

# THE KENYA NATIONAL EXAMINATIONS COUNCIL



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REPORT OF THE AUDITOR-GENERAL (CORPORATIONS)  
ON THE ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS COUNCIL  
FOR THE YEAR ENDED 30TH JUNE 1990

# **THE KENYA NATIONAL EXAMINATIONS COUNCIL**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30TH JUNE 1990**

Kenya National Examinations Council  
P O Box 73598  
**NAIROBI, Kenya.**

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REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF  
THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED  
30 JUNE 1990

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I have examined the accounts of the Kenya National Examinations Council for the year ended 30 June 1990 in accordance with Section 29 (2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations that I have required for the purpose of my audit. Proper books of account have been kept by the Council and the accounts which have been prepared under the historical cost convention are in agreement therewith and comply with the provisions of the Kenya National Examinations Council Act (Cap 225A).

Except for the matters referred to herebelow, in my opinion the accounts when read together with the notes thereon, give a true and fair view of the Council's financial affairs as at 30 June 1990 and of its deficit for the year ended on that date.

1. FIXED ASSETS

The Council's fixed assets of Kshs.13,742,042.80 as at 30 June 1990 include Kshs.2,557,574.50 being the value of five residential houses owned by the Council but for which no title deeds have been produced for verification. I am, therefore, and as was the case in the previous year, still unable to confirm the ownership of the five properties. The accounts of the Council for the year 1989/90, like those for the previous years, do not still incorporate the value of assets passed on the Council by the former East African Examinations Council at its incorporation after the break-up of the now defunct East African Community. Accordingly, the Council's fixed assets of Kshs.13,742,042.80 as at 30 June 1990 are understated to the extent of the value of the excluded assets.

2. UN-IDENTIFIED BANK PAYMENTS

Some cheques drawn by the Council in 1984/85 amounting to Kshs.27,961,638.00 were encashed by payees whom the Council has not to-date been able to identify. The Council has not been able to explain the nature of the payments. Under the circumstances I am unable to confirm the authenticity of the payments. Further, no provision has been made against any possible loss of this amount although its recoverability is, in my opinion, doubtful.

3. DISHONoured CHEQUES ✓

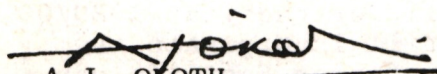
The Balance Sheet debtors' figure of Kshs.21,224,658.95 as at 30 June 1990 include Kshs.1,199,372.30 being the value of dishonoured cheques drawn between the year 1982 and June 1990. Although these cheques have become stale and can only be collected through replacements, I am not aware of any good reason why effective action had not been taken to recover the amounts of dishonoured cheques immediately the cheques were dishonoured.

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#### 4. SHORT TERM INVESTMENTS

Included in the short-term investments figure of Kshs.111,553,867.95 is an amount of Kshs.64,349,797.90 deposited in one financial institution which was facing serious financial problems and was not able to repay the deposits on maturity. The amount remained unpaid as at 30 June 1990 and its recoverability remains uncertain. Despite this uncertainty, the Council has not provided for any possible loss which may arise in the event of the deposits becoming irrecoverable. The Council has, however, explained that the financial institution is one of those which currently are under the management of the Consolidated Bank of Kenya and that arrangements by Government are underway to have the Council convert the deposits into share capital at a later date. I am not, however, aware of such Government arrangements and therefore, I am unable to form an opinion on the necessity and adequacy of provision.

In addition the Council made short-term deposits amounting to Kshs.20,000,000 in various financial institutions during the year under review contrary to the Treasury Circular which requires that surplus public funds be invested in Treasury Bills or Bonds and that any variation from the directive requires prior Treasury approval in writing which in this case was not obtained.

  
A. J. OKOTH  
AUDITOR-GENERAL (CORPORATIONS)

30 July 1991

KENYA NATIONAL EXAMINATIONS COUNCIL

BALANCE SHEET AS AT 30TH JUNE, 1990

	<u>NOTES</u>	<u>1990</u>	<u>1989</u>
<u>ASSETS EMPLOYED</u>			
Fixed Assets	1	13,742,049.80	14,949,116.90
Short-term investments	2	111,553,867.95	154,568,290.30
Buildings (Work in Progress)		52,236,769.25	52,048,509.25
Loan to SEPU		<u>300,000.00</u>	<u>300,000.00</u>
		<u>177,832,687.00</u>	<u>221,865,916.45</u>
<u>CURRENT ASSETS</u>			
Suspense Accounts 1986 - 87		193,330.35	395,779.10
Sundry debtors		19,368,897.40	17,026,894.80
Bank Reconciliation Suspense Account (1982 - 85)	3	27,961,638.00	
		<u>1,543,602.80</u>	<u>33,818,857.50</u>
Bank/Cash		49,067,468.55	51,241,531.40
		<u>7,789,406.05</u>	
<u>CURRENT LIABILITIES</u>			
Sundry creditors	4	7,789,406.05	6,612,980.85
		<u>41,278,062.50</u>	<u>44,628,550.55</u>
<u>NET CURRENT ASSETS</u>		<u>219,110,748.90</u>	<u>266,494,467.00</u>
<u>TOTAL ASSETS</u>		<u>64,693,870.95</u>	<u>64,505,610.95</u>
<u>FINANCED BY</u>		<u>154,416,877.95</u>	<u>201,988,856.05</u>
Capital Reserve		219,110,748.90	266,494,467.00
Excess of Income over expenditure			

Philip M. H. M. M. M.  
 CHAIRMAN  
 DATE: 17/5/91.

[Signature]  
 SECRETARY  
 DATE: 8/5/91

KENYA NATIONAL EXAMINATIONS COUNCIL

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1990

<u>INCOME</u>	<u>NOTES</u>	<u>1990</u>	<u>1989</u>
Examination fees	6	172,218,185.85	185,553,494.50
Other income	7	11,560,906.80	9,837,720.85
Grants	8	<u>43,714,688.05</u>	<u>71,254,764.00</u>
		<u>227,493,780.70</u>	<u>266,645,979.35</u>
 <u>LESS EXPENDITURE</u>			
Provision for doubtful debts		412,632.00	-
Personnel expenses	9	20,847,002.70	16,732,920.75
Office Administration Expenses	10	15,210,500.85	7,351,415.60
Examination expenses	11	228,352,447.35	140,898,976.40
Housing of staff & Office Administration	12	8,155,304.15	9,333,519.05
Depreciation		<u>1,601,325.60</u>	<u>1,032,571.20</u>
		<u>274,579,212.65</u>	<u>175,349,403.00</u>
 <b>Excess of Income over Expenditure c/f</b>		 <u>(47,085,431.95)</u>	 <u>91,296,576.35</u>

KENYA NATIONAL EXAMINATIONS COUNCIL

TRIAL BALANCE AS AT 30TH JUNE, 1990

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Provision for doubtful debts	412,632.00	5,525,178.85
Building (Work in progress)	52,236,769.25	64,693,870.95
Leasehold buildings	2,557,574.50	201,502,309.90
Motor Vehicle	2,874,921.00	43,714,688.05
Office Equipment	13,163,154.25	172,218,185.85
Office Furniture	1,682,566.50	11,560,906.80
House Furniture	590,338.00	
Accumulated depreciation		
Capital reserve		
Income and expenditure		
Grants from Ministry of Education		
Examination fees		
Other Income		
Short-term investments	111,553,867.95	
Debtors & creditors	19,368,897.40	
Loan to SEPU	300,000.00	
Examination expenses	228,352,447.15	
Housing of staff and office accomodation	8,208,514.15	
Personal expenses	20,847,002.70	
Administration and office expenses	15,157,290.85	
Bank	1,543,602.80	
Payments in bank not in cash-book (1982 - 85)	27,961,638.00	
Suspense A/c as at 30th June, 1987	<u>193,330.35</u>	
	<u>507,004,546.45</u>	<u>507,004,546.45</u>



NOTE 1

KENYA NATIONAL EXAMINATIONS COUNCIL  
FIXED ASSETS SCHEDULE AS AT 30TH JUNE, 1990

	LEASEHOLD BUILDINGS (KSHS.)	MOTOR VEHICLES (KSHS.)	OFFICE EQUIPMENT (KSHS.)	OFFICE FURNITURE (KSHS.)	HOUSE FURNITURE (KSHS.)	TOTAL (KSHS.)
Balance brought forward 1.7.89	2,557,574.50	2,643,019.00	13,037,054.25	1,646,310.00	590,338.00	20,474,295.25
Additions in the year	-	516,000.00	126,100.00	36,256.50	-	678,356.50
Disposals		(284,098.00)				(284,098.00)
	2,557,574.50	2,874,921.00	13,163,154.25	1,682,566.50	590,338.00	20,868,553.75
Accumulated depreciation as at 1.7.89	502,133.45	2,643,019.00	803,899.40	985,789.00	590,338.00	5,525,178.85
Depreciation for the year	63,939.35	10,750.00	1,316,315.45	210,320.80	-	1,601,325.60
	566,072.80	2,369,671.00	2,120,214.85	1,196,109.80	590,338.00	7,126,504.45
Book value 1.7.89	2,055,441.05	NIL	12,233,154.85	660,521.00	NIL	14,949,116.90
Book value 30.6.90	1,991,501.70	505,250.00	11,042,939.40	486,456.70	-	13,742,049.80
Rate of Depreciation	2½%	25%	10%	12½%		

SHORT-TERM INVESTMENTS

NOTE 2

SHORT-TERM INVESTMENTS

Trade Bank Limited	15,000,000.00
Jimba Credit Corporation	50,577,368.15
Kenya Finance Corporation	20,976,499.80
City Finance Limited	5,000,000.00
Savings & Loan (K) Limited	10,000,000.00
Housing Finance Company of Kenya	<u>10,000,000.00</u>
	<u>111,553,867.95</u>

NOTE 3

DEBTORS

Variety Retail Traders	690.00
Ministry of Education	1,467,291.10
Temporary Imprest	2,288,460.90
Interest receivable	13,892,429.55
Returned cheques R.D.	1,204,674.55
Interest on SEPU Loan accrued from 1.1.81 - 30.6.90	255,000.00
Staff Motor Loan	49,206.95
Kenya Polytechnic	153,460.00
Salary Advance	<u>57,684.35</u>
	<u>19,368,897.40</u>

NOTE 4

CREDITORS

Staff Cont. FSSU	1,266.50
Audit Fees	50,000.00
E.A.E.C.	4,000,000.00
Stale Cheques	3,615,808.75
Retirement benefits	68,908.50
PAYE	35,074.30
Insurance	693.40
Miscellaneous deductions	17,654.60
	<u>7,789,406.05</u>

NOTE 5

INCOME AND EXPENDITURE ACCOUNT

Balance b/d 1st July, 1989	201,704,758.65
Prior yr. adjustment	(202,448.75)
Deficit 1989/90	<u>(47,085,431.95)</u>
Balance carried forward	<u>154,416,877.95</u>

NOTE 6

EXAMINATION FEES

KCPE	27,551,116.45
KCSE	123,740,564.60
KACE	406,912.50
PTE	8,445,100.00
Technical	6,923,316.00
Business	5,336,213.80
Less refunds	<u>(185,037.50)</u>
	<u>172,218,185.85</u>

NOTE 7

OTHER INCOME

Miscellaneous exams	1,476,858.35
Rent Deductions	234,100.00
Interest on Fixed Deposits	9,725,878.45
Sale of Publications	94,070.00
Interest on SEPU Loan	<u>30,000.00</u>
	<u>11,560,906.80</u>

NOTE 8

Recurrent grants from Ministry of Education 43,714,688.05

NOTE 9

PERSONNEL EXPENSES

Personnel Emoluments	11,485,831.85
Extra-clerical Assistance	7,436,511.25
Medical expenses	1,444,749.70
Contributions to F.S.S.U	<u>479,909.90</u>
	<u>20,847,002.70</u>

NOTE 10

OFFICE ADMINISTRATION EXPENSES

Passages & Leave expenses	194,899.80
Transport operating expenses	1,657,242.30
Travelling and accomodation	1,151,234.40
Posts & Telegrams	401,171.00
Telephone expenses	886,146.05
Official entertainment	16,681.70
Electricity and water	140,980.40
Purchase of Uniforms & Clothings	54,345.00
Purchase of stationery	3,309,554.85
Printing of Accountable documents	249,607.25
With-holding tax	542,819.75
Bank charges and ledger fees	1,300,269.65
Audit fees	25,000.00
Maintenance of plant and equipment	3,371,401.05
Miscellaneous charges & Sundry expenses	1,255,393.50
Staff training	507,897.65
Advertising & Publicity	<u>145,856.50</u>
	<u>15,210,500.85</u>

NOTE 11

EXAMINATION EXPENSES

KCPE	64,881,952.25
KCE	72,100,136.60
KACE	35,445,299.80
PTE	7,631,041.55
Technical	32,199,050.95

Business	9,977,062.55
Miscellaneous Exams	2,926,062.30
Computer charges	<u>3,191,841.05</u>
	<u><u>228,352,447.05</u></u>

NOTE 12

STAFF HOUSING AND OFFICE ACCOMODATION

Rents & Rates senior staff housing	2,264,407.45
Repair to Council houses	93,227.00
Rents & Rates to Office accomodation	5,797,669.70

NOTE 13

BANK BALANCES

Kenya Commercial Bank	7,381,547.00	CR
Standard Chartered Bank	<u>5,837,944.20</u>	DR
NET	<u><u>1,543,602.80</u></u>	

STAFF MOTOR LOANS OUTSTANDING AS AT 30TH JUNE, 1990

P. W. Odiwuor	9,033.35
C. E. Opiyo	2,295.00
S. M. Wasike	14,031.00
J. B. Owigar	<u>23,847.10</u>
TOTAL	<u><u>49,206.45</u></u>

R.D. CHEQUES/MONEY ORDERS SCHEDULE FOR THE YEAR ENDED 89/90

Balance b/f from 1988/89

Shs. 1,155,034.30

R.D's for 1989/90 NOT REPLACED

<u>BANK DRAWN ON</u>	<u>MONEY ORDER NO.</u>	<u>DATE</u>	<u>AMOUNT</u>
K.P. & T	7104032	29.5.89	1058.00
"	7008226	31.3.89	1500.00
"	7496996	21.9.89	1500.00
"	7496898	15.9.89	500.00
"	7248322	26.7.89	150.00
"	721669	3.7.89	200.00
"	7248321	13.7.89	150.00
"	7090623	29.5.89	440.00
"	7208177	12.9.89	15.00
"	7929654	26.3.90	220.00
"	7227081	12.9.89	260.00
STANDARD BANK	CHQ.015465	26.3.90	44,400.00
K.P. & T	7320877	20.9.89	260.00
STANDARD BANK:	CHQ.3358	20.3.90	<u>23,675.00</u>
	TOTAL		74,328.00
	ADD BALANCE FROM 88/90		<u>1,155,034.30</u>
			1,229,362.30
	Less Receipts/ Replacements		<u>29,990.00</u>
	Net Figure to Final Accounts		<u><u>1,199,372.30</u></u>
	Net R.D. Figure:		<u><u>1,199,372.30</u></u>

SALARY ADVANCE OUTSTANDING AS AT 30.6.90

1.	Mary Ayugu	1,826.00
2.	Monica Akinyi	1,680.00
3.	Sophia Ayoo	1,750.00
4.	Sylvester Butoyi	1,500.00
5.	C.J.P. Indongole	6,203.25
6.	Dorothy Kiarie	3,750.00
7.	S.O. Kaloo	2,250.00
8.	B. Lijoodi	1,713.30
9.	Charles Lwanga	2.60
10.	R. Marete	1,200.00
11.	J.H. Muita	2,900.00
12.	W. Mwaura	3,330.00
13.	John Mchongo	1,592.75
14.	W. Z. Mbilu	480.00
15.	N. Njoroge	860.00
16.	Peter Olumbe	6,300.00
17.	Margaret Ochieng	3,000.00
18.	J.O. Ogacho	9,741.10
19.	M.O. Omedo	2,400.00
20.	S. Sambo	2,800.00
21.	Jane Suguvi	3,600.00
22.	Judith Thitu	1,000.00
23.	F. Wanyoike	625.00
24.	Lenah Wanjiku	260.00
25.	Rose Wachira	<u>2,250.00</u>
		<u>63,014.00</u>

**Less: Over-recoveries**

1.	Carolyne Chege	100.00
2.	M. Kiarie	750.00
3.	Joyce Muchai	2,000.00
4.	A. O. Nyakoe	70.65
5.	T. Syengo	9.00
6.	Allan Waiyaki	<u>2,400.00</u>

Net 57,684.35



NOTE

SUSPENSE ACCOUNT

Dr Balance B/f 1986/87	Sh. 395,779.10
Casting error(s) 1982/83 (Supervision & Invigilation)	(202,448.75)
Balancec/f	<u>193,330.35</u>

**Comments on the Accounts  
For the Year Ended 30th June 1990**

**1. FIXED ASSETS**

The documents relating to the transfer of lease to the Council of the following two houses: Nairobi Block 93/41 and 93/59 have been signed by the transferor and the transferee, and are now awaiting registration by the Land registrar. For the remaining three houses progress has been made in getting the relevant documents signed. We wish to point out that all the five houses are occupied by Council officers.

The Council will in its next full Council meeting discuss the recommendations contained in your letter Ref.KNEC 89/90/6 dated 29/4/91 (Para. 3.2.3.). However, we wish to point out to you that we have written severally to the Uganda Examinations Board (Which retained most of the records after the collapse of the regional body) and to date no reply has been received.

The Council has also taken stock of the old furniture and written to the Ministry of Public Works to help in the valuation of these Assets. It is our hope that in the absence of assistance from the Uganda Examinations Board, the valuation figure given by the Ministry of Public Works will be incorporated in the Accounts for 1991/92.

It should be appreciated, therefore, that the matter is not as straight forward as put forward in your recommendation.

**2. UNIDENTIFIED BANK PAYMENTS**

As explained before some of the payments amounting to Kshs.27,961,638.00, were foreign payments which officers, at that time, did not prepare payment vouchers and subsequently post to the cash book though paid at the bank.

Even if all the payees could be identified we are at a loss as to what benefit can be derived from such an exercise as far as posting the 27m is concerned. The filing system at that time makes it a near impossible task to trace vouchers. Note that the cheque payment journal cards do not have leading information to files and/or vouchers. If then for example we identify the payee, say of Sh.325.

- (i) how does this explain the nature of payments or
- (ii) the authenticity (or otherwise) of such payments.

Authenticity, we would have thought, is determined by studying payment vouchers and underlying documents, not merely payees.

In our professional opinion, a provision arises when there is doubt about realisability of assets, amounts that should be provided for depreciation etc. In this case of Sh 27m we are not in doubt that these payments were effected only that the bookkeeping part was omitted, because of the period and amount involved we feel it is in order to seek Treasury authority to write off this figure. It does not and would not affect the current years deficit.

### 3. **DISHONOURED CHEQUES**

The dishonoured cheques figure of Sh1,199,372.30 was reduced in 1990/91 financial year when cheques amounting to Sh.71,286 were replaced. The exercise of recovery continues despite obstacles created by the time lapse. The question of dishonoured cheques is not the only problem inherited from the past and our efforts to reduce this figure deserves some commendation. Please note that the Council only accepts bankers' cheques or money orders. One of the bankers' cheques had a technical problem and hence its being dishonoured but was subsequently replaced.

### 4. **SHORT TERM INVESTMENTS**

The Council rejected the proposal that deposits held by consolidated Bank Ltd (formely placed with Jimba Credit Corporation) be converted to Share Capital and this was communicated to the Managing Director of Consolidated Bank of Kenya Ltd vide our letter KNEC/FDG/26/191 dated 31st August 1990.

In view of your comments on short term deposits of Kshs.20 million being made in various financial institutions, the Council will study how other State Corporations have dealt with this issue. The action they have taken will guide us on how next to proceed.

The Council is neither in receipt nor aware of Treasury Circular Ref.NO.GID/A/1/10 and we shall get one from the Treasury.