Centre service excellence and will be deployed to the counties to operationalise the KASNEB counters. Two social media accounts were opened in facebook (kasnebofficial) and twitter (@kasnebofficial) to enhance communication with customers and other stakeholders. KASNEB participated in trade fairs and exhibitions as a means of promoting the qualifications among other marketing and promotional activities like print, electronic and digital advertising.

A job evaluation was undertaken which included development of career progression guidelines with the assistance of a consultant. The job evaluation resulted in a revised organisation structure and staff establishment which are aligned to the revised Corporate Strategic Plan (2012-2017).

We engaged in various Corporate Social Investment initiatives as outlined on page 11. In addition, the Board of KASNEB approved the establishment of a KASNEB Foundation to provide bursaries and loans to needy students wishing to take KASNEB examinations.

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

PIUS M. NDUATI
SECRETARY AND CHIEF EXECUTIVE

V. CORPORATE GOVERNANCE STATEMENT

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

Members of the Board

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

Committees of the Board

The Board has established the following four standing committees and one sub-committee, whose members are shown on page 4, to which it has delegated certain responsibilities:

Examinations Committee

Finance and General Purposes Committee

Planning and Business Development Committee

Audit and Risk Committee

Examinations Technical Sub-Committee

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

The main responsibilities of the committees are as follows:

Examinations Committee

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

Examinations Technical Sub-Committee

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

Finance and General Purposes Committee

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

Planning and Business Development Committee

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

Audit and Risk Committee

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

Members who served in the committees during the financial year 2014/2015 are as shown below:

<p>Examinations Committee</p> <p>Christopher Yegon (Chairman)</p> <p>Margaret Kobia</p> <p>Nyambura Koigi</p> <p>Catherine Musakali</p> <p>George O. Wakah</p> <p>Joe M. Mbuthia</p> <p>Bernard M. Ndung'u</p> <p>Benson Okundi</p> <p>Margaret K. Muia</p> <p>Mary Njuya</p> <p>Patrick Ngumi</p> <p>Vincent O. Kamasara (deceased)</p> <p>Sharon J. Kisire</p> <p>Yonah O. Okidia</p> <p>Jonah K. Aiyabei</p> <p>Samuel M. Muriu</p>	<p>Finance and General Purposes Committee</p> <p>Nyambura Koigi (Chairman)</p> <p>Christopher Yegon</p> <p>Joe M. Mbuthia</p> <p>Bernard M. Ndung'u</p> <p>Patrick Ngumi</p> <p>Margaret K. Muia</p> <p>Planning and Business Development Committee</p> <p>Catherine Musakali (Chairman)</p> <p>Christopher Yegon</p> <p>Nyambura Koigi</p> <p>Bernard M. Ndung'u</p> <p>Margaret K. Muia</p> <p>Mary Njuya</p>	<p>Audit and Risk Committee</p> <p>Benson Okundi (Chairman)</p> <p>Joe M. Mbuthia</p> <p>Catherine Musakali</p> <p>George O. Wakah</p> <p>Mary Njuya</p> <p>Examinations Technical Sub-Committee</p> <p>George O. Wakah (Chairman)</p> <p>Patrick Ngumi</p> <p>Vincent O. Kamasara (deceased)</p> <p>Sharon J. Kisire</p> <p>Daniel M. Ndonye</p> <p>John N. Walubengo</p> <p>Patrick K. Kairu</p> <p>Gillian W. Mwaniki</p>
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The number of meetings held by the Board and the committees during the period 1 July 2014 to 30 June 2015 and the summary of attendance is as shown on page 10.

Meetings held by the Board and committees (1 July 2014 to 30 June 2015)

Board/Committee	Number of meetings held
Board	7
Examinations Committee (EC)	5
Finance and General Purposes Committee (FGPC)	5
Planning and Business Development Committee (PBDC)	3
Audit and Risk Committee (ARC)	3
Examinations Technical Sub-Committee (ETSC)	3

Summary of attendance in meetings

NAME	Board meetings		Committee meetings										Total meetings	
	App.	Att.	EC		FGPC		PBDC		ARC		ETSC		App.	Att.
Margaret Kobia	7	7	5	2	-	-	-	-	-	-	-	-	12	9
Christopher Yegon	7	7	3	3	5	5	3	3	-	-	-	-	18	18
Nyambura Koigi	7	7	3	3	5	5	3	3	-	-	-	-	18	18
Joe M. Mbuthia	7	6	3	3	5	5	-	-	3	3	-	-	18	17
Catherine Musakali	7	6	3	3	-	-	3	2	3	3	-	-	16	14
Bernard M. Ndungu	7	2	3	2	5	2	3	-	-	-	-	-	18	6
Margaret K. Muia	7	7	3	3	5	4	3	3	-	-	-	-	18	17
George O. Wakah	7	5	5	4	-	-	-	-	3	3	3	3	17	15
Mary Njuya	7	7	3	3	-	-	3	3	3	3	-	-	16	16
Benson Okundi	7	5	3	2	-	-	-	-	3	2	-	-	13	9
Patrick Ngumi	7	7	3	2	5	2	-	-	-	-	3	2	18	13
Vincent O. Kamasara	N/A	-	5	4	-	-	-	-	-	-	2	2	7	6
Sharon J. Kisire	N/A	-	5	3	-	-	-	-	-	-	3	3	8	6
Yonah O. Okidia	N/A	-	5	5	-	-	-	-	-	-	-	-	5	5
Jonah K. Aiyabei	N/A	-	5	5	-	-	-	-	-	-	-	-	5	5
Samuel M. Muriu	N/A	-	5	5	-	-	-	-	-	-	-	-	5	5
Daniel M. Ndonge	N/A	-	-	-	-	-	-	-	-	-	3	2	3	2
John N. Walubengo	N/A	-	-	-	-	-	-	-	-	-	3	2	3	2
Patrick K. Kairu	N/A	-	-	-	-	-	-	-	-	-	3	3	3	3
Gillian W. Mwaniki	N/A	-	-	-	-	-	-	-	-	-	2	2	2	2

KEY:

- App. - Applicable
- Att. - Attended

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



VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

During the year 2014/2015, KASNEB invested over Sh.3 million and participated in various corporate social responsibility activities including the following:

Environmental activities

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

Educational activities

KASNEB paid school fees for seven (7) orphaned and vulnerable students from Tunyai Childrens' Centre, Tharaka Nithi County. The students are in different secondary schools in the County. KASNEB also made a donation to Tunyai Childrens' Centre to build two (2) water tanks at Kamariru Primary School to provide safe drinking water.

KASNEB donated CPA textbooks to inmates at Kamiti Academy located in Kamiti Main Prison. The Academy comprises a primary school, secondary school and a college offering different courses, among them KASNEB qualifications.

KASNEB contributed to the 2014 Jomo Kenyatta Foundation Education Scholarship Fund which provides scholarships to needy students all over the country and currently has 800 beneficiaries.

Humanitarian activities

As part of celebrating its 45th Anniversary, KASNEB donated various foodstuffs to Hope and Faith Centre for the Disabled, a community based organisation which offers care to sixty five (65) children with special needs through education, therapy, vocational training, support group and internship programmes.

In partnership with the Rotary Club of Ongata Rongai, KASNEB sponsored the Ongata Rongai Charity Walk whose objective was to raise funds to buy medical laboratory equipment for the Ongata Rongai Health Centre.

Health activities

KASNEB partnered with Kenya Medical Association (KMA) for the Cancer Awareness Campaign Walk and Prayer Ring whose objective was to raise awareness on early detection and testing of cancer amongst children and adults.

In partnership with Ahadi Kenya Trust sponsored the County Government of Isiolo in a campaign geared towards the eradication of jiggers in Isiolo county. The objective of the partnership was to treat children infested with jiggers, create awareness on hygiene to prevent recurrence of the infection and rehabilitate the affected children back to the community and schools.

VII. REPORT OF THE MEMBERS OF THE BOARD

The members of the Board submit their report and audited financial statements for the year ended 30 June 2015 which show the state of affairs of KASNEB.

1. Principal Activities

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

2. Results

The results for the year are set out on pages 17 to 38.

3. Members of the Board

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

4. Auditors

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

By order of the Board

PIUS M. NDUATHI
SECRETARY

17 September 2015



VIII. STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

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

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

The members of the Board and management accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates and in conformity with the International Public Sector Accounting Standards. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of KASNEB as at 30 June 2015 and of its surplus for the year then ended. The members and management further accept responsibility for the maintenance of accurate and complete accounting records which have been relied upon in the preparation of the financial statements as well as on the adequacy of the systems of internal financial controls.

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

Approval of the financial Statements

The financial statements were approved by the Board on Thursday, 17 September 2015 and signed on its behalf by:

MARGARET KOBIA
CHAIRMAN

PIUS M. NDUATIH
SECRETARY AND CHIEF EXECUTIVE



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2015**

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD (KASNEB) FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Accountants and Secretaries National Examinations Board, set out on pages 17 to 38, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

Kenya Accountants and Secretaries National Examinations Board – Annual Report and Financial Statements for the Year ended 30 June 2015

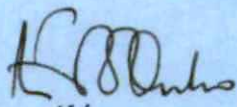
REPORT OF THE AUDITOR GENERAL

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Accountants and Secretaries National Examinations Board as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Accountants Act, 2008.



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

Nairobi

2 June 2016

Kenya Accountants and Secretaries National Examinations Board – Annual Report and Financial Statements for the Year ended 30 June 2015

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Note	2014/2015 Sh.	2013/2014 Sh.
Revenue from exchange transactions			
Income from operations	3	791,715,367	837,387,401
Income from other sources	4	<u>171,750,319</u>	<u>176,548,468</u>
Total revenue		<u>963,465,686</u>	<u>1,013,935,869</u>
Expenses			
Operating expenses	5	297,298,335	326,101,342
Employee costs	6	408,009,140	355,109,498
Board expenses	7	14,306,626	11,805,724
Administration costs	8	29,306,729	45,435,190
Repairs and maintenance	9	4,419,408	2,696,110
Contracted services	10	10,423,935	7,015,987
Depreciation and amortisation	11	<u>32,394,538</u>	<u>13,154,600</u>
Total expenses		<u>796,158,711</u>	<u>761,318,451</u>
Surplus for the period		<u>167,306,975</u>	<u>252,617,418</u>

The notes set out on pages 23 to 38 form an integral part of the Financial Statements.



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

ASSETS	Note	2014/2015 Sh.	2013/2014 Sh.
Current assets			
Cash and bank balances	12	258,788,224	284,190,819
Held to maturity investments	13	1,106,642,050	956,267,570
Trade and other receivables	14	142,861,099	137,971,244
		<u>1,508,291,373</u>	<u>1,378,429,633</u>
Non current assets			
Property, plant and equipment	15(a)	461,244,398	311,442,381
Leasehold land	15 (b)	360,548,780	365,000,000
Intangible assets	16	1,352,624	664,187
Held to maturity investments	17	250,633,200	331,064,365
		<u>1,073,779,002</u>	<u>1,008,170,933</u>
Total assets		<u>2,582,070,375</u>	<u>2,386,600,566</u>
LIABILITIES			
Current liabilities			
Trade and other payables	18	64,187,318	38,607,816
Provisions	19	19,429,014	15,710,165
Payments received in advance	20	4,763,142	5,898,659
Total liabilities		<u>88,379,474</u>	<u>60,216,640</u>
Net assets		<u>2,493,690,901</u>	<u>2,326,383,926</u>
Revaluation reserve		442,462,021	442,462,021
Accumulated surplus		2,051,228,880	1,883,921,905
		<u>2,493,690,901</u>	<u>2,326,383,926</u>
Total net assets and liabilities		<u>2,582,070,375</u>	<u>2,386,600,566</u>

The financial statements on pages 17 to 38 were approved by the Board on Thursday, 17 September 2015 and were signed on its behalf by:

MARGARET KOBIA
CHAIRMAN

PIUS M. NDUATIH
SECRETARY AND CHIEF EXECUTIVE

17 September 2015

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Revaluation reserves	Accumulated surplus	Total
	Sh.	Sh.	Sh.
Balance as at 30 June 2013	-	1,631,304,487	1,631,304,487
Surplus/(deficit) for the period	-	252,617,418	252,617,418
Gain on revaluation of assets	442,462,021	-	442,462,021
Balance as at 30 June 2014	<u>442,462,021</u>	<u>1,883,921,905</u>	<u>2,326,383,926</u>
Surplus for the period	-	167,306,975	167,306,975
Balance as at 30 June 2015	<u><u>442,462,021</u></u>	<u><u>2,051,228,880</u></u>	<u><u>2,493,690,901</u></u>



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2014/2015 Sh.	2013/2014 Sh.
Cash flows from operating activities:			
Surplus for the year		167,306,975	252,617,418
Adjustments for:			
Depreciation and amortisation	15 & 16	32,394,538	13,154,600
Interest income	4.1	(157,081,506)	(157,761,116)
Operating surplus before working capital changes		42,620,007	108,010,902
Changes in working capital			
(Increase) / Decrease in trade and other receivables		(4,889,855)	(73,957,913)
Increase / (Decrease) in payables, provisions and prepayments		28,162,834	(30,835,879)
Cash generated from operations		65,892,986	3,217,110
Interest received	4.1	157,081,506	157,761,116
Net cash generated from operating activities		222,974,492	160,978,226
Cash flows from investing activities			
Purchase/(sale) of financial assets		80,431,165	83,548,500
Purchase of intangible assets	16	(2,705,250)	(1,328,375)
Purchase of property, plant and equipment	15 (a)	(175,728,522)	(89,213,475)
Net cash utilised in investing activities		(98,002,607)	(6,993,350)
Net increase in cash and cash equivalents		124,971,885	153,984,876
Cash and cash equivalents at beginning of the year	12.2	1,240,458,389	1,086,473,513
Cash and cash equivalents at the end of the year	12.3	1,365,430,274	1,240,458,389



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2014/2015	2014/2015	2014/2015	2014/2015	2014/2015
	Sh.	Sh.	Sh.	Sh.	Sh.
INCOME FROM EXCHANGE TRANSACTIONS					
Examinations entry fees	560,400,000	(28,900,000)	531,500,000	508,686,505	(22,813,495)
Registration fees	150,900,000	(18,900,000)	132,000,000	113,804,613	(18,195,387)
Annual registration renewal fees	140,400,000	(21,300,000)	119,100,000	115,573,897	(3,526,103)
Exemption fees	63,900,000	(3,400,000)	60,500,000	53,172,372	(7,327,628)
Sale of past question papers	500,000	-	500,000	477,980	(22,020)
Sub-Total	<u>916,100,000</u>	<u>(72,500,000)</u>	<u>843,600,000</u>	<u>791,715,367</u>	<u>(51,884,633)</u>
INCOME FROM OTHER EXCHANGE TRANSACTIONS					
Students' identity card fees	13,700,000	(2,700,000)	11,000,000	8,483,589	(2,516,411)
Interest earned	125,000,000	11,000,000	136,000,000	157,081,506	21,081,506
Rental income - other tenants	400,000	-	400,000	591,271	191,271
Miscellaneous income	8,000,000	-	8,000,000	5,593,953	(2,406,047)
Sub-total	<u>147,100,000</u>	<u>8,300,000</u>	<u>155,400,000</u>	<u>171,750,319</u>	<u>16,350,319</u>
Total income	<u>1,063,200,000</u>	<u>(64,200,000)</u>	<u>999,000,000</u>	<u>963,465,686</u>	<u>(35,534,314)</u>
EXPENDITURE ON OPERATIONS					
Examinations and invigilation	180,000,000	(30,000,000)	150,000,000	135,769,408	14,230,592
Examination prizes	6,000,000	(1,000,000)	5,000,000	4,643,836	356,164
Rent of examination halls	10,000,000	(2,000,000)	8,000,000	6,503,532	1,496,468
Data processing	10,000,000	(2,000,000)	8,000,000	6,671,272	1,328,728
Printing and stationery	40,000,000	(5,000,000)	35,000,000	29,953,189	5,046,811
Local travelling and transport	9,000,000	(1,000,000)	8,000,000	7,983,660	16,340
Long distance travel and transport	10,000,000	(1,000,000)	9,000,000	12,416,091	(3,416,091)
Postage and telephone	18,000,000	(3,000,000)	15,000,000	13,806,625	1,193,375
Salaries and wages	315,000,000	31,000,000	346,000,000	348,388,801	(2,388,801)
Pensions and benefits	37,000,000	3,000,000	40,000,000	41,133,364	(1,133,364)
Education and training	20,000,000	(5,000,000)	15,000,000	18,486,975	(3,486,975)
Repairs and maintenance	1,200,000	-	1,200,000	413,322	786,678
Auditors' remuneration	900,000	-	900,000	1,002,000	(102,000)
Insurance	3,000,000	-	3,000,000	1,010,547	1,989,453
Sundry expenses	6,000,000	-	6,000,000	5,012,367	987,633
Bank charges	2,200,000	(200,000)	2,000,000	2,162,844	(162,844)
Board expenses	15,000,000	2,000,000	17,000,000	14,306,626	2,693,374
Publicity, promotion, marketing and communication	90,000,000	(25,000,000)	65,000,000	50,360,595	14,639,405
Students' journal- KASNEB Newslite	22,000,000	(4,000,000)	18,000,000	17,022,381	977,619
Legal expenses	3,000,000	(1,500,000)	1,500,000	1,052,517	447,483
Ground rent and land rates	600,000	-	600,000	649,260	(49,260)
Office provisions	7,000,000	(500,000)	6,500,000	6,306,868	193,132
Sub-total	<u>805,900,000</u>	<u>(45,200,000)</u>	<u>760,700,000</u>	<u>725,056,080</u>	<u>35,643,920</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2014/2015	2014/2015	2014/2015	2014/2015	2014/2015
	Sh.	Sh.	Sh.	Sh.	Sh.
EXPENDITURE ON OTHER ITEMS					
Students's identity card	4,200,000	-	4,200,000	2,751,207	1,448,793
Insurance and maintenance of KASNEB Towers	13,300,000	-	13,300,000	14,066,994	(766,994)
Social responsibility	3,000,000	-	3,000,000	3,450,725	(450,725)
Strategic planning expenses	5,500,000	(2,000,000)	3,500,000	1,173,130	2,326,870
Website development and maintenance	3,000,000	(1,500,000)	1,500,000	2,178,168	(678,168)
Library books and resource material	1,900,000	(900,000)	1,000,000	341,737	658,263
Research and development	15,000,000	-	15,000,000	11,098,964	3,901,036
Miscellaneous expenses	900,000	-	900,000	6,375	893,625
Other non - recurrent expenses	6,000,000	-	6,000,000	3,640,793	2,359,207
Sub-total	52,800,000	(4,400,000)	48,400,000	38,708,093	9,691,907
Total expenditure	858,700,000	(49,600,000)	809,100,000	763,764,173	45,335,827
Surplus from operations	110,200,000	(27,300,000)	82,900,000	66,659,287	(16,240,713)
Surplus from other sources	94,300,000	12,700,000	107,000,000	133,042,226	26,042,226
Surplus before depreciation and amortisation expenses	204,500,000	(14,600,000)	189,900,000	199,701,513	9,801,513
Depreciation and amortisation expenses	30,000,000	-	30,000,000	32,394,538	(2,394,538)
Surplus for the year	174,500,000	(14,600,000)	159,900,000	167,306,975	12,196,051



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1 Statement of compliance and basis of preparation

The Public Finance Management (PFM) Act, 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, KASNEB has adopted the pronouncements made by the IPSAS Board in preparation of its current year financial statements. The comparative financial statements for the year 2013/2014 which were prepared using the International Financial Reporting Standards have been restated where necessary. The financial statements are presented in Kenya shillings.

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

2 Summary of significant accounting policies

(a) Revenue recognition

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

Interest income

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

(b) Budget information

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

(c) Property, Plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

Depreciation

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

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

The annual rates of depreciation in use are:

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

(d) Intangible assets

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

(e) Leasehold land

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

(f) Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Financial assets

Initial recognition and measurement

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

(g) Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent assets

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

Contingent liabilities

KASNEB does not recognise a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. As disclosed on Note 21, KASNEB has entered into major capital commitments that would entail large cash flow commitments in the future.

(h) Changes in accounting policies and estimates

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

(i) Employee benefits

Retirement benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

(j) Related parties and transactions

The senior management team is regarded as related parties and comprise the Chief Executive Officer, Directors and Senior managers. The total remuneration of senior management team for the financial year ended June 2015 were as follows:

Number of senior management staff	9
Total remuneration (Sh.)	58,667,220

There were no other related party transactions during the financial year ended 30 June 2015.

(k) Financial risk management

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

(i) Currency risk

KASNEB bank accounts are denominated in Kenyan shilling as shown in note 12.1, except for Kenya Commercial Bank (KCB) Dollar Account which is domiciled at KCB, Capital Hill Branch. Income and expenses are settled in Kenya shilling hence there is minimal or no exposure to currency risk.

(ii) Interest rate risk

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

(iii) Credit risk

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

(l) Cash and cash equivalents

Credit risk is the risk that a party to financial instrument transaction will fail to discharge an obligation and cause the other party to incur a financial loss. KASNEB is exposed to minimal credit risk on the debtor account. The risk is minimised since students fees is

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

paid in advance. Mortgage and car loans advanced to members of staff are fully secured on the property. Only minimal credit facilities are granted mainly to customers advertising in KASNEB Newline and bulk short service message (SMS) service providers.

(m) Comparative figures

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

(n) Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

(o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3	INCOME FROM OPERATIONS	Note	2014/2015 Sh.	2013/2014 Sh.
	Examination entry fees		508,686,505	514,545,886
	Registration fees		113,804,613	142,869,951
	Annual registration renewal fees		115,573,897	118,320,432
	Exemption fees		53,172,372	61,061,832
	Sale of past question papers		477,980	589,300
			<u>791,715,367</u>	<u>837,387,401</u>
4	INCOME FROM OTHER SOURCES			
	Students' identity card fees		8,483,589	10,953,570
	Rental income - Other tenants		591,271	563,198
	Interest income	4.1	157,081,506	157,761,116
	Miscellaneous income		5,593,953	7,270,584
			<u>171,750,319</u>	<u>176,548,468</u>
4.1	INTEREST INCOME			
	Interest income comprises the following:			
	Interest received from government securities		98,886,044	104,111,475
	Accrued interest from government securities/mortgage		45,099,571	41,164,673
	Interest received from mortgage deposit		9,144,210	8,854,260
	Interest earned from bank balances		2,408,807	2,140,259
	Interest earned from advances to staff		1,542,874	1,490,449
			<u>157,081,506</u>	<u>157,761,116</u>
5	OPERATING EXPENSES			
	Examinations and invigilation		135,769,408	152,613,342
	Examination prizes		4,643,836	4,020,272
	Rent of examination halls		6,503,532	5,565,119
	Data processing		5,018,491	5,828,509
	Printing and stationery		29,953,189	21,127,430
	Local travel and transport		4,986,595	4,294,465
	Long distance travel and transport		12,416,091	9,781,526
	Postage and telephone		13,806,625	18,682,366
	Auditors' remuneration		1,002,000	792,000
	Insurance		1,010,547	843,951
	Sundry expenses	5.1	5,012,367	5,053,967
	Bank charges		2,162,844	2,077,734
	Publicity, promotion, marketing and communication		50,360,595	71,719,916
	Students journal - KASNEB Newline		17,022,381	15,791,276
	Legal expenses	5.2	1,052,517	821,311
	Ground rent and land rates		649,260	649,260
	Office Provisions		5,928,057	6,438,898
			<u>297,298,335</u>	<u>326,101,342</u>
5.1	SUNDRY EXPENSES			
	End of year and annual anniversary expenses		2,825,140	2,113,058
	Staff uniforms, floral and laundry expenses		575,634	809,781
	Other expenses		1,611,593	2,131,128
			<u>5,012,367</u>	<u>5,053,967</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5.2 LEGAL EXPENSES

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

	Note	2014/2015 Sh.	2013/2014 Sh.
6 EMPLOYEE COSTS			
Salaries and wages		167,259,464	155,315,734
Contributions to pensions		41,133,364	37,156,549
Contributions to medical aids and benefits		28,766,271	24,259,487
Casual labour		1,110,900	1,712,100
Leave allowances		7,212,769	6,320,464
Commuter allowances		19,560,120	18,963,307
Education and training		18,486,975	11,858,285
Housing benefits and allowances		47,892,624	46,406,613
Overtime payments		34,049,132	31,543,591
Entertainment allowance		2,930,000	3,005,968
Examinations security allowance		20,091,786	-
Performance reward and other bonuses		19,515,735	18,567,400
		<u>408,009,140</u>	<u>355,109,498</u>
7 BOARD EXPENSES			
Chairman's honoraria		960,000	448,129
Board and committees attendance allowances		9,065,910	7,982,000
Board and committees workshops expenses		4,280,716	3,375,595
		<u>14,306,626</u>	<u>11,805,724</u>
8 ADMINISTRATION COSTS			
Student identity cards		2,751,207	4,176,101
Insurance and maintenance of KASNEB Towers		4,665,630	5,274,608
Social responsibility	8.1	3,450,725	2,320,476
Strategic planning expenses		1,173,130	-
Website development and maintenance		2,178,168	2,693,513
Library books and resource material		341,737	-
Research and development		11,098,964	22,480,212
Miscellaneous expenses		6,375	1,938,460
Other non - recurrent expenses		3,640,793	6,551,820
		<u>29,306,729</u>	<u>45,435,190</u>
8.1 SOCIAL RESPONSIBILITY			
Donations to libraries (KNLS)		1,509,157	1,935,398
Donations to other institutions		1,461,280	75,000
School fees to needy students		480,288	310,078
		<u>3,450,725</u>	<u>2,320,476</u>
9 REPAIRS AND MAINTENANCE			
Machinery and office equipment		413,322	800,058
Motor vehicles		1,656,419	850,439
ICT equipment		1,652,781	804,847
Building repairs		696,886	240,766
		<u>4,419,408</u>	<u>2,696,110</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2014/2015 Sh.	2013/2014 Sh.
10 CONTRACTED SERVICES			
Building management and maintenance		1,822,320	1,651,840
Security services		6,013,680	4,447,378
Lift service and maintenance		328,765	174,580
Garbage collection services		135,740	114,840
Sanitary services		320,043	211,591
Car park		1,340,646	381,250
Generator services		83,930	34,508
Provision of bottled water		378,811	-
		<u>10,423,935</u>	<u>7,015,987</u>
11 DEPRECIATION AND AMORTISATION			
Depreciation - Property, plant and equipment		25,926,505	11,270,566
Amortisation - Leasehold land		4,451,220	-
Amortisation - Intangible assets		2,016,813	1,884,034
		<u>32,394,538</u>	<u>13,154,600</u>
12 CASH AND BANK BALANCES			
Bank balances	12.1	107,031,520	140,865,260
Cash-on-hand and in transit		2,323,980	3,037,045
Mortgage deposit		149,432,724	140,288,514
		<u>258,788,224</u>	<u>284,190,819</u>
12.1 BANK BALANCES			
National Bank of Kenya Ltd. - Main account		466,059	30,281,438
National Bank of Kenya Ltd. - Fee collection account		2,072,256	3,271,354
Barclays Bank of Kenya Ltd.		75,604,793	94,184,853
Equity Bank Ltd.		2,127,937	1,860,030
Cooperative Bank of Kenya Ltd.		6,812,677	3,210,128
Kenya Post Office Savings Bank (Postbank)		4,135,440	1,394,080
Kenya Commercial Bank Ltd.		15,812,358	6,663,377
		<u>107,031,520</u>	<u>140,865,260</u>
12.2 Cash and Cash equivalent at the beginning of the year			
Cash and bank balances		284,190,819	159,684,603
Treasury Bills and Bonds maturing within one year		956,267,570	926,788,910
		<u>1,240,458,389</u>	<u>1,086,473,513</u>
12.3 Cash and Cash equivalent at the end of the year			
Cash and bank balances		258,788,224	284,190,819
Treasury Bills and Bonds maturing within one year		1,106,642,050	956,267,570
		<u>1,365,430,274</u>	<u>1,240,458,389</u>
13 TREASURY BILLS/BONDS MATURING WITHIN ONE YEAR			
Bills maturing within 91 days		653,545,750	523,928,350
Bills maturing after 91 days		392,482,500	368,359,420
Bonds maturing within one year		60,613,800	63,979,800
		<u>1,106,642,050</u>	<u>956,267,570</u>
14 TRADE AND OTHER RECEIVABLES			
Prepayments		70,595,563	70,763,625
Interest receivable		45,099,571	41,164,673
Other receivables		1,930,449	1,765,000
Staff receivables		25,235,516	24,277,946
		<u>142,861,099</u>	<u>137,971,244</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15(a) SCHEDULE OF NON CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT - 2014/2015

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

DEPRECIATION

At 1 July 2014	-	-	42,959,613	27,143,747	17,768,657	1,164,990	88,536,917
Charge for the year	3,875,000	-	6,225,221	3,396,658	2,902,136	9,527,490	25,926,505
Disposals	-	-	-	-	-	-	-
At 30 June 2015	<u>3,875,000</u>	<u>-</u>	<u>48,684,834</u>	<u>30,540,405</u>	<u>20,670,793</u>	<u>10,692,480</u>	<u>114,463,422</u>

NET BOOK VALUE

At 30 June 2015	<u>151,125,000</u>	<u>277,193,722</u>	<u>4,256,174</u>	<u>7,714,362</u>	<u>4,687,662</u>	<u>16,267,478</u>	<u>461,244,398</u>
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PROPERTY, PLANT AND EQUIPMENT - 2013/2014

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

DEPRECIATION

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

NET BOOK VALUE

At 30 June 2014	<u>155,000,000</u>	<u>116,729,891</u>	<u>1,959,609</u>	<u>5,790,427</u>	<u>6,167,486</u>	<u>25,794,968</u>	<u>311,442,381</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2014/2015 Sh.	2013/2014 Sh.
15(b) LEASEHOLD LAND			
Cost		365,000,000	6,112,507
At 1 July 2014		365,000,000	5,520,982
Amortisation charge for the year		4,451,220	-
		360,548,780	5,520,982
Revaluation		-	359,479,018
Net book value		<u>360,548,780</u>	<u>365,000,000</u>
16 INTANGIBLE ASSETS			
Cost/valuation			
Balance brought forward as at 1 July		15,298,101	13,969,726
Additions - software		-	319,000
Additions - internal developments		2,705,250	1,009,375
As at 30 June		<u>18,003,351</u>	<u>15,298,101</u>
Amortization and impairment			
At 1 July		14,633,914	12,749,880
Amortisation		2,016,813	1,884,034
As at 30 June		<u>16,650,727</u>	<u>14,633,914</u>
Net book value as at 30 June		<u>1,352,624</u>	<u>664,187</u>
17 FINANCIAL INSTRUMENTS			
The financial instruments in which KASNEB has contracted are held to maturity as indicated in Note 2 (f) and include Treasury bills and bonds. They are included in the financial statements under current and non-current investments. Treasury bonds included under non-current investments mature as follows:			
Treasury bonds maturing after one year			
Maturing between 1-3 years		54,965,100	121,400,965
Maturing after 3 years		195,668,100	209,663,400
		<u>250,633,200</u>	<u>331,064,365</u>
18 TRADE AND OTHER PAYABLES			
Examinations and invigilation expenses		17,647,683	11,460,816
Accruals		46,539,635	21,303,518
Other payables		-	5,843,482
		<u>64,187,318</u>	<u>38,607,816</u>
19 PROVISIONS			
Leave days: Brought forward		5,811,435	5,355,369
Increase/(Decrease) in provisions		1,411,140	456,066
		7,222,575	5,811,435
Gratuity		1,774,659	779,061
Other non recurrent expenses		83,786	2,742,142
Examination prizes		3,315,000	2,215,000
Students Newline		7,032,994	4,162,527
		<u>19,429,014</u>	<u>15,710,165</u>
20 PAYMENTS RECEIVED IN ADVANCE			
Prepaid examination fees		<u>4,763,142</u>	<u>5,898,659</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

21 MAJOR CAPITAL COMMITMENTS

KASNEB has entered into contractual obligations which will entail major capital commitments for the next two and a half years. The capital commitments relate to the extension of KASNEB Towers I and construction of KASNEB Towers II. The projects are geared towards enhancing the security and efficiency in the administration of the examinations. The main contractors are Dinesh Construction Limited while the project architects are Jomo Kenyatta University College of Agriculture and Technology (JKUAT) Enterprises Ltd.

The total project costs are as follows:

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

As at 30 June 2015 the construction works were estimated to be 24% complete. The total cost incurred on certified works and consultancy services was Sh.269,614,503.

The procurement method used to identify the project architects and contractors were as follows:

(a) **JKUAT Enterprises Ltd.**

The procurement of JKUAT Enterprises Ltd. as the project managers was undertaken in accordance with the provisions of section 4(2)(c) of the Public Procurement and Disposal Act, 2005 given that JKUAT Enterprises Ltd. is a subsidiary of a Government entity.

(b) **Dinesh Construction Ltd.**

The procurement of Dinesh Construction Ltd. was through open tender. The contract was signed on 11 December 2013 and the contractors took possession of the site on the same day. The construction works commenced on 6 February 2014 and are expected to be completed by 31 December 2016.

22 MORTGAGE DEPOSIT

KASNEB operates a staff mortgage scheme. The staff mortgage scheme is administered by Kenya Commercial Bank Ltd. A revolving fund is maintained with Kenya Commercial Bank Ltd. for the purpose of advancing mortgage loans to members of staff. An interest rate of 6% per annum on reducing balance basis is charged on the mortgage loans.

23 TAXATION

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

24 EXPLANATORY NOTES ON VARIANCES IN THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 30 JUNE 2015

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

(a) **Income from operations**

The non-achievement of the budgeted income was mainly attributable to a wait and see attitude which was adopted by many potential students and candidates as a result of the process of major review of the syllabuses which was ongoing throughout the financial year. Consequently, the income targets from the following major sources were not achieved.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(i) Examination entry fees

The reported income of Sh.507 million was lower than the budgeted income of Sh.531.5 million by Sh.25 million representing a negative variance of 4.6%.

(ii) Registration fees

The reported income of Sh.113.8 million was lower than the budgeted income of Sh.132 million by Sh.18 million representing a negative variance of 13.8 %.

(iii) Annual registration renewal fees

The reported income of Sh.115.6 million was lower than the budgeted income of Sh.119.1 million by Sh.3.5 million representing a negative variance of 3.0%. Students are required to pay renewal fees before booking for examinations.

(iv) Exemption fees

The reported income of Sh.53.2 million was lower than the budgeted income of Sh.60.5 million by Sh.7.3 million representing a negative variance of 12.1%.

(b) **Interest earned**

The reported income of Sh.161.6 million was higher than the budgeted income of Sh.136 million by Sh.25.6 million representing a positive variance of 18.8% which is attributed to unspent budgeted capital expenditure which was invested in Treasury bills and bonds. The unspent capital budget arose as a result of the longer time it took the contractor of KASNEB Towers Phase II Project to excavate the unforeseen hard rock.

(c) **Examinations and invigilation**

The reported expenditure of Sh.135.8 million was lower than the budgeted expenditure of Sh.150 million by Sh.14.2 million representing a positive variance of 9.5%. This is attributable to:

- (i) Savings arising on invigilation expenses due to consolidation of some examination centres.
- (ii) Projected marking expenses were lower than actual expenses incurred due to the reasons explained under income from operations.

(d) **Rent of examination halls**

The reported expenditure of Sh.6.5 million was lower than the budgeted expenditure of Sh.8 million by Sh.1.5 million representing a positive variance of 18.7%. This is attributable to:

- (i) Savings arising from consolidation of some examination centres.
- (ii) Anticipated increase in hire charges for use of examination centres which did not materialise.

(e) **Data processing**

The reported expenditure of Sh.6.7 million was lower than the budgeted expenditure of Sh.8 million by Sh.1.3 million representing a positive variance of 16.3%. This is attributable to:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- (i) Savings on toners arising from greater adoption of ICT in the office such as intranet and e-bulletin.
- (ii) Students being able to download their timetables from the KASNEB website instead of being provided with extra copies.

(f) **Printing and stationery**

The reported expenditure of Sh.29.9 million was lower than the budgeted expenditure of Sh.35 million by Sh.5 million representing a positive variance of 14.4%. This is attributable to:

- (i) Cost savings on photocopying due to greater adoption of ICT.
- (ii) Cost of printing examination booklets due to cost cutting measures adopted such as use of buffer centres in a given region when sending examination stationery instead of sending extra stationery to all examination centres.
- (iii) Consolidation of examination booklets for professional and technician examinations instead of printing booklets for each examination.

(g) **Long distance travel and transport**

The reported expenditure of Sh.12.4 million was higher than the budgeted expenditure of Sh.9 million by Sh.3.4 million representing a negative variance of 38%. This is attributable to:

- (i) Higher transport charges incurred during delivery of examinations due to increase in fuel costs in the third and fourth quarters of the financial year 2014/2015.
- (ii) Review of rates of subsistence allowances in accordance with the Salaries and Remuneration Commission harmonised rates as approved by the Board.

(h) **Education and training**

The reported expenditure of Sh.18.5 million was higher than the budgeted expenditure of Sh.15 million by Sh.3.5 million representing a negative variance of 23.7%. This is attributable to the training activities undertaken during the fourth quarter in accordance with the performance contract obligations.

(i) **Insurance**

The reported expenditure of Sh.1 million was lower than the budgeted expenditure of Sh.3 million by Sh.2 million representing a positive variance of 66.3%. This is attributable to savings on assets which were expected to be insured during the financial year but were not procured as per projected budget due to challenges in the procurement process.

(j) **Publicity, promotion, marketing and communication**

The reported expenditure of Sh.51 million was lower than the budgeted expenditure of Sh.65 million by Sh. 14 million representing a positive variance of 21.5%. This is attributable to:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- (i) Budgeted cost of professional branding not undertaken during the financial year as projected. The cost will be incurred in the current financial year 2015/2016.
- (ii) Budgeted expenses on marketing, promotion and publicity of the revised examination syllabuses which will be incurred in the current financial year 2015/2016.
- (iii) Savings on budgeted expenditure for operationalising county offices following the change of strategy to operationalising counters at Huduma centres.

(k) **Website development and maintenance**

The reported expenditure of Sh.2.2 million was higher than the budgeted expenditure of Sh.1.5 million by Sh.0.7 million representing a negative variance of 45.2% because of the costs incurred in the maintenance of the KASNEB website and subscription expenses for cyber roam services during the financial year was higher than the budgeted costs.

(l) **Research and Development**

The reported expenditure of Sh.11.1 million was lower than the budgeted expenditure of Sh.15 million by Sh.3.9 million representing a variance of 26%. This is attributable to projected expenditure of printing and launching of the revised examination syllabuses which will be incurred during the current financial year 2015/2016.

(m) **Other non-recurrent expenses**

The reported expenditure of Sh.3.6 million was lower than the budgeted expenditure of Sh.6 million by Sh.2.4 million representing a positive variance of 39.3%. This is attributable to savings on costs incurred in carrying out various surveys such as customer and employee satisfaction, competitors' analysis as well as job evaluation and career progression guidelines.

25 EXPLANATION ON REVISION OF ORIGINAL BUDGETARY ESTIMATES FOR THE FINANCIAL YEAR 2014/2015 BY SH.14,600,000

The original budgeted net surplus for the financial year 2014/2015 was revised downwards by Sh.14,600,000 that is, from the budgeted surplus of Sh.174,500,000 to the revised surplus of Sh.159,900,000.

The revision was attributable to:

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

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

(b) Revision of expenditure items

- (i) The budgeted expenditure of the items listed below was revised downwards due to the lower number of candidates who entered for the examinations compared to the projected numbers.
- Examinations and invigilation
 - Data processing
 - Printing and stationery
- (ii) Salaries and wages budget was revised upwards due to revision of some allowances payable to staff.
- (iii) Projected budget for education and training was revised downwards since some training activities were not undertaken due to exigencies of duty.
- (iv) The budgeted expenditure for publicity, promotion, marketing and communication was revised downwards due to the following planned activities which were deferred due to pressure of examination activities.
- Professional branding of KASNEB
 - KASNEB 45th Anniversary documentary
 - Establishment of regional offices
 - International exhibitions and trade fairs

26 CURRENCY

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



HUDUMA CENTRES

KASNEB has operationalised provision of services at the following Huduma Centres:

1. Eldoret
2. GPO, Nairobi
3. Kibera, Nairobi
4. Kisii
5. Kisumu
6. Makadara, Nairobi
7. Meru
8. Mombasa
9. Nakuru
10. Nyeri

The services offered at the KASNEB counters at the Huduma Centres include:

- (a) Inquiries
- (b) Fee payment at the Huduma Centre using Posta Pay
- (c) Student registration
- (d) Examination entry
- (e) Exemptions
- (f) Registration renewal



CORE VALUES

Integrity

Professionalism

Equity

Teamwork

Innovativeness

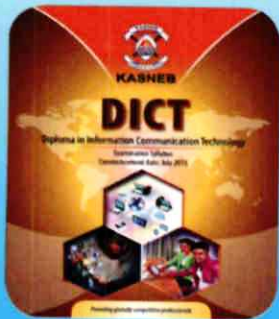


DIPLOMA QUALIFICATIONS



Accounting Technicians Diploma (ATD)

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



Diploma in Information Communication Technology (DICT)

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



Diploma in Credit Management (DCM)

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

Mission statement

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



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