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THE KENYA NATIONAL EXAMINATIONS COUNCIL

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**AUDITED ACCOUNTS FOR THE
YEAR ENDED 30TH JUNE, 2001**

The Kenya National Examinations Council
P O Box 73598,
00200 City Square
Nairobi, Kenya



REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF
THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30
JUNE 2001

KENYA NATIONAL ASSEMBLY
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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 2001.**

I have examined the Accounts of the Kenya National Examinations Council for the year ended 30 June 2001 in accordance with Section 29(2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost convention as modified to include the revaluation of certain assets, are in agreement therewith and comply with the provisions of the Kenya National Examinations Council Act (Cap 225A).

In my opinion, and except for the matters referred to herebelow, the Accounts, when read together with the Notes thereon, fairly present the Council's financial state of affairs as at 30 June 2001 and of its surplus and cash flow for the year then ended.

1. WORK-IN-PROGRESS - MITIHANI HOUSE PROJECT

Reference has repeatedly been made in previous reports regarding the Work-In-Progress balance of Kshs.61,979,845 which has remained static since 30 June 1991. As previously indicated, the amount relates to expenditure on Mitihani House, a project which stalled in December, 1989. A review of the matter during the year 2000/2001 showed that no progress has been made with regard to the stalled Project despite Parliamentary recommendation that the Council clears pending certificates to facilitate revival and completion of the Project.

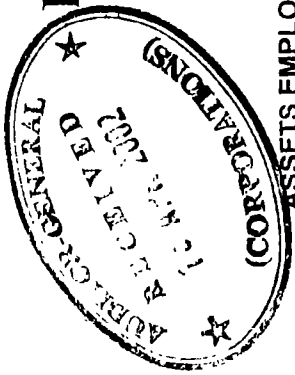
2. DEBTORS

Included in the Balance Sheet Debtors figure of Kshs.17,461,012 as at 30 June 2001 are prepayments amounting to Kshs.4,788,989 which in turn include Kshs.2,126,117, being unsurrendered balance of an amount paid during the year under review to Lenana High School as an Examinations Marking Centre. As at the date of this Report, the School had only refunded Kshs.150,000 to the Council. Although the Council has explained that the issue is being handled by the Ministry of Education, Science and Technology together with the Teachers Service Commission and itself, it is not, however, clear why prompt and direct recovery action has not been instituted with the school.


S. M. MALUKI

AUDITOR-GENERAL (CORPORATIONS)

24 April 2002



KENYA NATIONAL EXAMINATIONS COUNCIL

BALANCE SHEET AS AT 30th JUNE, 2001

	2001 Kshs.	2000 Kshs.
ASSETS EMPLOYED		
2 Fixed Assets	254,102,557	274,957,084
3 Investments	64,300,000	64,300,000
Building (Work in Progress)	61,979,845	61,979,845
	380,382,402	401,236,929
CURRENT ASSETS		
Stock	36,915,758	32,892,979
Debtors	17,461,012	20,229,637
Cash and Cash Equivalents	593,340,709	324,615,535
	647,717,479	377,738,151
CURRENT LIABILITIES		
Provision for Doubtful Debts	3,363,780	4,124,169
Creditors	159,534,690	156,046,062
	162,898,470	160,170,231
NET CURRENT ASSETS	484,819,009	217,567,920
TOTAL ASSETS	865,201,411	618,804,849
FINANCED BY:		
Capital Reserve	264,774,092	262,204,092
Excess of Income over Expenditure	600,427,319	356,600,757
	865,201,411	618,804,849

R. Imatire Wamun
 Chairman

R. Imatire Wamun
 Secretary

Date 15-4-02 Date 15/4/2002

KENYA NATIONAL EXAMINATIONS COUNCIL

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30th JUNE 2001

	2001 Kshs.	2000 Kshs.
INCOME		
Examination Fees	969,526,550	818,504,035
Other Income	34,845,088	22,322,319
Grants	<u>300,139,248</u>	<u>300,752,747</u>
	<u>1,304,510,886</u>	<u>1,141,579,101</u>
LESS EXPENDITURE		
Opening Stock	32,892,979	21,192,974
Personnel Expenses	156,162,287	171,712,301
Office Administration Expenses	62,169,830	79,036,928
Examination Expenses	794,514,896	694,877,494
Housing of Staff & Office Accommodation	28,834,847	25,733,833
Depreciation	<u>27,169,420</u>	<u>27,432,148</u>
	<u>1,101,744,259</u>	<u>1,019,985,678</u>
Less Closing Stock	<u>(36,915,758)</u>	<u>(32,892,979)</u>
	<u>1,064,828,501</u>	<u>987,092,699</u>
Excess of Income over Expenditure c/f	<u>239,682,385</u>	<u>154,486,402</u>

KENYA NATIONAL EXAMINATIONS COUNCIL

TRIAL BALANCE AS AT 30th JUNE, 2001

	2001		2000	
	Kshs.	Kshs.	Kshs.	Kshs.
Provision of Doubtful Debts				
Building (Work in Progress)				4,124,169
Leasehold Buildings	61,979,845	3,363,780	61,979,845	
Motor Vehicles	148,166,496		148,166,496	
Office Equipment	22,740,689		25,219,914	
Office Furniture	155,135,686		153,291,187	
House Furniture	13,718,554		12,600,386	
Fittings, Partitions	628,480		628,480	
Accumulated Depreciation	4,731,379		4,626,264	
Capital Reserve		63,849,307		42,143,495
Income and Expenditure		264,774,092		262,204,092
Grants from Ministry of Education		360,744,934		202,114,355
Examination Fees		300,139,248		300,752,747
Other Income		969,526,550		818,504,035
Investment		34,845,088		22,322,319
Opening Stock	64,300,000		64,300,000	
Debtors	32,892,979		21,192,974	
Creditors	17,461,012		20,229,637	
Examination Expenses		159,534,690		156,046,062
Housing of Staff & Office Accommodation	794,514,896		694,877,494	
Personnel Expenses	28,834,847		25,733,833	
Office Administration Expenses	156,162,287		171,712,301	
Cash and Cash Equivalents	62,169,830		79,036,928	
	<u>593,340,709</u>		<u>324,615,535</u>	
	<u>2,156,777,689</u>	<u>2,156,777,689</u>	<u>1,808,211,274</u>	<u>1,808,211,274</u>

KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30th JUNE 2000

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	2 1/2 %
Motor Vehicles	25 %
Office Equipment	10 %
Office Furniture	12 1/2 %

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 exchanged 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.

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f) Revenue Recognition

- i) Examination fees is treated as income in the year it is received.
- ii) Interest receivable is recognized on 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, Science & Technology.

h) New Mitihani House

Buildings (Works 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.

KENYA NATIONAL EXAMINATIONS COUNCIL

NOTE 2

Fixed Assets Schedule as at 30th June, 2001

	LEASEHOLD BUILDING Kshs.	MOTOR VEHICLE Kshs.	OFFICE EQUIPMENT Kshs.	OFFICE FURNITURE Kshs.	HOUSE FURNITURE Kshs.	PARTITIONS & FITTINGS Kshs.	GROSS TOTAL Kshs.
COST OR VALUATION:							
Balance as at 1-7-2000	148,166,496	25,219,914	153,291,187	12,600,386	628,480	4,626,264	344,532,727
Additions for the year			2,575,369	1,241,909		105,115	3,922,393
Revaluations		2,570,000					2,570,000
Disposals		(355,000)					(355,000)
Amount written off for the year		(4,694,225)	(730,870)	(123,741)			(5,548,836)
Balance as at 30-6-2001	148,166,496	22,740,689	155,135,686	13,718,554	628,480	4,731,379	345,121,284
Historical cost	50,166,496	14,560,689	155,135,686	13,718,554	628,480	4,731,379	238,941,284
Revaluation element	98,000,000	8,180,000					106,180,000
ACCUMULATED DEPRECIATION:							
Balance as at 1-7-2000	7,775,025	14,542,338	41,144,439	4,798,620	190,965	1,124,256	69,575,643
Amount written off for the year		(4,694,225)	(730,870)	(123,741)			(5,548,836)
Disposals		(177,500)					(177,500)
Depreciation charge for the year	3,704,162	5,685,172	15,513,569	1,714,819	78,560	473,138	27,169,420
Balance as at 30-6-2001	11,479,187	15,355,785	55,927,138	6,389,698	269,525	1,597,394	91,018,727
NET BOOK VALUE:							
As at 30-6-2001	136,687,309	7,384,904	99,208,548	7,328,856	358,955	3,133,985	254,102,557
As at 1-7-2000	140,391,471	10,677,576	112,146,748	7,801,766	437,515	3,502,008	274,957,084
Rate of Depreciation	2.5%	25%	10%	12.5%	12.5%	10%	

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NOTE 3

INVESTMENTS

These are investments held in Consolidated Bank of Kenya Limited comprised of :

2,520,000 4% Non cumulative Preference Shares of Kshs 20.00 each	Kshs.
695,000 Ordinary Shares of Kshs. 20.00 each	50,400,000
	13,900,000
	<u>64,300,000</u>

NOTE 4

DEBTORS

N. H. I. F		2000
Exams Co-operative		Kshs.
SFI Bank Replacement Cheques		13,640
Ministry of Education		23,570
Temporary Imprest		330,551
Returned Cheques R.D.		1,467,292
Staff Motor Loan		12,395,064
Kenya Polytechnic		1,345,462
Returned Salary		39,322
Salary Advance		153,460
Pre-payment		4,158
Deposit to Hospitals & Institutions		101,499
Accrued Interest		3,214,904
Miscellaneous Debtors		606,000
Staff Debtors		218,038
		159,422
		157,255
		<u>20,229,637</u>
		<u>17,461,012</u>

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NOTE 5

PROVISION FOR DOUBTFUL DEBTS

	2001	2000
	Kshs.	Kshs.
Salary Advance	61,622	61,622
Temporary Imprest	332,168	1,126,945
Ministry of Education	1,467,291	1,467,291
Kenya Polytechnic	153,460	153,460
Staff Motor Loan	39,322	39,322
Returned Cheques R.D.	1,150,494	1,150,494
Pre-payment		68,885
Fina Stationers	103,273	
Mufam Collectors	56,150	56,150
	<u>3,363,780</u>	<u>4,124,169</u>

NOTE 6

CREDITORS

	2001	2000
	Kshs.	Kshs.
Refunds	2,891	2,891
Sundry Creditors	100,459,842	125,475,101
Examinations Expenses	39,538,537	7,542,414
Audit Fees	80,000	440,000
SFI Stale Cheques	1,199,101	
Stale Cheques	17,671,257	21,278,396
P.A.Y.E.		43,592
Insurance	2,729	2,729
Other Co-operatives	2,953	10,099
Miscellaneous	137,080	105,323
Retirement Benefits	440,300	1,145,517
	<u>159,534,690</u>	<u>156,046,062</u>

KENYA NATIONAL EXAMINATIONS COUNCIL

NOTE 7

INCOME AND EXPENDITURE ACCOUNT

Balance as at the beginning of the year		2000
Prior Year Adjustment		Kshs.
		202,114,355
		<u>202,114,355</u>
Surplus / (Deficit) for the Year		154,486,402
Balance as at the end of the year		<u><u>356,600,757</u></u>

NOTE 8

EXAMINATION FEES

K.C.P.E		2000
K.C.S.E		Kshs.
Adult		145,413,403
P.T.E		538,339,022
Technical		131,225
Business		12,605,847
Miscellaneous Exams.		52,694,562
Less Refunds		58,663,810
		11,286,451
		(630,285)
		<u><u>818,504,035</u></u>

KENYA NATIONAL EXAMINATIONS COUNCIL

NOTE 9

OTHER INCOME

	2001	2000
	Kshs.	Kshs.
Search fees	2,163,945	409,075
Tenders and Waste Papers	842,760	555,332
Consultancy	20,500	50,520
Royalties	99,512	66,885
Gain on Foreign Transaction	147,500	6,607,770
Gain on Disposal of Assets	62,500	441,378
Interest on Treasury Bills	21,699,680	8,126,221
Sale of Publications	7,978,623	5,659,764
Miscellaneous Income	1,069,679	375,374
Decrease in Provision of Doubtful Debts	760,389	30,000
	<u>34,845,088</u>	<u>22,322,319</u>

NOTE 10

PERSONNEL EXPENSES

	2001	2000
	Kshs.	Kshs.
Personal Emoluments	94,587,467	117,399,976
Extra Clerical Assistance	21,036,703	21,751,478
Medical Expenses	20,882,210	15,097,693
Contributions to W.C.P.S.	19,655,907	17,463,154
	<u>156,162,287</u>	<u>171,712,301</u>

KENYA NATIONAL EXAMINATIONS COUNCIL

NOTE 11

OFFICE ADMINISTRATION EXPENSES

	2001	2000
	Kshs.	Kshs.
Passages & Leave Expenses	1,997,778	2,721,787
Transport Operation Expenses	10,305,015	9,351,365
Travelling and Accommodation	1,496,750	3,110,971
Posts and Telegrams	1,114,197	1,474,344
Telephone Expenses	4,583,384	3,345,037
Official Entertainment	673,918	782,879
Electricity and Water	801,158	839,507
Purchase of Uniforms & Clothing	624,469	93,125
Purchase of Stationery	14,371,659	19,179,071
Printing of Accountable Documents	489,649	221,116
Bank Charges and Ledger Fees	4,862,522	15,603,259
Audit Fees	300,000	280,000
Maintenance of Plant & Equipment	2,177,068	1,801,996
Miscellaneous charges and Sundry Expenses	14,821,291	13,936,980
Staff Training	3,204,940	5,563,911
Advertising & Publicity	192,735	672,988
Library Expenses	153,297	58,592
	<u>62,169,830</u>	<u>79,036,928</u>

KENYA NATIONAL EXAMINATIONS COUNCIL

NOTE 12

EXAMINATION EXPENSES

	2001	2000
	Kshs.	Kshs.
K.C.P.E	219,718,886	248,233,231
K.C.S.E	423,290,920	333,017,752
Printing Unit	27,131,218	22,322,492
P.T.E.	13,846,988	13,355,319
Technical	56,313,606	39,125,803
Business	36,107,791	23,609,948
Miscellaneous Exams	3,621,368	3,252,327
Computer Charges	14,409,544	11,898,826
Adult Education	74,575	61,796
	<u>794,514,896</u>	<u>694,877,494</u>

NOTE 13

STAFF HOUSING AND OFFICE ACCOMMODATION

	2001	2000
	Kshs.	Kshs.
Rent & Rates to Senior Staff Housing	9,603,411	9,112,487
Repair to Council Houses	1,181,018	818,630
Rent & Rates to Office Accommodation	18,050,418	15,802,716
	<u>28,834,847</u>	<u>25,733,833</u>

NOTE 14

CASH AND CASH EQUIVALENTS

	2001	2000
	Kshs.	Kshs.
Cash in Bank		172,237,752
Cash in Hand	131,814,729	50,304
Deposit to Savings & Loans		1,476,200
Saving Account in Savings & Loans	461,525,980	980,254
Treasury Bills		149,871,025
	<u>593,340,709</u>	<u>324,615,535</u>

KENYA NATIONAL EXAMINATIONS COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30th JUNE 2001

	2001 Kshs.	2000 Kshs.
Cash flows from operating activities		
Surplus for the year	239,682,385	154,486,402
Adjustments for :		
Depreciation	27,169,420	27,432,148
Gain on Disposal of Assets	(62,500)	(441,378)
Decrease in Provision of Doubtful Debts	(760,389)	(30,000)
Prior year adjustments	4,144,177	
	<u>270,173,093</u>	<u>181,447,172</u>
Operating profit before working capital changes	(4,022,779)	(11,700,005)
Decrease / (Increase) in Stock	2,768,625	(3,304,596)
(Increase) / Decrease in Debtors	3,488,628	(18,465,268)
Increase / (Decrease) in Creditors		
Net cashflows from operating activities	<u>272,407,567</u>	<u>147,977,303</u>
Servicing of finance		
Increase in capital reserve		
Cash flows from investing activities		
Purchase of fixed assets	(3,922,393)	(14,000,931)
Sale proceeds on disposal of fixed assets	240,000	1,552,128
Net cashflows from investing activities	<u>(3,682,393)</u>	<u>(12,448,803)</u>
Net increase in Bank	268,725,174	135,528,500
Cash and Cash equivalents at beginning of year	<u>324,615,535</u>	<u>189,087,035</u>
Cash and Cash equivalents at end of year	<u><u>593,340,709</u></u>	<u><u>324,615,535</u></u>

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