

THE KENYA NATIONAL EXAMINATIONS COUNCIL

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AUDITED ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1994

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

THE KENYA NATIONAL EXAMINATIONS COUNCIL

**AUDITED ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1994**

TABLE OF CONTENTS

ITEM NO	CONTENTS	PAGE
1.	Report of the Auditor-General (Corporations)	1
2.	Balance Sheet as at 30th June, 1994	2
3.	Income and Expenditure Account for year ended 30th June, 1994	3
4.	Notes on the Accounts	5
5.	Comments on the Accounts for the year ended 30th June, 1994	12

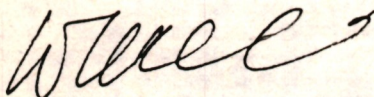
REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF THE KENYA NATIONAL EXAMINATION COUNCIL FOR THE YEAR ENDED
30 JUNE 1994

I have examined the accounts of the Kenya National Examination Council for the year ended 30 June 1994 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanation 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 255A). Subject to the observations set out below, 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 1994 and of its surplus for the year ended on that date.

WORK IN PROGRESS

As mentioned in the report for 1992/93 accounts, the Balance Sheet figure of Buildings (Work in Progress) of Kshs.61,979,845.00 as at 30 June 1994 has remained the same since 30 June 1991 indicating that the construction of the building has stagnated since then. It has been explained that this state of affairs is a result of the Ministry of Education and the Treasury stopping disbursements for the project. Although on 3rd March 1994, I was informed that an inter-Ministerial Technical Committee has been formed to advise the Government on the project no progress has been made towards completing the project. In the meantime the materials on site continue to deteriorate.

Although the information available indicate that the Council is keen to have the project re-activated the question of funding does not appear to have been resolved. It is however clear that whatever decision is taken on the matter the overall project cost will be much higher than originally planned, as a result of escalation of costs due to delayed completion.



W.K. KEMEI
AUDITOR-GENERAL (CORPORATION)

5 June 1995

**THE KENYA NATIONAL EXAMINATIONS COUNCIL
BALANCE SHEET AS AT 30TH JUNE 1994**

<u>ASSETS EMPLOYED</u>	<u>NOTES</u>	1993 Kshs.	1994 Kshs.
Fixed Assets	2	13,345,299	42,592,292
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
<u>CURRENT ASSETS</u>		<u>139,925,144</u>	<u>169,172,137</u>
Stock		6,795,797	6,612,995
Sundry Debtors		16,963,846	19,236,697
Bank Reconciliation Suspense Account (1982 - 85)	4	27,961,638	-
Treasury Bills		-	127,939,600
Cash in Bank		73,987,093	14,503,317
Cash in Hand		147	39,293
<u>CURRENT LIABILITIES</u>		<u>125,708,521</u>	<u>168,331,902</u>
Provision for Doubtful Debts	5	30,589,343	2,627,705
Sundry Creditors	6	42,295,710	55,489,191
<u>NET CURRENT ASSETS</u>		<u>72,885,053</u>	<u>58,116,896</u>
<u>TOTAL ASSETS</u>		<u>52,823,468</u>	<u>110,215,006</u>
<u>FINANCED BY:</u>		<u>192,748,612</u>	<u>279,387,143</u>
Capital Reserve		76,424,946	77,256,696
Excess of Income over Expenditure	7	116,323,666	202,130,447
		192,748,612	279,387,143

E. S. D. D. D.

CHAIRMAN 6/11/95

SECRETARY *[Signature]*
DATE: 28/12/94

THE KENYA NATIONAL EXAMINATIONS COUNCIL

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1994

<u>INCOME</u>	<u>NOTES</u>	1993 Kshs.	1994 Kshs.
Examination Fees	8	273,983,774	504,288,106
Other Income	9	9,032,024	10,426,232
Grants		127,930,816	189,838,809
		-----	-----
		410,946,614	704,553,147
		=====	=====
 LESS EXPENDITURE			
Provision for Doubtful Debts		27,961,638	-
Personnel Expenses	10	32,333,085	43,334,596
Office Administration Expenses	11	30,175,900	29,679,684
Examination Expenses	12	426,354,450	527,593,337
Housing of Staff & Office Accommodation	13	11,761,577	19,697,987
Depreciation		2,563,379	5,053,757
		-----	-----
		531,150,029	625,359,361
		(6,795,797)	(6,612,995)
		-----	-----
Less Closing Stock		(524,354,232)	(618,746,366)
		-----	-----
Excess of Income over Expenditure c/f		(113,407,618)	(85,806,781)
		=====	=====

THE KENYA NATIONAL EXAMINATIONS COUNCIL

TRIAL BALANCE AS AT 30TH JUNE 1994

	1993 Kshs.	1993 Kshs.	1994 Kshs.	1994 Kshs.
Provision for Doubtful Debts	61,979,845	2,627,705	2,627,705	
Building (Work in Progress)	2,557,575			
Leasehold Buildings	1,671,000			
Motor Vehicles	17,233,122			61,979,845
Office Equipment	2,867,035			28,557,575
Office Furniture	590,338			8,228,750
House Furniture	-			17,770,020
Fittings, Partitions				3,878,431
Accumulated Depreciation				54,150
Capital Reserve		9,010,392		140,556
Income and Expenditure		76,424,946		
Grants from Ministry of Education		229,731,284		
Examination Fees		127,930,816		
Other Income		273,983,774		
Investments	64,300,000	9,032,024		10,983,433
Debtors and Creditors	16,963,846	42,295,710		77,256,696
Loan to SEPU	300,000			116,323,666
Examination Expenses	426,354,450			189,838,809
Housing of Staff & Office Accommodation	11,761,577			504,288,106
Personnel Expenses	32,333,085			10,426,232
Administration and Office Expenses	30,175,900			
Bank	73,987,093			
Cash in Hand	147			
Payments in Bank not in Cash-Book (1982-85)	27,961,638			
Investments (Treasury Bills)				
	771,036,651	771,036,651	967,233,838	967,233,838

THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1994

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 they are received from the Ministry of Education.

THE KENYA NATIONAL EXAMINATIONS COUNCIL
FIXED ASSETS SCHEDULE AS AT 30TH JUNE 1994

	LEASEHOLD BUILDING	MOTOR VEHICLES	OFFICE EQUIPMENT	OFFICE FURNITURE	HOUSE FURNITURE	PARTITIONS & FITTINGS	TOTAL
Balance b/f 1-7-93	2,557,575	1,671,000	17,233,122	2,867,035	590,338	-	24,919,070
Additions/Write off for the year 1993/94	26,000,000	6,557,750	536,898	1,011,396	54,150 (590,338)	140,556	33,710,412
TOTAL	28,557,575	8,228,750	17,770,020	3,878,431	54,150	140,556	58,629,482
Accumulated Depreciation as at 1-7-93	757,890	1,264,000	6,878,409	2,083,135	590,338	-	11,573,772
Disposals Charge for the 1993/94	713,939	2,057,187	1,777,002	484,804	(590,338) 6,769	14,056	(590,338) 5,053,757
Accumulated Dep. as at 30/6/94	1,471,829	3,321,187	8,655,411	2,567,939	6,769	14,056	16,037,191
Book Value as at 1-7-93	1,799,685	407,000	10,354,713	783,900	-	-	13,345,299
Book Value as at 30-6-94	27,085,746	4,907,563	9,114,609	1,310,492	47,381	126,500	42,592,292
Rate of Depreciation	2.5%	25%	10%	12.5%	12.5%	10%	

NOTE 3**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
	<u>64,300,000</u>

NOTE 4**DEBTORS**

	1993 Kshs.	1994 Kshs.
HFCK		5,643,696
Deposit for Siwaka Houses	8,886,746	-
Exams Co-operative	1,050	902
Recovery on behalf of other institutions	4,660	4,660
Ministry of Education	1,467,292	1,467,292
Temporary Imprest	4,448,562	4,762,438
Interest receivable	59,798	4,165,089
Returned Cheques R.D	1,291,607	1,285,207
Interest on SEPU Loan 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	2,345	84,265
Salary Advance	102,901	72,739
Pre-payments	178,988	1,188,428
Deposits to Hospitals	50,000	91,000
Miscellaneous	-	-
Mwalimu Coop.	21,585	21,785
Local Services	530	570
Insurance	-	843
	<u>16,963,846</u>	<u>19,236,696</u>

NOTE 5**PROVISION FOR DOUBTFUL DEBTS**

	1993 Kshs.	1994 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
	-----	-----
	30,589,343	2,627,705
	=====	=====

NOTE 6**CREDITORS**

HFCK Mortgage	-	14,064,054
Other Cooperatives	21,565	18,126
Sundry	1,265,364	4,998,536
Examination Expenses	24,377,400	24,270,237
Staff Contribution to WCPS	18,710	100,043
Audit Fees	150,000	160,000
Income Tax attachment	2,580	1,580
E.A.E.C.	4,000,000	4,000,000
Stale Cheques	7,510,516	7,809,689
Rent Deductions	34,850	34,850
Retirement Benefits	4,806,393	(58,314)
PAYE	37,319	26,171
Insurance	(7,219)	-
Mortgages	15,081	(15,081)
Miscellaneous deductions	65,264	72,644
N.H.I.F.	(4,825)	(4,825)
T.S.C.	3,712	11,481
	-----	-----
	42,295,710	55,489,191
	=====	=====

NOTE 7

	1993 Kshs.	1994 Kshs.
<u>INCOME AND EXPENDITURE ACCOUNT</u>		
Balance b/d 1st July 1992	229,731,289	116,323,666
Deficit 1992/93	(113,407,618)	85,806,781
 Balance carried forward	 ----- 116,323,666	 ----- 202,130,447 =====

NOTE 8**EXAMINATION FEES**

KCPE	39,767,276	78,678,313
KCSE	187,047,931	341,458,317
ADULT	Nil	-
PTE	19,247,559	35,987,414
Technical	14,519,999	26,252,720
Business	13,482,121	22,306,879
Less refunds	(81,112)	(395,537)
	----- 273,983,774	----- 504,288,106 =====

NOTE 9**OTHER INCOME**

Consultancy		13,649
Tenders and Waste Papers	946,167	90,300
Miscellaneous Exams	1,276,383	525,965
Rent Deductions	456,725	184,014
Interest on Fixed Deposits	Nil	4,105,291
Sale of Publications	539,780	1,344,495
Miscellaneous Income	5,812,969	4,162,518
	----- 9,032,024	----- 10,426,232 =====

NOTE 10**PERSONNEL EXPENSES**

	1993 Kshs.	1994 Kshs.
Personal Emoluments	20,286,647	25,307,062
Extra-clerical Assistance	10,401,316	8,740,578
Medical Expenses	1,661,832	3,641,336
Contributions to F.S.S.U./W.C.P.S	(16,710)	5,645,620
	-----	-----
	32,333,085	43,334,596
	=====	=====

NOTE 11**OFFICE ADMINISTRATION EXPENSES**

Passages & Leave Expenses	368,492	259,261
Transport Operation Expenses	2,537,390	4,413,873
Travelling and Accommodation	2,098,273	1,355,062
Posts & Telegrams	851,965	670,622
Telephone Expenses	2,033,530	3,455,008
Official Entertainment	227,292	304,558
Electricity and Water	266,578	505,442
Purchase of Uniforms & Clothings	208,620	493,510
Purchase of Stationery	9,924,156	7,845,349
Printing of Accountable Documents	641,000	544,594
Bank Charges and Ledger Fees	1,113,838	1,428,805
Audit Fees	150,000	150,000
Maintenance of Plant and Equipment	2,002,528	1,656,983
Miscellaneous charges & Sundry Expenses	6,313,220	4,410,319
Staff Training	1,376,378	2,127,896
Advertising & Publicity	62,640	48,876
Library Expenses	-	9,526
	-----	-----
	30,175,900	29,679,684
	=====	=====

NOTE 12**EXAMINATION EXPENSES**

	1993	1994
	Kshs.	Kshs.
KCPE	160,200,448	186,204,099
KCSE	205,019,072	238,777,897
Printing Unit	7,788,316	25,837,014
PTE	5,937,236	20,249,439
Technical	29,989,786	29,075,600
Business	14,097,021	19,099,135
Miscellaneous Exams	(611,456)	(620,674)
Computer Charges	3,690,634	8,557,356
Adult Education	30,578	385,364
I.A.E.A. Conference	88,480	28,107
Kwik Save (Search fees)	124,335	-
	-----	-----
	426,354,450	527,593,337
	=====	=====

NOTE 13**STAFF HOUSING AND OFFICE
ACCOMMODATION**

Rents & Rates Senior Staff Housing	3,949,074	3,558,873
Repair to Council Houses	637,408	662,932
Rents & Rates to Office Accommodation	7,175,095	15,476,182
	-----	-----
	11,761,577	19,697,987
	=====	=====

COMMENTS ON THE QUALIFICATION BY THE AUDITOR-GENERAL (CORPORATIONS)
FOR THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1994

WORK IN PROGRESS

As in the 1992/93 report we concur with the Auditor General (Corporations) report. The Council is still very keen to have the building project reactivated. It is quite clear, as noted in the Audit qualification, that the overall project cost will be much higher than originally planned, as a result of escalation of costs due to delayed completion. Vide our letter Ref.No.KNEC/DSFA/NMH/95 of 9th March, 1995 to the Permanent Secretary, Ministry of Education, we made proposals about how funds could be made available to pursue different options as follows:

1. Completion of the Printing Unit together with external works only for an amount of Kshs.117,419,855.00.
2. Completion of Printing Unit, offices up to 1st floors of all the towers and the external works at a cost of Kshs.490,443,604.00.
3. Completion of the entire scheme as per original design for an amount of Kshs.880,899,456.00.

The matter is being handled by the Ministry of Education and the Treasury to see what option to pursue and possible sources of funds.