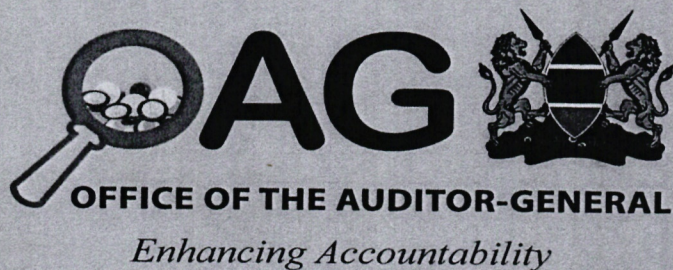


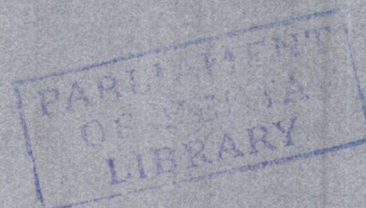
REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY REPORT	
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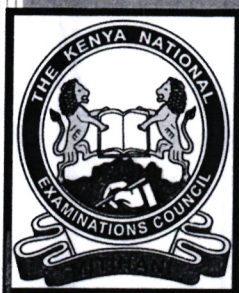
THE AUDITOR-GENERAL

ON



**KENYA NATIONAL
EXAMINATIONS COUNCIL**

**FOR THE YEAR ENDED
30 JUNE, 2020**



THE KENYA NATIONAL EXAMINATIONS COUNCIL

Annual Report and Financial Statements for the Year Ended 30 June, 2020



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

KNEC is ISO 9001:2015 Certified



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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LIST OF ACRONYMS

KEY

ADA	Alcohol and Drug Abuse
AEAA	Association for Educational Assessment in Africa
CBA	Competence Based Assessment
CBC	Competence Based Curriculum
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
EGMA	Early Grade Mathematics Assessment
ESQAC	Education Standards and Quality Assurance Council
EPS	Examinations Processing System
FPE	Free Primary Education
FDSE	Free Day Secondary Education
GPE	Global Partnership for Education
HELB	Higher Education Loans Board
HIV	Human Immunodeficiency Virus
IAEA	International Association for Educational Assessment
ICT	Information and Communication Technology
IPSAS	International Public Sector Accounting Standards
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
KESSHA	Kenya Secondary School Heads Association
MoE	Ministry of Education
MTEF	Medium Term Expenditure Framework
MTP 3	The Third Medium Term Plan
NASLMA	National Assessment System for Monitoring Learner Achievement
NAC	National Assessment Centre
NGEC	National Gender & Equality Commission
MLA	Monitoring Learner Achievement
NMH	New Mitihani House
PFM Act	Public Finance Management Act, 2012
PTE	Primary Teachers Education
PWD	Persons with Disability
DQAS	Directorate of Quality Assurance and Standards
QMS	Quality Management System
SEACMEQ	Southern and Eastern Africa Consortium for Monitoring Educational Quality
SEQIP	Secondary Education Quality Improvement Project
SNE	Special Needs Education
SRC	Salaries and Remuneration Commission
TCAE	Teacher Certificate in Adult Education
TSC	Teachers Service Commission



THE KENYA NATIONAL EXAMINATIONS COUNCIL ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

PREAMBLE

The Kenya National Examinations Council (KNEC) has a statutory obligation under section 81 of the Public Finance Management Act, 2012 (PFM Act, 2012) to prepare an annual report for forwarding 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.

KNEC's programmes are embedded and aligned to the Constitution of Kenya 2010, the Kenya Vision 2030, Medium-Term Plan III 2018–2022 and the National Education Sector Strategic Plan (2018-2022). In the Quality and Assurance Programme under MoE, KNEC sets, 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. Some subject examination officers at KNEC are members of the KICD respective Panels.

At the end of the curriculum delivery, KNEC ascertains if the curriculum developed by KICD was covered through TSC. This is done through testing and examinations conducted by KNEC at the end of every year. The examination results are analysed 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 undertakes key research initiatives under the National Assessment Centre (NAC). The National Assessment Centre has over the years participated in the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SEACMEQ); a Research initiative comprising Ministries of Education from 16 countries in which Kenya is a member state. The overriding aim of carrying out research at NAC is to establish learner acquisition of basic skills and competencies spelt out in the national curriculum in different tiers, as well as to collect empirical data on the school and home characteristics that influence learning outcomes.

In the year under review, the Council has continued to deliver on its mandate as the national assessment and certification body under the Ministry of Education.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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1.0 COUNCIL PROFILE

1.1 BACKGROUND INFORMATION

The Council is established by and derives its authority and accountability from KNEC Act of 2012 amended in 2017. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Council is a State Corporation or a Semi- Autonomous Government Agency under the Ministry of Education.

The Council consists of –

- 1.1.1 A Chairperson appointed by the President under Section 5;
- 1.1.2 The Principal Secretary of the Ministry responsible for matters relating to education or a representative of the Principal Secretary;
- 1.1.3 The Principal Secretary of the Treasury or his representative;
- 1.1.4 The officer in charge of quality assurance and standards in the Ministry responsible for matters relating to education;
- 1.1.5 The Director of the Kenya Institute of Curriculum Development;
- 1.1.6 The Secretary of the Teachers Service Commission;
- 1.1.7 The representatives appointed by the Cabinet Secretary:
 - 1.1.7.1 One member to represent the interest of person with disabilities
 - 1.1.7.2 One member to represent the post school technical & business training institutions in Kenya, including polytechnics;
 - 1.1.7.3 One member to represent the private sector involved with management of Education as the Cabinet Secretary may determine.
- 1.1.8 The Chief Executive Officer.
- 1.1.9 Two Co-opt members who the Council will benefit from any special skills as may be necessary for the better carrying out of the functions of the Council.



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1.2 DEPARTMENTAL MODEL

Examinations work has been grouped into five departments. The line group consists of Test Development & Reprographics and Examinations Administration. The other directorates: Corporate Services and ICT provide support services required to ensure that examinations are conducted efficiently and cost effectively.

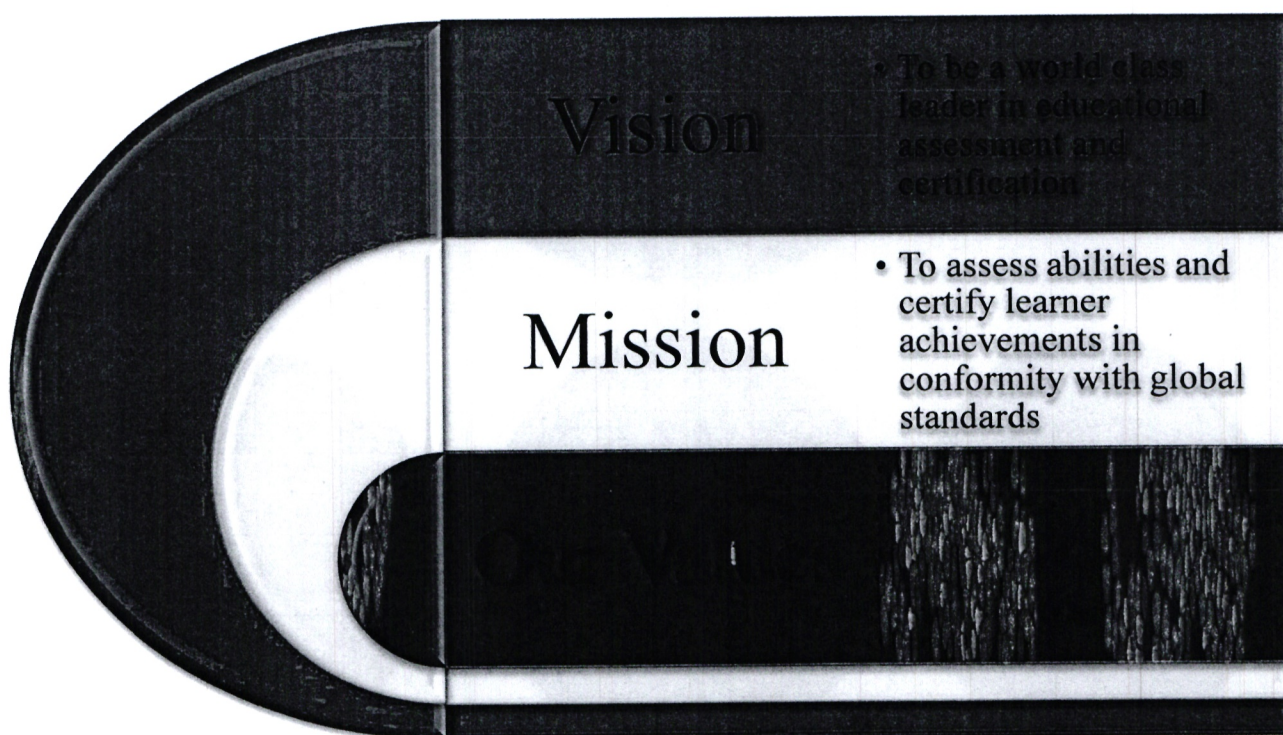




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1.3 PRINCIPAL ACTIVITIES

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.



1.4 KEY ORGANS

KNEC's day-to-day management is under the following key organs:

1.4.1 The Council

1.4.2 Accounting Officer who is the Acting Chief Executive Officer

1.4.3 Management



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1.5 FIDUCIARY MANAGEMENT

The Key management personnel who held office during the financial year ended 30th June 2020 and who had held direct fiduciary responsibility were:

No.	Designation	Name
1.5.1	Acting Chief Executive Officer	Dr. Mercy G. Karogo MBS
1.5.2	Director, ICT Department	Dr. Ibrahim Otieno
1.5.3	Director, Test Development	Mr. Patrick Ochich
1.5.4	Director, Examinations Administration	Mrs. Imelda Barasa Anyanga
1.5.5	Corporation Secretary	Mrs. Befly Jemurgor Bisem
1.5.6	Financial Controller	CPA. Abraham K. Oloo
1.5.7	Deputy Director Supply Chain Management	Mrs. Agneta Mary Ouma
1.5.8	Deputy Director Research & Quality Assurance	Mr. Andrew Otieno

1.6 FIDUCIARY OVERSIGHT ARRANGEMENTS

The Council through its Committees and the Secretariat has put in place systems aimed at enhancing governance, transparency and accountability. The Council has three committees.

1.6.1 Examinations Management Committee (EMC)

The Committee is responsible of ensuring accessibility, equity and fairness in the conduct of examinations, which include among others, decisions on malpractice, special considerations and applications for access arrangements.

The committee also approves procedures in paper development and appointment of examinations personnel.

The committee also endorses the research plan of the organization on behalf of the Council and advises on the conduct of research and policy options emanating from research finding.

1.6.2 Finance & General Purposes Committee (FGPC)

The Committee is responsible for the Council's achievement of its strategic objectives and ensures that annual work plans are implemented. The Committee is also responsible to ensure that the Council's budget and procurement plan are in line with the strategic plan and the Council's mandate as outlined in the law.

1.6.3 Audit & Risk Committee (ARC)

The Committee is responsible for managing the organisation's risk, ensuring compliance to all applicable laws and regulations and spearheading good governance practices within the Council members and the Secretariat. The Committee is responsible



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for monitoring the Council's internal control environment and provide advice on areas of improvement. The Committee oversees the operations of the Council to ensure that set policies and procedures are adhered to.

1.6.4 Parliamentary/ Development Partners Oversight committees

The Council presents its audited financial statements to the Parliamentary Investment Committee (PIC). The Council reports on assessment matters to the Parliamentary Education Committee (PEC). Respective Development Partners also provide their operational requirements and guidelines that clearly spell out fiduciary arrangements that revolve around accountability, verification and value for money.

1.7 REGISTERED OFFICE

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

1.8 KNEC CONTACTS

 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](https://twitter.com/KNEC@ExamsCouncil)
 Mobile: 0720741001 / 0732333860

Other Offices

 New Mitihani House South C
 Tel: +254 - 020-202143412
 Mobile: 0720741004/0723333566 /0771813972/ 0772069891/ 0772069882/
0771813866/0771814259/ 0771814060/ 0771814105

 Industrial Area Offices, Ministry of Public Works, Supplies Branch, Likoni Road.
 Tel: +254 -0206 650820
 Mobile: 0720741003 /0732333530

 Mitihani House, Dennis Pritt Road, Kilimani
 Tel: +254 - 020-2713874 / 020-2713894 / 020-2713845 / 020-2711536
 Mobile: 0703448667/0734333360



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1.9 BANKERS



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



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



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



Equity Bank
Shankadrass House, Moi Avenue
P.O Box 30003 -00100
Nairobi, KENYA



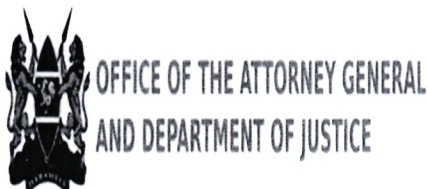
Commercial Bank of Africa
Commercial Bank Building, Wabera and Standard Streets
P.O Box 30437 -00100
Nairobi, KENYA

1.10 INDEPENDENT AUDITORS



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

1.11 PRINCIPAL LEGAL ADVISOR



The Attorney-General
State Law Office, Sheria House,
Harambee Avenue
P.O. Box 40112 00200
Nairobi, KENYA



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2.0 THE COUNCIL STRUCTURE

The Council that was in place from 1st July, 2019 to 30th June 2020:

	COUNCIL MEMBER	PROFILE
2.1	 Dr. John O. Onsati, OGW	<i>Council Chairman (Non-Executive)</i> Dr. John O. Onsati OGW (Born 1953) was appointed as a Non-Executive Chairman of the Kenya National Examinations Council on 3rd May, 2019 after serving three years as a member of the KNEC Council. He is an expert in Organizational Development and Transformation, Education and Training. Dr. John Onsati, holds a Doctorate degree in Organizational Development and Transformation from Cebu Doctor's University - Philippines and a Master of Science (MSc) degree from Victoria University of Manchester, UK, and has experience in the education sector spanning several decades.
2.2	 Dr. Mercy G. Karogo, MBS	<i>Ag. Chief Executive Officer KNEC</i> Dr. Mercy G. Karogo, MBS (Born 1956) is the Acting Chief Executive Officer at the Kenya National Examinations Council. She is the accounting officer of KNEC. She is responsible for the running of the Council affairs to ensure that the mission is achieved and efficiency of the Council is realized. She is the secretary to the Council and chairperson of the Senior Management. She is responsible for spearheading partnerships of the Council. She holds a PhD in Business Administration and Management - Entrepreneurship from Dedan Kimathi University of Technology, a Master of Science (Entrepreneurship) from Jomo Kenya University of Agriculture and Technology and a Bachelor of Education (Business Studies and Economics) from University of Nairobi. Prior to her appointment as CEO of KNEC, she was the Senior Deputy Director at Kenya Institute of Curriculum Development (KICD) and Head of Department, Curriculum and Research Services (SDDCRS). She has held a number of other senior management positions in a career spanning approximately 30 years.



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	COUNCIL MEMBER	PROFILE
2.3	 Dr. Belio Kipsang, CBS	<i>Principal Secretary, Ministry of Education</i> Dr. Belio Kipsang, CBS (Born 1967) is the Principal Secretary, State Department for Basic Education, Ministry of Education. He chairs Operations Committee, Association of African Higher Education Financing Agencies (AAHEFA). He is an Associate Member of the Association of Certified Fraud Examiners. Dr. Kipsang has authored quality academic and research papers in the areas of Higher Education Financing and Planning. Dr. Kipsang is a holder of PhD degree in Education (Educational Administration & Planning) from the Catholic University of Eastern Africa, a Masters of Arts degree in Economics and a Bachelors (Honours) Degree in Education (Business & Economics) both from the University of Nairobi. He has held several senior positions in the public sector including Coffee Development Fund and Higher Education Loans Board.
2.4	 Ms. Dorothy N. Kimeu, MBS	<i>Representing the Cabinet Secretary, The National Treasury & Planning</i> Ms. Dorothy Kimeu, MBS (Born 1959) is the Director of Administration in the Department of Resources Mobilization, the National Treasury & Planning. She sits on the Council to represent the Cabinet Secretary, The National Treasury & Planning. She is a member of Kenya Association of Public Administration and Management (KAPAM), Women fighting AIDS in Kenya (WOFAK). A distinguished Civil servant, she has 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 holds a Masters Degree in International Studies and a Bachelors degree in Political Science, both from the University of Nairobi.



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	COUNCIL MEMBER	PROFILE
2.5	 Dr. Nancy N. Macharia, CBS	<i>Chief Executive , Teachers Service Commission (TSC)</i> Dr. Nancy N. Macharia CBS (Born 1963) is the Chief Executive Officer the Teachers Service Commission. She is a member of the Kenya Association of Public Administration Management (KAPAM) and Institute of Directors. She has worked in the education sector for over 28 years. She holds Doctorate Degree, a Master of Education (Policy and Management) degree from Bristol University, UK and a Bachelor of Education degree in English/Literature from Kenyatta University.
2.6	 Dr. Joel Mabonga	<i>Ag Chief Executive Officer, Kenya Institute of Curriculum Development (KICD)</i> Dr. Joel Mabonga is the Ag. Chief Executive Officer at Kenya Institute of Curriculum Development (KICD). Previously, he worked as the Senior Deputy Director – Corporate Services at the KICD. He has served the nation in various capacities including Chief Executive Officer (CEO), Independent Police Oversight Authority (IPOA), Director-Voter Education and partnership at the Independent Electoral and Boundaries Commission (IEBC) and a lecturer at Kenyatta University. He holds a doctor of philosophy in Management of Education change from Kenyatta University, a Master of Philosophy Educational Administration from Moi University and a bachelor's degree in Education from Kenyatta University, besides other corporate governance courses.
2.7	 Dr. Mary Gaturu, HSC	<i>Ag Director, Directorate of Quality Assurance & Standards at the Ministry of Education, State Department for Basic Education.</i> Dr. Mary Gaturu HSC (born 1963) is the Director in charge of Quality Assurance and Standards in the Ministry of Education. Formerly, she was the Regional Director of Education for the Rift Valley Region, County Director of Education for Muranga and for Nyandarua Counties. Before that she worked at the Teachers Service Commission as the Senior Graduate Teacher.



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	COUNCIL MEMBER	PROFILE
		She holds a Doctorate of Philosophy, Masters in Education and Bachelors of Education Degree, all from Kenyatta University.
2.8	 Mrs. Rosemary C. Saina, OGW	<i>Independent Member and Chairperson of the Finance & General Purposes Committee</i> Mrs. Rosemary C. Saina OGW (Born 1955), the immediate former Chief Principal of Kenya High School, is an educationist and manager serving in institutions such as Moi Girls School, Eldoret, Solian Girls High School, Baringo. She holds an Executive Masters of Education degree -Moi University, Bachelor of Education (Arts) Degree - University of Nairobi, Diploma in Educational Management, Kenya Education Management Institute (KEMI) and a Certificate in Educational Methodologies - Ofri International Training Centre, Israel. She undertook a Certificate Course on Servant Leadership Training at Sundoulos African Leaders Training (S.A.L.T.)
2.9	 Dr. Karen T. Odhiambo	<i>Independent Member and Chairperson of the Audit & Risk Committee</i> Dr. Karen T. Odhiambo (Born 1958) is an Educational Psychologist in Measurement and Evaluation specialist in educational assessment. She has specialized in Education Assessment. She is a Lecturer at the University of Nairobi (UoN) since 1991 to date. She holds a Doctoral Degree from the University of Nairobi, M.Sc in Educational Measurement and Evaluation from University of Calgary – Canada and a B.Ed. Degree from UoN.



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	COUNCIL MEMBER	PROFILE
2.10	 Martin O. Okiyo, OGW	<i>Independent Member representing interests of Persons with Disabilities and Chairperson of the Audit & Risk Committee</i> Mr. Martin O. Okiyo OGW (Born 1982) is an Educationist by profession with strengths in Training, Leadership and Communication. 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 is visually impaired (partially blind) and this combined with his work experiences in disability have made him diversity sensitive. 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. He is a University of Pretoria Senior Management Institute Fellow.
2.11	 Prof. Eric O Ogur	<i>Independent Member</i> Prof. Eric O. Ogur (Born 1971) is a Chartered Engineer and Member of the Institution of Mechanical Engineers (UK Since 2014). Prof. Ogur worked as the Director, Centre for Engineering Innovation and Production (CEIP). The CEIP's core purpose is to build capacity through Competency Based Education and Training (CBET) in the area of advanced manufacturing technologies such as Computer Numerical Control (CNC) machine operation and maintenance, Reverse Engineering, Rapid Prototyping, Automation and Control. Prof. Ogur has extensive academic and practical knowledge of TVET reform strategies, pilot implementation, design, development, assessment and implementation of different methodologies concerning CBET, Vocational Education and Training (VET), life-long learning and training of trainers. He holds a PhD Engineering, A Masters in Manufacturing Systems Engineering from University of Warwick, Coventry, England, Bachelors Degree in Organizational Leadership (Magna cum Laude) from University of Portsmouth, Portsmouth, England.



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	COUNCIL MEMBER	PROFILE
2.12	 Col (Rtd.) Leonard Owambo	<i>Co-opted Member</i> Colonel (Rtd.) Leonard Owambo (Born 1956) is a coopted member of the Council to advice on security matters. He 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 holds a Masters in Leadership from Faith Christian University and Schools, Maryland USA, Bachelors Degree 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.
2.13	 Dr. Fred O. Sporta	<i>Co-opted Member</i> CPA, Dr. Fred O. Sporta (Born 1982) is an expert in Accounting & financial reporting and was co-opted member as a member of the Kenya National Examinations Council from June 2019. He is a Chief advisor with Securities Pesa Limited on audit and risk management. He is Panel of expert (PoE) in Accounting and Financial Reporting at the Institute of Certified Public Accountants of Kenya (ICPAK). CPA Dr. Sporta is a trainer in financial reporting in many institutions among them, ICPAK, Kenya School of Government (KSG). He is a Lead Consultant with Grohney and Co. Associates on Assurance and financial reporting in both IFRSs and IPSASs. He has lectured at Kenya Polytechnic (now Technical University) and is currently a full-time lecturer at KCA University. CPA, Dr. Sporta holds a PhD degree in Business Administration (Finance) from Jomo Kenyatta University of Agriculture & Technology, Master of Business Administration (Kenyatta University), Bachelor of Business Management (Moi University), Certified Public Accountant of Kenya (KASNEB), and he is also a full member in good standing at ICPAK.



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The following Council members joined between 1st March, 2020 and 30th June, 2020

	NAME	PROFILE	
2.14	Dr. Joel Mabonga	Ag. Chief Executive Officer at Kenya Institute of Curriculum Development	Appointed to the Council on 1 st March 2020
2.15	Prof. Erick Okoth Ogur	Independent Member representing post school technical and business training institutes in Kenya including polytechnics as well as the Chairperson, Audit & Risk Committee	Appointed to the Council on 19 th June 2020

The following Council members exited between 1st March, 2020 and 30th June, 2020

	NAME	PROFILE	
2.16	Dr. Julius O. Jwan MBS	Chief Executive Officer at Kenya Institute of Curriculum Development	Appointed the Principal Secretary for Vocational and Technical Training Ministry of Education
2.17	Ms. Dorothy Kimeu MBS	Representing the Cabinet Secretary, the National Treasury & Planning	Retired from the National Treasury on 31 st December 2019
2.18	Dr. Karen T. Odhiambo	Independent Member representing post school technical and business training institutes in Kenya including polytechnics as well as the Chairperson, Audit & Risk Committee	Exited the Council on 19 th June 2020



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3.0 KNEC SENIOR MANAGEMENT TEAM

	Name of the Staff	Responsibility
3.1	 Dr. Mercy G. Karogo, MBS	Ag Chief Executive Officer Dr. Mercy G. Karogo MBS is the Acting Chief Executive Officer at the Kenya National Examinations Council since March 2016. She is the accounting officer of KNEC. She is responsible for the running of the Council affairs to ensure that the mission is achieved and efficiency of the Council is realized. She is the secretary to the Council and chairperson of the Senior Management. She is responsible for spearheading partnerships of the Council. She holds a PhD in Business Administration and Management - Entrepreneurship from Dedan Kimathi University of Technology, a Master of Science (Entrepreneurship) from Jomo Kenya University of Agriculture and Technology and a Bachelor of Education (Business Studies and Economics) from University of Nairobi.
3.2	 Dr. Ibrahim Otieno	Director, ICT Department Dr. Ibrahim Otieno is the Director, ICT Department at the Kenya National Examinations Council. He was appointed as the Director in March, 2017. He is responsible for managing the ICT programs of the Council. He is in charge of planning, sourcing and implementing the ICT programs. He is responsible for providing ICT support services to the Council to ensure effective, efficient and secure processing and delivery of examination results. He holds a PhD (Information Systems) from the University of Nairobi, a Master of Science Degree from University of Vrije Brussels (VUB), Belgium (Distinction), and a Bachelor (Hon) Degree in Science (Computer Science) from the University of Nairobi.



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	Name of the Staff	Responsibility
3.3	 Mr. Patrick Ochich	Director, Test Development Department Mr. Patrick Ochich is the Director, Test Development at the Kenya National Examinations Council. He was appointed into this position in August 2015. He is responsible for the development of assessment policy, procedures and instruments as well as maintaining internationally competitive standards. He has a Master of Education in Measurement and Evaluation and Bachelor of Education (Hons) from the University of Nairobi. Mr. Ochich has been trained at the Kenya School of Government for Strategic Leadership Development (SLDP) and Senior Management Course (SMC).
3.4	 Mrs. Imelda Barasa Anyanga	Director, Examination Administration Department Mrs. Imelda Barasa Anyanga, is the Director, Examinations Administration. She was appointed into this position in October 2017. She is an educationist having previously served for twenty-seven (27) years with the TSC and managed several educational institutions. She is the immediate former Chief Principal of Maryhill Girls and managed educational institutions such as Tambach TTC, Kipsigis Girls, Hill School Eldoret, Our Lady of Victory Kapnyeberai Girls and St. Joseph's Chepterit Girls. Mrs. Barasa is currently undertaking a PhD at Moi University in Business Administration (strategic management). She holds an Executive Master's Degree in Business Administration from Moi University, Bachelor of Education (Arts) Degree –Kenyatta University, Diploma in Educational Management, Kenya Education Management Institute (KEMI) and is an Associate member of Kenya Institute of Management (KIM).



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	Name of the Staff	Responsibility
3.5	 Mrs. Befly Jemurgor Bisem	Corporation Secretary Mrs. Befly Jemurgor Bisem is the Corporation Secretary at the Kenya National Examinations Council. She was appointed into this position on 2nd May, 2018. She is responsible for corporate and legal matters. She is currently undertaking MBA in Strategic Management at the Kenyatta University. She has Bachelor of Laws Degree from the University of Nairobi, Postgraduate Diploma in law from the Kenya School of Law and is a Certified Public Secretary (CPS).
3.6	 CPA Abraham K. Oloo	Financial Controller and Head of Finance CPA Abraham K. Oloo is the Financial Controller at the Kenya National Examinations Council. He was appointed into this position on April 2011. He is in charge of planning, sourcing and managing financial resources to achieve corporate objectives. He holds a Masters Degree from Jomo Kenyatta University of Agriculture, Science and Technology and a Bachelor of Commerce degree, acquired from the Catholic University of Eastern Africa. He is a Certified Public Accountant and a member of ICPAK.



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	Name of the Staff	Responsibility
3.7	 Mrs. Agneta Mary Ouma	Deputy Director- Supply chain Management Mrs. Agneta is the Deputy Director Supply Chain Management. She joined KNEC on 15th February 2017. She is responsible for all procurement process She holds a Masters Degree in Procurement and Logistics from JKUAT, a Bachelor of Commerce Degree from University of Nairobi, and a Diploma in Supplies Management. Ouma is a member of Kenya Institute of Supplies Management.
3.8	 Mr. Andrew F Otieno	Deputy Director - Research & Quality Assurance Mr. Andrew F Otieno is the Deputy Director Research & Quality Assurance. He was appointed into this position in 2018. He is responsible for research and quality assurance at the Council. He holds a Master of Science in Statistics from University of Nairobi and a Bachelor of Education from Kenyatta University. He has been trained in Project Management at ESAMI, Arusha and undertaken continuous trainings in the field of Educational Assessment, Research, Computer Application & Statistical Packages and Management at the Kenya School of Government, ESAMI- Arusha and Kampala, Uganda.



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4.0

CHAIRMAN'S STATEMENT



As the Kenya National Examinations Council closes out another year of service to the nation, the Council has grown in terms of its organisational strength without wavering in its core mission of maintaining a fair and rigorous conduct of the national examinations as mandated by its operating Act. I am pleased to present the Annual report which documents the accomplishments and the challenges faced by the Council during the financial year 2019/2020.

4.1 Stakeholder engagement Overview

The Council continues to engage stakeholders including educators, associations, security agencies and the private sector. The Council has sensitized them about their roles and responsibilities in ensuring that the Council administers transparent, relevant, and academically rigorous and industry accepted assessment. Credible assessment processes and procedures are needed in order for the country to produce competitive and adaptive human resources. In order to realize national development, the Council should be responsive to stakeholders' in the area of curriculum development and certification.

During the year under review the Council did not undertake the training of examiners since the ones previously trained were sufficient for the marking of the current year's examinations. In the FY 2019/20, KNEC together with other education stakeholders conducted trainings aimed at equipping various stakeholders with requisite skills and knowledge for the implementation of CBC and CBA. By the end of August 2019, 215,253 Primary School Teachers, 1,075 Curriculum Support Officers (CSOs) and 600 Tutors from 30 Teacher Training Colleges had undergone capacity building on CBC and CBA.

4.2 Examination Processes Engineering

The Council is very grateful to the Cabinet Secretary, Ministry of Education Prof. George A.O Magoha, Cabinet Secretary, Ministry of Interior and National Co-ordination, Hon. Dr Fred Matiang'i, and Cabinet Secretary, Ministry of ICT, Hon. Joe Mucheru for the multi-sectoral approach in 2019 national examination management. Increased cooperation between three Ministries in examination management ensured credibility of the national examinations.

The confirmation of candidate's registration by SMS was introduced to reduce errors in the registration details. The release of results has been fast-tracked following efficient examination processes whereby the 2018 school examinations candidates' results were released within 21 days after sitting examinations.

The Council provided arrangements and support for special needs learners as enshrined in the Constitution. There was a decrease in KCPE special needs candidates from 2,495 in 2018 to 2,414 in 2019. Similarly, KCSE special needs candidates increased from 1,499 in 2018 to 1,673 in 2019.



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4.3 Transformational Agenda

The current education reforms need planning and resource allocation to meet the requirements of the Competency Based Curriculum (CBC). This will ensure local and international assessment standards are upheld. The Council is expected to certify the achievement of individual learners to enable each learner to be placed in a suitable course and school.

In May 2019, KNEC developed tools for Monitoring Learner Progress (MLP) at Grade 3 and adapted the same for learners with disability. Through the MLP portal, all schools that had learners at Grade 3 were identified and in September 2019, the first ever Monitoring Learner Progress (MLP) at Grade 3 assessment was conducted across the country.

The Council notes that some of its traditional Appropriation in Aid has been challenged in the current environment. The Council has made a passionate appeal for increase in capitation to safeguard its operations as the custodian of national examinations and assessments.

4.4 Organization Restructuring

The Council has aligned its revised Strategic Plan 2015-2020 to the Medium-Term Plan (MTP) III, the “Big Four” Agenda which is vital in achieving the requirements of a rapidly industrializing middle income economy as enshrined in Vision 2030. The plan provides for a highly motivated and skilled staff to embrace knowledge driven changes in assessment of learning achievements. KNEC has been restructured to improve effectiveness, taking into consideration the anticipated automation and emerging functional requirements and the need for a culture change programme which will improve staff morale and performance in all Council operations.

4.5 Appreciation

The Council remain grateful to the Cabinet Secretary, Ministry of Education Prof. George A.O Magoha for steady support in ensuring the Council maintains the internationally acceptable standards of assessments. The Council is proud to have benchmarked with six regional bodies in Africa. The team spirit within the Council has been excellent and the diverse expertise has been enriching.

I take this opportunity to express my sincere gratitude to my colleagues in the Council, staff of the Council, all the resources persons who have assisted us in undertaking our work, the Ministry of Education for its unwavering support and all stakeholders who made these efforts worthwhile.

Thank You and May God Bless You.

Dr. John O. Onsati, OGW
COUNCIL CHAIRMAN



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5.0 STATEMENT BY THE COUNCIL ACTING CHIEF EXECUTIVE OFFICER



The FY 2019/2020 Annual Report marks the first year under the stable leadership of the Cabinet Secretary, Ministry of Education, Prof. George A.O Magoha. The Council 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 and newly industrialized economy. Assessment serves as a driver in the implementation of the national curricula in education institutions. The examinations results reports target different audiences: high level reports for the Ministry, Counties, Schools and subject level reports for the Teachers.

KNEC has established strong relationship with regional and international assessment bodies through its active membership and participation in International Association for Educational Assessment (IAEA) and the Association for Educational Assessment in Africa (AEAA).

5.1 Excellence in Examination Output

During the period under review, the Council's was able to complete the examination cycles and provide candidates with their results. The candidates across all schools consistently demonstrated high participation levels in national examinations. The Council recorded a 4.1% growth in the volume of scripts marked in national examinations from 20,987,231 in FY 2018/2019 to 21,841,697 in FY 2019/2020. The increase in script volumes is attributable to the success of the FPE and FDSE provided by the Government and expansion of education institutions. As the volume increases, the number of examiners and assessors has also been increased to address the shortages experienced during previous year's exam marking.

5.2 Organization Structure

In the period under review our staff compliment stood at 400 following the recruitment of 7 new staff members and a staff exits of 18 through natural attrition and retirements. The Council will continually improve systems, people and leadership capabilities as well as appropriate resourcing of its activities in the changing environment.

5.3 Financial Performance

KNEC is committed to the fiscal responsibility principles outlined in the constitution and the Public Finance Management Act, 2012. The government's examination reforms though have enabled KNEC to provide secure and credible examinations within strict timelines, are very expensive. Similar to the previous year, the additional expenditure was not matched by Government funding giving a shortfall of Kes.370,688,413. The net earnings and assets base, among other indicators registered a drop in growth in the FY 2019/2020 whereby its total asset base decreased from Kes.7,158,766,821 in FY2018/2019 to Kes.6,888,088,760 in FY 2019/2020.



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5.4 Future Outlook

Examination malpractice remains a challenge to the assessment and educational development in African countries. The Council notes that the level of KCSE examinations malpractices decreased from 3,427 candidates in 2018 to 1,309 in 2019 due to the early detection measures put in place. The Council maintains a special team of subject specialists to scrutinise the candidates' answer scripts in the affected papers. Inter-agency team comprising of representatives from KNEC, MOE, DPP, EACC, Financial Reporting Unit and DCI continues to assist in investigation of examination offences cases. Under the legal examination reforms, the Council expects heavy penalties imposed on the examination offenders.

The World Bank supported the Council to the extent of Kes.434,669,810 during the year 2019/2020 towards CBA Assessment. This is shift from the current cognitive based (knowledge dominated) assessment to a competency-based assessment where development of core competencies (communication and collaboration, critical thinking and problem solving, imagination and creativity, citizenship, digital literacy, learning to learn, and self-efficacy) and values will be assessed. The shift will be a major reform of the assessment system.

5.5 Appreciation

I would like to express my special thanks to the Council under the leadership of Dr. John O. Onsati, for its wise counsel and guidance and the staff of the Council who worked tirelessly to ensure smooth operations of the Council. I end with my sincerest gratitude to the Council team and all resource persons: examiners, panel members, and moderators without whom the work of the Council would not be possible. I greatly appreciate the continued support of our stakeholders.

Thank You and May God Bless You.

Dr. Mercy G. Karogo, MBS
Ag. CHIEF EXECUTIVE OFFICER, KNEC



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6.0 REVIEW OF COUNCIL'S PERFORMANCE FOR FY 2019/2020

6.1 PERFORMANCE AGAINST THE STRATEGIC OBJECTIVES

In line to the Section 81 Subsection 2(f) of the PFMA 2012, the Council has four strategic pillars and objectives within its Strategic Plan (2015 -2020). These strategic pillars are as follows:

6.1.1 **Pillar 1:** Stakeholder Engagement

6.1.2 **Pillar II:** Quality Products & Services

6.1.3 **Pillar III:** Organizational Efficiency and Effectiveness

6.1.4 **Pillar IV:** Organization Capacity & Capability

The Council develops its annual work plans based on the above 4 pillars. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Council set its performance targets set for the FY 2019/2020 period for its 4 strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities
6.1.5	Develop a framework for collaboration with other education stakeholders	Developed procedures and implementation plan	Developing and implementing a procedure/protocol for handling guests, customers and events
	Increase Post School Examination Candidature	No of Post school candidature	Creating Awareness for Post School Examination
		Reviewed, printed and distributed career booklets	
	Develop and implement a system to provide feedback on educational assessment to stakeholders.	Research reports	Designing and implementing an internal research forum and agenda in education and assessment
		No of stakeholder reached by feedback reports	Providing feedback reports on examination results to stakeholders
		Conference held	Hosting the 38 th Annual Association of Educational Assessment in Africa (AEAA) Conference
	Review of the KNEC legal framework	Draft Bill of KNEC Act	Engaging Stakeholders in reviewing KNEC Act



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Strategic Pillar	Objective	Key Performance Indicators	Activities
	Effective communication of KNEC policies and services to stakeholders and the public	Draft KNEC Rules and Regulations	Engaging Stakeholders in reviewing KNEC Rules and Regulations
		Legal reports	Carrying out legal audits
		Approved policy	Developing and implementing a communication policy
		No of stakeholders sensitized	Creating awareness among stakeholders on implementation of the new modes of assessment
	Enhance security in KNEC operations	Approved Responsive Service Charter	Reviewing the Service Charter
		No of staff and stakeholders sensitised	Sensitizing stakeholders and staff on KNEC Security and Safety policy
6.1.6	Review and update mechanisms for assessment of examinations on relevance, competencies and best practices	Functional Item Bank	Operationalizing Item Writing Portal and Item Bank
		Operational manuscripts information management	Developing manuscripts information management system
		Operational regional storage facilities	Developing a regional examination distribution system
		Operational scripts management system	Digitizing of the examination scripts for KCPE and KCSE through a system-based solution
	Realization of Competency Based Assessment (CBA)	Standardized framework of school-based assessment	Developing assessment framework (Up to Grade 6)
		Developed Grade 3 tools in place	Developing Test items for CBA/MLP at Grade 3
		ICT Infrastructure in place for CBA	Establishing ICT Infrastructure to support CBA
		A system for implementation of CBA in place	Developing a comprehensive system for implementation of CBA



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6.1.7	Monitor, quality-assure and evaluate each examination process	Compliance with the examinations rules and regulations	Monitor and evaluating each examination process
		Online confirmation of results	Developing an electronic system for confirmation of results
		Real time transmission of CEs and supervisors	Developing a system to enable automation of transmission of reports from marking centres
		Approved guidelines	Developing guidelines for equation of locally sat foreign examinations
	Carry out ICT business mapping and analysis for key KNEC processes	Enhanced online registration platform	Reviewing and revamping the online registration system
		Installed security equipment and systems	Enhancing system security for confidentiality and integrity
		Functional disaster recovery centre and reliable backups	Reviewing data backups and disaster recovery
	Deploy integrated ICT infrastructure and information management systems	Functional stores management	Automatizing stores management processes
		No of additional modules/functions added	Enhancing the ERP
	Enhance in-house printing capacity	Acquired and installed copy printers	Acquiring and installing 2 copy printers
		No of weighing machines acquired	Acquiring 25 manual weighing machines
	Enhance security in KNEC operations	Provision of armed security	Implementing the KNEC Security and Safety Policy
		Use of electronic security measures	
		Installed EVMS systems	Acquiring and installing Electronic Visitors Management System (EVMS)



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6.1.8	Ensure adequate space, equipment and services for KNEC operations	Approved Asset Management policy	Developing an Assets Management Policy
		No of vehicle acquired	Fleet management
		No of vehicle maintained	
		No of staff sensitized	Sensitizing staff on the Transport policy
		Centralized Records Management System in place	Establishing a Centralized Records Management System
	Timely review of KNEC strategy	Reviewed strategic plan	Carrying out strategic plan evaluation and review
		Evaluation report	Carrying out strategic plan Terminal evaluation
		Draft 2020-2025 Strategic Plan	Preparing 2020-2025 Strategic Plan
	Ensure performance monitoring and evaluation	Implementation reports	Preparing and monitoring Annual corporate work-plans
		PC reports	Preparing and monitoring implementation of performance contracts
	Ensure compliance with approved quality procedures and policies	ISO: 9001:2015 Certification	Maintaining QMS system
		Updated QMS Procedures	Reviewing and implementing Quality Management procedures
	Undertake independent appraisals of systems and procedures to ensure effectiveness of controls and integrity	Risk management reports	Implementing the Risk Management Policy
		Audit report	Undertaking a risk analysis and developing mitigation measures
		Governance Audit report	Carrying out Annual Governance Audit Report
	Conduct research on educational assessment to inform policy	Production and dissemination of KCPE General and School Specific Report	Conducting General and School Specific Analysis in performance of KCPE examinations and dissemination the reports
	Monitor learner achievement at various level	Approved Piloting tools	Conducting National Assessment for Monitoring Learners Achievement at



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			Class 6 for South and East African Consortium for Monitoring Education Quality (SEACMEQ)
		Production and dissemination of reports	Conducting National Assessment for Monitoring Learners Achievement at Class 3 and Class 7
		EGMA, baseline, Midline and end-line survey reports	Conducting Early Grade Mathematics (EGMA) end line Survey –Class 2
6.1.9	Ensure there is a responsive organization structure	Implemented organization structure and scheme	Implementing the organization structure and schemes of service
	Review and implement HR policies and procedures	No of staff sensitized	Disseminating and sensitizing the reviewed HR Policies to staff
	Hire, capacity build a retain a motivated workforce	Return to work report	Staff training and development
		Operational mortgage and car loan scheme	Implementing mortgage and car loan facility
	Create capacity to enable research and implementation of the CBA	Training of TD officers on CBA	Capacity building of Test Developers for CBA
		No of trained Contracted Professionals	Capacity building of contracted professionals (item writers, setters, moderators and field officers)
	Ensure stable revenue streams	Increased revenue for alternative sources by 5%	Identifying alternative sources of revenue and developing related procedures
			Enhancing existing sources of revenue
	Ensure minimized costs and value for money	Effective cost management	Formulating and implementing cost management strategies
		Realistic budget	Instituting zero/activity based budgeting



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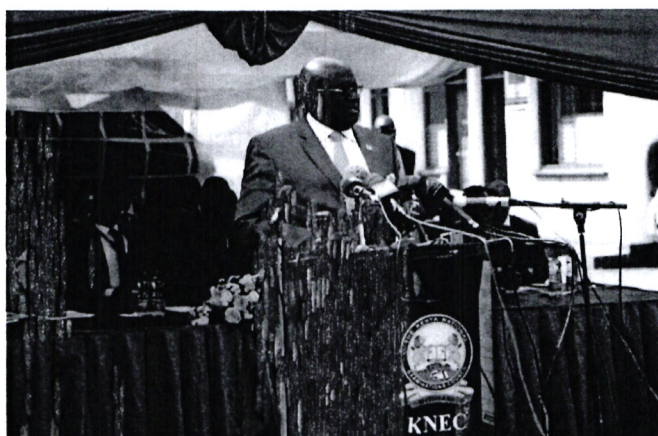
6.2 KEY RESULTS OF ACTIVITIES AND ACHIVEMENTS

The Council achieved the following results in the FY 2019/2020 period for its 4 strategic pillars

6.2.1 Stakeholder Engagement

Release of National Examinations.

Meetings for the release of KCPE/KCSE 2019 examination results have provided insight into specific needs of the country and identified areas where specific support may be required.



Education Cabinet Secretary, Prof George Magoha during the release of the 2019 KCPE examination results in November 18, 2019



Five delegates from regional examinations bodies had an opportunity to benchmark with the Kenya National Examinations Council during the 2019 Kenya Certificate of Secondary Education (KCSE)

The release of the national examinations reflects the academic performance of schools through ranking. The release was witnessed by the regional examinations delegates from Uganda, Tanzania, Malawi, Eswatini & South Africa. The CS stated that the 2019 national examinations results had registered an improvement compared the previous years.

Conferences, Workshops, Open Day, International trade Fares & Exhibitions Forums.

The Council participates at KEPSHA conferences in Mombasa in the month of December 2019 respectively.



Teachers buy school exams feedback reports at the KNEC exhibition stand during the KEPSHA Annual Delegates Conference in Mombasa



Teachers were involved in a NASLMA workshop on benchmarks



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Further the Council showcases its services and products at the Mombasa International Trade Fair & Nairobi International Show Trade Fair in August & September 2019 respectively. Stakeholders were able to acquire information and education resources.

Awareness Programmes for TVET.

Outreach programmes have been undertaken to create awareness about the Council Post School Examinations. Career guidance handbooks have been issued to the stakeholders for reference and guidance. There was growth in candidature in the Post School Examinations of 39.35% from 159,982 in FY 2018/2019 to 222,939 in FY 2019/2020.



A KNEC Officer sensitizing the public on career booklet for post School

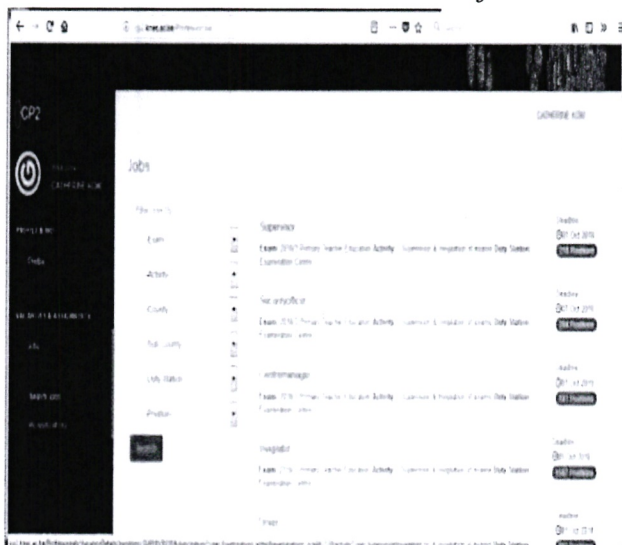


Youth keenly following events at KICC on Future Hands on Skills three-day Workshop.

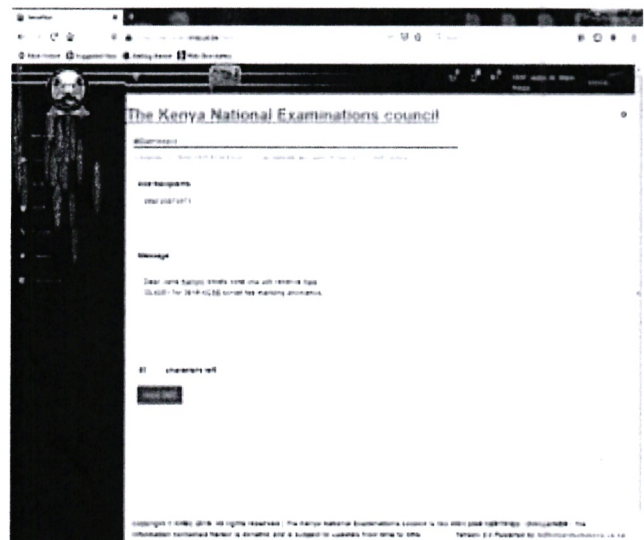
Digital Presence

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.

Interactions with the Contracted Professionals



CP2 Module was used to capture contracted professional details which was used to make payments.



Sema Nasi module was used to sent payment feedback to the contracted professional have receiving MPESA remittance.



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Over 200,000 contracted professionals in various regions in the counties registered in the CP2 platform for recruitment. Through the platform, KNEC processed their payments via the Safaricom MPESA platform which was cost effective and efficient for service delivery. The *Sema Nasi* platform notifies the contracted professionals on payments in their phones

CBA web based portal

Grade 3 MLP portal link was placed on the KNEC website to provide user-friendly interfaces for identifying learners; filling of e-readiness and administration feedback questionnaires by schools; and uploading of scores by teachers.

The image shows two side-by-side screenshots. The left screenshot is the KNEC website homepage, featuring the council's logo, navigation links (HOME, ABOUT, SERVICES, NEWS, DOWNLOADS, FAQS, CONTACT), a large photo of students, and links to 'CIRCULARS & GUIDELINES' and 'Our Service Charter'. The right screenshot is the 'MLP Portal' interface, which includes sections for 'QUESTIONNAIRES', 'DOWNLOAD INSTRUCTIONS AND ASSESSMENT TOOLS', 'ACTIONS' (with links like 'Update School Details', 'Identify / Register Learners', 'Download Assessment Materials', 'Capture Assessment Outcomes'), 'REPORTS', and 'ADMINISTRATIVE FEEDBACK'. It also lists 'Learning Areas' such as English Language Activities, Mathematics Activities, Integrated Learning Areas, Communication, Social & Pre-Literacy Skills, Activities of Daily Living Skills, and Integrated Learning Areas - SME.

Registration of candidates for Grade 3 was loaded on the website platform.

Web based portal used by schools to download assessment tools during MLP.

During the administration of 2019 Grade 3 MLP head teachers downloaded the tools, printed and handed over the tasks to the class teachers. The Class teachers administered the tasks, marked, scored and uploaded the performance levels of each learner on the Grade 3 MLP portal.



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6.2.2 Quality Products & Services

Transformative agenda in national examinations in place



This is one containers used countrywide for examination storage and safety to ensure the undertaking of credible examinations



ICT infrastructure procured through SEQIP project to strengthen national system for MLP

The Council has invested heavily in examination infrastructures to support assessment of examinations with a keen focus on relevance, competencies and best practices in meeting the country expectation.

Realization of the CBA



Grade 3 learners cleaning the Ekero market in Mumias



Grade 3 learners cleaning the Karunga market in Kiambu

Grade 3 learners were assessed on cleaning the market place during the FY 2019/2020. The assessed scores were later uploaded to the Council website.



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6.2.3 Organizational Efficiency and Effectiveness

Monitor, quality-assure and evaluate each examination process



Education Cabinet Secretary, Prof. George Magoha addresses candidates before the start of 2019 KCSE examinations on November 4



Tourism and Wildlife Cabinet Secretary, Mr. Najib Balala addresses candidates of Kileleshwa Primary School in Nairobi County before the start of 2019 KCPE examinations on October 29. He is accompanied by KNEC Ag. CEO Dr. Mercy Karogo (left) as they participate in the monitoring of examinations

The Senior Government officials & Council visited several schools and regional containers during monitoring of national examinations. The examination centres that were mapped out as hot spots for examination malpractices were assigned full time KNEC officers to monitor the administration of the examinations.

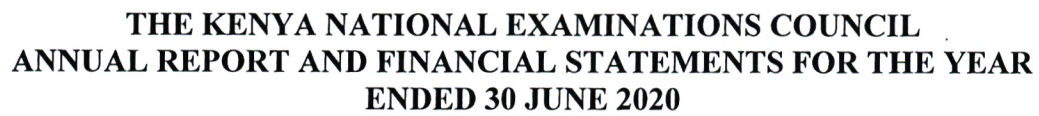


Ag CEO leads a team of education officials shortly before the opening of the examination materials storage container in 2019.



Kasei Boys Secondary School candidates in West Pokot County lineup to undergo searching before the beginning of KCSE Exams.

The combined effort of the multiagency government monitoring team ensure compliance.



Subject Officers handling KCPE subjects, KICD Officers and practising teachers were trained on CBA by UNECSO in March 2018 and by CITO B. V. on February 2020. The trainings were on preparation for a paradigm shift in assessment and national rollout of the CBC.

A black and white photograph showing several framed documents or certificates displayed on a wall. The central document is titled "FOUR FIGURE" and features a large diamond graphic. Other documents are partially visible around it, some with portraits and text.

OUR PORTFOLIO
MONITORING
CAREERS
BRANCH OFFICES
CARPENTRY COURSE
OUR GALLERY

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7.0 STATEMENT OF CORPORATE GOVERNANCE

7.1 Introduction

The Council is constituted under Section 4 of the KNEC Act No. 29 of 2012. The current Council consists of 12 members including a 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.

7.2 Council Diversity

The members have good academic qualifications and extensive administrative experience in private and /or public sector that is applicable in the management of the Council. They possess a broad range of skills and competencies, including education, curriculum design, finance, management and security. The biographies of the Council members are disclosed on pages xi & xvi of this report.

On gender parity, 50% of the Council members were male and 50% were female thus meeting the constitutional gender threshold requirement. The Council was also balanced in terms of ethnic and regional balance.

7.3 The Council Term of Service

The Chairperson serves for a term of three years while the members of the Council serve for a term of four years, and are eligible for re-appointment for one further term. These members were reappointed by their nominating institutions and gazetted in the Kenya Gazette by the Cabinet Secretary Education for a further term of four years.

7.4 The Roles and Responsibilities of Members

The roles and responsibilities of members are outlined in section 10 of the KNEC Act 2012. These roles and responsibilities are also detained in the Council's five-year strategic plan (2015-2020), in the Council's annual work plans and in the Board Charter. New members, once appointed, are inducted and given these documents in order to familiarise themselves with the roles and responsibilities as outlined in the law.

7.3 The Council Charter

The Council has in place a Council Charter which was approved in 2016 and which is currently undergoing a process of review. The Council Charter governs;

- Succession planning;
- Process of Appointment and removal of Council members;
- Roles & functions of the Council;



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- Induction & training;
- Conflict of Interest;
- Council Remuneration;
- Ethics & conduct.

7.4 The Council Evaluation

During the FY 2019-2020, the State Corporation Advisory Committee (SCAC) carried out evaluation of the Chairman, Council members and Ag. Chief Executive Officer on 21st January 2020.

7.5 Compliance to laws and other legal requirements

The Council as a responsible corporate citizen is alive to the tenets of the Constitution of Kenya and accountable to the Government of Kenya, through the Ministry of Education in ensuring that it complies with all applicable laws and statutes and maintain the highest standards of corporate governance.

7.6 The Council Remuneration

The remuneration of the Council is governed by prevailing rates as per Government policy and Government Circulars. Details of the Council and its committee allowances are included in these financial statements.

7.7 Conflict of Interest and Declaration of interest

The Council members have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Council. All transactions with all parties, members or their related parties are carried out at arm's length. Council members are obligated to disclose to the Council any real or potential conflict of interest, which may come to their attention whether direct or indirect. During every Council meeting, an agenda item exists which required members to make a declaration of any conflict of interest they may have in the business to be discussed.

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.



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7.8 Induction and Training

The Council develops induction and training programs designed to induct new members of the Council to the operations of the Council and related governance matters. The programs are also aimed at equipping 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 Council carried out training on Corporate Governance in Naivasha.

7.9 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 implemented internal mechanisms that encourage and protect whistle blowing on corruption and unethical conduct by the complaint/corruption reporting boxes placed at strategic locations.

7.10 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 fully and effectively carry out their duties and responsibilities. In addition, members are entitled where necessary to seek independent professional advice concerning the affairs of the Council.

7.11 The Council Composition and Committees

During the year under review, the following table represents the members of the Council and its committees. There are three committees of the Council and each member is appointed to various committees. The table below shows the chairs and members of each committee of the Council.

Best practice requires that every Council member attends a minimum of 75% of all Council meetings. Below is an extract from the attendance register for the Council meetings held in the period from 1st July 2019 to 30th June 2020:-



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COUNCIL & COMMITTEE MEETING ATTENDANCE FOR THE YEAR 2019/2020

NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE & GENERAL PURPOSES COMMITTEE	EXAMINATIONS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	COUNCIL	TOTAL
7.11.1	Dr. John Onsati, OGW	Independent	Council Chairman	2/11	19/19	1/7	25/25	47/62
7.11.2	Dr. Belio Kipsang, CBS	Principal Secretary, Ministry of Education	Member	2/11	9/19	-	9/25	20/62
7.11.3	Dr. Julius Jwan, MBS	CEO, Director, Kenya Institute of Curriculum Development	Member	-	16/19	5/7	13/25	34/62
7.11.4	Dr. Joel Mabonga	Ag. CEO/Director, Kenya Institute of Curriculum Development	Member	-	-	1/7	5/25	6/62
7.11.5	Dr. Nancy Macharia, CBS	CEO, Teachers Service Commission	Member	-	2/19	-	6/25	8/62
7.11.6	Mrs. Rosemary Saina, OGW	Independent Member	Member & Chairperson, Finance & General Purposes Committee	9/11	18/19	1/7	23/25	51/62



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NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE & GENERAL PURPOSES COMMITTEE	EXAMINATIONS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	COUNCIL	TOTAL
7.11.7	Ms. Dorothy Kimeu, MBS	Representing the Cabinet Secretary, National Treasury and Planning	Member	6/11	16/19	4/7	10/25	30/62
7.11.8	Mr. Martin Okiyo	Independent Member	Member & Chairperson, Audit & Risk Committee	8/11	16/19	1/7	22/25	47/62
7.11.9	Dr. Mary Gaturu, HSC	AG. Director, Quality Assurance & Standards, Ministry of Education	Member	1/11	15/19	7/7	24/25	40/62
7.11.10	Dr. Karen T. Odhiambo	Independent Member	Member & Chairperson, Audit & Risk Committee	1/11	16/19	6/7	23/25	46/62
7.11.11	Prof. Erick Okoth Ogur	Independent Member	Member	-	-	-	1/25	1/62
7.11.12	Col. Leonard Owambo	Co-opted Member	Member	10/11	14/19	-	23/25	47/62
7.11.13	Dr. Fred O. Sporta	Co-opted Member	Member	4/11	18/19	6/7	24/25	52/62



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NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE & GENERAL PURPOSES COMMITTEE	EXAMINATIONS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	COUNCIL	TOTAL
7.11.14	Dr. William Maina	Director, Teachers Service Commission	Alternative Member for TSC	8/11	1/19	-	8/25	17/62
7.11.15	Wekesa Khaoya	CFO, Ministry of Education	Alternative Member for MOE	5/11	-	-	-	5/62
7.11.16	Franklin K Choge	CFO, Teachers Service Commission	Alternative Member for TSC	-	2/19	-	1/25	3/62

Most of the Council members attended all the meetings during the year.



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7.12 Council Committees

Subject to fundamental, strategic, policy and formal matters reserved for its decision, pursuant to Section 13 of the KNEC Act 2012 and in accordance with the code of governance for State Corporation (Mwongozo) the Council works through a number of committees which operate within defined terms of reference. During the period under review, the Council constituted the following sub-committees: the Finance & General Purposes Committee, Audit & Risk Committee and Examinations Management Committee.

7.12.1 Examinations Management Committee (EMC)

The Committee consists of all the Council members. The Committee was chaired during the financial year by Dr. John O. Onsati. The committee is responsible for the following:-

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

7.12.2 Finance & General Purposes Committee (FGPC)

The Committee consists of six (6) members, it was chaired in the financial year 2019/2020 by Ms. Rosemary Saina. The committee is responsible for the following:-

- 7.12.2.1 Oversight on all financial issues including budgets, financial reporting processes and controls, and procurement;
- 7.12.2.2 Oversight for human resource matters including recruitment, management succession and oversees the corporate communication policies;
- 7.12.2.3 Reviewing the Council's technical and policy matters;
- 7.12.2.4 Review the Council's strategy and continuous oversight of the review of the legal and regulatory frameworks.

7.12.3 Audit & Risk Committee

The Committee consists of five (5) members. The Committee was chaired by Dr. Karen T. Odhimbo in the financial year 2019/2020. The committee is responsible for the following:-



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

7.13 Risk Management and Internal Controls

The Council continued to provide oversight on risk management and corporate governance of the Council's activities through the Audit & Risk 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 changed and new examination subjects were introduced by KICD. In addition, the Council approved various internal control procedures and obtained assurances on existing risk management strategies and procedures.

7.14 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 effectiveness of the internal audit is enhanced through governance support from the Council's Audit & 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 & Risk Committee.

The Council's external assurance for the period under review was provided by the Office of the Auditor General (OAG). OAG carried out a systems and financial audit on the Council's expenditure cycles.

7.15 External Audit

The Office of the Auditor General (OAG) is the external auditor of KNEC. No non-audit services were provided by the external auditors.



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8.0 MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

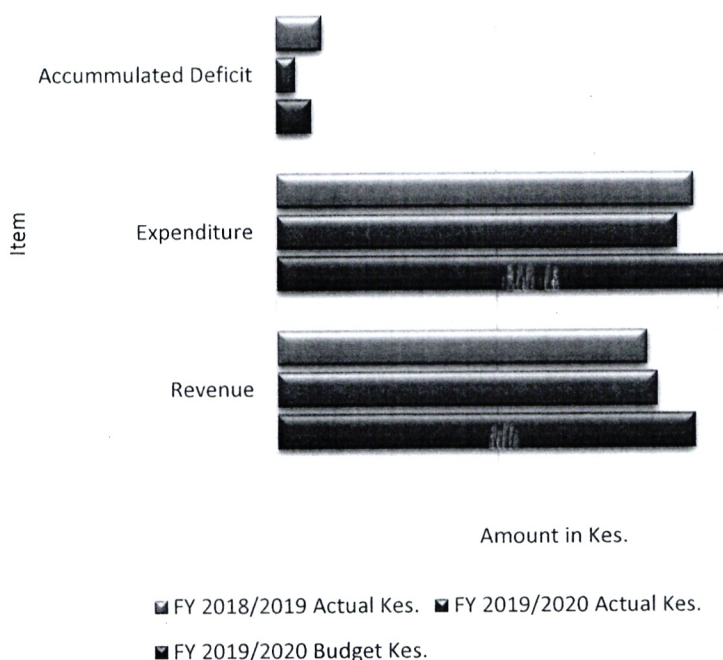
The performance of the Council in general is reviewed below:

8.1 FISCAL PERFORMANCE

The Council aimed at raised 100% of the budget revenue which the organization managed to receive 91%. The Council utilized 100% of the received funds in its operations. The actual deficit was within the approved budget deficit. The year in review deficit was an improvement of the previous deficit.

KNEC Financial performance

KNEC Financial Performance



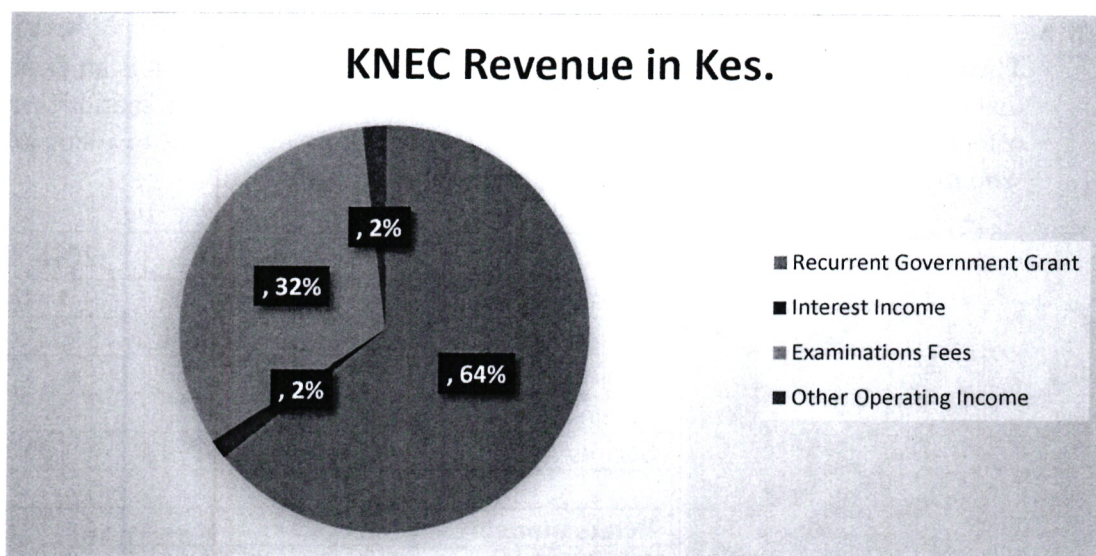
8.2 REVENUE PERFORMANCE

The Council is supported by the National Government through the Ministry of Education by way of transfer of funds for operational use and national examinations fees. During the year, MoE transferred a total of Kes.4,200,868,742 for recurrent and Kes.434,669,810 for World Bank projects. These funds are channelled to the Council through its bank account and are thereafter budgeted for and approved by the Council.



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MANAGEMENT DISCUSSION AND ANALYSIS



All funds have been accounted for and are disclosed in the annual financial statements.

8.3 EXPENDITURE PERFORMANCE

The Council's total actual expenditure for financial year 2019/2020 totalled to Kes.7,261,295,415 which was 88% of the budget. The actual recurrent expenditure was Kes.7,261,077,340 while Kes.218,075 was for the development expenditure.

8.4 BASIC EDUCATION LEVEL STATISTICS

8.4.1 Kenya Certificate of Primary Education

The KCPE examination is designed mainly as a primary school leaving examination. The examination is conducted once every year in October/November. It is an entry examination that enables candidates to progress to Secondary education or training in tertiary institutions. The examination is taken in three days preceded by a day of rehearsal.

		2019/2020	2018/2019
	Candidates	1,088,989	1,070,300
	Exam Centres	27,807	27,157
	Subjects	5	5
	Papers	7	7
	Scripts	7,622,923	7,492,100
	Performance		
	Qualify for Secondary Level	100%	100%

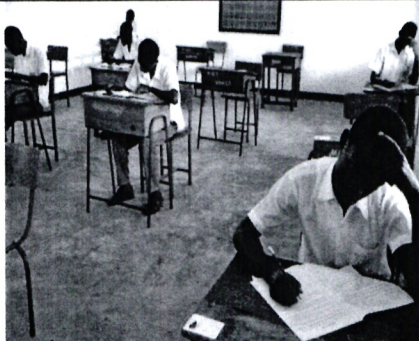


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MANAGEMENT DISCUSSION AND ANALYSIS

8.4.2 Kenya Certificate of Secondary Education

The Kenya Certificate of Secondary Education (KCSE) examination is an examination that is offered after four-year cycle in secondary education. The examination is normally offered in November/December each year. It is open to all bona fide residents of Kenya who meet the examination requirements as stipulated by KNEC.

		2019/2020	2018/2019
	Candidates	699,706	664,586
	Exam Centres	10,801	10,289
	Subjects	30	30
	Papers	73	73
	Scripts	14,218,774	13,495,131
	Performance		
	Qualify for University	18%	14%
	Qualify for TVET Diploma courses	21%	19%
	Qualify for TVET Certificate courses	35%	38%
	Qualify for TVET Artisan courses	30%	26%

8.5 TERTIARY LEVEL STATISTICS

On the other hand, post school practical examination started on 1st November, 2019. The theory papers ran from 11th to 22nd November 2019.

8.5.1 Business Examinations

KNEC offers business examinations twice a year in July and November/December.

8.5.1.1 Business Single and Group

The Business Education Single and Group Certificate examination is offered to candidates of any age or formal education level. Examination for the Business Single & Group Certificate is conducted at three levels:- Elementary (Stage I), Intermediate (Stage II), Advanced Level (Stage III). Candidates are expected to pass at the lower level before they register for a higher level.

		2019/2020	2018/2019
	Candidates	39,197	7,559
	Papers	112	111
	Scripts	39,212	30,394
	Performance		
	Awarded Certificate	54%	60%



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8.5.1.2 Business Technical Education Programme

The BTEP examination is offered two times in a year (July and November). Courses are offered at the levels of Artisan, Craft, Diploma and Higher Diploma. A candidate is required to pass a lower level before proceeding to a higher level.

		2019/2020	2018/2019
	Candidates	68,117	53,531
	Papers	1,349	1,272
	Scripts	382,094	297,361
	Performance		
	Awarded Certificate	56%	57%

8.5.1.3 Business Management

The Business Management (BMGT) is offered two times in a year (July and November).

		2019/2020	2018/2019
	Candidates	1	12
	Papers	1	17
	Scripts	1	18
	Performance		
	Awarded Certificate	0%	67%

The BMGT is in the last stages of being phased out and registration only open to candidates re-sitting the examination.

8.5.2 Technical Examinations

The Technical examination is offered two times in a year (July and November). Courses are offered at the levels of Artisan, Craft, Diploma and Higher Diploma. A candidate is required to pass a lower level before proceeding to a higher one:

		2019/2020	2018/2019
	Candidates	145,884	98,636
	Papers	2,586	2,512
	Scripts	717,725	462,659
	Performance		
	Awarded Certificate	57%	58%

8.5.3 ECDE Examinations

Early Childhood Development and Education (ECDE) is the bedrock and foundation of all learning in the life of any child. The ECDE examination was offered once in December, However, from 2019 the examinations will be offered in April. Courses are



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

offered at the levels of Certificate and Diploma. A candidate is required to pass a lower level before proceeding to a higher one.

	2019/2020	2018/2019
Candidates	-	50,128
Scripts	-	219,902

8.5.3.1 ECDE Examinations-Certificate

		2019/2020	2018/2019
	Candidates	Postponed	24,219
	Papers		7
	Scripts		120,201
	Performance		
	Awarded Certificate		69%

8.5.3.2 ECDE Diploma

		2019/2020	2018/2019
	Candidates	Postponed	11,501
	Papers		7
	Scripts		46,233
	Performance		
	Awarded Certificate		61%

8.5.3.3 ECDE -Proficiency

		2019/2020	2018/2019
	Candidates	Postponed	12,870
	Papers		2
	Scripts		38,613
	Performance		
	Awarded Certificate		55%

8.5.4 DTE Examinations

The Diploma in Teacher Education (DTE) examination is administered to teacher trainees at Diploma level at the end of a **three-year** course. The DTE examination is offered in March.



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

8.5.4 DTE Examinations

		2019/2020	2018/2019
	Candidates	Postponed	2,141
	Papers		20
	Scripts		14,909
	Performance		
	Awarded Certificate		70%

8.5.5 SNE Examinations

The Diploma in Special Needs Education (SNE) Part II examination is administered to teacher trainees at Diploma level after two (2) terms of study. For a candidate to be enrolled for the Diploma in SNE (Part II) examination, he/she must have sat and passed the Diploma in SNE Part I examination. Thereafter, the candidates' results for Parts I and II are combined and successful candidates awarded a Diploma in SNE. The SNE examination is offered in April.

		2019/2020	2018/2019
	Candidates	Postponed	1,969
	Papers		17
	Scripts		6,828
	Performance		
	Awarded Certificate		85%

8.5.6 PTE Examinations

The Certificate in Primary Teacher Education (PTE) examination is administered to teacher trainees at Certificate level after two (2) terms of study. For a candidate to be enrolled for the Primary Teacher Education (PTE) examination, he/she must have a mean grade of Cat KCSE level. The PTE examination is offered in July.

		2019/2020	2018/2019
	Candidates	26,592	29,530
	Papers	15	14
	Scripts	174,064	201,213
	Performance		
	Awarded Certificate	43%	61%



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

8.5.7 TCAE Examinations

The Teacher Certificate in Adult Education (TCAE) examination is administered to teacher trainees at Certificate level after two (2) terms of study. For a candidate to be enrolled for the Teacher Certificate in Adult Education (TCAE) examination, he/she must have a mean grade of Cat KCSE level. The TCAE examination is offered in July.

		2019/2020	2018/2019
	Candidates	250	249
	Papers	4	4
	Scripts	845	1,057
	Performance		
	Awarded Certificate	76%	70%

8.5.8 National Assessment Programme

The Ministry of Education established the National Assessment System for Monitoring Learner Achievement (NASMLA) and mandated the National Assessment Centre (NAC), domiciled at KNEC, to carry out Monitoring Learner Achievement (MLA) studies to monitor learner acquisition of basic and essential competencies in literacy, numeracy & life skills at lower primary, as well as in Languages, Science and Mathematics in Upper Primary and Lower Secondary. Conventionally, these studies, which are sample based, have been carried out at Grades 3, 6 and Form 2. Additionally, the Early Grade Mathematics Assessment Baseline, Midline and Endline studies were undertaken in 2016, 2018 and 2019 respectively.

4.5.8.1 Key Milestones of the MLA Programme

One of the most significant milestones of the MLA programme has been to monitor and report on Sustainable Development Goal (SDG 4) with respect to the proportion of Learners attaining Minimum Proficiency Level in Reading and Mathematics, as well as on the overall quality of education. During the 2019/2020 FY, the National Assessment Centre conducted and disseminated findings of the following Monitoring Learner Achievement Studies:

- NASMLA Class 7 Study(2019)
- EGMA End line Study (2019); and
- SEACMEQ V Pilot Study (2019)



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MANAGEMENT DISCUSSION AND ANALYSIS

8.5.8 National Assessment Programme

A total of **12,263** learners were assessed as shown in the table below:

Number of Pupils Assessed in MLA Studies: 2019/2020

Class	Study	Number of Pupils assessed
Grade 2	EGMA End line	6,792
Class 7	NASMLA Study	5,229
Class 6	SEACMEQ V Pilot Study	242
Grand Total		12,263

Through the studies, KNEC continues to inform policy on learner competencies, with a view to identifying any learning gaps that need to be addressed and suggest pedagogical approaches towards addressing such gaps.

One of the key achievements of KNEC during this period was the institutionalization of the National and County Education Quality Dialogues. Through these dialogues, education stakeholders engaged in discourses on issues of access, retention, transition and predictors of learning outcomes such as provision of infrastructure, instructional materials as well as parental involvement in their children's work. It is also significant to note that this year's dialogues came in the wake of the national rollout of the Competency Based Curriculum, thus according stakeholders an opportunity to gain more insight into the curriculum, and discuss on best practices in its the implementation.

Another key milestone of the Monitoring Learner Achievement Programme during the FY 2019/2020 was provision of feedback on learning outcomes from summative assessment. During this year, KNEC provided KCPE School Specific reports for a three-year period (2016-2019). Although this intervention was planned for 4,000 schools, KNEC surpassed this target and provided these reports to all primary schools in the republic. Further, in liaison with the MoE, NAC with technical support from the ICT Department developed a web based digital platform where all primary schools can access their school specific reports online. It is significant to note that to date all primary schools (Public and Private) can access their KCPE analysis for the period: 2013-2019 online using their passwords. In addition, KNEC facilitated, the 4,000 schools targeted for the School Improvement Programme (SIP) interventions to print their KCPE School Specific Reports for 2016, 2017 and 2019.



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MANAGEMENT DISCUSSION AND ANALYSIS

8.5.8 National Assessment Programme

In addition, during the FY 2019/2020 NAC successfully completed supervision of the conduct of Evaluation Study on the Quality of Early Grade Mathematics (EGM) Trainings and the School Improvement Programme (SIP) process. Having reviewed and edited the evaluation report, NAC submitted the report to the MoE for disclosure. The Kenya National Examinations Council has continued to participate in Regional Large scale Assessments. In the FY 2019/2020, NAC, together with research teams from the 16 countries which are member states of the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SEACMEQ) implemented the following phases of the SEACMEQ V Project:

- Pre-testing of the instruments - July 2019;
- Pilot Study- October 2019; and
- Selection of items for the SEACMEQ V Study.

One of the greatest milestones achieved by KNEC in the FY 2019/ 20 is capacity building of KNEC staff on conduct of assessments in general, and project management in particular. During the FY 2019/20, NAC, with support of the GPE –PRIEDE project, facilitated training of more than **forty (40)** Senior KNEC staff on *Quantitative Methods of Monitoring Educational Quality*.

8.5.9 Secondary Education Quality Improvement Project

Competency Based Assessment

Education curriculum reforms were initiated in 2017 in line with The Kenya Vision 2030. Among the changes is the adoption of a Competency Based Curriculum (CBC) approach; mainstreaming of values and community service learning as integral in the formal and non-formal curriculum; and opportunities for students to select a learning pathway and track in the proposed senior secondary school.

MoE in collaboration with the World Bank has been providing support to the Kenya National Examinations Council (KNEC) to institutionalize Competency Based Assessment (CBA). KNEC has been facilitated to upgrade its current assessment system through Secondary Education Quality Improvement Project (SEQIP).



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MANAGEMENT DISCUSSION AND ANALYSIS

8.5.9 Secondary Education Quality Improvement Project

Milestones

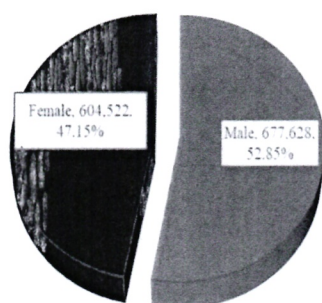
Training of Curriculum Support Officers (CSOs), Teachers and Other Stakeholders in the 47 counties

The Ministry of Education together with TSC, KICD, KISE, CEMASTEIA and KNEC conducted trainings that aimed at equipping various stakeholders with requisite skills and knowledge for the implementation of CBC and CBA. By the end of August 2019, 215,253 primary school teachers, 1,075 Curriculum Support Officers (CSOs), 600 tutors from 30 Teacher Training Colleges had undergone capacity building on CBC and CBA

Identification of Learners

The identification/enrolment of 2019 MLP Grade 3 learners countrywide was done through a KNEC portal between 1st July and 30th August 2019. A total of 1,282,150 learners were identified in 37,374 schools. Out of these, 604,522 (47.15%) were female, while 677,628 (52.85%) were male. A total of 5,224 learners with Special Needs were identified out of which 2,125 were on Regular (age- based) pathway and 3,099 were on SNE (stage-based) pathway.

2019 MLP Grade 3 learners Gender



Administration of 2019 MLP Grade 3 Assessment Tools

The 2019 Integrated Learning Assessment (ILA) tool was uploaded on 11th July 2019 and schools were expected to administer it in a period of 2 months. The English Language Activities and Mathematical Activities assessment tools as well as the assessment guidelines and scoring rubrics were uploaded on 10th September 2019.



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SECTION A Continued

Secondary Education Quality Improvement Project

Administration of English Language Activities and Mathematical Activities assessments began on 16th September 2019. Schools downloaded the tools and administered them using the most convenient method such as printing/photocopying, projecting, tablets and/or writing on the board.

Teachers scored learners' achievements in the assessment tasks were scored using four performance Levels:

- (a) Exceeding Expectation (Level 4)
- (b) Meeting Expectation (Level 3)
- (c) Approaching Expectation (Level 2)
- (d) Below Expectation (Level 1)

PERFORMANCE LEVELS FOR THE REGULAR

National Performance of 2019 MLP Grade 3 Learners in English Language Tasks				
Tasks	Exceeding Expectation	Meeting Expectation	Approaching Expectation	Below Expectation
Listening and Speaking/Signing Skills	29%	36%	26%	9%
Reading Aloud/Signing	29%	32%	25%	14%
Reading Comprehension and Language Structures	18%	33%	26%	23%
Writing Skills	14%	33%	31%	22%

National Performance of 2019 MLP Grade 3 Learners in Mathematical Activities				
Strand	Exceeding Expectation	Meeting Expectation	Approaching Expectation	Below Expectation
Numbers	26%	34%	30%	11%
Measurement	24%	45%	21%	10%
Geometry	37%	41%	6%	16%



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SECTION A Continued

Secondary Education Quality Improvement Project

PERFORMANCE LEVELS FOR THE REGULAR

National Performance of 2019 MLP Grade 3 Learners in Integrated Learning Assessment (ILA)				
Sub-task	Exceeding Expectation	Meeting Expectation	Approaching Expectation	Below Expectation
Identification of materials for cleaning the market place	40%	46%	13%	2%
Improvisation of materials for cleaning the market place	32%	51%	16%	2%
Stretching up for warm up	38%	49%	12%	1%
Cleaning the market place	41%	49%	9%	1%
Working with others	42%	48%	9%	1%
Sorting and disposing of the collected waste	33%	52%	14%	1%
Observing safety measures	32%	52%	15%	2%
Kuandika njia mbalimbali za kutunza usafi sokoni.(KIS/KSL)	24%	46%	23%	7%
Singing a song on cleaning the environment	30%	48%	19%	3%
Drawing and mounting objects	23%	53%	22%	2%

SECTION B

The Council has complied with the following statutory requirements,

8.6 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.

8.7 PENSION COMPLIANCE

The Council has no statutory arrears and has been prompt to remit all pension deductions to an independent administrator appointed competitively by the Trustees.



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**MANAGEMENT DISCUSSION AND ANALYSIS
SECTION B Continued**

8.8 SUPPLY CHAIN MANAGEMENT

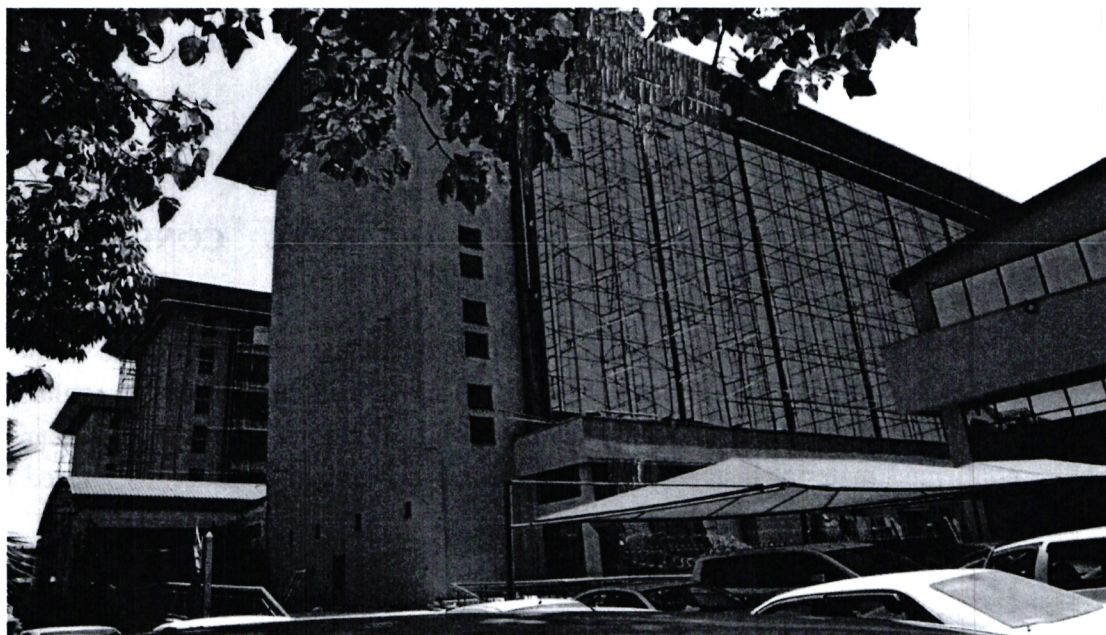
The procurement function in the Council is guided by The Constitution of Kenya 2010, The Public Procurement & Asset Disposal Act, 2015 & The Public Procurement and Disposal Regulations 2006 and subsequent legal notices. Pursuant to Legal Notice No.114, the Council achieved 18.4% in the allocation of contracts out of the total procurement plan budget of Kes.905 million to the designated categories of preference groups. The Council awarded tenders worth Kes.166.7 million to Youth, Women and persons with disability noting that Persons with Disabilities were awarded Kes.11.299 million worth of tenders. Statutory reporting to PPRA was done

SECTION C

The Key project the Council is implementing

8.9 THE NEW MITIHANI HOUSE (NMH) (Ongoing Project)

New Mitihani House is the landmark of the Council located along Mombasa road, South C. The Project encompass high rise secure executive office blocks built in an area renowned for its tranquillity, good natural environment with easy access to social amenities such as roads, electricity and water.



The New Mitihani House (Ongoing Project)



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION C

NMH entails construction of three towers each towering to six floors in a vertical formation inclusive of multiple level basement and external works such as access roads. Once complete, the three-tower office complex would boast of a modern architectural masterpiece, fitted with elevators and a modern roof that allows easy harvesting of water and solar energy. The new building has been fitted with modern video conferencing facilities, closed circuit cameras (CCTV) for advanced security management of the complex. The finishing has a touch of class in colour being predominant and reflecting the brand of Council. The floors are designed to offer flexibility in the configuration of office space as well as excellent access to services. The doors are fitted with card reading system and biometric system. This will help in enhancing the security of the staff and examination materials. There are door access option and an electric fence around the perimeter wall. It will be the ultimate solution in housing all the KNEC staff within one building/location.

The execution of the project has been done in phases since 1986 amidst funding challenges. The Phase VI contract was terminated on 14th July, 2018.

SECTION D

This section provides an opportunity to review and examine current risks against ongoing priorities. The Council will continue to assess its Enterprise Risk Management by engaging professional services and update its risks mitigation accordingly

8.10 OPERATIONAL RISKS

Operational risk is "the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses". Operational risks affect client satisfaction, reputation and stake-holders value, all while increasing business volatility. The Council is continually reviewing its examination processes to minimize the operational risk. The risks are high and high costs have been incurred to safeguard credible examinations.

8.11 CAPITAL RISKS

The Council capital is limited by Government Guarantee. It is subject to the KNEC Act and the PFMA Act and any directives issued pursuant to the Acts. These Acts affect how the Council manages its reserves, among other things, one of its objectives is to effectively manage actual costs to budget on an annual basis and to ensure that it has adequate funds to deliver its mandate and to ensure that it continues as a going concern.



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION D

The Council targets to maintain a level of reserves that helps to minimize the impact of financial risks on the organization. As at June 30, 2020 Council suffered an accumulated deficit of Kes.370,688,413 up from the previous year deficit of Kes.854,467,244.

The Council requires a capital injection of Kes.1,335,397,941 to offset the accumulated recurrent deficits incurred during the implementation of the examinations reforms. The Council overall budgetary target is Kes.8,241,480,859 which will allow it to remain financially sustainable.

The Council is prohibited from issuing its own capital or its own debt to meet any capital requirements and is not subject to externally imposed capital requirements. Its capital management is granted annually through the approval of its Operating and Capital Budget.

SECTION E

Material Arrears in statutory/ financial obligations

8.12 CAPITAL EXPENDITURE

The budgetary allocation for the New Mitihani House construction for the FY 2019-2020 was Nil. The Council had earlier terminated the NMH Phase VI contract with the contractor M/S Ongata Works Ltd in the 2018/2019 Financial Year.

8.13 STATUTORY DEDUCTIONS

The Council in the 2019-2020 Financial year made all the monthly and quarterly statutory remittances on time.

SECTION F

8.14 THE COUNCIL'S FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

There are no governance issues and no undisclosed conflict of interest at the Council or top management of the KNEC.

The Council proposes that the government funds KCPE and KCSE examinations at cost as the current examinations' administration reforms will not be sustainable without adequate funding.



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9.0 CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING

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

9.1 SUSTAINABILITY STRATEGY AND PROFILE.

The Sustainability Report for FY 2019/2020 is organized to reflect the financial, economic, social and environment achievements that the Council has delivered and to show where our sustainability efforts are now focused in terms of priority. The report will be a platform for embracing sustainable management practices as way of life at KNEC.

9.4.1 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 MoE as per the budgetary timelines.

The current allocations made over the MTEF period are not sufficient to allow the Council to undertake all its core activities. Engagements with the MoE & the National Treasury will be sustained to ensure adequate funding for planned activities.

The World Bank programmes through the MOE have been directly committed in conducting various research activities.

9.4.2 Financial Reports.

The Council ensured that financial discipline was exercised throughout the period under review. As a State Corporation, the Council reports its financial performance to the National Treasury through MoE by submitting quarterly reports in the following month after the stated Quarter. The annual audited financial statements are submitted to Parliament through the Public Investment Committee.

9.4.3 Performance Contract Management.

The Council adheres to the performance contract management as per the government policy through the Ministry of Education (MoE). It reports its performance to Performance Contracting Department by submitting quarterly reports. The Council Performance Contract Evaluation for the FY 2018/2019 was conducted on 20th December 2019. The Council was awarded a composite score of 2.9174 which is equivalent to a score of Very Good. This was an improvement of the score awarded in FY 2017/2018 of 3.1292 equivalent to Good.

9.4.4 Quality Management System.

The Council attained ISO 9001:2015 certification through the Kenya Bureau of Standards (KEBS) in the year 2019. The Quality Management System (QMS) has been maintained through regular internal audits and surveillance audits.



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SUSTAINABILITY STRATEGY AND PROFILE continued

Through the implementation of the QMS requirements, the Council has achieved enhanced efficiency and effectiveness in its operations and at the same time meeting the customer expectations.

Emerging issue including the Competency Based Assessment (CBA), risks and opportunities are being addressed following the revised strategic plan 2015-2020 and will ultimately results to better ways of initiating continual improvement of our products and services.

9.5 ENVIRONMENTAL PERFORMANCE

The Council remains keen on compliance with the Occupational Safety and Health Act 2007. This is achieved through continuous sensitization on safety in addition to initiatives to optimize work place ergonomics and productivity.

9.5.1 Environmental Policies.

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

9.5.2 Occupational Safety and Health.

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

- i. Statutory OSH audits will be conducted in 2020 and will include carbon emissions from KNEC premises in response to climate changes.
- ii. Noise levels of printing equipment were measured to within acceptable decibels. 45 - 90.
- iii. Lighting systems controlled by motion sensor units to save on electricity.
- iv. Motion sensing water taps are in place and waste water was analysed and found to be within the standards set by NEMA.
- v. During the Corona pandemic wherever possible, the Council have harnessed the power of technology and utilized virtual meetings in place of face-to-face meetings, including Council meetings, to minimize the impact of travel.

9.5.3 Safety and Security Measures.

Measures undertaken in KNEC owned premises include:

- i. Gate house for screening equipment under construction at NMH.
- ii. Lift and Ramp installed at the New Mitihani House for people with disabilities.
- iii. Toilets for PWD are available in NMH.
- iv. Parking spaces reserved for people with disability in all KNEC premises.
- v. Fire/smoke detectors in all KNEC premises were tested to ensure that they are working.
- vi. Registers introduced at New Mitihani House & Industrial area.



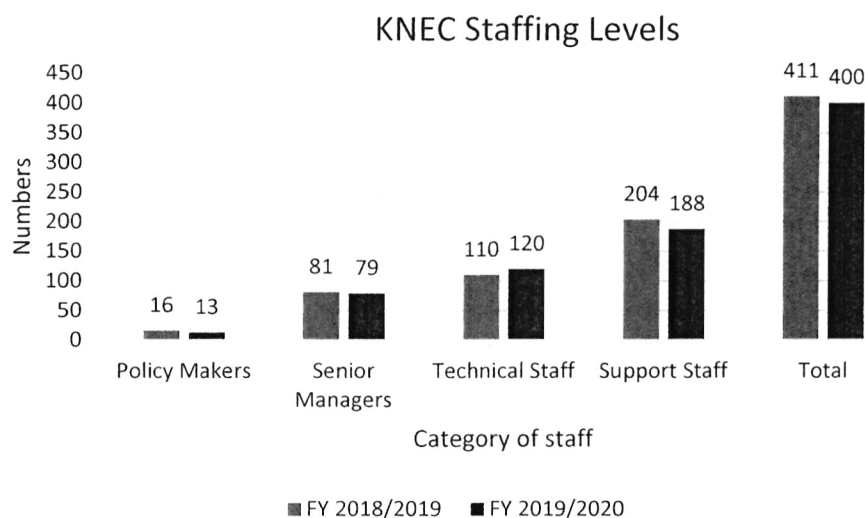
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9.6 EMPLOYEE WELFARE

The Council continues to attract and recruit competent staff through competitive means to enable us realize our objectives. The new employees are remunerated with compensation and benefits as guided by the Salary Remuneration Commission (SRC).

9.6.1 Recruitment of Staff members.

The Council complies with the Government Circulars on equal opportunities when conducting recruitment and promotions respectively for various positions in line with the Presidential initiatives on national values.



During the period under review the staff workforce decreased from 411 to 400.

Seven (7) new employees were recruited while 18 staff exited during FY 2019-2020. The attrition rate for the year is currently at 3.84%. The process of recruitment to fill to vacant position as advertised early could not be finalized due to the restrictions occasioned by Government to manage the Corona pandemic.

As at 30 June 2019, 55% of staff were male and 45% were female thus meeting the constitutional gender parity threshold requirement on appointment, promotion and employment.

The disaggregated data that has been collected as at June 2020 puts the Persons with Disabilities (PWD) at 2.75% of KNEC population. $(11/400 \times 100)$.

The Council received certificate of compliance by National Gender and Equality Commission (NGEC) following submission of all its quarterly reports.



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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.

9.6.2 Human Development.

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

The Council coordinated trainings for one hundred and forty (140) employees; inducted eight (7) new employees; liaised with NITA for partial refund of fees paid by the Council to training institutions and undertook competency development for staff at all levels. Though the Council encountered challenges in recruiting staff in key technical areas.

Short Courses

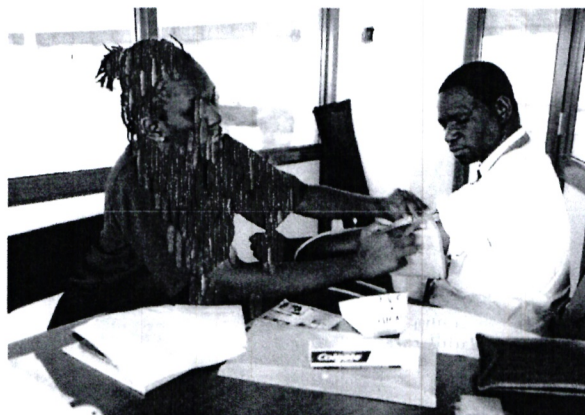
Annual Staff Performance Appraisal was carried out and one of the performance incentive identified was training. Staff were trained at the Kenya School of Government. A total of 72 staff were trained on ICT infrastructure improvement, 7 in Activity based budgeting in public sector, 12 in 21st Century Assistants and effective communication and presentations skills and 49 in Quantitative Methods for Monitoring and Evaluating the Quality of Education.

9.6.3 Employee Wellness Programmes.

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



There were massaging sessions for the KNEC staff during the open day event.



A KNEC Staff tests his blood pressure during the Open Day event

Staff participated in a medical camp to where nutritional assessment was carried out February 2020. Other tests were also done. There were presentations on occupational safety and health, HIV/Aids, gender, disability mainstreaming, drug and alcohol abuse, national values and principles, and corruption prevention. A total of 100 staff and family members were screened



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for HIV, Cancer, Blood Pressure, Blood Sugar and BMI and 248 members of staff and family members were sensitized on Non-communicable diseases, (NCDs, Cancer (breast, Cervical and Prostate), Diabetes, Hypertension, Stress Management and Mental Health.

9.6.3.1 HIV/AIDS

Under *Maisha I* programme, the HIV & AIDS Committee sensitized the Management and staff on HIV/AIDS stigma and discrimination towards PLHIV by sensitizing 233 staff members. Combination Prevention Approach was adopted by distributing a total of 8,496 condoms to staff and family members.

Under *Maisha II* programme, the Committee sensitized the 1,203 examiners in two Marking Centres (State House Girls 653) and Sunshine Secondary School (550) on HIV/AIDS prevention and treatment during December Marking 2019. Combination Prevention Approach was adopted by distributing a total of 5,000 condoms to examiners.

68 staff members were tested and counselled on HIV & AIDS at all KNEC premises under *Maisha II*.

Quarterly reports were submitted to the National AIDS Control Council (NACC).

9.6.3.2 Corruption Eradication

The Draft Corruption Risk Assessment and Mitigation Plan (CRAMP) was presented to Management in September, 2019.

Members of staff were sensitized on Corruption Loopholes in Procurement and Disposal and Strategies to mitigate them by the EACC during the HR Open Day on 17 February 2020.

Cascading Meetings on the Draft CRAMP were held in April and May, 2020.

Progress reports on CRAMP for Quarters 1, 2 and 3 for F/Y 2019-2020 were forwarded to EACC in April, 2020.

The Draft Corruption Prevention Policy 3rd Edition, the Whistle Blowing Policy 1st Edition and the Guidelines on Corruption Prevention and Whistle Blowing 1st Edition were presented to Management in June, 2020 and approved for presentation to the Finance and General Purpose Committee.

9.6.3.1 Alcohol and Drug Substance Abuse

Continuous sensitization of staff and stakeholders during staff Open day 17th February, 2020. One staff member was affected by ADA, who was rehabilitated under the KNEC medical cover and has fully recovered.



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9.6.3.3 National Cohesion and Values

Quarterly reports are submitted to the Directorate of National Cohesion and Values.

9.6.3.4 Talent cultivation.

KNEC encouraged its staff to use their talents in developing building initiatives. KNEC Officers participated in the Competency Based curriculum development, Training and Sensitization in conjunction with KICD, Ministry of Education and other Education Sector Stakeholders. This is in line with president's commitment No. 5. The KNEC Awards reports were used to initiate curriculum reviews. Staff members are encouraged to develop research papers which are presented during international conferences such as AAEA and IAEA. KNEC staff had the privilege to present 5 papers during the AAEA Conference in Abuja Nigeria while 4 papers were presented by KNEC staff during the IAEA Conference held in Baku Azerbaijan.

KNEC offered internships to six youth within the year as per the Government directive on interns.

9.7 MARKET PLACE PRACTICES

9.7.1 Examinations Practices & Regulations.

Parliament in 2017 amended the KNEC Act and established the National Examinations Appeals Tribunal: - an Ad Hoc Tribunal to handle examination matters relating to the withholding or cancellation of examination results. The same is yet to be gazetted by the Ministry of Education.

Examination timetables are available in the website to enable candidatures to plan their studies. Upload onto website on the collated information in folders will be available in the intranet by June 2021.

Awareness creation was created during the period under review on the service charter as a way of fulfilling the institution's commitment on delivering excellent services to customers. This was done by uploading the service charter in the website, intranet, issuing each staff a copy of the charter both in English and Kiswahili and displaying roll-up banners strategically for both internal and external customers to access the information. To ensure that it upholds this, the service charter was customized to the following needs: Braille, Large Print and Kenya Sign Language (KSL). The service charter was uploaded in the website in KSL.



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9.7.3 Customer Complaints.

The Council is committed to resolution of complaints which is a performance contract target. During the financial year 2019/2020, KNEC submitted quarterly reports to CAJ as per the guidelines issued. For continuous improvement in service delivery the commission revises and issues new guidelines when it deems necessary.

The reports were submitted as per the 10th edition guidelines. CAJ score organizations according to the performance on resolution of complaints and access to information. The score for KNEC for the FY 2019/2020 was a 75 percent was an improvement to the previous score.

The Query Management Information System (QMIS) has greatly improved service to customers; for they do not have to come all the way to KNEC premises to lodge a complaints/query. This is simply done on-line. For external help outside the Council, the complaints are forwarded to Office of the Ombudsman complain@ombudsman.go.ke.

9.7.2 Special Needs Candidates.

KNEC endeavours to provide high quality assessments with high levels of reliability for candidates with special needs such as physically disability, visual impairment, aural impairment, specific learning and other disabilities. Special arrangements have been made for such candidatures to be equitably assessed without having an unfair advantage over other candidates.

Special Needs Access Arrangement

Type of Special Need/Disability	Access arrangement	KCPE	KCSE	PTE
		2019	2019	2019
Visual Impairment (Total Blindness)	Braille papers and extra-time	125	110	33
Visual Impairment (Low vision)	Enlarged print papers	796	518	15
Physical Disabilities	Modified papers/extra time	890	651	5
Hearing Impairment (Profound loss of hearing)	Modified papers/extra time	796	518	15
Hearing Impairment (Deaf)	Modified papers/extra time	-	-	-
Total		2,414	1,673	82



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9.7.2 Examination Security Threats.

In response to examination irregularities witnessed during the period, the Council undertook several sensitization programmes for stakeholders:

- i. The list of the newly-trained examiners was forwarded to the Teachers Service Commission (TSC) for vetting and to ascertain their qualifications, employment, registration, work station and discipline status.
- ii. The examination centres that were mapped out as hot spots for examination malpractices were assigned full time KNEC officers to monitor the administration of the examinations
- iii. 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
- iv. The Council is continuously mitigating the risks involved in Data and cyber security. The Council applies the multilevel government approach in ensuring the examination materials are secured electronically.

9.8 COMMUNITY ENGAGEMENTS

The Council did not undertake any Corporate Social Responsibility activity in FY 2019/2020 due to the COVID-19 pandemic.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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10.0 REPORT OF THE COUNCIL

The Council submits its report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Council's affairs.

10.1 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.

10.2 Result

The results of the Kenya National Examinations Council for the year ended June 30, 2020 are set out on page 1 to 63.

10.3 Members

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

10.4 Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Council did not make any surplus during the year (FY 2018/2019 Nil) and hence no remittance to the Consolidated Fund.

10.5 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 the Public Audit Act 2015.

10.6 By Order of the Council

**Dr. Mercy G. Karogo, MBS
Secretary to the Council
NAIROBI**

Date: 23rd September 2020



THE KENYA NATIONAL EXAMINATIONS COUNCIL
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11.0 STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITIES

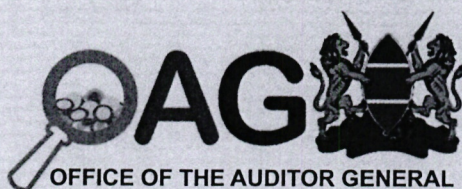
- 11.1 Section 81 of the Public Finance Management Act of 2012, Section 14 of the State Corporation Act and Section 24 of KNEC Act requires the Council members to prepare financial statements in respect of the Council, which give a true and fair view of the state of affairs of the Council at the end 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.
- 11.2 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 2020. 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.
- 11.3 The Council members accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, the State Corporations Act and KNEC 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 2020, 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.
- 11.4 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.
- 11.5 Approval of the financial statements.
The Council's financial statements were approved by the Council on 23rd September 2020 and signed on its behalf by:

Dr. John O Onsati, OGW
COUNCIL CHAIRMAN

Dr. Mercy G. Karogo, MBS
Ag. CHIEF EXECUTIVE OFFICER

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Examinations Council set out on pages 1 to 63, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 of Kenya 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya National Examinations Council as at 30 June, 2020, and of 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 the Kenya National Examinations Council Act No. 29 of 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Non-Disclosure of Material Risk to Going Concern

The statement of financial performance reflects a deficit of Kshs.370,688,413 (2018/2019: deficit of Kshs.854,467,244) reducing the revenue reserve to a negative balance of Kshs.1,335,397,941 as at 30 June, 2020. In addition, the statement of financial position reflects current liabilities amounting to Kshs.3,154,687,962 which exceeds current assets amount of Kshs.2,197,502,823 resulting in a negative working capital of Kshs.957,185,139. The Council is therefore, technically insolvent and may not meet its obligations when they fall due. Its continued existence as a going concern is dependent upon financial support from its creditors and the Government.

2.0 Work in Progress

As reported previously, the Council has been constructing the New Mitihani House in South C and the works have been on-going for the last thirty-two (32) years. Records

available indicate that the Council awarded Phase VI under contract No. NMH-06/2012 to a contractor in 2013 in respect of internal partitioning and finishes, fittings, building services and external works in the entire building at a sum of Kshs.1,499,989,252 for a contract period of 78 weeks. Although the contract was extended to 31 July, 2017, the works stalled in 2016 and Management terminated the contract in June 2018. As at 30 June, 2020, the works stood at 59% level of completion and the Council had paid an amount of Kshs.921,224,251 while certified works stood at Kshs.1,290,244,222 representing 61% of the original contract sum.

Further, examination of the project records revealed that a payment of Kshs.368,978,231 in respect to Certificate No.29 is still outstanding and continues to attract interest which amounted to Kshs.44,697,055 as at 30 June, 2020. No satisfactory explanation has been provided by the Management for the continued delay in settlement of the certificate leading to additional interests and penalties. In addition, the termination of the contract exposes the Council to risks of legal suits from the contractor which may further delay the completion of the project. Management has not provided a roadmap on how it intends to complete the project as no budgetary provisions have been made in the financial year under review.

In the circumstances, the delays in completion of the project may lead to cost escalation and Council may not get value for money if the project is not completed and put to use. Further, the escalating interest and penalties charges are a waste of public resources.

3.0 Prepayments Receivables from Exchange Transactions

As reported in the previous years, the statement of financial position reflects a balance of Kshs.309,781,850 under prepayment receivables from exchange transactions which, as disclosed in Note 18 to the financial statements, includes an amount of Kshs.18,896,040 in respect of debtors-examinations. Further, and as disclosed in Note 44 to the financial statements, the debtors-examinations net balance of Kshs.18,896,040 includes an amount of Kshs.25,206,120 described as ECDE – Teachers Examination debtors. The ECDE- Teachers Examination debtors of Kshs.25,206,120 includes an amount of Kshs.19,889,300 due from the Foundation Institute of Africa relating to unpaid examination fees in 2014. The amounts have attracted penalties amounting to Kshs. 16,016,000 being late registration and late payment for the examination, that the Council has recognized as contingent assets. Management has explained that they have released the examination certificates to the Institute, and it is therefore, not clear how this amount will be recovered.

Consequently, the recoverability of the receivables from exchange transactions balance Kshs.19,889,300 and the contingent asset of Kshs. 16,016,000 as at 30 June, 2020 is in doubt.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Examinations Council Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

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

Key Audit Matter

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final recurrent revenue budget and actual on comparable basis of Kshs.7,555,756,040 and Kshs.6,890,388,927 respectively resulting in under collection of Kshs.665,367,113 or 9%. Similarly, the Council spent a total of Kshs.7,261,295,415 against an approved budget of Kshs.8,241,480,859 resulting to an under-expenditure of Kshs.980,185,445 or 12% of the budget. The under collection was largely attributed to the underperformance of receipts from examination fees of Kshs.788,431,485 representing 26% of the budget due to postponement of April, 2020 examinations due to COVID-19 pandemic. The under collection of revenue and the under-expenditure affected the planned activities of the Council and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on audit procedures performed. I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Council

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Councils' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of intention to liquidate the Council or to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Council monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council, to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

22 June, 2021



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020

13.0 STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2020

	NOTES	2019-2020 Kes.	2018-2019 Kes.
Revenue from Non-Exchange Transactions			
Recurrent Government Grant	2	4,405,729,200	4,246,926,200
		4,405,729,200	4,246,926,200
Revenue from Exchange Transactions			
Examinations Fees	3	2,242,873,515	2,072,813,690
Interest Income	4	108,801,158	133,444,222
Other Operating Income	5	132,985,054	250,139,374
		2,484,659,727	2,456,397,286
Total Revenue		6,890,388,927	6,703,323,486
 Personnel Expenses	6	984,658,136	1,000,422,821
Council and its Committees Expenses	7	22,488,189	26,348,375
Administration Expenses	8	335,001,380	452,841,912
Examinations Expenses	9	5,493,585,273	5,635,527,556
Housing of Staff & Office Accommodation	10	104,997,923	110,367,480
Project Expenses	11	-	1,533,301
Decrease in Provision of Employee benefit Obligation	12	(6,344,045)	4,758,729
Depreciation & Amortization	13	293,674,093	281,017,157
Total Expenses		7,228,060,949	7,512,817,331
Other Gains/Losses			
Loss on Foreign Exchange Transactions	14	(548,016)	(2,001,826)
Deficit Before Taxation		(338,220,038)	(811,495,671)
Taxation	15	32,468,375	42,971,573
Deficit for the Year	52	(370,688,413)	(854,467,244)

The notes set out on pages 9 to 63 form an integral part of these Financial Statements



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020

14.0 STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

ASSETS

	NOTE	2019-2020 Kes.	2018-2019 Kes.
CURRENT ASSETS			
Cash and Cash Equivalents	16	1,651,089,640	1,338,843,011
Receivables from non-exchange transactions	17	-	661,277,773
Prepayment Receivables from exchange transactions	18	309,781,850	249,517,587
Inventories	19	236,631,333	237,279,179
		2,197,502,823	2,486,917,550
NON - CURRENT ASSETS			
Property, Plant & Equipment	20	1,316,899,238	1,390,248,769
Property in Work In Progress	21	3,095,633,964	2,987,393,935
Investment Property	22	209,229,173	220,987,652
Investments(Consolidated Bank)	23	64,300,000	64,300,000
Intangible Assets	24	4,523,562	8,918,915
		4,690,585,937	4,671,849,271
TOTAL ASSETS		6,888,088,760	7,158,766,821

LIABILITIES

CURRENT LIABILITIES

Trade and other payables from exchange transactions	25	224,523,442	235,398,445
Deferred income	26	2,873,208,516	3,212,360,974
Employee benefit Obligation	27	21,415,552	25,418,574
Taxation Provision	28	35,540,452	35,962,076
		3,154,687,962	3,509,140,069

NON CURRENT LIABILITIES

Donor Project Funds	29	388,621,480	223,683,310
Capital Works Retention	30	4,399,990	4,399,990
		393,021,470	228,083,300
		3,547,709,432	3,737,223,369

RESERVES

Capital Reserve	31	3,966,136,910	3,683,241,668
Revaluation Reserve	32	709,640,359	709,640,359
Accumulated Surplus	33	(1,335,397,941)	(971,338,575)
		3,340,379,328	3,421,543,452

TOTAL LIABILITIES

6,888,088,760 7,158,766,821

The Financial statements set out on pages 1 to 63 were signed on behalf of the Council by:


Dr. John O. Onsati, OGW
Chairman of the Council


Dr. Mercy G Karogo, MBS
Ag Chief Executive Officer


Abraham K. Oloo
Head of Finance
ICPAK No: 2743

Date 23/9/2020

Date 23/9/2020

Date 23/9/2020



THE KENYA NATIONAL EXAMINATIONS COUNCIL
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ENDED 30 JUNE 2020

15.0 STATEMENT OF CHANGES IN NET ASSETS

As at 30 June 2020

	Capital Reserve (Kes)	Revaluation Reserve (Kes)	Accumulated Surplus (Kes)	Total (Kes)
Balance as at 1 July 2018	3,486,743,173	709,640,359	(116,871,330)	4,079,512,202
Prior Year Adjustments (Note 37)	37,489,446	-	(1)	37,489,446
Restated Balance as at 1 July 2018	3,524,232,619	709,640,359	(116,871,331)	4,117,001,647
Capital Grants	3,750,000			3,750,000
Capital Grants –MOPW	155,259,049			155,259,049
Deficit for the Year			(854,467,244)	(854,467,244)
Balance as at 30 June 2019	3,683,241,668	709,640,359	(971,338,575)	3,421,543,452
Balance as at 1 July 2019	3,683,241,668	709,640,359	(971,338,575)	3,421,543,452
Prior Year Adjustments (Note 37)	1,312,629	-	6,629,047	7,941,676
Restated Balance as at 1 July 2019	3,684,554,297	709,640,359	(964,709,528)	3,429,485,128
Capital Grants-MOPW	106,927,400			106,927,400
Capital Grants –SEQIP	174,655,213			174,655,213
Deficit for the Year			(370,688,413)	(370,688,413)
Balance as at 30 June 2020	3,966,136,910	709,640,359	(1,335,397,941)	3,340,379,328



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020

16.0 STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2020

		2019-2020 Kes.	2018-2019 Kes.
Cash flows from operating activities			
Deficit for the Year	33	(370,688,413)	(854,467,244)
Adjustments for :			
Accrued expenses adjustments	33	6,629,047	(1)
Interest Income	4	(108,801,158)	(133,444,222)
Depreciation & Amortization	13	293,674,093	281,017,157
Operating profit before working capital changes		(179,186,431)	(706,894,310)
Decrease in Inventories	19	647,846	(13,822,254)
Decrease in Receivables from non-exchange transactions	17	661,277,773	(661,277,773)
Increase in Receivables from exchange transactions	18	(49,246,455)	(15,708,167)
Decrease in Trade and other payables	25	(10,875,003)	(274,835,719)
Decrease in Deferred Income	26	(339,152,458)	340,874,325
Decrease in Employee benefit Obligation	27	(4,003,022)	3,946,572
Decrease in Tax provisions	28	(421,624)	4,710,308
		258,227,057	(616,112,708)
Net cash flows from operating activities		79,040,626	(1,323,007,018)
Cash flows from financing activities			
Increase in Capital Reserve	31	-	3,750,000
Increase in Donor Project Funds	29	164,938,170	13,231,251
Net cash flows from financing activities		164,938,170	16,981,251
Cash flows from investing activities			
Interest received	4,18	97,783,350	131,466,934
Purchase of property, plant and equipment	20	(25,745,089)	(143,271,748)
Construction on New Mitihani Building	21	-	(79,369,008)
Purchase of Software System	24	(3,770,428)	(6,051,255)
Retention of Capital Works	30	-	(79,758,671)
Net cash flows from investing activities		68,267,833	(176,983,748)
Net increase in Bank		312,246,629	(1,483,009,515)
Cash and Cash Equivalents At Beginning of Year	16	1,338,843,011	2,821,852,526
Cash and Cash Equivalents At End of Year	16	1,651,089,640	1,338,843,011



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020

17.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2020

TITLE DETAILS	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Differences	Variance	
	Kes	Kes	Kes	Kes	Kes	%	
RECURRENT REVENUE							
Recurrent Grants from MOE	4,201,371,545	(502,833)	4,200,868,712	4,405,729,200	204,860,488	5%	
Receipt of Examination Fees	2,283,641,002	747,663,998	3,031,305,000	2,242,873,515	(788,431,485)	-26%	(a)
Interest Income from Financial Institutions	140,000,000	-	140,000,000	108,801,158	(31,198,842)	-22%	(b)
Other Operating Income	227,241,880	(43,659,552)	183,582,328	132,985,054	(50,597,274)	-28%	(c)
TOTAL RECURRENT REVENUE	6,852,254,427	703,501,613	7,555,756,040	6,890,388,927	(665,367,113)	-9%	
DEVELOPMENT REVENUE							
Capital Grants from MOE	-	21,637,866	21,637,866	-	(21,637,866)	-100%	(d)
GRAND REVENUE - RECURRENT & DEVELOPMENT	6,852,254,427	725,139,479	7,577,393,906	6,890,388,927	(687,004,979)	-9%	
RECURRENT EXPENDITURE							
Personnel Expenses	1,002,919,623	18,137,762	1,021,057,384	984,658,136	36,399,248	4%	
Council Expenses	42,544,000	-	42,544,000	22,488,189	20,055,811	47%	(e)
Administration Expenses	497,300,314	(31,092,708)	466,207,606	335,001,380	131,206,226	28%	(f)
Examinations Expenses	5,700,182,186	590,513,369	6,290,695,555	5,493,585,273	797,110,282	13%	(g)
Housing of Staff & Office Accommodation	118,700,000	(9,000,000)	109,700,000	104,997,923	4,702,077	4%	
Decrease in Provision of Employee Obligation	-	-	-	(6,344,045)	6,344,045	-100%	(h)
Depreciation & Amortization	-	237,316,448	237,316,448	293,674,093	(56,357,645)	-24%	(i)
Taxation	50,000,000	-	50,000,000	32,468,375	17,531,625	41%	(j)
Loss on Foreign Exchange	-	-	-	548,016	(548,016)	-100%	(l)
TOTAL RECURRENT EXPENDITURE	7,411,646,123	805,874,871	8,217,520,993	7,261,077,340	956,443,653	12%	



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020

17.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2020							
TITLE DETAILS	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Differences	Variance	
	Kes	Kes	Kes	Kes	Kes	%	
DEVELOPMENT EXPENDITURE							
Construction of New Mitihani House	-	21,637,866	21,637,866	-	21,637,866	100%	(m)
Purchase of Computers, Office Printers and Other IT Equipment	-	2,322,000	2,322,000	218,075	2,103,925	91%	(n)
TOTAL DEVELOPMENT EXPENDITURE	-	23,959,866	23,959,866	218,075	23,741,791	99%	
GRAND EXPENDITURE - RECURRENT & DEV	7,411,646,123	829,834,737	8,241,480,859	7,261,295,415	980,185,445	12%	
NET DEFICIT	(559,391,696)	(104,695,258)	(664,086,954)	(370,906,488)	293,180,466	-44%	



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020**

BUDGET NOTES

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 increased over the budgeted amount by Kes.703,501,613 and capital budget increase of Kes.21,637,866 on the budget heads and recurrent line items increase of Kes.805,874,871 became necessary to safeguard the security of examination processes.

NOTES ON SIGNIFICANT VARIANCES (10% AND ABOVE) BETWEEN ACTUAL AND BUDGET.

Revenue

- a) *Examinations Fees:* The examinations due to be administered in April 2020 was postponed due to the Covid 19 pandemic.
- b) *Interest Income:* Decrease as a result of less funds available for investment.
- c) *Other Operating Income:* There was no Training of examiners in the year under review.
- d) *Capital Grants from MOE:* No receipt of capital revenue than anticipated.

Expenditure

- e) *Council and its Committees Expenses:* Few Council meetings held than anticipated.
- f) *Administration Expenses:* Reduced expenditures for the year under review especially in Quarter 4 due to Covid 19 pandemic.
- g) *Examinations Expenses:* Attributable to postponed examination schedule.
- h) *Increase in Provision of Employee benefit Obligation:* Attributable to most if not all staff members proceeding on their annual leave which reduced the outstanding number of leave days from 5,036 as at 30th June 2019 to 3,559 as at 30th June 2020
- i) *Depreciation & Amortization:* Depreciation on SEQIP ICT not budgeted for.
- j) *Taxation:* Tax arrears not paid in the financial Year 2018/2019 following tribunal ruling.
- k) *Loss on foreign exchange:* Loss made on closing rate translation on the forex account
- l) *Construction of New Mitihani House:* No allocation was made
- m) *Purchase of Computers, Office Printers and other IT equipment:* The ongoing replacement of the obsolete IT equipment was deferred.



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020

BUDGET NOTES

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	Investing	Financing	Total
	Kes.	Kes.	Kes.	Kes.
Surplus for the Year as per Statement of Financial Performance Adjusted for:				
	(370,688,413)	-	-	(370,688,413)
Basic Difference	(218,075)	-	-	(218,075)
Presentation		-	-	-
Difference	-	-	-	-
Entity		-	-	-
Difference	-	-	-	-
Deficit for the Year as per Statement of Budget Performance	(370,906,488)	-	-	(370,906,488)



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020**

18.0 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Council is established by and derives its authority and accountability from KNEC Act of 2017. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Council is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya. 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.

1.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Council's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Council.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, KNEC Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

1.3 ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1 January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020**

NOTES TO THE FINANCIAL STATEMENTS

1.3 ADOPTION OF NEW AND REVISED STANDARDS Continued

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1 January 2012: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2022: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

The members of the Council have evaluated the impact of the new standards not yet effective for the year and had noted the IPSAS 40 has no impact on the Council's financial statements.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020**

NOTES TO THE FINANCIAL STATEMENTS

1.3 ADOPTION OF NEW AND REVISED STANDARDS Continued

iii) Early adoption of standards

The Council did not adopt early any new or amended standards in 2020.

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue From Non-Exchange Transactions –IPSAS 23

Transfers from Government

Revenues from non-exchange transactions with government entities are measured at fair value and recognized on obtaining control of the asset if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income.

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. Development/capital grants are recognized in the statement of financial position.

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 recognized in the financial year pro-rata to the expenditure incurred.

Non- Examination Revenue

Rendering of services

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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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non- Examination Revenue

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

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 incurrence 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) Budget Information –IPSAS 24

The original budget for FY 2019-2020 was approved by the National Assembly on June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Council recorded additional appropriations of Kes.104,695,258 on the 2019-2020 budget following the governing body's approval.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Information – IPSAS 24

The Council's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

d) 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 2018.

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.

e) 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 40-year period.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property –IPSAS 16

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.

Transfers are made to or from investment property only when there is a change in use.

f) 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. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

g) 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.

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The Council expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial Instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Council has the positive intention and ability to hold it to maturity. The Council holds its investments in Consolidated Bank at cost.

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Council assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Council determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

j) Inventories –IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Council.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Council expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Provisions, Contingent Liabilities and Contingent Assets (continued)

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.

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.

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.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

m) Changes in Accounting Policies and Estimates –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.

n) 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 Contribution (DC) scheme. Defined Contribution plans for all staff members 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. The contributions to the retirement benefits are included in staff costs.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018 to March 2019. During the FY 2019-2020 KNEC received funds for implementing activities under component I, II, and III of the PRIEDE project.

The Kenya National Examinations Council (KNEC) is implementing various activities under Component 3.2 of the Secondary Education Quality Improvement Programme (SEQIP project). The project is supporting KNEC in the implementation of the Competency Based Assessment (CBA) through introduction of continuous formative assessment over the entire education cycle using a variety of learning assessment tools, establishment of a national student assessment at the end of grade 3 and grade 6.

p) 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), Council members and the Council's Senior Management.

q) 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 lessor 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.

r) 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 Council's approval has been obtained and contracted for.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

t) 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.

u) Comparatives Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

v) Subsequent events -IPSAS 14

There were no events subsequent to the financial year and with significant impact on the financial statements for the year ended 30 June 2020.

w) Segment Reporting -IPSAS 18

All the operations of the Council are managed from the registered office. The core business of the KNEC continues as stipulated in the KNEC Act, 2012. The Council highlights on contracted professionals used by the Council to run national examinations.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Council's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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.
- 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. Additional disclosure of these estimates of provisions is included in notes for provision for doubtful debts, leave provision, useful lives and depreciation methods and asset impairment.

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.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2	2019-2020	2018-2019
Recurrent Government Grant	Kes.	Kes.
KCPE Recurrent Grants –MoE	852,811,200	836,151,200
KCSE Recurrent Grants –MoE	3,375,918,000	3,235,545,000
<i>Exams Fees for Public Institutions</i>	4,228,729,200	4,071,696,200
Recurrent Grants –MoE	177,000,000	175,230,000
	4,405,729,200	4,246,926,200

NOTE 2 b	2019-2020	2018-2019
INTER-ENTITY TRANSFERS	Kes.	Kes.
Parliamentary Allocation approved		
MoE KCPE Deferred Income transferred	852,811,200	836,151,200
MoE Recurrent Exams Grants Transfer	797,707,088	592,846,600
MoE KCSE Deferred Income transferred	2,578,210,912	2,642,698,400
<i>Exams Fees for Public & Private Institutions</i>	4,228,729,200	4,071,696,200
MoE Recurrent Grants Transfer	177,000,000	175,230,000
MoE Recurrent Grants	4,405,729,200	4,246,926,200

Note 2 c) Transfer from Ministries, Departments & Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Amount recognized in receivables	Amount recognized in Project funds	2018-2019 Total grant income during the year
	Kes	Kes	Kes.	Kes.	Kes	Kes
Ministry/State Department of Basic Education	978,765,488	3,222,103,224	-	-	434,669,810	4,635,538,522
Total	978,765,488	3,222,104,224	-	-	434,669,810	4,635,538,522



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3	2019-2020	2018-2019
EXAMINATION FEES	Kes.	Kes.
KCPE	18,380,000	16,420,000
PTE	83,882,550	98,103,150
KCSE	435,226,200	394,418,800
Adult Education	740,100	723,900
ECDE	-	284,381,210
Diploma Teachers Education	24,500,850	29,566,500
Special Needs Education	-	15,810,950
Technical	1,053,097,550	720,509,250
Business	605,731,710	492,121,750
Commissions received on Foreign Exams	7,676,800	21,922,604
Examination Fees – Qualify Tests, Amendments, Penalties	14,995,360	5,129,060
Examinations Refunds	(1,357,605)	(6,293,484)
	2,242,873,515	2,072,813,690

NOTE 4	2019-2020	2018-2019
INTEREST INCOME	Kes.	Kes.
Interest - Fixed Deposits	102,438,101	126,103,472
Interest - Current Accounts	6,363,057	7,340,750
	108,801,158	133,444,222



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5

OTHER OPERATING INCOME

	2019-2020	2018-2019
	Kes.	Kes.
Rent Recoveries from Staff	9,985,000	9,931,050
Commercial Rental Income	3,000,000	1,500,000
Sale of Waste Paper	4,186,080	4,272,300
S M S Income	47,673,201	55,879,168
Sale of Publication	30,880,402	49,370,409
Sundry Revenue	422,120	346,930
Confirmation of Certificates services	30,229,000	25,175,457
Letters of Certificates services	5,157,890	7,371,296
Equation of Foreign Certificates	2,243,667	3,087,193
Sale of Data (Consultancy services)	52,000	50,750
Contracted Professionals Training Fees - KCPE	-	8,652,000
Contracted Professionals Training Fees - KCSE	-	80,535,000
Contracted Professionals Training Fees - PTE	-	661,500
Contracted Professionals Training Fees - ECDE	-	-
Contracted Professionals Training Fees - DTE	-	147,000
Contracted Professionals Training Fees - Technical	-	1,984,500
Contracted Professionals Training Fees - Business	-	1,690,500
Less Refunds	(844,306)	(515,679)
	132,985,054	250,139,374



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6

	2019-2020	2018-2019
PERSONNEL EXPENSES	Kes.	Kes.
Personal Emoluments	756,626,207	763,298,431
Wages (NYS)	18,599,000	25,527,296
Leave and Passage Expenses	13,461,813	6,943,221
Employer Contribution to Pension Schemes	110,951,795	132,784,599
<i>Compensation to Employees</i>	899,638,815	928,553,547
Medical Expenses –Staff Medical Policy	85,019,321	71,869,274
	984,658,136	1,000,422,821

NOTE 7

COUNCIL AND ITS COMMITTEE EXPENSES

	2019-2020	2018-2019
	Kes.	Kes.
Sitting allowance	14,700,000	18,020,000
Training costs	3,688,000	1,766,000
Subsistence Allowance	1,913,700	2,665,628
Travelling	1,142,489	3,032,360
Honoraria	1,044,000	864,387
	22,488,189	26,348,375



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8	2019-2020	2018-2019
OFFICE ADMINISTRATION EXPENSES	Kes.	Kes.
Transport Operation Expenses	48,192,715	80,048,791
Travel & Accommodation	29,746,727	41,486,633
Telephone, Courier /Airtime Expenses	26,294,998	24,842,288
Electricity, Water & Conservancy	13,993,027	17,680,008
Official Entertainment	495,000	675,000
Newspapers, Magazines and Periodicals	665,892	862,224
Advertising & Publicity	9,969,253	15,287,669
Purchase of Uniforms	114,000	1,762,683
Purchase of Stationery & Accountable Documents	16,296,245	25,439,488
Maintenance of Plant & Equipment	25,022,778	22,864,338
Supplies of Sanitary Services	6,970,947	7,703,778
Events and Catering Management	49,236,010	58,188,792
Contracted Guards (Armed guards)	43,914,998	42,446,300
Staff Welfare Development	16,178,684	21,409,030
Staff Training	6,051,298	19,132,527
International Conferences	20,334,840	29,394,265
National Programs i.e. HIV/AIDS, ADA, Gender & Anti-Corruption	2,250,380	4,049,964
Library Expenses	439,866	1,312,340
Bookshop Operating Expenses	(6,980,373)	(5,023,712)
Quality Management and Strategic Management	1,248,500	3,178,650
Legal Expenses	3,608,118	19,039,206
General Consultancy	3,363,275	2,921,008
Audit Expenses	2,900,000	2,900,000
MPESA & Bank Charges	14,694,202	15,240,642
	335,001,380	452,841,912



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9

EXAMINATION EXPENSES

	2019-2020	2018-2019
	Kes.	Kes.
Computer Charges	24,204,336	33,408,296
Reprographics Printing Unit	54,962,019	167,021,903
KCPE	987,111,586	944,856,590
KCSE	3,797,727,250	3,738,357,652
PTE	54,726,095	73,921,548
ADULT/TCAE	1,317,956	1,299,765
ECDE	17,044,708	102,169,335
DTE	12,514,254	36,026,985
SNE	1,607,068	19,979,678
TECHNICAL	355,603,608	301,750,283
BUSINESS	182,150,154	200,173,582
FOREIGN EXAMS Expenses	4,616,239	12,624,171
Contracted Professionals- Insurance	-	3,937,768
	5,493,585,273	5,635,527,556

NOTE 10

**STAFF HOUSING AND OFFICE
ACCOMMODATION**

	2019-2020	2018-2019
	Kes.	Kes.
Repair to Council Offices	17,722,268	23,795,476
Maintenance to Residential Houses	-	1,499,945
Maintenance to Regional Containers	1,481,540	-
Rent & Rates to Office Accommodation	85,794,115	85,072,059
	104,997,923	110,367,480

NOTE 11

PROJECT EXPENSES

Seacmeq IV Research Project Expenses

	2019-2020	2018-2019
	Kes.	Kes.
	-	1,533,301
	-	1,533,301



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NOTE 12	2019-2020	2018-2019
DECREASE IN PROVISION OF EMPLOYEE OBLIGATION	Kes.	Kes.
Decrease in provision of leave pay	(6,344,045)	4,758,729
	(6,344,045)	4,758,729

NOTE 13	2019-2020	2018-2019
DEPRECIATION & AMORTIZATION EXPENSES	Kes.	Kes.
Depreciation of New Mitihani House (Dennis Pritt)	7,063,904	6,625,839
Depreciation of New Mitihani House (Printing Unit)	7,999,740	7,150,781
Depreciation of Residential Houses	11,758,479	23,670,393
Depreciation of Computer Equipment	129,433,123	86,851,334
Depreciation of Office Equipment	86,237,273	87,182,696
Depreciation Expenses - Motor Vehicles	16,250,828	24,465,295
Depreciation of Furniture	9,876,883	13,421,414
Depreciation of Office Fittings and Partitions	16,888,082	19,437,911
Amortization of Software Development	8,165,781	12,211,494
	293,674,093	281,017,157



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NOTE 14	2019-2020	2018-2019
OTHER GAINS/LOSSES	Kes.	Kes.
Loss on foreign exchange	548,016	2,001,826
	548,016	2,001,826

NOTE 15	2019-2020	2018-2019
TAXATION EXPENSES	Kes.	Kes.
Current corporate income tax	32,468,375	42,971,573
Tax arrears	-	-
	32,468,375	42,971,573
Temporary difference	-	-
	32,468,375	42,971,573

NOTE 16		2019-2020	2018-2019
CASH AND CASH EQUIVALENTS	Note	Kes.	Kes.
Cash in Bank	41	476,089,641	363,843,012
Short term Deposits	42	1,174,999,999	974,999,999
		1,651,089,640	1,338,843,011

NOTE 17		2019-2020	2018-2019
RECEIVABLES FROM NON -EXCHANGE TRANSACTIONS	Note	Kes.	Kes.
MoE	43	-	661,277,773
		-	661,277,773



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NOTE 18

		2019-2020	2018-2019
PREPAYMENT & RECEIVABLES FROM EXCHANGE TRANSACTIONS	Note	Kes.	Kes.
Prepayments		183,493,893	175,116,851
Prepayments -ESAMI		23,613,266	-
Debtors - Examinations	44	18,896,040	18,998,760
Unsurrendered Imprest	45	25,130,567	15,649,969
Staff Receivables	46	610,680	412,182
Sundry Debtors	47	20,942,447	15,885,676
Interest Receivable/Accrued Interest		22,827,397	11,809,589
Deposit to Institutions	48	14,267,560	11,644,560
		309,781,850	249,517,587

NOTE 19

INVENTORIES

	2019-2020	2018-2019
	Kes.	Kes.
Printing Materials -Inventories	85,736,927	94,553,011
General Stationery	109,472,081	108,289,267
Book Shop - Inventories	41,422,325	34,436,901
	236,631,333	237,279,179



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NOTE 20 : PROPERTY, PLANT & EQUIPMENT as June 30 2020

	Land Kes	Leasehold Building Kes	Motor Vehicle Kes	Office Equipment Kes	Examination Materials Container Kes	Computer Equipment Kes	Furniture Kes	Partition & Fittings Kes	Gross Total Kes
COST OR VALUATION									
Balance as at 1 July 2018	329,550,000	391,043,698	132,305,127	880,607,395	282,066,835	897,698,475	115,362,002	233,864,880	3,262,498,412
Additions for the year	-	-	19,459,656	15,737,965	40,573,513	32,105,701	13,442,996	21,951,917	143,271,748
Balance as at 1 July 2019	329,550,000	391,043,698	151,764,783	896,345,360	322,640,348	929,804,176	128,804,998	255,816,797	3,405,770,160
Additions for the year	-	98,000	-	49,376	21,597,669	174,873,288	3,781,969	-	200,400,302
Balance as at 30 June 2020	329,550,000	391,141,698	151,764,783	896,394,736	344,238,017	1,104,667,464	132,586,967	255,816,797	3,606,170,462
ACCUMALATED DEPRECIATION									
Balance as at 1 July 2018		94,375,772	91,713,018	664,518,735	46,562,953	691,846,285	101,790,575	134,497,445	1,770,386,121
Depreciation charge for the year		13,776,620	24,465,295	54,918,661	32,264,035	86,851,334	13,421,414	19,437,911	245,135,270
Balance as at 1 July 2019		108,152,392	116,178,312	664,518,735	78,826,988	778,697,619	115,211,989	153,935,356	2,015,521,391
Depreciation charge for the year		15,063,644	16,250,828	51,813,471	34,423,802	129,433,123	9,876,883	16,888,082	273,749,833
Balance as at 30 June 2020		123,216,036	132,429,140	716,332,206	113,250,790	908,130,742	125,088,872	170,823,438	2,289,271,224
NET BOOK VALUE									
As at 30 June 2020	329,550,000	267,925,662	19,335,643	180,062,530	230,987,227	196,546,722	7,498,095	84,993,359	1,316,899,238
As at 30 June 2019	329,550,000	282,891,306	35,586,471	231,826,625	243,813,360	151,106,557	13,593,009	101,881,441	1,390,248,769
Rate of Depreciation		2.5%	25.0%	10.0%	10.0%	25.0%	12.5%	10.0%	



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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.

	2019-2020 Kes.	2018-2019 Kes.
Balance as at 1 July	2,987,393,935	2,715,276,432
Prior item additions paid by MOPW	1,312,629	37,489,446
Additions during the year	-	79,369,008
Additions during the year paid by MOPW	106,927,400	155,259,049
Balance as at 30 June	3,095,633,964	2,987,393,935

NOTE 22

**INVESTMENT PROPERTY
COST**

Balance as at 1 July

Additions

Balance as at 30 June

ACCUMULATED DEPRECIATION

Balance as at 1 July

Depreciation charge for the year

Balance as at 30 June

NET BOOK VALUES

Balance as at 30 June

	2019-2020 Kes.	2018-2019 Kes.
Balance as at 1 July	381,408,000	381,408,000
Additions	-	-
Balance as at 30 June	381,408,000	381,408,000
ACCUMULATED DEPRECIATION		
Balance as at 1 July	(160,420,348)	(136,749,955)
Depreciation charge for the year	(11,758,479)	(23,670,393)
Balance as at 30 June	(172,178,827)	(160,420,348)
NET BOOK VALUES		
Balance as at 30 June	209,229,173	220,987,652

NOTE 23

INVESTMENTS

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

695,000 Ordinary Shares @ Kes. 20.00

2,520,000 4% Non-cumulative Preference Shares @
Kes. 20.00

Balance as at 30 June

	2019-2020 Kes.	2018-2019 Kes.
695,000 Ordinary Shares @ Kes. 20.00	13,900,000	13,900,000
2,520,000 4% Non-cumulative Preference Shares @ Kes. 20.00	50,400,000	50,400,000
Balance as at 30 June	64,300,000	64,300,000



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NOTE 24

INTANGIBLE ASSETS -SOFTWARES

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

COST

Balance as at 1 July

2019-2020

2018-2019

Kes.

Kes.

Additions for the year

Balance as at 30 June

ACCUMULATED AMORTIZATION

Balance as at 1 July

Amortization charge for the year

Balance as at 30 June

NET BOOK VALUES

Balance as at 30 June

NOTE 25

TRADE AND OTHER PAYABLES

Note

2019-2020

2018-2019

Kes.

Kes.

Examination Expenses Payable

49

Trade Creditors

Accrued Expenses (Budget Commitments)

Staff Deductions Payables

50

Statutory Deductions Payables/ Benefits

51

KNEC Contribution to WCPS / Staff Contribution to WCPS

Audit Fees (Accrual)

Rent Deposit Refundable

11,477,655

14,315,785

75,915,343

151,542,405

44,780,696

45,664,368

9,023,108

1,784,098

75,908,808

17,793,189

219,232

-

5,800,000

2,900,000

1,398,600

1,398,600

224,523,442

235,398,445



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NOTE 26	2019-2020	2018-2019
DEFERRED INCOME	Kes.	Kes.
Deferred - Income - KCPE	637,643,990	530,943,134
Deferred - Income - KCSE	1,466,073,078	1,773,323,812
Deferred - Income - PTE	85,584,214	76,160,303
Deferred - Income - TCEA	806,523	754,200
Deferred - Income - ECDE	316,833,818	-
Deferred - Income - SNE	19,277,060	-
Deferred - Income - Technical	222,536,943	507,387,471
Deferred - Income - Business	117,631,925	321,465,890
Confirmation of Certificates	6,411,128	283,040
Letter of Certificates services	390,376	2,043,124
Letter of Certificates services	19,461	-
	2,873,208,516	3,212,360,974

NOTE 26: THE DEFERRED INCOME MOVEMENT IS AS FOLLOWS:

	2019-2020	2018-2019
	Kes.	Kes.
MoE Balance as at 1 July	2,273,591,206	2,321,418,694
Other receipts generated internally as at 1 July	938,769,768	550,067,955
Balance as at 1 July	3,212,360,974	2,871,486,649
Movements during the year		
Current year receipts		
Examination grants received from MoE	4,023,868,712	3,366,402,557
MoE Examination grants receivable	-	657,466,155
Other receipts generated internally	2,124,897,547	2,685,951,366
	6,148,766,259	6,709,820,078
Conditions met- transferred to revenue		
Examination grants expanded	(4,228,729,200)	(4,071,696,200)
Other receipts generated expanded	(2,259,189,517)	(2,297,249,553)
	(6,487,918,717)	(6,368,945,753)
Total Movements during the year	(339,152,458)	340,874,325
MoE Balance as at 30 June	2,068,730,718	2,273,591,206
Other receipts generated internally as at 30 June	804,477,798	938,769,768
Conditions to be met- liabilities	2,873,208,516	3,212,360,974



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NOTE 27	2019-2020	2018-2019
EMPLOYEE BENEFIT OBLIGATION	Kes.	Kes.
Balance as at July	25,418,574	21,472,002
Staff Leave Days Provision reduced	(7,230,045)	4,758,729
Additional Gratuity Provision raised	3,227,023	(812,157)
Balance as at 30 June	21,415,552	25,418,574

NOTE 28	2019-2020	2018-2019
TAXATION PROVISION	Kes.	Kes.
Balance as at 1 July	35,962,076	31,251,768
Income tax charge for the year	32,468,375	42,971,573
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	(32,889,999)	(38,261,265)
Net change	(421,624)	4,710,308
Balance as at 30 June	35,540,452	35,962,076

NOTE 29	2019-2020	2018-2019
DONOR PROJECT FUNDS	Kes.	Kes.
Rockefeller	3,339,543	3,339,543
EAC (Essay Writing Competition)	329,248	329,248
KESSP - NASMLA	8,084,361	8,185,861
UKEFR Study - AKF	41,000	41,000
GPE-World Bank PRIEDE Project Account	18,376,276	21,036,010
SEQIP-Secondary Education Quality Improvement Project	358,451,052	190,751,648
Balance as at June	388,621,480	223,683,310



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NOTE 29: THE DONOR PROJECT FUNDS MOVEMENT IS AS FOLLOWS:

DONOR PROJECT FUNDS	2019-2020 Kes.	2018-2019 Kes.
Other Projects b/f	11,895,652	11,895,652
GPE-World Bank PRIEDE Project b/f	21,036,010	162,102,599
SEQIP-Project b/f	190,751,648	36,453,808
Balance as at 1 July	223,683,309	210,452,059
Movements during the year		
Current year receipts		
GPE-World Bank PRIEDE Project	69,803,500	-
SEQIP-Secondary Education Quality Improvement Project	364,866,310	184,681,133
	434,669,810	184,681,133
Conditions met- project expenses utilized		
Other Project –NASLMA	(101,500)	-
GPE-World Bank PRIEDE Project	(72,463,234)	(141,066,589)
SEQIP-Secondary Education Quality Improvement Project	(197,166,906)	(30,383,294)
	(269,731,640)	(171,449,883)
Total Movements during the year	165,039,670	13,195,205
Other Projects c/f	11,794,152	11,895,652
GPE-World Bank PRIEDE Project c/f	18,376,276	21,036,010
SEQIP-Project c/f	358,451,052	190,751,648
Conditions to be met- liabilities	388,621,480	223,683,310

NOTE 30 CAPITAL WORKS RETENTIONS	2019-2020 Kes.	2018-2019 Kes.
Balance as at 1 July		
Retention of New Mitihani House	4,399,990	84,158,661
Additions		
Retention of New Mitihani House	-	(81,900,153)
Retention of Other Refurbishment Works	-	2,141,482
Balance as at 30 June	4,399,990	4,399,990



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 31	2019-2020	2018-2019
CAPITAL RESERVE	Kes.	Kes.
Balance as at 1 July	3,683,241,668	3,486,743,173
Prior item additions grants on NMH received by MOPW	1,312,629	37,489,446
Capital grants for the year	-	3,750,000
MOPW Capital grants for the year	106,927,400	155,259,049
SEQIP Capital grants for the year	174,655,213	-
Balance as at 30 June	3,966,136,910	3,683,241,668

NOTE 32	2019-2020	2018-2019
REVALUATION RESERVE	Kes.	Kes.
Balance as at 1 July	709,640,359	709,640,359
Revaluations for the year	-	-
Balance as at 30 June	709,640,359	709,640,359

NOTE 33	2019-2020	2018-2019
REVENUE RESERVE -ACCUMULATED SURPLUS	Kes.	Kes.
Balance as at 1 July	(971,338,575)	(116,871,330)
Prior Items Adjustments	6,629,047	(1)
Deficit for the Year	(370,688,413)	(854,467,244)
Balance as at 30 June	(1,335,397,941)	(971,338,575)

Note



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NOTE 34

INTER-ENTITY TRANSFERS

Parliamentary Allocation approved

	2019-2020	2018-2019
	Kes.	Kes.
MoE Recurrent Grants Transfer	177,000,000	175,230,000
MoE KCSE Exams Grants Transfer	797,707,088	592,846,600
Amount recognized to Statement of Comprehensive Income	974,707,088	768,076,600
MoE KCPE Exams Grants Transfer	940,497,600	856,744,800
MoE KCSE Exams Grants Transfer	2,285,664,024	1,916,811,157
Amount recognized to Deferred Income	3,226,161,624	2,773,555,957
GPE-World Bank PRIEDE Project	69,803,500	-
SEQIP-Project	364,866,310	184,681,133
Amount recognised in Donor fund	434,669,810	184,681,133
MoE Capital Grants	-	3,750,000
Amount recognised in capital fund	-	3,750,000
MOE -National Examinations (Debtor)	-	657,466,155
Amount recognised in receivables	-	657,466,155
Balance as at 30 June	4,635,538,522	4,387,529,845



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 35

RELATED PARTIES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Ministry of Education
- iii) Council Members
- iv) Key Management

	2019-2020	2018-2019
	Kes.	Kes.
Related party transactions		
a) Grants from the Government		
Grants from National Govt –MOE	4,635,538,522	4,387,529,845
Grants from National Govt -MOPW	106,927,400	155,259,049
b) Expenses incurred on behalf of related party		
Payments for goods and services for MOE	-	3,811,618
c) Key management compensation		
Council Members	22,488,189	26,348,375
Management	37,362,212	35,951,083



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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

2019-2020

Kes.

2018-2019

Kes.

13,165,638

39,110,904

13,165,638

39,110,904

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

Total operating lease expense commitments

2019-2020

Kes.

2018-2019

Kes.

96,751,448

85,099,529

162,538,740

340,398,116

-

21,274,882

259,290,188

446,772,527

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

Prior Items Adjustments amounting to

Kes.7,941,676 are explained as follows

**** Prior Item on the Income Expenditure**

Account;

Write-offs of Local Purchase Order (LPO) amounting to Kes.6,629,047 during the year 2019/2020 which were not expected to be serviced but whose commitment had earlier been factored in earlier in the Financial Statements according with Accrual Basis of Accounting.

2019-2020

Kes.

2018-2019

Kes.

6,629,047

(1)



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 37

PRIOR ITEMS ADJUSTMENTS

**** Prior Items on capital reserve and New Mitihani Work in Progress amounting to Kes.1,312,629 are explained as follows;**

The Ministry of Public Works had paid the Main Contractor Ongata Works Ltd for Construction of New Miithani House Phase V amounts totalling to Kes.1,312,629 in prior periods to FY 2019-2020 but which were not factored in the Financial Statements under Capital Reserve and under NMH.

	2019-2020	2018-2019
	Kes.	Kes.
	1,312,629	37,489,446

NOTE 38

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.

	2019-2020	2018-2019
	Kes.	Kes.
Foundation Institute of Africa.	16,016,000	16,016,000
COM -21 Ltd.	4,546,829	4,546,829
Ken bright Insurance Broker	7,000,000	7,000,000
	27,562,829	27,562,829

NOTE 39

CONTINGENT LIABILITIES

Off balance sheet liabilities 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.

	2019-2020	2018-2019
	Kes.	Kes.
NMH Contractor -Ongata Works Ltd	413,672,286	368,975,231
CIC Insurance	16,482,914	-
Former Staff	1,533,540	-
	431,688,740	368,975,231



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NOTE 40

FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Council's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Council's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Council does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Council's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Council has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Council's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Council's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

(i) Credit risk (Continued)

	Total	Fully performing	Past due	Impaired
	Kes.	Kes.	Kes.	Kes.
At 30 June 2020				
Receivables from non-exchange transactions	309,781,850	269,435,835	20,091,710	20,254,305
Cash And Cash Equivalents	1,651,089,640	1,651,089,640	-	-
Total	1,960,871,490	1,920,525,475	20,091,710	20,254,305



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FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total	Fully performing	Past due	Impaired
	Kes.	Kes.	Kes.	Kes.
At 30 June 2019				
Receivables from exchange transactions	661,277,773	661,277,773	-	-
Receivables from non-exchange transactions	249,517,587	217,453,191	11,500,991	20,563,405
Cash And Cash Equivalents	1,338,843,011	1,338,843,011	-	-
Total	2,249,638,371	2,217,573,975	11,500,991	20,563,405

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Council has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Council has significant concentration of credit risk on amounts due from the Receivables from non-exchange transactions.

The Council sets the Council's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council's members who have built an appropriate liquidity risk management framework for the management of the Council's short, medium and long-term funding and liquidity management requirements. The Council manages liquidity risk through continuous monitoring of forecasts and actual cash flows.



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FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

The table below represents cash flows payable by the Council under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kes.	Kes.	Kes.	Kes.
At 30 June 2020				
Trade and other payables from exchange transactions	145,923,135	7,686,489	70,913,818	224,523,442
Deferred income	2,873,208,516	-	-	2,873,208,516
Taxation Provision	4,414,413	-	31,126,039	35,540,452
Employee benefit obligation	18,037,578	-	3,377,974	21,415,552
Total	3,044,961,616	7,686,489	102,039,857	3,154,687,962
At 30 June 2019				
Trade and other payables from exchange transactions	186,730,424	18,732,438	29,935,583	235,398,445
Deferred income	3,212,360,974	-	-	3,212,360,974
Taxation Provision	4,836,037	-	31,126,039	35,962,076
Employee benefit obligation	19,498,213	-	5,920,361	25,418,574
Total	3,423,425,647	18,732,438	66,981,984	3,509,140,069

(iii) Market risk

The Council has put in place an internal audit function to assist it in assessing the risk faced by the Council on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Council's income or the value of its holding of financial instruments. The objective of market risk management is to manage and



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FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Council's Planning Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Council's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Council has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the Council's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Kes	Other	Total
	Kes.	currencies	
		Kes.	Kes.
At 30 June 2020			
Financial assets			
Investment	64,300,000	-	64,300,000
Cash	1,616,794,606	34,295,034	1,651,089,640
Debtors	309,781,850	-	309,781,850
Total financial assets	1,990,876,456	34,295,034	2,025,171,490
Financial liabilities			
Trade and other payables	217,703,811	6,819,631	224,523,442
Deferred income	2,873,208,516	-	2,873,208,516
Total financial liabilities	3,090,912,327	6,819,631	3,097,731,958
Net foreign currency asset/(liability)	(1,100,035,871)	27,475,403	(1,072,560,468)



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FINANCIAL RISK MANAGEMENT (Continued)

The Council manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Kes	Other currencies	Total
	Kes.	Kes.	Kes.
At 30 June 2019			
Financial assets			
Investment	64,300,000	-	64,300,000
Cash	1,322,902,230	15,940,781	1,338,843,011
Debtors	910,795,360	-	910,795,360
Total financial assets	2,297,997,590	15,940,781	2,313,938,371
Financial liabilities			
Trade and other payables	222,576,519	12,821,926	235,398,445
Deferred income	3,212,360,974	-	3,212,360,974
Total financial liabilities	3,434,937,493	12,821,926	3,447,759,419
Net foreign currency asset/(liability)	(1,136,939,903)	3,118,855	(1,133,821,048)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Council's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Surplus
	Kes.	Kes.	Kes.
2020 GBP	10%	(548,016)	(548,016)
2019 GBP	10%	(2,001,826)	(2,001,826)



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FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk

Interest rate risk is the risk that the Council's financial condition may be adversely affected as a result of changes in interest rate levels. The Council's interest rate risk arises from bank deposits. This exposes the Council to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Council's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Council's market assumptions. These two types of inputs have created the following fair value hierarchy:

- * Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- * Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- * Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Council considers relevant and observable market prices in its valuations where possible.



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FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	Kes.	Kes.	Kes.	Kes.
At 30 June 2020				
Financial Assets				
Quoted equity investments	-	-	64,300,000	64,300,000
Non-financial Assets				
Investment property	-	-	381,408,000	381,408,000
Land and buildings	-	-	3,606,170,462	3,606,170,462
Total	-	-	4,051,878,462	4,051,878,462
At 30 June 2019				
Financial Assets				
Quoted equity investments	-	-	64,300,000	64,300,000
Non-financial Assets				
Investment property	-	-	381,408,000	381,408,000
Land and buildings	-	-	3,405,770,160	3,405,770,160
Total	-	-	3,851,478,160	3,851,478,160

There were no transfers between levels 1, 2 and 3 during the year.

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.



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FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Council's capital risk management is to safeguard the Full Council's ability to continue as a going concern. The Council capital structure comprises of the following funds:

	2019-2020	2018-2019
	Kes.	Kes.
Revaluation	709,640,359	709,640,359
Accumulated Deficit	(1,335,397,941)	(971,338,575)
Capital reserve	3,966,136,910	3,683,241,668
Total Funds	3,340,379,328	3,421,543,452
Non-Current Liabilities	393,021,470	228,083,300
Less: cash and bank balances	(1,651,089,640)	(1,338,843,011)
Net debt/(excess cash and cash equivalents)	(1,258,068,170)	(1,110,759,711)
Gearing	850%	1500%



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 41

DETAILED ANALYSIS OF THE CASH IN BANK

Cash in Bank	Branch	Account	2019-2020 Kes.	2018-2019 Kes.
Co-operative Bank - SEQIP Project	Coop House	01136030120310	359,855,756	193,392,551
Co-operative Bank -Project Account	Coop House	01136030120302	38,020,445	36,936,034
Co-operative Bank -Forex Account	Coop House	03120030120300	34,295,034	15,940,781
Co-operative Bank - GPE-World Bank-Priede Project	Coop House	01136030120309	10,302,746	25,548,825
Co-operative Bank -Current Account	Coop House	01136030120300	7,717,130	7,232,068
Co-operative Bank -KCPE Collection Account	Coop House	01136030120303	9,598	9,346
Co-operative Bank - Technical Collection Account	Coop House	01136030120306	9,556	7,918
Co-operative Bank - Business Collection Account	Coop House	01136030120305	9,280	9,556
Co-operative Bank -KCSE Collection Account	Coop House	01136030120304	9,112	8,926
Co-operative Bank			450,228,657	279,086,005
Commercial Bank of Africa - Current Account	Mama Ngina Street	7079410014	5,644,768	23,402,720
National Bank of Kenya - Current Account	Harambee	0100105387000	4,280,322	26,361,654
National Bank of Kenya - KCPE Collection Account	Harambee	0100160313800	10,000	10,000
National Bank of Kenya - KCSE Collection Account	Harambee	0100160313800	10,000	10,000
National Bank of Kenya - Business Collection Account	Harambee	0100160314000	10,000	10,000



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

DETAILED ANALYSIS OF THE CASH IN BANK

Cash in Bank	Branch	Account	2019-2020 Kes.	2018-2019 Kes.
National Bank of Kenya - Technical Collection Account	Harambee	0100160314100	10,000	10,000
National Bank of Kenya - Other Exams Collection Account	Harambee	01001060314200	10,000	10,000
National Bank of Kenya - General Tran Collection Account	Harambee	0100160314300	10,000	10,000
National Bank of Kenya			4,340,322	26,421,654
Equity Bank -Current Account	Lavington Supreme Centre	0470294988324	3,772,089	2,699,874
Equity Bank - KCPE Collection Account	Lavington Supreme Centre	0470294988424	10,000	10,000
Equity Bank -Technical Exam Collection Account	Lavington Supreme Centre	0470294988458	10,000	10,000
Equity Bank -KCSE Collection Account	Lavington Supreme Centre	0470294988446	9,999	10,000
Equity Bank -Business Exam Collection Account	Lavington Supreme Centre	0470294988466	8,294	10,000
Equity Bank			3,810,382	2,739,874
Kenya Commercial Bank - Current Account	Moi Avenue	01107140870	2,470,583	16,520,413
Kenya Commercial Bank - KCPE Collection Account	Moi Avenue	01116686414	9,880	9,880
Kenya Commercial Bank - KCSE Collection Account	Moi Avenue	01116686457	9,880	9,880
Kenya Commercial Bank - Business Collection Account	Moi Avenue	01116686554	9,880	9,880
Kenya Commercial Bank - Technical Collection Account	Moi Avenue	01116686791	9,880	9,880



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DETAILED ANALYSIS OF THE CASH IN BANK

Cash in Bank	Branch	Account	2019-2020 Kes.	2018-2019 Kes.
Kenya Commercial Bank - Other Exams Collection Account	Moi Avenue	01116686880	9,880	9,880
Kenya Commercial Bank - General Transactions Collection Account	Moi Avenue	01116686937	9,880	9,880
Kenya Commercial Bank			2,529,863	16,579,693
Safaricom - Mpesa Utility (float) Account	Mama Ngina Street	74810049-17	9,535,649	15,613,066
Cash in Bank			476,089,641	363,843,012

NOTE 42

**DETAILED ANALYSIS OF THE SHORT TERM
DEPOSITS**

	2019- 2020 Kes.	2018-2019 Kes.
Fixed Deposits - KCB	500,000,000	-
Fixed Deposit - Co-operative Bank	325,000,000	325,000,000
Fixed Deposit -Equity Bank	250,000,000	100,000,000
Fixed Deposit - Commercial Bank of Africa	99,999,999	549,999,999
	1,174,999,999	974,999,999

NOTE 43

**Detailed RECEIVABLES
FROM NON EXCHANGE TRANSACTIONS**

	2019-2020 Kes.	2018-2019 Kes.
MoE Debtor- KCSE National Examinations	-	657,466,155
MoE Debtor –Others	-	3,811,618
	-	661,277,773



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NOTE 44	2019-2020	2018-2019
Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS	Kes.	Kes.
Debtors - Examinations		
Debtors - School Examinations - KCPE	782,900	457,600
Debtors - School Examinations - KCSE	10,985,160	6,949,460
Debtors - Teachers Examinations - ECDE	25,206,120	26,616,800
Debtors - Teachers Examinations - PTE	-	76,800
Debtors - Teachers Examinations - SNE	-	20,500
Debtors - Post School Examinations - Business	1,585,410	2,521,070
Debtors - Post School Examinations - Technical	225,750	2,245,830
Provision for Bad Debts – (ECDE Foundation Institute)	(19,889,300)	(19,889,300)
	18,896,040	18,998,760
NOTE 45		
Unsurrendered Imprest		
Unsurrendered Imprest	25,130,567	15,959,069
Provision for Bad Debts - Temporary Imprest	-	(309,100)
	25,130,567	15,649,969
NOTE 46		
Staff Receivables		
Salary Advance	129,000	129,000
Staff Debtors	575,302	376,804
Provision for Bad Debts - Staff Debtors	(93,622)	(93,622)
	610,680	412,182



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

NOTE 47	2019-2020	2018-2019
	Kes.	Kes.
Sundry Debtors		
Debtors - Kenya Polytechnic	153,460	153,460
Retirement Benefits	795,000	795,000
Debtor –SMS	9,870,937	2,330,130
Miscellaneous Debtors	9,873,149	12,011,003
Sundry Debtors- Examiners	521,284	867,466
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)
	20,942,447	15,885,676

NOTE 48

	2019-2020	2018-2019
	Kes.	Kes.
Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Deposit to Institutions		
Deposit to Hospitals	706,000	706,000
Deposit to Institutions(Office Rent Deposits)	9,338,560	9,338,560
Deposit to Petrol Stations	4,223,000	1,600,000
	14,267,560	11,644,560

NOTE 49

Detailed TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Kes.	Kes.
Examination Expenses Payable		
Marking Payables	109,885	109,885
Field Administration Payables	11,184,540	14,205,900
Test Developers Payables	183,230	-
	11,477,655	14,315,785



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed TRADE AND OTHER PAYABLES (Continued)

NOTE 50

	<u>Kes.</u>	<u>Kes.</u>
Staff Deductions Payables/ Benefits		
Benevolent Funds	-	250
Insurance benefits	9,023,108	1,783,848
	<u>9,023,108</u>	<u>1,784,098</u>

NB: During the year under review the Council lost two members of staff and the Insurance Company remitted their final dues of Kes.9,023,108 by 30 June 2020 for onward distribution to their dependants. The payment to the dependants was made in Sept 2020 after due diligence by the Staff Pension fund and Human Resources Division.

NOTE 51

Detailed TRADE AND OTHER PAYABLES

	<u>2019-2020</u>	<u>2018-2019</u>
	<u>Kes.</u>	<u>Kes.</u>
Statutory Deductions Payables		
University Loan Recoveries (HELB)	-	1
PAYE- Salaries	10,023,598	2,359,231
PAYE- Council members allowances	148,250	851,993
FDR-Withholding Tax	3,424,110	1,771,438
Income Tax (Withholding Tax) - Creditors	1,652,162	3,035,075
Withholding tax - Contracted Professionals	48,144,023	2,216,145
VAT Output Tax	11,542,683	-
Commissioner of Tax -VAT Withholding	973,982	7,559,306
	<u>75,908,808</u>	<u>17,793,189</u>

NB: PAYE and VAT deductions are done in the month they occur but remitted the next month by 9th and 20th of the following month as per the law. Thus the PAYE of Kes.10,023,598 and 148,250 were paid in July 2020.



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NOTE 52

Analysis of Financial Performance

In the financial year 2019/2020 the Council incurred a deficit of Kes.370,688,413 resulting to increased accumulated deficit to Kes.1,335,397,941 from Kes.971,338,575 in financial year 2018/2019. The Council has attributed the loss to the national need to secure the KCPE & KCSE national examinations.

The new Council initiated various new procedures and processes in the test development, printing, storage, distribution centres, appointment of Principal and head teachers as centre managers, enhanced monitoring of the examinations, the administration of the examinations by use of inter-governmental agencies and securing of the marking processes which increased the unit cost of the national examinations.

The Council has brought this matter to the attention to the Ministry of Education with a proposal to increase the unit cost per candidature.

The Council has also requested for a recurrent capitation of Kes.1,031,985,983 to fund its Personal Emoluments (PE) in FY 2020/2021.

The Council expects that these measures will eliminate the deficit in the long run since these new measures and procedures will continue to be used in securing the national examinations to prevent any leakage or irregularities.



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NOTE 53

Analysis of Key Personnel used in Examination Administration

The Council is conscious of the need to complete the process of standardizing its assessment processes by involving qualified and experienced contracted professionals to run the school examinations. During the reporting period, a total of 295,257 contracted professionals were used in 2019 national examinations in comparison to the total of 277,526 contracted professionals were used in 2018 national examinations. Details of the number on contracted professionals for KCPE & KCSE examinations are shown below:

**Contracted Professionals
used by KNEC to run
School Exams**

	2019-2020 No	2019-2020 Kes.	2018-2019 No	2018-2019 Kes.
KCPE				
Marking				
Examiners travel and coordination	5,891	37,359,600	5,544	32,317,657
Examiners Script Fees		35,276,184		35,748,421
Field Administration				
Supervision & invigilation	132,947	218,549,837	127,518	204,868,330
Centre managers	26,706	39,837,000	25,658	38,487,000
EMDs (Examination officials manning the distributions centres)	9,691	64,262,840	5,558	44,537,320
	175,235	395,285,461	164,278	355,958,728
KCSE				
Marking				
Examiners travel and coordination	25,694	165,803,938	22,243	131,352,150
Examiners Script Fees		969,408,139		871,318,536
Field Administration				
Supervision & invigilation	77,354	577,767,770	75,617	596,554,787
Centre managers	9,943	90,538,500	9,830	89,227,000
EMDs (Examination officials manning the distributions centres)	7,031	90,551,250	5,558	99,559,846
	120,022	1,899,908,106	113,248	1,788,062,319



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APPENDIX I: 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	The Council is technical insolvent and its ability to meet short-term obligations as and when they fall due could not be confirmed. The Management has not explained any mitigation measures to improve the performance.	The Mgt concur with the auditor's observation. The Council has undertaken various transformative strategies in the last four (4) years to securing the integrity of the National examinations and restore the Country's confidence following the unfortunate events of examinations administration in 2015. The Council has brought the matter of the examination funding to the attention of the Ministry of Education and the National Treasury with a proposal to sustain the examination reforms and increase in candidature. Although the Council capital is limited by Government Guarantee, The Council manages its capital management annually through the approval of its operating and capital budget in order to reduce the accumulated deficit of Kshs.1, 335,397,941. The Council hopes that the Ministry of Education and the National Treasury will honor the Council's supplementary Budget estimates.	Mercy G Karogo MBS Ag CEO KNEC	Not Resolved	
2.0	Delay in the completion of Mitihani House in South C. The Works has been outgoing for the last 30 years. The management has not provided a road map on how it intends to complete the project which could lead to cost escalation and stakeholders may not get value for their resources if the project is not completed and put to its intended purpose. Any delays in payments the management risks legal suits and interest penalties.	The Mgt concur with the auditor's observation. The construction has faced numerous challenges resulting from: ➤ Project management: The New Mitihani House construction project management is under the Ministry of Land, Housing & Urban development) and not the Council. ➤ Project Funding: The Council has been receiving amounts far below the Council requirement which has lead delays in paying outstanding bills. Further no future allocation was made by the parent ministry for the printed estimates for the fiscal year 2019/2020. The Council has consulted with the MOE seek for supplementary estimates to enable to settle the outstanding bills.	Mercy G Karogo MBS Ag CEO KNEC	Not Resolved	



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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)
3.0	The management has not recovered monies from Foundation Institute of Africa although they have released examination certificates to the institute. This recoverability is in doubt.	The Mgt concur with the auditor's observation. The Council has requested the Attorney General to pursue recovery by way of court case for the full amount.	Mercy G Karogo MBS Ag CEO KNEC	Not Resolved	

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.

Dr. John O. Onsati, OGW
CHAIRMAN

Dr. Mercy G. Karogo, MBS
Ag. CHIEF EXECUTIVE OFFICER



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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
The New Mitihani House Project	1066103500	The GoK	1986-2020	No	No	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	The New Mitihani House Project	4,666,147,501	3,171,989,145	59%	21,637,866	-	The GoK

Projects Brief

New Mitihani House

The Council in July 2018 terminated the NMH Phase VI contract with M/S Ongata works to forestall escalation of costs due to price fluctuations, interest on delayed payments among other contractual claims. The level of completion at the point of stalling was estimated at 59% as computed by the Project Manager, (Ministry of Public Works).



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APPENDIX III: INTER-ENTITY TRANSFERS

Kenya National Examinations Council				
Break down of Transfers from the State Department of Education				
FY 2019/20				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kes)</u>	<u>Indicate the FY to which the amounts relate</u>
		15/08/2019	44,250,000	FY 2019/2020
		16/10/2019	797,707,088	FY 2019/2020
		16/10/2019	1,214,227,268	FY 2020/2021
		30/10/2019	44,250,000	FY 2019/2020
		31/12/2019	2,011,934,356	FY 2020/2021
		21/05/2020	44,250,000	FY 2019/2020
		11/06/2020	44,250,000	FY 2019/2020
		Total	4,200,868,712	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kes)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	0	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (Kes)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	0	
d.	Donor / Project Receipts			
		<u>Bank Statement Date</u>	<u>Amount (Kes)</u>	<u>Indicate the FY to which the amounts relate</u>
		23/12/2019	199,023,135	FY 2019/2020
		13/01/2020	165,843,175	FY 2020/2021
		11/06/2020	69,803,500	FY 2019/2020
		Total	434,669,810	

The above amounts have been communicated to and reconciled with the parent Ministry

Financial Controller
KNEC



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Project Funds	
MOE	15/08/2019	Recurrent	44,250,000	44,250,000					44,250,000
MOE	16/10/2019	Recurrent /Direct Payment	2,011,934,356	797,707,088		1,214,227,268			2,011,934,356
MOE	30/10/2019	Recurrent	44,250,000	44,250,000					44,250,000
MOE	31/12/2019	Recurrent	2,011,934,356			2,011,934,356			2,011,934,356
MOE	23/12/2019	Recurrent	199,023,135					199,023,135	199,023,135
MOE	13/01/2020	Project	165,843,175					165,843,175	165,843,175
MOE	29/01/2020	Project	69,803,500					69,803,500	69,803,500
MOE	21/05/2020	Project	44,250,000	44,250,000					44,250,000
MOE	11/06/2020	Recurrent	44,250,000	44,250,000					44,250,000
Total			4,635,538,522	974,707,088	0	3,226,161,624	0	434,669,810	4,635,538,522