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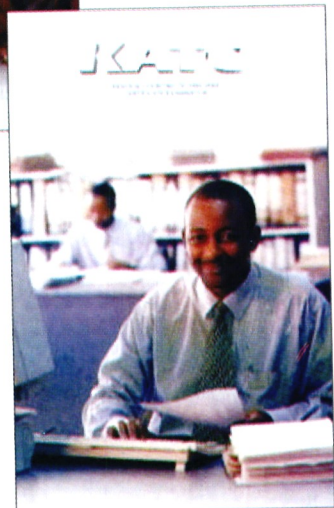
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**Kenya Accountants and Secretaries
National Examinations Board**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30th June 2005**

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REPORT OF
THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
**THE KENYA ACCOUNTANTS AND
SECRETARIES NATIONAL EXAMINATIONS BOARD**
FOR THE YEAR ENDED
30 JUNE 2005

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CORPORATE INFORMATION

1. Registered Office and Principal Place of Business

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

Telephone: 271640/2712828
Fax: 2712915
Email: info@kasneb.or.ke
Website: www.kasneb.or.ke

2. Bankers

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

3. Auditors

Controller and Auditor General
Kenya National Audit Office
Kencom House
P.O. Box 30084-00100
NAIROBI

4. Secretary

Erastus K. Gitau
P.O. Box 41362-00100
NAIROBI

MEMBERS OF THE BOARD 1 JULY 2004 TO 30 JUNE 2005

1. Professor Francis N. Kibera – **Chairman**
University of Nairobi
2. Mr. Enos O. Oyaya
Ministry of Education
3. Mrs. Naomy W. Wangai
Ministry of Education
4. Mr. Kariithi M. Murimi
Federation of Kenya Employers
5. Mrs. Esther N. Gicheru
Ministry of Co-operative Development
6. Mr. Stephen Lugalia
Institute of Certified Public Accountants of Kenya (ICPAK)
7. Mr. John K. Njiraini
Institute of Certified Public Accountants of Kenya (ICPAK)
8. Mr. Charles K. Wachira
Institute of Certified Public Secretaries of Kenya (ICPSK)
9. Mr. Joe M. Mbuthia
Institute of Certified Public Secretaries of Kenya (ICPSK)
10. Mr. Titus J.K. Gateere
Kenya Institute of Administration
11. Njoki Kahiga
Directorate of Personnel Management
12. Mrs. Shellomith L. Bobotti
Ministry of Finance

INSTITUTIONS NOT REPRESENTED

1. Office of the Attorney General
2. Ministry of Local Government

CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial statements of the Board for the financial year ended 30 June 2005.

The Board discharged its responsibilities with diligence and continued to implement the Corporate Strategic Plan (2002-2007) and the Strategic Marketing Plan (2004-2009). The two plans served as guiding lights or beacons in planning and managing the business of the Board.



Professor Francis N. Kibera

The Board is a not-for-profit making organization. However, the Board was able to raise sufficient funds to meet the operational expenditure requirements for the year and to maintain a moderate surplus for financial viability. The financial statements of the Board for the financial year ended 30 June 2005 are presented on pages 7 to 17 of this report.

Membership and meetings of the Board

The Board comprised fourteen (14) members appointed by the Minister for Finance in accordance with Section 15(1) of the Accountants Act (Cap 531). The members were appointed to serve for a period of three years. The proceedings of the meetings of the Board were governed by the fourth schedule to the Accountants Act.

Examinations of the Board

The examinations of the Board were held twice in the year, in December 2004 and in June 2005 and were administered all over the Republic and foreign countries.

The Board continued to conduct examinations in accountancy, finance, management, administration and related disciplines. The flagship examinations were the Certified Public Accountants (CPA) examination and Certified Public Secretaries (CPS) examination at the professional level; and the Kenya Accounting Technicians Certificate (KATC) examination and Kenya Administration and Management Examination (KAME) at the technician level.

During the year the Board introduced a new examination, namely, the Certified Information Communication Technology (CICT) examination which would be offered for the first time in June 2006. The Board observed that there were many examinations bodies, mainly foreign, offering examinations of different standards in information communication technology (ICT) and identified the need to provide a quality examination.

In conjunction with professionals in the field of securities, investment, financial analysis and credit management, the Board provided examinations in the disciplines of financial analysis, investments and credit management as part of strategic alliances with bodies which shared similar goals and objectives with the Board.

Promotional and Marketing activities

The Board initiated various promotional and marketing activities including discussions on career opportunities with lecturers, teachers and students in universities, colleges and schools in all corners of the Republic. This was in line with one of the core values of the Board of "promoting equal opportunities for all". The Board also participated in professional exhibitions and symposia.

Performance Contracting.

The Government introduced performance contracting as part of public sector reforms with the objective of improving performance of the public sector and the delivery of quality service. The Board signed a performance contract with the Government on 30 June 2005. The performance contract covered the period 1 July 2005 to 30 June 2006. This results-oriented approach to management was welcome since the Board has consistently operated on the basis of setting objectives and meeting targets.

Future challenges

The Board has grown from strength to strength. However, due to globalisation and rapid technological change new challenges continued to emerge. The strategy of the Board was to keep abreast of new developments so that it was always at par with or ahead of other examinations bodies worldwide.

In order to survive, flourish and prosper, the Board had developed the ability to adopt and adapt itself to the changing environment and the demands of information communication technology by continuing to automate its processes and updating the programmes, equipment and service delivery systems.

Conclusion

I am confident that, driven by the desire to always offer the highest quality of service to its customers, the Board is well prepared to face the challenges of the rapidly changing environment.

Finally, I would like to thank the members of the Board for their foresight, goodwill and guidance; and the members of staff for their dedication and hard work during the year. I also wish to thank our students for their faith and confidence in the examinations of the Board, sponsors, trainers, examiners and all our stakeholders and well-wishers for their overwhelming support.

PROFESSOR FRANCIS N. KIBERA
CHAIRMAN

10 JANUARY 2006.

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 the Board as at the end of each financial year and of the operating results of that year.

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

The members 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 Financial Reporting 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 the Board as at 30 June 2005 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 and management to indicate that the Board will not remain a going concern for the next twelve months from the date of this statement.

FRANCIS N. KIBERA
CHAIRMAN

ERASTUS K. GITAU
SECRETARY.

REPUBLIC OF KENYA

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 Fax: +254-20-330829
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P.O. Box 30084-00100
 NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD FOR THE YEAR ENDED 30 JUNE 2005

I have audited the financial statements of Kenya Accountants and Secretaries National Examinations Board for the year ended 30 June 2005 in accordance with the provisions of Section 14 of Public Audit Act 2003. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Board Members and Controller and Auditor General

As set out in the statement of board members' responsibilities, the board members are responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the board members, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Board as at 30 June 2005 and of its surplus and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Accountants Act, Cap 531 of the laws of Kenya.

E. N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

24 January 2006

BALANCE SHEET AS AT 30 JUNE 2005

ASSETS	NOTE	2005 Sh.	2004 Sh.
NON CURRENT ASSETS			
Property and equipment	9(a)	67,829,322	58,541,534
Prepaid Operating lease rentals	9(b)	6,046,782	6,112,507
		73,876,104	64,654,041
CURRENT ASSETS			
Government securities	10	191,036,325	153,068,373
Receivables	11	7,119,448	7,440,611
Bank balances		18,918,210	11,229,600
Cash in hand		793,669	1,062,667
		217,867,652	172,801,251
Total assets		<u>291,743,756</u>	<u>237,455,292</u>
GENERAL FUND AND LIABILITIES			
General fund		276,273,242	208,257,947
Current liabilities			
Payables	12	15,470,514	29,197,345
Total general fund and liabilities		<u>291,743,756</u>	<u>237,455,292</u>

FRANCIS N. KIBERA

- Chairman

ERASTUS K. GITAU

- Secretary

Dated: 10 JANUARY 2006

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005	2004
		Sh.	Sh.
Income from operations	2	292,005,680	202,514,519
Income from other sources	3	<u>8,233,447</u>	<u>6,308,969</u>
		300,239,127	208,823,488
Operating expenses	4	(221,948,073)	(164,311,361)
Administration costs	5	<u>(20,860,479)</u>	<u>(18,273,147)</u>
Operating surplus		57,430,575	26,238,980
Finance income	7	<u>10,584,720</u>	<u>6,696,490</u>
Surplus for the year		<u>68,015,295</u>	<u>32,935,470</u>

STATEMENT OF CHANGES IN GENERAL FUND FOR THE YEAR ENDED 30 JUNE 2005

	Sh.
At 1 July 2003	175,322,477
Surplus for the year	<u>32,935,470</u>
At 30 June 2004	<u>208,257,947</u>
At 1 July 2004	208,257,947
Surplus for the year	<u>68,015,295</u>
At 30 June 2005	<u>276,273,242</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005	2004
		Sh.	Sh.
OPERATING ACTIVITIES			
Cash generated from operations	8(a)	50,543,294	45,427,162
Interest received		<u>10,584,720</u>	<u>6,696,490</u>
Cash generated from operating activities		<u>61,128,014</u>	<u>52,123,652</u>
INVESTING ACTIVITIES			
Purchase of equipment		<u>(15,740,450)</u>	<u>(9,146,914)</u>
Cash utilised in investing activities		<u>(15,740,450)</u>	<u>(9,146,914)</u>
Net increase in cash and cash equivalents		45,387,564	42,976,738
Cash and cash equivalents at the beginning of year		<u>165,360,640</u>	<u>122,383,902</u>
Cash and cash equivalents at the end of year	8(b)	<u>210,748,204</u>	<u>165,360,640</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

ESTABLISHMENT

Kenya Accountants and Secretaries National Examinations Board (KASNEB) is a body corporate established under Section 14 (1) of the Accountants Act (Cap. 531) of the laws of Kenya.

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements remain unchanged from the previous year and are set out below:

Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting.

Revenue recognition

Examination fees is accounted for in the 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 as it is received by the Board. Refunds are accounted for the year in which they are made to students and candidates.

Investment income

Investment income is recognised in the period in which it is earned.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation

Depreciation

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

The annual rates of depreciation in use are :

Buildings	2.5%
Information and communication technology equipment	50%
Furniture and fittings	20%
Machinery and office equipment	20%
Motor vehicles	25%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

Leasehold land

The Board owns leasehold land (LR.209/522/1) in Upper Hill area, Nairobi on which stands its office premises. The lease on this land expires in the year 2097 . The cost of leasehold land is treated as prepaid operating lease rentals and amortised over the lease period. The lease rentals payable under the operating lease are charged to the income and expenditure statement on a straight line basis over the remaining lease period.

Financial instruments

Financial instruments are contracts that give rise to both financial assets and financial liabilities. Currently the Board has no financial liabilities. Financial assets of the Board comprise government securities in form of Treasury Bills and Treasury Bonds and are held to maturity. Financial assets are recognised on the Board's balance sheet at cost when the Board has become a party to the contractual provisions of the financial instruments.

Retirement benefits

The Board 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 Authority Act (1997). The scheme is funded by contributions from both the employees and the Board as the sponsor. The scheme is fully compliant with the provisions of the Retirement Benefits Act, 1997.

The Board also contributes to a statutory defined contribution scheme, the National Social Security Fund (NSSF). Contributions to NSSF are determined by the National Social Security Fund Act (Cap 258).

	2005	2004
	Sh.	Sh.
2. INCOME FROM OPERATIONS		
Examination fees	167,241,337	118,397,995
Registration fees	58,334,328	35,931,958
Annual registration renewal fees	53,474,735	39,326,306
Exemption fees	12,202,700	8,286,350
Sale of past question papers	<u>752,580</u>	<u>571,910</u>
	<u>292,005,680</u>	<u>202,514,519</u>
3. INCOME FROM OTHER SOURCES		
Student identity cards fees	7,178,959	4,552,720
Rental income - other tenants	746,488	1,227,249
Miscellaneous income - Sale of tender documents	<u>308,000</u>	<u>529,000</u>
	<u>8,233,447</u>	<u>6,308,969</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005 Sh.	2004 Sh
4. OPERATING EXPENSES		
Examinations and invigilation honoraria	42,585,374	29,081,633
Examination prizes	375,000	111,587
Rent of examination halls	1,371,787	1,162,824
Data processing	983,382	1,395,733
Printing and stationery	11,169,034	10,329,621
Local travel and transport	6,090,851	4,266,902
Long distance travel and transport	2,900,213	2,251,733
Postage and telephone	5,166,920	5,469,411
Staff emoluments and benefits	127,521,590	87,059,862
Repairs and renewals	428,622	594,083
Auditors' remuneration	244,000	222,000
Insurance	851,072	783,266
Sundry expenses	3,635,242	3,182,550
Bank charges	1,197,251	936,295
Honoraria to Board members	6,369,116	6,080,840
Publicity, promotion, marketing and communication	4,574,536	5,151,047
Students journal - KASNEB Newslite	5,317,438	5,419,800
Legal expenses	583,315	238,316
Ground rent and land rates	583,330	573,858
	<u>221,948,073</u>	<u>164,311,361</u>
5. ADMINISTRATION COSTS		
Student identity cards	1,869,318	1,748,000
Insurance and maintenance of KASNEB Towers	6,357,670	6,638,865
Strategic Plan (2002-2007) and Marketing Plan 2004-09	763,330	583,501
Publications Company - formation expenses	600	406,814
Website development and maintenance	42,640	106,365
Review and development of syllabuses	3,195,194	2,223,225
Miscellaneous expenses	309,165	525,819
Other non-recurrent expenses	1,804,175	Nil
Depreciation	6,452,662	6,040,558
Operating lease rentals	65,725	Nil
	<u>20,860,479</u>	<u>18,273,147</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2005 (Continued)**

	2005	2004
	Sh.	Sh.
6. STAFF EMOLUMENTS AND BENEFITS		
Staff salaries and wages	103,261,759	71,321,679
Pension and benefits	19,571,111	13,419,368
Education and training	<u>4,688,720</u>	<u>2,318,815</u>
	<u>127,521,590</u>	<u>87,059,862</u>
7. FINANCE INCOME		
Finance income represents interest earned from Government securities.		
8. NOTES TO THE CASH FLOW STATEMENT		
(a) Reconciliation of operating surplus to cash generated from operations		
Operating surplus	57,430,575	26,238,980
Adjustments for:		
Depreciation	6,452,662	6,040,558
Amortisation of prepaid lease rentals	<u>65,725</u>	<u>Nil</u>
Operating surplus before working capital changes	63,948,962	32,279,538
Changes in working Capital		
Decrease/(increase) in receivables	321,163	541,752
Increase/(decrease) in payables	<u>(13,726,831)</u>	<u>12,605,872</u>
Cash generated from operations	<u>50,543,294</u>	<u>45,427,162</u>
(b) Cash and cash equivalents		
Treasury bills and treasury bonds	191,036,325	153,068,373
Bank and cash balances	<u>19,711,879</u>	<u>12,292,267</u>
	<u>210,748,204</u>	<u>165,360,640</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

9(a). PROPERTY AND EQUIPMENT

COST	Building	Information Communication Technology Equipment	Furniture & fittings	Machinery and Office Equipment	Motor Vehicles	Total
	Sh.	Sh.	Sh.	Sh.	Sh.	Sh.
At 1 July 2004	66,925,044	17,027,857	12,026,148	5,724,108	19,412,074	121,115,231
Additions	5,267,498	5,961,900	1,369,600	465,740	2,675,712	15,740,450
At 30 June 2005	72,192,542	22,989,757	13,395,748	6,189,848	22,087,786	136,855,681
ACCUMULATED DEPRECIATION						
At 1 July 2004	15,999,867	16,479,740	9,365,746	5,065,833	15,662,511	62,573,697
Charge for the year	1,801,679	574,780	1,351,763	306,940	2,417,500	6,452,662
At 30 June 2005	17,801,546	17,054,520	10,717,509	5,372,773	18,080,011	69,026,359
NET BOOK VALUE						
At 30 June 2005	54,390,996	5,935,237	2,678,239	817,075	4,007,775	67,829,322
At 30 June 2004	50,925,177	548,117	2,660,402	658,275	3,749,563	58,541,534

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	Sh.	Sh.
9(b). PREPAID OPERATING LEASE RENTALS		
Leasehold land		
Cost	6,112,507	6,112,507
Amortisation charge for the year	<u>65,725</u>	<u>Nil</u>
Net book Value	<u>6,046,782</u>	<u>6,112,507</u>
 10. GOVERNMENT SECURITIES		
Treasury bills:		
Maturing within 90 days	67,387,130	53,443,240
Maturing after 90 days	<u>16,269,970</u>	<u>5,400,780</u>
	<u>83,657,100</u>	<u>58,844,020</u>
Treasury bonds:		
Maturing within one year	33,933,515	30,293,838
Maturing between 1 - 3 years	35,531,925	52,644,800
Maturing after 3 years	<u>37,913,785</u>	<u>11,285,715</u>
	<u>107,379,225</u>	<u>94,224,353</u>
 The average interest earned on government securities was Sh.10,365,012 (2004 - Sh.6,515,011).		
 11. RECEIVABLES		
Prepayments	324,652	1,254,456
Receivable from tenants	2,652,605	2,510,808
Staff receivables	<u>4,142,191</u>	<u>3,675,347</u>
	<u>7,119,448</u>	<u>7,440,611</u>
 12. PAYABLES		
Examinations and invigilation honoraria	6,425,871	4,247,585
Accruals	2,010,301	9,057,113
Other payables	<u>7,034,342</u>	<u>15,892,647</u>
	<u>15,470,514</u>	<u>29,197,345</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

13 NET CURRENT ASSETS	2005	2004
	Sh.	Sh.
Current assets		
Government securities	191,036,325	153,068,373
Receivables	7,119,448	7,440,611
Bank balances	18,918,210	11,229,600
Cash in hand	793,669	1,062,667
	<u>217,867,652</u>	<u>172,801,251</u>
Current liabilities		
Payables	15,470,514	29,197,345
	<u>202,397,138</u>	<u>143,603,906</u>

14 TAXATION

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

15 CURRENCY

The financial statements are presented in Kenya shillings.



**KENYA ACCOUNTANTS AND SECRETARIES
NATIONAL EXAMINATIONS BOARD**

KASNEB

*Entrust your future with us
Have a look, make a choice*



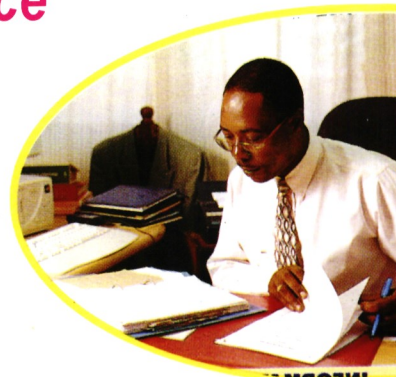
CPA

Certified Public Accountants
Examination



CICT

Certified Information Communication
Technology Examination



CPS

Certified Public Secretaries
Examination



KATC

Kenya Accounting Technicians
Certificate Examination

**Globally
reliable
all the time**



KAME

Kenya Administration and
Management Examination

More Opportunities

**Investments and
Financial Analysis Examination**

MARKET BAROMETER

**Credit Management
Examination**

BUSINESS THERMOSTAT

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Providing professional and skilled manpower worldwide



Corporate Vision

Our vision is to maintain excellence in providing world-class examinations in accounting, finance, management and corporate governance.

Mission Statement

Our mission is to offer high quality examinations in accounting, finance, management, corporate governance and related disciplines in order to produce professionals who satisfy the needs of the marketplace.

Core Values

We commit ourselves to live up to the highest ideals of good corporate governance and seek to be trustworthy, respectful, honest and socially responsible. Therefore we:

- (a) promote and pursue excellence;
- (b) operate to the highest levels of accountability and transparency;
- (c) act at all times with the highest degree of honesty and integrity;
- (d) perform to the highest measures of competence and professionalism;
- (e) promote at all times the virtues of meritocracy and fair play;
- (f) exhibit a sense of high responsibility within the society;
- (g) perform at all times to the highest satisfaction of our students and candidates who are the key customers;
- (h) institute measures aimed at satisfying stakeholders; and
- (i) promote equal opportunities for all.



Kenya Accountants and Secretaries National Examinations Board



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