

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

Paper Laid
By Hon. A. Bwalya (K.O.M)
On Wed. 05.08.2015
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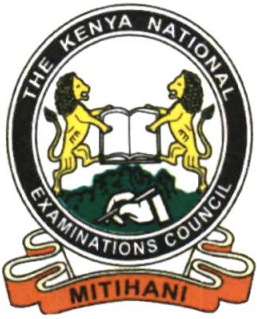
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA NATIONAL EXAMINATIONS
COUNCIL**

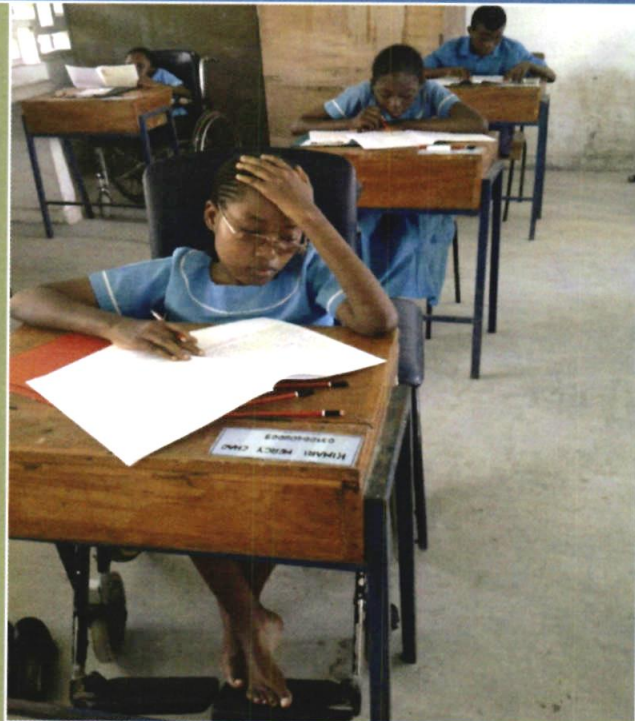
**FOR THE YEAR ENDED
30 JUNE 2014**





THE KENYA NATIONAL EXAMINATIONS COUNCIL

Annual Report and Financial Statements for the Year Ended 30 June 2014





THE KENYA NATIONAL EXAMINATIONS COUNCIL

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THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.0 KEY COUNCIL INFORMATION

1.1 Background information

The Kenya National Examinations Council was established in 1980 under the Kenya National Examinations Council Act Cap 225A of the Laws of Kenya. This Act (Cap 225A of 1980) was repealed in 2012 and replaced with KNEC Act No. 29 of 2012.

KNEC was established to take over the functions previously undertaken by the defunct East African Examinations Council and the Ministry of Education to conduct school, post school and other examinations. The establishment of the Council followed the breakup of the East African Community and the need for an institution to take over control of such examinations to ensure their validity and reliability; and to ensure conformity to Kenya's goals and changes in Government policy relating to the curriculum and examinations.

1.2 Principal Activities

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

- 1.2.1 Conduct such academic, technical and other examinations within Kenya as it may consider desirable in the public interest.
- 1.2.2 Award certificates or diplomas to successful candidates in such examinations.
- 1.2.3 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.
- 1.2.4 Advise any body or bodies upon the adaptation of examinations necessary for the requirements of Kenya and to assist any such bodies to conduct such examinations.
- 1.2.5 Make rules regulating the conduct of examinations and for all Purposes incidental thereto.



THE KENYA NATIONAL EXAMINATIONS COUNCIL

1.3 Entity Headquarters

Registered Office and Principal Place of Business
NHC House Aga Khan Walk

1.4 Entity Contact

Postal Address:
P O Box 73598
Code 00200 City Square
NAIROBI

Telephone (+254-20) 341027 / 50, 317412 / 19 / 27
E-mail: info@kneec.ac.ke
Website: www.kneec.ac.ke
Fax (+254-20) 2226032

1.5 Bankers

- 1.5.1 Co-operative Bank of Kenya (Co-operative House)
- 1.5.2 Kenya Commercial Bank (Head Office)
- 1.5.3 National Bank of Kenya (Harambee Avenue)
- 1.5.4 Equity Bank (Moi Avenue)
- 1.5.5 CfC Stanbic Bank (Harambee Avenue)
- 1.5.6 Standard Chartered Bank (Harambee Avenue)
- 1.5.7 Commercial Bank of Africa (Mama Ngina Street)

1.6 Auditors

Office of Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 GOP 00100
NAIROBI

1.7 Advocates /Lawyers

Kiarie, Kariuki and Associates Advocates
P O Box 13808 - 00100
NAIROBI



THE KENYA NATIONAL EXAMINATIONS COUNCIL

2.0 THE BOARD OF THE COUNCIL



2.1 Prof. Kabiru Kinyanjui is a graduate of Harvard University, USA and University of East Africa, Dar-es-Salaam Tanzania. He is a member of the Governing Board of UNESCO International Institute of Capacity Building in Africa (IICBA). He has also chaired many national and international Boards, Commissions and Universities committees. He is currently the Chancellor of Chuka University.

He has published widely on education and training policies, youth employment, micro-finance and social policy issues in Africa.



2.2 Dr. Richard Belio Kipsang

Dr. Richard Belio Kipsang is the Principal Secretary Education, Ministry of Education Science and Technology. He has held several very senior positions in the public sector including Coffee Development Fund and Higher Education Loans Board. He is a

Council Member at Mt. Kenya University and Co-operative University College, Finance Alliance for Sustainable Trade, (FAST), Advisory Council for Coffee Initiative and Government Delegate International Coffee Organization (ICO). He Chairs Operations Committee, Association of African Higher Education Financing Agencies (AAHEFA).

Dr. Richard Belio Kipsang is a holder of PhD degree in Education (Educational Administration and Planning from The Catholic University of Eastern Africa, a Masters of Arts degree in Economics and a Bachelors (Honours) degree in Education (Business and Economics) both from the University of Nairobi. He has had extensive professional training and commands numerous exposure to local and international conferences including prestigious institutions such as the London School of Economics (LSE) in the UK, Harvard University in the USA, State University of New York in the USA, among other institutions in Kenya, Germany, Belgium, Sweden, Denmark and Thailand. He is an Associate Member of the Association of Certified Fraud Examiners and also; a member, Institute of Directors of Kenya. Dr. Kipsang has authored highly competent academic and research papers in the areas of Higher Education Financing and Planning.



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2.3 Arthur Anam Rateng, holds a Masters degree in Entrepreneurship Education from the University of Illinois, USA and a Bachelor of Education from the University of New Brunswick, Canada. He also has a post graduate certificate in Applied Management Studies, Queens University, Canada, Diploma in Technical Educational and Ordinary Diploma in Electrical Mechanical Engineering both from the Kenya Polytechnic. He is a former Director of Technical Education in the Ministry of Higher Education, Science and Technology.



2.4 Elizabeth Katanu Mbebe is a seasoned Administrator and Professional HR practitioner with over 35 year experience. She served at the University of Nairobi in various capacities until 2008. Elizabeth, a graduate from the University of Nairobi taught in several schools before serving the Ministry of Higher Education as an Inspector of Schools.

She is the Secretary of Lions Club of Nairobi – Karen branch and past

Chairperson of the Kenya Ladies Golf Union and a member of Senior Ladies Golfing Society of East Africa.

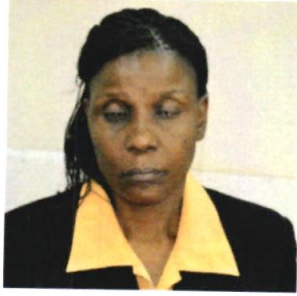


2.5 Gabriel Kimoroko Lengoiboni, CBS is the Chief Executive Officer Teachers Service Commission. He holds a Master of Science – MSc (Statistics) degree from the University of London (London School of Economics and Political Science) and a Bachelor of Education (Science) from the University of Nairobi. He has an outstanding academic award in the Advanced Diploma in Education (Educational Statistics /Computing Education) amongst many other educational and management courses.

Lengoiboni is a seasoned administrator and a Professional Educator with over 30 years experience in various capacities in the public sector in varied Education and Management fora around the world. He currently sits on a number of national boards and committees.



THE KENYA NATIONAL EXAMINATIONS COUNCIL



2.6 Josephine Odira Sinyo is the first blind woman lawyer in Kenya. Having lost sight at the age of three (3), Josephine studied Law at the Nairobi University and the University of Hull in England. She has worked in many organisations as a human rights activist. She has served as Chairperson of the United Disabled Persons of Kenya. In November 1998 she was nominated as a member of parliament on the Safina Party ticket. She brings to KNEC her immense experience and exceptional contribution towards advancement of the disability mainstreaming agenda.

She is currently working at the Kenya Law Reform Commission and is the Government Disability expert at the Attorney General Office (Kenya).



2.7 Dr. Julius Ouma Jwan

Julius O. Jwan holds a PhD in Educational Leadership & Management and MSc in Educational Research Methods both from The Open University, UK. He also has a Master of Philosophy (MPhil) in Education

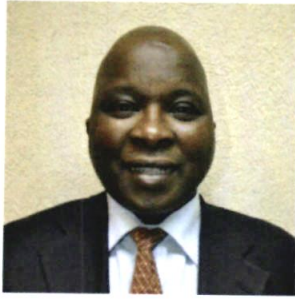
Communication & Management from Norsk Lærerkademi (NLA)-Bergen, Norway and another MPhil in Linguistics from Moi University, Kenya. He has been a lecturer of Leadership & Management, Organizational Communication and Research Methods at the School of Human Resource Development, Moi University, Kenya for over thirteen years and is currently an Assistant Director - Research at the National Cohesion and Integration Commission, Kenya. Dr Jwan is the winner of British Educational Leadership, Administration and Management Society (BELMAS) Best Doctoral Thesis Award, 2011.



2.8 Mohammed Mwijuma Mwinyipembe holds Bachelor and a Masters degree in Education from Kenyatta University. He is a long serving and experienced educationist having served as provincial Director of Education in various provinces (now regions) including the expansive Rift Valley. Currently he is the Acting Director, Quality Assurance and Standards in the Ministry of Education Science and Technology. In 2009, he was appointed the Secretary General, Kenya National Commission for UNESCO.



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2.9 Mutuku Charles R Kioko studied at the University of Nairobi where he obtained Bachelor of Science Degree, Postgraduate Diploma in Population Studies and PGD Diploma in Education. He is also an MBA graduate from the Jomo Kenyatta University of Agriculture and Technology. Mutuku is currently the Director/Chairman, Riccatti Business College of East Africa, Director and Project Coordinator, Mandela Community Development Programme an NGO in Eastern province.



2.10 Pius M Nduatih is a fellow of the Institute of Certified Public Accountants of Kenya (FCPAK) and member of the Institute of Certified Public Secretaries of Kenya (CPSK). Nduatih has vast experience in leadership and management of education and is currently the Secretary and Chief Executive of KASNEB, a professional examinations body which he has strategically repositioned in Kenya, within the Eastern Africa region and beyond. He is a firm believer in strong professional institutions. Prior to joining KASNEB, he

served as Head of Finance at the Commission for Higher Education and Kenya Science Teachers College. He graduated with a Masters Degree in Business Administration from the University of Leeds, UK in 1999 and a B.Com (Accounting) (Hons) in 1981.



2.11 Dr. Joseph Mbithi Kivilu holds a PhD in Educational Psychology (Assessment, Tests and Measurement) from the University of Alberta, Edmonton, Canada. He also holds a Master's degree in Educational Psychology (Assessment, Tests and Measurement) from Kenyatta University, and a Bachelor of Education (Hons.) (Science) degree in Double Mathematics from the University of Nairobi.

Prior to joining the Council, he worked as a teacher of Mathematics in various schools in Kenya and then as lecturer at Kenyatta University from. Dr Kivilu moved to South Africa in 1997 and worked as a director at the Human Sciences Research Council based in Pretoria.

He has published widely on education areas including educational assessment, socio-economic survey, research methodology and statistical modeling.



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3.0 KNEC SENIOR MANAGEMENT TEAM

3.1 **Dr. Joseph Mbithi Kivilu**, Council Secretary / Chief Executive Officer (appointed in October 2014)



Dr. Kivilu joined the Council in April 2011 as Senior Deputy Secretary in the Test Development Department. He was appointed Acting Council Secretary/Chief Executive Officer in April 2014 and served in that position until October 2014 when he was appointed the Council Secretary/Chief Executive Officer.

3.2 **Ambia Guhad Noor**, Senior Deputy Secretary, School Examinations and Teacher Education



Ambia joined KNEC in 1999 as a Research Officer. She is currently the Head of Department in charge of Examination Administration for school and teachers examinations. She holds a Bachelor of Education degree from Kenyatta University and a Master in Education from the same university. Ambia has over 25 years experience in the field of education. Prior to joining the Council, she worked as Senior Education Officer in the Ministry of Education and also taught in several schools.



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- 3.3 Florence K. Wanyanga**, Senior Deputy Secretary, Human Resource Management and General Administration.



Florence joined the Council in 2008 from Kenya Bureau of Standards where she was the General Manager, Corporate Services. She holds Master of Science, Human Resources from University of Manchester, UK and Bachelor of Arts, University of Nairobi. She has over 25 years of experience in Human Resources Management and Administration.

- 3.4 Geoffrey K. Gitogo**, Senior Deputy Secretary, ICT



Geoffrey joined the Council in 2009 from United States International University and he has been the Head of ICT Department since then. Geoffrey holds BSC, Software Engineering from University of Nairobi. He has 16 years experience in the field of ICT.

- 3.5 Mwai Nyaga**, Senior Deputy Secretary, Business and Technical Examinations

Mwai heads the Department of Business and Technical Examinations. He is holder of Higher National Diploma in Electrical Engineering and Diploma in Education. He joined the Council as Examinations Secretary and has since risen to his current position. Prior to joining KNEC, Mwai was a lecturer in various technical institutions. He has over 25 years of experience in the field of education.



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3.6 Sarah A. Majani, Senior Deputy Secretary , Printing and Manuscripts



Sarah is the Head of Department in charge of printing and manuscripts. She joined the Council in 2009 from Kenya Literature Bureau. She holds a Higher National Diploma in Printing from Watford College, UK. Majani has work experience spanning over 20 years.

3.7 Paul K. Korir, Ag. Senior Deputy Secretary, Test Development

Paul Joined the Council in 1995 as Examination Secretary. He is currently acting as Head of Department, Test Development. Paul holds BSc in Wood Technology from Moi University. Prior to joining KNEC, he was a lecturer in several technical colleges. He has 25 years work experience.

3.8 Joyce Sabari, Ag. Deputy Secretary, Research and Quality Assurance



Joyce joined the Council in 1999. She is in charge of Research and Quality Assurance. She holds a Masters Degree in Education; Measurement and Evaluation from University of Nairobi and B.Ed, Home Economics from the same university. She joined the Council as Research Assistant and rose through the ranks to her current position.



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3.9 Abraham K. Oloo, Financial Controller and Head of Finance



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



THE KENYA NATIONAL EXAMINATIONS COUNCIL

4.0 CHAIRMAN'S STATEMENT

I take great pleasure in presenting to you once again the annual report and financial statements for The Kenya National Examinations Council for the Financial Year ended 30th June 2014. Let me congratulate the Council for a good performance during the period under review.

The heightened security concerns in the country due to acts of terrorism in some parts of the country put enormous pressure on the distribution and security of the examinations as well as the examination centres during the year under review. The nation continues to experience a growing population which translates to a growing candidature that expects better quality services from the large pool of contracted professionals. The growth in candidature is also based on the government's policy of Free primary Education and Free Secondary Education in day schools.

I am pleased to note that we have delivered improved results during this period under review; Gross revenue grew by 24% to stand at Kes. 4.697 Billion, our expenditure stands at Kes.4.5 Billion on account of growing candidature. Overall our net surplus was Kes. 118.9 Million. This is commendable given the deficits posted in the recent past. Our asset base grew from Kes 4.67 Billion to Kes 5.37 Billion, a 15% increase during the year under review.

I take this opportunity to record my sincere gratitude to the Government of Kenya, and the SAGAS under Ministry of Education, Science and Technology (MOEST) and all the security agencies who provided solid support to the Kenya National Examinations Council. I convey my appreciation to my colleagues on the Board for their invaluable contribution and dedication to the Council. The Management and staff worked tirelessly and I commend them generously on behalf of the Board.

I would also like to thank on behalf of the Board the immediate former Council Secretary Mr. Paul Wasanga whose contract ended on 31st March 2014. I wish him well in his future endeavours as I welcome the new Council Secretary Dr. Joseph Kivilu.

Thank You and May God Bless You.

Professor Kabiru Kinyanjui
Chairman



THE KENYA NATIONAL EXAMINATIONS COUNCIL

5.0 STATEMENT BY THE COUNCIL SECRETARY/CHIEF EXECUTIVE OFFICER

The Management of the Kenya National Examinations Council is delighted to announce a successful Financial Year 2013/2014. The net earnings and assets base, among other indicators registered commendable growth in the 2013/2014 financial year.

During the year, our corporate strategies set out in the current strategic plan continued to drive the operations of the Council on its defined plan.

We have continued to achieve improved performance in all areas of our operations. Our candidature for the high stakes examinations namely KCPE and KCSE continued to grow and stood at 844,568 for KCPE and 449,216 KCSE during Financial Year 2013/2014.

The Council posted a surplus of Kes. 118.9 Million from a deficit of Kshs. 489.7 Million in 2012/2013. The introduction of VAT at 16% on examination materials previously zero rated and the Railway Development Levy (RDL) at 1.5% on all imports were unexpected developments which the Council had to deal with in the year under review.

We realize that technology plays a major role in enhancing operations and serving clients effectively. In addition to the integrated Enterprise Resource Planning (ERP), mainly used in Finance and Human Resource Management great strides have been made in automating the registration of candidates through the Examinations Processing System (EPS). Our examiners are also now able to apply for marking online.

In order to improve the customer relation management system the Council developed software in the KNEC website called Sema Nasi. It is an easily accessible platform where customers can lodge their queries and receive responses in a timely and efficient manner without having to come physically to the Council Offices.

For Council to efficiently offer its examinations in the wake of increasing candidature across all levels, it is imperative that processes are automated. Some of the processes that Council is exploring automation include test paper compilation, printing and packing of examination materials, marking, processing of results and confirmation of results to name but a few. Automation requires a large capital outlay and in consideration of the fact that KNEC is a non-profit making institution, we are hopeful that the Government shall support the various automation projects that will enhance the examination assessment process.

As a corporate entity we realize that our corporate objectives cannot be met without the support of committed, motivated and loyal staff. We continue to invest more in our staff through performance contract management, succession planning and training programmes. We are continuously recruiting skilled staff to enable us to realize our corporate objectives. In the period under review our staff compliment stood at 429.

We envisage moving to our New Mitihani House in South C in the Financial Year 2014/2015 where the housing of KNEC operations under one roof should lead to more efficient services as



THE KENYA NATIONAL EXAMINATIONS COUNCIL

well as cut down on operational costs. We wish to thank the Government for funding the construction of the building.

Maintaining the integrity of national examinations continues to be a challenge given the high demand for our certificates, with good grades. All stakeholders shall be involved in sensitization on curbing examination irregularities. The KNEC Act 2012 and the regulations thereto shall be implemented in full to maintain the integrity of examinations.

We shall continue to improve on the systems put in place over the past many years as we adhere to the ISO certification and the KNEC Service Charter.

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

Dr. Joseph M. Kivilu
Council Secretary/CEO



THE KENYA NATIONAL EXAMINATIONS COUNCIL

6.0 STATEMENT OF CORPORATE GOVERNANCE

6.1 Introduction

- 6.1.1 The Council is committed to abide by the Constitution, the Law of the land and the Rules and Regulations governing the conduct of its business. To ensure compliance, the Council has developed and implemented policies, procedures and work instruction that are used by staff and contracted professionals in the conduct of the business of the Council.
- 6.1.2 The Council meets regularly as stipulated in The Kenya National Examinations Act, 2012 to review the affairs and business of the Council. The Council ensures that corrective and preventive measures are taken where necessary to ensure compliance.
- 6.1.3 Council and management decisions are communicated to staff through departmental meetings, memos, e-mails and face to face discussions. The Council's governance is supported by four sub-committees namely the Finance and General Purposes Committee, Staff Affairs Committee, Audit Committee and Examinations Management Committee.

6.2 The Council Composition

The Council is constituted as specified in Section 4 of the Act. The board consists of 10 members including the Chairman and the Council Secretary/Chief Executive Officer.

6.3 Operations of the Council

- 6.3.1 The Council's day to day operations/activities are carried out by the Secretariat which is headed by the Council Secretary/Chief Executive Officer (CEO). There exists an organizational structure and an establishment which outlines how functions are to be carried out. Responsibilities and roles are defined in the establishment and detailed job description.
- 6.3.2 The Council Secretary/Chief Executive Officer holds regular meetings with the Senior Management to review the status of affairs of the business of the Council. Records of minutes are kept for all management meetings held.
- 6.3.3 All critical operations of the Council are documented in policies, regulations, procedures and work instructions. These documents are available to staff who execute these functions. The policies, regulations, procedures and work instructions are reviewed regularly to address emerging issues and also ensure continual improvement of service delivery.



THE KENYA NATIONAL EXAMINATIONS COUNCIL

6.4 Reporting

The Council Secretary/Chief Executive Officer reports to the Council. Managers report to the Chief Executive Officer. Managers are invited to attend Council Meetings where they make presentations and respond to issues raised by Council Members.

6.5 Performance Evaluation

6.5.1 The performance of the Council is carried out annually by a consultant. The performance of the managers is carried out by the Chief Executive Officer while the departmental staff evaluation is carried out by the immediate supervisor.

6.5.2 Records of performance evaluation are kept in personal files. Appropriate action is taken based on performance evaluation reports.

6.6 Induction and Training

The Council members are inducted on the operations of the Council regularly. This equips them with the requisite knowledge required to make crucial decisions. The secretariat staff is trained based on needs identified during performance appraisal. Records of training needs and training carried out are kept by the Human Resource Division.

6.7 Preparation of Reports


All operations of the Council are documented in detailed reports. These reports are presented to the management for adoption and later to the Council as board papers for ratification and direction. The Council may cause special reports to be prepared in certain special circumstances. Records of reports prepared are kept at the departments.




THE KENYA NATIONAL EXAMINATIONS COUNCIL

7.0 STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

- 7.1 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.
- 7.2 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 Public Sector Accounting Standards (IPSAS). The Board is of the opinion that the financial statements give a true and fair view of the state of the financial position of the Council as at 30 June 2014 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.
- 7.3 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.
- 7.4 This Statement is approved by the Board and is signed on it's behalf by:-

Sign ...  Date: ...12/03/2015...
Prof Kabiru Kinyanjui PhD
CHAIRMAN

Sign  Date: ...12/03/2015.....
Dr. Joseph M Kivilu
COUNCIL SECRETARY/CHIEF EXECUTIVE

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya National Examination Council as set out on pages 1 to 18 which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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.

The Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 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 report in compliance with the 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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. New Mitihani House

As reported in the previous years, the Council staff continued being housed at five (5) different sites because the new building (Mitihani house) was not completed as anticipated. The project is only about 60% complete, despite the fact that the work has been ongoing for the last 28 years and as per the 11 New Mitihani House Project Technical Steering Committee meeting held on 10 December 2014, the project still requires approximately Kshs.1.1 billion to have it completed. According to management, the cause of the delay and escalation in costs of the projects is attributed to challenges relating to project management by the Ministry of Lands, Housing and Urban Development and non-remittance of development grants by the Parent Ministry.

Further, although Kshs.762,000,000 was allocated for the project, in the year under review, only Kshs.144,221,505 was remitted to the Council. In addition, estimates for the financial year 2014/2015 indicates that the project was allocated Kshs.650,000,000 under the Ministry of Education, Science and Technology. This amount is however, not adequate to complete the project as estimated by the engineer's valuation of Kshs.1.1 billion to completion.

2.0. Receivables from exchange transactions

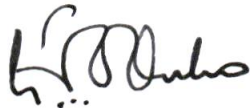
2.1. As disclosed in note 15 to the financial statements the receivables from exchange transactions balance of Kshs.184,346,639 includes salary advances; Kshs.905,888, returned salaries; Kshs.51,349, income tax payee and refunds; Kshs.222,447 all totalling Kshs.7,307,760 whose supporting analysis were not availed for audit review.

2.2. Further, included in the receivables from exchange transactions balance of Kshs.184,346,639 are un-surrendered imprests totalling Kshs.4,715,177 which included long outstanding imprests totalling Kshs.1,194,350.33 dating back to the year 2012/2013 contrary to the rules and regulations guiding the issuance and surrender of Imprests.

In the circumstances, the accuracy and recoverability of the receivable from exchange transactions balance of Kshs.184,346,639 as at 30 June, 2014 could not be ascertained

Qualified Opinion

In my opinion, except for the effect of the matters 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, 2014 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya National Examinations Act, 2012.



Edward R. O. Ouko - CBS
AUDITOR-GENERAL

Nairobi

22 May 2015

KENYA NATIONAL EXAMINATIONS COUNCIL
Statement of Financial Performance
For The Year Ended June 30, 2014

	NOTE	2013-2014 Kshs.	2012-2013 Kshs.
Revenue from Non-Exchange Transactions			
Recurrent Government Grant	2	301,826,390	305,693,253
		301,826,390	305,693,253
Revenue from Exchange Transactions			
Examinations Fees	3	4,158,576,045	3,215,690,521
Interest Income	4	93,649,655	90,574,163
Other Operating Income	5	143,194,274	174,521,183
		4,395,419,975	3,480,785,867
Total Revenue		4,697,246,365	3,786,479,120
EXPENDITURE			
Personnel Expenses	6	855,809,568	901,336,617
Board and its Committees Expenses	7	10,576,882	6,205,869
Administration Expenses	8	310,526,088	251,688,898
Examinations Expenses	9	3,058,926,732	2,770,680,026
Housing of Staff & Office Accommodation	10	71,562,109	82,294,660
Project Expenses	11	1,697,460	5,684,513
Increase in Provision of Doubtful Debt	12	-	93,622
Depreciation & Amortization	13	220,957,776	207,657,840
Total Expenses		4,530,056,615	4,225,642,044
Surplus Before Taxation		167,189,750	(439,162,924)
Taxation	29	(48,288,626)	(50,505,391)
Surplus for the Period		118,901,124	(489,668,314)
Surplus for the Year		118,901,124	(489,668,314.38)

KENYA NATIONAL EXAMINATIONS COUNCIL

Statement of Financial Position

As At June 30, 2014

	NOTE	2013-2014 Kshs.	2012-2013 Kshs.
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	14	2,178,200,154	1,719,326,751
Receivables from Exchange Transactions	15	184,346,639	161,415,994
Inventories	16	86,443,313	102,622,841
		2,448,990,106	1,983,365,586
NON - CURRENT ASSETS			
Property, Plant & Equipment	17	1,701,656,094	1,604,649,445
Investments	18	64,300,000	64,300,000
Intangible Assets	19	21,331,729	31,573,346
Building (Work In Progress)	20	1,140,913,940	985,806,682
		2,928,201,763	2,686,329,472
		5,377,191,868	4,669,695,058
LIABILITIES			
CURRENT LIABILITIES			
Trade and other Payables from Exchange Transactions	21	203,098,526	196,240,430
Deferred income	22	1,784,659,953	1,418,220,618
		1,987,758,479	1,614,461,047
NON CURRENT LIABILITIES			
Donor Project Funds	23	11,895,652	11,854,652
		-	-
		11,895,652	11,854,652
		1,999,654,131	1,626,315,699
NET ASSETS			
Reserves			
Capital Reserve	24	1,842,754,510	1,698,533,006
Revaluation Reserve	25	697,030,359	664,850,359
		2,539,784,869	2,363,383,365
Accumulated Surplus	26	837,752,868	679,995,995
		5,377,191,868	4,669,695,059
TOTAL RESERVES, FUNDS & LIABILITIES			

The financial statements were approved by the Finance and General Purposes Committee during the meeting held on 24th September 2014 and signed on its behalf by:-


Prof Kabiru Kinyanjui PhD
CHAIRMAN


Dr. Joseph M Kivilu
COUNCIL SECRETARY/CHIEF EXECUTIVE

KENYA NATIONAL EXAMINATIONS COUNCIL

Statement of Changes in Net Assets

For The Year Ended June 30, 2014

	Capital Reserve Kshs.	Revaluation Reserve Kshs.	Revenue Reserve Kshs.	Gross Total Kshs.
Balance as at 1st July 2012	1,234,757,977	465,850,359	1,136,106,556	2,836,714,891
Prior Year Adjustments			33,557,753	33,557,753
Restated Balance as at 1st July 2012	1,234,757,977	465,850,359	1,169,664,308	2,870,272,644
Capital Grants	463,775,029			463,775,029
Revaluations		199,000,000		199,000,000
Total Comprehensive Income/(Loss) for the Year			(489,668,313)	(489,668,313)
Balance as at 30th June 2013	1,698,533,006	664,850,359	679,995,995	3,043,379,360
Balance as at 1st July 2013	1,698,533,006	664,850,359	679,995,995	3,043,379,360
Prior Year Adjustments (Note 27)			38,855,750	38,855,750
Restated Balance as at 1st July 2013	1,698,533,006	664,850,359	718,851,745	3,082,235,109
Capital Grants	144,221,505			144,221,505
Revaluations		32,180,000		32,180,000
Total Comprehensive Income/(Loss) for the Year			118,901,124	118,901,124
Balance as at 30th June 2014	1,842,754,510	697,030,359	837,752,869	3,377,537,738

Statement of Cash Flows

For The Year Ended June 30, 2014

	2014 Kshs.	2013 Kshs.
Cash flows from Operating Activities		
Surplus for the Year	118,901,124	(489,668,313)
Adjustments for :		
Depreciation	220,957,776	207,657,839
Prior Year Adjustments	38,855,750	33,557,753
Gain / Loss on Disposal of Fixed Assets	-	(2,240,845)
Operating Profit Before Working Capital Changes	378,714,649	(250,693,567)
Decrease / (Increase) in Inventories	16,179,528	12,916,748
Decrease / (Increase) in Receivables	(22,930,645)	(26,117,752)
(Decrease) / Increase in Trade and Other payables	6,858,096	74,593,552
(Decrease) / Increase in Deferred Income	366,439,336	946,082,483
	366,546,315	1,007,475,031
Net Cash Flows from Operating Activities	745,260,964	756,781,464
Cash Flows from Financing Activities		
Grants	144,262,505	349,026,104
Net Cash Flows from Financing Activities	144,262,505	349,026,104
Cash Flows from Investing Activities		
CAPEX New Mitihani House Committed	(45,353,327)	(68,995,335)
CAPEX - Office Fittings - NHC/NBK/Godown/Ex Telecom Committee	(43,877,491)	(69,371,437)
CAPEX	(5,150,000)	(5,064,000)
CAPEX Specialized Printing Equipment	(133,320,525)	(82,064,062)
CAPEX	(7,157,504)	(50,050,727)
CAPEX	(31,301,533)	(45,275,235)
Purchase of Property, Plant and Equipment	(266,160,379)	(320,820,796)
Purchase of Software	(9,382,429)	(10,749,379)
Sale Proceeds of Disposal of Fixed Assets	-	4,531,690
Work in Progress & Commitments-New Mitihani House	(155,107,258)	(363,998,179)
Net Cash Flows from Investing Activities	(430,650,066)	(691,036,665)
Net increase(Decrease) in Bank Balances	458,873,403	414,770,904
Cash and Cash Equivalents At Beginning of Year	1,719,326,752	1,304,555,848
Cash and Cash Equivalents At End of Year	2,178,200,154	1,719,326,752

KENYA NATIONAL EXAMINATIONS COUNCIL
Statement of Comparison of Budget and Actual amounts

	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance Difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Revenue					
Public Contributions and Donations	300,000,000	69,400,000	369,400,000	301,826,390	(67,573,610)
Rendering of Services	4,346,732,000	(145,588,496)	4,201,143,504	4,158,576,045	(42,567,459)
Finance Income	116,226,000	-	116,226,000	93,649,655	(22,576,345)
Rental Revenue from Facilities and Equipment	14,280,000	(1,974,400)	12,305,600	11,893,860	(411,740)
Other Income	87,113,000	63,967,933	151,080,933	131,300,414	(19,780,519)
Total Income	4,864,351,000	(14,194,963)	4,850,156,037	4,697,246,365	(152,909,672)
Expenses					
Purchase of Exam Materials and Other Materials	2,900,838,927	158,386,181	3,059,225,108	3,052,400,988	(6,824,120)
Employee Costs	963,351,771	(29,043,522)	934,308,249	918,318,654	(15,989,595)
Remuneration of the Board	7,044,000	5,795,000	12,839,000	10,576,882	(2,262,118)
Repairs and Maintenance	105,625,000	28,475,000	134,100,000	96,476,047	(37,623,953)
General Expenses	286,744,025	13,333,582	300,077,607	213,331,906	(86,745,701)
Finance Costs	9,000,000	7,000,000	16,000,000	17,994,362	1,994,362
Taxation	65,000,000	(5,000,000)	60,000,000	48,288,626	(11,711,373)
Depreciation & Amortization	-	-	-	220,957,776	220,957,776
Total Expenditure	4,337,603,723	178,946,240	4,516,549,963	4,578,345,241	61,795,278
Budgetary Surplus for the Period	526,747,277	(193,141,203)	333,606,074	118,901,124	(214,704,950)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

1.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The Cash Flow Statement is prepared using the indirect method while the Financial Statements are prepared on accrual basis.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) **Revenue Recognition**

i) **Revenue From Non-Exchange Transactions**

Recurrent Government Grant

Revenue from recurrent government grants is recognised when the cash is received. The Council treats an inflow of resources from a non-exchange transaction as an asset which is recognized as revenue and is measured as the amount of the increase in net assets recognized.

ii) **Revenue From Exchange Transactions**

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 sat, income is recognised in the financial year pro-rata to the expenditure incurred.

Non- Examination Revenue

The Council recognizes revenue from rendering of services when the service is rendered.

b) **Budget Information**

The Council prepares its budget on an accrual basis hence the budget and the Financial Statements are on the same basis and further adjustments are not required to align the financial statements to the budget.

c) Property, Plant and Equipment

All Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation on assets is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life: at the following rates:

Leasehold buildings	2.5%
Motor vehicles	25%
Computer equipment	25%
Office equipment	10%
Furniture	12.5%
Fittings and partitions	10%

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful life of the intangible assets is assessed as finite, and amortised over its useful life and assessed for impairment whenever there is an indication that the asset may be impaired. The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life.

e) Inventories

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.

f) 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; and
- (c) The possibility of any reimbursement.

Additional disclosure on contingent tax liability is made under note 27.

g) Employee Benefits

Retirement Benefit Plans

The Council provides retirement benefits for its employees under Defined Benefit (DB) and Defined Contribution (DC) schemes. Defined Contribution plans are post employment benefit plans under which the Council pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined Benefit plans are post-employment benefit plans in which the Council has promised certain specified monthly payments upon retirement based on the employee's earning history.

The Council previously provided retirement benefits to its employees under the Defined Benefits (DB) scheme but with effect from July 2011, the Council converted to a Defined Contribution (DC) scheme for all staff members who were age 50 years and below.

h) 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.

i) Related Parties

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, Science and Technology (MOEST), members of the Board and the Council's Senior Management.

j) Operating Leases

The Council has leased office space under an operating lease agreement.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Council. Operating lease payments are recognized as rent in the period when they are incurred.

k) Capital Commitments

The Council carries forward Local Purchase Orders that remain subserviced as at year end to the subsequent financial years as capital commitments. Capital commitments as at 30.06.2014 amounted to Kes. 54,111,893.93.

Notes to the financial Statements for year ended 30th June 2014 continued.....

For The Year Ended June 30, 2014

NOTE 2	2014	2013
GRANTS	Kshs.	Kshs.
Recurrent Grants	300,000,000	300,000,000
PROJECT GRANTS		
Grants - EAC (Essay Writing Competition)	1,826,390	1,802,850
Grants - KESSP - NASMLA	-	36,671
Grants - UKEFR Study - AKF	-	3,853,732
	301,826,390	305,693,253

NOTE 3	2014	2013
EXAMINATION FEES	Kshs.	Kshs.
KCPE	683,452,000	419,000,152
PTE	59,456,779	34,742,389
KCSE	2,452,341,600	1,791,492,200
Adult Education	830,910	723,154
ECDE	334,591,680	367,931,675
Diploma Teachers Education	12,948,620	19,822,166
Special Needs Education	12,159,750	21,083,785
Technical	342,006,360	318,440,258
Business	246,702,800	222,235,343
Foreign	21,289,804	26,026,129
Refunds	(7,204,257)	(5,806,730)
	4,158,576,045	3,215,690,521

NOTE 4	2014	2013
INTEREST INCOME	Kshs.	Kshs.
Interest - Fixed Deposits	92,107,628	85,665,427
Interest - Current Accounts	1,542,027	4,908,736
	93,649,655	90,574,163

Notes to the financial Statements for year ended 30th June 2014 continued.....

NOTE 5	2014	2013
OTHER OPERATING INCOME	Kshs.	Kshs.
Rent Recoveries	9,597,460	6,953,000
Rental Income	2,296,400	2,285,840
Gain on Disposal of Assets	-	2,240,845
Gain on Foreign Currencies	1,604,130	-
Sale of Tender Documents	47,140	2,362,070
Sale of Waste Paper	126,250	741,441
S M S Income	20,792,970	20,534,133
Sale of Publication	7,114,886	21,100,768
Confirmation of Certificates Services	43,521,988	93,312,410
Replacement of Certificates Services	18,753,436	23,900,048
Equation	1,044,400	1,449,094
Sale of Data (Consultancy Services)	1,577,068	51,000
Conference Income	-	807,800
Royalties	36,950,025	-
Less Refunds of other Revenue Income	(231,879)	(1,217,266)
	143,194,274	174,521,183

NOTE 6	2014	2013
PERSONNEL EXPENSES	Kshs.	Kshs.
Personal Emoluments	669,041,805	643,895,254
Extra Clerical Assistance	21,851,351	12,793,591
Medical Expenses	74,872,701	58,433,984
Contribution to Pension Schemes	83,891,212	178,933,408
Leave and Passage Expenses	6,152,499	7,280,379
	855,809,568	901,336,617

NOTE 7	2014	2013
BOARD AND ITS COMMITTEE EXPENSES	Kshs.	Kshs.
Board Meeting and Its Committee Expenses	8,187,785	5,161,859
Other Board Expenses	1,345,097	-
Chairman Honoraria	1,044,000	1,044,010.00
	10,576,882	6,205,869

Notes to the financial Statements for year ended 30th June 2014 continued.....

NOTE 8	2014	2013
ADMINISTRATION EXPENSES	Kshs.	Kshs.
Transport Operation Expenses	36,029,053	27,427,477
Travel & Accommodation	7,160,118	13,905,490
Telephone, Courier /Airtime Expenses	20,700,402	17,806,208
Official Entertainment	204,440	224,380
Electricity, Water & Conservancy	10,677,511	9,325,033
Purchase of Uniforms	98,300	1,155,478
Purchase of Stationery & Accountable Documents	11,946,386	2,179,749
Financing & Bank Charges	17,994,362	16,150,751
Audit Expenses	2,320,000	2,640,000
Maintenance of Plant & Equipment	24,913,938	12,578,154
Newspapers, Magazines and Periodicals	1,232,354	589,127
Events and Catering Management	24,485,759	28,521,834
Contracted Guards	18,350,400	8,487,539
Supplies of Sanitary Services	11,909,312	8,032,263
Staff Training	26,899,892	25,824,141
A.E.A.A. Conference	521,490	4,738,270
Advertising & Publicity	17,661,998	20,259,662
Library Expenses	855,242	635,715
Quality Assurance and Strategic Management	1,096,275	6,851,681
Bookshop Operating Expenses	11,577,834	7,548,925
Legal Expenses	8,702,822	1,529,309
General Consultancy	9,635,315	13,391,812
National Programs i.e. HIV/AIDS, ADA, Gender & Anti Corruption	16,469,435	2,254,312
Staff Welfare Development	29,083,450	19,631,588
	310,526,088	251,688,898

NOTE 9	2014	2013
EXAMINATION EXPENSES	Kshs.	Kshs.
Computer Charges	74,130,347	106,103,347
Printing Unit	146,886,674	104,016,839
KCPE	617,589,350	525,620,920
KCSE	1,820,960,913	1,699,000,170
PTE	55,274,477	40,596,617
Adult/TCAE	2,035,502	2,724,267
ECDE	61,796,449	56,615,847
DTE	21,782,063	12,020,708
SNE	16,496,586	15,098,620
Technical	126,605,365	113,834,029
Business	96,084,709	87,602,916
Foreign	12,758,553	7,445,746
Contracted Professionals- Insurance	6,525,744	-
	3,058,926,732	2,770,680,026

Notes to the financial Statements for year ended 30th June 2014 continued.....

NOTE 10	2014	2013
STAFF HOUSING AND OFFICE ACCOMODATION	Kshs.	Kshs.
Maintenance to Residential Houses	7,263,755	12,605,832
Repair to Council Offices	7,828,801	10,807,125
Rent & Rates to Office Accommodation	56,469,553	58,881,703
	71,562,109	82,294,660

NOTE 11	2014	2013
PROJECT EXPENSES	Kshs.	Kshs.
EAC (Essay Writing Competition) Project Expenses	1,697,460	1,558,467
KESSP - Item Writers/Banking Project Expenses	-	213,796
Sacmeq IV Research Project Expenses	-	962,660
UKEFR Study -AKF - Project Expenses	-	2,949,590
	1,697,460	5,684,513

NOTE 12	2014	2013
INCREASE IN PROVISION OF DOUBTFUL DEBTS	Kshs.	Kshs.
Provision of Doubtful Debts	-	93,622
	-	93,622

NOTE 13	2014	2013
DEPRECIATION AND AMORTIZATION EXPENSES	Kshs.	Kshs.
Depreciation of New Mitihani House (Dennis Pritt)	5,245,456	5,031,688
Depreciation of Residential Houses	13,364,522	12,417,589
Depreciation of New Mitihani House (Printing Unit)	5,903,841	4,624,879
Depreciation of Computer Equipment	72,391,533	67,380,903
Depreciation of Office Equipment	62,709,435	56,478,579
Depreciation Expenses - Motor Vehicles	15,769,997	11,474,036
Depreciation of Furniture	9,638,178	10,649,977
Depreciation of Office Fittings and Partitions	16,310,768	17,974,358
Amortization of Software Development	19,624,046	21,625,830
Library Books Amortization Expenses	-	-
	220,957,776	207,657,839

Notes to the financial Statements for year ended 30th June 2014 continued.....

NOTE 14	2014	2013
CASH AND CASH EQUIVALENTS	Kshs.	Kshs.
Cash in Bank	33,511,690	51,479,675
Fixed Deposits	2,145,000,000	1,800,000,000
Overdrawn Accounts	(311,536)	(132,152,924)
	2,178,200,154	1,719,326,751

NOTE 15	2014	2013
RECEIVABLES	Kshs.	Kshs.
Debtors - Kenya Polytechnic	153,460	153,460
Salary Advance	905,888	1,082,901
Unsurrendered Imprest	4,715,177	17,703,007
Interest Receivable/Accrued Interest	16,677,192	25,640,564
Staff Debtors	356,817	103,424
Miscellaneous Debtors	175,007	6,047,297
SCB - SFI Cheques Replacement	60,571	60,571
Prepayments	103,103,759	99,855,780
Deposit to Hospitals	706,000	706,000
Deposit to Institutions	8,815,905	8,815,905
Deposit to Petrol Stations	1,600,000	1,600,000
MoEST (New Mitihani House)	46,342,839	-
Returned Salaries	51,349	51,349
Exams Co-operative Society	46,966	46,966
Mwalimu Co-operative	-	47,603
Retirement Benefits	923,137	-
Benevolent Funds	135,000	-
Refunds	222,447	146,042
	184,991,515	162,060,870
Less Provisions For doubtful debts		
Provision for Bad Debts - Temporary Imprest	(279,871)	(279,871)
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)
Provision for Bad Debts - Staff Debtors	(93,622)	(93,622)
	(644,876)	(644,876)
Net Receivables	184,346,639	161,415,994

NOTE 16	2014	2013
INVENTORIES	Kshs.	Kshs.
Printing Materials -Inventories	29,496,160	50,639,166
General Stationery Stationery	40,068,451	23,527,140
Book Shop - Inventories	16,878,701	28,456,535
	86,443,313	102,622,841

KENYA NATIONAL EXAMINATIONS COUNCIL

Notes to the financial Statements for year ended 30th June 2014 continued.....

NOTE 17

	LAND	LEASEHOLD BUILDING	MOTOR VEHICLE	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	OFFICE FURNITURE	PARTITIONS & FITTINGS	GROSS TOTAL
COST OR VALUATION:								
Balance as at 1-7-2013	502,050,000	519,695,395	76,697,650	628,183,313	545,650,537	85,528,537	182,229,672	2,540,035,105
Transfer from WIP								-
Additions for the year		45,353,327	5,150,000	140,478,029	31,301,532	5,821,344	38,056,148	266,160,379
Revaluations			32,180,000					32,180,000
Amount written off for the year			(50,791,662)					(50,791,662)
Balance as at 30-6-2014	502,050,000	565,048,722	63,235,988	768,661,342	576,952,069	91,349,881	220,285,819	2,787,583,822
ACCUMULATED DEPRECIATION:								
Balance as at 1-7-2013	-	88,564,754	67,053,013	288,839,590	394,776,386	50,855,821	45,296,095	935,385,659
Disposals								-
Revaluations			(50,791,662)					(50,791,662)
Amount written off for the year								(50,791,662)
Depreciation charge for the year	-	24,513,819	15,769,997	62,709,435	72,391,534	9,638,178	16,310,768	201,333,730
Balance as at 30-6-2014	-	113,078,573	32,031,348	351,549,025	467,167,920	60,493,999	61,606,863	1,085,927,727
NET BOOK VALUE:								
As at 30-6-2014	502,050,000	451,970,149	31,204,640	417,112,317	109,784,150	30,855,882	158,678,956	1,701,656,094
As at 1-7-2013	502,050,000	431,130,642	9,644,637	339,343,723	150,874,152	34,672,716	136,933,576	1,604,649,446
Rate of Depreciation	0%	3%	25%	10%	25%	13%	10%	

Revaluation: The revaluation of the Council assets which resulted in a gain of Kes.32,180,000 was carried out on 29/07/2013 by the Automobile Association of Kenya (AAK) on the Council's fleet of motor vehicles.

KENYA NATIONAL EXAMINATIONS COUNCIL

Notes to the financial Statements for year ended 30th June 2014 continued.....

Note 18	2014	2013
INVESTMENTS	Kshs.	Kshs.
These are investments held in Consolidated Bank of Kenya Limited comprised of:		
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
Closing Balance as at 30th June	64,300,000	64,300,000

Note 19	2014	2013
INTANGIBLE ASSETS	Kshs.	Kshs.
Balance as at 1st July	111,504,273	100,754,894
Additions for the Year	9,382,429	10,749,379
Accumulated Amortization b/f	(79,930,927)	(58,305,097)
Amortization for the Year	(19,624,046)	(21,625,830)
Balance as at 30th June	21,331,729	31,573,346

NOTE 20

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.

	2014	2013
	Kshs.	Kshs.
Balance as at 1 st July	985,806,682	659,909,468
MOE Settlements made after winding up in 2005.	-	105,584,838
Transfer to the Reprographic Building	-	(143,685,803)
Additions / (Recoveries made from Contractors.)	155,107,258	363,998,179
Balance as at 30th June	1,140,913,940	985,806,682

Notes to the financial Statements for year ended 30th June 2014 continued.....

NOTE 21

	2014	2013
	Kshs.	Kshs.
TRADE AND OTHER PAYABLES		
Rent Deposit Refundable	1,324,914	
Marking Payables	-	4,532,658
Field Administration Payables	10,459,090	18,905,818
Trade Creditors	105,134,416	68,292,267
Prior Year Payments (Balance B/F)	2,171,816	-
Stale - Unpresented Cheques	11,637,684	11,482,605
Net Pay	25,818	25,819
PAYE	10,151,005	46,429
NHIF	135,197	2,077
NSSF / Staff Contributions to NSSF	450,360	-
University Loan Recoveries (HELB)	154,341	1,008
Other Co-operatives / Elimu Co-operative	947,139	87,323
Mwalimu Co-operative	836,313	-
Retirement Benefits	-	13,212,663
KNEC Contribution to WCPS / Staff Contribution to WCPS	3,582,838	-
Insurance	564,006	1
Mortgages / Bank Loans	2,395,485	0
Miscellaneous Deductions	66,648	66,648
Recoveries Made on Behalf of Other Institutions	12,580	12,580
Benevolent Funds	-	1,500
Teachers Service Commission (Recoveries)	15,000	10,000
Income Tax (Withholding Tax) - Creditors	2,333,587	5,188,239
Income Tax (PAYE) - Contracted Professionals	6,128,076	1,871,871
VAT Input Tax	5,509,542	5,509,542
Accrued Expenses	36,742,671	64,671,382
Audit Fees (Accrual)	2,320,000	2,320,000
	203,098,526	196,240,430

NOTE 22

	2014	2013
	Kshs.	Kshs.
Deferred Income		
Deferred Income - KCPE	346,995,005	304,111,281
Deferred Income - PTE	3,513,752	-
Deferred Income - KCSE	1,212,740,727	985,596,735
Deferred Income - TCEA	-	-
Deferred Income - Technical	75,260,896	15,674,620
Deferred Income - Business	45,942,872	4,733,460
Deferred Income - ECDE	77,354,276	108,104,522
Deferred Income - DTE	3,040,000	-
Deferred Income - SNE	222,460	-
Deferred Income - Confirmation of Certificates	8,099,692	-
Deferred Income - Replacements of Certificates	8,601,655	-
Deferred Income - Equation	2,888,618	-
	1,784,659,953	1,418,220,618

Notes to the financial Statements for year ended 30th June 2014 continued.....

NOTE 23

DONOR PROJECT FUNDS

	2014	2013
	Kshs.	Kshs.
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	-
	11,895,652	11,854,652

NOTE 24

CAPITAL RESERVE

	2014	2013
	Kshs.	Kshs.
Balance as at 1st July	1,698,533,006	1,234,757,977
Additions for the Year	144,221,505	463,775,029
	1,842,754,510	1,698,533,006

NOTE 25

REVALUATION RESERVE

	2014	2013
	Kshs.	Kshs.
Balance as at 1st July	664,850,359	465,850,359
Revaluation Surplus for the Year	32,180,000	199,000,000
	697,030,359	664,850,359

NOTE 26

ACCUMULATED SURPLUS

	2014	2013
	Kshs.	Kshs.
Balance as at 1st July	679,995,995	1,136,106,556
Surplus / (Deficit) for the Year	118,901,124	(489,668,313)
Prior Year Adjustments	38,855,750	33,557,753
Balance as at June 30	837,752,868	679,995,995

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adjustments amounting to Kshs.38,855,750 relate to:

offsets of Local Purchase Orders (LPO's) amounting to Ksh. 21,884,698 during the year 2013/2014 which are not expected to be recovered but whose commitments had earlier been factored in the Financial Statements in accordance with Accrual Basis of Accounting. Recovery of unsuccessful mpesa remittances for contracted professionals' claims amounting to Kshs. 16,971,052 for the year 2013.

NOTE 28**CONTINGENT LIABILITY ON TAX ARREARS**

	2014	2014	2014	
	Kshs.	Kshs.	Kshs.	
Tax Head	Principal Tax	Penalty	Interest	Total
PAYE	212,860,717	53,215,179	7,021,119	273,097,015
Corporation Tax	35,105,595	212,860,717	35,105,595	283,071,907
Sub-Total	247,966,312	266,075,896	42,126,714	556,168,922

The Council has a long outstanding tax issue with KRA, for contracted professionals payments & PAYE. The case was referred to the Local Tribunal on 17/7/2014.

NOTE 29

	2014	2013
	Kshs.	Kshs.
Taxation	48,288,626	50,505,391

The tax amounts appearing in the final accounts for the year 2013/2014 is the sum of self assessment returns made upto January 2014 when returns were suspended following a dispute as to whether A-in-A is a taxable income.

