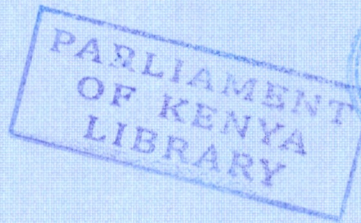


REPUBLIC OF KENYA



*Paper laid by
Leader of Majority
on 29/10/14
@humbi.*

KENYA NATIONAL AUDIT OFFICE



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
THE KENYA NATIONAL EXAMINATIONS
COUNCIL
FOR THE YEAR ENDED
30 JUNE 2013

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya National Examinations Council set out on pages 1 to 16 which comprise the statement of financial position as at 30 June, 2013 and statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Financial Performance

The Council's financial performance continued to deteriorate during the year under review and it incurred a deficit of Kshs.489,668,315 compared to a deficit of Kshs.386,266,129 in the previous year. The management has attributed the deficit to limited funding from the Government while operating costs escalated from Kshs.3,798,097,649 in the previous year to Kshs.4,225,642,044 in the current year due to increased number of exams candidates. However, the management has indicated that the Council has put strategies in place for the year 2013/2014 to improve its financial performance.

In the circumstances, should the strategies fail to reverse the trend, the Council may experience financial difficulties and may not be able to fulfill its mandate.

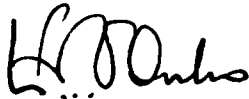
2. The New Mitihani House Project

As reported in the previous year, the Council staff continued being housed at five different sites because the new building (Mitihani House) was not complete as anticipated. The project is only 54% complete, despite the fact that the work have been ongoing for the last 27 years and as per the latest Engineer's valuation it requires approximately Kshs. 2.6 billion to complete the project. According to management, the cause of delay and escalation in costs of the project is attributable to challenges relating to project management by the then Ministry of Public Works (currently Ministry of Lands, Housing & Urban Development) and non-remittance of Development Grants by the parent Ministry. Further, although Kshs.900 million was allocated for the project in the year under review, only Kshs.358,190,191 was remitted to the Council.

In addition, estimates for the financial year 2013/2014 indicate that the project was allocated Kshs.108 million under the Ministry of Lands, Housing and Urban Development and Kshs.162 million under the Ministry of Education, Science and Technology both totalling to Kshs.270 million. This amount is however not adequate to complete the project as estimated by the engineer's valuation of Kshs.2.6 billion to completion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects, the financial position of the Council as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya National Examinations Act 2012.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

7 April 2014



THE KENYA NATIONAL EXAMINATIONS COUNCIL

Annual Report and Financial Statements for the Year Ended 30 June 2013



2013



THE KENYA NATIONAL EXAMINATIONS COUNCIL

TABLE OF CONTENTS

<u>CONTENTS</u>	PAGE
CORPORATE INFORMATION	i
STATEMENT OF THE VISION AND MISSION	ii
BOARD MEMBERS	iii
AUDITORS AND BANKERS	iv
PRINCIPAL ACTIVITIES	v
STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES	vi
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASHFLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5-16



THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.0 CORPORATE INFORMATION

1.1 Registered Office and Principal Place of Business

N H C House Aga Khan Walk

Postal Address:

P. O Box 73598

Code 00200 City Square

NAIROBI

Telephone (+254-20) 341027 / 50 , 317412 / 19 / 27

E-mail: info@kneac.ke

Website: www.kneac.ke

Fax (+254-20) 2226032

1.2 Council Secretary / Chief Executive

Paul M. Wasanga, MBS

P. O. Box 73598

Code 00200 City Square

NAIROBI



THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.3 **Vision Statement**

‘To be a leading organization in testing and assessment for quality education.’

1.4 **Mission Statement**

‘To objectively evaluate learning achievements so as to enhance and continuously safeguard nationally and internationally acceptable certification standards.’

1.5 **Strategic Objectives**

1.5.1 To Review and develop a strong responsive legal framework that addresses current and future governance and examination administration issues.

1.5.2 To develop a responsive organizational structure.

1.5.3 To Transform KNEC into a visible customer focused service organization.

1.5.4 To attract, develop and retain a qualified, competent and motivated workforce.

1.5.5 To enhance the credibility of examinations.

1.5.6 To integrate ICT in all KNEC operations and institutionalize an automated performance management system.

1.5.7 To enhance the printing capacity.

1.5.8 To enhance the research function in KNEC.

1.5.9 To acquire adequate office space to accommodate all KNEC operations.

1.6 **Core Values**

1.6.1 Professionalism

1.6.2 Accountancy

1.6.3 Transparency

1.6.4 Integrity

1.6.5 Courtesy

1.6.6 Diligence

1.6.7 Teamwork



THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.7 The Kenya National Examinations Council Board Members

- 1.7.1 **Prof. Kabiru Kinyanjui**
Chairman, KNEC
- 1.7.2 **Prof. George I Godia**
Permanent Secretary, Ministry of Education
- 1.7.3 **Hon. Josephine Odira Sinyo**
Kenya Law Reform Commission
- 1.7.4 **Dr. Lydia Nzomo**
Director, Kenya Institute of Curriculum Development
- 1.7.5 **Mr. Charles Mutuku**
Director, RICCATI Business College of East Africa
- 1.7.6 **Mrs. Elizabeth K Mbebe**
Educationist
- 1.7.7 **Mr. Arthur Rateng**
Educationist
- 1.7.8 **Mr. Mohammed M Mwinyipembe**
Ag Director of Quality Assurance & Standards, Ministry of Education
- 1.7.9 **Mr. Gabriel Lengoiboni**
Secretary, Teachers Service Commission
- 1.7.10 **Mr. Pius M. Nduatih**
Secretary, KASNEB (Co-opted)
- 1.7.11 **Mr. Paul M Wasanga**
Council Secretary/Chief Executive, KNEC



THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.8 BANKERS

1.8.1 CO-OPERATIVE BANK OF KENYA (Co-operative House)

1.8.2 KENYA COMMERCIAL BANK (Head Office)

1.8.3 NATIONAL BANK OF KENYA (Harambee Avenue)

1.8.4 EQUITY BANK (Moi Avenue)

1.8.5 CFC STANBIC BANK (Harambee Avenue)

1.8.6 STANDARD CHARTERED BANK (Harambee Avenue)

1.9 AUDITOR

Auditor General

P O Box 30084 - 00100

NAIROBI

2.0 ADVOCATES /LAWYERS

Kiarie, Kariuki and Associates Advocates

P O Box 13808 - 00100

NAIROBI



THE KENYA NATIONAL EXAMINATIONS COUNCIL

3.0 PRINCIPAL ACTIVITIES

The principal activities of the Kenya National Examinations Council (KNEC) are:

- 3.1 Conduct such academic, technical and other examinations within Kenya as it may consider desirable in the public interest.
- 3.2 Award certificates or diplomas to successful candidates in such examinations.
- 3.3 Invite any body or bodies outside Kenya, as it may find fit to conduct academic, technical and other examinations within Kenya or to conduct these examinations jointly with the council and to award certificates or diplomas to successful candidates in these examinations.
- 2.4 Advise any body or bodies invited under paragraph 3.3 above, upon the adaptation of examinations necessary for the requirements of Kenya and to assist any such bodies to conduct such examinations.
- 2.5 Make rules regulating the conduct of examinations and for all purposes incidental thereto.

3.0 RESULTS FOR THE YEAR


The results for the year are set out on Pages 1 to 16.




THE KENYA NATIONAL EXAMINATIONS COUNCIL

4.0 STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2013

- 4.1 The Board is required to prepare financial statements, which give a true and fair view of the state of affairs of the Council as at the end of the financial year and of its comprehensive income for that year. The Board is required to ensure that the Council maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the Council. The Board is also responsible for safeguarding the assets of the Council.
- 4.2 The Board accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years, and in conformity with International Financial Reporting Standards. The Board is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Council as at 30 June 2013 and of its comprehensive income for the year then ended. The Board further confirms the accuracy and completeness of the accounting records maintained by the Council, which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.
- 4.3 Nothing has come to the attention of the Board to indicate that the Council will not remain a going concern for at least twelve months from the date of this statement.
- 4.4 This Statement is approved by the Board and is signed on it's behalf by:

Sign  Date: 27-09-2013
Prof. Kabiru Kinyanjui, Ed.D
CHAIRMAN

Sign  Date: 27/9/2013
Paul M. Wasanga, MBS
COUNCIL SECRETARY/CHIEF EXECUTIVE



THE KENYA NATIONAL EXAMINATIONS COUNCIL

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

		2013	2012
	NOTES	Kshs.	As Restated Kshs.
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	2	1,604,649,445	1,129,465,701
Building (Work in Progress)	3	985,806,682	659,909,468
Intangible Assets	4	31,573,346	42,449,797
Investments	5	64,300,000	64,300,000
		<u>2,686,329,473</u>	<u>1,896,124,966</u>
CURRENT ASSETS			
Inventories	6	102,622,841	115,539,589
Receivables	7	161,415,993	137,198,243
Cash and Cash Equivalents	8	1,851,479,675	1,308,123,809
TOTAL CURRENT ASSETS		<u>2,115,518,509</u>	<u>1,560,861,641</u>
TOTAL ASSETS		<u>4,801,847,982</u>	<u>3,456,986,607</u>
RESERVES			
Capital Reserve	12	1,698,533,005	1,234,757,976
Revaluation Reserve	13	664,850,359	465,850,359
Revenue Reserves	14	679,995,996	1,169,664,311
TOTAL RESERVES		<u>3,043,379,360</u>	<u>2,870,272,646</u>
Donor Project Funds	15	11,854,652	11,882,583
		<u>3,055,234,012</u>	<u>2,882,155,229</u>
CURRENT LIABILITIES			
Trade and other payables	9	196,240,428	99,125,282
Prepaid Income	10	1,418,220,618	472,138,135
Bank Overdraft	11	132,152,924	3,567,961
TOTAL CURRENT LIABILITIES		<u>1,746,613,970</u>	<u>574,831,378</u>
TOTAL RESERVES, FUNDS & LIABILITIES		<u>4,801,847,982</u>	<u>3,456,986,607</u>

The financial statements were approved by the Full Council during the meeting held on 23rd September 2013 and signed on its behalf by:

Prof. Kabiru Kinyanjui, Ed.D

Chairman

Paul M. Wasanga, MBS Council Secretary / Chief Executive

Page 1



THE KENYA NATIONAL EXAMINATIONS COUNCIL

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
	NOTES	Kshs.	As Restated Kshs.
REVENUE			
Examination Fees	16	3,215,690,521	2,862,843,927
Other Operating Income	17	174,521,183	86,506,514
		<u>3,390,211,704</u>	<u>2,949,350,441</u>
LESS EXPENDITURE			
Personnel Expenses	21	895,100,247	847,999,975
Office Administration Expenses	22	264,131,136	258,424,452
Examination Expenses	23	2,770,680,026	2,447,832,133
Housing of Staff & Office Accommodation	24	82,294,660	62,426,349
Project Expenses	25	5,684,513	9,136,156
Losses on disposal of motor vehicles	26	-	423,428
Depreciation and Amortization Expenses	27	207,657,840	171,855,156
Increase in provision of Doubtful Debts	28	93,622	-
Total Operating Expenses		<u>4,225,642,044</u>	<u>3,798,097,649</u>
Operating Deficit		(835,430,340)	(848,747,208)
NON-OPERATING INCOME			
Interest Income	18	90,574,163	102,526,750
Operating Deficit before grants		(744,856,177)	(746,220,458)
Operating Grants	19	300,000,000	300,000,000
Operating Project Grants	20	5,693,253	9,136,156
Operating Deficit before taxes		<u>(439,162,924)</u>	<u>(437,084,302)</u>
Corporate Income Tax		50,505,391	-
OTHER COMPREHENSIVE INCOME :			
Gains on property revaluation		-	50,818,173
Comprehensive loss for the year		<u>(489,668,315)</u>	<u>(386,266,129)</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Capital reserve Kshs.	Revaluation reserve	Revenue Reserves Kshs.	Total Kshs.
Balance as at 1st July 2011	1,219,260,681	90,926,890	1,591,459,672	2,901,647,243
Supervision Expenses Adjustment			(1,547,547)	(1,547,547)
Project expenses adjustments made on projects expenses chargeable to the Project funds			16,836,488	16,836,488
Restated Balance as at 1st July 2011	<u>1,219,260,681</u>	<u>90,926,890</u>	<u>1,606,748,613</u>	<u>2,916,936,184</u>
Capital grants on Mitihini Data Process Centre	15,497,295			15,497,295
Revaluation made for the year		324,105,296		324,105,296
Total comprehensive income/ (loss) for the year		50,818,173	(437,084,302)	(386,266,129)
Balance as at 30th June 2012	<u>1,234,757,976</u>	<u>465,850,359</u>	<u>1,169,664,311</u>	<u>2,870,272,646</u>
Balance as at 1st July 2012	1,234,757,976	465,850,359	1,169,664,311	2,870,272,646
MOE Settlements made after winding up in 2005.	105,584,838			105,584,838
Restated Balance as at 1st July 2012	<u>1,340,342,814</u>	<u>465,850,359</u>	<u>1,169,664,311</u>	<u>2,975,857,484</u>
Capital grants on New Mitihani Hse	358,190,191			358,190,191
Revaluations for the year		199,000,000		199,000,000
Total comprehensive income/ (loss) for the year			(489,668,315)	(489,668,315)
Balance as at 30th June 2013	<u>1,698,533,005</u>	<u>664,850,359</u>	<u>679,995,996</u>	<u>3,043,379,360</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	Kshs.	As Restated Kshs.
Cash flows from operating activities		
Total comprehensive loss for the year	(489,668,315)	(386,266,129)
Adjustments for :		
Project expenses adjustments	-	15,288,941
Depreciation and Amortization Expenses	207,657,840	171,855,156
(Gain) /Loss on disposal of non current assets	(2,240,845)	423,428
Gains on property revaluation	-	(50,818,173)
Ministry of Education Recurrent Grant	(300,000,000)	(300,000,000)
Investment Income	(90,574,163)	(102,526,750)
	<hr/>	<hr/>
Operating surplus before working capital changes	(674,825,483)	(652,043,527)
Increase in Inventories	12,916,748	(71,434,110)
Increase in Net Receivables	(29,491,199)	(85,203,037)
Decrease in Trade and other payables	97,115,146	(106,560,390)
Increase in Prepaid Income	946,082,483	306,304,253
	<hr/>	<hr/>
Net cash flows from operating activities	351,797,695	(608,936,811)
Servicing of finance		
Increase in accumulated reserve	358,190,191	15,497,295
Ministry of Education Recurrent Grant received	300,000,000	300,000,000
Decrease in Donor Project Funds	(27,931)	(24,393,144)
	<hr/>	<hr/>
Net cash flows in servicing of finance	658,162,260	291,104,151
Cash flows from investing activities		
Purchase of property, plant and equipment	(320,820,796)	(229,650,043)
Interest received	95,847,612	83,317,110
Purchase of software system	(10,749,379)	(20,953,776)
Sale proceeds of disposal of non current assets	4,531,690	4,982,500
Construction /(Recoveries) made from contractors on New Mitihani Building	(363,998,179)	706,210
	<hr/>	<hr/>
Net cash flows from investing activities	(595,189,052)	(161,597,999)
Net Increase /(Decrease) in Bank	414,770,903	(479,430,659)
Cash and Cash equivalents at beginning of year	1,304,555,848	1,783,986,507
Cash and Cash equivalents at end of year	<u>1,719,326,751</u>	<u>1,304,555,848</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of Accounting

These Accounts have been prepared in accordance to the International Accounting Standards under the historical Cost Convention modified to include the revaluation of certain assets.

The Council has adopted accrual accounting concept with effect from 1st July 2009.

b) Significant accounting estimates and judgment

The preparation of the financial statements are in conformity with International Accounting Standards requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year.

There are contingent provisions of examination expenses and accrued expenses have been considered.

The contingent provisions on legal matters and taxes will be made when they are due from Court's rulings.

c) Depreciation

Freehold land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated to write off the cost, valuation of Leasehold Building, Motor vehicles, Computer & Office Equipment and Office Furniture on a straight line basis over their estimated useful lives, at the following rates: -

Leasehold Buildings	2 ¹ / ₂ %
Motor Vehicles	25%
Computer Equipment	25%
Office Equipment	10%
Furniture	12 ¹ / ₂ %
Partitions & Fittings	10 %

d) Inventories

Inventories are valued at the lower of cost and net realisable value. According to IAS 2, the inventories of Printing Unit have been incorporated as they relate to the printing of examinations held in the next financial year.



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Foreign Currency

Transactions in foreign currency are translated into Kenya Shillings at the rate exchanged ruling on the date of the transaction.

f) Pension Scheme

The Council's contributions and the Conversion from Defined Benefit Scheme to Defined Contribution Scheme are charged to the income statement.

g) Prepaid Income

The Council has prepaid income for examinations fees and other income pertaining to examinations in line with IAS 18. Incremental revenue has been restated in accordance with the accrual concept.

h) Grants

Grants are recognized in the year they are received from the Ministry of Education.

i) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise net balances from banking institutions and fixed deposits.

j) Computer Software Development Costs

Generally, costs associated with developing computer software programmes are recognized as an expense incurred. However costs that are probable benefit exceeding the cost beyond one year are recognized as an intangible asset. Computer software development costs recognized as assets are stated at cost less amortization. Amortization is calculated on a straight line basis over the estimated useful lives not exceeding a period of 4 years.

k) Prepayment

The costs of test developers allowances and printing expenses relating to the next year examinations have been prepaid in accordance with the accrual concept.

l) Capital Commitments

These are Council capital items made on commitments of Kes. 106,210,417 not settled by end of the year.

m) Donor Funds

Cash and cash equivalents includes Kes 11,854,652 which relates to the Donor Funds.



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2

Property, Plant and Equipment Schedule as at 30 June 2013

	LAND Kshs.	LEASEHOLD BUILDING Kshs.	MOTOR VEHICLE Kshs.	OFFICE EQUIPMENT Kshs.	COMPUTER EQUIPMENT Kshs.	FURNITURE Kshs.	PARTITION & FITTINGS Kshs.	GROSS TOTAL Kshs.
COST OR VALUATION:								
Balance as at 1-7-2012	303,050,000	314,383,568	76,215,340	496,068,524	500,375,302	66,422,525	124,594,936	1,881,110,195
Transfer from work In Progress		143,685,803						143,685,803
Revaluations for the year	199,000,000							199,000,000
Additions for the year		61,626,024	5,064,000	132,114,789	45,275,235	19,106,012	57,634,736	320,820,796
Disposals			(4,581,690)					(4,581,690)
Balance as at 30-6-2013	502,050,000	519,695,395	76,697,650	628,183,313	545,650,537	85,528,537	182,229,672	2,540,035,104
ACCUMULATED DEPRECIATION:								
Balance as at 1-7-2012		66,490,597	57,869,822	232,361,011	327,395,483	40,205,844	27,321,737	751,644,494
Disposals			(2,290,845)					(2,290,845)
Depreciation charge for the year		22,074,157	11,474,036	56,478,579	67,380,903	10,649,977	17,974,358	186,032,010
Balance as at 30-6-2013		88,564,754	67,053,013	288,839,590	394,776,386	50,855,821	45,296,095	935,385,659
NET BOOK VALUE:								
As at 30-6-2013	502,050,000	431,130,641	9,644,637	339,343,723	150,874,151	34,672,716	136,933,577	1,604,649,445
As at 1-7-2012	303,050,000	247,892,971	18,345,518	263,707,513	172,979,819	26,216,681	97,273,199	1,129,465,701
Rate of Depreciation		2.5%	25%	10%	25.0%	12.5%	10%	

* The revaluation of Council Houses were conducted by Gimco Ltd , Registered Valuers .

Property, Plant and Equipment Schedule as at 30 June 2012

	LAND Kshs.	LEASEHOLD BUILDING Kshs.	MOTOR VEHICLE Kshs.	OFFICE EQUIPMENT Kshs.	COMPUTER EQUIPMENT Kshs.	FURNITURE Kshs.	PARTITION & FITTINGS Kshs.	GROSS TOTAL Kshs.
COST OR VALUATION:								
Balance as at 1-7-2011	30,000,000	195,944,704	80,742,408	428,325,275	421,218,967	59,143,135	76,779,236	1,292,153,725
Additions for the year		16,565,395	2,700,560	67,743,249	79,156,335	11,916,334	51,568,170	229,650,043
Revaluations for the year	273,050,000	101,873,469						374,923,469
Disposals			(7,227,628)			(4,636,944)	(3,752,470)	(15,617,042)
Balance as at 30-6-2012	303,050,000	314,383,568	76,215,340	496,068,524	500,375,302	66,422,525	124,594,936	1,881,110,195
ACCUMULATED DEPRECIATION:								
Balance as at 1-7-2011		50,818,173	45,543,070	189,093,911	271,333,389	35,313,270	16,982,687	609,084,500
Disposals			(4,970,128)			(3,369,152)	(1,871,835)	(10,211,115)
Depreciation charge for the year		15,672,424	17,296,880	43,267,100	56,062,094	8,261,726	12,210,885	152,771,109
Balance as at 30-6-2012		66,490,597	57,869,822	232,361,011	327,395,483	40,205,844	27,321,737	751,644,494
NET BOOK VALUE:								
As at 30-6-2012	303,050,000	247,892,971	18,345,518	263,707,513	172,979,819	26,216,681	97,273,199	1,129,465,701
As at 1-7-2011	30,000,000	145,126,531	35,199,338	239,231,364	149,885,578	23,829,865	59,796,549	683,069,225
Rate of Depreciation		2.5%	25%	10%	25.0%	12.5%	10%	

* The revaluation of Council Houses were conducted by Gimco Ltd and Tectura International Architects, Registered Valuers .



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3

NEW MITIHANI HOUSE (WORK IN PROGRESS)

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

	2013 Kshs.	2012 As Restated Kshs.
Balance as at 1 st July	659,909,468	660,615,678
MOE Settlements made after winding up in 2005.	105,584,838	-
Transfer to the Reprographic Building	(143,685,803)	-
Additions / (Recoveries made from Contractors.)	363,998,179	(706,210)
	<u>985,806,682</u>	<u>659,909,468</u>

NOTE 4

INTANGIBLE ASSETS

These are costs associated with acquisition of the ICT Software Upgrade

	2013 Kshs.	2012 Kshs.
Balance as at 1 st July	100,754,894	79,801,118
Additions for the year	10,749,379	20,953,776
Accumulated Amortization b/f	(58,305,097)	(39,221,050)
Amortization for the year	(21,625,830)	(19,084,047)
Balance as at 30 th June	<u>31,573,346</u>	<u>42,449,797</u>

NOTE 5

INVESTMENTS

These are investments held in Consolidated Bank of Kenya

Limited comprised of :

	2013 Kshs.	2012 Kshs.
695,000 Ordinary Shares @ Kshs. 20.00	13,900,000	13,900,000
2,520,000 4% Non cumulative Preference Shares @ Kshs 20.00	50,400,000	50,400,000
	<u>64,300,000</u>	<u>64,300,000</u>

NOTE 6

INVENTORIES

	2013 Kshs.	2012 Kshs.
General Stationary stocks	23,527,140	15,201,155
Bookshop stocks	28,456,535	35,573,970
Consumables stocks	50,639,166	64,764,464
	<u>102,622,841</u>	<u>115,539,589</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7

RECEIVABLES

	2013	2012
	Kshs.	As Restated Kshs.
Salary Advance	1,082,901	1,383,930
Staff Debtors	103,424	164,794
Pre-payment	99,855,780	78,897,959
Kenya Polytechnic	153,460	153,460
Miscellaneous Debtors	6,047,297	175,007
Pension Scheme Debtor	-	432,000
Debtor of Commission earned from SMS	-	5,437,019
Temporary Imprest	17,703,007	7,879,178
Deposit to Hospitals	706,000	706,000
Deposit to Institutions	10,415,905	10,415,905
Accrued Interest	25,640,564	30,914,013
SFI Bank Replacement Cheques	60,571	60,571
Exam Co-operative	46,966	-
Mwalimu Co-operative	47,602	47,602
Insurance	-	526,735
Mortgages / Bank Loans	-	271,424
Returned Salaries	51,350	60,768
Staff Contribution to WCPS	-	5,665
Refunds	146,042	217,467
	<u>162,060,869</u>	<u>137,749,497</u>

LESS PROVISION FOR DOUBTFUL DEBTS

	2013	2012
	Kshs.	Kshs.
Temporary Imprest	279,871	279,871
Kenya Polytechnic	153,460	153,460
Fina Stationers	103,273	103,273
Mufam Collectors	14,650	14,650
Staff Debtors	93,622	-
	<u>644,876</u>	<u>551,254</u>
NET RECEIVABLES	<u><u>161,415,993</u></u>	<u><u>137,198,243</u></u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8

CASH AND CASH EQUIVALENTS

	2013	2012
	Kshs.	As Restated Kshs.
Cash in Bank	51,479,675	98,123,809
Fixed Deposits	1,800,000,000	1,210,000,000
	<u>1,851,479,675</u>	<u>1,308,123,809</u>

NOTE 9

TRADE AND OTHER PAYABLES

	2013	2012
	Kshs.	Kshs.
Stale Cheques	5,691,982	5,254,274
SFI Stale Cheques	5,790,623	5,790,623
Audit Expenses	2,320,000	2,000,000
Examinations Expenses	23,438,476	18,650,875
Accrued Expenses	64,671,381	28,835,997
Trade Creditors	70,164,138	32,551,888
Net Pay	25,819	25,820
P.A.Y.E.	46,429	919,822
N H I F	2,077	2,077
Elimu Co-operative	450	450
University Loan Recoveries (HELB)	1,008	1,010
Other Co-operatives	86,873	95,311
Exam Co-operative	-	4,143
Benevolent Fund	1,500	-
Recoveries made on behalf of other institutions	12,580	12,580
Teachers Service Commission	10,000	9,435
Miscellaneous Deductions	66,648	492,510
Retirement Benefits	13,212,663	2,284,663
Withholding Income Tax	5,188,239	1,534,764
VAT Tax	5,509,542	659,040
	<u>196,240,428</u>	<u>99,125,282</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10

PREPAID INCOME

	2013	2012
	Kshs.	As Restated Kshs.
Prepaid Income - KCPE	304,111,281	35,176,960
Prepaid Income - PTE	-	(19,543,089)
Prepaid Income - KCSE	985,596,735	323,540,441
Prepaid Income - TCEA	-	(856,546)
Prepaid Income - Technical	15,674,620	(15,885,364)
Prepaid Income - Business	4,733,460	(4,066,600)
Prepaid Income - ECDE	108,104,522	151,908,093
Prepaid Income - DTE	-	351,210
Prepaid Income - SNE	-	305,900
Prepaid Income - Confirmation of Certificates	-	1,052,090
Prepaid Income - Replacements of Certificates	-	155,040
	<u>1,418,220,618</u>	<u>472,138,135</u>

NOTE 11

BANK OVERDRAFT

	2013	2012
	Kshs.	Kshs.
Bank Overdraft	132,152,924	3,567,961
	<u>132,152,924</u>	<u>3,567,961</u>

NOTE 12

CAPITAL RESERVE

	2013	2012
	Kshs.	Kshs.
Balance as at 1 st July	1,234,757,976	1,219,260,681
MOE Settlements made after winding up in 2005.	105,584,838	
Additions for the year	358,190,191	15,497,295
	<u>1,698,533,005</u>	<u>1,234,757,976</u>

NOTE 13

REVALUATION RESERVE

	2013	2012
	Kshs.	Kshs.
Balance as at 1 st July	465,850,359	90,926,890
Revaluations Surplus for the year	199,000,000	324,105,296
Transfer from Revenue reserve on revaluation	-	50,818,173
	<u>664,850,359</u>	<u>465,850,359</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 14 REVENUE RESERVES

	2013	2012
	Kshs.	As Restated Kshs.
Balance as at 1 st July	1,169,664,311	1,591,459,672
Accrual Expenses Adjustment	-	(1,547,547)
Project Expenses Adjustment	-	16,836,488
Total comprehensive loss for the year	(489,668,315)	(386,266,129)
Transfer to Revaluation reserve on revaluation	-	(50,818,173)
	<u>679,995,996</u>	<u>1,169,664,311</u>

NOTE 15

DONOR PROJECT FUNDS

	2013	2012
	Kshs.	Kshs.
Rockefeller Foundation	3,339,543	3,339,543
UKEFR Study -AKF	-	-
KESSP	8,185,861	8,222,532
Sacmeq III Research Project	-	-
EAC Essay Writing Competition	329,248	320,508
	<u>11,854,652</u>	<u>11,882,583</u>

NOTE 16

EXAMINATION FEES

	2013	2012
	Kshs.	Kshs.
KCPE	419,000,152	409,546,182
PTE	34,742,389	26,154,868
KCSE	1,791,492,200	1,697,406,149
Adult Education	723,154	1,793,532
Technical	318,440,258	219,299,590
Business	222,235,343	173,813,754
Foreign	26,026,129	24,305,890
ECDE	367,931,675	238,586,111
Diploma Teachers Education	19,822,166	12,192,500
Special Needs Education	21,083,785	62,328,381
Vocational Training	-	-
Less Refunds	(5,806,730)	(2,583,030)
	<u>3,215,690,521</u>	<u>2,862,843,927</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 17

NOTES

OTHER OPERATING INCOME

	2013	2012
	Kshs.	As Restated Kshs.
Rental Income	9,238,840	7,854,400
Tenders	2,362,070	1,481,480
Waste Papers	741,441	612,220
Commission earned from SMS	20,534,133	11,985,363
Sale of Publications	21,100,768	18,746,776
Confirmation fees	93,312,410	20,104,858
Replacement of Certificates	23,900,048	14,301,250
Equation	1,449,094	2,422,063
Consultancy	51,000	544,799
A.E.A.A. Conference Income	807,800	8,755,995
Gain on Foreign Exchange	-	219,945
Gain on Disposal of non-current assets	2,240,845	-
Less Refunds	(1,217,266)	(522,635)
	<u>174,521,183</u>	<u>86,506,514</u>

NOTE 18

INTEREST INCOME

	2013	2012
	Kshs.	Kshs.
Interest on Fixed Deposits	85,665,427	96,770,666
Interest on Current Accounts	4,908,736	5,756,084
	<u>90,574,163</u>	<u>102,526,750</u>

NOTE 19

GRANTS

	2013	2012
	Kshs.	Kshs.
Ministry of Education Recurrent Grants	300,000,000	300,000,000

NOTE 20

PROJECT GRANTS

	2013	2012
	Kshs.	Kshs.
KESSP	36,671	6,821,386
UKEFR Study -AKF	3,853,732	-
Sacmeq III Research Project	-	891,268
EA Essay Competition	1,802,850	1,423,502
	<u>5,693,253</u>	<u>9,136,156</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 21

PERSONNEL EXPENSES

	2013	2012
	Kshs.	As Restated Kshs.
Personal Emoluments	644,939,264	613,750,930
Extra Clerical Assistance	12,793,591	11,958,991
Medical Expenses	58,433,984	58,267,626
Contributions to Pension Schemes	178,933,408	164,022,428
	<u>895,100,247</u>	<u>847,999,975</u>

NOTE 22

OFFICE ADMINISTRATION EXPENSES

	2013	2012
	Kshs.	Kshs.
Board and its committees Expenses	5,161,859	7,627,700
Leave Expenses and Passage	7,280,379	6,835,197
Transport Operation Expenses	27,427,477	26,195,883
Travel & Accommodation	13,905,490	21,480,307
Courier & Postal Services	2,028,915	1,601,146
Telephone/Airtime Expenses	15,777,293	14,958,329
Official Entertainment	224,380	800,000
Electricity, Water & Conservancy	9,325,033	6,696,215
Purchase of uniforms	1,155,478	1,808,825
Purchase of Stationery	1,034,032	4,979,461
Purchase of Accountable Documents	1,145,717	770,881
Bank Charges	16,150,751	12,513,640
Audit Expenses	2,640,000	2,000,000
Maintenance of Plant & Equipment	12,578,154	12,198,168
Newspapers, magazines and periodicals	589,127	765,369
Catering and Event Management	28,521,834	21,546,076
Contracted Guards	8,487,539	8,782,087
Supplies of sanitary services	8,032,264	6,085,694
Staff Training	25,824,141	24,583,568
A.E.A.A. Conference	4,738,270	16,861,183
Advertising & Publicity	20,259,662	13,122,274
Library Expenses	635,715	520,694
Quality Assurance and Strategic Management	6,851,681	2,934,932
Bookshop Operating Expenses	7,548,925	762,874
Legal Expenses	1,529,309	337,030
General Consultancy	13,391,812	11,465,953
HIV/AIDS, ADA, Gender & Anti Corruption Programs	2,254,311	7,833,853
Staff Welfare Development	19,631,588	22,357,113
	<u>264,131,136</u>	<u>258,424,452</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 23

EXAMINATION EXPENSES

	2013	2012
	Kshs.	As Restated Kshs.
Computer Charges	106,103,348	81,737,200
Printing Unit	104,016,838	33,287,182
KCPE	525,620,920	524,566,550
PTE	40,596,617	37,733,430
KCSE	1,699,000,170	1,487,193,597
Adult Education	2,724,267	1,770,433
Technical	113,834,029	81,735,493
Business	87,602,916	83,374,842
Foreign	7,445,746	10,663,500
ECDE	56,615,847	50,534,401
Diploma Teachers Education	12,020,708	20,831,460
Special Needs Education	15,098,620	30,249,976
Vocational Training	-	4,154,069
	<u>2,770,680,026</u>	<u>2,447,832,133</u>

NOTE 24

HOUSING OF STAFF & OFFICE ACCOMMODATION

	2013	2012
	Kshs.	Kshs.
Maintenance to Residential Houses	12,605,832	6,226,906
Repair to Council Offices	10,807,125	11,608,028
Rent & Rates to Office Accommodation	58,881,703	44,591,415
	<u>82,294,660</u>	<u>62,426,349</u>

NOTE 25

PROJECT EXPENSES

	2013	2012
	Kshs.	Kshs.
KESSP	213,796	6,821,386
UKEFR Study -AKF	2,949,590	-
Sacmeq III Research Project	161,860	891,268
Sacmeq IV Research Project	800,800	-
EA Essay Competition	1,558,467	1,423,502
	<u>5,684,513</u>	<u>9,136,156</u>



THE KENYA NATIONAL EXAMINATIONS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 26

(GAIN) /LOSS ON DISPOSAL OF ASSETS

	2013	2012
	Kshs.	As Restated Kshs.
Sales Proceeds on non-current assets	(4,531,690)	(4,982,500)
Net Book value of non-current assets	2,290,845	5,405,928
(Gain) /Loss on disposal of assets	(2,240,845)	423,428

NOTE 27

DEPRECIATION AND AMORTIZATION EXPENSES

	2013	2012
	Kshs.	Kshs.
Depreciation of Motor Vehicles	11,474,036	17,296,880
Depreciation of Office Equipment	56,478,579	43,267,100
Depreciation of Computer Equipment	67,380,903	56,062,094
Depreciation of Office Furniture	10,649,977	8,261,726
Depreciation of Fittings (e.g. Partition Materials)	17,974,358	12,210,885
Depreciation of Council Houses	22,074,157	15,672,424
Amortization of Software Development	21,625,830	19,084,047
	207,657,840	171,855,156

NOTE 28

INCREASE IN PROVISION OF DOUBTFUL DEBT

	2013	2012
	Kshs.	Kshs.
Staff Debtors	93,622	-

NOTE 29

NET RENTAL INCOME ON COUNCIL HOUSES

	2013	2012
	Kshs.	Kshs.
Rental Income	9,238,840	7,854,400
Maintenance to Residential Houses	(12,721,602)	(6,226,906)
Net Rental Income/ (Loss)	(3,482,762)	1,627,494