

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA NATIONAL EXAMINATIONS COUNCIL

FOR THE YEAR
ENDED 30 JUNE 2016



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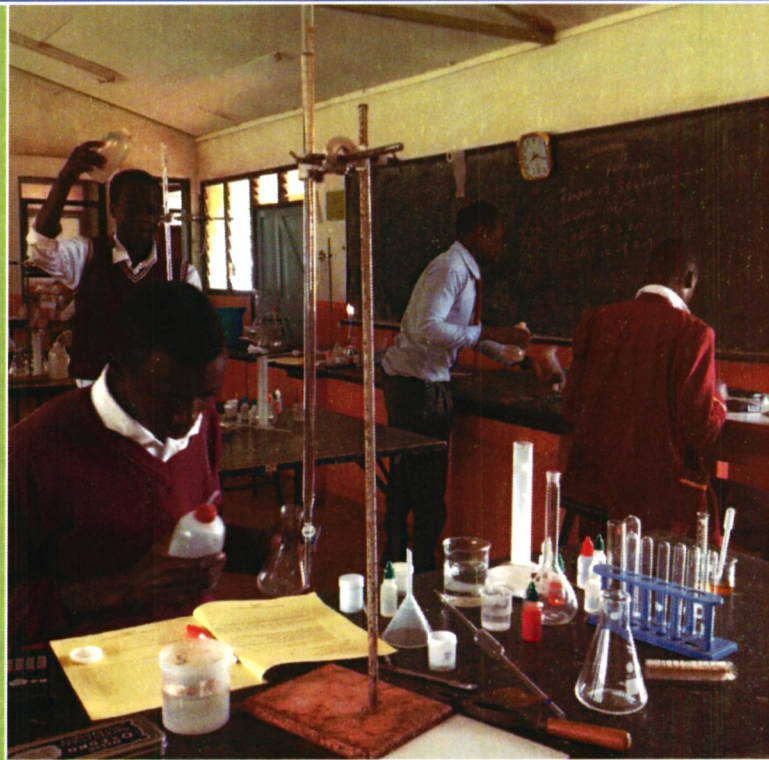
*Paper laid
by Lam
Wednesday 11/10/17
Morning sitting
AA*





THE KENYA NATIONAL EXAMINATIONS COUNCIL

Annual Report and Financial Statements for the Year Ended 30 June, 2016



The Council's Financial Statements have been prepared in accordance with the accrual basis and comply with International Public Sector Accounting Standards (IPSAS)



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LIST OF ACRONYMS

KEY

ADA	Alcohol Drugs Abuse
AEAA	Association for Education Assessment in Africa
CEO	Chief Executive Officer
CS	Cabinet Secretary
CPC	Corruption Prevention Committee
CSR	Corporate Social Responsibility
DTE	Diploma in Teacher Education
ECDE	Early Childhood Development & Education
ESQAC	Education Standards and Quality Assurance Council
GPE	Global Partnership for Education
HELB	Higher Education Loans Board
IAEA	International Association for Educational Assessment
ICT	Information and Communication Technology
ISMS	Information Security Management System
KCSE	Kenya Certificate of Secondary Education
KCPE	Kenya Certificate of Primary Education
KEPSHA	Kenya Primary School Head Teachers Association
KICD	Kenya Institute of Curriculum Development
KNEC	Kenya National Examinations Council
KSSHA	Kenya Secondary School Heads Association
MoE	Ministry of Education
MTEF	Medium Term Expenditure Framework
MTP 2	The Second Medium Term Plan
NGEC	National Gender & Equality Commission
NMH	New Mitihani House
PFMAAct	Public Finance Management Act, 2012
PTE	Primary Teachers Education
PWD	Persons with Disabilities
QAS	Directorate of Quality Assurance Standards
QMS	Quality Management System
SNE	Special Needs Education
SRC	Salaries Remuneration Commission
TCAE	Teacher Certificate in Adult Education
TSC	Teachers Service Commission



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1.0 PREAMBLE

The Council has a statutory obligation under section 81 of the PFMA Act, 2012 to prepare an annual report for transmission to the National Assembly by the Cabinet Secretary, The National Treasury.

The Annual Report captures the overall financial performance by the Council, based on its key interventions and performance indicators.

KNEC is a State Corporation under the Ministry of Education whose national function is to offer examinations as stated in the fourth schedule of the Constitution of Kenya 2010.

The KNEC's programmes are integrated towards the development goals of the Constitution of Kenya 2010, the Kenya Vision 2030, the Second Medium-Term Plan 2013–2017 (MTP II). Under the Quality and Assurance Programme under MoE, KNEC administers, supervises and oversees all national examinations in Kenya. These examinations are based on the curriculum developed by KICD. The CEO of KNEC is a member of the KICD Council, Course Panels and the Academic Committee. Subject examination officers at KNEC are members of the KICD Subject Panels.

At the end of the curriculum delivery, the Kenya National Examination Council (KNEC) ascertain if the curriculum developed by KICD was covered through TSC as required by all the pupils. This is done through testing and examinations conducted by KNEC at the end of every year. The examination results analyzed and cross-tabulated to give accurate insight on the state of education service delivery in every county, constituency, wards and every school in the country.

The Council also undertook key research initiatives to establish the National Assessment Centre which a draft report on monitoring learner achievement in Numeracy and Literacy at Primary class 3 has been prepared.

In the year under review Council has continued to deliver on its mandate as the Council for Quality Assurance in Examination & Certification under the MoE.



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1.1 COUNCIL PROFILE

1.2 BRIEF HISTORY

Year	Month	Key Highlights
1980	August	KNEC was established under KNEC Cap 225A following breakup of the East African Community. The single system of education, the 7-4-2-3 was examined. Exams offered were:- East African Certificate of Primary Education (EACPE) East African Certificate of Education Examination (EACE) East African Advanced Certificate of Education (EAACE).
1985	January	8-4-4 system was adopted. CPE became KCPE while KCE became the KCSE.
1988		Sessional Paper No.6 of 1988 emphasized on coordination and harmonization of the examinations and certification of all national examinations for school and post school training institutions except the universities. It also adopted the exiting examination syllabuses and award regulations for the examinations. The EACPE became the Certificate of Primary education (CPE), the EACE became the Kenya Certificate of Education (KCE) and the EAACE became the Kenya Advanced Certificate of Education (KACE).
1989		First KCSE exam was held while last Kenya Advanced Certificate of Education (KACE) held which KCSE replaced.
2007		ECDE Examinations are administered first time.
2010		DTE & SNE Examinations are administered first time.
2012		KNEC Act No. 29 of 2012 replaces KNEC Cap 225A of 1980.
2015	July	KNEC Examinations Rules were gazetted.



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1.3 CORE STATEMENT

1.3.1 VISION

To be a world class organization in **assessment** for quality education

1.3.2 MISSION

To objectively **assess** learning achievements in order to safeguard and enhance globally acceptable educational certification standards.

1.3.3 CORE FUNCTIONS

The core functions of the Council are to:

- 1.3.3.1 Develop national examination tests;
- 1.3.3.2 Register candidates for the KNEC examinations;
- 1.3.3.3 Conduct examinations and process the results;
- 1.3.3.4 Award certificates and diplomas to successful candidates;
- 1.3.3.5 Issue replacement certificates or diplomas;
- 1.3.3.6 Conduct educational assessment research;
- 1.3.3.7 Carry out equation of certificates and diplomas issued by credible examining boards;
- 1.3.3.8 Conduct examinations on behalf of foreign examination board;

1.3.4 CORE VALUES

In its operations, the Council is guided by the following values:

- 1.3.4.1 Respect to rule of law as stipulated in the **Constitution; the KNEC Act No. 29 of 2012; Basic Education Act No. 27 of 2012** and other laws of the land.
- 1.3.4.2 Responsiveness to national and sectoral policies.
- 1.3.4.3 Strict adherence to examination regulations in the conduct of examinations.



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- 1.3.4.4 Maintenance of high level of efficiency, integrity and honesty by all Council employees and contracted professionals involved in the conduct of examinations.
- 1.3.4.5 Conducting examinations that are relevant, fair, valid and reliable.
- 1.3.4.6 Responsiveness to public needs in service delivery.

1.4 MANDATE

According to **section 10** of the **Kenya National Examinations Council Act No. 29 of 2012**; KNEC is mandated to:

- 1.4.1 Set and maintain examination standards;
- 1.4.2 Conduct public academic, technical and other national examinations within Kenya at basic and tertiary levels;
- 1.4.3 Award certificates or diplomas to candidates in such examinations;
- 1.4.4 Confirm authenticity of certificates or diplomas issued by the Council upon request by the government, public institutions, learning institutions, employers and other interested parties;
- 1.4.5 Issue replacement certificates or diplomas to candidates in such examinations upon acceptable proof of loss or damage of the original;
- 1.4.2 Undertake research on educational assessment;
- 1.4.3 Award certificates or diplomas to candidates in such examinations.
- 1.4.4 Advise any public institution on the development and use of any system of assessment when requested to do so, and in accordance with such terms and conditions as shall be mutually agreed between the Council and the public institution;
- 1.4.5 Promote the international recognition of qualifications conferred by the Council;
- 1.4.3 Advise the Government on any policy decision that is relevant to, or has implications on, the functions of the Council or the administration of examinations in Kenya;



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1.4.4 Do anything incidental or conducive to the performance of any of the preceding functions;

1.5 THE KNEC BUSINESS

The business of KNEC is to administer examinations and issue certificates to successful candidates, equate certificates issued by other examining bodies, and to carry out research on educational assessment.

1.6 QUALITY POLICY

The Council is committed to providing high quality regulatory services that comply with international standards, statutory requirements, the needs and expectations of its stakeholders as well as the Quality Management Systems set out in ISO 9001:2008.

1.7 REGISTERED OFFICE

National Housing Corporation (NHC) House, 6th Floor
Aga Khan Walk,
P O Box 73598
Code 00200 City Square

NAIROBI

Tel: +254 020 3317412 / 3317413 / 3317419 / 3317427 / 3341027

3341050 / 3341071 / 3341098 / 3341113 / 2213381

Fax: +254-020- 2226032

Website: www.knec.ac.ke

E-mail address: info@knec.ac.ke

Facebook: Kenya National Examinations Council

Twitter: KNEC@ExamsCouncil

Mobile: 0720741001 / 0732333860

Other Offices

Mitihani House, Dennis Pritt Road, Kilimani

Tel: +254 - 020-2713874 / 020-2713894 / 020-2713845 / 020-2711536

Mobile: 0703448667/0734333360

Industrial Area Offices,

Ministry of Public Works, Supplies Branch,

Likoni Road.

Tel: +254 -0206 650820 /0206 650821 / 020-6650822

Mobile: 0720741003/0732333530

New Mitihani House South C



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1.8 BANKERS

1.8.1 Co-operative Bank of Kenya
Co-operative House, Aga Khan Walk
P.O Box 67881 -00200
Nairobi, Kenya

1.8.4 Equity Bank (Moi Avenue)
Shankadrass House , Moi Avenue,
P.O Box 75104 -00200
Nairobi, Kenya

1.8.2 Kenya Commercial Bank
(Moi Avenue)
Kencom House, Moi Avenue,
P.O Box 30081 -00100
Nairobi, Kenya

1.8.6 Standard Chartered Bank
Electricity House, Harambee Avenue
P. O Box 30003 -00100
Nairobi, Kenya

1.8.3 National Bank of Kenya
National Bank of Kenya House,
Harambee Avenue,
P.O Box 41862 -00100
Nairobi, Kenya

1.8.7 Commercial Bank of Africa
(CBA Centre)
Commercial Bank Building, Wabera
and Standard Streets
P.O Box 30437 -00100
Nairobi, Kenya

1.9 AUDITORS

The Auditor-General
Anniversary Towers,
University Way
P.O. Box 30084 GPO 00100
NAIROBI

1.10 PRINCIPAL LEGAL ADVISOR

Kiarie, Kariuki and Associates Advocates
Jubilee Insurance Place,
Mama Ngina St/General Kago St
P O Box 13808 - 00100
NAIROBI



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2.0 THE COUNCIL STRUCTURE

The current Council in place from 8 March 2016 to date

	NAME	DESIGNATION
2.1	Prof. George A.O Magoha	Council Chairman
2.2	Mercy Karogo	Ag. Chief Executive Officer KNEC
2.3	Dr. Richard Belio Kipsang	Principal Secretary MoE
2.4	Dorothy N. Kimeu	Alternate to the Principal Secretary National Treasury
2.5	Nancy Njeri Macharia	Chief Executive Officer TSC
2.6	Dr. Julius Ouma Jwan	Chief Executive Officer KICD
2.7	Dr. Pius K. Mutisya	Ag Director QAS / Ag CEO ESQAC
2.8	Dr. John O. Onsati	Member to represent the post school technical and business training institutions in Kenya, including polytechnics
2.9	Rosemary C. Saina	Member to represent private sector involved with management of Education
2.10	Martin Okiyo Osang'iri	Member to represent the interest of persons with living disabilities
2.11	Farhiya Ali Haji	Co-opted Member
2.12	Col (Rt.) Leonard Owambo	Co-opted Member

The Council's members abridged biographies appear on pages 17 to 23 of this Annual Report.

The previous Council in place from 1 July 2015 to 8 March 2016.

	NAME	DESIGNATION
2.13	Prof. Kabiru Kinyanjui	Council Chairman
2.14	Dr. Joseph Mbithi Kivilu	Former Chief Executive Officer KNEC
2.15	Dr. Richard Belio Kipsang	Principal Secretary MoE
2.16	Dorothy N. Kimeu	Alternate to the Principal Secretary National Treasury
2.17	Nancy Njeri Macharia	Chief Executive Officer TSC
2.18	Dr. Julius Ouma Jwan	Chief Executive Officer KICD
2.19	Mohammed Mwijuma Mwinyipembe	Ag Director QAS / Ag CEO ESQAC
2.20	Arthur Anam Rateng	Member to represent the post school technical and business training institutions in Kenya, including polytechnics
2.21	Mutuku Charles R Kioko	Member to represent private sector involved with management of Education
2.22	Josephine Odira Sinyo	Member to represent the interest of persons with living disabilities
2.23	Elizabeth Katanu Mbebe	Co-opted Member



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3.0 PERFORMANCE REVIEW

3.1 MACROECONOMIC PERFORMANCE

The Kenyan economy showed resilience, despite persistent global economic uncertainty. In 2015/16, the GDP was US \$ 63,398 million recording a real GDP growth rate of 5.6%. The average inflation during the fiscal year was 6.6 %. The average annual consumer price index (CPI) increased by 5.72% from 160.57 in July 2015 to 169.76 in June 2016. The growth rate in the education sector grew from 4.2% in 2014 to 5.5% in 2016. The interest rates continued to reduce during the year with 91 days Treasury bill rate closing at around 8.087% % at the end of the year compared to 7.059 % at the close of the year 2016. The Kenya shilling gained significantly against the British Sterling pound from Kes.155 in July 2015 to close at Kes.134 in June 2016 following the 'Brexit' move.

3.2 FISCAL SECTOR PERFORMANCE

Growth in education sector remained robust but was lower than the corresponding levels in 2014. On education, the Government has increased examination capitation for primary & secondary education for first time 2015 public schools candidature. The Council's approved budget for financial year 2015/2016 was Kes.5,850,060,198 with Kes.3,567,926,320 coming from the Exchequer and the balance being raised internally through various Appropriation-in-Aid (AiA) initiatives.

3.3 REVENUE PERFORMANCE

The Council received Kes.3,481,751,200 for the year under review by way of parliamentary allocation being Kes.3,271,751,200 for recurrent grants and Kes.210,000,000 for capital grants. All funds have been accounted for and are disclosed in the annual financial statements.

3.4 EXPENDITURE PERFORMANCE

On the economic front, KNEC maintained the National Treasury's cost containment measures. KNEC utilized 94% of the funds as per the allocated budget. The Council overall budget expenditure for the year was Kes.5,894,592,112 which comprises Kes.5,195,442,112 for recurrent budget and Kes.699,150,000 for Development budget.

The Council's total actual expenditure for financial year 2015/2016 totalled to Kes.5,566,024,333. The recurrent expenditure was Kes.5,192,922,497 while Kes. 373,101,836 was for the development expenditure.



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The New Mitihani House (Ongoing Project)



The New Mitihani House (Ongoing Project)

The ultimate solution lies in housing all the KNEC operations within one building/location. This is already underway with on-going construction of New Mitihani House, South C. Although this project commenced in 1985, it faced a variety of challenges and eventually stalled in 1989. It was revived in 2005 with a new completion schedule that is currently on track.

Expenditure in the Council is duly guided by internally approved Finance Policies, Public Finance Management Act, various government circulars and other relevant laws.

3.5 MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The Public Finance Management Act requires that the Council include in the Annual Report particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. There was no confirmed material instances of losses through criminal conduct discovered during the year under review.

Details of the Council's financial statements for 2015/16 are presented in the subsequent pages of this report.



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4.0 CHAIRMAN'S STATEMENT



I take great pleasure in presenting to you once again the annual report and financial statements for The Kenya National Examinations Council for the Financial Year ended 30th June 2016.

Education Sector Overview.

The provision of quality education and training to all Kenyans is critical to the success of the Government's overall development strategy. The Council is mandated to administer public academic and technical examinations nationally.

Education and Training is one the main focus areas under the Social Pillar of the Kenya Vision 2030. Assessment is a very important component For Education and Training to be meaningful toward the development of a nation into a newly industrialized, middle income country. Educational assessment is the key role of KNEC towards realization of Vision 2030. KNEC has therefore the critical role of assessing candidates on competencies, to ensure adequate and capable human resource is developed through knowledge and skills acquisition.

This will have a significant effect in education sector financing; especially given the new Kenya Government policy on Free Primary and Secondary education, coupled with the recent pronouncement that Government has committed to paying examinations fees for all public & private school candidates. Government planning and resource allocation will have to bear these realities. In this regard, the Kenya National Examinations Council (KNEC) plays a significant role in defining these standards by ensuring that national examinations are developed and administered to meet local and international benchmarks.

Transformational Agenda

For the nation to effectively respond to the growing manpower challenges, the KNEC has had to undergo some fundamental reforms. These reforms have had an impact on the operations of the Council, requiring us to review our business approach and areas of focus. This is as a result of the negative publicity arising from the 2015 National Examinations leakages and the changes in the Council governance in March 2016. As a result of the bad image created it was not recommendable to conduct any survey to seek views from the public until other reforms have been put in place to win public confidence.



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KNEC has emerging technology to address issues related to examinations security and reduce the examination processing time from three (3) months to one month. Integration of the online registration of candidates and e-inquiry is being enhanced in order to increase the efficiency of our response to stakeholders and to bring services closer to the people.

Change in Leadership.

Following the Education Cabinet Secretary Dr. Fred Matiang'i's directive in spearheading the examination reforms in March 2016, I would like to welcome the new Council and wish all the Council members a rewarding and thoroughly fulfilling experience as we collectively strive to build a strong Council. The installation of the new Council in March 2016 took over from the outgoing Council, under the leadership of Prof. Kabiru Kinyanjui whose successful tenure came to an end on 9th March 2016. The Council is confident that Mercy Karogo Ag. CEO will steer the reforms indented to strengthen the security of national examinations in the country.

Appreciation.

I would also like to thank the Ministry of Education (MoE) and all the security agencies who provided solid support to the Kenya National Examinations Council. I convey my appreciation to my colleagues on the Board for their invaluable contribution and dedication to the Council.

Thank You and May God Bless You.

Prof. George A.O Magoha MBS EBS

Council Chairman



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5.0 STATEMENT BY THE COUNCIL ACTING CHIEF EXECUTIVE OFFICER



This report reflects a mixed reaction on the highlights of some of Council's significant achievements in the year 2015/2016. KNEC is committed to the fiscal responsibility principles outlined in the constitution and the Public Finance Management Act, 2012.

KNEC continues to feature prominently in regional and international assessment bodies as a primary member of the Association for Educational Assessment in Africa (AEAA) and the International Association for Educational Assessment (IAEA).

Key indicators

During the period under review KNEC is grateful that the Government had agreed to change the funding model from the direct collection from parents to an increased grant allocation for public institutions. The candidature trends in the programs highlighted in table I reflect a steady growth in education assessment.

Table I: Candidature assessed by KNEC

Education Sector Programmes	2015	2014	Variance	Variance
Primary school level	938,912	880,486	58,426	7%
Secondary Education level	525,873	483,630	42,243	9%
Technical Vocational Education and Training (TVET)	95,194	85,900	9,294	11%
Teachers Education Training	65,934	61,935	3,999	6%

The trends underline the education sector plays a key role in development of skills required in actualizing the economic and social goals of Vision 2030, and transforming Kenya to a globally competitive country recently adopted Sustainable Development Goals (SDGs), to which Kenya subscribes focuses on ensuring inclusive and quality education for all and promoting lifelong learning (goal 4).

Relocation to New Mitihani House C

During the year under review, KNEC moved its staff from Ex-Telecoms & National bank building to our New Mitihani House in South C. This is in line to the housing of KNEC operations under one roof should lead to more efficient services as well as cut down on operational costs. We wish to thank the Government for funding the construction of the building.

Corporate Governance

The Honourable CS of MoE appointed the new Council and, under the leadership of Professor George A.O Magoha, it began its work in earnest. This new team of members brings with them a collective wealth of experience and expertise and Council is already reaping positive benefits from these men and women of high standing.



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Financial Performance.

The net earnings and assets base, among other indicators registered commendable growth in the 2015/2016 financial year. During the Financial Year 2015-2016, the Council posted a surplus of Kes.125.3 Million in comparison to a surplus of Kes.58.7 Million in FY 2014-2015 while its total asset base grew from Kes.6.4 Billion in FY 2014-2015 to Kes.7.4 Billion in 2015-2016. The surplus is a result of government's cost-cutting measures put in place which KNEC has able to sustain its planned operations within strict timelines.

Future Outlook

Examination malpractice remained a challenge to the assessment industry and educational development in the African countries. Towards the end of 2015, Kenya experienced an unprecedented phenomenon, that of massive cheating where some of the perpetrators were said to have exhibited varying levels of sophistication and desperation during the KCSE examinations. The CS was steadfast in ensuring that this matter was dealt with fairly and effectively to make certain that we do not have a recurrence of this unethical and dishonourable practice.

In the period under review our staff compliment stood at 408 following exit of 11 senior staff officers. All stakeholders shall be involved in sensitization on curbing examination irregularities.

Council is reviewing its entire the examination assessment processes include test paper compilation, printing and packing of examination materials, marking, processing of results and confirmation of results to name but a few in a bid to maintaining the integrity of national examinations and guard the credibility of its certificates. The KNEC Act 2012 and the regulations thereto shall be reviewed in full to maintain the integrity of examinations.

Appreciation.

In conclusion, I take this opportunity to sincerely express my appreciation to the staff and the Council for its wise counsel and guidance. I thank the management and staff of the Council for their tireless efforts towards achieving our corporate objectives. I greatly appreciate the continued support of our stakeholders without which we would not have achieved our objectives.

Thank You and May God Bless You.

Mercy Karogo
Ag. Chief Executive Officer KNEC



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6.0 STATEMENT OF CORPORATE GOVERNANCE

6.1 Introduction

The Council is responsible and accountable to the Government of Kenya, through the Ministry of Education in ensuring that the Council complies with all applicable laws and statutes and the highest standards of corporate governance.

The Council is constituted as specified in Section 4 of the KNEC Act 2012. The current board consists of 12 members including the Non-Executive Chairman and the Chief Executive Officer. The Non-Executive members are independent of the Management. The Chief Executive is an *ex officio* member and Secretary to the Council.

The members have extensive education and administrative experience in private and /or public sector that is applied in the management of the Council. They possess a broad range of skills and competencies, including medicine, education, finance and management.

On gender parity 58% were male and 42% were female members thus meeting the constitutional gender threshold requirement.

The membership of the Council changed in March, 2016 when the term of the previous Council expired.

6.2 The Council Composition

The Chairperson shall serve for a term of three years and the appointed members of the Council shall serve for a term of four years, and shall be eligible for re-appointment for one further term.

ABRIDGED BIOGRAPHIES:

6.2.1 Prof. George A.O Magoha MBS EBS: Council Chairman



Prof. George A.O Magoha (Born 1952), a Professor of Transplant Surgery and an Honorary Consultant Surgeon and Urologist at Kenyatta National Hospital and Nairobi Hospital, is the Chairman of the Kenya National Examinations Council, with effect from March 09, 2016.

Prof. Magoha is the immediate former Vice-Chancellor, University of Nairobi (UoN), he served as a Commissioner at the Commission for Higher Education (CHE),

He is the current Chairman of the African Network of Scientific and Technological Institutions (ANSTI). He is the Chairman of the Kenya Medical Practitioners and Dentists Board.



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Prof. Magoha undertook his primary education in Yala, Siaya County and Nairobi County before joining Starehe Boys Centre and Strathmore College for his high school education. He then proceeded to the University of Lagos in Nigeria where he studied Medicine. He furthered his studies in Surgery and Urology at Lagos University Teaching Hospital, University College Hospital, Ibadan; Royal College of Surgeons, Dublin, Ireland and Royal Postgraduate Medical School Hammersmith Hospital, London, Department of Urology, where he earned various academic awards.

He trained in executive management at the Stanford University, Graduate School of Business, and has many international professional honours and awards. Locally, the awards include Moran of the Burning Spear (MBS) and Elder of the Burning Spear (EBS).

He has served in various administrative positions at the University of Nairobi. During his tenure as the Vice-Chancellor he steered the University to achieve “Excellent” rating in the Performance Contracting Evaluation for government institutions. The University of Nairobi is the only government institution that has ever attained an “Excellent” rating to date. The University has also experienced phenomenal growth and improved the quality of its academic programmes, infrastructure and work environment under his watch.

Prof. Magoha has published more than 60 peer-reviewed publications and supervised to completion over 40 Master of Medicine (Surgery) students. He is a fellow of the International College of Surgeons (ICS), African Academy of Sciences (AAS) and the Kenya National Academy of Sciences (KNAS) among others.

6.2.2 Mercy G. Karogo: Ag Chief Executive Officer



Ms. Mercy Karogo (Born 1956) is the Acting Chief Executive Officer of the Kenya National Examinations Council. She has extensive experience in the education sector where she started as a secondary school teacher before becoming a Lecturer at the Kenya Polytechnic, now the Technical University of Kenya.

She has held a number of other senior management positions in a career spanning approximately 30 years.

She was the Senior Deputy Director at Kenya Institute of Curriculum Development (KICD) and Head of Department, Curriculum and Research Services (SDDCRS).

Ms. Karogo has a Master of Science Degree (Entrepreneurship) from Jomo Kenyatta University, a Bachelor of Education Degree in Business Studies and Economics from the University of Nairobi and Diploma in Technical Education (English and Business Studies) from the Kenya Technical Teachers College.



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6.2.3 Dr. Richard Belio Kipsang : Principal Secretary, Ministry of Education



Dr. Richard Belio Kipsang (Born 1967) is the Principal Secretary Basic Education, Ministry of Education. He has held several senior positions in the public sector. He Chairs Operations Committee, Association of African Higher Education Financing Agencies (AAHEFA).

Dr. Kipsang is a holder of PhD degree in Education (Educational Administration and Planning from the Catholic University of Eastern Africa, a Masters of Arts degree in Economics and a Bachelors (Honours) degree in Education (Business and Economics) both from the University of Nairobi.

He has had extensive professional training and commands numerous exposure to local and international conferences including prestigious institutions such as the London School of Economics (LSE) in the UK, Harvard University in the USA, State University of New York in the USA, among other institutions in Kenya, Germany, Belgium, Sweden, Denmark and Thailand.

He is an Associate Member of the Association of Certified Fraud Examiners. Dr. Kipsang has authored highly competent academic and research papers in the areas of Higher Education Financing and Planning.

6.2.4 Dorothy N. Kimeu : Alternative Member, National Treasury



Ms. Dorothy Kimeu (Born 1959) is the Director of Administration in the department of Resources Mobilization, the National Treasury. She sits on the Council to represent Treasury PS, Dr. Kamau Thugge.

A distinguished Civil servant with a career spanning over 30 years, Ms. Kimeu joined the public service in 1984 as an Assistant Secretary in the Ministry of Commerce and Industry. She has served in various government ministries in various capacities.

Ms. Kimeu an alumni of Pangani Girls' High School and State House Girls' High School, holds a Masters Degree in International Studies and a Bachelors degree in Political Science, both from the University of Nairobi.

She is a member of Kenya Association of Public Administration and Management (KAPAM), Women fighting AIDS in Kenya (WOFAK).



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6.2.5 Nancy Njeri Macharia : Chief Executive Officer TSC



Ms. Nancy Njeri Macharia (Born 1963) is the Chief Executive Officer the Teachers Service Commission.

She holds a Master of Education (Policy and Management) degree from Bristol University, UK and a Bachelor of Education degree in English/Literature from Kenyatta University. She has worked in the education sector for more than 28 years.

Ms. Macharia has trained both locally and internationally in Corporate Governance, Public Procurement, Policy Formation, Information Communication Technology (ICT), Proactive Management and Business Excellence Models, among others.

She is a member of the Kenya Association of Public Administration Management (KAPAM) and Institute of Directors.

6.2.6 Dr. Julius Ouma Jwan : Chief Executive Officer KICD



Dr. Julius Ouma Jwan (Born 1965) is the Chief Executive Officer at Kenya Institute of Curriculum Development (KICD). Previously, he worked as the Director – Programmes and Technical Services at the National Cohesion and Integration Commission (NCIC).

Prior to joining the Commission, he was a senior lecturer at Moi University, a tutor at Kaimosi teachers' college.

He holds a PhD in Educational Leadership & Management and a Master of Science (M.Sc) in Educational Research Methods, both obtained from the UK. He also has a Master of Philosophy (MPhil) in Education Management from Norway and another Masters Degree in Linguistics from Moi University, where he also graduated with a Bachelor of Education Degree.

Dr. Jwan is a winner of British Educational Leadership, Administration and Management Society (BELMAS) Best Doctoral Thesis Award, 2011. He has published widely on educational leadership and management in international journals and book chapters. He has authored two books on educational leadership and management, and one on research.



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6.2.7 Dr. Pius K. Mutisya : Ag Director QAS/ Ag CEO ESQAC



Dr. Pius K. Mutisya (Born 1958) works with the Ministry of Education, Science and Technology as the Acting Director in charge of Quality Assurance and Standards as well as the Acting Chief Executive Officer of Education Standards and Quality Assurance Council (ESQAC).

Dr. Mutisya holds a Bachelor of Education degree B.Ed (Sc); Master of Education (M.Sc) and PhD (Science).

6.2.8 Dr. John O. Onsati : Member



Dr. John O. Onsati (Born 1953) is a Consultant in Organization Development and Transformation (ODT); and Education & Training.

He holds a Doctorate in Organizational Development and Transformation from Cebu Doctor's University, Philippines (2011), and a Master of Science (MSc) from Victoria University of Manchester, UK (1989).

Dr. Onsati started his professional career as a Technical teacher at Sigalagala Technical Secondary School in 1977 before moving to The Kenya Polytechnic (now Technical University of Kenya) in 1985 as an Assistant Lecturer.

Between 1990 and 1994, he served at the Office of the President (Department of Defense) as a Lecturer at Kenya Armed Forces Technical College (KAFTECH). In 1994, he moved to the Ministry of Higher Education, Science and Technology as Senior Technical Training Officer and deployed Provincial Technical Training Officer – Nairobi Province- in charge of Technical Institutions up to 2000.

He served at the Ministry of Home Affairs – National Youth Service Engineering Institute (NYSEI) as Deputy Principal before becoming the Principal at NYSEI for a year up to 2003.

From 2003 to 2008 he worked under the Teachers Service Commission as Deputy Principal at The Kenya Polytechnic, Senior Principal Rift Valley Institute of Science & Technology, before retiring after serving as Senior Principal in Nyeri Technical Training Institute.

Dr. Onsati has attended numerous short courses, workshops and seminars, both locally and internationally, to bolster his profession in technical education. He has also given back to the community while serving as a National Treasurer to the Kenya Association of Technical Training Institutions (KATTI), Board member of Muhuri Muchiri Secondary School – Nairobi and Council Member of Embu University College, a Constituent College of the University of Nairobi. He has been recognized by KATTI who awarded him a Certificate of Distinguished Service KETTISO and a Certificate of



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Service as KATTI TREASURER. In 2000, KNEC awarded him a Certificate of Commendation for long service as an Examiner / Examiner in Chief for Mechanical Engineering.

6.2.9 Rosemary C. Saina, HSC : Member



Ms. Rosemary C. Saina (Born 1955), the immediate former Chief Principal of Kenya High School, is an educationist, having joined the teaching profession in 1981 as a teacher at Moi Girls High School, Eldoret.

She climbed the professional ladder from Head of Department at Moi Girls School, Eldoret to Headmistress at Solian Girls High School, Baringo, where she served from 1990 to 1991.

In 1991, Mrs. Saina was transferred to Kenya High School to serve as the Deputy Principal, a position she held until 1999 when she was promoted as Chief Principal.

She holds an Executive Masters of Education degree from Moi University and Bachelor of Education (Arts) degree from the University of Nairobi.

She has extensive training in educational management and leadership skills. She has also attended various workshops and seminars which have enriched her career in education.

She was awarded Head of State Commendation in 2009.

6.2.10 Martin Okiyo Osang'iri : Member



Martin Osang'iri (Born 1982) is an innovative and experienced professional, competent in leadership and management of development and humanitarian portfolios, programmes and projects.

He is an Educationist by profession with strengths in Training, Leadership and Communication. Martin has a strong bias in coordinating disability and gender awareness and advocacy initiatives within the context of education.

Since 2011, Martin works with the International Council for Education of People with Visual Impairment, ICEVI as the Africa Region Coordinator of ICEVI's Global Campaign for Education. He previously worked with Handicap International Tanzania, Uganda, Somalia and Kenya Programme.

Martin has a Bachelor of Education in Special Needs Education (and French language), National Diploma in Human Resources Management, National Diploma in Project Management, Master of Science in Development Studies and Master of Education in Educational Leadership and Administration.



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He is a University of Pretoria Senior Management Institute Fellow. Martin is visually impaired (partially blind) and this combined with his work experiences in disability have made him diversity sensitive.

6.2.11 Farhiya Ali Haji : Co-opted Member



Farhiya Ali Haji (Born 1969) is the Operations Manager, Oxfam GB, Kenya, in charge of overseeing programme operations in Finance, Human Resource, Logistics and Administration functions.

With twenty years' experience in International Non-Governmental Organizations, she had regional assignments in South Sudan, Somalia, Uganda, Ethiopia and North Sudan during the Darfur crisis.

She supported the country offices to achieve transformative change and dealt decisively on fraud issues and incorporated prevention measures and awareness strategies as part of the employee orientation process.

Farhiya is a counter fraud champion, focusing on prevention but decisive management once fraud is detected.

6.2.12 Colonel (Rt.) Leonard Owambo : Co-opted Member



Colonel (Rt.) Leonard Owambo (Born 1956) is a professional security and leadership expert with vast experience both locally and internationally having served as Kenya's Defense, Military, Naval and Air attaché to the United States of America (Washington DC), and Canada (Ottawa). He simultaneously served as regional director for Central and Southern Africa in the Washington Corps of Military Attaches.

He earned a US Presidential Award – the Legion of Merit, for exceptionally meritorious conduct in the performance of outstanding services while serving as Kenya's defense attaché to the United States.

He holds an MA in Leadership from Faith Christian University and Schools, Maryland USA, BA in Organizational Leadership (Magna cum Laude) from Bellevue University, Nebraska, Diploma in International Studies from the University of Nairobi and a Certificate in Defense Resource Management from Naval Post- Graduate School, Monterey CAO. Additionally, he is a trained and certified Close Protection agent.



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6.3 Members of the Council who exited during the period under view

Following a Cabinet Secretary Education directive to look into the Council's examination processes following a surge in cheating in 2015 national examinations, the former Council's term came to an end on 8 March 2016.

	NAME	TERM
6.3.1	Prof. Kabiru Kinyanjui (Chairman)	Term ended on 9 March 2016
6.3.2	Dr. Joseph Mbithi Kivilu	Term ended on 8 March 2016
6.3.3	Arthur Anam Rateng	Term ended on 8 March 2016
6.3.4	Elizabeth Katanu Mbebe	Term ended on 8 March 2016
6.3.5	Josephine Odira Sinyo	Term ended on 8 March 2016
6.3.6	Mohammed Mwijuma Mwinyipembe	Term ended on 8 March 2016
6.3.7	Mutuku Charles R Kioko	Term ended on 8 March 2016

6.4 Induction and Training

The Council develops an induction and training programs regularly designed to introduce new members of the Council to the operations of the Council and related governance matters. The programs are also aimed at equips them with the requisite knowledge required to make crucial decisions and deepening the understanding of the changes in risks, laws and business and political environment in which the Council operates. During the year, the new Council members were inducted at a workshop held in Navaisha. During the year, the Council carried out training on the Leadership & Integrity Act, 2012, Corruption Prevention and Code of Conduct & Ethics Policies, provisions of Constitution of Kenya in particular Chapters 2 (10) – National Values and Principles of Governance, Chapter 4 – The Bill of Rights and Chapter 6 – Leadership and Integrity.

6.5 Whistle Blowing Policy

The Council has put in place Corruption Prevention and Code of Conduct & Ethics Policies that binds both the members and the employees. The Council has implement internal mechanisms that encourage and protect whistle blowing on corruption and unethical conduct by the complaint/corruption reporting boxes are placed at discreet position.

6.6 Conflict of Interest

Council and staff members must avoid any material conflict between their own interests and the interests of the Council and, in particular,

- Must not derive any personal economic benefits to which they are not entitled;
and



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- Must notify the Council at the earliest possible opportunity in the circumstances, of the nature and extent of any direct or indirect material conflict of interest which they may have in any dealing with the Council.

A member who foresees a conflict of interest at a meeting must not participate in any decision making process that could affect his or her personal interests. The member must recuse himself or herself from the deliberations and the Council / Committee must make a decision which furthers the interests of the Council or Committee. The recusal must be recorded.

At the beginning of the calendar year, Council members and employees signed a declaration of interest form in examinations to be conducted declaring that they will disclose any interest that conflicts or possibly may conflict with the interests of the Council.

There were no conflicts of interest identified during the financial year.

6.7 Council Committees

Subject to fundamental, strategic, policy and formal matters reserved for its decision, pursuant to Section 13 of the KNEC Act 2012, the Council works through a number of committees which operate within defined terms of reference. Other committees are formed on an ad-hoc basis as need may arise. During the period under review, the Council constituted the following sub-committees namely the Finance, Staff and General Purposes Committee, Audit & Risk Management Committee and Examinations Management Committee.

6.7.1 Examinations Management Committee (EMC).

The Committee consists of five members, all of whom are non-executive members of the Council. The Committee chaired by Prof. Kabiru Kinyanjui until the expiry of his term and thereafter by Prof. George A.O Magoha. The committee is responsible for the following:

- 6.7.1.1 Formulation of regulations for the conduct of all Council examinations and award of certificates and diplomas;
- 6.7.1.2 Approval and adoption of subjects and syllabuses for examinations; Appointment of Examiners, Setters and Moderators;
- 6.7.1.3 Maintenance of examination standards;
- 6.7.1.4 Administration of examination programmes, approval and issue of examination results.

6.7.2 Finance, Staff and General Purposes Committee (FS & GPC).

The Committee consists of five members, all of whom are non-executive members of the Council. The Committee chaired by Arthur Anam Rateng (FGPC) and Dr. Julius Ouma Jwan (SAC) until the expiry of his term and



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thereafter by Dr. John O. Onsati. The committee is responsible for the following:

- 6.7.2.1 Oversight on all financial issues including budgets, financial reporting process and controls, and procurement;
- 6.7.2.2 Oversight for human resource matters including recruitment, management succession and oversees the corporate communication policies;
- 6.7.2.3 Review for considering technical and policy matters of the Council;
- 6.7.2.4 Review the Council's strategy and continuous oversight of the review of the legal and regulatory frameworks.

6.7.3 Audit & Risk Management Committee.

The Committee consists of five members, all of whom are non-executive members of the Council. The Committee chaired by Charles R Kioko Mutuku until the expiry of his term and thereafter by Ms. Rosemary Saina. The committee is responsible for the following:

- 6.7.3.1 Oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes;
- 6.7.3.2 Overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of the financial statements;
- 6.7.3.3 Maintenance of auditing standards and examining internal and external audit reports and recommendations;
- 6.7.3.4 Reviewing the risk management and corporate governance practices of licensees and corporate governance practices.

6.8 Key Council Activities

The Council meets at least once every quarter depending on the exigencies of the business. Members receive adequate notice for meetings and detailed papers on issues to be discussed are transmitted before the meetings.

During the year under review, the following meetings were held during the year ending 30 June 2016:-

Current Council Meetings from 8 March 2016 to 30 June 2016		
6.8.1	Full Council & Examinations Management Committee (EMC)	32
6.8.2	Finance, Staff and General Purpose Committee (FS& GPC)	0
6.8.3	Audit and Risk Management Committee (ARMC)	1

The current Council held more meetings to plan on ongoing 2016 examination administration reforms.



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Previous Council Meetings from 1 July 2015 to 8 March 2016		
6.8.5	Full Council	11
6.8.6	Finance And General Purposes Committee	3
6.8.7	Staff Affairs Committee	10
6.8.8	Examination Management Committee	9
6.8.9	Audit Committee	9
6.8.10	NMH Project Steering Technical Committee	4
6.8.11	Board Adhoc Committee	7

6.9 Supply of Information

Council Members have full access to the advice and services of management. They are consistently updated on the activities of the Council and are provided with all the information needed to carry out their duties and responsibilities fully and effectively. In addition, members are entitled where necessary to seek independent professional advice concerning the affairs of the Council.

6.10 Risk Management and Internal Controls

The Council continued to provide oversight on risk management of the Council's activities through the Audit, Corporate Governance and Risk Management Committee. The Committee and council ensured that the council had a robust process for identifying, prioritizing, managing and monitoring its key risks and that process is improved continuously as the examination environment changes and new examination subjects are introduced by KICD. In addition, the Council approved various internal control procedures and obtained assurances on existing risk management strategies and procedures.

6.11 Internal Audit and Assurance

Internal audit is a function mandated to provide assurance on the internal control environment and risk management assurance processes of the Council, deepening good governance practices and supporting it in achieving best controls through continual improvement.

The objective of the internal audit is enhanced through governance support from the Council's Audit and Risk Committee to which the function reports. Its role is to provide confirmation that the Council's policies and procedure as approved by the Council are complied with. Internal assurance was carried out by the Internal Audit department that reports to the Council's Audit and Risk Committee.

The Council's external assurance for the period under review was provided by the Kenya National Audit Office (KENAO). KENAO carried out a systems and financial audit on the Council's expenditure cycles.



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7.0 KNEC SENIOR MANAGEMENT TEAM

7.1 Ms. Mercy G. Karogo -Ag. Chief Executive Officer (appointed in March 2016)



Ms. Mercy Karogo joined the Council on 9th March 2016 as the acting chief executive officer. She was the Senior Deputy Director at Kenya Institute of Curriculum Development (KICD) and Head of Department, Curriculum and Research Services (SDDCRS).

7.2 Mr. Patrick Ochich - Director, Test Development



Mr. Patrick Ochich is the Director, Test Development at the Kenya National Examinations Council. He was appointed into this position in August 2015.

He served the Teachers Service Commission for 17 years, where he held various positions in several high schools and national polytechnics. He later served as a Senior Research Officer at the Kenya Institute of Education, currently the Kenya Institute of Curriculum Development.

He has a Bachelor of Education (Hons) and Master of Education in Measurement and Evaluation from the University of Nairobi. Mr. Ochich has been trained at the Kenya School of Government for Strategic Leadership Development (SLDP) and Senior Management (SMC). Internationally he has been trained at the University of Cambridge Assessment Network in the United Kingdom on Public Examinations Development and Administration.

- He has participated, facilitated and presented papers in local and international Educational Assessment Workshops and Conferences.

He is a member of the Board of the Kenya National Commission for UNESCO.

7.2 Abraham K. Oloo -Financial Controller and Head of Finance



Abraham is a Bachelor of Commerce degree holder, acquired from the Catholic University of Eastern Africa. He is a Certified Public Accountant and a member of ICPAK. He joined KNEC in 2011 from Kenya Literature Bureau. He has over 25 years of experience in the field of Accounting and Finance.



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7.3 Members of senior management who exited during the period under view

The following senior management staff had exited the Council as at 30th June 2016.

	POSITION
7.3.1	Council Secretary / Chief Executive Officer
7.3.2	Director, School Examinations and Teacher Education
7.3.3	Director, Business and Technical Examinations.
7.3.4	Director, ICT
7.3.5	Director, Printing and Manuscripts.
7.3.6	Ag. Deputy Director, Research & Quality Assurance



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8.0 CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Council has implemented its CSR programmes which are geared to enhance the KNEC's image, thereby creating public goodwill with Kenya citizens and giving back to the society.

8.1 SUSTAINABILITY STRATEGY AND PROFILE

The Council is currently aligning its strategic plan in alignment to the MTP II of Vision 2030 which defines its CSR statement.

8.1.1 Stakeholder engagements.

The Council is committed to open dialogue which helps to understand the concerns of its stakeholders and respond to them appropriately. These engagements assist to get feedback on the policies, procedures and ways of working.

8.1.2 Communication with the stakeholders.

The Council got to interact with the public and provide information on its activities.

Strategic stakeholder engagement sessions aimed at sharing information on the Council and enhancing understanding of examinations products and services through the following:-

- Workshops of KSSHA, KEPSHA;



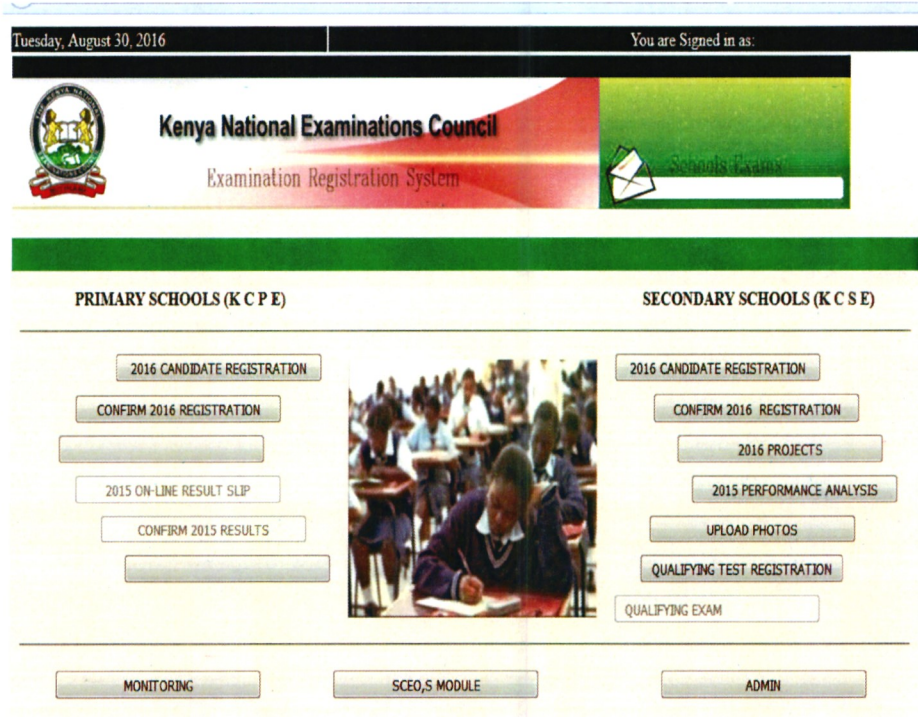
KNEC staff attending to visitors during KESSHA Meeting in Mombasa

- Briefings of Sub counties Directors such SNE briefing and sensitization of field officers was carried out between 29th March – 2nd April 2016.
- The Council continued its engagement with stakeholders online through its website: www.knec.ac.ke. The website is an interactive website which provides internet users a wide scope of information on KNEC and its activities. Examination time tables are available in the website to enable candidatures to plan their studies. Upload onto



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website on the collated information in folders will be available in the intranet by June 2016.



Registration of candidates' platform on the website

8.1.3 Examination Security Threats.

In response to examination irregularities witnessed in during the period, the Council undertook a security sensitization training programme for all staff members. All staff were subjected to a suitability assessment.

8.2 ECONOMIC PERFORMANCE

8.2.1 Budgets.

The National Treasury prepared and implemented the Medium Term Expenditure Framework (MTEF) by involving stakeholders in the entire budgetary cycle as provided for in the PFMA Act, 2012. The Council submits its programme based budgets reports to the National Treasury through MoEST as per budgetary timelines

8.2.2 Financial Reports.

The Council ensures there is financial discipline exercised throughout the period under review. As State Corporation, the Council reports its financial performance to the National Treasury through MoE by submitting quarterly reports. The annual financial performance which is audited is submitted to the Parliament through the Public Investment Committee.



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8.2.3 Performance Contract Management.

The Council adheres to the performance contract management with the MoE. It reports its performance to performance Contracting Secretariat by submitting quarterly reports. The Council participated in two key performance contract related events namely: Evaluation of the FY 2014-15 Performance Contract. This was conducted at the Utalili College and managed a mean score of 2.6089 which translated to Good. The other event involved development and negotiation of the FY 2015-2016. This was successfully done and by the end of the year the report was submitted to the performance Contracting Secretariat.

8.2.4 Supply Chain Management.

The procurement function in the Council is guided by The Constitution of Kenya 2010, The Public Procurement & Disposal Act, 2015 & The Public Procurement & Disposal Regulations 2006 and subsequent legal notices. Pursuant to Legal Notice No.114, the Council achieved 23% in the allocation of contracts to the designated categories of preference groups. The Council awarded tenders worth Kes.142.218 million to Youth, Women and Persons with Disabilities out of the total procurement plan budget of Kes.631.546 million. Procurement plan submitted to PPOA and Quarterly reports were submitted.

8.2.4 Quality Management System.

The Council has continued to maintain and continually improve its Quality Management System as evidenced by continued certification granted to the Council upon successful surveillance audits undertaken in December 2015. KNEC was re-certified by SGS and QMS is being complied with ISO 9001:2008 Compliance with Standards.

8.3 ENVIRONMENTAL PERFORMANCE

8.3.1 Environmental Polices.

These include compliance to the Occupational Safety and Health Act 2007.

8.3.2 Occupational safety and health.

Polices were developed for Prevention and management of accidents and occupational diseases. The Council complies with the Workman Compensation Act and ensure its staff is adequately insured from industrial accidents.

8.3.3 Safety and Security Measures.

Measures undertaken in KNEC owned premises include:

- Gate house for screening equipment under construction at NMH



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- Lift and Ramp installed at the New Mitihani House for disabled persons
- Registers introduced at New Mitihani House & Industrial area
- Fire/smoke detectors in KNEC owned were tested to ensure that they are working.
- One Fire Safety drill was carried out in the 4th quarter to ensure Council's readiness to disasters.

8.4 EMPLOYEE WELFARE

We are continuously recruiting skilled staff to enable us to realize our corporate objectives. The Council continues to attract competitive staff with compensation and benefits guided by the Salary Remuneration Commission (SRC).

8.4.1 Establishment of KNEC staff mortgage and car loan scheme.

Under the year review the Council developed staff mortgage and car loan regulations under the directives of SRC to benefit the staff members. The operational policy awaits the Council approval for implementation.

8.4.2 Recruitment of Staff members.

Under review period, the 11 Senior KNEC officers were retired in public interest following the CS directives on examination reforms which saw the staff workforce drop to 408. Due to staff exits and freeze on employment imposed by the Treasury Circulars were recruited as staff replacement. Ensuring fair labour practices during and appointments of new employees are not required to be tested for HIV & Aids.

The staff on gender parity during the year, 58% was male and 42% were female thus meeting the constitutional gender threshold requirement on appointment, promotion and employment. The Council received certificate of compliance by National Gender and Equality Commission (NGEC) following submission of all quarterly reports.

The disaggregated data that has been collected as at September 2015 puts the PWD at 2 % of KNEC population. $(10/416 * 100)$ Empowerment of Youth, Women and Persons with Disabilities

Through its HRM Policies, human right issues are addressed through grievance handling mechanisms. Staff members who violate article 10 of the Constitution on as sexual or ethnical discrimination are warned or suspended and interdicted.



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8.4.3 Human Development.

During the year, members of staff attended local and overseas training. Local training included individual and group training aimed at enhancing technical and behavioral competencies.



Staff members during a customer care training

The Council continued to undertake competency development for staff at all levels. A Skills/competence needs assessment was carried out and a report submitted in the 4th Quarter. Interventions to upgrade skills were implemented in the 4th Quarter i.e. trainings on Customer care, First Aid and ICPAK Seminars.

Short Courses

Annual Staff Performance Appraisal was carried out in June, 2016 and analysis of the same is to be finalized in the 1st Q FY 2016/2017. One of the performance incentive identified was trainings and this was carried out through Customer Care and First Aid. Five officers were trained on Information Security Management System (ISMS) as per ISO 27001.

8.4.4 Employee Wellness Programmes.

These are national programmes used to sensitize staff on their well being.

HIV/AIDS

The chairperson of HIV/AIDS committee sensitized the Management in September 2015 on the Kenya Aids Strategic Framework. A Survey on KNEC



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staff knowledge level on HIV and AIDS was carried out in March 2016. The KNEC adopt a Combination Prevention Approach to Prevention of HIV/AIDS Infections by distributing a cumulative 6, 300 condoms to be used as at 31st March 2016. 203 staff members were tested in HIV Testing and Counseling carried out from 21st – 24th March 2016 at all KNEC premises.



Staff members during voluntary testing for HIV/AIDS

Alcohol Drugs Abuse (ADA)

8 members of ADA committee attended the 4th Annual conference w.e.f 30th – 31st March 2016.

Corruption Eradication

Sensitization was carried for the CPC sub-Committee were trained on 29th June, 2016.



A facilitator addressing staff during open day where staff were sensitized on issues of corruption, HIV/AIDS, ADA



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National Cohesion and Values

Sensitization was carried for National Cohesion and Values Committee members in June 2016. An Open day for staff members for continuous capacity building in accordance with no. 10 of the Presidential commitment was carried out in June 2016. Quarterly reports were submitted to NACC.

8.4.5 Talent cultivation.

KNEC encouraged its staff to use their talents in development building initiatives. KNEC Officers participated in in the 2nd Quarter on curriculum development reviews and capacity development at KICD in accordance with president's commitment no. 5. The KNEC Awards reports used to initiate curriculum reviews. Staff members are encourage to develop research papers which are used to presented in internal conferences such AAEA and IAEA.

KNEC offered internships to 25 Youth as at 30th June 2016.

8.5 MARKET PLACE PRACTICES

8.5.1 Examinations Practices & Regulations.

In the FY 2015/2016, KNEC Examinations Rules were gazetted in July 2015. Examination regulations were reviewed annually and posted on the website. Circulars on examinations are submitted to school periodically on examination issues.

KNEC register its candidatures using an online registration system which has a defined time lines on registration. Any discrepancies on registration are posted on the KNEC website upon reconciliation of payments made by the examination centres.

8.5.2 Special Needs Candidates.

KNEC has continue to offer examinations for Special Needs candidates. During this plan period, further efforts will be made in improving the examination conditions for the special needs candidates through research and benchmarking.



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A pupil at Thika school for the blind reading using the tongue



A student at Joy town special school doing KCPE examination

8.5.3 Customer Complaints.

The framework for handling and resolving Customer complaints and queries was reviewed. KNEC has developed and implemented a system/procedure for customer complaints resolution.

In order to improve the customer relation management system the Council developed software in the KNEC website called Sema Nasi. It is an easily accessible platform where customers can lodge their queries and receive



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responses in a timely and efficient manner without having to come physically to the Council Offices. Complaints can be emailed to complaints@kneec.ac.ke.

KNEC Customer Service Charter was aligned to the national values and principles of and implemented. Service Charter has been translated in sign language and Braille.

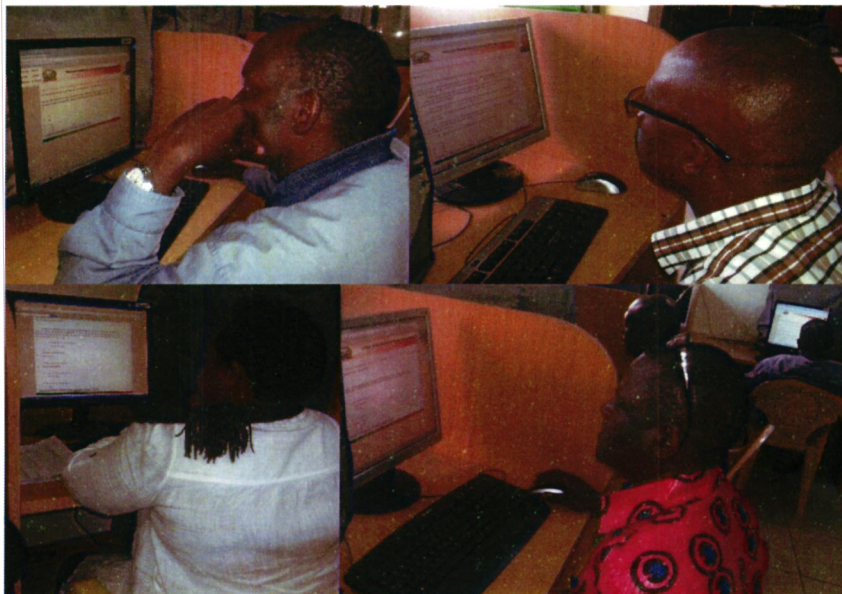
Resolution of Public complaints reports were prepared and submitted to the Commission on Administrative Justice (CAJ) in time.

For external help outside the Council, the complaints can be forwarded to Office of the Ombudsman complain@ombudsman.go.ke.

8.5.4 Innovation management.

KNEC uses Optical Mark Reader (OMR) forms as answer sheets for KCPE examination. Sometimes the candidates do not shade their personal data accurately on the OMR forms which takes a lot of effort in trying to identify individual candidate answer sheets. The personalized OMR KCPE answer sheets were piloted during the 2015 KCPE examination at Langata Sub-county with 4,880 candidates. The pilot was successful with no challenges i.e. gaps.

KNEC wishes to introduce Computer Based Testing (CBT) in line with Vision 2030. The online KCSE Qualifying Test was piloted in Nairobi county with 59 candidates. However, only 15 candidates successfully undertook the online examination due to power blackout.



Candidates taking KCSE Qualifying Test online



THE KENYA NATIONAL EXAMINATIONS COUNCIL ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2016

KNEC continue to use mobile technology for its payments to over 200,000 contracted professionals via the Safaricom MPESA platform. These minimize the cost of paperwork used in batch processing.

8.5.5 **Corruption Eradication.**

Corruption risk assessment and mitigation carried out at departmental level and final report submitted in August 2015.

KNEC submitted 4th Quarter report to EACC on 14th July, 2016.

8.6 **COMMUNITY ENGAGEMENT**

The Council's involvement in charitable events and community participation:

8.6.1 **Social Partnership.**

KNEC continues to offer examinations to inmates in prison in line to the Social programme.



Candidates at Langata Women prison sitting KCPE examination

KNEC had partnered with Kenya Prison Service to plant 600 tree seedlings at Kamiti maximum Prison during the review. The aim of the activity is to be part of the organization combating climate change whose effect cuts across the globe.

8.6.2 **Annual Sponsor.**

The Council sponsors an annual Essay Writing Competition for 2015 as its Corporate Social Responsibility (CSR) event. The competition aims at sensitize the students in examination process and also encourages integrity among candidates in both public and private schools.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016**

9.0 REPORT OF THE COUNCIL

The Council submits their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Council's affairs.

9.1 Principal Activities

The principal activities of the Kenya National Examinations Council (KNEC) are to administer examinations and issue certificates to successful candidates, equate certificates issued by other examining bodies, and to carry out research on educational assessment.

9.2 Result

The results of the Kenya National Examinations Council for the year ended June 30, 2016 are set out on page 44 to 85.


9.3 Members

The members of the Council who served during the year and to the date of this report are set out on page 9 in accordance with Regulation 24 of the KNEC Act 2012.

9.4 Auditors

The Auditor-General is responsible for the statutory audit of the Kenya National Examinations Council in accordance with the Article 229 of the Constitution of Kenya and Section 81 of the Public Finance Management (PFM) Act, 2012 which empowers the Auditor General to nominate other auditors to carry out the audit on its behalf.

9.5 By Order of the Council

Sign 
.....
Mercy Karogo
Secretary to the Council
Nairobi

Date: 30 September 2016



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016**

10.0 STATEMENT OF MEMBERS OF THE COUNCIL' RESPONSIBILITIES

10.1 Section 68 of the Public Finance Management Act of 2012 and Section 14 of the State Corporation Act, requires the Council members to prepare financial statements in respect of the Council, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for that year. The Council members are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Council members are also responsible for safeguarding the assets of the Council.

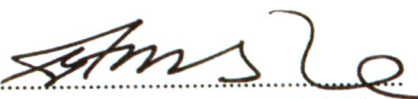
10.2 The Council members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on 30 June 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


10.3 The Council members accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFMA Act and the State Corporations Act. The Council members are of the opinion that the Council's financial statements give a true and fair view of the state of Council transactions during the financial year ended 30 June 2016, and of the Council's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

10.4 Nothing has come to the attention of the Council members to indicate that the Council will not remain a going concern for at least the next twelve months from the date of this statement.

10.5 Approval of the financial statements.

The Council's financial statements were approved by the Council on 30 September 2016 and signed on its behalf by:

Sign 
Prof. George A.O Magoha MBS EBS
CHAIRMAN

Sign 
Mercy Karogo
Ag. CHIEF EXECUTIVE OFFICER

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya National Examinations Council set out on pages 44 to 86, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

Report of the Auditor-General on the Financial Statements of Kenya National Examinations Council for the year ended 30 June 2016

reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

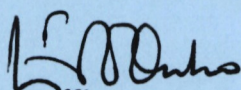
New Mitihani House

As reported in the previous years, the Council staff continued being housed at five (5) different sites because the new building (Mitihani house) was not completed as anticipated. The project is only 60% complete despite the fact that the work has been going on for the last twenty nine (29) years. Physical visit to the Project on 21 February 2017 revealed that Tower C is partly completed and occupied by the Council staff. According to the engineer's estimates dated 24 March 2017, the project still requires approximately Kshs.1,685,281,385 to have it completed. According to the Management, the cause of the delay and escalation in the costs of the project is attributed to challenges relating to project management by the Ministry of Land, Housing and Urban Development and non-remittance of development grants by the parent Ministry.

Further, although Kshs.420,000,000 was allocated for the project, in the year under review only Kshs.320,000,000 was remitted to the Council. In addition estimates for the financial year 2016/2017 indicates that the project was allocated Kshs.60,000,000 under the Ministry of, Education, Science and Technology. This amount is however, not adequate to complete the project as estimated by the engineer's valuation of Kshs.1,685,281,385 to completion. It appears the Ministry is not desirous to complete the project and as a result the project will continue incurring additional escalation costs. The current total cost of the projects stands at Kshs.1,889,215,227 as at 30 June 2016 compared to the initial budgeted cost of Kshs.248,925,596 in the year 1986.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya National Examinations Council as at 30 June 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenya National Examinations Council Act, 2012.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

22 June 2017



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016**

**Statement of Financial Performance
For The Year Ending June 30, 2016**

	<u>NOTES</u>	2016 Kes.	2015 Kes.
Revenue from Non-Exchange Transactions			
Recurrent Government Grant	2	3,154,298,070	201,824,890
		3,154,298,070	201,824,890
Revenue from Exchange Transactions			
Examinations Fees	3	1,825,237,445	4,415,775,200
Interest Income	4	165,591,658	200,922,757
Other Operating Income	5	169,995,501	218,278,074
		2,160,824,604	4,834,976,032
EXPENDITURE			
Personnel Expenses	6	964,976,802	894,335,262
Council and its Committees Expenses	7	21,503,903	11,903,772
Administration Expenses	8	355,407,042	346,522,035
Examinations Expenses	9	3,561,924,033	3,358,036,930
Housing of Staff & Office Accommodation	10	66,831,340	88,323,307
Project Expenses	11	2,756,966	1,807,190
Increase in Provision of Doubtful Debt	12	29,229	-
Increase in Provision of Employee benefit Obligation	13	3,735,141	-
Depreciation & Amortization	14	175,604,029	218,998,191
Relocation to New Mitihani House	15	8,682,388	8,188,320
Total Expenses		5,161,450,872	4,928,115,007
Surplus Before Taxation		153,671,802	108,685,914
Taxation	16	28,411,620	50,000,000
Surplus for the Year		125,260,182	58,685,914

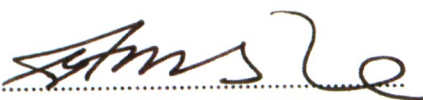



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016

Statement of Financial Position
As At June 30, 2016

	NOTE	2015-2016 Kes.	Restated 2014-2015 Kes.
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	17	3,651,041,456	2,790,988,350
Receivables from non exchange transactions	18 A	32,975,335	143,186,641
Prepayment Receivables from exchange transactions	18 B	165,227,427	147,648,142
Inventories	19	164,750,917	139,009,124
		4,013,995,135	3,220,832,257
NON - CURRENT ASSETS			
Property, Plant & Equipment	20	1,211,997,082	1,253,094,067
Property in Work In Progress	21	1,889,215,227	1,620,965,581
Investment Property	22	281,662,091	297,593,997
Investments	23	64,300,000	64,300,000
Intangible Assets	24	23,532,748	22,357,560
		3,470,707,149	3,258,311,206
TOTAL ASSETS		7,484,702,284	6,479,143,463
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables from exchange transactions	25	459,631,199	241,429,754
Deferred income	26	2,539,628,229	2,195,949,303
Overdrawn Accounts	27	-	10,611
Employee benefit Obligation	28	16,437,234	-
Taxation Provision	29	48,989,415	50,000,000
		3,064,686,076	2,487,389,669
NON CURRENT LIABILITIES			
Donor Project Funds	30	67,226,751	11,895,652
Capital Works Retention	31	55,346,943	46,730,762
		122,573,694	58,626,414
		3,187,259,770	2,546,016,083
RESERVES			
Capital Reserve	32	2,513,007,414	2,303,007,414
Revaluation Reserve	33	709,640,359	697,030,359
Accumulated Surplus	34	1,074,794,741	933,089,607
		4,297,442,514	3,933,127,380
TOTAL LIABILITIES		7,484,702,284	6,479,143,463

The Council's financial statements were approved by the Council on 30 September 2016 and signed on its behalf by:

Sign 
Prof. George A.O Magoha MBS EBS
CHAIRMAN

Sign 
Mercy Karogo
Ag. CHIEF EXECUTIVE OFFICER



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Capital Reserve Kes	Revaluation Reserve Kes	Accumulated Surplus Kes	GROSS TOTAL Kes
Balance as at 1st July 2014	1,842,754,510	697,030,359	837,752,868	3,377,537,738
Prior Year Adjustments			36,650,825	36,650,825
Restated Balance as at 1st July 2014	1,842,754,510	697,030,359	874,403,693	3,414,188,562
Capital Grants	460,252,903			460,252,903
Revaluations		-		-
Surplus for the Year			58,685,914	58,685,914
Balance as at 30th June 2015	2,303,007,414	697,030,359	933,089,607	3,933,127,380
Balance as at 1st July 2015	2,303,007,414	697,030,359	933,089,607	3,933,127,380
Prior Year Adjustments			16,444,952	16,444,952
Restated Balance as at 1st July 2015	2,303,007,414	697,030,359	949,534,559	3,949,572,332
Capital Grants	210,000,000			210,000,000
Revaluations		12,610,000		12,610,000
Surplus for the Year			125,260,182	125,260,182
Balance as at 30th June 2016	2,513,007,414	709,640,359	1,074,794,741	4,297,442,514



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016**

**Statement of Cash Flows
For The Year Ended June 30, 2016**

		2016	2015
		Kes.	Kes.
Cash flows from operating activities			
Surplus for the Year	34	125,260,182	58,685,914
Adjustments for :			
Accrued expenses adjustments	34	16,444,952	36,650,825
Interest Income	4	(165,591,658)	(200,922,757)
Depreciation & Amortization	14	175,604,029	218,998,191
Operating profit before working capital changes		151,717,505	113,412,173
Increase in Inventories	19	(25,741,794)	(52,565,812)
Decrease / (Increase) in Receivables from exchange transactions	18 A	110,211,306	(96,843,802)
Decrease / (Increase) in Receivables from non exchange transactions	18 B	(31,507,472)	12,156,802
Increase in Trade and other payables	25	218,201,445	38,331,228
Increase in Deferred Income	26	343,678,925	411,289,350
Increase in Employee benefit Obligation	28	16,437,234	-
(Decrease) / Increase in Tax provisions	29	(1,010,585)	50,000,000
		630,269,059	362,367,766
Net cash flows from operating activities		781,986,564	475,779,939
Cash flows from financing activities			
Increase in Capital Reserve	32	210,000,000	460,252,903
Increase in Donor Project Funds	30	55,331,100	-
Net cash flows from financing activities		265,331,100	60,252,903
Cash flows from investing activities			
Interest received	4,18 B	179,519,845	179,121,614
Purchase of property, plant and equipment	20	(101,249,255)	(54,546,361)
Purchase of Software System	24	(5,891,071)	(14,509,631)
Construction on New Mitihani Building	21	(268,249,646)	(480,051,641)
Retention of New Mitihani House	31	8,616,180	46,730,762
Net cash flows from investing activities		(187,253,947)	(323,255,257)
Net increase in Bank		860,063,717	612,777,585
Cash and Cash Equivalents At Beginning of Year	17,27	2,790,977,739	2,178,200,154
Cash and Cash Equivalents At End of Year	17,27	3,651,041,456	2,790,977,739



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

TITLE DETAILS	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance Differences		VARIANCE %
	Kes		Kes		Kes		Kes		Kes		
RECURRENT REVENUE											
Receipt of Examination Fees	1,603,565,739		(224,736,965)		1,828,302,704		1,829,560,826		1,258,122		0%
Recurrent Grants from MOE	3,362,140,500		214,214,180		3,147,926,320		3,152,360,200		4,433,880		0%
Other Property Income	12,150,000		(83,100)		12,233,100		11,846,643		(386,457)		-3%
Receipt from Sale of Incidental Goods	277,753,040		79,530,966		198,222,074		158,159,158		(40,062,916)		-20%
Other Grants	0		0		0		1,937,870		1,937,870		-100%
Interest Income from Financial Institutions	208,000,000		(3,376,000)		211,376,000		165,591,658		(45,784,342)		-22%
Receipts from Sales of Assets	42,000,000		10,000,000		32,000,000		0		(32,000,000)		-100%
TOTAL RECURRENT REVENUE	5,505,609,279		75,549,081		5,430,060,198		5,319,456,355		(110,603,843)		-2%
DEVELOPMENT REVENUE											
Capital Grants from MOE	420,000,000		0		420,000,000		210,000,000		(210,000,000)		-50%
TOTAL DEVELOPMENT REVENUE	420,000,000		0		420,000,000		210,000,000		(210,000,000)		-50%
GRAND REVENUE - RECURRENT & DEVELOPMENT	5,925,609,279		75,549,081		5,850,060,198		5,529,456,355		(320,603,843)		-5%
RECURRENT EXPENDITURE											
Wages and Salary Contributions	794,171,796		15,000,000		779,171,796		766,747,885		12,423,911		2%
Social Contributions	136,044,194		4,300,000		131,744,194		125,516,793		6,227,400		5%
Utilities Supplies & Services	316,963,570		12,175,074		304,788,496		285,972,991		18,815,505		6%
Specialized materials and supplies	1,031,971,020		(91,723,138)		1,123,694,158		1,061,379,496		62,314,662		6%
Board Expenses	13,544,000		0		13,544,000		21,503,903		(7,959,903)		-59%
Office & General Supplies & Services	266,630,000		30,400,000		236,230,000		364,875,225		(128,645,225)		-54%
Other Operating Expenses -Contracted											
Professionals	2,346,774,758		25,274,439		2,321,500,319		2,315,906,872		5,593,447		0%
Routine maintenance	186,260,000		(2,000,000)		188,260,000		168,877,029		19,382,971		10%
Other transfers to International Organizations	9,100,000		0		9,100,000		3,648,133		5,451,867		60%



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016 (Continued)

TITLE DETAILS	Original Budget	Adjustments	Final Budget	Actual on	Performance	VARIANCE %
	Kes	Kes	Kes	comparable basis Kes	Differences Kes	
Research Coordination & Development	53,647,000	(33,762,150)	87,409,150	78,494,171	8,914,979	10%
TOTAL RECURRENT EXPENDITURE	5,155,106,337	(40,335,775)	5,195,442,112	5,192,922,497	2,519,614	0%
DEVELOPMENT EXPENDITURE						
Acquisition of Fixed Assets						
Construction of Buildings	420,000,000	0	420,000,000	268,249,646	151,750,354	36%
Refurbishment of Buildings	2,000,000	0	2,000,000	4,926,134	(2,926,134)	-146%
Purchase of Vehicles & Other Transport Equipment	25,000,000	0	25,000,000	25,742,472	(742,472)	-3%
Purchase of Office Furniture & General Equipment	9,500,000	(400,000)	9,900,000	7,784,750	2,115,250	21%
Purchase of Communication Equipment	55,000,000	25,000,000	30,000,000	8,594,971	21,405,029	71%
Purchase of Computers, Office Printers and Other IT Equipment	106,250,000	31,000,000	75,250,000	4,546,457	70,703,543	94%
Purchase of Software	20,000,000	(5,000,000)	25,000,000	5,891,071	19,108,929	76%
Purchase of Specialised Plant, Equipment & Machinery	120,000,000	38,000,000	82,000,000	47,366,335	34,633,665	42%
KNEC - Staff Car Loan & Mortgage Seed Funds	30,000,000	0	30,000,000	0	30,000,000	100%
TOTAL DEVELOPMENT EXPENDITURE	787,750,000	88,600,000	699,150,000	373,101,836	326,048,164	47%
GRAND EXPENDITURE - RECURRENT & DEV	5,942,856,337	48,264,225	5,894,592,112	5,566,024,333	328,567,778	6%
NET SURPLUS/(DEFICIT)	(17,247,058)	27,284,856	(44,531,914)	(36,567,978)	7,963,935	-18%

NB: Note 40 provide the explanation of material variances including the explanations of unused budget activities for the year.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2016**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

1.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Council's Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with effect from 2015. The Financial Statements are presented in Kenya Shillings, which is the functional and reporting currency of the Council and all values are rounded to the nearest shilling (Kes.1). The accounting policies have been consistently applied to all the years presented.

The Council adopted IPSAS in the year 2014 following the gazettment of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFMA) No 18 of July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sectors entities, which the Council complies with. The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The Cash Flow Statement is prepared using the indirect method while the Financial Statements are prepared on accrual and going concern basis of accounting.

1.2 APPLICATION OF NEW AND REVISED INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2016

Several new and revised standards and interpretations were effective during the year. The members of the Council have evaluated the impact of the new standards and interpretations and none of them had an impact on the Council's financial statements.
e.g.

- a) IPSAS 1 several paragraphs in relation to New IPSAS 34-38, others on IPSAS 28, 29.
- b) IPSAS 17 on PPE revision: several paragraphs amended.
- c) IPSAS 28 on financial instruments presentation paragraph 56-58 and changes in paragraph 61 are amended by IPSAS 33 which are effective for periods beginning from January 1, 2017.

IPSAS 31 on intangible assets: revision on paragraph 6 on service concessions, 79 on revaluation, 91 on technological obsolescence effective for periods beginning or after January 1, 2015.

Other revisions on paragraphs 129-132 C & D and 133 are effective for periods beginning from January 1, 2017 in line with new IPSAS standards 33 – 38.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Expected impact of issued relevant new and amended standards and interpretations but not yet effective as at 30 June 2016

The members of the Council have evaluated the impact of the new standards not yet effective for the year and none of them had an impact on the Council's financial statements.

iii) Early adoption of standards

The Council did not early-adopt any new or amended standards in 2016.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied over the years presented unless otherwise stated.

a) Revenue Recognition

i) Revenue From Non-Exchange Transactions –IPSAS 23

Exchequer allocations –Section 17 (1) of PFMA 2013

The Council recognizes Revenue from Exchequer allocation when the monies are received and asset recognition. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or services potential associated with the asset will flow to the Council and fair value of asset can be measured reliably.

ii) Revenue From Exchange Transactions –IPSAS 9

Examination Fees

The Council recognizes examination fees revenue when the examination is offered and the Council is freed from any further obligations with the candidates. To the extent that revenues from a certain examination have been received but the examination has not been administered, income is recognised in the financial year pro-rata to the expenditure incurred.

Non- Examination Revenue

The Council recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to when the service is incurred. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.



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Interest Income

The interest income is accrued using the effective yield method. The effective yield discounts estimated further cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Expenditure Recognition

Under accrual accounting, expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity. Expenses are recognized when the transaction or event causing the expense occurs, and the recognition of the expense is therefore not linked to when cash or its equivalent is received or paid.

c) Presentation of Budget Information in Financial Statements–IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned income and costs are presented in a single statement to determine the needs of the Council. As a result of the adoption of the accrual basis for budgeting purposes, there are no major timing differences to include in the reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

d) Property, Plant and Equipment –IPSAS 17

All Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Land and leasehold buildings are shown at fair value as determined by an independent valuation in accordance with International Valuation Standards.

Depreciation is charged so as to write off the full cost of fixed assets, other than land and properties under construction, over their estimated useful lives using the straight-line method. The Council charges full depreciation on all its non-current assets in the year of purchase and no depreciation in the year of disposal.

The following useful lives are applied to the different classes of non-current assets:

Class	Estimated useful life years
Leasehold buildings	40
Motor vehicles	4
Computer equipment	4



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Office equipment	10
Furniture	8
Fittings and partitions	10

e) **Intangible Assets –IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets over their useful lives. The useful lives of major classes of intangible assets have been estimated as follows:

Class	Estimated useful life years
Software acquired externally	4
Software internally developed	4
Computer Software Licenses and rights	4

f) **Investment property –IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.



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g) Inventories –IPSAS 12

Inventory is measured at cost upon initial recognition. The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

h) Financial Instruments Disclosure & Presentation- IPSAS 29

Financial assets and financial liabilities are recognized on the Council's statement of financial position when the Council has become party to the contractual provisions of the instruments. Specific accounting policies adopted by the Council for its financial statements outstanding at year end are set out as follows:

Financial Assets

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Council provides money or services directly to a debtor with no intention of trading the receivable.

Receivables mainly arise from non exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable. Receivables are recognized initially at the fair value (transaction price/carrying value less any discounts). They are subsequently measured at amortized costs using the effective interest method less provision for impairment.

A provision for impairment of receivables is made when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off when all reasonable steps taken to recover them have failed.

The carrying value less discounts and any impairment provision of impairment is assumed to approximate their fair values.

Receivables are classified as current assets if a payment is due within one year or less (or in the normal operating cycle of business, if longer). If not, they are presented as non-current assets.



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Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and which are highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Financial Liabilities

Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Payables also include payments in respect of social benefits where formal agreements for specific amounts exist.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as non-current liabilities.

i) Provisions, Contingent Liabilities and Contingent Assets – IPSAS 19

Provisions are recognized when the Council has a legal or constructive obligation as a result of a past event, whereby it is probable that an outflow of resources will be required to settle the obligation and where a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities

The Council does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Unless the possibility of any outflow in settlement is remote, the Council discloses, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, where practicable:

- (a) An estimate of its financial effect, measured under paragraphs.
- (b) An indication of the uncertainties relating to the amount or timing of any outflow.
- (c) The possibility of any reimbursement.

Additional disclosure on contingent tax liability is made under Note 36.



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Contingent Assets

The Council does not recognize contingent assets, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council in the notes of the financial statements. Contingent assets are assessed continually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Employee Benefits: -IPSAS 25

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave are recognized in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Retirement Benefit Plans

The Council provides retirement benefits for its permanent and pensionable employees under Defined Benefit (DB) and Defined Contribution (DC) schemes. By July 2012, all employees who were aged 50 years and below converted to DC while employee over 50 years remained in DB.

Defined Contribution plans for all staff members who were age 50 years and below are post employment benefit plans under which the Council pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Council also contributes to the statutory National Social Security fund (NSSF) which is defined contribution scheme registered under the NSSF Act currently at Kes.200 per employee per month.

The contributions to defined contribution retirement benefits are charged against income in the year in which they become payable.



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Defined Benefit plans for staff members whose ages are above 50 years are post-employment benefit plans in which the Council has promised certain specified monthly payments upon retirement based on the employee's earning history.

Any surplus or deficit based on the difference between the benefits due to employees in accordance with the actuarial and the fund assets is borne directly by the Government.

The contributions to the retirement benefits are included in staff costs.

k) Taxes – IAS 12

The Council does not operate for gain as per its mandate. The Deferred Taxation accounting is not applicable on the Council's operating income which is not taxable. However its investment income & rental income are subject to income tax as per ruling of the Tax Appeals Tribunal No. TAT/57 of 2015.

The Current income tax liabilities for the period under review are measured at the amount expected to be paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

l) Nature and Purpose of Reserves

The Council creates and maintains reserves in terms of specific requirements.

Capital Reserve:-

The reserve consists of development funding and Contributions by the National Treasury for acquisition of assets or development projects and is recognized as a financing reserve when received. No repayment of the financing is expected by the Council.

Revaluation Reserve:-

The purpose of the reserve is to comply with the statutory requirements on provision for the renewal of depreciating assets.

Accumulated Surplus:-

The purpose of the reserve is to safeguard the Council's ability to continue as a going concern and to match the profile of its assets and liabilities taking account of the risks inherent in the business operation.



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m) Related Parties Disclosures– IPSAS 20

The Council regards a related party as a person or an entity with the ability to exert or to exercise significant influence over the Council, or vice versa. Persons or entities that are regarded as related parties comprise the Ministry of Education (MoE), members of the Board and the Council's Senior Management.

n) Leases–IPSAS 13

Council as a lessee

Leases in which the lessor does not transfer substantially all risks and rewards of ownership of an asset are classified by Council as operating leases. Lease payments under operating leases for office space are recognized as operating expenses on a straight-line basis over the lease term and included in surplus or deficit.

Council as a lesser

Leases in which NSU does not transfer substantially all risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Lease income from operating leases is recognized as income on a straight-line basis over the lease term.

o) Project Funds

The Ministry of Education, (MoE) received funds from the Global Partnership for Education (GPE) to support development of the primary school sub-sector in Kenya under the Kenya Primary Education Development (PRIEDE) project. The PRIEDE project which is a 3 year project expected to run from June 2015 to March 2019. During the FY 2015-2016 KNEC received funds for implementing activities under component I, II, and III of the PRIEDE project.

p) Capital Commitments

The Capital commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at the accounting date, and for amounts which the Board's approval has been obtained and contracted for.

q) Changes in Accounting Policies and Errors –IPSAS 3

The Council recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.



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r) Foreign Currency transactions –IPSAS 4

Transactions in foreign currencies are initially accounted for at the exchange rate on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by apply the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

s) Preparation and Presentation of Financial Statements – IPSAS 1

In preparing the financial statements in conformity with IPSAS, management make estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities, and the related disclosures, presented in the financial statements at the end of the reporting period. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include: provision for doubtful debts, leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Council based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Council. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i. The condition of the asset based on the assessment of experts employed by the Council.
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.



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- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the asset
- v. Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

t) Comparatives

Prior period comparative information has been presented in the current financial year where necessary, comparative figures have adjusted to conform to changes in presentation for the year.

u) Events after the Reporting Date -IPSAS 14

There have no events subsequent to the financial year and with significant impact on the financial statements for the year ended 30th June 2016.



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NOTE 2	2016	2015
Recurrent Government Grant	Kes.	Kes.
<i>Exams Fees for Public Institutions</i>		
KCPE Recurrent Grants -MOEST	631,261,080	-
KCSE Recurrent Grants -MOEST	2,321,099,120	-
	<u>2,952,360,200</u>	
Recurrent Grants -MOE	200,000,000	200,000,000
Grants - EAC (Essay Writing Competition)	1,937,870	1,824,890
	<u>3,154,298,070</u>	<u>201,824,890</u>

NOTE 3	2016	2015
EXAMINATION FEES	Kes.	Kes.
KCPE	120,505,331	719,986,750
PTE	69,918,355	64,425,970
KCSE	537,880,429	2,666,922,523
Adult Education	311,100	498,700
ECDE	307,470,923	303,901,943
Diploma Teachers Education	19,994,530	15,164,010
Special Needs Education	14,327,858	12,948,600
Technical	409,743,823	349,891,460
Business	313,311,505	268,404,450
Commissions received on Foreign Exams	22,086,450	18,648,163
Examination Fees - Remarking, Amendments, Penalties	14,010,522	-
Examinations Refunds	(4,323,381)	(5,017,369)
	<u>1,825,237,445</u>	<u>4,415,775,200</u>

NOTE 4	2016	2015
INTEREST INCOME	Kes.	Kes.
Interest - Fixed Deposits	164,495,376	199,702,663
Interest - Current Accounts	1,096,282	1,220,094
	<u>165,591,658</u>	<u>200,922,757</u>



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NOTE 5

OTHER OPERATING INCOME

	2016	2015
	Kes.	Kes.
Rent Recoveries from Staff	9,341,043	9,719,500
Commercial Rental Income	2,505,600	1,408,480
Sale of Tender Documents	-	6,000
Sale of Waste Paper	696,080	553,630
S M S Income	33,167,196	30,298,880
Sale of Publication	78,556,680	15,866,818
Sundry Revenue	1,200,000	-
Confirmation of Certificates services	29,110,908	43,612,573
Replacement of Certificates services	12,656,520	28,821,280
Equation of Foreign Certificates	1,952,774	3,384,260
Sale of Data (Consultancy services)	-	286,531
Royalties	-	13,041,190
Contracted Professionals Training Fees - KCPE	231,000	7,117,680
Contracted Professionals Training Fees - KCSE	588,000	51,821,411
Contracted Professionals Training Fees - PTE	-	724,500
Contracted Professionals Training Fees - ECDE	-	9,455,250
Contracted Professionals Training Fees - TECHNICAL	-	1,648,500
Contracted Professionals Training Fees - BUSINESS	-	661,500
Less Refunds	(10,300)	(149,908)
	169,995,501	218,278,074

NOTE 6

PERSONNEL EXPENSES

	2016	2015
	Kes.	Kes.
Personal Emoluments	733,560,395	697,735,830
Causal Wages	24,971,288	21,564,838
Leave and Passage Expenses	8,216,203	6,296,224
Employer Contribution to Pension Schemes	125,516,793	102,060,961
<i>Compensation to Employees</i>	892,264,679	827,657,853
Medical Expenses	72,712,123	66,677,409
	964,976,802	894,335,262



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NOTE 7	2016	2015
COUNCIL AND ITS COMMITTEE EXPENSES	Kes.	Kes.
Sitting allowance	14,004,209	8,836,837
Training costs	1,722,510	
Subsistence Allowance	2,175,626	2,022,935
Travelling	2,493,010	
Honoraria	1,108,548	1,044,000
	21,503,903	11,903,772

NOTE 8	2016	2015
OFFICE ADMINISTRATION EXPENSES	Kes.	Kes.
Transport Operation Expenses	43,713,068	48,827,787
Travel & Accommodation	15,631,098	14,558,471
Telephone, Courier /Airtime Expenses	11,059,648	14,912,110
Electricity, Water & Conservancy	11,072,863	11,473,869
Official Entertainment	403,324	622,945
Newspapers, Magazines and Periodicals	900,670	878,265
Advertising & Publicity	12,517,238	13,012,664
Purchase of Uniforms	613,224	675,292
Purchase of Stationery & Accountable Documents	45,956,063	30,792,648
Maintenance of Plant & Equipment	12,213,281	26,924,052
Supplies of Sanitary Services	12,941,788	13,136,686
Events and Catering Management	40,833,988	40,765,692
Contracted Guards	17,410,130	16,311,757
Staff Welfare Development	29,159,248	26,618,358
Staff Training	15,914,144	31,813,009
International Conferences	3,648,133	2,315,235
National Programs i.e. HIV/AIDS, ADA, Gender & Anti Corruption	2,766,694	11,178,629
Library Expenses	1,470,590	372,480
Bookshop Operating Expenses	45,131,462	-
Quality Management and Strategic Management	8,414,624	5,579,168
Legal Expenses	4,500,718	11,208,821
General Consultancy	1,409,325	7,458,840
Audit Expenses	2,320,000	2,320,000
Financing & Bank Charges	15,405,721	14,765,256
	355,407,042	346,522,035



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NOTE 9 EXAMINATION EXPENSES	2016 Kes.	2015 Kes.
Computer Charges	70,781,233	62,091,937
Reprographics Printing Unit	100,830,538	129,707,999
KCPE	722,820,100	696,010,492
KCSE	2,232,380,642	2,049,490,307
PTE	49,169,472	48,968,430
ADULT/TCAE	636,073	1,708,380
ECDE	67,391,792	74,622,535
DTE	18,933,642	22,653,713
SNE	15,119,400	18,833,348
TECHNICAL	150,141,431	139,602,198
BUSINESS	110,856,231	102,817,715
FOREIGN EXAMS Expenses	16,337,736	5,004,131
Contracted Professionals- Insurance	6,525,744	6,525,744
	3,561,924,033	3,358,036,930

NOTE 10 STAFF HOUSING AND OFFICE ACCOMODATION	2016 Kes.	2015 Kes.
Maintenance to Residential Houses	6,734,620	9,555,521
Repair to Council Offices	7,495,369	4,448,401
Rent & Rates to Office Accommodation	52,601,351	74,319,385
	66,831,340	88,323,307

NOTE 11 PROJECT EXPENSES	2016 Kes.	2015 Kes.
EAC (Essay Writing Competition) Project Expenses	1,483,290	1,807,190
Sacmeq IV Research Project Expenses	1,273,676	-
	2,756,966	1,807,190

NOTE 12 INCREASE IN PROVISION OF DOUBTFUL DEBTS	2016 Kes.	2015 Kes.
Increase in provision of doubtful debts	29,229	-
	29,229	-



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NOTE 13	2016	2015
INCREASE IN PROVISION OF LEAVE PAY	Kes.	Kes.
Increase in provision of leave pay	3,735,141	-
	3,735,141	-

NOTE 14	2016	2015
DEPRECIATION & AMORTIZATION EXPENSES	Kes.	Kes.
Depreciation of New Mitihani House (Dennis Pritt)	5,722,315	5,528,273
Depreciation of New Mitihani House (Printing Unit)	6,356,106	6,547,902
Depreciation of Residential Houses	15,931,906	14,508,220
Depreciation of Computer Equipment	25,059,849	76,257,682
Depreciation of Office Equipment	68,002,517	63,478,451
Depreciation Expenses - Motor Vehicles	21,690,368	12,777,390
Depreciation of Furniture	9,601,847	9,437,308
Depreciation of Office Fittings and Partitions	18,523,237	16,979,165
Amortization of Software Development	4,715,883	13,483,800
	175,604,029	218,998,191

NOTE 15	2016	2015
RELOCATION TO NEW MITIHANI HOUSE	Kes.	Kes.
Relocation to New Mitihani House	8,682,388	8,188,320
	8,682,388	8,188,320

NOTE 16	2016	2015
TAXATION	Kes.	Kes.
Current income tax		
Current corporate income tax	24,335,231	20,000,000
Tax arrears	4,076,389	30,000,000
	28,411,620	50,000,000
Deferred tax		
Temporary difference	-	-
	28,411,620	50,000,000



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NOTE 17		2016	2015
CASH AND CASH EQUIVALENTS		Kes.	Kes.
	Note		
Cash in Bank	43	538,018,847	340,988,350
Interbank Transfer in Transit	43	27,467,890	450,000,000
Short term Deposits	43	3,085,554,718	2,000,000,000
		3,651,041,456	2,790,988,350

NOTE 18 A		2016	2015
RECEIVABLES FROM NON -EXCHANGE TRANSACTIONS		Kes.	Kes.
	Note		
MoEST	44	32,975,335	143,186,641
		32,975,335	143,186,641

NOTE 18 B		2016	2015
PREPAYMENT & RECEIVABLES FROM EXCHANGE TRANSACTIONS		Kes.	Kes.
	Note		
Prepayments		86,765,792	92,913,620
Debtors - Examinations	45	19,889,300	-
Unsurrendered Imprest	45	6,107,430	3,022,367
Sundry Debtors	45	15,937,183	980,221
Staff Receivables	45	583,669	859,694
Interest Receivable/Accrued Interest		24,550,149	38,478,336
Deposit to Institutions	45	11,393,905	11,393,905
		165,227,427	147,648,142



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 19 INVENTORIES	2016 Kes.	2015 Kes.
Printing Materials -Inventories	85,296,648	68,912,301
General Stationery	43,941,122	49,452,214
Book Shop - Inventories	35,513,147	20,644,609
	164,750,917	139,009,124

NOTE 20 PROPERTY, PLANT & EQUIPMENTS	2016 Kes.	Restated 2015 Kes.
Balance as at 1st July	1,253,094,067	1,701,656,094
Transfers to investment property	15,931,906	(297,593,997)
Net Changes	(57,028,891)	(150,968,030)
Balance as at 30th June	1,211,997,082	1,253,094,067



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NOTE 20 B : PROPERTY, PLANT & EQUIPMENT as June 30th 2016

	Land Kes	Leasehold Building Kes	Motor Vehicle Kes	Office Equipment Kes	Computer Equipment Kes	Furniture Kes	Partition & Fittings Kes	Gross Total Kes
COST OR VALUATION								
Balance as at 1st July 2014	502,050,000	565,048,722	63,235,988	768,661,342	576,952,070	91,349,880	220,285,818	2,787,583,820
Transfers to investment properties	(172,500,000)	(208,908,000)						(381,408,000)
Additions for the year	-	19,829,850	6,015,000	7,690,200	14,350,996	393,600	6,266,715	54,546,361
Restated Balance as at 1st July 2015	329,550,000	375,970,572	69,250,988	776,351,542	591,303,066	91,743,480	226,552,533	2,460,722,181
Revaluations	-	-	12,610,000	-	-	-	-	12,610,000
Additions for the year	-	4,926,134	25,742,472	55,961,306	4,546,457	4,469,080	5,603,806	101,249,255
Write Offs	-	-	(20,841,988)	-	-	-	-	(20,841,988)
Balance as at 30th June 2016	329,550,000	380,896,706	86,761,472	832,312,848	595,849,522	96,212,560	232,156,340	2,553,739,449
ACCUMULATED DEPRECIATION								
Balance as at 1st July 2014		113,078,573	32,031,348	351,549,025	467,167,919	60,493,999	61,606,863	1,085,927,726
Transfers to investment properties		(69,305,783)						(69,305,783)
Depreciation charge for the year		12,076,175	12,777,390	63,478,451	76,257,682	9,437,308	16,979,165	191,006,171
Restated Balance as at 1st July 2015	-	55,848,965	44,808,738	415,027,477	543,425,601	69,931,307	78,586,028	1,207,628,114
Depreciation charge for the year		12,078,421	21,690,368	68,002,517	25,059,849	9,601,847	18,523,237	154,956,240
Amount Written Off		-	(20,841,988)	-	-	-	-	(20,841,988)
Balance as at 30th June 2016	-	67,927,386	45,657,118	483,029,994	568,485,450	79,533,154	97,109,265	1,341,742,366
NET BOOK VALUE								
As at 30th June 2016	329,550,000	312,969,320	41,104,354	349,282,854	27,364,073	16,679,406	135,047,075	1,211,997,082
As at 30th June 2015	329,550,000	320,121,607	24,442,250	361,324,066	47,877,465	21,812,173	147,966,506	1,253,094,067
Rate of Depreciation		2.8%	25.0%	10.0%	25.0%	12.5%	10.0%	

The revaluation of the Council's assets which resulted in a gain of Kshs.12,610,000 was carried out on 22/08/2015 by the Automobile Association of Kenya (AAK) on the Council's fleet of motor vehicles.



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NOTE 21

PROPERTY IN WORK IN PROGRESS

This represents construction work being undertaken at the plot L.R. No 188/4/451/11/79 next to the Kenya Bureau of Standards Headquarters, off Mombasa Road. The GOK commissioned the building in 1986.

	2016	2015
	Kes.	Kes.
Balance as at 1st July	1,620,965,581	1,140,913,940
Additions during the year	268,249,646	480,051,641
Balance as at 30th June	1,889,215,227	1,620,965,581

NOTE 22

INVESTMENT PROPERTY

COST

Balance as at 1st July

Transfers from Land

Transfers from Leased Buildings

Balance as at 30th June

ACCUMULATED DEPRECIATION

Balance as at 1st July

Transfers from Leased Buildings

Depreciation charge for the year

Balance as at 30th June

NET BOOK VALUES

Balance as at 30th June

	2016	Restated 2015
	Kes.	Kes.
Balance as at 1st July	381,408,000	-
Transfers from Land	-	172,500,000
Transfers from Leased Buildings	-	208,908,000
Balance as at 30th June	381,408,000	-
Balance as at 1st July	(83,814,003)	-
Transfers from Leased Buildings	-	(69,305,783)
Depreciation charge for the year	(15,931,906)	(14,508,220)
Balance as at 30th June	(99,745,909)	(83,814,003)
Balance as at 30th June	281,662,091	297,593,997

NOTE 23

INVESTMENTS

These are investments held in Consolidated Bank of Kenya. These equity capital comprise of:

	2016	2015
	Kes.	Kes.
695,000 Ordinary Shares @ Kshs. 20.00	13,900,000	13,900,000
2,520,000 4% Non cumulative Preference Shares @ Kshs. 20.00	50,400,000	50,400,000
Balance as at 30th June	64,300,000	64,300,000



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NOTE 24

INTANGIBLE ASSETS -SOFTWARES

Intangible assets are made of patented computer softwares owned by KNEC such as Examination Processing System (EPS), Enterprise Resource Planning and Item Banking.

COST

Balance as at 1st July

Additions for the year

Balance as at 30th June

ACCUMULATED AMORTIZATION

Balance as at 1st July

Amortization charge for the year

Balance as at 30th June

NET BOOK VALUES

Balance as at 30th June

	2016 Kes.	2015 Kes.
Balance as at 1st July	135,396,333	120,886,702
Additions for the year	5,891,071	14,509,631
Balance as at 30th June	141,287,404	135,396,333
ACCUMULATED AMORTIZATION		
Balance as at 1st July	(113,038,773)	(99,554,973)
Amortization charge for the year	(4,715,883)	(13,483,800)
Balance as at 30th June	(117,754,656)	(113,038,773)
NET BOOK VALUES		
Balance as at 30th June	23,532,748	22,357,560

NOTE 25

TRADE AND OTHER PAYABLES

Examination Expenses Payable

Trade Creditors

Accrued Expenses

Statutory Deductions Payables

Staff Deductions Payables

KNEC Contribution to WCPS / Staff

Contribution to WCPS

Audit Fees (Accrual)

Rent Deposit Refundable

	Note	2016 Kes.	2015 Kes.
Examination Expenses Payable	46	195,333,857	8,860,968
Trade Creditors		168,532,459	105,106,170
Accrued Expenses		51,239,923	103,839,187
Statutory Deductions Payables	46	21,147,590	12,537,584
Staff Deductions Payables	46	6,953,021	7,505,932
KNEC Contribution to WCPS / Staff		12,856,848	-
Contribution to WCPS		12,856,848	-
Audit Fees (Accrual)		2,320,000	2,320,000
Rent Deposit Refundable		1,247,500	1,259,914
		459,631,199	241,429,754



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NOTE 26

DEFERRED INCOME

	2016	2015
	Kes.	Kes.
Deferred - Income - KCPE	451,511,045	390,742,029
Deferred - Income - KCSE	1,617,797,304	1,435,295,803
Deferred - Income - PTE	35,312,655	26,852,883
Deferred - Income - TCEA	429,199	42,650
Deferred - Income - Technical	185,105,423	137,895,048
Deferred - Income - Business	94,202,362	70,810,902
Deferred - Income - ECDE	144,060,858.91	122,661,828
Deferred - Income - SNE	-	362,070
Confirmation of Certificates	6,705,800	5,721,917
Replacement of Certificates	4,394,438	3,941,655
Deferred Income - Equation	109,144	1,622,518
	2,539,628,229	2,195,949,303

DEFERRED INCOME RECONCILIATION

	2016	2015
	Kes.	Kes.
Balance as at 1st July	2,195,949,303	1,784,659,953
Movements during the year		
Current year receipts		
Examination grants received from MOE	3,071,751,200	2,925,474,800
Other receipts generated internally	1,284,089,133	1,229,374,336
Conditions met- transferred to revenue		
Examination grants expanded	(2,828,480,684)	(2,659,172,700)
Other receipts generated expanded	(1,183,680,724)	(1,084,387,087)
Total Movements during the year	343,678,925	411,289,350
Conditions to be met- liabilities (See Note 26)	2,539,628,229	2,195,949,303

NOTE 27

OVERDRAWN ACCOUNTS

		2016	2015
	Note	Kes.	Kes.
Overdrawn accounts	47	-	10,611
		-	10,611



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NOTE 28	2016	2015
EMPLOYEE BENEFIT OBLIGATION	Kes.	Kes.
Staff Leave Days Provision		
Balance as at July	-	-
Prior Adjustment on Staff Leave Days	12,702,093	-
Additional Staff Leave Days Provision raised	3,735,141	-
Staff Leave Days Provision utilized	-	-
Balance as at 30th June	16,437,234	-

NOTE 29	2016	2015
TAXATION PROVISION	Kes.	Kes.
Balance as at 1st July	50,000,000	-
Additional Tax Provision raised	28,401,620	50,000,000
Tax Provision utilized	(29,412,205)	-
Balance as at 30th June	48,989,415	50,000,000

NOTE 30		2016	2015
DONOR PROJECT FUNDS	Note	Kes.	Kes.
Rockefeller B/F		3,339,543	3,339,543
EAC (Essay Writing Competition) B/F		329,248	329,248
KESSP - NASMLA B/F		8,185,861	8,185,861
UKEFR Study - AKF B/F		41,000	41,000
GPE-WORLD BANK PRIEDE PROJECT ACCOUNT		55,331,100	-
Balance as at June		67,226,751	11,895,652



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DONOR PROJECT FUNDS	2016	2015
	Kes.	Kes.
Reconciliation of Donor Project Funds		
Balance as at 1st July	11,895,652	11,895,652
Movements during the year		
Current year receipts		
GPE-World Bank PRIEDE Project	81,724,000	-
Imprest Surrenders	250,108	-
Conditions met- project expenses utilized		
GPE-World Bank PRIEDE Project	(26,643,008)	-
Other Projects	-	-
Total Movements during the year	55,331,100	-
Conditions to be met- liabilities (See Note 30)	67,226,751	11,895,652

NOTE 31	2016	2015
CAPITAL WORKS RETENTIONS	Kes.	Kes.
Balance as at 1st July		
Retention of New Mitihani House	46,730,762	-
Additions		
Retention of New Mitihani House	8,162,003	46,730,762
Retention of Other Refurbishment Works	454,177	-
Balance as at 30th June	55,346,943	46,730,762



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NOTE 32	2016	2015
CAPITAL RESERVE	Kes.	Kes.
Balance as at 1st July	2,303,007,414	1,842,754,510
Capital grants for the year	210,000,000	460,252,903
Balance as at 30th June	2,513,007,414	2,303,007,414
NOTE 33	2016	2015
REVALUATION RESERVE	Kes.	Kes.
Balance as at 1st July	697,030,359	697,030,359
Revaluations for the year	12,610,000	-
Balance as at 30th June	709,640,359	697,030,359
NOTE 34	2016	2015
REVENUE RESERVE -ACCUMULATED SURPLUS	Kes.	Kes.
Balance as at 1st July	933,089,607	837,752,868
Prior Items Adjustments	16,444,952	36,650,825
Surplus for the Year	125,260,182	58,685,914
Balance as at 30th June	1,074,794,741	933,089,607
NOTE 35	2016	2015
RELATED PARTIES	Kes.	Kes.
Amounts owed by related parties		
MoEST	32,975,335	143,186,641
Related party transactions		
MoEST	3,154,298,070	201,824,890
Council Members	21,503,903	11,903,772



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 36

COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure authorized and contracted for

Local Purchase Orders authorized

2016	2015
Kes.	Kes.
85,302,973	79,549,925
85,302,973	79,549,925

OPERATING LEASE COMMITMENTS

KNEC as lessee

Future minimum lease payments under non-cancellable operating leases for rented office space

Due within one year

Due within two to five years

Later than five years

2016	2015
Kes.	Kes.
39,480,489	61,671,028
9,870,122	49,350,611
-	-
49,350,611	111,021,639

Total operating lease expense commitments

The Council members are of the view that future net revenues and funding will be sufficient to cover these commitments.

NOTE 37

PRIOR ITEMS ADJUSTMENTS

Kes.

**** Prior Adjustments amounting to Kshs. 16,444,952.35 are explained as follows;**

1. Write-offs of Local Purchase Orders (LPO's) amounting to Kes. 17,428,751.50 during the year 2015/2016 which were not expected to be serviced but whose commitments had earlier been factored in the Financial Statements in accordance with Accrual Basis of Accounting. 9,306,964
2. EDCE Debtor (Foundation Institute) owned KNEC amounting to Kes. 19,883,300 during the year 2014/2015 which is expected to be settled but had earlier not been factored in the Financial Statements 19,889,300
3. Staff Debtor misposting (49,218)
4. Provision for leave days owned KNEC staff for less than 15 days amounting to Kes. 12,702,093 during the year 2014/2015 in accordance to the IPSAS on employment obligations benefit on short term. (12,702,093)

16,444,952



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NOTE 38

CONTINGENT LIABILITY

In the normal course of operation, Kenya Revenue Authority (KRA) had completed a tax audit for the period 2008 to 2010 and had issued an assessment notice. The Council and KRA concluded the issues rose in a Tax appeal tribunal arising KRA's interpretation on Corporation tax and PAYE on contracted professionals. The Ruling was made that the investment income are to be subjected to Corporation tax and the Contracted professionals earnings are subjected to Withholding Income Tax. The Council has paid a balance on the principal tax arrears amount to Kes.29 million and the Council will apply for waiver of interest and penalties amounting to Kes.79 million. Based on the professional advice received the Council is of the opinion that no material liability is expected to arise to have an impact on these financial statements.

CONTINGENT LIABILITY ON TAX ARREARS

	2016	2016	2016	2016
	Kes.	Kes.	Kes.	Kes.
Tax Head	Principal Tax	Penalty	Interest	Total
Withholding Tax	4,306,610	3,351,767	33,517,676	41,176,053
Corporation Tax	25,105,595	7,021,119	35,105,595	67,232,309
Sub-Total	29,412,205	10,372,886	68,623,271	108,408,362

NOTE 39

CONTINGENT ASSETS

Off balance sheet receivables include the following institutions whose service obligations in the past events will be confirmed only by the occurrence not wholly within the control of the Council through arbitration.

Debtors	<u>Kes.</u>
COM -21 Ltd.	4,546,829
Ken bright Insurance Broker	7,000,000
	<u>11,546,829</u>



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NOTE 40

CHANGES FROM ORIGINAL BUDGET TO FINAL BUDGET

The variance between the Original budget and the Final budget can be explained by the necessary budgetary adjustments made in the course of the year where the original budget did not adequately envisage actual operating circumstances. The actual revenues fell short of budgeted amount by Kes 75,549,081 and capital reductions of Kes. 88,600,000 on the budget heads and recurrent line items increase of Kes. 40,335,775 became necessary to accommodate forex fluctuations and also to maintain fiscal discipline.

**STATEMENT OF BUDGET AND ACTUAL AMOUNTS COMPARISON
EXPLANATIONS**

Revenue	Variance based on % increased Kes.	Justification
Receipt from Sale of Incidental Goods	(40,062,916)	Training of Examiners exercise was offered at no charge while Certification services are demand driven and therefore the variance.
Other Grants	1,937,870	Donor funds are not budgeted for whereas expenses are matched to the funding.
Interest Income from Financial Institutions	(45,784,342)	Examination fees grant for public candidates received in two tranches in March and May 2016 compared to December for the previous FY. Additionally, the average interest rate for 2015/2016 was lower than the previous financial year at 10% p.a
Receipts from Sales of Assets	(32,000,000)	Sale of Assets carried forward to FY2016/2017
Capital Grants from MOE	(210,000,000)	Full Request of Kes.420 million not given due to funding challenges
Expenditure	Kes.	
Board and its Committees Expenses	(7,959,903)	Increase In board meetings following examination administration reforms.
Office & General Supplies & Services	(128,645,225)	Depreciation not budgeted for, it does not involve monetary.
Routine maintenance	19,382,971	1.) Decrease in printing overheads as a result of outsourced printing. 2.) Delay in servicing of office equipment following expiry of contracts in the course of the year
Housing of Staff & Office Accommodation	28,650,100	Relocation for all staff to new Mitihani House was not realised and therefore the revision
Other transfers to International Organizations	5,451,867	International engagements were put in hold till FY 2016/2017.
Research Coordination & Development	8,914,979	Research not conducted as planned.
Construction of Buildings	151,750,354	Full Request of Kes.420 million not given due to funding challenges



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**STATEMENT OF BUDGET AND ACTUAL AMOUNTS COMPARISON
EXPLANATIONS**

Revenue	Variance based on % increased Kes.	Justification
Refurbishment of Buildings	(2,926,134)	Final invoice settlement for consultants made on the roof and drainage systems in the reprographic building
Other purchase of non-current assets	177,966,416	Capital expenditure were deferred to FY 2015/2016

NOTE 41

RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

As required by IPSAS 24, reconciliation is provided between the actual amounts on a comparable basis as presented in budget statement and the actual amounts in the financial accounts identifying separately any basis, timing and entity differences. Basic differences include the depreciations of assets, full recognition of provision. Entity differences show the uses of surplus funds while presentation differences represent the treatment of gains on assets as investing activities. The budget has been prepared on accrual basis and reconciled to the total revenues, total expenses and net investing and financing cash flows in the financial statements.

	Operating Kes.	Investing Kes.	Financing Kes.	Total Kes.
Surplus for the Year as per Statement of Financial Performance	125,260,182	-	-	125,260,182
Adjusted for:				
Basic Difference	(11,336,324)	-	-	(11,336,324)
Presentation Difference	-	12,610,000	-	12,610,000
Entity Difference	(163,101,836)	-	-	(163,101,836)
Deficit for the Year as per Statement of Budget Performance	(49,177,978)	12,610,000	-	(36,567,978)



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 42

FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

Risk management is integral to the whole activities of the Council. The Council has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Council continually monitors its risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Council's activities.

CREDIT RISK MANAGEMENT

Financial assets, which potentially subject Council to the risk of non-performance by counter-parties and thereby subject the organization to concentrations of credit risk, consist mainly of cash and cash equivalents and accounts receivable. The Council limits its Treasury counter-party exposure by only dealing with well-established financial institutions with high credit ratings assigned by international credit-rating agencies. The entity does not expect any Treasury counter-parties to fail to meet their obligations, given their high credit rating.

Credit risk with respect to accounts receivables is limited as major customers are Ministry of Education, Science and Technology and sundry debtors.

Trade receivables have been adequately assessed for impairment.

Classification of credit risk bearing assets

The table below represents Council's maximum exposure to credit risk as at 30th June 2016.

2016	Fully performing	Past due	TOTAL
	Kes.	Kes.	Kes.
Cash in Bank	538,018,847	-	538,018,847
Interbank Transfer in Transit	27,467,890	-	27,467,890
MoEST	26,885,400	6,089,935	32,975,335
Unsurrendered Imprest	4,841,579	1,295,080	6,136,659
Sundry Debtors	6,625,489	1,251,604	7,877,093
Staff Receivables	130,835	93,622	224,457
Interest Receivable/Accrued			
Interest	24,550,149	-	24,550,149
Deposit to Institutions	11,393,905	-	11,393,905
	639,914,094	8,730,242	648,644,335



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 42 (Continued)

MARKET RISK MANAGEMENT

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: interest rate risk, price risk and foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the interest rate movement may have a significant impact on Council's value of investments. The Council's investments in fixed rate deposits expose it to fair value interest rate risk. The Council has no interest bearing liabilities. The Council considers that no change in interest rates in the year ending 30th June 2016.

Price risk

Long term instruments held by the Council whose market prices are not subject to change. The table below represents Council's maximum exposure to interest and price risk as at 30th June 2016.

2016	Within 12 months Kes.	Over 12 months Kes.	TOTAL Kes.
Long term Investments	-	64,300,000	64,300,000
Fixed Deposits	3,085,554,718	-	3,085,554,718
	3,085,554,718	64,300,000	3,149,854,718

FOREIGN CURRENCY RISK MANAGEMENT

Foreign exchange risk would arise where transactions or bank balances are denominated in foreign currency. The Council does hold foreign currency denominated asset in Sterling pound which are exposure to foreign currency risk.

2016	Within 12 months Kes.	Over 12 months Kes.	TOTAL Kes.
Co-operative Bank -Forex Account	10,489,848	-	10,489,848



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NOTE 42 (Continued)

LIQUIDITY RISK MANAGEMENT

The Council's risk to liquidity is a result of the funds available to cover future commitments. The Council manages liquidity risk through an ongoing review of future commitments and credit facilities. The amounts that best describes the Council's exposure to liquidity risk at the end of the financial year are made up as follows:-

2016	Within 6 months	Over 12 months	TOTAL
	Kes.	Kes.	Kes.
Examination Expenses Payable	195,333,857	-	195,333,857
Trade Creditors	124,727,939	43,804,520	168,532,459
Accrued Expenses	36,493,478	14,746,444	51,239,923
Statutory Deductions Payables	31,288,252	24,654,184	55,942,436
Staff Deductions Payables	21,147,590	-	21,147,590
KNEC Contribution to WCPS / Staff Contribution to WCPS	12,856,848	-	12,856,848
Audit Fees (Accrual)	2,320,000	-	2,320,000
Rent Deposit Refundable	-	1,247,500	1,247,500
Provision for Staff Leave Days	3,735,141	12,702,093	16,437,234
	427,903,106	97,154,741	525,057,848



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ENDED 30 JUNE, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 43

Detailed CASH AND CASH EQUIVALENTS	2016 Kes.	2015 Kes.
<i>Cash in Bank</i>		
Standard Chartered Bank of Kenya Ltd. -Collection Account	8,020	7,690
Standard Chartered Bank of Kenya Ltd. -Current Account	3,239,537	2,104,266
Standard Chartered Bank of Kenya Ltd.	3,247,557	2,111,956
Co-operative Bank -KCPE Collection Account	8,208	6,937
Co-operative Bank -KCSE Collection Account	10,000	10,000
Co-operative Bank -Business Collection Account	10,001	10,001
Co-operative Bank -Technical Collection Account	10,000	8,951
Co-operative Bank -Other Exams Collection Account	10,000	10,000
Co-operative Bank - General Tran Collection Account	10,000	10,000
Co-operative Bank -Current Account	45,661	8,429,168
Co-operative Bank -Project Account	26,768,197	16,888,560
Co-operative Bank -Forex Account	10,489,848	5,305,319
Co-operative Bank - GPE-WORLD BANK-PRIEDE PROJECT	53,994,382	-
Co-operative Bank Ltd	91,356,297	30,678,935
National Bank of Kenya -KCPE Collection Account	10,000	10,000
National Bank of Kenya -KCSE Collection Account	10,001	-
National Bank of Kenya -Business Collection Account	10,000	10,000
National Bank of Kenya -Technical Collection Account	10,000	10,000
National Bank of Kenya - Other Exams Collection Account	9,999	9,999
National Bank of Kenya - General Tran Collection Account	9,999	9,999
National Bank of Kenya -Current Account	2,985,415	18,048,683
National Bank of Kenya	3,045,414	18,098,682
CFC Stanbic - Current Account	-	12,541
Commercial Bank of Africa - Current Account	186,860,020	14,305,215
Safaricom - Mpesa Utility (float) Account	16,146,616	2,406,771



THE KENYA NATIONAL EXAMINATIONS COUNCIL
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 43 (Continued)

	2016	2015
	Kes.	Kes.
Cash in Bank		
Equity Bank - KCPE Collection Account	9,990	9,990
Equity Bank -KCSE Collection Account	9,804	9,007
Equity Bank -Business Exam Collection Account	9,990	10,000
Equity Bank -Technical Exam Collection Account	10,000	9,990
Equity Bank -Other Exam Collection Account	9,874	7,873
Equity Bank -General Tran. Collection Account	9,891	9,585
Equity Bank -Current Account	5,053,628	12,527,976
Equity Bank	5,113,177	12,584,421
Kenya Commercial Bank - KCPE Collection Account	5,847	6,964
Kenya Commercial Bank - KCSE Collection Account	2,960	4,082
Kenya Commercial Bank - Business Collection Account	8,119	9,010
Kenya Commercial Bank - Technical Collection Account	2,884	157,279
Kenya Commercial Bank - Other Exams Collection Account	1,613	5,334
Kenya Commercial Bank - General Transactions Collection Accounts	4,618	7,032
Kenya Commercial Bank - Current Account	232,223,726	260,600,129
Kenya Commercial Bank	232,249,766	260,789,829
Cash in Bank	538,018,847	340,988,350
Interbank Transfer in Transit	27,467,890	450,000,000
Short Term Deposits		
Fixed Deposit - Co-operative Bank	1,280,000,000	500,000,000
Fixed Deposit - Project Co-operative Bank	51,000,000	80,000,000
Fixed Deposit - National Bank	500,000,000	700,000,000
Fixed Deposits - KCB	204,554,718	620,000,000
Fixed Deposit -Equity Bank	1,050,000,000	100,000,000
	3,085,554,718	2,000,000,000

NOTE 44

Detailed RECEIVABLES FROM NON EXCHANGE TRANSACTIONS	2016	2015
	Kes.	Kes.
Debtors - School Examinations - KCPE	4,620,280	-
Debtors - School Examinations - KCSE	22,265,120	-
MoEST (New Mitihani House)	-	137,096,706
MoEST (Sacmeq)	6,089,935	6,089,935
	32,975,335	143,186,641



THE KENYA NATIONAL EXAMINATIONS COUNCIL
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 45	2016	2015
Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS	Kes.	Kes.
Debtors - Examinations		
Debtors - Teachers Examinations - ECDE	19,889,300	-
Unsurrendered Imprest -Non staff	6,416,530	3,302,238
Provision for Bad Debts - Temporary Imprest	(309,100)	(279,871)
	6,107,430	3,022,367
Staff Receivables		
Salary Advance	452,834	280,371
Staff Debtors	224,457	672,945
Provision for Bad Debts - Staff Debtors	(93,622)	(93,622)
	583,669	859,694
Sundry Debtors		
Miscellaneous Debtors	15,131,969	175,007
Debtors - Kenya Polytechnic	153,460	153,460
Retirement Benefits	923,137	923,137
Provision for Bad Debts - Kenya Polytechnic	(153,460)	(153,460)
Provision for Bad Debts - Fina Stationers	(103,273)	(103,273)
Provision for Bad Debts - Mufam Collectors	(14,650)	(14,650)
	15,937,183	980,221
Deposit to Institutions		
Deposit to Hospitals	706,000	706,000
Deposit to Institutions	9,087,905	9,087,905
Deposit to Petrol Stations	1,600,000	1,600,000
	11,393,905	11,393,905



THE KENYA NATIONAL EXAMINATIONS COUNCIL
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ENDED 30 JUNE, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 46	2016	2015
Detailed TRADE AND OTHER PAYABLES	Kes.	Kes.
Examination Expenses Payable		
Marking Payables	7,097,756	-
Field Administration Payables	188,236,101	8,860,968
	195,333,857	8,860,968
Staff Deductions Payables		
Net Pay	2,139,614	-
Other Co-operatives / Elimu Co-operative	1,091,580	-
Exams Co-operative Society	13,614,248	12,506,954
Mwalimu Co-operative	968,949	-
Insurance	530,240	-
Mortgages / Bank Loans	2,692,710	29,130
Benevolent Funds	105,250	1,500
Teachers Service Commission (Recoveries)	5,000	-
	21,147,590	12,537,584
Statutory Deductions Payables		
NHIF	15,300	-
University Loan Recoveries (HELB)	107,843	-
PAYE- Salaries and wages & facilitation allowances	2,370,315	-
Income Tax (Withholding Tax) - Creditors	331,902	1,617,971
Withholding tax - Contracted Professionals	175,967	1,173,855
Commissioner of Tax -VAT Withholding	3,949,894	4,714,106
NSSF / Staff Contributions to NSSF	1,800	-
	6,953,021	7,505,932
NOTE 47		
OVERDRAWN ACCOUNTS		
National Bank of Kenya -KCSE Collection Account	-	1,751
Kenya Commercial Bank - Collection Account	-	8,860
	-	10,611



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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ENDED 30 JUNE, 2016**

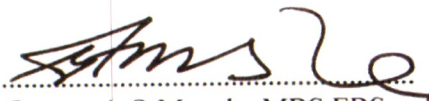
PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS


The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No of the External Audit Report	Issues/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)												
1.0	Delay in the completion of Mitihani House in South C. The Works has been outgoing for the last 31 years. According to the latest engineers valuations report it requires Kes.1 billion to complete the building.	<p>The Mgt concur with the auditor's observation. The construction has faced numerous challenges resulting from:</p> <p>➤ Project management: The New Mitihani House construction project management is under the Ministry of Land, Housing & Urban development) and not the Council.</p> <p>➤ Project Funding: The Council has been receiving amounts far below the Council Requirements for the project as shown below:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Fiscal Year</th> <th>Printed Estimate Kes. million</th> <th>Amount allocated Kes. million</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>420</td> <td>320</td> </tr> <tr> <td>2016/17</td> <td>60</td> <td>60</td> </tr> <tr> <td>2017/18</td> <td>60</td> <td>60</td> </tr> </tbody> </table>	Fiscal Year	Printed Estimate Kes. million	Amount allocated Kes. million	2015/16	420	320	2016/17	60	60	2017/18	60	60	Mercy Karogo CEO KNEC	Not Resolved	
Fiscal Year	Printed Estimate Kes. million	Amount allocated Kes. million															
2015/16	420	320															
2016/17	60	60															
2017/18	60	60															

Guidance Notes:

- i. Use the same reference Numbers as contained in the external Audit Report;
- ii. Obtain the "The Issue/Observation" and "management comments", required above, from final external audit report.
- iii. Before approving the report, discuss the time frame with the appointed Focal Point persons within your Authority responsible for implementation of each issue;
- iv. Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Sign 
Prof. George A.O Magoha MBS EBS
CHAIRMAN

Sign 
Mercy Karogo
Ag. CHIEF EXECUTIVE OFFICER