

**THE KENYA NATIONAL EXAMINATIONS COUNCIL**

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**AUDITED ACCOUNTS  
FOR THE YEAR ENDED 30TH JUNE, 1993**

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

**THE KENYA NATIONAL EXAMINATIONS COUNCIL**

**AUDITED ACCOUNTS  
FOR THE YEAR ENDED 30TH JUNE, 1993**



## TABLE OF CONTENTS

| ITEM NO | CONTENTS                                                          | PAGE |
|---------|-------------------------------------------------------------------|------|
| 1.      | Report of the Auditor-General (Corporations)                      | 1    |
| 2.      | Balance sheet as at 30th June, 1993                               | 2    |
| 3.      | Income and Expenditure Account for the year ended 30th June, 1993 | 3    |
| 4.      | Notes on the Accounts                                             | 4    |
| 5.      | Comments on the Accounts for the year ended 30th June, 1993       | 11   |

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS  
OF THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR  
ENDED 30 JUNE 1993

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I have examined the accounts of the Kenya National Examinations Council for the year ended 30 June 1993 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 the 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 255 A).

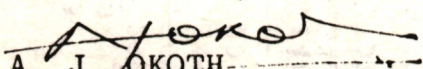
Subject to the reservations set out herebelow, in my opinion, the accounts, when read together with the notes thereon, give a true and fair view of the Council's financial affairs as at 30 June 1993 and of its deficit for the year ended on that date.

1. FIXED ASSETS

As in the previous years, the Council's fixed assets balance of Kshs.13,345,299.00 as at 30 June 1993 does not still incorporate the value of assets passed on to the Council by the former East African Examinations Council at its inception, after the break-up of the now defunct East African Community. The Council's fixed assets figure of Kshs.13,245,299.00 is, therefore, understated to the extent of the value of the excluded assets. I am, however, informed that some assets have been identified and will be valued and incorporated in the accounts for the ensuing year.

2. WORK IN PROGRESS

The Balance Sheet figure of Building Work in Progress of Kshs.61,979,845.00 as at 30 June 1993 has remained the same since 30 June 1991 which indicates that the construction of the building stagnated from 1990/91. It was explained that during the period of stagnation, the abandonment was caused by the Ministry of Education and Treasury which stopped the disbursement of funds for the project. However, I am further informed that an Inter-Ministerial Technical Committee has now been formed to advise the Government on the project. Until the project is finally completed, I am still doubtful whether it will be acquired at the agreed original cost considering the deterioration of the material on site and escalation of cost due to delayed completion.

  
A. J. OKOTH  
AUDITOR-GENERAL (CORPORATIONS)

21 March 1994

**THE KENYA NATIONAL EXAMINATIONS COUNCIL  
BALANCE SHEET AS AT 30TH JUNE 1993**

|                                   | <u>NOTES</u> | <u>1992</u>        | <u>1993</u>        |
|-----------------------------------|--------------|--------------------|--------------------|
|                                   |              | Kshs.              | Kshs.              |
| <b><u>ASSETS EMPLOYED</u></b>     |              |                    |                    |
| Fixed Assets                      | 2            | 14,791,542         | 13,345,299         |
| Long-term Investments             | 3            | 64,300,000         | 64,300,000         |
| Buildings (Work in Progress)      |              | 61,979,845         | 61,979,845         |
| Loan to SEPU                      |              | 300,000            | 300,000            |
|                                   |              | -----              | -----              |
|                                   |              | <b>141,371,387</b> | <b>139,925,144</b> |
| <b><u>CURRENT ASSETS</u></b>      |              |                    |                    |
| Stock                             |              | 7,578,133          | 6,795,797          |
| Sundry Debtors                    | 4            | 7,283,043          | 16,963,846         |
| Bank Reconciliation Suspense      |              | 27,961,638         | 27,961,638         |
| Account (1982 - 85)               |              | 160,886,014        | 73,987,093         |
| Cash in Bank                      |              | 58,252             | 147                |
| Cash in Hand                      |              | -----              | -----              |
|                                   |              | <b>203,767,081</b> | <b>125,708,521</b> |
| <b><u>CURRENT LIABILITIES</u></b> |              |                    |                    |
| Provision for Doubtful Debts      | 5            | 2,627,705          | 30,589,343         |
| Sundry Creditors                  | 6            | 36,354,552         | 42,295,710         |
|                                   |              | -----              | -----              |
|                                   |              | <b>38,982,238</b>  | <b>72,885,053</b>  |
|                                   |              | -----              | -----              |
|                                   |              | 164,784,843        | 52,823,468         |
|                                   |              | -----              | -----              |
|                                   |              | <b>306,156,230</b> | <b>192,748,612</b> |
| <b><u>NET CURRENT ASSETS</u></b>  |              |                    |                    |
| <b>TOTAL ASSETS</b>               |              | -----              | -----              |
| <b>FINANCED BY:</b>               |              |                    |                    |
| Capital Reserve                   |              | 76,424,946         | 76,424,946         |
| Excess of Income over Expenditure | 7            | 229,731,284        | 116,323,666        |
|                                   |              | -----              | -----              |
|                                   |              | <b>306,156,230</b> | <b>192,748,612</b> |

-----  
*E. S. S. S. S.*  
 CHAIRMAN

DATE: -----  
 13/1/94

-----  
*[Signature]*  
 SECRETARY

DATE: -----  
 11/1/94

# THE KENYA NATIONAL EXAMINATIONS COUNCIL

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1993

| <u>INCOME</u>                           | <u>NOTES</u> | 1992<br>Kshs.      | 1993<br>Kshs.        |
|-----------------------------------------|--------------|--------------------|----------------------|
| Examination Fees                        | 8            | 269,767,084        | 273,983,774          |
| Other Income                            | 9            | 18,695,747         | 9,032,024            |
| Grants                                  |              | 109,899,450        | 127,930,816          |
|                                         |              | -----              | -----                |
|                                         |              | <b>398,362,281</b> | <b>410,946,614</b>   |
|                                         |              | =====              | =====                |
| <br><b>LESS EXPENDITURE</b>             |              |                    |                      |
| Provision for Doubtful Debts            |              | 300,000            | 27,961,638           |
| Personnel Expenses                      | 10           | 27,004,474         | 32,333,085           |
| Office Administration Expenses          | 11           | 21,265,770         | 30,175,900           |
| Examination Expenses                    | 12           | 305,833,531        | 426,354,450          |
| Housing of Staff & Office Accommodation | 13           | 9,460,476          | 11,761,577           |
| Depreciation                            |              | 2,443,197          | 2,563,379            |
|                                         |              | -----              | -----                |
| Less Closing Stock                      |              | <b>366,307,448</b> | <b>531,150,029</b>   |
|                                         |              | (7,578,133)        | (6,795,797)          |
|                                         |              | -----              | -----                |
|                                         |              | <b>358,729,315</b> | <b>(524,354,232)</b> |
|                                         |              | -----              | -----                |
| Excess of Income over Expenditure c/f   |              | <b>39,632,966</b>  | <b>(113,407,618)</b> |
|                                         |              | =====              | =====                |

# THE KENYA NATIONAL EXAMINATIONS COUNCIL

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1993

### NOTE 1

#### ACCOUNTING POLICIES

(a) Basis of Accounting

These Accounts have been prepared under the historical Cost Convention modified to include the revaluation of certain assets.

(b) Depreciation

Depreciation is calculated to write off the cost, valuation of Leasehold Buildings, Motor vehicles, Office Equipment and Office Furniture on a straight line basis over their estimated useful lives, at the following rates:-

|                     |      |
|---------------------|------|
| Leasehold Buildings | 2½%  |
| Motor Vehicles      | 25%  |
| Office Equipment    | 10%  |
| Office Furniture    | 12½% |

(c) Stocks

Stocks are valued at the lower of cost and net realisable value.

(d) Foreign Currency

Transactions in foreign currency are translated into Kenya shillings at the rate of exchange ruling on the date of the transaction.

(e) Retirement Benefits

The Council and its employees other than those on secondment contribute to a pension scheme. The Council's contributions are charged against income in the period they fall due.

(f) Revenue Recognition

(i) Examination fees is treated as income in the year it is received.

(ii) Interest receivable is recognised on a time proportion basis taking into account the principal amount and the rate applicable.

(g) Grants

Grants are recognised in the year it is received from the Ministry of Education.



NOTE 2**THE KENYA NATIONAL EXAMINATIONS COUNCIL****FIXED ASSETS SCHEDULE AS AT 30TH JUNE 1993**

|                                        | LEASEHOLD BUILDING | MOTOR VEHICLES   | OFFICE EQUIPMENT  | OFFICE FURNITURE | HOUSE FURNITURE | TOTAL             |
|----------------------------------------|--------------------|------------------|-------------------|------------------|-----------------|-------------------|
| Balance b/f 1.7.1992                   | 2,557,575          | 1,671,000        | 16,454,797        | 2,528,224        | 590,338         | 23,801,934        |
| Additions during the year 92/93        | -                  | -                | 778,325           | 338,811          | -               | 1,117,136         |
| <b>Total</b>                           | <b>2,557,575</b>   | <b>1,671,000</b> | <b>17,233,122</b> | <b>2,867,035</b> | <b>590,338</b>  | <b>24,919,070</b> |
| Accumulated Depreciation as at 1.7.92  | 693,951            | 846,250          | 5,155,097         | 1,724,756        | 590,338         | 9,010,392         |
| Charge for year 92/93                  | 63,939             | 417,750          | 1,723,312         | 358,379          | -               | 2,563,379         |
| Accumulated Depreciation as at 30.6.93 | 757,890            | 1,264,000        | 6,878,409         | 2,083,135        | 590,338         | 11,573,771        |
| Book Value as at 1.7.92                | 1,863,624          | 824,750          | 11,299,700        | 803,468          | -               | 14,791,542        |
| Book Value as at 30.6.93               | 1,799,685          | 407,000          | 10,354,713        | 783,900          | -               | 13,345,299        |
| Rate of Depreciation per year          | 2.5%               | 25%              | 10%               | 12.5%            | 12.5%           | -                 |

LONG TERM INVESTMENTS

These are investments held in Consolidated Bank of Kenya Ltd comprised of  
 2,520,000 4% non Cumulative Preference Shares of Shs.20 .00 50,400,000  
 695,000 ordinary shares of Shs. 20 each 13,900,000  
64,300,000

## NOTE 4

## DEBTORS

1992  
Kshs.1993  
Kshs.

|                                                        |                  |                   |
|--------------------------------------------------------|------------------|-------------------|
| Deposit for Siwaka Houses                              |                  | 8,886,746         |
| Exams Co-operative                                     | 1,050            | 1,050             |
| Recovery on behalf of<br>other institutions            | 3,690            | 4,660             |
| Ministry of Education                                  | 1,467,292        | 1,467,292         |
| Temporary Imprest                                      | 3,857,340        | 4,448,562         |
| Interest receivable                                    | 59,798           | 59,798            |
| Returned Cheques R.D                                   | 1,172,879        | 1,291,607         |
| Interest on SEPU Loan<br>accrued from 1.1.81 - 30.6.90 | 255,000          | 255,000           |
| Staff Motor Loan                                       | 39,322           | 39,322            |
| Kenya Polytechnic                                      | 153,460          | 153,460           |
| Returned Salary                                        | 3,227            | 2,345             |
| Salary Advance                                         | 58,184           | 102,901           |
| Pre-payments                                           | 136,526          | 178,988           |
| M P Shah Hospital Deposit                              | 50,000           | 50,000            |
| Miscellaneous                                          | 25,275           | -                 |
| Mwalimu Coop.                                          | -                | 21,585            |
| Local Services                                         | -                | 530               |
|                                                        | <u>7,283,043</u> | <u>16,963,846</u> |

NOTE 5PROVISION FOR DOUBTFUL DEBTS

|                              | 1992<br>Kshs.    | 1993<br>Kshs.     |
|------------------------------|------------------|-------------------|
| Bank Reconciliation Suspense |                  | 27,961,638        |
| Imprest                      | 412,632          | 412,632           |
| Ministry of Education        | 1,467,291        | 1,467,291         |
| Interest on SEPU Loan        | 255,000          | 255,000           |
| Kenya Polytechnic            | 153,460          | 153,460           |
| Staff Motor Loan             | 39,322           | 39,322            |
| SEPU Loan                    | 300,000          | 300,000           |
|                              | -----            | -----             |
|                              | <b>2,627,705</b> | <b>30,589,343</b> |
|                              | =====            | =====             |

NOTE 6CREDITORS

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| Other Cooperatives         |                   | 21,565            |
| Sundry                     | 599,369           | 1,265,364         |
| Examination Expenses       | 24,317,408        | 24,377,400        |
| Staff Contribution to FSSU | 122,555           | 18,710            |
| Audit Fees                 | Nil               | 150,000           |
| Income Tax attachment      | 2,580             | 1,580             |
| E.A.E.C.                   | 4,000,000         | 4,000,000         |
| Stale Cheques              | 6,990,982         | 7,510,516         |
| Rent Deductions            | 44,759            | 34,850            |
| Retirement Benefits        | 125,198           | 4,806,393         |
| PAYE                       | 28,453            | 37,319            |
| Insurance                  | 3,969             | (7,219)           |
| Mortgages                  | 18,368            | 15,081            |
| Miscellaneous deductions   | 90,922            | 65,264            |
| N.H.I.F.                   | 9,970             | (4,825)           |
| T.S.C.                     | -                 | 3,712             |
|                            | -----             | -----             |
|                            | <b>36,354,533</b> | <b>42,295,710</b> |
|                            | =====             | =====             |

**NOTE 7**

8

|                                              | 1992<br>Kshs. | 1993<br>Kshs. |
|----------------------------------------------|---------------|---------------|
| <b><u>INCOME AND EXPENDITURE ACCOUNT</u></b> |               |               |
| Balance b/d 1st July 1989                    | 190,098,318   | 229,731,284   |
| Surplus 1991/92                              | 39,632,966    |               |
| Deficit 1992/93                              |               | (113,407,618) |
|                                              | -----         |               |
| Balance carried forward                      | 229,731,284   | 116,323,666   |
|                                              | =====         |               |

**NOTE 8****EXAMINATION FEES**

|              |             |             |
|--------------|-------------|-------------|
| KCPE         | 41,406,159  | 39,767,276  |
| KCSE         | 187,841,899 | 187,047,931 |
| ADULT        | Nil         | Nil         |
| PTE          | 20,431,655  | 19,247,559  |
| Technical    | 8,459,502   | 14,519,999  |
| Business     | 11,974,770  | 13,482,121  |
| Less refunds | (346,901)   | (81,112)    |
|              | -----       |             |
|              | 269,767,084 | 273,983,774 |
|              | =====       |             |

**NOTE 9****OTHER INCOME**

|                            |            |           |
|----------------------------|------------|-----------|
| Tenders and Waste Papers   | -          | 946,167   |
| Miscellaneous Exams        | 1,962,915  | 1,276,383 |
| Rent Deductions            | 333,361    | 456,725   |
| Interest on Fixed Deposits | 9,809,833  | Nil       |
| Sale of Publications       | 53,840     | 539,780   |
| Miscellaneous Income       | 6,535,798  | 5,812,969 |
|                            | -----      |           |
|                            | 18,695,747 | 9,032,024 |
|                            | =====      |           |

NOTE 10PERSONNEL EXPENSES

|                                   | 1992<br>Kshs.     | 1993<br>Kshs.     |
|-----------------------------------|-------------------|-------------------|
| Personal Emoluments               | 15,888,574        | 20,286,647        |
| Extra-clerical Assistance         | 8,347,795         | 10,401,316        |
| Medical Expenses                  | 2,072,456         | 1,661,832         |
| Contributions to F.S.S.U./W.C.P.S | 695,649           | (16,710)          |
|                                   | -----             | -----             |
|                                   | <b>27,004,474</b> | <b>32,333,085</b> |
|                                   | =====             | =====             |

NOTE 11OFFICE ADMINISTRATION EXPENSES

|                                         |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| Passages & Leave Expenses               | 299,842           | 368,492           |
| Transport Operation Expenses            | 2,810,483         | 2,537,390         |
| Travelling and Accommodation            | 1,320,674         | 2,098,273         |
| Posts & Telegrams                       | 925,763           | 851,965           |
| Telephone Expenses                      | 1,435,638         | 2,033,530         |
| Official Entertainment                  | 52,696            | 227,292           |
| Electricity and Water                   | 188,355           | 266,578           |
| Purchase of Uniforms & Clothings        | 115,420           | 208,620           |
| Purchase of Stationery                  | 4,682,218         | 9,924,156         |
| Printing of Accountable Documents       | 208,022           | 641,000           |
| Bank Charges and Ledger Fees            | 2,333,267         | 1,113,838         |
| Audit Fees                              | 25,000            | 150,000           |
| Maintenance of Plant and Equipment      | 1,733,558         | 2,002,528         |
| Miscellaneous charges & Sundry Expenses | 3,488,308         | 6,313,220         |
| Staff Training                          | 1,563,384         | 1,376,378         |
| Advertising & Publicity                 | 83,142            | 62,640            |
|                                         | -----             | -----             |
|                                         | <b>21,265,770</b> | <b>30,175,900</b> |
|                                         | =====             | =====             |

NOTE 12EXAMINATION EXPENSES

|                     | 1992<br>Kshs.      | 1993<br>Kshs.      |
|---------------------|--------------------|--------------------|
| KCPE                | 80,452,358         | 160,200,448        |
| KCSE                | 165,451,335        | 205,019,072        |
| Printing Unit       | 7,830,688          | 7,788,316          |
| PTE                 | 9,274,263          | 5,937,236          |
| Technical           | 27,694,402         | 29,989,786         |
| Business            | 8,481,484          | 14,097,021         |
| Miscellaneous Exams | 2,856,935          | (611,456)          |
| Computer Charges    | 3,595,062          | 3,690,634          |
| Adult Education     | 64,432             | 30,578             |
| I.A.E.A. Conference | 14,685             | 88,480             |
| Kwik Save           | 117,887            | 124,335            |
|                     | -----              | -----              |
|                     | <b>305,833,531</b> | <b>426,354,450</b> |
|                     | =====              | =====              |

NOTE 13STAFF HOUSING AND OFFICE  
ACCOMMODATION

|                                       |                  |                   |
|---------------------------------------|------------------|-------------------|
| Rents & Rates Senior Staff Housing    | 3,581,449        | 3,949,074         |
| Repair to Council Houses              | 345,722          | 637,408           |
| Rents & Rates to Office Accommodation | 5,533,305        | 7,175,095         |
|                                       | -----            | -----             |
|                                       | <b>9,460,476</b> | <b>11,761,577</b> |
|                                       | =====            | =====             |

**COMMENTS ON THE QUALIFICATIONS BY THE AUDITOR-GENERAL  
(CORPORATIONS) FOR THE ACCOUNTS FOR THE YEAR ENDED  
30TH JUNE, 1993**

1. **FIXED ASSETS**

Records of fixed assets maintained by the East African Examinations Council for its regional office in Nairobi were kept in the (E.A.E.C.) Headquarters in Kampala.

In its efforts to determine the value of Assets taken over by the K.N.E.C. after the break up of the defunct East African Examinations Council, the Council wrote to the Secretary, Uganda National Examination Board on 26th July, 1990 vide our letter Ref.NO.KNEC.AUT/1/Vol.III/107 dated 26.7.1990.

When there was no response the Council handed over the matter to the Ministry of Foreign Affairs and International Co-operation on 9th August, 1991 vide our letter KNEC/AUT/1/Vol.IV/24. The Ministry in turn referred the matter to the Ministry of Planning and National Development. The Council has not received any communication on the outcome of the above letters as yet.

In the meantime, however, the Council has endeavoured to prepare a list of assets and the same will be valued to be included in the Accounts of the year ended 30th June, 1994.

2. WORK IN PROGRESS

We concur with the Auditor's observation about the impossibility of acquiring the New Mitihani House project at the agreed original cost considering the deterioration of the material on site and escalation of cost due to delayed period of completion.

The Ministry of Education appointed a technical committee which has been working closely with the Ministry of Public Works personnel to advise the government on the project. They have already advised that funds be availed to complete the project at a reduced usable scope so that the full scope can be done when more funds are available.

The project has also been justified as one of the Ministry's priority projects. Recently, in November 1993, at the 8th World Bank Education Credit Workshop held in Mombasa, the Permanent Secretary for Education, in his keynote address, reiterated the fact. Later, World Bank officials visited the site with a view to investigating possibilities of funding the project under the 8th World Bank Credit.



