

THE KENYA NATIONAL EXAMINATIONS COUNCIL

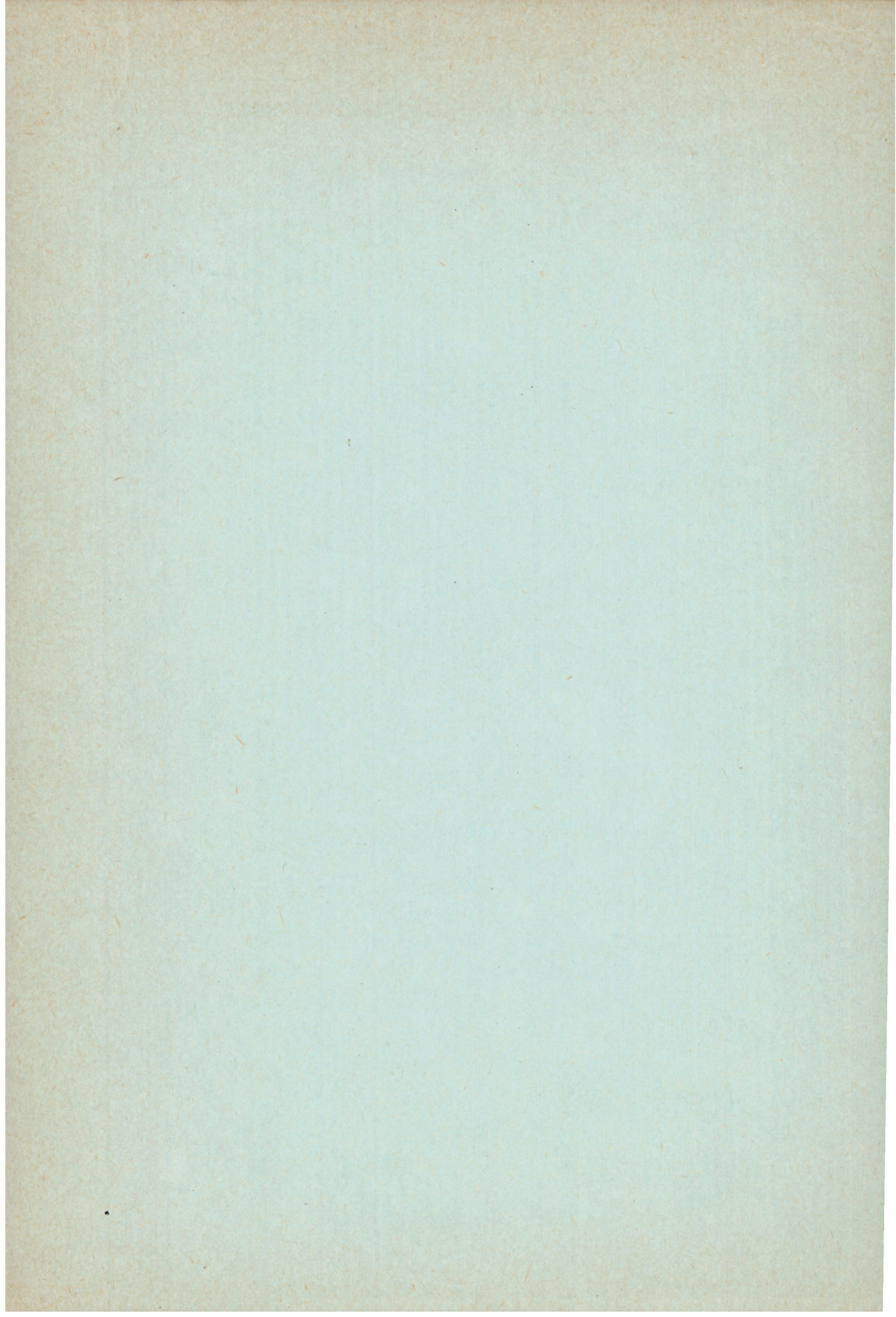
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**AUDITED ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1996**

**The Kenya National Examinations Council
P.O. Box 73598 Nairobi, Kenya**



THE KENYA NATIONAL EXAMINATIONS COUNCIL

**AUDITED ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1996**

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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, 1996

I have examined the accounts of the Kenya National Examinations Council for the year ended 30 June, 1996 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I 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 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, 1996 and of its deficit for the year ended on that date.

1. OPERATING DEFICIT

During the year under review, the Council recorded an operating deficit of Kshs. 23,354,130 (1994/95 deficit Kshs.20,094,865) which is mainly attributed to increased costs of administering examinations without commensurate increase in revenue. However, I have not seen evidence of efforts made by the Council to reverse the position.

2. WORK IN PROGRESS

As mentioned in my reports for the years 1992/93, 1993/94 and 1994/95 the Balance Sheet figure of Buildings (Work In Progress) of Kshs.61,979,845 has remained the same since 30 June, 1991. The amount relates to Mitihani House project which stalled in December, 1989 when the Ministry of Education and the Treasury stopped disbursement of funds for the project.

Although available information indicates 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 (CORPORATIONS)

12th June, 1997.

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THE KENYA NATIONAL EXAMINATIONS COUNCIL
BALANCE SHEET AS AT 30TH JUNE 1996

<u>ASSETS EMPLOYED</u>	<u>NOTES</u>	1995 KShs	1996 KShs
Fixed Assets	2	52,334,963	85,258,519
Investments	3	64,300,000	64,300,000
Buildings (Work in Progress)		61,979,845	61,979,845
		-----	-----
		178,614,808	211,538,364
		-----	-----
<u>CURRENT ASSETS</u>			
Stock	4	8,618,893	11,668,306
Sundry Debtors		29,132,560	12,721,356
Cash in Bank		115,730,754	72,305,305
		-----	-----
		153,482,207	96,694,967
		-----	-----
<u>CURRENT LIABILITIES</u>			
Provision for Doubtful Debts	5	2,072,705	2,072,705
Sundry Creditors	6	60,795,817	61,252,197
		-----	-----
		62,868,522	63,324,902
		-----	-----
		90,613,685	33,370,065
		-----	-----
<u>NET CURRENT ASSETS</u>		269,228,493	244,908,429
		=====	=====
<u>TOTAL ASSETS</u>			
FINANCED BY:			
Capital Reserve		87,192,911	88,206,065
Excess of Income over Expenditure		182,035,582	156,702,364
		-----	-----
		269,228,493	244,908,429
		=====	=====

A. S. Dhusani

CHAIRMAN 30.3.97
DATE

[Signature]

SECRETARY 25-2-97
DATE

THE KENYA NATIONAL EXAMINATIONS COUNCIL

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1996

<u>INCOME</u>	<u>NOTES</u>	1995 KShs	1996 KShs
Examination Fees	8	514,970,315	559,598,808
Other Income	9	11,645,811	10,057,848
Grants		144,537,057	242,910,523
		-----	-----
		671,153,183	812,567,179
		=====	=====
LESS EXPENDITURE			
Personnel expenses	10	61,808,692	80,427,765
Office Administration Expenses	11	41,187,784	51,397,687
Examination Expenses	12	574,478,294	690,441,762
Housing of Staff & Office Accommodation	13	15,010,311	15,932,138
Depreciation		7,381,860	9,390,263
		-----	-----
		699,866,941	847,589,615
		(8,618,893)	(11,668,306)
		-----	-----
Less Closing Stock		691,248,048	835,921,309
		-----	-----
Excess of Income over Expenditure c/f		(20,094,865)	(23,354,130)
		=====	=====

THE KENYA NATIONAL EXAMINATIONS COUNCIL

TRIAL BALANCE AS AT 30TH JUNE 1996

	1995 Kshs	1995 Kshs	1996 Kshs	1996 Kshs
Provision for Doubtful Debts		2,072,705		2,072,705
Buildings (Work In Progress)				
Leasehold Buildings	61,979,843		61,979,845	
Motor Vehicles	31,677,801		47,049,417	
Office Equipment	13,833,933		13,539,105	
Office Furniture	25,786,562		51,335,414	
House Furniture	4,232,512		4,516,093	
Fittings, Partitions	54,150		54,150	
Accumulated Depreciation	169,556		854,194	
Capital Reserve		16,037,191		22,699,591
Income and Expenditure		87,192,911		88,206,065
Grants from Ministry of Education		202,130,447		180,056,494
Examination Fees		144,537,057		242,910,523
Other Income		514,970,315		559,598,808
Investments		11,645,811		10,057,848
Debtors and Creditors	64,300,000		64,300,000	
Examination Expenses	29,132,560		12,721,356	
Housing of Staff & Office Accommodation	574,478,294		690,441,762	
Personnel Expenses	15,010,311		15,932,138	
Office Administration Expenses	61,808,697		80,427,765	
Bank	41,187,779		51,397,687	
	145,730,754		72,305,305	
	1,039,382,254	1,039,382,254	1,166,854,231	1,166,854,231

THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1996

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 Building, 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

h) New Mitihani House

Buildings (Work in progress)

This represents construction work being undertaken at the New Mitihani House LR No. 188/4/451/11/79 next to the Kenya Bureau of Standards Headquarters, off Mombasa Road.

THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTE 2.

Fixed Assets Schedule as at 30th June, 1996

	Leasehold Building Kshs	Motor Vehicles Kshs	Office Equipment Kshs	Office Furniture Kshs	House Furniture Kshs	Partitions & Fittings	TOTAL Kshs
COST OR VALUATION							
Balance as at 1.7.95	31,677,301	13,833,933	25,786,562	4,232,512	54,150	169,556	75,754,014
Prior Year Adjustments	15,372,116	(1,700,000)	(20,718)	(607,920)		628,638	13,672,116
Additions for the year		1,675,172	25,569,570	891,501		56,000	28,192,243
Revaluations		340,000					340,000
Disposals		(340,000)					(340,000)
Amount written off for the year		(270,000)					(270,000)
Balance as at 30.6.96	47,049,417	13,539,105	51,335,414	4,516,093	54,150	854,194	117,348,373
ACCUMULATED DEPRECIATION							
Balance at 1.7.95	2,263,761	6,779,670	11,234,062	3,097,003	13,538	31,012	23,419,046
Written back on Revaluation		(270,000)					(270,000)
Depreciation charge for the Year	791,932	3,099,526	5,041,680	364,937	6,769	85,419	9,390,263
Prior Year Adjustments	1,152,907	(853,500)	119,238	(857,501)		227,877	(449,455)
Balance as at 30.6.96	4,208,600	8,755,696	16,156,504	2,604,439	20,307	344,308	32,089,854
NET BOOK VALUE							
As at 1.7.95	29,413,540	7,054,263	14,552,495	1,135,509	40,612	138,544	52,334,963
As at 30.6.96	42,840,817	4,783,409	35,178,910	1,911,654	33,843	509,886	85,258,519
Rate of Depreciation	2.5%	25%	10%	12.5%	12.5%	10%	

(i) Siwaka Mortgage

Interest paid on the above mortgage amounting to KShs 15,372,116 as at 30.6.96 has been capitalised to leasehold buildings (Fixed Assets).

NOTE 3INVESTMENTS

These are investments held in Consolidated Bank of Kenya Ltd comprised of: 2,520,000 4% non Cumulative Preference Shares of Shs 20.00

	KShs
695,000 ordinary shares of KShs 20 each	50,400,000
	13,900,000

	64,300,000
	=====

NOTE 4DEBTORS

	1995 KShs	1996 KShs
HFCK	12,868,703	
Deposits to HFCK	2,637,600	2,841,589
Exams Co-operative	29,764	28,334
Recovery on behalf of other institutions	4,660	4,660
Ministry of Education	1,467,292	1,467,292
Temporary Imprest	4,645,782	4,820,287
Interest receivable	59,798	-
Returned Cheques R.D	1,263,192	1,217,342
Staff Motor Loan	39,322	323,822
Kenya Polytechnic	153,460	153,460
Returned Salary	56,847	36,158
Salary Advance	155,214	156,655
Pre-payment	5,621,729	1,567,571
Deposits to Hospitals	122,000	122,000
Mwalimu Co-operative	16,887	17,436
Local Services	(9,690)	(35,250)
	-----	-----
	29,132,560	12,721,356
	=====	=====

NOTE 5PROVISION FOR DOUBTFUL DEBTS

	1995 KShs	1996 KShs
Imprest	412,632	412,632
Ministry of Education	1,467,291	1,467,291
Kenya Polytechnic	153,460	153,460
Staff Motor Loan	39,322	39,322
	-----	-----
	2,072,705	2,072,705
	=====	=====

NOTE 6CREDITORS

	1995 KShs	1996 KShs
Refunds	95,967	11,947
HFCK Mortgage	16,831,479	13,092,658
Other Cooperatives	28,917	47,871
Sundry Creditors	7,919,247	15,818,388
Examination Expenses	19,891,048	14,551,623
Staff Contribution to WCPS	128,999	128,810
Audit Fees	160,000	310,000
Income Tax attachment	1,580	1,580
E.A.E.C.	4,000,000	4,000,000
Stale Cheques	12,136,233	13,653,876
Rent Deductions	29,550	23,950
Retirement Benefits	(533,314)	(533,314)
PAYE	15,181	43,891
Insurance	2,100	2,182
Mortgages-staff	(15,081)	(12,890)
Miscellaneous	90,322	95,210
N.H.I.F	(4,825)	(5,605)
T.S.C.	18,414	22,020
	-----	-----
	60,795,817	61,252,197
	=====	=====

NOTE 7INCOME AND EXPENDITURE ACCOUNT

	1995 Kshs.	1996 Kshs.
Balance b/d 1st July 1995	202,130,447	182,035,582
Prior Year Adjustment		(1,979,088)

Deficit 1995/96	(20,094,865)	180,056,494
		(23,354,130)
	-----	-----
Balance carried forward	182,035,582	156,702,364
	=====	=====

NOTE 8EXAMINATION FEES

	1995 KShs	1996 KShs
KCPE	89,417,845	92,541,119
KCSE	337,346,918	367,251,603
Adult	704,342	554,350
PTE	24,027,200	29,823,260
Technical	27,326,825	34,431,725
Business	36,829,817	35,593,725
Less refunds	(682,632)	(596,974)
	-----	-----
	514,970,315	559,598,808
	=====	=====

NOTE 9OTHER INCOME

	1995 KShs	1996 KShs
Search fees	207,660	298,003
Consultancy	13,335	-
Tenders and Waste Papers	1,179,425	1,064,280
Rent Deductions	214,962	323,210
Interest on Fixed Deposits	5,251,715	5,472,999
Sale of Publications	1,238,670	2,044,848
Miscellaneous Income	3,540,044	764,508
Gain on disposal	-	90,000
	-----	-----
	11,645,811	10,057,848
	=====	=====

NOTE 10PERSONNEL EXPENSES

	1995 KShs	1996 KShs
Personal Emoluments	38,539,363	47,822,854
Extra-clerical Assistance	12,826,968	15,271,666
Medical Expenses	4,949,914	8,785,539
Contributions to F.S.S.U./W.C.P.S.	5,492,447	8,547,706
	-----	-----
	61,808,692	80,427,765
	=====	=====

NOTE 11OFFICE ADMINISTRATION EXPENSES

	1995 KShs	1996 KShs
Passages & Leave Expenses	262,234	287,809
Transport Operation Expenses	5,199,605	6,008,493
Travelling and Accommodation	3,154,537	2,988,157
Posts and Telegrams	1,804,458	911,398
Telephone Expenses	3,673,579	3,438,563
Official Entertainment	315,609	152,435
Electricity and Water	821,648	593,964
Purchase of Uniforms & Clothing	59,450	
Purchase of Stationery	7,387,915	15,008,461
Printing of Accountable Documents	2,207,132	896,950
Bank Charges and Ledger Fees	5,101,739	5,623,538
Audit Fees	150,000	150,000
Maintenance of Plant & Equipment	2,455,382	1,583,477
Miscellaneous charges and Sundry Expenses	6,398,885	7,910,602
Staff Training	2,054,959	5,686,586
Advertising & Publicity	133,062	121,725
Library Expenses	7,590	35,529
	-----	-----
	41,187,779	51,397,687
	=====	=====

NOTE 12EXAMINATION EXPENSES

	1995 KShs	1996 KShs
KCPE	236,614,291	252,688,931
KCSE	228,731,055	297,775,872
Printing Unit	23,806,949	40,421,342
PTE	18,057,361	17,405,163
Technical	32,087,915	43,873,836
Business	24,276,918	29,964,552
Miscellaneous Exams	(1,279,807)	(3,502,531)
Computer Charges	11,654,363	9,024,789
Adult Education	529,249	2,789,808
	-----	-----
	574,478,294	690,441,762
	=====	=====

NOTE 13STAFF HOUSING AND OFFICE ACCOMMODATION

	1995 KShs	1996 KShs
Rents & Rates Senior Staff Housing	3,046,610	4,651,410
Repair to Council Houses	449,106	229,528
Rents & Rates to Office Accommodation	11,514,595	11,051,200
	-----	-----
	15,010,311	15,932,138
	=====	=====

STATEMENT OF SOURCES AND APPLICATION OF FUNDS FOR THE YEAR
ENDED 30TH JUNE 1996

<u>SOURCES OF FUNDS</u>	<u>1995</u> KSHS.	<u>1996</u> KSHS.
Deficit for the year.	(20,094,865)	(23,354,130)
<u>Adjustment for items not involving the movement of funds.</u>		
Depreciation	7,381,860	9,390,263
SEPU LOAN WRITTEN OFF	300,000	-
Prior year Adjustment	-	(1,979,088)
<u>Other Sources.</u>		
Increase in Capital Reserve	9,936,215	1,013,154
<u>Application.</u>		
Purchase of Fixed Assets	(17,124,531)	(42,313,819)
	<u>(19,601,321)</u>	<u>(57,243,620)</u>
<u>Movement in Working Capital.</u>		
Increase in Stock	2,005,898	3,049,413
Increase/Decrease in debtors	9,895,863	(16,411,204)
Decrease in T.Bills	(127,939,600)	-
Decrease in provision for D.Debts.	555,000	-
Increase in creditors	<u>(5,306,626)</u>	<u>(456,380)</u>
	<u>(120,789,465)</u>	<u>(13,818,171)</u>
<u>Movement in Net Liquid Funds.</u>		
Increase/Decrease in cash at Bank	101,227,437	<u>(43,425,449)</u>
Increase in cash in hand	<u>(39,293)</u>	<u>(39,293)</u>
	<u>101,188,144</u>	<u>(57,243,620)</u>
	<u>(19,601,321)</u>	<u>(57,243,620)</u>

COMMENTS ON THE QUALIFICATION BY THE AUDITOR GENERAL
(CORPORATIONS) FOR THE ACCOUNTS FOR THE YEAR ENDED

30TH JUNE, 1996

WORK IN PROGRESS

Though the question of funding is yet to be finalised, substantial progress has been made towards the matter which is currently receiving the attention of the Permanent Secretary/Treasury. You will appreciate that in view of the amount involved, over Shs. 500 million for the first phase, consultations and negotiations should be handled sensitively to an agreeable conclusion. The escalation in costs due to delayed completion is, unfortunately, a matter beyond the Council's control.

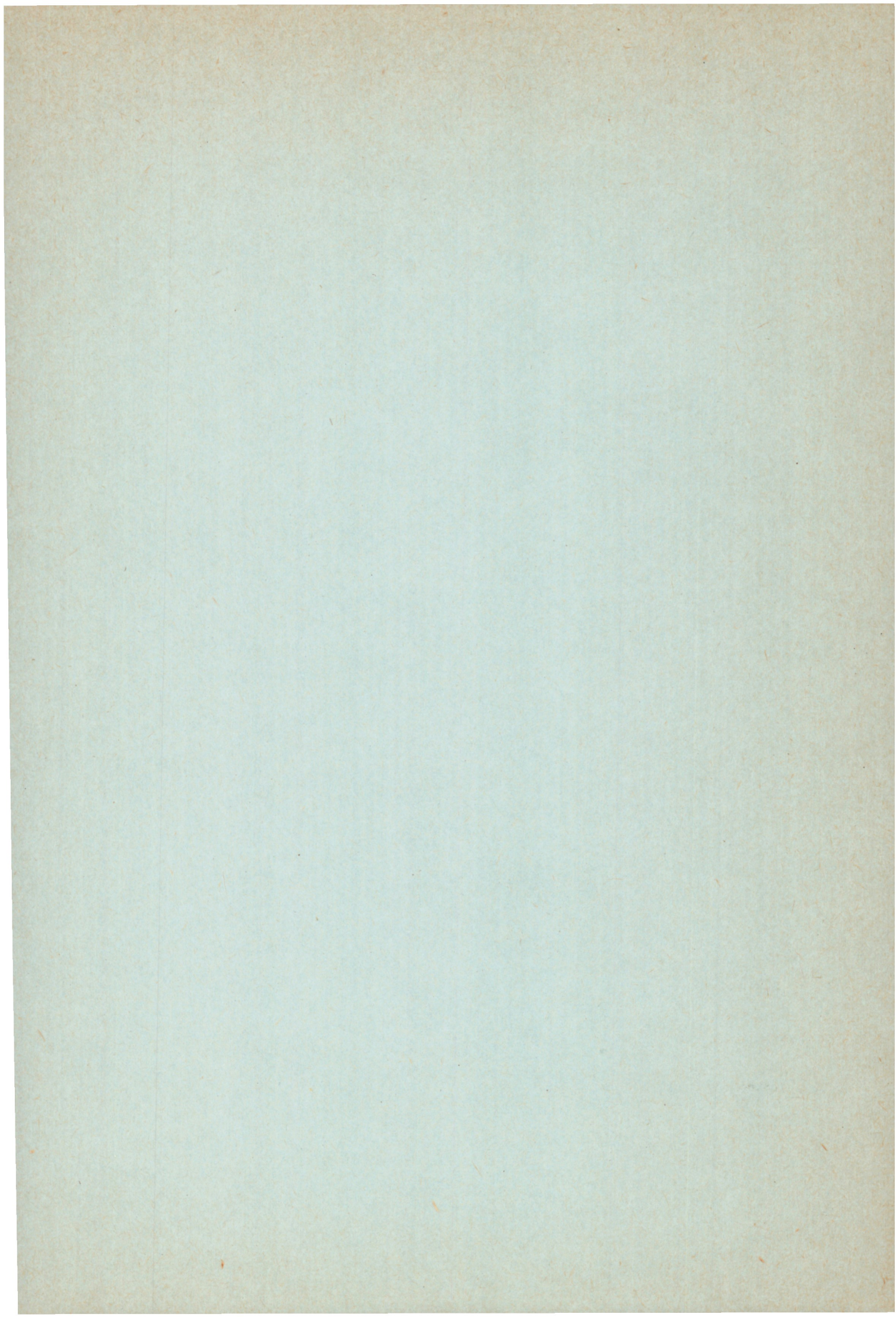
We have enclosed correspondence/documents to show our continued concern and progress to have the project reactivated and completed.

OPERATING DEFICIT

It is true the deficit for the year under review rose by Shs. 3,259,265. As we have stated in the past, the conduct of national examinations is both a sensitive and expensive exercise. The revenue (examination fees) and grants from the exchequer is not commensurate with the increased candidature. In its operations, the Council uses tons of paper. The cost of paper and other printing materials is continually rising. The creation of new Districts has led to an increase in distribution centres and overall administrative costs principally fuel expenses which are also continually on the rise. Another important factor causing the deficit is general inflation which has led to, for example, high accommodation charges for examiners, increased travel and subsistence expenses for contracted professionals, maintenance of motor vehicles etc.

In addition, though the Council seeks to break even in its operations one can easily envisage the result of charging candidates from certain parts of the country higher examination fees on the basis that it costs more to ferry the examination to them. The result would be the same if the Council declined to register candidates on the same basis. The Council has thus had to register candidates and offer exams while delaying payments to some creditors into the next financial year.

This situation is not expected to recur if the Treasury accepts to increase exchequer issues to the Council. The alternative would be to increase registration fees which would require government approval.



**Printed by Kenya National Examinations Council P.O. Box 73598
Nairobi, Kenya**