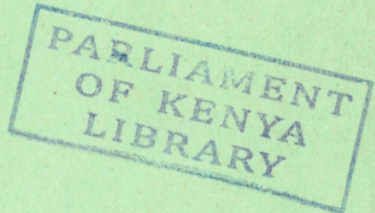


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THE KENYA NATIONAL EXAMINATIONS COUNCIL



**AUDITED ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1997**

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

THE KENYA NATIONAL EXAMINATIONS COUNCIL

**AUDITED ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1997**

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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 1997

I have examined the accounts of the Kenya National Examinations Council for the year ended 30 June 1997 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).

Except for the reservation 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 state of affairs as at 30 June 1997, and of its surplus and source and application of funds for the year ended on that date.

As mentioned in my reports for the years 1992/93 to 1995/96 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 working towards having the project re-activated, the question of funding has not so far been resolved. It is, however, clear that whatever decision is taken on the matter, the overall cost of the project will be much higher than originally planned, as a result of escalation of costs due to delayed completion.



W.K. KEMEI
AUDITOR-GENERAL (CORPORATIONS)

13 March 1998

THE KENYA NATIONAL EXAMINATIONS COUNCIL

BALANCE SHEET AS AT 30TH JUNE 1997

	NOTES	1997 Kshs.	1996 Kshs.
ASSETS EMPLOYED			
Fixed Assets	2	85,913,238	85,258,519
Investments	3	64,300,000	64,300,000
Buildings (Work in Progress)		61,979,845	61,979,845
		<u>212,193,083</u>	<u>211,538,364</u>
CURRENT ASSETS			
Stock		23,249,510	11,668,306
Sundry Debtors	4	11,163,953	13,308,415
Cash in Bank		38,795,107	72,305,305
		<u>73,208,570</u>	<u>97,282,026</u>
CURRENT LIABILITIES			
Provision for Doubtful Debts	5	2,072,705	2,072,705
Sundry Creditors	6	30,861,756	61,839,256
		<u>32,934,461</u>	<u>63,911,961</u>
		<u>40,274,109</u>	<u>33,370,065</u>
		<u>252,467,192</u>	<u>244,908,429</u>
NET CURRENT ASSETS			
TOTAL ASSETS			
FINANCED BY:			
Capital Reserve		88,206,065	88,206,065
Excess of Income over Expenditure	7	164,261,127	156,702,364
		<u>252,467,192</u>	<u>244,908,429</u>

S. S. Omondi

CHAIRMAN
DATE: 10.12.97

[Signature]
SECRETARY
DATE: 16/12/97

THE KENYA NATIONAL EXAMINATIONS COUNCIL

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1997

<u>INCOME</u>	<u>NOTES</u>	1997 Kshs.	1996 Kshs.
Examination Fees	8	568,180,424	559,598,808
Other Income	9	7,437,784	10,057,848
Grants		224,072,040	242,910,523
		-----	-----
		<u>799,690,248</u>	<u>812,567,179</u>
 LESS EXPENDITURE			
Personnel Expenses	10	80,351,248	80,427,765
Office Administration Expenses	11	57,330,661	51,397,687
Examination Expenses	12	643,978,549	690,441,762
Housing of Staff & Office Accommodation	13	22,375,112	15,931,138
Depreciation		11,370,425	9,390,263
		-----	-----
Less Closing Stock		815,405,995	847,589,615
		(23,249,510)	(11,668,306)
		792,156,485	835,921,309
		-----	-----
Excess of Income Over Expenditure c/f		<u>7,533,763</u>	<u>(23,354,130)</u>

THE KENYA NATIONAL EXAMINATIONS COUNCIL

TRIAL BALANCE AS AT 30TH JUNE 1997

	1997 Kshs.	1997 Kshs.	1996 Kshs.	1996 Kshs.
Provision for Doubtful Debts	61,979,845	2,072,705	61,979,845	2,072,705
Building (Work in Progress)	49,892,442		47,019,417	
Leasehold Buildings	18,233,330		13,539,105	
Motor Vehicles	54,409,187		51,335,414	
Office Equipment	5,007,248		4,516,093	
Office Furniture	54,150		54,150	
House Furniture	1,777,160		854,194	
Fittings, Partitions				
Accumulated Depreciation		32,089,854		22,699,591
Capital Reserve		88,206,065		88,206,065
Income and Expenditure		156,727,364		180,056,494
Grants from Ministry of Education		224,072,040		242,910,523
Examination Fees		568,180,424		559,598,808
Other Income		7,437,784		10,057,848
Investments	64,300,000		64,300,000	
Debtors and Creditors	11,163,953		13,308,415	
Examination Expenses	643,978,549		690,441,762	
Housing of Staff & Office Accommodation	22,375,112		15,932,138	
Personnel Expenses	80,351,248		80,427,765	
Office Administration Expenses	57,330,661		51,397,687	
Bank	38,795,107		72,305,305	
	<u>1,109,647,992</u>	<u>1,109,647,992</u>	<u>1,167,441,290</u>	<u>1,167,441,290</u>

THE KENYA NATIONAL EXAMINATIONS COUNCIL

FIXED ASSETS SCHEDULE AS AT 30TH JUNE, 1997

	Leasehold Building Kshs.	Motor Vehicles Kshs.	Office Equipment Kshs.	Office Furniture Kshs.	House Furniture Kshs.	Partitions & Fittings Kshs.	TOTAL Kshs.
COST OR VALUATION							
Balance as at 1.7.96	47,049,417	13,539,105	51,335,414	4,516,093	54,150	854,194	117,348,373
Additions for the year	2,843,025	4,694,225	3,073,773	491,155		922,966	12,025,144
Balance as at 30.6.97	49,892,442	18,233,330	54,409,187	5,007,248	54,150	1,777,160	129,373,517
ACCUMULATED DEPRECIATION							
Balance at 1.7.96	4,208,600	8,755,696	16,156,504	2,604,439	20,307	344,308	32,089,854
Depreciation charge for the Year	1,247,311	4,208,083	5,310,429	420,117	6,769	177,716	11,370,425
Balance as at 30.6.97	5,455,911	12,963,799	21,466,933	3,024,556	27,076	522,024	43,460,279
NET BOOK VALUE							
As at 1.7.96	42,840,817	4,783,409	35,178,910	1,911,654	33,843	509,886	85,258,519
As at 30.6.97	44,435,531	5,269,551	32,942,254	1,982,692	27,074	1,255,136	85,913,238
Rate of Depreciation	2.5%	25%	10%	12.5%	12.5%	10%	

THE KENYA NATIONAL EXAMINATIONS COUNCIL**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED**
30TH JUNE 1997**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 Vehicles	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 L.R. No. 188/4/451/11/79 next to the Kenya Bureau of Standards Headquarters, off Mombasa Road.

(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 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.

	Kshs. 50,400,000
695,000 ordinary shares of Kshs. 20.00 each	13,900,000
	<u>64,300,000</u>

NOTE 4

DEBTORS

	1997 Kshs.	1996 Kshs.
NHIF	5,605	5,605
Retirement Benefits	533,314	533,314
Deposits to HFCK	-	2,841,589
Exams Co-operative	28,635	28,334
Recovery on behalf of other Institutions	(1,641)	4,660
Ministry of Education	1,467,292	1,467,292
Temporary Imprest	5,218,073	4,820,287
Mortgage - Staff	15,081	12,890
Returned Cheques R.D.	1,278,912	1,217,342
Staff Motor Loan	210,322	323,822
Kenya Polytechnic	153,460	153,460
Returned Salary	36,158	36,158
Salary Advance	132,742	156,655
Pre-payment	1,896,762	1,567,571
Deposits to Hospitals	157,000	122,000
Mwalimu Co-operative	32,238	17,436
	<u>11,163,953</u>	<u>13,308,415</u>

NOTE 5

PROVISION FOR DOUBTFUL DEBTS

	1997 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
	<hr/>	<hr/>
	2,072,705	2,072,705
	<hr/>	<hr/>

NOTE 6

CREDITORS

	1997 Kshs.	1996 Kshs.
Local Services	9,690	35,250
Refunds	3,391	11,947
HFCK Mortgage	-	13,092,658
Other Cooperatives	27,480	47,871
Sundry Creditors	9,816,315	15,818,388
Examination Expenses	2,375,100	14,551,623
Staff Contribution to WCPS	128,810	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	14,053,889	13,653,876
Rent Deductions	231,514	23,950
PAYE	26,776	43,891
Insurance	6,063	2,182
Miscellaneous	(1,200)	95,210
T.S.C.	22,347	22,020
	<hr/>	<hr/>
	30,861,756	61,839,256
	<hr/>	<hr/>

NOTE 7**INCOME AND EXPENDITURE
ACCOUNT**

	1997 Kshs.	1996 Kshs.
Balance b/d 1st July 1996	156,702,364	182,035,582
Prior Year Adjustment	25,000	(1,979,088)
	<hr/>	<hr/>
	156,727,364	180,056,494
Surplus/Deficit for the Year	7,533,763	(23,354,130)
	<hr/>	<hr/>
Balance Carried forward	<u>164,261,127</u>	<u>156,702,364</u>

NOTE 8**EXAMINATION FEES**

	1997 Kshs.	1996 Kshs.
KCPE	97,750,732	92,541,119
KCSE	358,725,479	367,251,603
Adult	222,168	554,350
PTE	22,357,890	29,823,260
Technical	36,650,921	35,593,725
Business	53,036,556	35,593,725
Less refunds	(563,322)	(596,974)
	<hr/>	<hr/>
	<u>568,180,424</u>	<u>559,598,808</u>

NOTE 9

<u>OTHER INCOME</u>	1997 Kshs.	1996 Kshs.
Search fees	146,901	298,003
Consultancy	-	-
Tenders and Waste Papers	112,330	1,064,280
Rent	551,850	323,210
Interest on Fixed Deposits	3,594,696	5,472,999
Sale of Publications	2,429,981	2,044,848
Miscellaneous Income	602,026	764,508
Gain on disposal	-	90,000
	<hr/>	<hr/>
	7,437,784	10,057,848
	<hr/>	<hr/>

NOTE 10PERSONNEL EXPENSES

	1997 Kshs.	1996 Kshs.
Personal Emoluments	46,987,486	47,822,854
Extra Clerical Assistance	14,241,524	15,271,666
Medical Expenses	9,956,983	8,785,539
Contributions to F.S.S.U./W.C.	9,165,255	8,547,706
	<hr/>	<hr/>
	80,351,248	80,427,765
	<hr/>	<hr/>

NOTE 11

OFFICE ADMINISTRATION
EXPENSES

	1997 Kshs.	1996 Kshs.
Passages & Leave Expenses	340,258	287,809
Transport Operation Expenses	5,730,095	6,008,493
Travelling and Accommodation	4,456,454	2,988,157
Posts and Telegrams	983,335	911,398
Telephone Expenses	3,701,548	3,438,563
Official Entertainment	557,022	152,435
Electricity and Water	590,066	593,964
Purchase of Uniforms & Clothi	153,310	-
Purchase of Stationery	18,929,581	15,008,461
Printing of Accountable Documents	1,575,500	896,950
Bank Charges and Ledger Fees	6,417,491	5,623,538
Audit Fees	150,000	150,000
Maintenance of Plant & Equipment	1,233,810	1,583,477
Miscellaneous charges and Sundry Expenses	8,641,258	7,910,602
Staff Training	3,360,322	5,686,586
Advertising & Publicity	486,516	121,725
Library Expenses	24,095	35,529
	<hr/>	<hr/>
	57,330,661	51,397,687
	<hr/>	<hr/>

NOTE 12**EXAMINATION EXPENSES**

	1997 Kshs.	1996 Kshs.
KCPE	235,857,650	252,688,931
KCSE	247,655,477	297,775,872
Printing Unit	60,469,386	40,421,342
PTE	17,608,845	17,405,163
Technical	43,772,931	43,873,836
Business	30,370,689	29,964,552
Miscellaneous Exams	(3,018,708)	(3,502,531)
Computer Charges	9,878,862	9,024,789
Adult Education	1,383,417	2,789,808
	<hr/>	<hr/>
	643,978,549	690,441,762
	<hr/>	<hr/>

NOTE 13**STAFF HOUSING AND OFFICE
ACCOMMODATION**

	1997 Kshs.	1996 Kshs.
Rents & Rates		
Senior Staff Housing	5,728,689	4,651,410
Repair to Council Houses	164,797	229,528
Rents & Rates to Office Accommodation	16,481,626	11,051,200
	<hr/>	<hr/>
	22,375,112	15,932,138
	<hr/>	<hr/>

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS FOR YEAR
ENDING 30TH JUNE, 1997.**

SOURCES OF FUNDS:	1996 KSHS	1997 KSHS.
Surplus/(Deficit) for the year	(23,354,130)	7,533,763
Adjustment for items not involving Movement of Funds:		
Depreciation	9,390,263	11,370,425
Prior Year Adjustment	(1,979,088)	25,000
Other sources:		
Increase in Capital Reserve	1,013,154	-
Applications:		
Purchase of Fixed Assets	<u>(42,313,819)</u>	<u>(12,025,144)</u>
	<u>57,243,620</u>	<u>6,904,044</u>
Movement in Working Capital		
Increase in Stock	3,049,413	11,581,204
Increase/Decrease in debtors	(16,411,204)	(2,144,462)
Increase/Decrease in creditors	<u>(456,380)</u>	<u>30,977,500</u>
	<u>13,818,171</u>	<u>40,414,242</u>
Movement in Net Liquid Funds :		
Increase/Decrease in cash in bank	<u>43,425,449</u>	<u>(33,510,198)</u>
	<u>57,243,620</u>	<u>6,904,044</u>

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