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KENYA NATIONAL AUDIT OFFICE

Ref NCK/149/2002/2003/(19)

12 July 2005

The Registrar
Nursing Council of Kenya
P.O. Box 20056
NAIROBI

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Dear Madam

AUDIT REPORT OF THE CONTROLLER & AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF NURSING COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE 2003

Please find enclosed two sets of the audited financial statements for the year ended 30 June 2003 for your Council duly certified and with the seal of the Controller and Auditor-General affixed thereon for your retention and necessary action.

You should make arrangements to print audited financial statements and submit 250 copies to your parent ministry for tabling before the National Assembly in accordance with section 31 of the Exchequer and Audit Act (Cap 412). Please send to us five (5) copies of the printed financial statements.

The Audit fees of Kshs.120,000 (One hundred and twenty thousand only) in respect of 2002/2003 audit is now due for payment. Please remit your cheque to the Controller and Auditor General, Kenya National Audit Office, Nairobi within 30 days from the date of this letter.

Yours faithfully

H.O. WANYAMA
For CONTROLLER AND AUDITOR-GENERAL



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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NURSING COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE 2003

I have audited the financial statements of Nursing Council of Kenya for the year ended 30 June 2003 in accordance with the provisions of section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept by the Council and the financial statements, which have been prepared under the historical cost convention, are in agreement therewith.

Respective Responsibilities of the Council Members and the Controller and Auditor General

The Council Members are responsible for the preparation of financial statements which give a true and fair view of the Council's state of affairs and 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 misstatements. 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 principles used and significant estimates made by the Council Members as well as evaluating the overall financial statements presentation. I believe my audit provides reasonable basis for the opinion.

1. Accuracy of the Accounts

The Council's Balance Sheet as at 30 June 2003 did not balance and the resultant difference of Kshs.1,239,979.92 was posted to a Suspense Account. The difference has not been identified for the adjustments to be effected in the financial statements. It was therefore not possible to ascertain the effect the suspense of Kshs.1,239,979.92 may have on the correctness and accuracy of the financial statements of the Council as at 30 June 2003.

2. Cash and Bank Balances

The cash and bank balance of Kshs.6,285,238.05 as at 30 June 2003 is made up of cash in hand and bank balances of Kshs.54,839.50 and Kshs.6,230,398.55 respectively. However and as reported in the previous year the Council continued to keep poor records of its transactions as a result of which petty cash amounting to Kshs.135,408 could not be accounted for at the time of audit. Further no bank reconciliation statements for the three bank accounts of the Council were done. Bank reconciliations provide the necessary checks over the liquid asset, cash, and have, therefore, to be done regularly in order for reconciling items to be identified and promptly cleared. Failure to do this negates the internal control strength that such reconciliations are expected to provide. In the circumstances therefore, it was not possible to confirm the correctness of the cash and bank balance of Kshs.6,285,238.05 as at 30 June 2003.

3. Unaccounted for Revenue

A comparative analysis of the cash book, revenue receipts, bankings and bank statements during the audit, revealed that revenue was not being banked intact and that revenue totalling to Kshs.489,884.50 collected during the year could not be accounted for. It was not clear and management has not explained why such an amount of revenue was not banked or accounted for. Under the circumstances, it was not possible to confirm the correctness of Kshs.14,112,569.21 shown in the financial statements as total income for the year under review.

4. Award of Contracts

The council during the year under review awarded contracts, for construction of a perimeter wall around their Kyuna Estate House at Kshs.1,101,980 and renovations and construction of a perimeter wall to their Woodley House at Kshs.2,352,980. The contract to the Kyuna House was awarded to the 4th lowest bidder while that of the Woodley House was awarded to the 2nd lowest bidder. No evidence was seen of any technical evaluation of the quotations and it was therefore not possible to determine the basis on which the contracts were awarded. Further, the Council capitalized Kshs.3,110,229 as the Woodley House works exceeding the contracted price of Kshs.2,352,980 by Kshs.757,249. In addition the capitalized amount of Kshs.3,110,229 included Kshs.1,116,684 for which there was no evidence produced by management to show that the amount was for work done or certified.

5. Irregular Procurement of Goods

During the year under review the council procured goods without inviting competitive tenders or quotations. The Council made such purchases of stationery from two firms and paid Kshs.627,675 without inviting quotations or

issuing Local Purchase Orders. The Council further purchased a computer for Kshs.125,000 and a Microsoft Office software at Kshs.26,500 both items totalling Kshs.151,500 instead of the lowest bidder at Kshs.103,840 for both the computer and the software. Arising from the two transactions the Council lost Kshs.47,660 which could have been saved, had the items been purchased from the lowest bidder.

Opinion

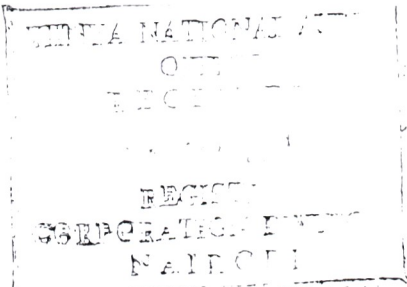
Except for the reservations set out in the foregoing paragraphs, in my opinion the financial statements when read together with the notes thereon present fairly the financial position of the Council as at 30 June, 2003 and of its deficit and cash flows for the year then ended.



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi


24 June, 2005




NURSING COUNCIL OF KENYA

BALANCE SHEET AS AT 30TH JUNE 2003

<u>Assets Employed</u>	NOTES	2003	2002
Fixed Assets	2	28,441,356.30	25,139,501.60
Investments	5	1,617,791.00	5,500,000.00
<u>Current Assets</u>		<u>29,759,147.30</u>	<u>30,639,501.60</u>
Stocks			
Debtors and Prepayments	3	719,651.26	752,135.10
Cash in hand and in Bank	7	150,873.25	187,164.63
	4	6,285,238.05	3,992,848.43
<u>Current Liabilities</u>		<u>7,155,762.56</u>	<u>4,932,148.16</u>
Sundry creditors	8	223,980.00	117,980.00
 Net Currents Assets		 6,931,782.56	 4,814,168.16
 Total Net Assets		 <u>36,690,929.86</u>	 <u>35,453,669.76</u>
<u>Financed By:</u>			
Accumulated funds		35,451,031.94	35,453,669.76
Suspense account		<u>1,239,979.92</u>	<u>nil</u>
		<u>36,690,929.86</u>	<u>35,453,669.76</u>


 Sign.....
 DR. DABAR A. MAALIM
 CHAIRMAN
 Date: 10/07/05


 SIGN.....
 ELIZABETH OYWER
 REGISTRAR
 Date: 15/07/05

INCOME AND EXPENDITURE FOR THE YEAR ENDED 30TH JUNE 2003

INCOME	2003 KSH	2002 KSH
	803,207.96	243,949.60
Contribution from sales and schedules		
And training material		
Examination and indexing	4,020,482.40	3,918,530.00
Registration and Enrolment	5,766,456.00	5,269,702.40
Council House Rent	700,000.00	829,000.00
Bank Interest	103,681.00	188,732.55
Miscellaneous Income	5,000.00	100.00
Private Practice License	1,075,400.00	957,930.00
Application, Licenses and Verification fees	1,201,281.85	797,978.40
Retention System Fees	437,500.00	801,500.00
TOTALS	14,112,569.21	13,007,452.95
EXPENDITURE		
Salaries Gratuities and Responsibility	2,451,560.50	2,357,933.00
Duty Allowance	1,104,406.00	910,050.00
Car insurance and Road License	28,001.00	31,091.00
Office Running and Expenses	430,884.00	346,099.00
Car Petrol, Repair and Maintenance	193,681.00	270,404.00
Advertising	72,640.80	119,758.40
Travel Account and Examination	3,376,997.00	3,689,620.00
Stationary	2,516,702.50	1,821,120.50
Visit and local seminars and Workshops	788,270.00	1,402,169.50
Staff Uniform	9,950.00	11,600.00
Entertainment	60,464.00	153,251.00
Provision for Adult Fees	80,000.00	80,000.00
Depreciation Charge	508,745.80	540,378.10
Writing and Signing of Certificates	320,170.00	158,854.00
Postage and Telephone Charges	361,403.00	322,948.55
Bank Charges	61,781.70	38,328.50
Office Equipment repairs & Maintenance	130,917.20	137,812.70
Casuals	290,050.00	203,344.00
Subscriptions	-	-
International Conferences	496,998.00	21,945.00
Distance Learning	-	-
Donations	55,000.00	-
Electricity and Water	22,870.00	21,500.00
Land rates, Insurance and Valuation fees	50,258.50	10155.55
Staff Development	150,000.00	200,000.00
Legal fees and Consultancy	17,500.00	15,000.00
Council House Renovation	21,320.00	206,933.00
Honorarium	-	15,000.00
Council History Writing	-	152,700.00
Retention Cards	440,730.00	-
Security Guards & Alarm systems	24,356.65	-
Internet Services	49,549.38	49,549.39
Total	14,115,207.03	13,274,045.19
Surplus / Deficit for the year	(2,637.82)	(266,592.24)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2003

	2003 KSH	2002 KSH
OPERATING ACTIVITIES		
Surplus / Deficit for the year	(2,637,821)	(266,592,24)
Adjustment for depreciation	508,745.80	540,378.10
Changes In working capital		
(Increase) / Decrease in Stock	32,483.84	15,395.40
(Increase) / Decrease in Debtors	36,291.38	(152,622.33)
Increase / (Decrease) in Creditors	106,000.00	(110,000.00)
Net Cash from Operating Activities	680,883.20	26,558.93
INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,511,600.00)	(332,327.20)
Barclays Bank Fixed Deposit Account	3,882,209.00	-
Change in Cash and Cash equivalents	1,052,409.70	(305,768.27)
Movement in cash and Cash equivalents		
As at 1 st July 2002	3,992,848.43	4,299,616.70
Increase/(Decrease)	1,052,409.70	(305,768.27)
Suspense Account	<u>1,239,979.92</u>	Nil
As at 30 th June 2003	6,285,238.05	3,992,848.43

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2003

1. Accounting Policies

(a) Depreciation

Depreciation is calculated on reducing balance method and is not provided for assets bought during the second half of the Financial Year.

The following are the rates used:-

1. Council Houses 2.5%
2. Office furniture and equipment 12.5%
3. Motor Vehicle 25%

(b) Stocks

Stocks are stated at lower of cost or net realizable value.

2. Fixed Assets

	FURNITURE & EQUIPMENT KSH.	MOTOR VEHICLE KSH	COUNCIL HOUSES KSH.	LAND KSH	TOTALS KSH.
Cost as at 01/07/02	3,178,562.20	475,865.00	12,800,000.00	12,316,180.00	28,770,607.20
Additions	526,300.00	-	2,985,300.00	-	3,511,600.00
	3,704,862.20	475,865.00	15,785,300.00	12,316,180.00	32,282,207.20
Depreciation as at 01/07/02	1,601,932.50	470,061.50	1,560,111.50	-	3,632,105.10
Charge for the year	226,298.08	1,450.88	280,996.50	-	508,745.80
	1,828,230.68	471,512.38	1,841,108.00	-	4,140,850.90
Net Book Value as at 30/06/003	1,876,631.52	4,352.62	13,944,192.00	12,316,180.00	28,141,356.30

3. STOCKS SCHEDULES B

Training Material

4. CASH BALANCES

Cash at Bank Current account

Cash in hand

5. INVESTMENTS

Barclays Bank Fixed Deposit

6. ACCUMULATED FUNDS

Balance B/F

Surplus for the year

7. DEBTORS AND PREPAYMENTS

Debtor's schedules (MR PETER GACHERU)

Car License and Insurance Prepayment

Council House Rates and Insurance Prepayments

Internet Charges

8. SUNDRY CREDITORS

Auditor General Corporation

Nairobi City Commission

Sunview House Deposit (Mr. Willie Kanyeki)

9. INTEREST FOR THE YEAR

Barclays Bank

	2003 KSHS	2002 KSHS
	719,651.26	752,135.10
	6,230,398.55	3,590,969.38
	54,839.50	401,879.38
	6,285,238.05	3,992,848.43
	1,617,791.00	5,500,000.00
	35,453,669.76	35,720,262.00
	(2,637.82)	(226,592.24)
	35,451,031.94	35,453,669.76
	106,000.00	106,000.00
	20,979.00	28,001.00
	23,894.25	3,614.25
	-	49,549.38
	150,873.25	187,164.63
	160,000.00	80,000.00
	37,980.00	37,980.00
	26,000.00	-
		-
	223,980.00	117,980.00
	103,681.00	188,732.55

SALE OF BOOKS AND TRAINING MATERIALS

	2003 KSH	2002 KSH
SALES		
Training Files	658,320.00	668,860.00
Schedules	1,123,383.00	913,700.00
Procedure manuals	1,052,940.00	887,820.00
	2,834,645.00	2,470,380.00
LESS COST OF SALES		
Opening Stock	752,135.10	767,530.00
ADD Purchases	1,999,153.20	2,211,005.00
LESS Closing Stock	719,651.26	752,135.10
	2,031,637.04	2,226,400.40
SURPLUS TO INCOME AND EXPENDITURE A/C	803,007.96	243,979.60

SCHEDULE B.

<u>ITEM</u>	<u>QUANTITY</u>	<u>UNIT PRICE</u>	
XY forms	22	2,560.60	56,333.20
KRCHN Files	273	318.60	86,977.80
KECHN Files	426	318.60	135,723.60
KRCHN Practical Books	296	177.00	52,392.00
Infection Prevention Books	66	33.40	2,180.64
KECHN Practical Books	120	84.00	10,080.00
Continuous Education Books	500	72.00	36,000.00
Scope of Nursing Books	485	64.00	31,040.00
Procedure Manuals	476	649.00	308,924.00
			719,651.24