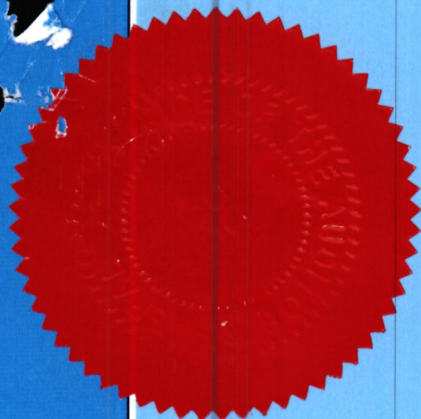


REPUBLIC OF KENYA



Enhancing Accountability



PARLIAMENT
OF KENYA
LIBRARY

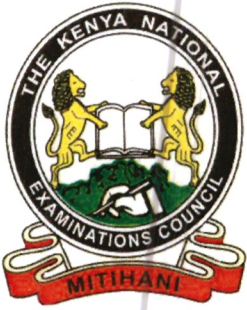
REPORT	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: OF 11 FEB 2021	DAY: Thursday
TABLED BY:	L.O.M
APPROVED BY:	Amro Chibiko

THE AUDITOR-GENERAL

ON

**KENYA NATIONAL EXAMINATIONS
COUNCIL**

**FOR THE YEAR ENDED
30 JUNE, 2019**



THE KENYA NATIONAL EXAMINATIONS COUNCIL

Annual Report and Financial Statements for the Year Ended 30 June, 2019



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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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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 and the Second Medium-Term Plan 2013–2019 (MTP II). 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 analyzed and cross-tabulated to give accurate insight on the state of education service delivery in every county, constituency, wards and every school in the country.

The Council also 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 (SACMEQ); 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, 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 BRIEF HISTORY

Year	Month	Key Highlights
1980	August	<p>KNEC was established under Council's Act Cap 225A following breakup of the East African Community. The single system of education, the 7-4-2-3 was examined. Exams offered were:- East African Certificate of Primary Education (EACPE) East African Certificate of Education Examination (EACE) East African Advanced Certificate of Education (EAACE).</p> <p>The EACPE was replaced by the Certificate of Primary education (CPE), the EACE was replaced by the Kenya Certificate of Education (KCE) and the EAACE was replaced by the Kenya Advanced Certificate of Education (KACE).</p>
1985	January	<p>8-4-4 system was adopted. CPE was replaced by KCPE while KCE was replaced by the KCSE. KCPE Examinations were administered for the first time.</p>
1988		<p>Sessional Paper No.6 of 1988 emphasized on coordination and harmonization of the examinations and certification of all national examinations for school and post school training institutions except the universities. It also adopted the existing examination syllabuses and award regulations for the examinations.</p> <p>Business and Technical Examinations were administered first time.</p>
1989		<p>First KCSE and the last Kenya Advanced Certificate of Education (KACE) examinations were held.</p>
2007		<p>ECDE Examinations were administered for the first time.</p>
2010		<p>DTE & SNE Examinations were administered first time.</p>
2012		<p>KNEC Act No. 29 of 2012 replaces Council Act Cap 225A of 1980.</p>
2015	July	<p>Gazettement of KNEC Examinations Rules</p>
2017	July	<p>Amendment to the KNEC Act No. 29 of 2012.</p>



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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1.2 CORE STATEMENT

1.2.1 VISION

To be a world class leader in educational assessment and certification.

1.2.2 MISSION

To assess abilities and certify learner achievements in conformity with global standards.

1.3 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. Its ultimate parent is the Government of Kenya.

1.4 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.

1.5 CORE VALUES

The Council observes the National Values and Principles of Governance outlined in the Article 10 of the Constitution of Kenya 2010. The Council has domesticated the National Values into Council Values and are stated in the Council's Strategic Plan as follows:

The Council Core Values are:

- Accountability;
- Integrity;
- Team Spirit;
- Professionalism;
- Inclusiveness;
- Quality Customer Service;
- Innovativeness.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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1.6 QUALITY POLICY

The Kenya National Examinations Council is committed to providing quality products and services in educational assessment to its customers by developing and conducting school and post-school examinations that are credible and of nationally and internationally acceptable standards, award and equate certificates, conduct research and promote best practices in assessment for national development.

To achieve this commitment, KNEC shall:

- Comply with statutory and regulatory requirements;
- Identify and meet customer needs and expectations;
- Provide and maintain appropriate infrastructure;
- Establish partnerships with stakeholders;
- Identify, monitor and review risks and opportunities;
- Monitor and review internal and external issues in line with the strategy; and
- Develop quality objectives at relevant functional levels.

KNEC shall establish, implement, maintain and continually improve the Quality Management System (QMS) in compliance with the requirements of ISO 9001:2015.

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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Other Offices

Mitihani House, Dennis Pritt Road, Kilimani

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

Mobile: 0703448667/0734333360

Industrial Area Offices,

Ministry of Public Works, Supplies Branch,

Likoni Road.

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

Mobile: 0720741003/0732333530

New Mitihani House South C

Mobile: 0720741094

1.9 BANKERS

1.9.1	Co-operative Bank of Kenya	1.9.4	Equity Bank (Moi Avenue)
	Co-operative House, Aga Khan Walk		Shankadrass House , Moi Avenue,
	P.O Box 67881 -00200		P.O Box 75104 -00200
	Nairobi, Kenya		Nairobi, Kenya
1.9.2	Kenya Commercial Bank (Moi Avenue)	1.9.5	Commercial Bank of Africa (CBA Centre)
	Kencom House, Moi Avenue,		Commercial Bank Building, Wabera and Standard Streets
	P.O Box 30081 -00100		P.O Box 30437 -00100
	Nairobi, Kenya		Nairobi, Kenya
1.9.3	National Bank of Kenya		
	National Bank of Kenya House, Harambee Avenue,		
	P.O Box 41862 -00100		
	Nairobi, Kenya		



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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1.10 PRINCIPAL LEGAL ADVISOR

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

1.11 AUDITORS

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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2.0 THE COUNCIL STRUCTURE

The current Council in place from 1st July, 2018 to 30th June 2019

	NAME	DESIGNATION
2.1	Dr. John O. Onsati	Chairperson appointed by the President
2.2	Dr. Mercy G. Karogo	Ag. Chief Executive Officer KNEC
2.3	Dr. Belio Kipsang	Principal Secretary of the Ministry of Education
2.4	Ms. Dorothy N. Kimeu	Representing the Cabinet Secretary, The Treasury and Planning
2.5	Dr. Nancy N. Macharia	CEO/Secretary of the Teachers Service Commission
2.6	Dr. Julius O. Jwan	Director of the Kenya Institute of Curriculum Development
2.7	Dr. Mary Gaturu	Ag. Director of Quality Assurance & Standards in the Ministry of Education
2.8	Mrs. Rosemary C. Saina	Independent Member representing private sector involved with management of Education and Chairperson, Finance & General Purposes Committee
2.9	Dr. Karen T. Odhiambo	Independent Member representing special interest and Chairperson, Audit & Risk Committee
2.10	Mr. Martin O. Okiyo	Independent Member representing interest of persons living with disabilities
2.11	Col (Rtd.) Leonard Owambo	Co-opted Member
2.12	Dr. Fred O. Sporta	Co-opted Member

The following Council members exited between 30th March, 2019 and 30th June, 2019

	NAME	DESIGNATION
2.13	Prof. George A.O Magoha	Former Council Chairman
2.14	Dr. Pius K. Mutisya	Former Ag Director QAS MoE / Ag CEO ESQAC

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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3.0 FIDUCIARY OVERSIGHT ARRANGEMENTS

COUNCIL COMMITTEES

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. The Committees are described below:

NAME OF THE COMMITTEE	MEMBERS
Examinations Management Committee (EMC)	(1) Dr. John O. Onsati - Chair (2) Dr. Belio Kipsang (3) Mrs. Rosemary C. Saina (4) Dr. Nancy N. Macharia (5) Dr. Mary Gaturu (6) Dr. Julius O. Jwan (7) Ms. Dorothy N. Kimeu (8) Dr. Karen T. Odhiambo (9) Col. (Rtd) Leonard Owambo (10) Mr. Martin O. Okiyo (11) Dr. Fred O. Sporta (12) Dr. Mercy G. Karogo
Finance & General Purposes Committee (FGPC)	(1) Mrs. Rosemary C. Saina -Chair (2) Dr. Belio Kipsang (3) Ms. Dorothy N. Kimeu (4) Col. (Rtd) Leonard Owambo (5) Dr. Nancy N Macharia (6) Mr. Martin O. Okiyo (7) Dr. Mercy G. Karogo
Audit and Risk Committee	(1) Dr. Karen T .Odhiambo - Chair (2) Dr. Julius O. Jwan (3) Ms. Dorothy N. Kimeu (4) Dr. Fred O. Sporta (5) Dr. Mary Gaturu

A detailed description of the roles functions of these committees is found under the section on corporate governance.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2019**

4.0 MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The performance of the Council in general is reviewed below:-

4.1 FISCAL SECTOR PERFORMANCE

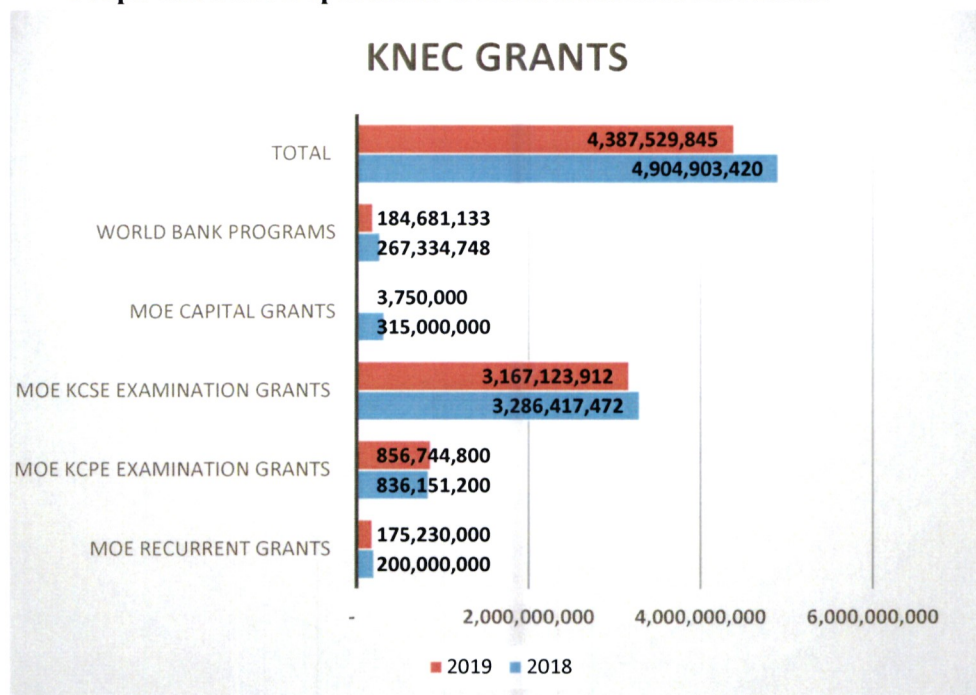
Education and training is one of the main focus areas under the Social Pillar of the Kenya Vision 2030 Sustainable Development Goals (SDGs). In 2015, countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals.

The Government committed to paying Examination fees for all KCPE and KCSE candidates in public schools starting the year 2015. In the year 2018, the Government started paying examination fees for all KCPE and KCSE candidates in private schools.

The National Government total expenditure on the education assessment decreased by 11% to Kes.4.38 billion in FY 2018/19 from Kes.4.9 billion in FY 2017/18.

The Recurrent expenditure provided by the Ministry of Education declined by 12% from Kes.200 million in FY 2017/18 to Kes.175.2 million in the FY2018/2019. This was not enough to curb the escalating costs of office operations and personnel emoluments.

Graph 1.1: State Department of Basic Education Allocation





**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

National Government capitation on Examination Fees decreased from Kes.4,122,568,672 in FY 2017/18 to Kes.4,023,868,712 in FY 2018/19 as shown in Graph 1.1. The decrease is mainly attributable to National Budgetary constraints.

Development expenditure on KNEC by the National Government reduced from Kes.315,000,000 in FY 2017/18 to Kes.3,750,000 in FY 2018/19. These payments were used to clear pending obligations to the main contractor and sub-contractors.

There are funding challenges in financing the Councils budgetary allocations, thereby affecting implementation of planned activities, projects/ programmes. The Council resource deficit is significant and stands at Kes.713,253,179 for the financial year 2018/2019. This translates to Kes.543,449,086 deficit in recurrent expenditure and Kes.169,804,093 for development expenditure which leads to pending bills. The deficit has impacted negatively on Councils grants and financing of existing capital projects.

4.2 REVENUE PERFORMANCE

The Council's approved budget for financial year 2018/2019 was Kes.6,722,277,992 with Kes.4,248,864,070 coming from the Exchequer and the balance being raised internally through various Appropriation-In-Aid (A.I.A) initiatives. The Council received Kes.4,202,848,712 for the year under review by way of Exchequer allocation being Kes.4,199,098,712 for recurrent grants and Kes.3,750,000 for capital grants. All funds have been accounted for and are disclosed in the annual financial statements.

4.3 EXPENDITURE PERFORMANCE

The Council's overall budget expenditure for the year was Kes.7,450,531,171 which comprises Kes.7,265,727,078 for recurrent budget and Kes.184,804,093 for Development budget.

The Council's total actual expenditure for financial year 2018/2019 totalled to Kes.7,769,123,946. The recurrent expenditure was Kes.7,555,788,904 while Kes.213,335,042 was for the development expenditure.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

4.4 BASIC EDUCATION LEVEL STATISTICS

4.4.1 Kenya Certificate of Primary Education

The Kenya Certificate of Primary Education (KCPE) examination is assessed at the end of the primary (elementary) cycle in the structure of the examination system in Kenya.

	2018/2019	2017/2018
Candidates	1,070,300	1,003,446
Exam Centres	27,157	26,284
Subjects	5	5
Papers	7	7
Scripts	7,492,100	7,024,122

Performance

Qualify for Secondary Level	100%	100%
-----------------------------	------	------

4.4.2 Kenya Certificate of Secondary Education

The Kenya Certificate of Secondary Education (KCSE) examination is assessed at the end of the four year secondary cycle in line with the structure of the examination system in Kenya.

	2018/2019	2017/2018
Candidates	664,586	615,684
Exam Centres	10,289	9,694
Subjects	30	30
Papers	73	73
Scripts	13,495,131	12,480,788

Performance

Qualify for University	11%	16%
Qualify for TVET Diploma courses	17%	18%
Qualify for TVET Certificate courses	37%	34%
Qualify for TVET Artisan courses	35%	32%



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

4.5 TERTIARY LEVEL STATISTICS

4.5.1 Business Examinations

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

4.5.1.1 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.

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.

	2018/2019	2017/2018
Candidates	7,559	7,189
Papers	111	135
Scripts	30,394	27,114
Awarded Certificate	60%	62%

4.5.1.2 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.

	2018/2019	2017/2018
Candidates	53,531	42,701
Papers	1,272	1,094
Scripts	297,361	242,084
Awarded Certificate	57%	57%

4.5.1.3 Business Management

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

	2018/2019	2017/2018
Candidates	12	32
Papers	17	32
Scripts	18	75
Awarded Certificate	67%	62%



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

The Council is aware that the above examination is not breaking even due to the small candidature. But being a service organisation serving the Nation, the council has continued offering these examinations which are critical for the human development for the Country. However the Council will relook at the fees charged and make a proposal on some fee adjustments to try and recover its costs.

4.5.2 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.

	2018/2019	2017/2018
Candidates	98,636	78,904
Papers	2,512	2,027
Scripts	462,659	375,687
Awarded Certificate	58%	19%

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

	2018/2019	2017/2018
Candidates	48,590	50,128
Scripts	205,047	219,902

4.5.3.1 ECDE Examinations-Certificate

	2018/2019	2017/2018
Candidates	24,219	24,652
Papers	7	7
Scripts	120,201	128,676
Awarded Certificate	69%	46%

4.5.3.2 ECDE Diploma

	2018/2019	2017/2018
Candidates	11,501	15,511
Papers	7	7
Scripts	46,233	63,348
Awarded Diploma	61%	62%



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

4.5.3.3 ECDE -Proficiency

	2018/2019	2017/2018
Candidates	12,870	9,965
Papers	2	2
Scripts	38,613	27,878
Awarded Proficiency	55%	52%

4.5.4 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.

	2018/2019	2017/2018
Candidates	2,141	1,845
Papers	20	20
Scripts	14,909	12,621
Awarded Diploma	70%	53%

4.5.5 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.

	2018/2019	2017/2018
Candidates	1,969	1,707
Papers	17	17
Scripts	6,828	6,581
Awarded Diploma	85%	84%

4.5.6 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 C at KCSE level. The PTE examination is offered in July.

	2018/2019	2017/2018
Candidates	26,612	29,999
Papers	14	14
Scripts	201,213	237,755
Awarded Certificate	43%	60%



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

4.5.7 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 C at KCSE level. The TCAE examination is offered in July.

	2018/2019	2017/2018
Candidates	249	245
Papers	4	4
Scripts	1,057	1,038
Awarded Certificate	70%	83%

4.5.8 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.



Pupils sitting for Mathematics test during EGMA Endline study in Kakamega County, each pupil equipped with counting aids

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

learners attaining Minimum Proficiency Level in Reading and Mathematics, as well as on the overall quality of education. During the 2018/2019 FY, the National Assessment Centre conducted and disseminated findings of the following Monitoring Learner Achievement Studies:

- NASMLA Class 3 Study(2018);
- MLA Form 2 Baseline Study(2018);
- NASMLA Class 7 Study(2019);and
- EGMA Endline Study (2019).

A total of **23, 154** learners were assessed as shown in the table below:

Number of Pupils Assessed in MLA Studies: 2018/2019

Class	Study	Number of Pupils assessed
Grade 2	EGMA Endline	6, 792
Grade 3	NASMLA	5,256
Class 7	NASMLA	5,229
Form 2	MLA Form 2 Baseline	5,877
Grand Total		23, 154

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 roll out 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 2018/2019 FY was provision of feedback on learning outcomes from summative assessment. During this year, KNEC provided KCPE School Specific reports for a three -year period (2016-2018). 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



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SECTION A Continued

access their school specific reports online. It is significant to note that to date, primary schools can access their KCPE analysis for the period: 2013-2018 online using their passwords. In addition KNEC facilitated, the 4000 schools targeted for the School Improvement Programme (SIP) interventions to print their KCPE School Specific Reports for 2016, 2017 and 2018.

In addition, during the 2018/2019 FY, KNEC continued to build teachers' capacity in the utilization of feedback reports in improving not only learning outcomes but also curriculum delivery. NAC, in liaison with MoE and County Project Coordinators, trained teachers in the 4,000 schools targeted for the School Improvement Programme (SIP) interventions in the utilization of the KCPE School Specific reports to improve learning outcomes in March 2019. A total **8,000** teachers were trained. The training also equipped the teachers with skills in item development and item analysis.

The Kenya National Examinations Council has continued to participate in Regional Large scale Assessments. In the 2018/2019 FY, 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) started implementing the SEACMEQ V Project The following has so far been achieved:

- Instrument development -April 2019.
- Pre testing of the instruments - 2019.

The Pilot Study for the Study is envisaged to take place in October 2018 as per the SEACMEQ's workplan.



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SECTION B

The Council has complied with the following statutory requirements,

4.6 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.

4.7 PENSION COMPLIANCE

The Council has fully complied with the requirement of Treasury circular No. 18/2010 of November 24, 2010 and has since converted its Defined Benefit Pension Scheme (DB) into a Defined Contribution Pension scheme (DC) effectively in 30 June 2018. The actuarial deficit of Kes.151.2 million for the DB has been fully paid at the end of November 2018.

4.8 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 35.34% in the allocation of contracts out of the total procurement plan budget of Kes.763 million to the designated categories of preference groups. The Council awarded tenders worth Kes.261.2 million to Youth, Women and persons with disability noting that Persons with Disabilities were awarded Kes.10.562 million worth of tenders. Statutory reporting to PPRA was done.

SECTION C

The Key project the Council is implementing

4.9 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.



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SECTION C Continued



The New Mitihani House (Ongoing Project)

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.



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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

4.10 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.

4.11 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.

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, 2019 Council suffered an accumulated deficit of Kes.971,338,575 up from the previous year deficit of Kes.116,871,330.

The Council requires a capital injection of Kes.1,000,000,000 to offset the recurrent deficits incurred during the examinations reforms. The Council overall budgetary target is Kes.7,885,000,000 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.



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SECTION E

Material Arrears in statutory/ financial obligations

4.12 CAPITAL EXPENDITURE

The current financial year's budgetary allocation for the New Mitihani House construction was Kes.3.75 million and nil allocation in the FY 2019/2020. These allocations are not sufficient to settle bills from the contractor nor to complete the NMH project. The Council has terminated the NMH Phase VI contract with the contractor M/S Ongata Works Ltd. The Project Manager (Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works) raised a final certificate for Kes.368,978,231.44 which is contested by the Council.

4.13 STATUTORY DEDUCTIONS

The Council made all the monthly and quarterly statutory remittances on time.

SECTION F

4.14 THE COUNCIL'S FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

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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5.0 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. I am pleased to present the Annual report which documents the accomplishments and the challenges faced by the Council during the financial year 2018/2019.

5.1 Stakeholder engagement Overview

The Council continues to engage stakeholders beginning with educators, associations, security agencies and the private sector of their roles and responsibilities in ensuring that the Council provides transparent, relevant, 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. Responsiveness to stakeholders' needs is paramount in the area of curriculum development and certification is critical to the national development.

The Council continues to raise assessment literacy among our teachers through examiner training workshops. Council assessment instructors shared their assessment knowledge and experiences to promote good assessment practices by teachers in the classroom. These workshops were attended by 8,921 examiners as compared to 5,557 in the previous year.

5.2 Examination Processes Engineering

The Council is very grateful to the Cabinet Secretary, Ministry of Education Hon. Amb. Dr. Amina Mohammed, Ministry of Interior and National Co-ordination, Cabinet Secretary, Hon. Dr Fred Matiang'i, and Ministry of ICT, Cabinet Secretary Hon. Joe Mucheru for the multi-sectoral approach in 2018 national examination management. Increased cooperation between three Ministries in examination management introduced three new security levels in the management of the examinations to ensure credibility.

The confirmation of candidate's registration by SMS has been 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 for special needs learners as enshrined in the Constitution. There was an increase in KCPE special needs candidates from 2,038 in 2017 to 2,495 in 2018. Similarly KCSE special needs candidates increased from 1,404 in 2017 to 1,499 in 2018.



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5.3 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 learning achievement of individual students to enable each student to be placed in a suitable course and school.

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 capitation at cost beginning with the 2019 candidates to safeguard its operations as the custodian of national examinations and assessments.

5.4 Organization Restructuring

The Council has continued to implement its third Strategic Plan 2015-2020 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 affairs.

5.5 Appreciation

During the reporting period, Prof. George A.O Magoha who was our able chairman was appointed the Cabinet Secretary, Ministry of Education. I am very grateful to recognize his immense contribution in the Council leadership and steering the Council to internationally acceptable standards. We wish him well in his new position. The team spirit within the Council has been excellent and 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 assist us in carrying out 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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6.0 STATEMENT BY THE COUNCIL ACTING CHIEF EXECUTIVE OFFICER



The 2018/2019 Annual Report marks the third year since examination reforms were instituted by the former Cabinet Secretary, Ministry of Education, Dr. Fred Matiang'i. 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).

6.1 Through put accounting

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 7.6% growth in the volume of scripts marked in national examinations from 19,504,910 in FY 2017/2018 to 20,987,231 in FY 2018/2019. 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.

6.2 Organization Structure

In the period under review our staff compliment stood at 417 following the recruitment of 8 new staff officers. The Council will continually improve systems, people and leadership capabilities as well as appropriate resourcing of its activities in the changing environment.

6.3 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 has enabled KNEC to provide secure and credible examinations within strict timelines are very expensive. Similar to last year, the additional expenditure was not matched by Government funding giving a shortfall of Kes.854,467,244. The net earnings and assets base, among other indicators registered drop in growth in the 2018/2019 financial year whereby its total



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asset base decreased from Kes.7,808,571,299 in FY 2017/2018 to Kes.7,158,766,820 in FY 2018/2019.

6.4 Future Outlook

Examination malpractice remains a challenge to the assessment and educational development in the African countries. The Council notes that the level of KCSE examinations malpractices increased from 1,205 candidates in 2017 to 3,427 in 2018. Despite the early detection measures put in place there was an increase from 6 to 44 schools in 16 counties whose results were withheld. The Council constituted a special team of 36 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 was formed 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 has supported the Council to the extent of Kes.184,681,133 during the year 2018/2019 towards procurement of ICT infrastructure which will host the CBA Assessment tools. 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.

6.5 Appreciation

I would like to express my special thanks to the Council under the leadership of Prof. Magoha (former chairman) and the current chairman 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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7.0 STATEMENT OF CORPORATE GOVERNANCE

7.1 Introduction

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

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.

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.

On gender parity, 58% of the Council members were male and 42% were female thus meeting the constitutional gender threshold requirement. The Council was also balanced in terms of ethnic and regional balance.

7.2 The Council Term of Service

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

The three year term of the former Chairman, Prof. George A. Magoha ended on the 9th of March 2019.

The new Chairman of the Council, Dr. John O. Onsati, was appointed on the 3rd of May 2019.

Dr. Mary Gaturu & Dr. Karen T. Odhiambo were appointed as members of the Council with effect from the 17th of May 2019.

Dr. Fred O. Sporta was co-opted as a member of the Council to offer financial expertise from the 24th of June 2019.



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

7.4 The Council Evaluation

The evaluation of the Chairman, members and Ag. Chief Executive Officer was facilitated by the State Corporation Advisory Committee in February 2019.

7.5 The Council Remuneration

The remuneration of the Council is governed by prevailing rates as per Government policy and Government Circulars.

7.6 The Council Activities

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

During the year under review, the following meetings were held as at 30 June 2019:-

Council Meetings from 1 July 2018 to 30 June 2019		
7.6.1	Full Council	31
7.6.2	Examinations Management Committee (EMC)	38
7.6.3	Finance & General Purpose Committee (FGPC)	20
7.6.4	Audit and Risk Committee	5

The Council held meetings to undertake the 2018 examination administration reforms and the organization structure re-engineer the organization structure.



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COUNCIL & COMMITTEE MEETING ATTENDANCE FOR THE YEAR 2018/2019

NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE & GENERAL PURPOSES COMMITTEE	EXAMINATIONS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	COUNCIL	TOTAL
7.6.5	Prof. George Magoaha	Independent	Council Chairman	14/20	37/38	-	22/31	73/94
7.6.6	Dr. Belio Kipsang	Principal Secretary, Ministry of Education	Member	0/20	16/38	-	9/31	25/94
7.6.7	Dr. John Onsati	Independent	Council Chairman	20/20	38/38	-	25/31	83/94
7.6.8	Dr. Julius Jwan	CEO, Kenya Institute of Curriculum Development	Member	-	33/38	5/5	21/31	59/94
7.6.9	Dr. Nancy Macharia	CEO, Teachers Service Commission	Member	-	11/38	-	4/31	15/94
7.6.10	Mrs. Rosemary Saina	Independent Member	Member & Chairperson, Finance & General Purposes Committee	1/20	34/38	5/5	25/31	69/94
7.6.11	Ms. Dorothy Kimeu	Representing the Cabinet Secretary,	Member	17/20	31/38	3/5	21/31	74/94





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NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE & GENERAL PURPOSES COMMITTEE	EXAMINATIONS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	COUNCIL	TOTAL
		National Treasury and Planning						
7.6.12	Dr. Pius Mutisya	Former Director, Quality Assurance & Standards, Ministry of Education	Member	-	31/38	3/5	17/31	51/94
7.6.13	Mr. Martin Okiyo	Independent Member	Member	16/20	36/38	-	26/31	78/94
7.6.14	Dr. Mary Gaturu	AG. Director, Quality Assurance & Standards, Ministry of Education	Member	-	1/38	-	3/31	4/94
7.6.15	Dr. Karen T. Odhiambo	Independent Member	Member & Chairperson, Audit & Risk Committee	-	1/5	-	1/31	2/94
7.6.16	Col. Leonard Owambo	Co-opted Member	Member	20/20	38/38	-	26/31	84/94
7.6.17	Dr. Fred O. Sporta	Co-opted Member	Member	-	1	-	1/31	2/94





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7.7 ABRIDGED BIOGRAPHIES:

	NAME	DESIGNATION
7.7.1	 <p style="text-align: center;">Dr. John O. Onsati, OGW</p>	<p><i>Council Chairman (Non-Executive)</i></p> <p>Dr. John O. Onsati (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.</p> <p>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.</p>
7.7.2	 <p style="text-align: center;">Dr. Mercy G. Karogo MBS</p>	<p><i>Ag. Chief Executive Officer KNEC</i></p> <p>Dr. Mercy Karogo (Born 1956) is the Acting Chief Executive Officer at the Kenya National Examinations Council since March 2016. She is the accounting officer of KNEC.</p> <p>Responsible for the running of the Council affairs to ensure that the mission is achieved and efficiency of the Council is achieved.</p> <p>She is the secretary to the Council and chairperson of the Senior Management. She is responsible for spearheading partnerships of the Council.</p> <p>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.</p> <p>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.</p>





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	NAME	DESIGNATION
7.7.3	 Dr. Belio Kipsang CBS	<p><i>Principal Secretary, Ministry of Education</i></p> <p>Dr. Belio Kipsang (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).</p> <p>He is an Associate Member of the Association of Certified Fraud Examiners. Dr. Kipsang has authored highly competent academic and research papers in the areas of Higher Education Financing and Planning.</p> <p>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.</p>
7.7.4	 Ms. Dorothy N. Kimeu MBS	<p><i>Representing the Cabinet Secretary, The National Treasury & Planning</i></p> <p>Ms. Dorothy Kimeu (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.</p> <p>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.</p> <p>Ms. Kimeu holds a Masters Degree in International Studies and a Bachelors degree in Political Science, both from the University of Nairobi.</p>





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	NAME	DESIGNATION
7.7.5	 Dr. Nancy N Macharia OGW, CBS	<i>Chief Executive , Teachers Service Commission (TSC)</i> Dr. Nancy N. Macharia (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.
7.7.6	 Dr. Julius O Jwan MBS	<i>Chief Executive Officer, Kenya Institute of Curriculum Development (KICD)</i> Dr. Julius O. Jwan (Born 1965) is the Chief Executive Officer at Kenya Institute of Curriculum Development (KICD). Previously, he worked as the Director – Programmes and Technical Services at the National Cohesion & Integration Commission (NCIC) and prior to joining the Commission, he served as a senior lecturer at Moi University and a tutor at Kaimosi Teachers’ college. He has published widely on educational leadership and management in international journals and book chapters. He has authored two books on educational leadership and management, and one on research. He holds a PhD in Educational Leadership & Management and a Master of Science (M.Sc) in Educational Research Methods, both obtained from the UK. He also has a Master of Philosophy (MPhil) in Education Management from Norway and another Masters Degree in Linguistics from Moi University, where he also graduated with a Bachelor of Education Degree.



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	NAME	DESIGNATION
7.7.7	 Dr. Mary Gaturu HSC	<p><i>Ag Director, Directorate of Quality Assurance & Standards at the Ministry of Education, State Department for Basic Education.</i></p> <p>Dr. Mary Gaturu (born 1963) in the Ministry of Education, as the Director in charge of Quality Assurance and Standards.</p> <p>Formerly, she was the formerly 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.</p> <p>She holds a Doctorate of Philosophy, Masters in Education and Bachelors of Education Degree, all from Kenyatta University.</p>
7.7.8	 Mrs. Rosemary C. Saina, HSC, OGW	<p><i>Independent Member and Chairperson of the Finance & General Purposes Committee</i></p> <p>Mrs. Rosemary C. Saina (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.</p> <p>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.)</p>
7.7.9	 Dr. Karen T. Odhiambo	<p><i>Independent Member and Chairperson of the Audit & Risk Committee</i></p> <p>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.</p> <p>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.</p>




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	NAME	DESIGNATION
7.7.10	 Martin O. Okiyo OGW	<p><i>Independent Member representing interests of Persons with Disabilities</i></p> <p>Mr. Martin O. Okiyo (Born 1982) is a professional and 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.</p> <p>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.</p>
7.7.11	 Col (Rtd.) Leonard Owambo	<p><i>Co-opted Member</i></p> <p>Colonel (Rtd.) Leonard Owambo (Born 1956) is a co-opted 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.</p> <p>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.</p>



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	NAME	DESIGNATION
7.7.12	 Dr. Fred O Sporta	<p><i>Co-opted Member</i></p> <p>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.</p> <p>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, ICPA(K) 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.</p> <p>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.</p>

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.



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7.10 Conflict of Interest

Council and staff members are expected to avoid any material conflict between their own interests and the interests of the Council and, in particular:-

- 7.10.1 Must not derive any personal economic benefits to which they are not entitled;
and
- 7.10.2 Must notify the Council at the earliest possible opportunity in the circumstances, of the nature and extent of any direct or indirect material conflict of interest which they may have in any dealing with the Council.

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

At the beginning of the calendar year, Council members and employees signed a declaration of interest form in examinations to be conducted declaring that they will disclose any interest that conflicts or possibly may conflict with the interests of the Council. There were no conflicts of interest identified during the financial year.

7.11 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.

7.11.1 Examinations Management Committee (EMC)

The Committee consists of all the Council members. The Committee was chaired during the financial year by Prof. George A.O Magoha. The committee is responsible for the following:-

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



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7.11.2 Finance & General Purposes Committee (FGPC)

The Committee consists of six (6) members, it was chaired in the financial year 2018/2019 by Dr. John O. Onsati. The committee is responsible for the following:-

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

7.11.3 Audit & Risk Committee

The Committee consists of five (5) members. The Committee was chaired by Ms. Rosemary Saina in the financial year 2018/2019. The committee is responsible for the following:-

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

7.12 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.

7.13 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



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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.



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8.0 KNEC SENIOR MANAGEMENT TEAM

Name of the Staff	Responsibility
 <p>Dr. Mercy G. Karogo</p>	<p>Ag Chief Executive Officer</p> <p>Dr. Mercy G. Karogo is the Acting Chief Executive Officer at the Kenya National Examinations Council since March 2016. She is the accounting officer of KNEC.</p> <p>Responsible for the running of the Council affairs to ensure that the mission is achieved and efficiency of the Council is achieved.</p> <p>She is the secretary to the Council and chairperson of the Senior Management. She is responsible for spearheading partnerships of the Council.</p> <p>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.</p>
 <p>Dr. Ibrahim Otieno</p>	<p>Director, ICT Department</p> <p>Dr. Ibrahim Otieno is the Director, ICT Department at the Kenya National Examinations Council. He was appointed as the Director in March, 2017.</p> <p>He is responsible for managing the ICT programs of the Council. He is in charge of planning, sourcing and implementing the ICT programs.</p> <p>He is responsible for providing ICT support services to the Council to ensure effective, efficient and secure processing and delivery of examination results.</p> <p>He holds a PhD (Information Systems) from the University of Nairobi, a Master of Science Degree from University of Vrije Brussels (VUB), Belgium, Class of Degree (Distinction) and a Bachelor (Honours) Degree in Science (Computer Science) from the University of Nairobi.</p>






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Name of the Staff	Responsibility
 <p data-bbox="268 719 504 748">Mr. Patrick Ochich</p>	<p data-bbox="663 338 1185 367">Director, Test Development Department</p> <p data-bbox="663 409 1382 506">Mr. Patrick Ochich is the Director, Test Development at the Kenya National Examinations Council. He was appointed into this position in August 2017.</p> <p data-bbox="663 548 1382 645">He is responsible for the development of assessment policy, procedures and instruments as well as maintaining internationally competitive standards.</p> <p data-bbox="663 687 1382 887">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).</p>
 <p data-bbox="268 1272 632 1301">Mrs. Imelda Barasa Anyanga</p>	<p data-bbox="663 931 1326 960">Director, Examination Administration Department</p> <p data-bbox="663 1003 1382 1099">Mrs. Imelda Barasa Anyanga, is the Director, Examinations Administration. She was appointed into this position in October 2017.</p> <p data-bbox="663 1142 1382 1238">She is responsible for providing the regulatory mechanisms for the effective administration of all national examinations and assessments.</p> <p data-bbox="663 1281 1382 1346">She is in charge of administering examinations and tests offered by foreign examination bodies.</p> <p data-bbox="663 1388 1382 1509">Mrs. Barasa is currently undertaking a PhD at Moi University specializing in strategic management. She holds a Masters Degree in Business Administration (Human Resources Management).</p>



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 <p>Mrs. Befly Jemurgor Bisem</p>	<p>Corporation Secretary</p> <p>Mrs. Befly Jemurgor Bisem is the Corporation Secretary at the Kenya National Examinations Council. She was appointed into this position on 2nd May, 2018.</p> <p>She is responsible for corporate and legal matters.</p> <p>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).</p>
 <p>CPA Abraham K. Oloo</p>	<p>Financial Controller and Head of Finance</p> <p>CPA Abraham is the Financial Controller at the Kenya National Examinations Council. He was appointed into this position on April 2011.</p> <p>He is the Finance Officer in charge of planning, sourcing and managing financial resources to achieve corporate objectives.</p> <p>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.</p> <p>He is a Certified Public Accountant and a member of ICPAK.</p>
 <p>Mrs. Agneta Mary Ouma</p>	<p>Deputy Director Supply chain Management</p> <p>Mrs. Agneta is the Deputy Director Supply Chain Management. She joined KNEC on 15th February 2017.</p> <p>She is responsible for all procurement process</p> <p>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.</p> <p>Ouma is a member of Kenya Institute of Supplies Management.</p>



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9.0 SUSTAINABILITY STRATEGY AND PROFILE

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

9.1 Stakeholder engagements.

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

9.2 Communication with the stakeholders.

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

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

- i. Courtesy visitation by the Cabinet Secretary, MoE
- ii. Nairobi International Show Trade Fair
- iii. Workshops of KESSHA, KEPSHA;



The CS Education Amina Mohammed, PS Education Dr. Bellio Kipsang, KNEC Chairman Prof. G. A. O Magoha, KNEC CEO Dr. Mercy G. Karogo and Council members during a courtesy visit to KNEC.

- iv. Briefings of Sub counties Directors before the national examinations were carried out between 29th March – 2nd April 2019.
- v. 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.



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- vi. Examination time tables are available on the website to enable candidatures to plan their studies.

Monday, September 23, 2019 You are Signed in as:

Kenya National Examinations Council
Examination Registration System

Schools Exams

PRIMARY SCHOOLS (K C P E)

CANDIDATE REGISTRATION
CONFIRM REGISTRATION
SCHOOL SPECIFIC
ON-LINE RESULT SLIP
GRD 3 Portal
SUPERVISION
MONITORING

SECONDARY SCHOOLS (K C S E)

CANDIDATE REGISTRATION
CONFIRM REGISTRATION
PROJECTS
PERFORMANCE ANALYSIS
ONLINE RESULTS
QUALIFYING TEST REGISTRATION
SUPERVISION
SCEO.S MODULE

QUALIFYING EXAM

Registration of candidates' platform on the website

9.3 Examination Security Threats.

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

- i. The recruitment of vetted invigilators and supervisors conducting preparations on the number of field officers to be used during the field administration of the examinations. All the officers to be engaged will be expected to register online in the newly developed Online Contracted Professionals Application System.
- ii. 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.
- iii. Sub county directors were directed to file assessment reports on schools infrastructure which contributed to destruction of school facilities, roads, flooding of classrooms and school compounds.



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- iv. 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.

9.4 ECONOMIC PERFORMANCE

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.

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. The annual financial performance which is audited is 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 participated in two key performance contract related events namely: Negotiation of the FY 2019/2020 Performance Contract. This was conducted on 4 September 2019 at Maasai Technical Training Institute. This was followed by vetting of the FY 2019/2020 Performance Contract at the NITA in Athi River to be conducted on 12 September 2019 by the Performance Management and Coordination Office. The end year Performance contract report for FY 2018-2019 was presented to the Council and forwarded to relevant government agencies as the Council awaits its evaluation.



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9.4.4 Quality Management System.

The Council has successfully attained ISO 9001:2015 certification through the Kenya Bureau of Standards (KEBS). The certificate was received from the certifying body in March 2019. The Council continues to maintain and continually improve its Quality Management System as evidenced by certification granted to the organization.

The certifying body, the Kenya Bureau of Standards will conduct its first surveillance audit between the 24th and 25th September 2019. The QMS team has been carrying out internal audits aimed at identifying areas that need improvement, Assessing the achievements of set objectives and ensuring seamless operations throughout the organization.

As part of continual improvement, most departmental procedure have been revised and amended. This is expected to address emerging issue including the Competency Based Assessment (CBA), risks and opportunities 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 Polices.

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

9.5.2 Occupational Safety and Health.

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

- i. Statutory OSH audits were conducted in year.
- ii. Annual fire drills were conducted in the year.
- iii. Noise levels of printing equipment were measured to within acceptable decibels. 45 -90.
- iv. Lighting systems controlled by sensor units to save on electricity.
- v. Waste water was analysed and found to be within the standards set by NEMA.



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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. Parking spaces reserved for people with disability in all KNEC premises.
- iv. Fire/smoke detectors in all KNEC premises were tested to ensure that they are working.
- v. Registers introduced at New Mitihani House & Industrial area.

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 facilitated with compensation and benefits as guided by the Salary Remuneration Commission (SRC).

9.6.1 Recruitment of Staff members.

During the period under review the staff workforce increased from 408 to 416.

Eight (8) new employees were recruited while forty one (41) were promoted within the authorized establishment in order to address the critical staffing gaps. This enhanced capacity and addressed succession management. To ensure fair labour practices during appointments, new employees are not required to be tested for HIV & AIDS.

As at 30 June 2019, 59% of staff were male and 41% were female thus meeting the constitutional gender parity threshold requirement on appointment, promotion and employment.

The Council also takes into consideration the 'Face of Kenya' when conducting recruitment and promotions respectively for various positions in line with the Presidential initiatives on national values. The Council received certificate of compliance by National Gender and Equality Commission (NGEC) following submission of all its quarterly reports.



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The disaggregated data that has been collected as at June 2019 puts the Persons with Disabilities (PWD) at 3.1% of KNEC population. $(13/416*100)$.

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, members of staff attended local and overseas training. Local training included individual and group training aimed at enhancing technical and behavioural competencies.

The Council coordinated trainings for sixty two (62) employees; inducted eight (8) 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.



Staff members during Team building Workshop

Short Courses

Annual Staff Performance Appraisal was carried out and one of the performance incentive identified was training. 19 staff were trained on Supervisory Skills Development, 17 were trained on Senior Management Course, 6 were trained on Strategic Leadership Development Program, 1 was trained on Executive Secretarial, 1 was trained in Certified Ethical Hacking, 1 trained in ICDL, 2



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trained in Graphic Design, 2 trained in CCTV security, 4 trained in developing Comprehensive Disaster Recovery Plans, Continuous Professional Development (CPD) programs were extended to the following:– 6-Accountants, 1-Human Resource Management and 1-Legal Officers as offered by their respective professional bodies.

9.6.3 Employee Wellness Programmes.

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

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 emailing EIC materials to 416 staff members. Combination Prevention Approach was adopted by distributing a total of 8,496 condoms to staff and family members. All staff members were counselled on HIV & AIDS at all KNEC premises.

Under *Maisha II* programme, the Committee sensitized the 6,596 examiner trainees on HIV/AIDS prevention and treatment during April 2019. Combination Prevention Approach was adopted by distributing a total of 1,450 condoms to examiners.

Quarterly reports were submitted to the NACC.

9.6.3.2 Corruption Eradication

The CPC sub-Committee was reconstituted & replaced by a 6 member Committee of Integrity Assurance Officers (CIAO). 6 Integrity Assurance Officers were trained and certified by the EACC.

The Committee of Integrity Assurance Officers (CIAO) sensitized KNEC officers on Ethics and Integrity matters during the launch of 2018 KCSE/KCPE season through EACC. Further the committee sensitized examiners on Ethics and Integrity matters.

9.6.3.3 National Cohesion and Values

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



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9.6.3.4 Talent cultivation.

KNEC encouraged its staff to use their talents in developing building initiatives. KNEC Officers participated in the curriculum development reviews and capacity development at KICD in accordance 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 AAEA and IAEA.

KNEC offered internships to 10 youth within the year.

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.

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.

Category	KCSE	PTE	SNE	ECDE
	2018	2018	2019	2019
Blind (Braille)	113	41	17	17
Hearing Impaired	461	11	11	4
Physical	513	-	15	-
Low Vision	413	38	8	12
Deaf	-	-	8	11
TOTAL	1,500	90	59	44

9.7.3 Customer Complaints.

A Customer Satisfaction Exit survey was carried out. The customer satisfaction index improved from 55.9% to 73.8%. This is attributed to changes made in the organisation since 2016. The recommendations made shall be implemented to enhance service delivery to the customers.



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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.

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

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

9.8 INNOVATION MANAGEMENT

KNEC has invested heavily on Optical Mark Reader so as to personalize the details of the 2018 candidates on the Optical Mark Reader (OMR) forms.

KNEC uses Optical Mark Reader (OMR) forms as answer sheets for KCPE examination. Sometimes the candidates do not shade their personal data accurately on the OMR forms which takes a lot of effort in trying to identify individual candidate answer sheets.

The KNEC IT staff have developed a software which enables contracted professionals to register online and provide their details, which are used to process their claims in an efficient and effective way. Those who managed to register during administration of 2018 KCPE and KCSE examinations were paid in the shortest record period.

Innovation management continued

CP2 My Profile 254717538916 Logout

Before you can apply or be assigned a task, you are required to provide your personal informaton, qualifications and work history for verification

Personal Information

FullName	Fullname		
Year Of Birth	1949	Gender	
National ID No.	National ID Number		
KRA PIN Number	KRA PIN Number		
Email	Email Address		

Highest Qualification

Level of Study			
Name of Educational Institution	Name of institution		
Name / Title of Course	Name / Title of Award		
Period of Study	FROM	TO	



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Period of Study FROM - TO -

Current Workstation

Employer: Teacher Service Commission

Employment / PF No. (This may be your TIN number PF No.)

Name of Institution/Workplace

Designation / Job Title

When did you start working here?

County / SubCounty (County) (SubCounty)

Next of Kin Contact Details

Full Name

Telephone No.

Relationship

[Save](#)

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The functional CP2 in KNEC Website

KNEC automated the process of submitting examination related queries by clients. The Query Management Information System (QMIS) is accessible online and therefore, clients do not need to visit KNEC offices physically to raise queries unless they are collecting documents generated after their queries have been resolved.

You are logged in as: Charles Kingori on Monday, September 23, 2019

The Kenya National Examinations Council

[Query](#) | [Status](#) | [Confirmation](#) | [\(Lost Certificate\)](#) | [Equation](#) | [Change Password](#) | [Logout](#)

CERTIFICATION LETTER

Index No

Exam: Year: Series:

Name:

ATTACHMENTS

Required List	<input type="button" value="Choose File"/> No file chosen <input type="button" value="Attach"/>	Attached Documents
<input type="text" value="Select"/> <input type="text" value="Select"/> <input type="text" value="Cert/Slio"/> <input type="text" value="Letter From Centre"/> <input type="text" value="Affidavit"/> <input type="text" value="Police Abstract"/> <input type="text" value="Letter From Registrar"/> <input type="text" value="Nat ID"/> <input type="text" value="Passport Photo"/> <input type="text" value="Other Attachment if Any"/>	<input type="button" value="Submit"/>	

The functional QMIS in KNEC Website

KNEC continues to use mobile technology for its payments to over 200,000 contracted professionals via the Safaricom MPESA platform. This makes the payment process fast and accurate.

Customers can procure the KNEC publications sold at the KNEC Bookshop using the MPESA platform. The KNEC Pay bill no. 819313 and bookshop Account no. MP009.



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9.9 CORPORATE SOCIAL RESPONSIBILITY

The Council continues to be a responsible corporate citizen with focus on participation in various initiatives as part of its corporate social investment strategy and taking responsibility to both its external and internal stakeholders:

9.9.1 Beyond Zero

KNEC participated in various Corporate Social Responsibility (CSR) activities as a way of socially relating with the society. During the Beyond Zero Marathon, KNEC staff participated. Besides socially relating, to the participants, it was also a way of keeping healthy considering the increase of cardiovascular diseases which are brought by changes in lifestyle.



The Beyond Zero Marathon was held on March, 10 2019. The start and end point was at the Nyayo National stadium. People from all walks of life participated.



His Excellency the President was at the finish line congratulating those who managed to finish the race. The Deputy President participated and successfully completed the race. KNEC staff who participated ran different races: 5, 10 and 21 kilometres and completed.



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9.9.2 Tana River

In the year 2018, the Kenya National Examinations Council managed to hit the target by in two CSR Programs, the Solai Dam and the Tana River where occupants were displaced by the Tana River floods and rendered homeless.



KNEC STAFF: Ndeda, Mwitwari, Gioko, Lukingi, Jillo, Jocelyne, Mwangi, mokaya, and other Officials handing over foodstuffs to the affected)

The Kenya National Examinations Council employees put up a concerted effort by doing voluntary contributions in form of cash and material. A program that was initiated by the KNEC Ag. CEO Dr. Mercy G Karogo and actualized by the Public communications office under the able leadership of Caroline Karicho.



Mwitwari a KNEC Officer and the area Chief dressing the kids

The team was received by senior officers from the County government of Tana River, who expressed their joy in seeing KNEC being part of their solution and reaching out a helping hand to assist victims of the floods. The chief coordinator promised that they shall make sure the bona fide victims

benefit from the program, and that's why they decided to drive the KNEC to the interior where the real victims are in makeshift tents. KNEC contributed food stuffs and commiserated with the residents.

9.9.3 Participation in School Activities

During the year under review the Council accepted requests from Schools across the Country to sensitise the candidates on Examination matters as well as holding Principals meetings to share with them the KNEC activities.



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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, 2019 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, 2019 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 xi 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 2017/2018 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 Section 81 of the Public Finance Management (PFM) Act, 2012 which empowers the Auditor General to nominate other auditors to carry out the audit on its behalf.

10.6 By Order of the Council

Dr. Mercy G. Karogo, MBS
Secretary to the Council
Nairobi
Date : 30-6-2019



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11.0 STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITIES

11.1 Section 81 of the Public Finance Management Act of 2012 and Section 14 of the State Corporation Act, requires the Council members to prepare financial statements in respect of the Council, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for that year. The Council members are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Council members are also responsible for safeguarding the assets of the Council.

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 2019. 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 and the State Corporations Act. The Council members are of the opinion that the Council's financial statements give a true and fair view of the state of Council transactions during the financial year ended 30 June 2019, 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 30 September 2019 and signed on its behalf by:

Dr. John O Onsati, OGW
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, 2019

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, 2019, 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, 2019, 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 KNEC Act No. 29 of 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non-Disclosure of Material Risk to Going Concern

The statement of financial performance reflects a deficit of Kshs.854,467,244 (2017/2018: deficit of Kshs.1,065,415,558) thereby reducing its revenue reserve to a negative Kshs.971,338,575 as at 30 June, 2019. In addition, the statement reflects current liabilities amounting to Kshs.3,509,140,068 which exceeds current assets amount of Kshs.2,486,917,550 resulting in a negative working capital of Kshs.1,022,222,518. However, the financial statements have been prepared on a going concern basis and Management has not explained any mitigation measures to improve the performance.

In the circumstances, the Council is technically insolvent and ability to meet its short-term obligations as and when they fall due could not be confirmed.

2. Work in Progress

As reported in the previous years, the Council has been constructing the New Mitihani House in South C and the works have been going on for the last thirty-one (31) years. Records available indicate that the Council awarded Phase VI under contract No. NMH-06/2012 to M/s Ongata Works Limited in 2013 in respect of internal partitioning and finishes, fittings, building services and external works in the entire building at a contract sum of Kshs.1,499,989,252 for a contract period of 78 weeks. Although the contractor had the contract extended to 31 July, 2017, as 10 March, 2020, the works stood at 59% level of completion and the Management had terminated the contract. As at 30 June, 2019, the Council had paid Kshs.921,224,251 while certified works stood at Kshs.1,290,244,222 representing 61% of the original contract sum.

In addition, with the cancellation of the contract, Management risks 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. In the circumstances, the delays in completion may lead to cost escalation and stakeholders may not get value for their resources if this project is not completed and put to use.

Further, examination of payment records for the project revealed a payment of Kshs.368,978,231 in respect to Certificate No.29 is still outstanding and continues to attract interest on delayed payment which amounted to Kshs.44,697,055 as at 30 June 2019.

No satisfactory reason was availed by Management for the delay in payment of certificates resulting into these penalties and interest charged on the delay.

3. Prepayment Receivables from Exchange Transactions

As reported in the previous years, the statement of financial position reflects prepayment receivables from exchange transactions balance of Kshs.249,517,587 as at 30 June, 2019. Included in the debtors-examinations net balance of Kshs.18,998,760 reflected in Note 46 to the financial statements is ECDE debtors totalling Kshs.26,616,800. This balance includes an amount of Kshs.19,889,300 due from the Foundation Institute of Africa relating to unpaid examination fees in 2014. These 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 of Kshs.19,889,300 and the contingent asset of Kshs.16,016,000 as at 30 June, 2019 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 Matters

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.

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 Council's 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 going concern 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

15 January, 2021



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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**13.0 STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2019**

	<u>NOTES</u>	<u>2018- 2019</u> <u>Kes.</u>	<u>2017-2018</u> <u>Kes.</u>
Revenue from Non-Exchange Transactions			
Recurrent Government Grant	2	4,246,926,200	4,051,470,575
		4,246,926,200	4,051,470,575
Revenue from Exchange Transactions			
Examinations Fees	3	2,072,813,690	1,754,068,563
Interest Income	4	133,444,222	116,592,536
Other Operating Income	5	250,139,374	186,714,856
		2,456,397,286	2,057,375,955
Total Revenue		6,703,323,486	6,108,846,530
Personnel Expenses	6	1,000,422,821	1,049,350,009
Council and its Committees Expenses	7	26,348,375	32,684,036
Administration Expenses	8	452,841,912	510,977,528
Examinations Expenses	9	5,635,527,556	5,127,306,387
Housing of Staff & Office Accommodation	10	110,367,480	129,013,830
Project Expenses	11	1,533,301	1,261,200
Increase in Provision of Doubtful Debt	12	-	19,889,300
Increase in Provision of Employee benefit Obligation	13	4,758,729	(5,455,064)
Depreciation & Amortization	14	281,017,157	273,129,956
Total Expenses		7,512,817,331	7,138,157,182
Loss on Foreign Exchange Transactions	15	2,001,826	-
Surplus Before Taxation		(811,495,671)	(1,029,310,654)
Taxation	16	42,971,573	36,104,906
Deficit for the Year	49	(854,467,244)	(1,065,415,558)

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



THE KENYA NATIONAL EXAMINATIONS COUNCIL
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14.0 STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019


ASSETS

	NOTE	2018-2019 Kes.	2017-2018 Kes.
CURRENT ASSETS			
Cash and Cash Equivalents	17	1,338,843,011	2,821,856,320
Receivables from non-exchange transactions	18	661,277,773	-
Prepayment Receivables from exchange transactions	19	249,517,587	231,832,132
Inventories	20	237,279,179	223,456,925
		<u>2,486,917,550</u>	<u>3,277,145,377</u>
NON - CURRENT ASSETS			
Property, Plant & Equipment	21	1,390,248,769	1,492,112,291
Property in Work In Progress	22	2,987,393,934	2,715,276,432
Investment Property	23	220,987,652	244,658,045
Investments(Consolidated Bank)	24	64,300,000	64,300,000
Intangible Assets	25	8,918,915	15,079,154
		<u>4,671,849,270</u>	<u>4,531,425,922</u>
TOTAL ASSETS		<u>7,158,766,820</u>	<u>7,808,571,299</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables from exchange transactions	26	235,398,445	510,234,164
Deferred income	27	3,212,360,973	2,871,486,649
Overdrawn Accounts	28	-	3,794
Employee benefit Obligation	29	25,418,574	21,472,002
Taxation Provision	30	35,962,076	31,251,768
		<u>3,509,140,068</u>	<u>3,434,448,377</u>
NON CURRENT LIABILITIES			
Donor Project Funds	31	223,683,310	210,452,059
Capital Works Retention	32	4,399,990	84,158,661
		<u>228,083,300</u>	<u>294,610,720</u>
		<u>3,737,223,368</u>	<u>3,729,059,097</u>
RESERVES			
Capital Reserve	33	3,683,241,668	3,486,743,173
Revaluation Reserve	34	709,640,359	709,640,359
Accumulated Surplus	35	(971,338,575)	(116,871,330)
		<u>3,421,543,452</u>	<u>4,079,512,202</u>
TOTAL LIABILITIES		<u>7,158,766,820</u>	<u>7,808,571,299</u>

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


Dr. Mercy G Karogo, MBS
Ag Chief Executive Officer


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


Abraham K. Oloo
Head of Finance
ICPAK No: 2743

Date: 30/9/2019

Date: 30/9/2019

Date: 30/9/2019



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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**15.0 STATEMENT OF CHANGES IN NET ASSETS
As at 30 June 2019**

	Capital Reserve (Kes)	Revaluation Reserve(Kes)	Accumulated Surplus (Kes)	Total (Kes)
Balance as at 1 July 2017	2,683,007,414	709,640,359	923,403,225	4,316,050,998
Prior Year Adjustments	488,735,759	-	25,141,003	513,876,762
Restated Balance as at 1 July 2017	3,171,743,173	709,640,359	948,544,228	4,829,927,760
Capital Grants	315,000,000			315,000,000
Deficit for the Year			(1,065,415,558)	(1,065,415,558)
Balance as at 30 June 2018	3,486,743,173	709,640,359	(116,871,330)	4,079,512,202
Balance as at 1 July 2018	3,486,743,173	709,640,359	(116,871,330)	4,079,512,202
Prior Year Adjustments (Note 38)	37,489,446	-	-	37,489,446
Restated Balance as at 1 July 2018	3,524,232,619	709,640,359	(116,871,330)	4,117,001,647
Capital Grants	3,750,000			3,750,000
Capital Grants -MOPW	155,259,049			155,259,049
Revaluations				-
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



THE KENYA NATIONAL EXAMINATIONS COUNCIL
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16.0 STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2019

		2019	2018
		Kes.	Kes.
Cash flows from operating activities			
Deficit for the Year	35	(854,467,244)	(1,065,415,558)
Adjustments for :			
Accrued expenses adjustments	35	-	25,141,003
Interest Income	4	(133,444,222)	(116,592,536)
Depreciation & Amortization	14	281,017,157	273,129,957
Operating profit before working capital changes		(706,894,310)	(883,737,135)
Increase in Inventories	20	(13,822,254)	(67,863,948)
Increase in Receivables from non-exchange transactions	18	(661,277,773)	971,509,112
Decrease in Receivables from exchange transactions	19	(15,708,167)	(148,685,467)
Decrease in Trade and other payables	26	(274,835,719)	84,699,322
Increase in Deferred Income	27	340,874,325	(236,004,062)
Increase in Employee benefit Obligation	29	3,946,571	(12,502,140)
Increase in Tax provisions	30	4,710,308	6,138,198
		(616,112,708)	597,291,015
Net cash flows from operating activities		(1,323,007,018)	(286,446,120)
Cash flows from financing activities			
Increase in Capital Reserve	33	3,750,000	315,000,000
Increase in Donor Project Funds	31	13,231,250	171,029,715
Net cash flows from financing activities		16,981,250	486,029,715
Cash flows from investing activities			
Interest received	4,19	131,466,933	146,513,402
Purchase of property, plant and equipment	21	(143,271,748)	(374,364,796)
Construction on New Mitihani Building	22	(79,369,008)	(337,325,446)
Purchase of Software System	25	(6,051,255)	(3,106,682)
Retention of Capital Works	32	(79,758,671)	29,252,379
Net cash flows from investing activities		(176,983,747)	(539,031,143)
Net increase in Bank		(1,483,009,515)	(339,447,549)
Cash and Cash Equivalents At Beginning of Year	17	2,821,852,526	3,161,300,075
Cash and Cash Equivalents At End of Year	17	1,338,843,011	2,821,852,526



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2019												
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	4,756,140,919		(507,276,849)		4,248,864,070		4,246,926,200		(1,937,870)		0%	
Receipt of Examination Fees	1,853,926,033		239,971,917		2,093,897,950		2,072,813,690		(21,084,260)		-1%	
Interest Income from Financial Institutions	133,583,333		-		133,583,333		133,444,222		(139,111)		0%	
Other Operating Income	241,862,439		4,070,200		245,932,639		250,139,374		4,206,735		2%	
TOTAL RECURRENT REVENUE	6,985,512,724		(263,234,732)		6,722,277,992		6,703,323,486		(18,954,506)		-0%	
DEVELOPMENT REVENUE												
Capital Grants from MOE	1,000,000,000		(985,000,000)		15,000,000		3,750,000		(11,250,000)		-75%	(a)
GRAND REVENUE - RECURRENT & DEVELOPMENT	7,985,512,724		(1,248,234,732)		6,737,277,992		6,707,073,486		(30,204,506)		0%	
RECURRENT EXPENDITURE												
Personnel Expenses	1,092,830,225		(51,381,157)		1,041,449,068		1,000,422,821		41,026,247		4%	
Council Expenses	44,544,000		-		44,544,000		26,348,375		18,195,625		41%	(b)
Administration Expenses	410,916,745		51,018,641		461,935,386		452,841,912		9,093,474		2%	
Examinations Expenses	4,977,162,118		563,568,636		5,540,730,754		5,635,527,556		(94,796,802)		-2%	
Housing of Staff & Office Accommodation	97,097,667		7,032,333		105,130,000		110,367,480		(5,237,480)		-3%	
Project Expenses	1,937,870		-		1,937,870		1,533,301		404,569		21%	(c)
Increase in Provision of Employee Obligation	-		-		-		4,758,729		(4,758,729)		-100%	(d)
Depreciation & Amortization	-		-		-		281,017,157		(281,017,157)		-100%	(e)
Relocation to New Mithihani House	10,000,000		(10,000,000)		-		-		-			
Taxation	70,000,000		-		70,000,000		42,971,573		27,028,427		39%	(f)
Loss on Foreign Exchange	-		-		-		2,001,826		(2,001,826)		-100%	
TOTAL RECURRENT EXPENDITURE	6,704,488,625		560,238,453		7,265,727,078		7,557,790,730		(292,063,652)		-4%	



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2019													
TITLE DETAILS	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance Differences		Variance		
	Kes		Kes		Kes		Kes		Kes		%		
DEVELOPMENT EXPENDITURE													
Construction of New Mithihani House	1,000,000,000		(953,995,907)		46,004,093		79,369,008		(33,364,915)		-73%	(g)	
Refurbishment of Leasehold Buildings	12,000,000		(9,000,000)		3,000,000		-		3,000,000		100%	(i)	
Purchase of Vehicles & Other Transport Equipment	20,000,000		-		20,000,000		19,459,656		540,344		3%		
Purchase of Office Furniture	7,500,000		10,000,000		17,500,000		13,442,996		4,057,004		23%	(i)	
Purchase of Office, General Communication Equipment	123,300,000		(70,000,000)		53,300,000		53,696,952		(396,952)		-1%		
Purchase of Computers, Office Printers and Other IT Equipment	22,000,000		1,000,000		23,000,000		30,882,085		(7,882,085)		-34%	(h)	
Purchase of Office Fittings	3,000,000		9,000,000		12,000,000		11,474,815		525,185		4%		
Purchase of Software	15,000,000		(10,000,000)		5,000,000		5,009,530		(9,530)		-0%		
Purchase of Library Books	2,000,000		(2,000,000)		-		-		-		0%		
Staff Housing & Car Loan Fund	-		5,000,000		5,000,000		-		5,000,000		100%	(i)	
TOTAL DEVELOPMENT EXPENDITURE	1,204,800,000		(1,019,995,907)		184,804,093		213,335,042		(28,530,949)		-15%		
GRAND EXPENDITURE - RECURRENT & DEV	7,909,288,625		(459,757,454)		7,450,531,171		7,771,125,772		(320,594,601)		-4%		
NET SURPLUS/(DEFICIT)	76,224,099		(788,477,278)		(713,253,179)		(1,064,052,286)		(350,799,107)		49%		



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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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 fell short of budgeted amount by Kes.18,954,506 and capital increase of Kes.30,204,506 on the budget heads and recurrent line items increase of Kes.290,061,826 became necessary to safeguard the security of examination processes.

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

Revenue

- a) *Capital Grants from MOE:* Low receipt of capital revenue than anticipated.

Expenditure

- b) *Council and its Committees Expenses:* Few Council meetings held than anticipated.
- c) *Project Expenses:* MOE taking back the Essay writing competition activity from this financial year which KNEC used to administer on its behalf
- d) *Increase in Provision of Employee benefit Obligation:* Provision for employee obligation not budgeted for
- e) *Depreciation & Amortization:* Depreciation not budgeted for, it does not involve monetary.
- f) *Taxation:* Tax arrears not paid in the financial Year 2018/2019 following tribunal ruling.
- g) *Construction of New Mitihani House:* Outstanding certificates following the termination of Phase VI contract. These certificates are being paid from the previous grants received in FY 2017/18.
- h) *Purchase of Computers, Office Printers and other IT equipment:* The ongoing replacement of the obsolete IT equipment coupled up with recruited staff members.
- i) *Other purchase of non-current assets:* Capital expenditure were suspended.

BUDGET NOTES



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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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	(854,467,244)	-	-	(854,467,244)
Adjusted for:				
Basic Difference	(209,585,042)	-	-	(209,585,042)
Presentation Difference	-	-	-	-
Entity Difference	-	-	-	-
Deficit for the Year as per Statement of Budget Performance	(1,062,052,286)	-	-	(1,062,052,286)



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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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 2018. 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 entity'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. 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.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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NOTES TO THE FINANCIAL STATEMENTS

1.3 ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1 January 2019 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. The members of the Council have evaluated the impact of the new standard and interpretations and none of it had an impact on the Council's financial statements

ii) Expected impact of issued relevant new and amended standards and interpretations but not yet effective as at 30 June 2019

Standard	Effective date and 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 members of the Council have evaluated the impact of the new standards not yet effective for the year and had an impact on the Council's financial statements.
e.g Impairment of revalued assets with amendments to IPSAS 21 Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets which are effective for periods beginning from January 1, 2019.

iii) Early adoption of standards

The Council did not early-adopt any new or amended standards in 2019.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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ENDED 30 JUNE, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.3 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.

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.

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

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.

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.



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

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) Presentation of Budget Information in Financial Statements–IPSAS 24

The original budget for FY 2018-2019 was approved by the National Assembly on June 2018. 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 entity recorded additional appropriations of 23 January 2019 on the 2018-2019 budget following the governing body's approval.

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.



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

d) Property, Plant and Equipment –IPSAS 17

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

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

Class	Estimated useful life years
Leasehold buildings	40
Motor vehicles	4
Computer equipment	4
Office equipment	10
Furniture	8
Fittings and partitions	10

e) Intangible Assets –IPSAS 31

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

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

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

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



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

f) Investment property –IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing asset if the costs 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.

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

g) Inventories –IPSAS 12

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

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

h) Financial Instruments Disclosure & Presentation- IPSAS 29

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



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

Financial Assets

Receivables

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Liabilities

Payables

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

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

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

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



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

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

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

Contingent Liabilities

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

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

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

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

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.



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

j) Employee Benefits: -IPSAS 25

Short-term employee benefits

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

Retirement Benefit Plans

The Council provides retirement benefits for its permanent and pensionable employees under Defined 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.

Any surplus or deficit based on the difference during conversion of defined benefit scheme due to employees in June 2018 to Defined Contribution (DC) scheme in accordance with the actuarial and the fund assets is borne directly by the Government.

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.



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

k) Taxes – IAS 12

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

l) Nature and Purpose of Reserves

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

Capital Reserve:-

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

Revaluation Reserve:-

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

Accumulated Surplus:-

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

m) Related Parties Disclosures– IPSAS 20

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

n) Leases–IPSAS 13

Council as a lessee

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

Council as a lesser

Leases in which 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.

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 2018-2019 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) Capital Commitments

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

q) Changes in Accounting Policies and Errors –IPSAS 3

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



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

- r) Foreign Currency transactions –IPSAS 4**
Transactions in foreign currencies are initially accounted for at the exchange rate on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by apply the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.
- s) Comparatives**
Prior period comparative information has been presented in the current financial year where necessary, comparative figures have adjusted to conform to changes in presentation for the year.
- t) Events after the Reporting Date -IPSAS 14**
There have no events subsequent to the financial year and with significant impact on the financial statements for the year ended 30 June 2019.
- u) 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.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1.4 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. State all judgements, estimates and assumptions made: e.g

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.

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. Significant judgments include: provision for doubtful debts, leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.



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

NOTE 2	2019	2018
Recurrent Government Grant	Kes.	Kes.
KCPE Recurrent Grants -MoE	836,151,200	788,868,800
KCSE Recurrent Grants -MoE	3,235,545,000	3,061,135,800
<i>Exams Fees for Public Institutions</i>	4,071,696,200	3,850,004,600
Recurrent Grants -MoE	175,230,000	200,000,000
Grants - EAC (Essay Writing Competition)	-	1,465,975
	4,246,926,200	4,051,470,575

NOTE 2 b	2019	2018
INTER-ENTITY TRANSFERS	Kes.	Kes.
Parliamentary Allocation approved	Kes.	Kes.
MoE KCPE Deferred Income transferred	836,151,200	788,868,800
MoE Recurrent Exams Grants Transfer	592,846,600	641,135,888
MoE KCSE Deferred Income transferred	2,642,698,400	2,419,999,912
<i>Exams Fees for Public & Private Institutions</i>	4,071,696,200	3,850,004,600
MoE Recurrent Grants Transfer	175,230,000	200,000,000
MoE Recurrent Grants	4,246,926,200	4,050,004,600

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	768,076,600	2,773,555,957	3,750,000	657,466,155	184,681,133	4,387,529,845
Total	768,076,600	2,773,555,957	3,750,000	657,466,155	184,681,133	4,387,529,845



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NOTE 3 EXAMINATION FEES	2019 Kes.	2018 Kes.
KCPE	16,420,000	13,969,600
PTE	98,103,150	85,299,300
KCSE	394,418,800	289,159,000
Adult Education	723,900	741,000
ECDE	284,381,210	313,918,240
Diploma Teachers Education	29,566,500	24,779,900
Special Needs Education	15,810,950	14,642,700
Technical	720,509,250	584,621,700
Business	492,121,750	399,760,990
Commissions received on Foreign Exams	21,922,604	22,954,495
Examination Fees - Marking, Amendments, Penalties	5,129,060	7,885,975
Examinations Refunds	(6,293,484)	(3,664,336)
	2,072,813,690	1,754,068,563
NOTE 4 INTEREST INCOME	2019 Kes.	2018 Kes.
Interest - Fixed Deposits	126,103,472	110,690,971
Interest - Current Accounts	7,340,750	5,901,565
	133,444,222	116,592,536



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NOTE 5	2019	2018
OTHER OPERATING INCOME	Kes.	Kes.
Rent Recoveries from Staff	9,931,050	9,855,000
Commercial Rental Income	1,500,000	542,880
Sale of Waste Paper	4,272,300	1,011,900
S M S Income	55,879,168	18,549,963
Sale of Publication	49,370,409	57,802,084
Sundry Revenue	346,930	1,864,479
Confirmation of Certificates services	25,175,457	34,513,423
Letters of Certificates services	7,371,296	1,929,250
Equation of Foreign Certificates	3,087,193	2,528,303
Sale of Data (Consultancy services)	50,750	54,000
Contracted Professionals Training Fees - KCPE	8,652,000	4,294,500
Contracted Professionals Training Fees - KCSE	80,535,000	50,284,500
Contracted Professionals Training Fees - PTE	661,500	388,500
Contracted Professionals Training Fees - ECDE	-	934,500
Contracted Professionals Training Fees - DTE	147,000	126,000
Contracted Professionals Training Fees - Technical	1,984,500	2,331,000
Contracted Professionals Training Fees - Business	1,690,500	924,000
Less Refunds	(515,679)	(1,219,426)
	250,139,374	186,714,856



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NOTE 6 PERSONNEL EXPENSES	2019 Kes.	2018 Kes.
Personal Emoluments	763,298,431	759,730,737
Casual Wages	25,527,296	31,223,060
Leave and Passage Expenses	6,943,221	6,103,512
Employer Contribution to Pension Schemes	132,784,599	157,206,431
<i>Compensation to Employees</i>	928,553,547	954,263,740
Medical Expenses –Staff Medical Policy	71,869,274	95,086,269
	1,000,422,821	1,049,350,009

NOTE 7 COUNCIL AND ITS COMMITTEE EXPENSES	2019 Kes.	2018 Kes.
Sitting allowance	18,020,000	23,820,000
Training costs	1,766,000	1,370,950
Subsistence Allowance	2,665,628	-
Travelling	3,032,360	6,449,086
Honoraria	864,387	1,044,000
	26,348,375	32,684,036



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NOTE 8	2019	2018
OFFICE ADMINISTRATION EXPENSES	Kes.	Kes.
Transport Operation Expenses	80,048,791	64,116,935
Travel & Accommodation	41,486,633	22,809,267
Telephone, Courier /Airtime Expenses	24,842,288	19,410,395
Electricity, Water & Conservancy	17,680,008	16,804,078
Official Entertainment	675,000	994,000
Newspapers, Magazines and Periodicals	862,224	706,249
Advertising & Publicity	15,287,669	20,233,218
Purchase of Uniforms	1,762,683	893,400
Purchase of Stationery & Accountable Documents	25,439,488	53,471,618
Maintenance of Plant & Equipment	22,864,338	25,746,195
Supplies of Sanitary Services	7,703,778	11,183,132
Events and Catering Management	58,188,792	68,136,032
Contracted Guards (Armed guards)	42,446,300	50,488,722
Staff Welfare Development	21,409,030	14,131,756
Staff Training	19,132,527	31,465,466
International Conferences	29,394,265	7,662,123
National Programs i.e. HIV/AIDS, ADA, Gender & Anti-Corruption	4,049,964	5,885,050
Library Expenses	1,312,340	3,009,732
Bookshop Operating Expenses	(5,023,712)	(7,722,192)
Quality Management and Strategic Management	3,178,650	14,048,040
Legal Expenses	19,039,206	64,466,238
General Consultancy	2,921,008	5,151,480
Audit Expenses	2,900,000	2,900,000
MPESA & Bank Charges	15,240,642	14,986,596
	452,841,912	510,977,528



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NOTE 9

EXAMINATION EXPENSES

	2019	2018
	Kes.	Kes.
Computer Charges	33,408,296	36,910,472
Reprographics Printing Unit	167,021,903	100,173,063
KCPE	944,856,590	921,862,772
KCSE	3,738,357,652	3,438,375,252
PTE	73,921,548	52,255,268
ADULT/TCAE	1,299,765	1,908,649
ECDE	102,169,335	92,878,739
DTE	36,026,985	26,021,797
SNE	19,979,678	20,395,226
TECHNICAL	301,750,283	265,446,538
BUSINESS	200,173,582	156,611,158
FOREIGN EXAMS Expenses	12,624,171	10,529,685
Contracted Professionals- Insurance	3,937,768	3,937,768
	5,635,527,556	5,127,306,387

NOTE 10

**STAFF HOUSING AND OFFICE
ACCOMODATION**

	2019	2018
	Kes.	Kes.
Repair to Council Offices	23,795,476	35,788,327
Maintenance to Residential Houses	1,499,945	6,487,606
Rent & Rates to Office Accommodation	85,072,059	86,737,897
	110,367,480	129,013,830

NOTE 11

PROJECT EXPENSES

	2019	2018
	Kes.	Kes.
EAC (Essay Writing Competition) Project Expenses	-	793,600
Sacmeq IV Research Project Expenses	1,533,301	467,600
	1,533,301	1,261,200



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NOTE 12	2019	2018
INCREASE IN PROVISION OF DOUBTFUL DEBTS	Kes.	Kes.
Increase in provision of doubtful debts	-	19,889,300
	-	19,889,300

NOTE 13	2019	2018
INCREASE IN PROVISION OF EMPLOYEE OBLIGATION	Kes.	Kes.
Increase in provision of leave pay	4,758,729	(5,455,064)
	4,758,729	(5,455,064)

NOTE 14	2019	2018
DEPRECIATION & AMORTIZATION EXPENSES	Kes.	Kes.
Depreciation of New Mitihani House (Dennis Pritt)	6,625,839	6,294,547
Depreciation of New Mitihani House (Printing Unit)	7,150,781	6,946,473
Depreciation of Residential Houses	23,670,393	19,778,703
Depreciation of Computer Equipment	86,851,334	82,412,739
Depreciation of Office Equipment	87,182,696	88,383,229
Depreciation Expenses - Motor Vehicles	24,465,295	22,477,782
Depreciation of Furniture	13,421,414	12,369,678
Depreciation of Office Fittings and Partitions	19,437,911	18,694,090
Amortization of Software Development	12,211,494	15,772,715
	281,017,157	273,129,956



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NOTE 15	2019	2018
OTHER GAINS/LOSSES	Kes.	Kes.
Loss on foreign exchange	2,001,826	-
	2,001,826	-

NOTE 16	2019	2018
TAXATION EXPENSES	Kes.	Kes.
Current corporate income tax	42,971,573	36,104,906
Tax arrears	-	-
	42,971,573	36,104,906
Temporary difference	-	-
	42,971,573	36,104,906

NOTE 17		2019	2018
CASH AND CASH EQUIVALENTS	Note	Kes.	Kes.
Cash in Bank	43	363,843,012	626,275,710
Interbank Transfer in Transit		-	-
Short term Deposits	44	974,999,999	2,195,580,610
		1,338,843,011	2,821,856,320

NOTE 18		2019	2018
RECEIVABLES FROM NON -EXCHANGE TRANSACTIONS	Note	Kes.	Kes.
MoE	45	661,277,773	-
		661,277,773	-



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NOTE 19		2019	2018
PREPAYMENT & RECEIVABLES FROM EXCHANGE TRANSACTIONS		Kes.	Kes.
	Note		
Prepayments		175,116,851	175,994,908
Debtors - Examinations	46	18,998,760	18,886,590
Unsurrendered Imprest	46	15,649,969	2,565,850
Sundry Debtors	46	15,885,676	12,495,742
Staff Receivables	46	412,182	412,181
Interest Receivable/Accrued Interest		11,809,589	9,832,301
Deposit to Institutions	46	11,644,560	11,644,560
		249,517,587	231,832,132

NOTE 20		2019	2018
INVENTORIES		Kes.	Kes.
Printing Materials -Inventories		94,553,011	111,340,151
General Stationery		108,289,267	83,820,909
Book Shop - Inventories		34,436,901	28,295,865
		237,279,179	223,456,925



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NOTE 21 : PROPERTY, PLANT & EQUIPMENT as June 30 2019

COST OR VALUATION

	Land Kes	Leasehold Building Kes	Motor Vehicle Kes	Office Equipment Kes	Computer Equipment Kes	Furniture Kes	Partition & Fittings Kes	Gross Total Kes
Balance as at 1 July 2017	329,550,000	389,327,476	99,376,472	1,028,072,138	709,442,923	98,499,727	233,864,880	2,888,133,616
Additions for the year	-	1,716,222	32,928,655	134,602,092	188,255,552	16,862,275	-	374,364,796
Balance as at 1 July 2018	329,550,000	391,043,698	132,305,127	1,162,674,230	897,698,475	115,362,002	233,864,880	3,262,498,412
Additions for the year	-	-	19,459,656	56,311,478	32,105,701	13,442,996	21,951,917	143,271,748
Balance as at 30 June 2019	329,550,000	391,043,698	151,764,783	1,218,985,707	929,804,176	128,804,999	255,816,797	3,405,770,160
ACCUMALATED DEPRECIATION								
Balance as at 1 July 2017		81,134,751	69,235,236	567,779,798	609,433,546	89,420,897	115,803,355	1,532,807,583
Depreciation charge for the year		13,241,020	22,477,782	88,383,229	82,412,739	12,369,678	18,694,090	237,578,538
Balance as at 1 July 2018		94,375,772	91,713,018	656,163,027	691,846,285	101,790,575	134,497,445	1,770,386,121
Depreciation charge for the year		13,776,620	24,465,295	87,182,696	86,851,334	13,421,414	19,437,911	245,135,270
Balance as at 30 June 2019		108,152,391	116,178,312	743,345,723	778,697,619	115,211,990	153,935,356	2,015,521,392
As at 30 June 2019	329,550,000	282,891,306	35,586,471	473,639,984	151,106,557	13,593,009	101,881,442	1,390,248,769
As at 30 June 2018	329,550,000	296,667,927	40,592,109	506,511,203	205,852,190	13,571,427	99,367,435	1,492,112,291
Rate of Depreciation		2.5%	25.0%	10.0%	25.0%	12.5%	10.0%	



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NOTE 22	2019	2018
PROPERTY IN WORK IN PROGRESS	Kes.	Kes.
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.		
Balance as at 1 July	2,715,276,432	1,889,215,227
Prior item additions paid by MOPW	37,489,446	488,735,759
Additions during the year	79,369,008	337,325,446
Additions during the year paid by MOPW	155,259,049	-
Balance as at 30 June	2,987,393,935	2,715,276,432
NOTE 23	2019	2018
INVESTMENT PROPERTY	Kes.	Kes.
COST		
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	(136,749,955)	(116,971,252)
Depreciation charge for the year	(23,670,393)	(19,778,703)
Balance as at 30 June	(160,420,348)	(136,749,955)
NET BOOK VALUES		
Balance as at 30 June	220,987,652	244,658,045
NOTE 24	2019	2018
INVESTMENTS	Kes.	Kes.
These are investments held in Consolidated Bank of Kenya. These equity capital comprise of:		
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 25

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	2018
Kes.	Kes.
155,646,595	152,539,913
6,051,255	3,106,682

Additions for the year

Balance as at 30 June

161,697,850 155,646,595

ACCUMULATED AMORTIZATION

Balance as at 1 July

(140,567,441) (124,794,726)

Amortization charge for the year

(12,211,494) (15,772,715)

Balance as at 30 June

(152,778,935) (140,567,441)

NET BOOK VALUES

Balance as at 30 June

8,918,915 15,079,154

NOTE 26

TRADE AND OTHER PAYABLES

Examination Expenses Payable
Trade Creditors
Accrued Expenses (Budget Commitments)
Staff Deductions Payables
Statutory Deductions Payables
KNEC Contribution to WCPS / Staff Contribution to WCPS
Audit Fees (Accrual)
Rent Deposit Refundable

2019	2018
Kes.	Kes.
14,315,785	3,180,483
151,542,405	339,393,379
45,664,368	97,693,139
1,784,098	5,305,528
17,793,189	60,719,327
-	54,809
2,900,000	2,900,000
1,398,600	987,500
235,398,445	510,234,165



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NOTE 27	2019	2018
DEFERRED INCOME	Kes.	Kes.
Deferred - Income - KCPE	530,943,134	526,471,631
Deferred - Income - KCSE	1,773,323,812	1,829,794,931
Deferred - Income - PTE	76,160,303	87,582,794
Deferred - Income - TCEA	754,200	682,640
Deferred - Income - Technical	507,387,471	338,834,520
Deferred - Income - Business	321,465,890	88,120,132
Confirmation of Certificates	283,040	-
Letter of Certificates services	2,043,124	-
	3,212,360,974	2,871,486,648

NOTE 27: THE DEFERRED INCOME MOVEMENT IS AS FOLLOWS:

	2019	2018
	Kes.	Kes.
MoE Balance as at 1 July	2,321,418,694	2,426,546,009
Other receipts generated internally as at 1 July	550,067,955	680,944,701
Balance as at 1 July	2,871,486,649	3,107,490,710
Movements during the year		
Current year receipts		
Examination grants received from MoE	3,366,402,557	4,122,568,672
MoE Examination grants receivable	657,466,155	-
Other receipts generated internally	2,685,951,366	1,615,276,262
Conditions met- transferred to revenue		
Examination grants expanded	(4,071,696,200)	(4,227,695,987)
Other receipts generated expanded	(2,297,249,553)	(1,746,153,009)
Total Movements during the year	340,874,325	(236,004,062)
MoE Balance as at 30 June	2,273,591,206	2,321,418,694
Other receipts generated internally as at 30 June	938,769,768	550,067,955
Conditions to be met- liabilities	3,212,360,974	2,871,486,648



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NOTE 28		2019	2018
OVERDRAWN ACCOUNTS	Note	Kes.	Kes.
Overdrawn Accounts	48	-	3,794
		-	3,794

NOTE 29		2019	2018
EMPLOYEE BENEFIT OBLIGATION		Kes.	Kes.
Balance as at July		21,472,002	33,974,142
Additional Staff Leave Days Provision raised		4,758,729	(5,455,064)
Additional Gratuity Provision raised		(812,157)	(7,047,076)
Balance as at 30 June		25,418,574	21,472,002

NOTE 30		2019	2018
TAXATION PROVISION	Note	Kes.	Kes.
Balance as at 1 July		31,251,768	25,113,570
Income tax charge for the year		42,971,573	36,104,906
Under/(over) provision in prior year/s		-	-
Income tax paid during the year		(38,261,265)	(29,966,708)
Net change		4,710,308	6,138,198
Balance as at 30 June		35,962,076	31,251,768

NOTE 31		2019	2018
DONOR PROJECT FUNDS		Kes.	Kes.
Rockefeller B/F		3,339,543	3,339,543
EAC (Essay Writing Competition) B/F		329,248	329,248
KESSP - NASMLA B/F		8,185,861	8,185,861
UKEFR Study - AKF B/F		41,000	41,000
GPE-World Bank PRIEDE Project Account		21,036,010	162,102,599
SEQIP-Secondary Education Quality Improvement Project		190,751,648	36,453,808
Balance as at June		223,683,310	210,452,059



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NOTE 31: THE DONOR PROJECT FUNDS MOVEMENT IS AS FOLLOWS:

DONOR PROJECT FUNDS	2019 Kes.	2018 Kes.
Other Projects b/f	11,895,652	11,895,652
GPE-World Bank PRIEDE Project b/f	162,102,599	27,526,692
SEQIP-Project b/f	36,453,808	-
Balance as at 1 July	210,452,059	39,422,344
Movements during the year		
Current year receipts		
GPE-World Bank PRIEDE Project	-	225,911,723
SEQIP-Secondary Education Quality Improvement Project	184,681,133	41,423,025
GPE-World Bank PRIEDE Project	(141,066,589)	(91,335,816)
SEQIP-Secondary Education Quality Improvement Project	(30,383,294)	(4,969,217)
Total Movements during the year	13,195,205	171,029,715
Other Projects c/f	11,895,652	11,895,652
GPE-World Bank PRIEDE Project c/f	21,036,010	162,102,599
SEQIP-Project c/f	190,751,648	36,453,808
Conditions to be met- liabilities	223,683,310	210,452,059

NOTE 32 CAPITAL WORKS RETENTIONS	2019 Kes.	2018 Kes.
Balance as at 1 July		
Retention of New Mitihani House	84,158,661	54,906,282
Additions		
Retention of New Mitihani House	(81,900,153)	27,837,179
Retention of Other Refurbishment Works	2,141,482	1,415,200
Balance as at 30 June	4,399,990	84,158,661



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NOTE 33 CAPITAL RESERVE	2019 Kes.	2018 Kes.
Balance as at 1 July	3,486,743,173	2,683,007,414
Prior item additions grants on NMH received by MOPW	37,489,446	488,735,759
Capital grants for the year	3,750,000	315,000,000
MOPW Capital grants for the year	155,259,049	-
Balance as at 30 June	3,683,241,668	3,486,743,173

NOTE 34 REVALUATION RESERVE	2019 Kes.	2018 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 35 REVENUE RESERVE -ACCUMULATED SURPLUS	2019 Kes.	2018 Kes.
Balance as at 1 July	(116,871,330)	923,403,225
Prior Items Adjustments	(1)	25,141,003
Deficit for the Year	49 (854,467,244)	(1,065,415,558)
Balance as at 30 June	(971,338,575)	(116,871,330)



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NOTE 36

INTER-ENTITY TRANSFERS

Parliamentary Allocation approved

	2019	2018
	Kes.	Kes.
MoE Recurrent Grants Transfer	175,230,000	200,000,000
MoE KCSE Exams Grants Transfer	592,846,600	641,135,888
Amount recognized to Statement of Comprehensive Income	768,076,600	841,135,888
MoE KCPE Exams Grants Transfer	856,744,800	836,151,200
MoE KCSE Exams Grants Transfer	1,916,811,157	2,645,281,584
Amount recognized to Deferred Income	2,773,555,957	3,481,432,786
GPE-World Bank PRIEDE Project	-	225,911,723
SEQIP-Project	184,681,133	41,423,025
Amount recognised in Donor fund	184,681,133	267,334,748
MoE Capital Grants	3,750,000	315,000,000
Amount recognised in capital fund	3,750,000	315,000,000
MOE -National Examinations (Debtor)	657,466,155	-
Amount recognised in receivables	657,466,155	-
Balance as at 30 June	4,387,529,845	4,904,903,420



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NOTE 37

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	2018
	Kes.	Kes.
Related party transactions		
a) Sales to related parties		
Grants - EAC (Essay Writing Competition)	-	1,465,975
b) Grants from the Government		
Grants from National Govt -MOE	4,387,529,845	4,904,903,420
Grants from National Govt -MOPW	155,259,049	-
c) Expenses incurred on behalf of related party		
Payments for goods and services for MOE	3,811,618	-
d) Key management compensation		
Council Members	26,570,036	32,684,036
Council Management	35,951,083	34,967,671



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NOTE 38

COMMITMENTS

CAPITAL COMMITMENTS

	2019	2018
	Kes.	Kes.
Capital expenditure authorized and contracted for		
Local Purchase Orders authorized	39,110,904	72,909,893
	39,110,904	72,909,893

OPERATING LEASE COMMITMENTS

	2019	2018
	Kes.	Kes.
KNEC as lessee		
Future minimum lease payments under non-cancellable operating leases for rented office space		
Due within one year	85,099,529	39,666,729
Due within two to five years	340,398,116	158,798,914
Later than five years	21,274,882	18,775,867
Total operating lease expense commitments	446,772,527	217,241,510

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



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NOTE 39

PRIOR ITEMS ADJUSTMENTS	2019	2018
	Kes.	Kes.
Prior Item on the Income Expenditure Account		
Compensating error	(1)	25,141,003
** Prior Items on capital reserve and New Mitihani Work in Progress amounting to Kes.37,489,446 are explained as follows;		
The Ministry of Public Works had paid the contractor Ongata Works Ltd for Construction of New Miithani House Phase V amounts totalling to Kes.37,489,446 prior periods which were not factored in earlier in the Financial Statements.	37,489,446	488,735,759
	37,489,446	513,876,762

NOTE 40

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	2018
	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 41

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	2018
	Kes.	Kes.
NMH Contractor -Ongata Works Ltd	368,975,231	-
	368,975,231	-



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NOTE 42

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:

	TOTAL	Fully performing	Past due	Impaired
	Kes.	Kes.	Kes.	Ks.
At 30 June 2019				
Receivables from exchange transactions	661,277,773	661,277,773	-	-
Receivables from non exchange transactions	270,080,992	238,016,596	11,500,991	20,563,405



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	TOTAL	Fully performing	Past due	Impaired
	Kes.	Kes.	Kes.	Ks.
Cash And Cash Equivalents	1,338,843,011	1,338,843,011	-	-
Total	2,270,201,776	2,238,137,381	11,500,991	20,563,405
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	252,395,537	223,688,097	8,144,035	20,563,405
Cash And Cash Equivalents	2,821,852,526	2,821,852,526	-	-
Total	3,074,248,063	3,045,540,623	8,144,035	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 Cash and Cash equivalents.

The Full 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.

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.



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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kes.	Kes.	Kes.	Kes.
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	3,212,360,973	-	-	3,212,360,973
Taxation Provision	4,836,037	-	31,126,039	35,962,076
Employee benefit obligation	22,040,600	-	3,377,974	25,418,574
Total	3,425,968,034	18,732,438	64,439,596	3,509,140,068
At 30 June 2018				
Trade payables	480,298,581	8,732,438	21,203,145	510,234,164
Deferred income	2,871,486,649	-	-	2,871,486,649
Taxation Provision	4,267,581	-	26,984,187	31,251,768
Employee benefit obligation	15,551,641	-	5,920,361	21,472,002
Total	3,371,604,452	8,732,438	54,107,693	3,434,444,583



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(iii) Market risk

The Full 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 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 currencies	Total
	Kes.	Kes.	Kes.
At 30 June 2019			
Financial assets			
Investments	64,300,000	-	64,300,000
Cash	1,322,902,230	15,940,781	1,338,843,011



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	Kes	Other currencies	Total
	Kes.	Kes.	Kes.
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	222,576,520	12,821,926	235,398,445
Deferred income	3,212,360,973	-	3,212,360,973
Total financial liabilities	3,434,937,493	12,821,926	3,447,759,419
Net foreign currency asset/(liability)	(1,136,939,903)	3,118,856	(1,133,821,048)

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 2018			
Financial assets			
Investments	64,300,000	-	64,300,000
Cash	2,805,120,279	16,736,041	2,821,856,320
Debtors	231,832,132	-	231,832,132



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	Kes	Other currencies	Total
	Kes.	Kes.	Kes.
Total financial assets	3,101,252,411	16,736,041	3,117,988,452
Financial Liabilities			
Trade and other payables	497,412,239	12,821,926	510,234,164
Deferred income	2,871,486,649	-	2,871,486,649
Total financial liabilities	3,368,898,887	12,821,926	3,381,720,813
Net foreign currency asset/(liability)	(267,646,477)	3,914,115	(263,732,361)

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.



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* 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.

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 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
	-	-	3,851,478,160	3,851,478,160
At 30 June 2018				
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	-	-	3,262,498,412	3,262,498,412
	-	-	3,708,206,412	3,708,206,412



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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.

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:

	2018-2019	2017-2018
	Kes.	Kes.
Revaluation reserve	709,640,359	709,640,359
Retained earnings	(971,338,575)	(116,871,330)
Capital reserve	3,683,241,668	3,486,743,173
Total funds	3,421,543,452	4,079,512,201
Non-Current Liabilities	228,083,300	294,610,720
Less: cash and bank balances	(1,338,843,011)	(2,821,856,320)
Net debt/(excess cash and cash equivalents)	(1,110,759,712)	(2,527,245,600)
Gearing	1500%	1385%



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NOTE 43

DETAILED ANALYSIS OF THE CASH			2019	2018
Cash in Bank	Branch	Account	Kes.	Kes.
Co-operative Bank - SEQIP Project	Coop House	01136030120310	193,392,551	-
Co-operative Bank -Project Account	Coop House	01136030120302	36,936,034	5,065,917
Co-operative Bank - GPE- WORLD BANK-PRIEDE PROJECT	Coop House	01136030120309	25,548,825	162,102,599
Co-operative Bank -Forex Account	Coop House	03120030120300	15,940,781	16,736,041
Co-operative Bank -Current Account	Coop House	01136030120300	7,232,068	7,537,301
Co-operative Bank -Business Collection Account	Coop House	01136030120305	9,556	9,093
Co-operative Bank -KCPE Collection Account	Coop House	01136030120303	9,346	8,515
Co-operative Bank -KCSE Collection Account	Coop House	01136030120304	8,926	10,000
Co-operative Bank - Technical Collection Account	Coop House	01136030120306	7,918	9,054
Co-operative Bank -Other Exams Collection Account	Coop House	01136030120308	-	8,554
Co-operative Bank - General Tran Collection Account	Coop House	01136030120307	-	10,000
Co-operative Bank			279,086,006	191,497,072



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DETAILED ANALYSIS OF THE CASH			2019	2018
Cash in Bank	Branch	Account	Kes.	Kes.
Equity Bank -Current Account	Lavington Supreme Centre	0470294988324	2,699,874	7,447,210
Equity Bank - KCPE Collection Account	Lavington Supreme Centre	0470294988424	10,000	10,000
Equity Bank -KCSE Collection Account	Lavington Supreme Centre	0470294988446	10,000	10,000
Equity Bank -Business Exam Collection Account	Lavington Supreme Centre	0470294988466	10,000	9,981
Equity Bank -Technical Exam Collection Account	Lavington Supreme Centre	0470294988458	10,000	10,000
Equity Bank -Other Exam Collection Account	Lavington Supreme Centre	0470294988480	-	10,000
Equity Bank -General Tran. Collection Account	Lavington Supreme Centre	0470294988491	-	10,000
Equity Bank			2,739,874	7,507,192
National Bank of Kenya - Current Account	Harambee	0100105387000	26,361,654	76,746,013
National Bank of Kenya - KCPE Collection Account	Harambee	0100160313800	10,000	9,500
National Bank of Kenya - KCSE Collection Account	Harambee	0100160313800	10,000	10,001
National Bank of Kenya - Business Collection Account	Harambee	0100160314000	10,000	10,000
National Bank of Kenya - Technical Collection Account	Harambee	0100160314100	10,000	10,000



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DETAILED ANALYSIS OF THE CASH			2019	2018
Cash in Bank	Branch	Account	Kes.	Kes.
National Bank of Kenya - Other Exams Collection Account	Harambee	01001060314200	10,000	9,999
National Bank of Kenya - General Tran Collection Account	Harambee	0100160314300	10,000	10,000
National Bank of Kenya			26,421,654	76,805,513
Kenya Commercial Bank - Current Account	Moi Avenue	01107140870	16,520,413	336,234,662
Kenya Commercial Bank - KCPE Collection Account	Moi Avenue	01116686414	9,880	7,954
Kenya Commercial Bank - KCSE Collection Account	Moi Avenue	01116686457	9,880	-
Kenya Commercial Bank - Business Collection Account	Moi Avenue	01116686554	9,880	9,054
Kenya Commercial Bank - Technical Collection Account	Moi Avenue	01116686791	9,880	9,560
Kenya Commercial Bank - Other Exams Collection Account	Moi Avenue	01116686880	9,880	7,074
Kenya Commercial Bank - General Transactions Collection Acco	Moi Avenue	01116686937	9,880	7,866
Kenya Commercial Bank			16,579,693	336,276,170



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DETAILED ANALYSIS OF THE CASH			2019	2018
Cash in Bank	Branch	Account	Kes.	Kes.
Commercial Bank of Africa - Current Account	Mama Ngina Street	7079410014	23,402,720	1,287,654
Safaricom - Mpesa Utility (float) Account	Mama Ngina Street	74810049-17	15,613,066	12,518,275
Cash in Hand			-	383,834
Cash in Bank			363,843,012	626,275,710

NOTE 44

DETAILED ANALYSIS OF THE SHORT TERM DEPOSITS

	2019	2018
	Kes.	Kes.
Fixed Deposits - Commercial Bank of Africa	549,999,999	1,299,452
Fixed Deposit - Co-operative Bank	325,000,000	50,000,000
Fixed Deposit -Equity Bank	100,000,000	-
Fixed Deposit - Project Co-operative Bank	-	81,079,616
Fixed Deposits - KCB	-	2,063,201,542
	974,999,999	2,195,580,610



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NOTE 45

Detailed RECEIVABLES FROM NON EXCHANGE TRANSACTIONS	2019 Kes.	2018 Kes.
MoE Debtor- KCSE National Examinations	657,466,155	-
MoE Debtor -Others	3,811,618	-
	661,277,773	-

NOTE 46

Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS	2019 Kes.	2018 Kes.
Debtors - Examinations		
Debtors - School Examinations - KCPE	457,600	297,600
Debtors - School Examinations - KCSE	6,949,460	4,235,910
Debtors - Teachers Examinations - DTE	-	1,917,350
Debtors - Teachers Examinations - ECDE	26,616,800	27,625,220
Debtors - Teachers Examinations - PTE	76,800	-
Debtors - Teachers Examinations - SNE	20,500	-
Debtors - Post School Examinations - Business	2,521,070	2,553,000
Debtors - Post School Examinations - Technical	2,245,830	2,146,810
Provision for Bad Debts – ECDE Foundation Institute	(19,889,300)	(19,889,300)
	18,998,760	18,886,590
Unsurrendered Imprest -Non staff	15,959,069	2,874,950
Provision for Bad Debts - Temporary Imprest	(309,100)	(309,100)
	15,649,969	2,565,850
Staff Receivables		
Salary Advance	129,000	129,000
Staff Debtors	376,804	376,803
Provision for Bad Debts - Staff Debtors	(93,622)	(93,622)
	412,182	412,181



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(Continued)

NOTE 46 (Continued)

Sundry Debtors

Miscellaneous Debtors	15,208,599	11,818,665
Debtors - Kenya Polytechnic	153,460	153,460
Retirement Benefits	795,000	795,000
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)
	<u>15,885,676</u>	<u>12,495,741</u>

**Detailed RECEIVABLES FROM EXCHANGE
TRANSACTIONS**

Deposit to Institutions

	2019	2018
	<u>Kes.</u>	<u>Kes.</u>
Deposit to Hospitals	706,000	706,000
Deposit to Institutions(Office Rent)	9,338,560	9,338,560
Deposit to Petrol Stations	1,600,000	1,600,000
	<u>11,644,560</u>	<u>11,644,560</u>

NOTE 47

Detailed TRADE AND OTHER PAYABLES

Examination Expenses Payable

	2019	2018
	<u>Kes.</u>	<u>Kes.</u>
Marking Payables	109,885	562,293
Field Administration Payables	14,205,900	2,618,190
	<u>14,315,785</u>	<u>3,180,483</u>

Staff Deductions Payables

Net Pay	-	-
Mortgages / Bank Loans	-	-
Benevolent Funds	250	-
Insurance benefits	1,783,848	5,305,528
	<u>1,784,098</u>	<u>5,305,528</u>



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Statutory Deductions Payables

University Loan Recoveries (HELB)	1	-
PAYE- Salaries and wages & facilitation allowances	2,359,231	13,349,762
PAYE- Board members allowances	851,993	464,164
FDR-Withholding Tax	1,771,438	-
Income Tax (Withholding Tax) - Creditors	3,035,075	733,049
Withholding tax - Contracted Professionals	2,216,145	40,005,093
Commissioner of Tax -VAT Withholding	7,559,306	6,167,259
	<u>17,793,189</u>	<u>60,719,327</u>

NOTE 48

Detailed OVERDRAWN

ACCOUNTS

<i>Bank</i>	<i>Branch</i>	<i>Account</i>	2019	2018
			Kes.	Kes.
Kenya Commercial Bank -	Moi			
KCSE Collection Account	Avenue	01116686457	-	1,650
Co-operative Bank -				
SEQIP Project			-	2,144
Overdrawn Accounts			-	<u>3,794</u>



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NOTE 49

Analysis of Financial Performance

In the financial year 2018/2019 the Council incurred a deficit of Kes.854,467,244 resulting to increased accumulated deficit to Kes.971,338,575 from Kes.116,871,331 in financial year 2017/2018. 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 an increase in its recurrent capitation from the current level of Kes.200 million to Kes.400 million.

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 50

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 277,526 contracted professionals were used in 2018 national examinations in comparison to the total of 256,253 contracted professionals were used in 2017 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 No	2019 Kes.	2018 No	2018 Kes.
KCPE				
Marking				
Examiners travel and coordination	5,544	32,317,657	5,370	30,819,030
Examiners Script Fees		35,748,421		32,193,544
Field Administration				
Supervision & invigilation	127,518	204,868,330	120,676	209,715,118
Centre managers	25,658	38,487,000	25,287	37,930,500
EMDs (Examination officials manning the distributions centres)	5,558	44,537,320	5,332	37,987,723
	164,278	355,958,728	156,665	348,645,915
KCSE				
Marking				
Examiners travel and coordination	22,243	131,352,150	19,223	112,468,100
Examiners Script Fees		871,318,536		819,566,549
Field Administration				
Supervision & invigilation	75,617	596,554,787	65,616	546,041,287
Centre managers	9,830	89,227,000	9,417	84,726,000
EMDs (Examination officials manning the distributions centres)	5,558	99,559,846	5,332	63,345,423
	113,248	1,788,062,319	99,588	1,626,147,359



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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	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: <ul style="list-style-type: none"> > 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 CEO KNEC	Not Resolved	
2.0	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.	Dr. Mercy G. Karogo CEO KNEC	Not Resolved	



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PROGRESS ON FOLLOW UP (Continued)

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)
1 The New Mitihani House Project		The GoK	1986-2019	No	No	Yes
2 Regional Containers		The GoK	2018-2019	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	3,063,749,116	66%	15,000,000	3,750,000	The GoK
2	Regional Containers	406,783,723	346,417,140	85%	38,000,000	37,958,987	A.I.A

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 66%.

Regional Containers

The Council increased the distribution storage facilities for placement of examination materials from 413 regional containers to 459 in sub counties offices especially in the new created sub-counties. The level of completion was estimated at 85%.



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APPENDIX III: INTER-ENTITY TRANSFERS

Kenya National Examinations Council			
Break down of Transfers from the State Department of Education			
FY 2018/19			
a.	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		22/08/2018	44,250,000
		15/10/2018	592,846,600
		15/10/2018	1,419,087,756
		21/11/2018	1,354,468,201
		7/12/2018	130,980,000
		5/7/2019	657,466,155
		Total	4,199,098,712
b.	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		24/1/2019	3,750,000
		Total	3,750,000
c.	Direct Payments		
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		Total	0
d.	Donor Receipts		
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		6/5/2019	184,681,133
		Total	184,681,133

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

Financial Controller
KNEC



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/ Donor Transferring the funds	Date as per bank statement received	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	22/08/2018	Recurrent	44,250,000	44,250,000						44,250,000
MOE	15/10/2018	Recurrent /Direct Payment	2,011,934,356	592,846,600		1,419,087,756				2,011,934,356
MOE	21/11/2018	Recurrent	1,354,468,201			1,354,468,201				1,354,468,201
MOE	7/12/2018	Recurrent	130,980,000	130,980,000		0				130,980,000
MOE	24/1/2019	Capital	3,750,000		3,750,000	0				3,750,000
MOE	6/5/2019	Project	184,681,133					184,681,133		184,681,133
MOE	5/7/2019	Recurrent	657,466,155			0	657,466,155			657,466,155
Total			4,387,529,845	768,076,600	3,750,000	2,773,555,957	657,466,155	184,681,133		4,387,529,845

