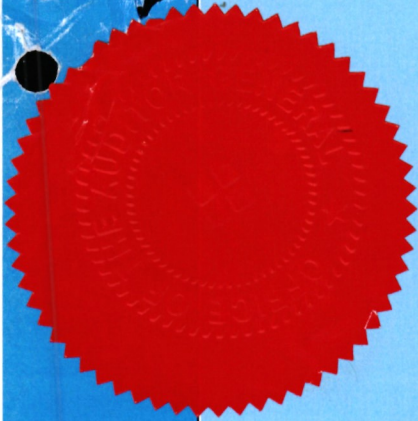


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



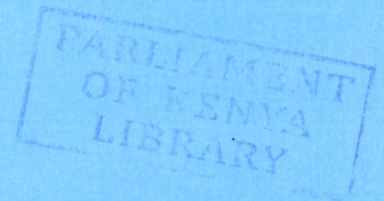
THE NATIONAL ASSEMBLY
PAPERS LAYED

DATE: 07 MAY 2019

DAY: TUE

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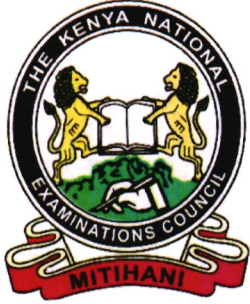


THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA NATIONAL EXAMINATIONS
COUNCIL

FOR THE YEAR ENDED
30 JUNE 2018



THE KENYA NATIONAL EXAMINATIONS COUNCIL

Annual Report and Financial Statements for the Year Ended 30 June, 2018



KNEC is ISO 9001:2015 Certified

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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LIST OF ACRONYMS

KEY

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



THE KENYA NATIONAL EXAMINATIONS COUNCIL ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2018

PREAMBLE

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

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

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

The KNEC's programmes are integrated towards the development goals of the Constitution of Kenya 2010, the Kenya Vision 2030, the Second Medium-Term Plan 2013–2018 (MTP II). Under the Quality and Assurance Programme under MoE, KNEC administers, supervises and oversees all national examinations in Kenya. These examinations are based on the curriculum developed by KICD. The CEO of KNEC is a member of the KICD Council, Course Panels and the Academic Committee. Subject examination officers at KNEC are members of the KICD Subject Panels.

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

The Council also undertook key research initiatives to establish the National Assessment Centre (NAC). The National Assessment Centre has over the years participated in the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ); a Research initiative comprising 16 Ministries of Education from 16 countries in which Kenya is a member state. The overriding aim of carrying out NAC is to establish learner acquisition of basic skills and competencies spelt out in the national curriculum in different tiers, as well as to collect empirical data on the school and home characteristics that influence learning outcomes.

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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1.1 COUNCIL PROFILE

1.2 BRIEF HISTORY

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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	2017	July	KNEC Act No. 27 of 2017
--	------	------	-------------------------



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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ENDED 30 JUNE, 2018**

1.3 CORE STATEMENT

1.3.1 VISION

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

1.3.2 MISSION

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

1.3.3 CORE FUNCTIONS

The core functions of the Council are to:

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

1.3.4 CORE VALUES

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

- 1.3.4.1 Respect to rule of law as stipulated in the **Constitution; the KNEC Act No. 27 of 2017; Basic Education Act No. 27 of 2012** and other laws of the land.
- 1.3.4.2 Responsiveness to national and sectoral policies.
- 1.3.4.3 Strict adherence to examination regulations in the conduct of examinations.



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

1.4 MANDATE

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

- 1.4.1 Set and maintain examination standards;
- 1.4.2 Conduct public academic, technical and other national examinations within Kenya at basic and tertiary levels;
- 1.4.3 Award certificates or diplomas to candidates in such examinations;
- 1.4.4 Confirm authenticity of certificates or diplomas issued by the Council upon request by the government, public institutions, learning institutions, employers and other interested parties;
- 1.4.5 Issue *Results Certification* to candidates in such examinations upon acceptable proof of loss or damage of the original;
- 1.4.6 Undertake research on educational assessment;
- 1.4.7 Advise any public institution on the development and use of any system of assessment when requested to do so, and in accordance with such terms and conditions as shall be mutually agreed between the Council and the public institution;
- 1.4.8 Promote the international recognition of qualifications conferred by the Council;
- 1.4.9 Do anything incidental or conducive to the performance of any of the preceding functions;



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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1.5 THE KNEC BUSINESS

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

1.6 QUALITY POLICY

The Council is committed to providing high quality regulatory services that comply with international standards, statutory requirements, the needs and expectations of its stakeholders as well as the Quality Management Systems set out in ISO 9001:2015.

1.7 REGISTERED OFFICE

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

Tel:+254 020 3317412 / 3317413 / 3317419 / 3317427 / 3341027
3341050 / 3341071 / 3341098 / 3341113 / 2213381

Fax: +254-020- 2226032

Website: www.knec.ac.ke

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

Facebook: Kenya National Examinations Council

Twitter: KNEC@ExamsCouncil

Mobile: 0720741001 / 0732333860

Other Offices

Mitihani House, Dennis Pritt Road, Kilimani

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

Mobile: 0703448667/0734333360

Industrial Area Offices,

Ministry of Public Works, Supplies Branch,
Likoni Road.

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

Mobile: 0720741003/0732333530

New Mitihani House South C

Mobile: 0720741094



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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1.8 BANKERS

1.8.1	Co-operative Bank of Kenya Co-operative House, Aga Khan Walk P.O Box 67881 -00200 Nairobi, Kenya	1.8.4	Equity Bank (Moi Avenue) Shankadrass House , Moi Avenue, P.O Box 75104 -00200 Nairobi, Kenya
1.8.2	Kenya Commercial Bank (Moi Avenue) Kencom House, Moi Avenue, P.O Box 30081 -00100 Nairobi, Kenya	1.8.5	Commercial Bank of Africa (CBA Centre) Commercial Bank Building, Wabera and Standard Streets P.O Box 30437 -00100 Nairobi, Kenya
1.8.3	National Bank of Kenya National Bank of Kenya House, Harambee Avenue, P.O Box 41862 -00100 Nairobi, Kenya		

1.9 PRINCIPAL LEGAL ADVISOR

1.9.1	The Attorney General State Law Office, Sheria House, Harambee Avenue P.O Box 40112-00200 Nairobi, Kenya	1.9.4	Obura Mbeche & Company Advocates Bishops Garden Towers, Bishops Road, I Ngong Avenue P.O Box 28638 -00200 Nairobi, Kenya
1.9.2	CM Advocates LLP I &M Bank, 2 nd Ngong Road , P.O Box 22588 -00505 Nairobi, Kenya	1.9.5	Kiarie, Kariuki and Associates Advocates Bemuda Plaza, Ngong Road P.O Box 13808 -00100 Nairobi, Kenya
1.9.3	Miller & Company Advocates Bruce House, Standard Street , P. O Box 45707 -00100 Nairobi, Kenya		

1.10 AUDITORS

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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THE COUNCIL STRUCTURE

The current Council in place from 1 July 2017 to 30 June 2018

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

The Council member who exited was in place from 1 July 2017 to 31 December 2017

	NAME	DESIGNATION
2.12	Farhiya Ali Haji	Co-opted Member

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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FIDUCIARY OVERSIGHT ARRANGEMENTS

COUNCIL COMMITTEES

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

The Council has three committees. The Committees are described below:

Name of the Committee	Members
Examinations Management Committee (EMC)	4.1 Prof. George A. O. Magoha- Chair 4.2 Dr. Belio R. Kipsang 4.3 Mrs. Rosemary C. Saina 4.4 Mrs. Nancy N. Macharia 4.5 Dr. John O. Onsati 4.6 Dr. Julius Jwan 4.7 Mrs. Dorothy N. Kimeu 4.8 Mr. Pius Mutisya 4.9 Col. (Rtd) Leonard Owambo 4.10 Mr. Martin O. Okiyo 4.11 Dr. Mercy G. Karogo
Finance, Staff and General Purpose Committee (FS & GPC)	4.12 Dr. John O. Onsati- Chair 4.13 Dr. Belio R. Kipsang 4.14 Mrs. Rosemary C. Saina 4.15 Mrs. Dorothy N. Kimeu 4.16 Col. (Rtd) Leonard Owambo 4.17 Mr. Martin O. Okiyo 4.18 Ms. Mercy G. Karogo
Audit and Risk Management Committee (ARMC)	4.19 Mrs. Rosemary C. Saina- Chair 4.20 Dr. Julius Jwan 4.21 Mrs. Dorothy N. Kimeu 4.22 Mr. Pius Mutisya

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

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

3.1 MACROECONOMIC PERFORMANCE

The slowdown in the performance of the economy was partly attributable to uncertainty associated with a prolonged electioneering period coupled with adverse effects of weather conditions. The Kenya Consumer Price Indices (CPI) whose base period February 2009=100 increased by 9.71 from 183.60 in July 2017 to 193.31 in June 2018. Further, with hydropower being the cheapest source of energy in Kenya, poor rains increased energy costs whose effects spilled over to other sectors. According to Energy Regulatory Commission, the Average Retail Prices for Selected Fuels in Kenya Motor Gasoline Premium increased from Kes.103.92 in July 2017 to Kes.110.49 in June 2018.

The average yield rate for the 91-day Treasury bills, which is a benchmark for the general trend of interest rates increased to 10.537% at the end of the fiscal year as compared to 8.202% at the beginning of the fiscal year 2017. The Average Deposit rate increased from 7.70% in year 2017 to 9.00 % in June 2018.

The Kenya shilling was stable against the British Sterling pound from Kes.136.25 in July 2017 to close at Kes.132.10 in June 2018 following the Britain's vote in favour of leaving the European Union (Brexit).

3.2 FISCAL SECTOR PERFORMANCE

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

The Government was committed to paying Examination fees for all KCPE and KCSE candidates in public schools starting year (2015) and later in for private schools KCPE and KCSE candidates in 2017.

The national Government total expenditure on the education assessment was expected to increase by 25% to Kes.4.9 billion in FY 2017/18 from Kes.3.9 billion in FY 2016/17.

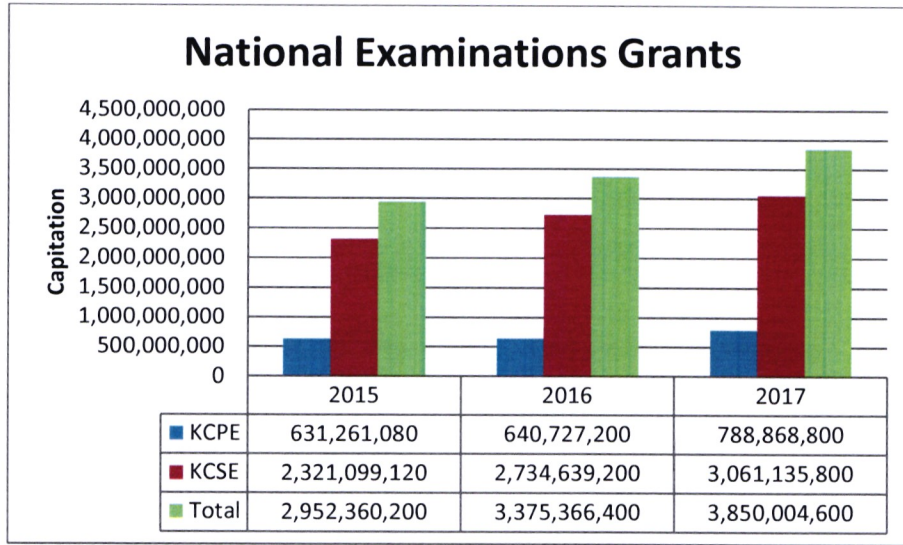


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The Recurrent expenditure provided by the Ministry of Education was expected to rise by 100% from Kes.200 million in FY 2015/16 to Kes.400 million. This was expected to curb the escalating costs of office operations and personnel emoluments.

SECTION A Continued

Graph 1.1: State Department of Basic Education Allocation



National Government capitation on Examination Fees increased from Kes.3.375 billion in FY 2015/16 to Kes.3.850 billion in FY 2017/18 shown in Graph 1.1. The increase is mainly attributable to a new policy put in place on financing of private school candidates.

Development expenditure on KNEC by the National Government increased from Kes.170 million FY 2016/17 to Kes.315 million in FY 2017/18. These payments were used to clear pending obligations to the contractor.

There is unpredictability in financing the budgetary allocations, thereby affecting implementation of planned activities, projects/ programmes. The Council resource deficit is significant and stands at Kes.779,455,489. This translates to Kes.398,761,119 deficit in recurrent expenditure and Kes.380,694,370 for development expenditure which leads to pending bills. The deficit has impacted negatively on Councils grants and financing of existing capital projects.

3.3 REVENUE PERFORMANCE

The Council's approved budget for financial year 2017/2018 was Kes.6,950,751,640 with Kes.4,864,526,351 coming from the Exchequer and the balance being raised internally through various Appropriation-in-Aid (A.i.A) initiatives. The Council



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received Kes.4,366,470,575 for the year under review by way of parliamentary allocation being Kes.4,051,470,575 for recurrent grants and Kes.315,000,000 for capital grants. All funds have been accounted for and are disclosed in the annual financial statements.

SECTION A Continued

3.4 EXPENDITURE PERFORMANCE

The Council overall budget expenditure for the year was Kes.7,760,207,129 which comprises Kes.6,539,512,759 for recurrent budget and Kes.1,190,694,370 for Development budget.

The Council's total actual expenditure for financial year 2017/2018 totalled to Kes.7,840,613,385. The recurrent expenditure was Kes.7,174,262,089 while Kes.666,351,296 was for the development expenditure.

3.5 KEY HIGHLIGHTS

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

BASIC EDUCATION LEVEL STATISTICS

3.5.1 Kenya Certificate of Primary Education

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

	2017	2016
Candidates	1,003,446	952,591
Subjects	5	5
Papers	7	7
Scripts	5,017,230	4,761,955
Performance		
Qualify for Secondary Level	100%	100%



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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SECTION A Continued

3.5.2 Kenya Certificate of Secondary Education

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

	2017	2016
Candidates	615,591	577,256
Subjects	30	30
Papers	4,819,154	4,451,316
Scripts	12,480,788	11,696,646

Performance

Qualify for University	16%	11%
Qualify for TVET Diploma courses	19%	17%
Qualify for TVET Certificate courses	34%	37%
Qualify for TVET Artisan courses	32%	35%

TERTIARY LEVEL STATISTICS

3.5.3 Business Examinations

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

3.5.3.1 Business Single and Group

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

	2017	2016
Candidates	7,189	6,755
Papers	135	142
Scripts	27,114	24,281
Awarded Certificate	62%	54%

3.5.3.2 Business Technical Education Programme

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

	2017	2016
Candidates	42,701	36,595
Papers	1,094	1,008
Scripts	242,084	214,317
Awarded Certificate	57%	61%



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SECTION A Continued

3.5.3.3 Business Management and Computer systems and Application Packages

The Business Management (BMGT) and the Computer Systems and Application Packages (CSAP) examinations phased out in July 2015.

	2017	2016
Candidates	32	71
Papers	32	65
Scripts	75	212
Awarded Certificate	62%	57%

3.5.4 Technical Examinations

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

	2017	2016
Candidates	78,904	63,038
Papers	2,027	1,854
Scripts	375,687	302,660
Awarded Certificate	19%	22%

3.5.5 ECDE Examinations

Early Childhood Development and Education (ECDE) is the bedrock and foundation of all learning in the life of any child. The ECDE examination is offered once in December. Courses are offered at the levels of Certificate and Diploma. A candidate is required to pass a lower level before proceeding to a higher one.

	2017	2016
Candidates	50,171	44,992
Scripts	234,753	227,685

3.5.5.1 ECDE Examinations-Certificate

	2017	2016
Candidates	24,652	20,654
Papers	7	7
Scripts	127,398	119,854
Awarded Certificate	46%	39%

3.5.5.1 ECDE Diploma

	2017	2016
Candidates	15,516	15,501
Papers	7	7
Scripts	81,705	98,482
Awarded Diploma	62%	43%



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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SECTION A Continued

3.5.5.1 ECDE -Proficiency

	2017	2016
Candidates	10,003	8,837
Papers	2	2
Scripts	18,582	16,417
Awarded Proficiency	52%	31%

3.5.6 DTE Examinations

The Diploma in Teacher Education (DTE) examination is administered to teacher trainees at Diploma level at the end of a **three-year** course. The first examination was offered in the year 2010.

	2017	2016
Candidates	1,277	1,459
Papers	20	20
Scripts	5,665	6,779
Awarded Diploma	56%	79%

3.5.7 SNE Examinations

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

	2017	2016
Candidates	1,828	1,712
Papers	17	17
Scripts	8,157	7,397
Awarded Diploma	77%	77%

3.5.8 PTE Examinations

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

	2017	2016
Candidates	24,562	19,491
Papers	14	14
Scripts	172,678	142,986
Awarded Certificate	61%	64%



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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SECTION A Continued

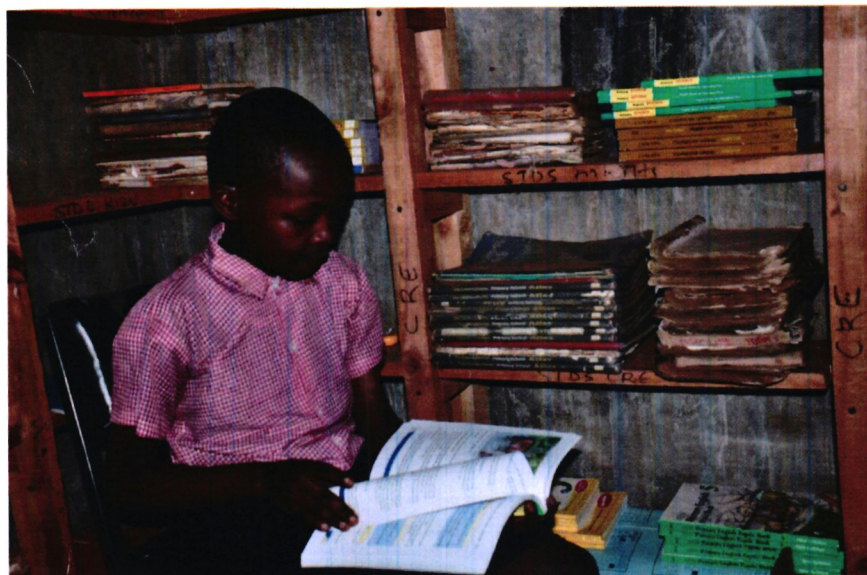
3.5.9 TCAE Examinations

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

	2017	2016
Candidates	257	125
Papers	4	4
Scripts	1,071	434
Awarded Certificate	74%	77%

3.5.10 National Assessment Programme

KNEC established a national assessment system for monitoring learner achievements in the acquisition of basic and essential competencies in literacy, numeracy & life skills at the primary level and secondary level at grades 3, 6 and Form II.



A class 3 Pupil being assessed in Literacy competency.

Key milestones for NAC under this project are:

Initiation of National Dialogues on Quality of Education aimed at engaging all stakeholders in discussing the findings of the four studies; a paradigm shift from the conventional practice where study findings were disseminated by the KNEC technical team without much stakeholder engagement. The Education Quality Dialogues were launched by the then outgoing Cabinet Secretary for Education, Fred Matiang'i at Nairobi in February 2018.



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SECTION A Continued

Conduct of the National Dialogues on Quality of Education in all the 47 counties in the Republic. The Dialogues were launched at Narok by the Cabinet Secretary, Ministry of Education Amb. Amina Mohammed in March 2018. The KNEC staff participated in the dialogues as facilitators. In these county forums, stakeholders engaged in dialogues regarding the study findings and came up with county specific interventions towards improvement of education quality in their counties.

Some of the key findings of the MLA studies that guided the discourses at county level were:

- Low achievement levels in Literacy and Numeracy/Mathematics and English
- Low achievement of high order skills
- Gender and regional disparities in achievement
- Pupil/ student and teacher absenteeism
- Pupil overage
- Class repetition and student dropout
- Use of commercially sourced tests by teachers
- Lack of ICT skills by pupils and teachers
- Lack of requisite skills by teachers and head teachers to support learners with special needs and disabilities
- Lack of assistive devices and other facilities adapted to suit learners with special needs and disabilities, among others.

In liaison with the MoE, NAC with technical support from the ICT Department developed a web based digital platform where schools can access their school specific reports online. All primary schools can access their KCPE analysis online using their passwords.

NAC conducted a national training of Curriculum Support Officers and County Project Coordinators on the utilization of the KCPE School Specific Report to improve learning outcomes in February, 2018. These officers were in turn to train and support teachers at school level.



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SECTION B

The Council has complied with the statutory requirements

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

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

3.7 PENSION COMPLIANCE

The Council has fully complied with the requirement of Treasury circular No. 18/2010 of November 24, 2010 and has since converted its Defined Benefit Pension Scheme (DB) into a Defined Contribution Pension scheme (DC) effectively in 30 June 2018. Its membership currently of twelve members of staff as at 30 June 2018 was migrated to the Defined Contribution scheme following a Council resolution on the same.

3.8 SUPPLY CHAIN MANAGEMENT

The procurement function in the Council is guided by The Constitution of Kenya 2010, The Public Procurement & Asset Disposal Act, 2015 & The Public Procurement & Disposal Regulations 2006 and subsequent legal notices. Pursuant to Legal Notice No.114, the Council achieved 37.7% in the allocation of contracts out of the total procurement plan budget of Kes.651 million to the designated categories of preference groups. The Council awarded tenders worth Kes.233.74 million to Youth and Women noting that Persons with Disabilities were awarded Kes.4.214 million tenders. Statutory reporting to PPRA was done.



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SECTION C

The Key project the Council is implementing

3.9 THE NEW MITIHANI HOUSE (Ongoing Project)



The New Mitihani House (Ongoing Project)

New Mitihani House is the landmark of the Council located along Mombasa road, South C. The Project encompasses high rise secure executive office blocks built in an area renowned for its tranquillity, good natural environment and access to numerous amenities such as the Boma Hotel, National Environment Management Authority NEMA, Kenya Bureau of Standards (KEBS).

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

The execution of the project has been done in phases since 1986 amidst funding challenges. The Phase VI contract was terminated on 30 July 2018 and it is intended to enter into a new contract.



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SECTION D

The Council is reviewing and rationalizing its Strategic Plan for FY 2014/2016 to 2019/20 within the current financial year. This effort provides an opportunity to review and examine current risks against ongoing priorities. The Council will continue to assess its Enterprise Risk management by engaging professional services and update its risks mitigation accordingly

3.10 OPERATIONAL RISKS

Operational risk is "the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses". Operational risks affect client satisfaction, reputation and stake-holders value, all while increasing business volatility. Following the occurrence of the massive irregularities in 2016, the Council evaluated its operational risk since it suffered major reputation loss. The current Council is reviewing its examination processes to minimize the operational risk. The risks are high and the high costs incurred to safeguard credible examinations which are of security nature.

3.11 CAPITAL RISKS

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

The Council targets to maintain a level of reserves that helps to minimize the impact of financial risks on the organization. As at June 30, 2018 Council maintains an accumulated surplus of Kes.3,195 billion.

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



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SECTION E

Material Arrears in statutory/ financial obligations

3.12 CAPITAL EXPENDITURE

A major litigation was expected following a suit filed by the main contractor of NMH Ongata Works Ltd for a principal amount of Kes.218 million for the outstanding works certificates due to delays in capital funding by the Government of which the council has paid Kes.105 million from its AIA. The current financial year's Parliamentary allocation for New Mitihani House construction was Kes.15 million and further supplementary budget for FY 2017/2018 increased by Kes.300 million. These allocations are not enough to clear the estimated costs to contractor nor to complete the NMH project. The Council has mutually wound up the NMH contract with contractor M/S Ongata Works Ltd.

3.13 STATUTORY DEDUCTIONS

The Council made monthly statutory remittances on time.

SECTION F

3.14 THE COUNCIL'S FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

There is need for the Government to fund the KCPE & KCSE Examinations at costs as proposed by management as the current examination reforms cannot be sustainable both in the short & long term basis.



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CHAIRMAN'S STATEMENT



As the Kenya National Examinations Council closes out another year of service to the nation, the Council has grown in terms of its organisational strength without wavering in its core mission of maintaining a fair and rigorous conduct of the national examinations. I am pleased to present the Annual report which documents the accomplishments of and the challenges faced by the Council during the year 2017.

Stakeholder engagement Overview

The Council continues to engage stakeholders beginning with educators, associations, sub county commissioners, security agencies and the private sector of their role, requirements and responsibilities in ensuring that the Council provides transparent, relevant, academically rigorous and industry accepted assessment. Credible assessment processes and procedures are needed in order for the country to produce competitive and adaptive human resources. Responsiveness to stakeholders' needs was paramount in areas of curriculum development and certification critical to the national development.

The Council continues to raise assessment literacy among our teachers through examiner training workshops. Council assessment instructors shared their assessment knowledge and experiences to promote good assessment practices by teachers in the classroom. These workshops are attended by over 4,000 educators from schools.

Examination Processes Engineering

The Council is very grateful to the Cabinet members Dr Fred Matiang'i, and Joe Mucheru for the multi-sectoral approach in 2017 national examination management. Increased cooperation between three ministries Education, Interior Security and Information and Communications Technology in examination management whereby three new security levels had been introduced in the management of the examinations to ensure credibility.

The Council has embraced the use of technology in its operations with the procurement of specialized IT infrastructure. The delivery of results were released 11 days earlier than last year's whereby candidates are getting their results just 21 days after sitting examinations which is a big jump from previous years where results were announced in December for KCPE and February for KCSE. All national examinations results were released in December 2017 giving ample time for selection processes of Form I for successful KCPE candidates and university /TVETA placement of KCSE candidates.

A milestone was achieved in 2017 whereby candidates' personal details were captured in the question papers. The papers had enhanced security nature coupled up as an answer booklet reducing the period in packaging and distribution and human intervention in the examination administration.



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Transformational Agenda

The current education reforms need planning and resource allocation to meet the transformation change of the new education system 2-6-3-3-3 from the 8-4-4 system so as ensure local and international assessment standards are upheld. The Council is expected to certify the learning achievements of individual students and examination results to enable each student to be placed in a suitable course and school.

The Council notes some of its traditional Appropriation in Aid has been challenged in the current trends. The Council has made a passionate appeal for capitation at cost beginning the 2018 candidates to safeguard its operations and renewed reputation of the Council as the custodian of national examination and assessments.

Organization Restructuring

The Council has continued to implement its third Strategic Plan 2015-2020 which is vital in achieving the requirements of a rapidly industrializing middle income economy as envisioned by Vision 2030. The plan provides for a highly motivated and skilled staff to embrace knowledge driven changes in assessment of learning achievements. The KNEC organogram has been restructured to improve effectiveness, taking into consideration the anticipated automation levels and emerging functional requirements and the need for a culture change programme which will improve staff integrity and performance in all Council affairs.

Appreciation.

During the reporting period, Farhiya Ali Haji was nominated to the House of National Assembly. I therefore wish to recognize her contribution in the Council activities. We wish her well in her new position. The team spirit within the Council has been excellent and diverse expertise has been enriching.

I take this opportunity to express my sincerest thanks to the staff of Council, all the resources persons who assist us in carry out our work, ministry of education for their unwavering support and all stakeholders who make these efforts worthwhile.

Thank You and May God Bless You.

Prof. George A.O Magoha MBS EBS CBS

Council Chairman



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STATEMENT BY THE COUNCIL ACTING CHIEF EXECUTIVE OFFICER



The 2017/2018 Annual Report marks the second year since the examination reforms instituted by Education Cabinet Secretary Dr. Fred Matiang'i. The Council plays a key role in development of skills required in actualizing the economic and social goals of Vision 2030, and transforming Kenya to a globally competitive and new industrialized country. Assessment serves as a driver in the implementation of the national curricula in education institutions. The examinations results reports are targeted to different audiences; system level reports for Ministry management, county, school and subject level reports for

the teacher.

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

Throughput accounting

During the period under review, KNEC meticulous planning was able to complete the examination cycles and provide candidates with their results. The candidates across all two national examinations consistently show high participation levels. The Council recorded a 6% growth in scripts marked volume in national examinations from 16,458,601 in FY 2016/2017 to 17,498,018. The increase in script volumes is attributable to the success of the FPE and FDSE provided by the Government and expansion of education institutions. As the volume increases, the number of examiners and assessors has been increased to address the shortages experienced during last year's exam marking.

Organization Structure

In the period under review our staff compliment stood at 417 following new 32 staff officers. The Council during the year continued the process of right sizing its staff complements in line with the outcome of staff suitability interviews carried out in the year. The Council will continually improve systems, people and leadership capabilities as well as appropriate resourcing of its mandate within a changing environment.

Financial Performance

KNEC is committed to the fiscal responsibility principles outlined in the constitution and the Public Finance Management Act, 2012. The government's examination reforms measures put in place which KNEC has been able to provide secured and credible examinations within strict timelines are very expensive. Similar to last year, the additional expenditure was not matched by Government funding giving a shortfall of Kes.1,065,415,560. The net earnings and assets base, among other indicators registered



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drop in growth in the 2017/2018 financial year whereby its total asset base decreased from Kes.8,002,492,888 in FY 2016/2017 to Kes.7,808,571,299 in FY 2017/2018.

Future Outlook

Examination malpractice remained a challenge to the assessment industry and educational development in the African countries. Last year, 1,200 KCSE candidates had their results cancelled due to irregularities in 9 examination centres despite all stakeholders have been sensitized on malpractices. Inter-agency team comprising of representatives from KNEC, MOE, DPP, EACC, Financial Reporting Unit and DCI formed and assist in investigation of examination offences cases. Under the legal examination reforms, the Council expects heavy penalties imposed for exam offenders.

The World Bank has supported the Council to the extent of Kes.267,334,748 during the year 2017/2018 in research projects. This went a long way in pursuit of the Council's mantle of research. The current study was aimed at assessing learner's acquisition of specific competencies and targets 7,852 public Primary schools and 2,147 public Secondary schools in the targeted 110 sub counties in the 30 Counties. An assessment study on the quality of teaching and learning for Form Two students has been completed.

Appreciation.

The organization's success in the period under review I would like to express my special thanks to the Council under the leadership of Prof. Magoha for its wise counsel and guidance and the staff of the Council who worked tirelessly to ensure smooth operations of the institution towards achieving our corporate objectives. I end with my sincerest gratitude to the Council team and all resource persons: markers, panel members, chief examiners, moderators – without whom the work of the Council would not be possible. I greatly appreciate the continued support of our stakeholders who make these efforts worthwhile.

Thank You and May God Bless You.

Dr. Mercy Karogo MBS
Ag. Chief Executive Officer KNEC



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STATEMENT OF CORPORATE GOVERNANCE

6.1 Introduction

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

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

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

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

6.2 The Council Composition

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

ABRIDGED BIOGRAPHIES:

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



Prof. George A.O Magoha (Born 1952), a Professor of Transplant Surgery and an Honorary Consultant Surgeon and Urologist at Kenyatta National Hospital and Nairobi Hospital, is the Chairman of the Kenya National Examinations Council, with effect from March 09, 2017.

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

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



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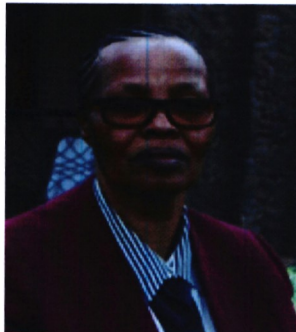
Prof. Magoha undertook his primary education in Yala, Siaya County and Nairobi County before joining Starehe Boys Centre and Strathmore College for his high school education. He then proceeded to the University of Lagos in Nigeria where he studied Medicine. He furthered his studies in Surgery and Urology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

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

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

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

6.2.2 Dr. Mercy G. Karogo MBS : Ag Chief Executive Officer



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

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

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

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



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



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

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

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

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

6.2.4 Dorothy N. Kimeu MBS: Alternative Member, National Treasury



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

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

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

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



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6.2.5 Dr. Nancy Njeri Macharia OGW, CBS: Chief Executive Officer TSC



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

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

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

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

6.2.6 Dr. Julius Ouma Jwan MBS: Chief Executive Officer KICD



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

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

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

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



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



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

Dr. Mutisya has over twenty six (26) years progressive experience in **educational institutions administration**. He has vast experience in working with Board of Governors/Management of Government Institutions, having been a Senior Deputy Director, Deputy Director Quality Assurance and standards and Senior Principal for fourteen (14) years.

He holds a Bachelor of Education degree (B.Ed, Sc), Master of Education (Leadership and Policy), M.Sc (Infectious diseases) and Ph.d (Epidemiology).

6.2.8 Dr. John O. Onsati OGW: Member



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

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

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

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

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

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



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Dr. Onsati has attended numerous short courses, workshops and seminars, both locally and internationally, to bolster his profession in technical education. He has also given back to the community while serving as a National Treasurer to the Kenya Association of Technical Training Institutions (KATTI), Board member of Muhuri Muchiri Secondary School – Nairobi and Council Member of Embu University College, a Constituent College of the University of Nairobi. He has been recognized by KATTI who awarded him a Certificate of Distinguished Service KETTISO and a Certificate of Service as KATTI TREASURER. In 2000, KNEC awarded him a Certificate of Commendation for long service as an Examiner / Examiner in Chief for Mechanical Engineering.

6.2.9 Rosemary C. Saina, HSC OGW: Member



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

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

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

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

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

6.2.10 Martin Okiyo Osang'iri OGW: Member



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

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

Since 2011, Martin works with the International Council for Education of People with Visual Impairment, ICEVI as the Africa Region Coordinator of ICEVI's Global



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Campaign for Education. He previously worked with Handicap International Tanzania, Uganda, Somalia and Kenya Programme.

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

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

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



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

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

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

6.2.12 Farhiya Ali Haji : Co-opted Member



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

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



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

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

6.2 Induction and Training

The Council develops an induction and training programs regularly designed to introduce new members of the Council to the operations of the Council and related governance matters. The programs are also aimed at equips them with the requisite knowledge required to make crucial decisions and deepening the understanding of the changes in risks, laws and business and political environment in which the Council operates. During the year, the Council carried out training on Corporate Governance in Mombasa.

6.3 Whistle Blowing Policy

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

6.4 Conflict of Interest

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

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

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

At the beginning of the calendar year, Council members and employees signed a declaration of interest form in examinations to be conducted declaring that they will



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disclose any interest that conflicts or possibly may conflict with the interests of the Council. There were no conflicts of interest identified during the financial year.

6.5 Council Committees

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

6.5.1 Examinations Management Committee (EMC).

The Committee consists of five members, all of whom are non-executive members of the Council. The Committee chaired by Prof. George A.O Magoha. The committee is responsible for the following:

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

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

The Committee consists of five members, all of whom are non-executive members of the Council Chaired by Dr. John O. Onsati. The committee is responsible for the following:

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



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6.5.3 Audit & Risk Management Committee.

The Committee consists of five members, all of whom are non-executive members of the Council. The Committee is chaired by Ms. Rosemary Saina. The committee is responsible for the following:

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

Key Council Activities

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

During the year under review, the following meetings were held as at 30 June 2018:-

Council Meetings from 1 July 2017 to 30 June 2018		
6.6.1	Full Council	40
6.6.2	Examinations Management Committee (EMC)	43
6.6.3	Finance, Staff and General Purpose Committee (FS& GPC)	41
6.6.4	Audit and Risk Management Committee (ARMC)	6

The Council held meetings to continuously undertake the 2017 examination administration reforms and the organization structure re-engineering.

6.6 Supply of Information

Council Members have full access to the advice and services of management. They are consistently updated on the activities of the Council and are provided with all the information needed to fully and effectively carry out their duties and responsibilities.

In addition, members are entitled where necessary to seek independent professional advice concerning the affairs of the Council.



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6.7 Risk Management and Internal Controls

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

6.8 Internal Audit and Assurance

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

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

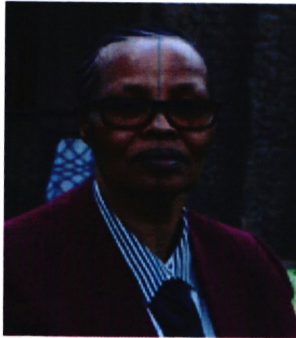
The Council's external assurance for the period under review was provided by the Office of the Auditor General (OAG). OAG carried out a systems and financial audit on the Council's expenditure cycles.



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KNEC SENIOR MANAGEMENT TEAM

7.1 Dr. Mercy G. Karogo MBS - Ag. Chief Executive Officer



Dr. Mercy Karogo is the Acting Chief Executive Officer at the Kenya National Examinations Council since March 2016.

Prior to joining KNEC she acted as Director, Kenya Institute of Curriculum Development from July- November 2015; Senior Deputy Director in the same institution and Head of Department, Curriculum and Research Services (SDDCRS) between July 2012 – June 2015. She worked with the Ministry of State for Youth Affairs in various capacities between January 2007- February 2008. Between

March 2008 and December 2011 she was the Deputy Director, TIVET (Technical, Industrial, Vocational and Entrepreneurship Training with the Kenya Institute of Education.

She holds a PhD in Business Administration and Management - Entrepreneurship from Dedan Kimathi University of Technology, a Master of Science (Entrepreneurship) from Jomo Kenya University of Agriculture and Technology and a Bachelor of Education (Business Studies and Economics) from University of Nairobi.

Dr. Karogo is a Board Member of the College of Insurance, Kenya Institute of Curriculum Development (KICD), Kenya Institute of Special Education (KISE), Kenya National Commission for UNESCO (NATCOM), Kenya Wildlife Training Institute among others. She is also a member of several professional Institutions.

Dr. Karogo has participated and presented several papers locally and internationally in Workshops and Conferences. She has been on several short term assignments; published chapters in Commerce Students Book Form IV as well as co-authored several handbooks.

7.2 Dr. Ibrahim Otieno - Director, ICT Development



Dr. Ibrahim Otieno is the Director, ICT Department at the Kenya National Examinations Council. He assumed the role of in Director in March, 2017.

Prior to his appointment, he was the Director of ICT at the University of Nairobi. He also served as Deputy Director, Management Information System at the University of Nairobi and a board member in the Kenya Education Network Trust (KENET).

He holds a PhD (Information Systems) from the University of Nairobi, a Master of Science Degree from University of Vrije Universiteit Brussels (VUB), Belgium, Class of Degree (Distinction) and a Bachelor (Honours) Degree in Science (Computer Science) from the University of Nairobi.



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Dr. Otieno has extensive professional training and has had exposure to local and international conferences and workshops in areas of Management Information System and Computing for Development (C4D). He has had presentations in various institutions including Stellenbosch University and University of Cape Town, South Africa.

7.3 Mr. Patrick Ochich - Director, Test Development



Mr. Patrick Ochich is the Director, Test Development at the Kenya National Examinations Council. He was appointed into this position in August 2017. He served the Teachers Service Commission for 17 years, where he held various positions in several high schools and national polytechnics. He later served as a Senior Research Officer at the Kenya Institute of Education, currently the Kenya Institute of Curriculum Development.

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

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

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

7.4 Imelda Barasa Anyanga –Director, Examination Administration Development



Imelda Barasa Anyanga, joins KNEC in the position of Director, Examinations Administration. Mrs. Barasa has rich background in education. She has got a wider experience and skills to suitably serve in the position.

Mrs. Barasa has a teaching experience of 28 years 17 of which she has been a secondary school administrator. She has held several leadership positions and able to steer the institutions to great heights of achievement through innovation and transformative strategies. She was the Chief Principal Maryhill Girls since 2009. Before she served as senior Principal Kipsigis girls; Principal, Hill School Eldoret; Principal Kapnyeberai girls; Deputy Headteacher, Chepterit Girls and Assistant Teacher Chepterit Girls.

Mrs. Barasa is currently undertaking a PhD at Moi University specializing in strategic management. She holds a Masters Degree in Business Administration (Human Resources Management).



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7.5 Befly Jemurgor Bisem - Corporation Secretary



Befly Jemurgor Bisem is the Corporation Secretary at the Kenya National Examinations Council. She was appointed into this position on 2nd May, 2018. She previously served the Kenya Film Commission as the Ag. Chief Executive Officer. She also served as the Legal Service Manager/Corporate Secretary at the same Institution, prior to being appointed the Ag. Chief Executive Officer.

She has extensive Legal Experience of over 10 years having previously worked at the National Council of Churches of Kenya, Kenindia Assurance Company Limited, Karigithu Kinyua & Company Advocates and Katwa and Kemboi Advocates.

She has Bachelor of Laws Degree from the University of Nairobi, Postgraduate Diploma in law from the Kenya School of Law and a Certified Public Secretary Course (CPS). She is currently undertaking MBA in Strategic Management at the Kenyatta University.

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



Abraham is the Financial Controller at the Kenya National Examinations Council. He was appointed into this position on April 2011. He previously served the Kenya Literature Bureau as the Finance Manager. He has over 30 years experience in the field of Accounting and Finance.

He is an alumni of Starehe Boy's Centre and holds a Bachelor of Commerce degree, acquired from the Catholic University of Eastern Africa and a Masters Degree from Jomo Kenyatta University of Agriculture, Science and Technology.

He is a Certified Public Accountant and a member of ICPAK.

7.7 Agneta Mary Ouma -Deputy Director Supply chain Management



Agneta has been appointed as Deputy Director Supply Chain Management. She assumed the role from 15th February 2017. Prior to joining KNEC she worked at the Capital Markets Authority where she was in charge of its Procurement Unit.

She has previously held similar positions at the Kenya Sugar Board and the Ministry of Finance



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She holds a Masters Degree in Procurement and Logistics from JKUAT, a Bachelor of Commerce Degree from University of Nairobi, and a Diploma in Supplies Management. Ouma is a member of Kenya Institute of Supplies Management.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

8.1 SUSTAINABILITY STRATEGY AND PROFILE

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

8.1.1 Stakeholder engagements.

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

8.1.2 Communication with the stakeholders.

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

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

- Courtesy visitation by the Cabinet Secretary
- Nairobi International Show Trade Fair
- Workshops of KESSHA, KEPSHA;



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



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- Briefings of Sub counties Directors such national examinations briefing and sensitization of field officers was carried out between 29th March – 2nd April 2018.
- The Council continued its engagement with stakeholders online through its website: www.knec.ac.ke. The website is an interactive website which provides internet users a wide scope of information on KNEC and its activities.
- Examination time tables are available in the website to enable candidatures to plan their studies. Upload onto website on the collated information in folders will be available in the intranet by June 2018.

Tuesday, August 30, 2016 You are Signed in as

Kenya National Examinations Council
Examination Registration System

Schools Exams

PRIMARY SCHOOLS (K C P E) **SECONDARY SCHOOLS (K C S E)**

2016 CANDIDATE REGISTRATION
CONFIRM 2016 REGISTRATION
2015 ON-LINE RESULT SLIP
CONFIRM 2015 RESULTS

2016 CANDIDATE REGISTRATION
CONFIRM 2016 REGISTRATION
2016 PROJECTS
2015 PERFORMANCE ANALYSIS
UPLOAD PHOTOS
QUALIFYING TEST REGISTRATION
QUALIFYING EXAM

MONITORING SCEO,S MODULE ADMIN

Registration of candidates' platform on the website

8.1.3 Examination Security Threats.

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

- The recruitment of vetted invigilators and supervisors conducting preparations on the number of field officers to be used during the field administration of the examinations. All the officers to be engaged will be expected to register online in the newly developed Online Contracted Professionals Application System.
- The list of the newly-trained examiners has been forwarded to the Teachers Service Commission (TSC) for vetting and to ascertain their qualifications, employment, registration, work station and discipline status.
- Briefing and sensitizing all the centre managers, invigilators and supervisors in the sub-counties.



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- Sub county directors have also been directed to file assessment reports on school floods which contributed to destruction of school facilities, roads, flooding of classrooms and school compounds.
- Schools found to have engaged in examination cheating will be closed down and the culprits punished.

8.2 ECONOMIC PERFORMANCE

8.2.1 Budgets.

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

8.2.2 Financial Reports.

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

8.2.3 Performance Contract Management.

The Council adheres to the performance contract management as per the government policy through the Ministry of Education (MoE). It reports its performance to Performance Contracting Department by submitting quarterly reports. The Council participated in two key performance contract related events namely: Negotiation of the FY 2018/2019 Performance Contract. This was conducted on 3rd July 2018 at Machakos University by the MoE. This was followed by vetting of the FY 2018/2019 Performance Contract at the Rift Valley Water Services Board in Nakuru conducted on 24th July 2018 by the Performance Management and Coordination Office. The end year Performance contract report for 2017-2018 FY was presented to the Council and forwarded to relevant government agencies as the Council awaits its evaluation.

8.2.4 Quality Management System.

The Council has continued to maintain and continually improve its Quality Management System as evidenced by continued certification granted to the Council. KNEC is ISO 9001:2008 certified and the certificate runs until 18th September 2018. The process of migration to ISO 9001:2015 was started in June 2017 and is expected to be completed by 30 September 2018. All staff members have been trained and sensitized on the expectations of the new standard.



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The KNEC Quality Management System (QMS) has been reviewed to conform to the new standard as well as review of all KNEC quality procedures. These have been presented to the Council and approved for implementation and circulation on 18th June 2018. Internal quality audits based have also been conducted between 31 July and 1 August 2018 in all departments to ensure that the Council is operating within stipulated procedures and is continually improving on service delivery.

Migration to the new standard is expected to address emerging issue including risks, opportunities and knowledge management. This will ultimately results to better ways of initiating continual improvement of our products and services.

8.3 ENVIRONMENTAL PERFORMANCE

8.3.1 Environmental Polices.

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

8.3.2 Occupational safety and health.

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

8.3.3 Safety and Security Measures.

Measures undertaken in KNEC owned premises include:

- Gate house for screening equipment under construction at NMH.
- Lift and Ramp installed at the New Mitihani House for disabled persons.
- Registers introduced at New Mitihani House & Industrial area.
- Fire/smoke detectors in KNEC owned were tested to ensure that they are working.



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8.4 EMPLOYEE WELFARE

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

8.4.1 Recruitment of Staff members.

During the period under review the staff workforce increased from 392 to 413 due to staff recruitment some of whom were replacements.

Thirty two (32) new employees were recruited while twenty eight (28) were promoted within the authorized establishment in order to address the staffing gaps. This enhanced capacity and addressed succession management. To ensure fair labour practices during appointments, new employees are not required to be tested for HIV & AIDS.

As at 30 June 2018, 54% were male and female 46% thus meeting the constitutional gender parity threshold requirement on appointment, promotion and employment. The Council received certificate of compliance by National Gender and Equality Commission (NGEC) following submission of all quarterly reports.

The disaggregated data that has been collected as at June 2018 puts the Persons with Disabilities (PWD) at 3.4% of KNEC population. (14/413*100).

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

8.4.2 Human Development.

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

The Council coordinated trainings for sixty three (63) employees; sponsored three (3) employees; inducted nineteen (19) new employees; liaised with NITA for partial refund of fees paid by the Council to training institutions and undertook competency development for staff at all levels.

A Skills/competence needs assessment was carried out and a report submitted in the 4th Quarter. Interventions to upgrade skills were implemented in the year i.e. trainings on Team Building, Supervisory Management, Customer Care, Quality Assurance and ICPAK Seminars.



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Staff members during Team building Workshop

Short Courses

Annual Staff Performance Appraisal was carried out in June, 2018 and analysis of the same is to be finalized in the 1 Q FY 2018/2019. One of the performance incentive identified was trainings and this was carried out through Supervisory Management. All staff officers were trained on ISO 9001:2015 course.

8.4.3 Employee Wellness Programmes.

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

HIV/AIDS

Under *Maisha I* programme, the HIV & AIDS Committee sensitized the Management and staff on HIV/AIDS stigma and discrimination towards PLHIV by emailing EIC materials to 413 staff members. Combination Prevention Approach was adopted by distributing a total of 1,728 condoms to staff and family members. 22 staff members were tested and counseled on HIV & AIDS at all KNEC premises.

Under *Maisha II* programme, the Committee sensitized the 6,596 examiner trainees on HIV/AIDS prevention and treatment during April 2018. Combination Prevention Approach was adopted by distributing a total of 1,450 condoms to examiners.

Quarterly reports are submitted to the NACC.



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Corruption Eradication

11 CPC sub-Committee were trained by EACC in February at KSG Embu.

National Cohesion and Values

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

8.4.4 Talent cultivation.

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

KNEC offered internships to 9 Youth within the year.

8.5 MARKET PLACE PRACTICES

8.5.1 Examinations Practices & Regulations.

In the FY 2017/2018, Examination regulations were reviewed annually and posted on the website.

- Circulars on examinations are submitted to school periodically on examination issues.
- Examination timetables are available on the website to enable candidates plan for their studies.

Contracted Professionals are recruited through an online platform with representation from all counties in Kenya.

The Council established a hotline number 0800724900 to be used by citizens who wish to give feedback on the ongoing examinations administration.

Candidates were able to access results by sending the index number through an SMS to 22252 immediately after the release.



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8.5.2 Special Needs Candidates.

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

The Council provided special needs arrangements in line to the rights of learners with disabilities as enshrined in the Constitution. There was an increase in KCPE special needs students from 1,950 in 2016 to 2,038 in 2017. Similarly KCSE special needs students from 1,186 in 2016 to 1,404 in 2017.

8.5.3 Customer Complaints.

The framework for handling and resolving Customer complaints and queries was reviewed. KNEC has developed and implemented a system/procedure for customer complaints resolution. A Customer Satisfaction Exit survey is currently underway and will inform the Council on the areas that need to be improved on.

The launching of the Query Management Information System (QMIS) has enabled customers to be able to submit all queries and can expect feedback within the fastest timeline, as well as be able to follow up on the progress online. Examples of type of queries to be submitted include: Bio data queries, confirmation of results, payment queries etc.

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

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

8.5.4 Innovation management.

KNEC has invested heavily on Optical Mark Reader equipments so as to personalize the details of the 2017 candidates on the Optical Mark Reader (OMR) forms.

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



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The KNEC IT staff has developed software which enables contracted professionals to register online and provide their details. Those who managed to register during administration of 2017 KCPE and KCSE examinations were paid in the shortest record period.

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

The screenshot shows the KNEC QMIS web interface. At the top, it says "You are logged in as: Leah Kiratu on Saturday, June 9, 2018". Below this is the KNEC logo and the text "The Kenya National Examinations Council". A navigation menu includes "Query", "Status", "Confirmation", "Certification", "Equation", "Change Password", and "Logout". The main content area is titled "DIRECT RECOVERY" and contains a form with the following fields: "Index/Center No" (text input), "Exam:" (dropdown menu), "Year:" (dropdown menu), "Document" (dropdown menu), and a "Find" button. Below this is a "Name:" field. The "ATTACHMENTS" section includes a "Required List" dropdown, a "Browse..." button, the text "No file selected.", and an "Attach" button. At the bottom of the form is a "Submit" button. A blue arrow points from the text "Click here to submit query." to the "Submit" button.

Click here to submit query.

The functional QMIS in KNEC Website

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

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

8.5.5 Corruption Eradication.

Corruption risk assessment is being conducted to determine a corruption perception index survey. Whistle blowing policy development and review of Corruption Prevention policies were developed internally and awaiting



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recommendations from the EACC. KNEC submitted 4th Quarter report to EACC on 14th July, 2018.

8.6 COMMUNITY ENGAGEMENT

The Kenya National Examinations Council participated in two CSR activities during the first half year 2018:

8.6.1 Solai Dam Tragedy.



M-Family ((Mitihani Family) visiting the Solai Dam victims.

KNEC continues to participate in social activities by visiting the Solai Dam victims. The Solai activity was championed by the social group M-Family (Mitihani Family) who mobilized staff to donate in cash and materials. The mobilization resulted with huge donations which included dry foodstuff, more than one hundred and fifty thousand as well as clothing. Other than the cash donation by management, transport to Solai and other logistics made the activity a success. The victims could not hold their joy and gratitude as they received the donations and said they were overwhelmed by the kind gesture from management and staff. This indeed eased their suffering, even in a little way.



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8.6.2 Pan African High Level Conference on Education -PACE 2018.

The Pan African high-level conference on education was held in Nairobi-Kenya between, 25th -27th, April 2018 at the Safari Park Hotel. The theme for the conference was “Bridging continental and global education frameworks for the Africa We want”. The Kenya National Examinations Council being one of the key stakeholders in Education sponsored the conference with a bronze sponsorship.

The culmination of the conference was the creation of the vision; “**Nairobi Declaration and Call for Action on Education**”; where the Ministers of Education of Africa, high-level government officials, representatives of the African Union (AU) and the United Nations Organization set out a harmonized vision for the educational transformation to meet the commitments to the **2063 Agenda for the Africa We want and the global 2030 Agenda for Sustainable Development.**

PACE aims at reorienting Africa’s Education and training systems to meet the knowledge, competencies, skills, innovation and creativity required to nurture African core values and promote sustainable development at National, Sub-regional and continental levels.



Dr, Bellio Kipsang. Permanent secretary Education, Dr, Mercy Karogo. Ag CEO KNEC and a delegate from Ghana sharing information during tea Break.

The event allowed Africa to reflect and prepare for two upcoming major global events.



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8.6.3 East Africa Essay Competition Sponsor

The Council continues to benchmark with members of the East African community in education assessment. Through this Essay competition writing, integration of member state is boosted therefore realization of East Africa Community objectives. The E.A.C Essay competition adjudication was first done by the Kenya National Examinations Council in 2015. Level one of adjudication is conducted at KNEC where it moves the regional level. At the region all member states send representatives to determine the overall winner in each category. The competition aims at sensitize the students in various issues like gender, rural, urban, hard to reach areas or remote schools and special needs cases.



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REPORT OF THE COUNCIL

The Council submits their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Council's affairs.

9.1 Principal Activities

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

9.2 Result

The results of the Kenya National Examinations Council for the year ended June 30, 2018 are set out on page 1 to 57.

9.3 Members

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

9.4 Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Council did not make any surplus during the year (FY 2016/2017 Nil) and hence no remittance to the Consolidated Fund.

9.5 Auditors

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

9.5 By Order of the Council

Dr. Mercy G. Karogo MBS
Secretary to the Council
Nairobi

Date: **26th September 2018**



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ENDED 30 JUNE, 2018**

STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITIES

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

10.2 The Council members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on 30 June 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

10.3 The Council members accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFMA Act and the State Corporations Act. The Council members are of the opinion that the Council's financial statements give a true and fair view of the state of Council transactions during the financial year ended 30 June 2018, and of the Council's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

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

10.5 Approval of the financial statements.

The Council's financial statements were approved by the Council on **26th September 2018** and signed on its behalf by:

Prof. George A.O Magoha MBS EBS CBS
CHAIRMAN

Dr. Mercy Karogo MBS
Ag. CHIEF EXECUTIVE OFFICER

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Examinations Council set out on pages 1 to 57, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya National Examinations Council as at 30 June 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Work in Progress

As reported in the previous years, the Council has been constructing the New Mitihani house in South C and the works have been going on for the last thirty (30) years. Records available indicate that the Council awarded Phase VI contract to M/s Ongata Works Limited in 2013 at a contract sum of Kshs.1,499,989,252 for a contract period of 78 weeks towards internal portioning and finishes, fittings building services and external works to the entire building vide contract no NMH-06/2012. Although the contractor had his contract period extended to 30 July 2017, as at 10 March 2019, the works stood at 59% level of completion and management had terminated the contract. As at 30 June 2018, the Council had paid Kshs.818,379,878 net of retention while certified works stood at Kshs.891,303,752 representing 59% of the original contract sum. It is not clear and management has not explained the mismatch between the certified level of works and level of completion of the project.

Report of the Auditor-General on the Financial Statements of Kenya National Examinations Council for the Year Ended 30 June 2018

In addition, with the cancellation of the contract, management risks legal suit from the contractor and this may further delay the completion of the project. Management has not provided a roadmap on how it intends to complete the project. In the circumstances, the delays in completion will lead to cost escalation and stakeholders may not get value for their resources if this project is not completed and put to its intended purpose.

Further, examination of payment records for the project revealed a payment of Kshs.104,124,834.57 in respect to certificate no 26. Included in this payment is Kshs.57,008,885.83 being interest on delayed payments of certificates presented to the Council by the project manager. No satisfactory reason was availed by management for the delay in payment of certificates resulting into these penalties. Had the Council paid the certificates on time, the interest charged on the delay would have been avoided and in the circumstances the Council engaged in payment of avoidable costs of Kshs.57,008,885.83 and value for money may not have been derived.

2. Prepayments, Receivables from Exchange Transactions

The statement of financial position reflects prepayments, receivables from exchange transactions balance of Kshs.231,832,132 as at 30 June 2018. Included in the debtors-examinations net balance of Kshs.18,886,590 reflected in note 45 to the financial statements is ECDE debtors totaling Kshs.27,625,220. This balance includes an amount of Kshs.19,889,300 due from Foundation Institute of Africa relating to unpaid examination fees in 2014. These amounts have attracted penalties amounting to Kshs.16,016,000 being late registration and late payment for the examination that the Council has recognized as contingent assets.

Management has explained that they have released the examination certificates to the institute, it is therefore not clear how it will recover this amount. Consequently, the recoverability of the receivables from exchange transactions balance of Kshs.19,889,300 and the contingent asset of Kshs.16,016,000 as at 30 June 2018 is in doubt.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya National Examinations Council in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Going Concern

The statement of financial performance as at 30 June 2018 reflects a deficit of Kshs.1,065,415,558 (2017: Deficit of Kshs.227,005,443). In addition the statement of financial position as at 30 June 2018 reflects current liabilities amounting to Kshs.3,434,448,377 which exceeds the current assets amount of Kshs.3,277,145,377

resulting in a negative working capital of Kshs.157,303,000. In the circumstances the Council is technically insolvent and cannot meet its short term obligations as and when they fall due. The financial statements have been prepared on a going concern basis assuming the Council will continue to get support from its creditors and the Government.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the basis for qualified opinion section, I have determined that there were no Key Audit Matters to communicate in my report.

Other Matter

1.0 Budgeting Controls and Performance

1.1 Revenue Budget Analysis

The Kenya National Examination Council had a total revenue budget of Kshs.6,950,751,640 for the financial year 2017/2018 against an actual amount earned of Kshs.6,423,846,530 resulting in under collection of Kshs.526,905,110 as summarized below.

Title Details	Final Budget	Actual on comparable basis	Performance Differences	Variance
Recurrent Revenue	Kshs.	Kshs.	Kshs.	%
Government Recurrent Grant	4,054,526,351	4,051,470,575	(3,055,776)	0%
Receipt of Examination Fees	1,755,523,711	1,754,068,563	(1,455,148)	0%
Interest Income from Financial Institutions	125,318,088	116,592,536	(8,725,552)	-7%
Other Operating Income	205,383,490	186,714,856	(18,668,634)	-9%
Government Capital Grant	810,000,000	315,000,000	(495,000,000)	-61%
Total Revenue	6,950,751,640	6,423,846,529	(526,905,111)	

The under collection of revenue of Kshs.526,905,110 was due to reduced disbursement of the development grant in 2017/2018.

1.2 Expenditure Budget Analysis

During the year under audit the Kenya National Examination Council had an expenditure budget of Kshs.8,017,771,321 against an actual expenditure of Kshs.7,840,613,384 resulting in net under expenditure of Kshs.177,157,937 as summarized below:

Title Details	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Over Expenditure Kshs.	Under Expenditure Kshs.	Variance %
Personnel Expenses	1,032,935,977	1,049,350,009	16,414,032		-2%
Board Expenses	44,544,000	32,684,036		11,859,964	27%
Administration Expenses	477,972,607	510,977,528	33,004,921		-7%
Examinations Expenses	4,815,324,638	5,127,306,387	311,981,749		-6%
Housing of Staff & Office Accommodation	96,797,667	129,013,830	32,216,163		-33%
Project Expenses	1,937,870	1,261,200		676,670	35%
Increase in Provision of Doubtful Debt	19,889,300	19,889,300	0	0	0%
Increase in Provision of Employee Obligation	(5,455,064)	(5,455,064)	0	0	0%
Depreciation & Amortization	273,129,956	273,129,956	0	0	0%
Taxation	70,000,000	36,104,906		33,895,094	48%
Construction of New Mitihani House	810,000,000	337,325,446		472,674,554	58%
Refurbishment of Leasehold Buildings	12,000,000	1,716,222		10,283,778	86%
Purchase of Vehicles & Other Transport Equipment	33,000,000	32,928,655		71,345	0%
Purchase of Office Furniture	10,000,000	6,533,455		3,466,545	35%
Purchase of Office, General Communication Equipment	153,694,370	105,254,695		48,439,675	32%

Title Details	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Over Expenditure Kshs.	Under Expenditure Kshs.	Variance %
Purchase of Computers, Office Printers and Other IT Equipment	152,000,000	181,791,501	29,791,501		-20%
Purchase of Office Fittings	8,000,000	-		8,000,000	100%
Purchase of Software	7,000,000	801,322		6,198,678	89%
Staff Housing & Car Loan Fund	5,000,000	-		5,000,000	100%
Total Expenditure	8,017,771,321	7,840,613,384	423,408,366	600,566,303	

From the analysis above, it is evident that the Council overspent on their budget by Kshs.423,408,366 on various items. The Council has attributed this to the national need to secure the KCPE and KCSE national examinations. Although the over expenditure was approved by the Council, approval by the National Treasury was not availed for audit review. There is need for the Kenya National Examination Council to re-look at its budgeting mechanism and propose a realistic budget with the available resources to avoid instances of under budgeting.

Similarly, the Council under spent on their budget by Kshs.600,566,303 on various items. This may have a negative impact on implementation of planned activities and service delivery to the stakeholders. There is need for proper planning to avoid instances of idle funds.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Council or to cease operations, or have no realistic alternative but to do so

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

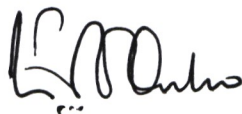
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

15 April 2019



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2018

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2018

	NOTES	2018 Kes.	2017 Kes.
Revenue from Non-Exchange Transactions			
Recurrent Government Grant	2	4,051,470,575	3,596,127,394
		4,051,470,575	3,596,127,394
Revenue from Exchange Transactions			
Examinations Fees	3	1,754,068,563	2,012,777,371
Interest Income	4	116,592,536	125,173,200
Other Operating Income	5	186,714,856	238,695,596
		2,057,375,955	2,376,646,167
Total Revenue		6,108,846,530	5,972,773,561
Expenses			
Personnel Expenses	6	1,049,350,009	1,016,727,256
Council and its Committees Expenses	7	32,684,036	48,814,840
Administration Expenses	8	510,977,528	442,900,503
Examinations Expenses	9	5,127,306,387	4,354,373,814
Housing of Staff & Office Accommodation	10	129,013,830	77,543,939
Project Expenses	11	1,261,200	21,815,622
Increase in Provision of Doubtful Debt	12	19,889,300	-
Increase in Provision of Employee benefit Obligation	13	(5,455,064)	4,569,471
Depreciation & Amortization	14	273,129,956	215,330,630
Relocation to New Mitihani House	15	-	-
Total Expenses		7,138,157,182	6,182,076,075
Surplus Before Taxation		(1,029,310,654)	(209,302,514)
Taxation	16	36,104,906	17,702,929
Deficit for the Year	48	(1,065,415,588)	(227,005,443)

The notes set out on pages 1 to 57 form an integral part of these Financial Statements



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2018**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2018			
ASSETS	2017-2018		2016-2017
	NOTE	Kes.	Kes.
CURRENT ASSETS			
Cash and Cash Equivalents	17	2,821,856,320	3,161,300,075
Receivables from non-exchange transactions	18 A	-	971,509,112
Prepayment Receivables from exchange transactions	18 B	231,832,132	113,067,529
Inventories	19	223,456,925	155,592,977
		3,277,145,377	4,401,469,693
NON - CURRENT ASSETS			
Property, Plant & Equipment	20	1,492,112,291	1,355,326,033
Property in Work In Progress	21	2,715,276,432	1,889,215,227
Investment Property	22	244,658,045	264,436,748
Investments(Consolidated Bank)	23	64,300,000	64,300,000
Intangible Assets	24	15,079,154	27,745,187
		4,531,425,922	3,601,023,195
TOTAL ASSETS		7,808,571,299	8,002,492,888
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables from exchange transactions	25	510,234,164	425,534,842
Deferred income	26	2,871,486,649	3,107,490,710
Overdrawn Accounts	27	3,794	-
Employee benefit Obligation	28	21,472,002	33,974,142
Taxation Provision	29	31,251,768	25,113,570
		3,434,448,377	3,592,113,264
NON CURRENT LIABILITIES			
Donor Project Funds	30	210,452,059	39,422,344
Capital Works Retention	31	84,158,661	54,906,282
		294,610,720	94,328,626
		3,729,059,097	3,686,441,890
RESERVES			
Capital Reserve	32	3,486,743,173	2,683,007,414
Revaluation Reserve	33	709,640,359	709,640,359
Accumulated Surplus	34	(116,871,330)	923,403,225
		4,079,512,202	4,316,050,998
TOTAL LIABILITIES		7,808,571,299	8,002,492,888

The Council's financial statements set out on pages 1 to 57 were approved by the Council on 26th September 2018 and signed on its behalf by:

Prof. George A.O Magoha MBS EBS CBS
CHAIRMAN

Dr. Mercy Karogo MBS
Ag. CHIEF EXECUTIVE OFFICE



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2018**

STATEMENT OF CHANGES IN NET ASSETS				
As at 30 June 2018				
	Capital Reserve (Ksh)s	Revaluation Reserve(Kshs)	Accumulated Surplus (Kshs)	
Balance as at 1 July 2016	2,513,007,414	709,640,359	1,074,794,741	4,297,442,514
Prior Year Adjustments			75,613,927	75,613,927
Restated Balance as at 1 July 2016	2,513,007,414	709,640,359	1,150,408,668	4,373,056,441
Capital Grants	170,000,000			170,000,000
Revaluations		-		-
Deficit for the Year			(227,005,443)	(227,005,443)
Balance as at 30 June 2017	2,683,007,414	709,640,359	923,403,225	4,316,050,998
Balance as at 1 July 2017	2,683,007,414	709,640,359	923,403,225	4,316,050,998
Prior Year Adjustments (Note 38)	488,735,759	-	25,141,003	513,876,762
Restated Balance as at 1 July 2017	3,171,743,173	709,640,359	948,544,228	4,829,927,760
Capital Grants	315,000,000			315,000,000
Revaluations		-		-
Deficit for the Year			(1,065,415,558)	(1,065,415,558)
Balance as at 30 June 2018	3,486,743,173	709,640,359	(116,871,330)	4,079,512,202



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2018

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2018

		2018	2017
		Kes.	Kes.
Cash flows from operating activities			
Deficit for the Year	34	(1,065,415,558)	(227,005,443)
Adjustments for :			
Accrued expenses adjustments	34	25,141,003	75,613,927
Interest Income	4	(116,592,536)	(125,173,200)
Depreciation & Amortization	14	273,129,957	215,330,630
Operating profit before working capital changes		(883,737,135)	(61,234,086)
Increase in Inventories	19	(67,863,948)	9,157,940
Decrease in Receivables from non exchange transactions	18 A	971,509,112	(938,533,777)
Decrease in Receivables from exchange transactions	18 B	(148,685,467)	67,362,916
Increase in Trade and other payables	25	84,699,322	(34,096,356)
Decrease in Deferred Income	26	(236,004,062)	567,862,482
Decrease in Employee benefit Obligation	28	(12,502,140)	17,536,908
Increase in Tax provisions	29	6,138,198	(23,875,845)
		597,291,015	(334,585,732)
Net cash flows from operating activities		(286,446,120)	(395,819,818)
Cash flows from financing activities			
Increase in Capital Reserve	32	315,000,000	170,000,000
Increase in Donor Project Funds	30	171,029,715	(27,804,408)
Net cash flows from financing activities		486,029,715	142,195,592
Cash flows from investing activities			
Interest received	4,18 B	146,513,402	109,970,182
Purchase of property, plant and equipment	20	(374,364,796)	(334,394,167)
Construction on New Mitihani Building	21	(337,325,446)	-
Purchase of Software System	24	(3,106,682)	(11,252,509)
Retention of Capital Works	31	29,252,379	(440,661)
Net cash flows from investing activities		(539,031,143)	(236,117,155)
Net increase in Bank		(339,447,549)	(489,741,381)
Cash and Cash Equivalents At Beginning of Year	17	3,161,300,075	3,651,041,456
Cash and Cash Equivalents At End of Year	17	2,821,852,526	3,161,300,075



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2018**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR
ENDED 30 JUNE, 2018**

TITLE DETAILS	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Differences	Variance
	Kes	Kes	Kes	Kes	Kes	%
RECURRENT REVENUE						
Recurrent Grants from MOE	4,588,883,406	(534,357,055)	4,054,526,351	4,051,470,575	(3,055,776)	0%
Receipt of Examination Fees	1,237,628,013	517,895,698	1,755,523,711	1,754,068,563	(1,455,148)	0%
Interest Income from Financial Institutions	143,166,880	(17,848,792)	125,318,088	116,592,536	(8,725,552)	-7%
Other Operating Income	263,978,190	(58,594,700)	205,383,490	186,714,856	(18,668,634)	-9%
	6,233,656,489	(92,904,849)	6,140,751,640	6,108,846,529	(31,905,111)	-1%
TOTAL RECURRENT REVENUE						
DEVELOPMENT REVENUE						
Capital Grants from MOE	498,000,000	312,000,000	810,000,000	315,000,000	(495,000,000)	-61%
	498,000,000	312,000,000	810,000,000	315,000,000	(495,000,000)	
TOTAL DEVELOPMENT REVENUE						
GRAND REVENUE - RECURRENT & DEVELOPMENT	6,731,656,489	219,095,151	6,950,751,640	6,423,846,529	(526,905,111)	
RECURRENT EXPENDITURE						
Personnel Expenses	1,105,202,257	(72,266,280)	1,032,935,977	1,049,350,009	(16,414,032)	-2%
Board Expenses	26,044,000	18,500,000	44,544,000	32,684,036	11,859,964	27%
Administration Expenses	338,587,018	139,385,589	477,972,607	510,977,528	(33,004,921)	-7%
Examinations Expenses	4,299,485,595	515,839,043	4,815,324,638	5,127,306,387	(311,981,749)	-6%



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Housing of Staff & Office Accommodation	85,165,000	11,632,667	96,797,667	129,013,830	(32,216,163)	-33%
Project Expenses	1,937,870	-	1,937,870	1,261,200	676,670	35%
Increase in Provision of Doubtful Debt	-	-	19,889,300	19,889,300	0	0%
Increase in Provision of Employee Obligation	-	-	(5,455,064)	(5,455,064)	0	0%
Depreciation & Amortization	-	-	273,129,956	273,129,956	0	0%
Relocation to New Mithani House	10,000,000	(10,000,000)	-	-	-	-
Taxation	70,000,000	-	70,000,000	36,104,906	33,895,094	48%
TOTAL RECURRENT EXPENDITURE	5,936,421,740	603,091,019	6,827,076,951	7,174,262,088	(347,185,137)	-5%

DEVELOPMENT EXPENDITURE

Acquisition of Fixed Assets

Construction of New Mithani House	498,000,000	312,000,000	810,000,000	337,325,446	472,674,554	58%
Refurbishment of Leasehold Buildings	15,000,000	(3,000,000)	12,000,000	1,716,222	10,283,778	86%
Purchase of Vehicles & Other Transport Equipment	28,000,000	5,000,000	33,000,000	32,928,655	71,345	0%
Purchase of Office Furniture	7,500,000	2,500,000	10,000,000	6,533,455	3,466,545	35%
Purchase of Office, General Communication Equipment	90,900,000	62,794,370	153,694,370	105,254,695	48,439,675	32%
Purchase of Computers, Office Printers and Other IT Equipment	8,000,000	144,000,000	152,000,000	181,791,501	(29,791,501)	-20%
Purchase of Office Fittings	8,000,000	-	8,000,000	-	8,000,000	100%



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Purchase of Software	22,000,000	(15,000,000)	7,000,000	801,322	6,198,678	89%
Staff Housing & Car Loan Fund	-	5,000,000	5,000,000	-	5,000,000	100%
TOTAL DEVELOPMENT EXPENDITURE	677,400,000	513,294,370	1,190,694,370	666,351,296	524,343,074	
GRAND EXPENDITURE - RECURRENT & DEV	6,613,821,740	1,116,385,389	8,017,771,321	7,840,613,384	177,157,937	
NET SURPLUS/(DEFICIT)	117,834,749	(897,290,238)	(1,067,019,681)	(1,416,766,855)	(704,063,048)	

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



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Council is established by and derives its authority and accountability from KNEC Act of 2017. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Council is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya. The principal activities of the Kenya National Examinations Council (KNEC) are to administer examinations and issue certificates to successful candidates, equate certificates issued by other examining bodies, and to carry out research on educational assessment.

1.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS

1.3 ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1 January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. The members of the Council have evaluated the impact of the new standard and interpretations and none of it had an impact on the Council's financial statements

ii) Expected impact of issued relevant new and amended standards and interpretations but not yet effective as at 30 June 2018

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

The members of the Council have evaluated the impact of the new standards not yet effective for the year and had an impact on the Council's financial statements.

e.g Impairment of revalued assets with amendments to IPSAS 21 Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets which are effective for periods beginning from January 1, 2019.

iii) Early adoption of standards

The Council did not early-adopt any new or amended standards in 2018.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue From Non-Exchange Transactions –IPSAS 23

Transfers from Government

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

To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

ii) Revenue From Exchange Transactions –IPSAS 9

Examination Fees

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

Non- Examination Revenue

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

Rental income

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

Interest Income

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Expenditure Recognition

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

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

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

d) Property, Plant and Equipment –IPSAS 17

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

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Intangible Assets –IPSAS 31

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

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

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

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

f) Investment property –IPSAS 16

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

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

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

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



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g) Inventories –IPSAS 12

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

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

h) Financial Instruments Disclosure & Presentation- IPSAS 29

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

Financial Assets

Receivables

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

Receivables mainly arise from non exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable.

Receivables are recognized initially at the fair value (transaction price/carrying value less any discounts). They are subsequently measured at amortized costs using the effective interest method less provision for impairment.

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Cash and Cash Equivalents

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

Financial Liabilities

Payables

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

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

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

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

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

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

Contingent Liabilities

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

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Contingent Assets

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

j) Employee Benefits: -IPSAS 25

Short-term employee benefits

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

Retirement Benefit Plans

The Council provides retirement benefits for its permanent and pensionable employees under Defined Contribution (DC) scheme. Defined Contribution plans for all staff members are post employment benefit plans under which the Council pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Any surplus or deficit based on the difference during conversion of defined benefit scheme due to employees in June 2017 to Defined Contribution (DC) scheme in accordance with the actuarial and the fund assets is borne directly by the Government.

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

k) Taxes – IAS 12

The Council does not operate for gain as per its mandate. The Deferred Taxation accounting is not applicable on the Council's operating income which is not taxable. However its investment income & rental income are subject to income tax as per ruling of the Tax Appeals Tribunal No. TAT/57 of 2017.

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

l) Nature and Purpose of Reserves

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

Capital Reserve:-

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

Revaluation Reserve:-

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

Accumulated Surplus:-

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

m) Related Parties Disclosures– IPSAS 20

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

n) Leases–IPSAS 13

Council as a lessee

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

Council as a lesser

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

o) Project Funds

The Ministry of Education, (MoE) received funds from the Global Partnership for Education (GPE) to support development of the primary school sub-sector in Kenya under the Kenya Primary Education Development (PRIEDE) project. The PRIEDE project which is a 3 year project expected to run from June 2017 to March 2019. During the FY 2017-2018 KNEC received funds for implementing activities under component I, II, and III of the PRIEDE project.

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

p) Capital Commitments

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

q) Changes in Accounting Policies and Errors –IPSAS 3

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- r) Foreign Currency transactions –IPSAS 4**
Transactions in foreign currencies are initially accounted for at the exchange rate on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by apply the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.
- s) Comparatives**
Prior period comparative information has been presented in the current financial year where necessary, comparative figures have adjusted to conform to changes in presentation for the year.
- t) Events after the Reporting Date -IPSAS 14**
There have no events subsequent to the financial year and with significant impact on the financial statements for the year ended 30 June 2018.
- u) Segment Reporting -IPSAS 18**
All the operations of the Council are managed from the registered office. The core business of the KNEC continues as stipulated in the KNEC Act, 2012. The Council highlights on contracted professionals used by the Council to run national examinations.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1.4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY**

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

Estimates and assumptions

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

Useful lives and residual values

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

- i. The condition of the asset based on the assessment of experts employed by the Council.
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the asset
- v. Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Significant judgments include: provision for doubtful debts, leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2	2018	2017
Recurrent Government Grant	Kes.	Kes.
<i>Exams Fees for Public Institutions</i>		
KCPE Recurrent Grants -MoE	788,868,800	640,727,200
KCSE Recurrent Grants -MoE	3,061,135,800	2,734,639,200
	3,850,004,600	3,375,366,400
Recurrent Grants -MoE	200,000,000	200,000,000
Grants - EAC (Essay Writing Competition)	1,465,975	1,951,370
Grants - Sacmeq IV Research Project	-	18,809,624
	4,051,470,575	3,596,127,394

NOTE 2b	2018	2017
INTER-ENTITY TRANSFERS	Kes.	Kes.
Parliamentary Allocation approved	Kes.	Kes.
MoE Recurrent Grants Transfer	200,000,000	200,000,000
MoE Recurrent Exams Grants Transfer	641,135,888	308,605,000
MoE Grants –Sacmeq IV Research Project	-	18,809,624
MoE KCPE Deferred Income transferred	788,868,800	640,727,200
MoE KCSE Deferred Income transferred	2,419,999,912	2,426,034,200
Balance as at 30 June	4,050,004,600	3,594,176,024

Note 2 c) Transfer from Ministries, Departments & Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Amount recognized in Project funds	2017-2018 Total grant income during the year
	Kes	Kes	Kes.	Kes	Kes
Ministry/State Department of Basic Education	841,135,888	3,481,432,784	315,000,000	267,334,748	4,904,903,420
Total	841,135,888	3,481,432,784	315,000,000	267,334,748	4,904,903,420

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2018

2017



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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NOTE 3

EXAMINATION FEES

	Kes.	Kes.
KCPE	13,969,600	124,885,600
PTE	85,299,300	69,421,950
KCSE	289,159,000	596,824,780
Adult Education	741,000	518,160
ECDE	313,918,240	326,287,060
Diploma Teachers Education	24,779,900	17,692,100
Special Needs Education	14,642,700	15,613,500
Technical	584,621,700	470,067,815
Business	399,760,990	357,388,876
Commissions received on Foreign Exams	22,954,495	30,482,022
Examination Fees - Remarking, Amendments, Penalties	7,885,975	8,205,378
Examinations Refunds	(3,664,336)	(4,609,870)
	1,754,068,563	2,012,777,371

NOTE 4

INTEREST INCOME

	2018 Kes.	2017 Kes.
Interest - Fixed Deposits	110,690,971	118,287,363
Interest - Current Accounts	5,901,565	6,885,837
	116,592,536	125,173,200



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5

OTHER OPERATING INCOME

	2018	2017
	Kes.	Kes.
Rent Recoveries from Staff	9,855,000	9,560,000
Commercial Rental Income	542,880	2,505,600
Gain on Foreign Currencies	-	587,082
Sale of Waste Paper	1,011,900	1,553,360
S M S Income	18,549,963	45,188,610
Sale of Publication	57,802,084	43,656,692
Sundry Revenue	1,864,479	306,645
Confirmation of Certificates services	34,513,423	35,573,689
Letters of Certificates services	1,929,250	-
Equation of Foreign Certificates	2,528,303	1,539,097
Sale of Data (Consultancy services)	54,000	69,600
Contracted Professionals Training Fees - KCPE	4,294,500	5,320,040
Contracted Professionals Training Fees - KCSE	50,284,500	97,322,093
Contracted Professionals Training Fees - PTE	388,500	-
Contracted Professionals Training Fees - ECDE	934,500	-
Contracted Professionals Training Fees - DTE	126,000	-
Contracted Professionals Training Fees - Technical	2,331,000	-
Contracted Professionals Training Fees - Business	924,000	-
Less Refunds	(1,219,426)	(4,486,912)
	186,714,856	238,695,596



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NOTE 6

PERSONNEL EXPENSES

	2018	2017
	Kes.	Kes.
Personal Emoluments	759,730,737	720,757,873
Casual Wages	31,223,060	28,844,665
Leave and Passage Expenses	6,103,512	9,210,758
Employer Contribution to Pension Schemes	157,206,431	186,834,938
<i>Compensation to Employees</i>	954,263,740	945,648,234
Medical Expenses –Staff Medical Policy	95,086,269	71,079,022
	1,049,350,009	1,016,727,256



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NOTE 7	2018	2017
COUNCIL AND ITS COMMITTEE EXPENSES	Kes.	Kes.
Sitting allowance	23,820,000	32,380,000
Training costs	1,370,950	2,515,901
Subsistence Allowance	-	9,095,491
Travelling	6,449,086	3,779,448
Honoraria	1,044,000	1,044,000
	32,684,036	48,814,840

NOTE 8	2018	2017
OFFICE ADMINISTRATION EXPENSES	Kes.	Kes.
Transport Operation Expenses	64,116,935	62,607,122
Travel & Accommodation	22,809,267	10,129,233
Telephone, Courier /Airtime Expenses	19,410,395	23,384,228
Electricity, Water & Conservancy	16,804,078	14,216,392
Official Entertainment	994,000	1,137,169
Newspapers, Magazines and Periodicals	706,249	790,261
Advertising & Publicity	20,233,218	10,964,671
Purchase of Uniforms	893,400	713,067
Purchase of Stationery & Accountable Documents	53,471,618	29,796,482
Maintenance of Plant & Equipment	25,746,195	16,081,383
Supplies of Sanitary Services	11,183,132	13,390,706
Events and Catering Management	68,136,032	52,850,659
Contracted Guards (Armed guards)	50,488,722	34,303,932
Staff Welfare Development	14,131,756	21,920,412
Staff Training	31,465,466	43,311,657
International Conferences	7,662,123	7,550,237
National Programs i.e. HIV/AIDS, ADA, Gender & Anti Corruption	5,885,050	11,608,259
Library Expenses	3,009,732	315,741
Bookshop Operating Expenses	(7,722,192)	16,554,274
Quality Management and Strategic Management	14,048,040	10,455,169
Legal Expenses	64,466,238	39,267,521
General Consultancy	5,151,480	1,353,715
NOTES TO THE FINANCIAL STATEMENTS (Continued)		
Audit Expenses	2,900,000	2,900,000
MPESA & Bank Charges	14,986,596	17,298,213



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	510,977,528	442,900,503
NOTE 9	2018	2017
EXAMINATION EXPENSES	Kes.	Kes.
Computer Charges	36,910,472	46,135,937
Reprographics Printing Unit	100,173,063	94,181,662
KCPE	921,862,772	795,854,824
KCSE	3,438,375,252	2,883,822,868
PTE	52,255,268	46,667,178
ADULT/TCAE	1,908,649	329,620
ECDE	92,878,739	74,270,647
DTE	26,021,797	24,033,390
SNE	20,395,226	17,569,777
TECHNICAL	265,446,538	197,733,201
BUSINESS	156,611,158	143,840,343
FOREIGN EXAMS Expenses	10,529,685	22,853,367
Contracted Professionals- Insurance	3,937,768	7,081,000
	5,127,306,387	4,354,373,814
NOTE 10	2018	2017
STAFF HOUSING AND OFFICE ACCOMODATION	Kes.	Kes.
Repair to Council Offices	35,788,327	13,950,145
Maintenance to Residential Houses	6,487,606	8,499,821
Rent & Rates to Office Accommodation	86,737,897	55,093,973
	129,013,830	77,543,939
NOTE 11	2018	2017
PROJECT EXPENSES	Kes.	Kes.
EAC (Essay Writing Competition) Project Expenses	793,600	1,710,280
Sacmeq IV Research Project Expenses	467,600	20,105,342
	1,261,200	21,815,622



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NOTE 12	2018	2017
INCREASE IN PROVISION OF DOUBTFUL DEBTS	Kes.	Kes.
Increase in provision of doubtful debts	19,889,300	-
	19,889,300	-

NOTE 13	2018	2017
INCREASE IN PROVISION OF LEAVE PAY	Kes.	Kes.
Increase in provision of leave pay	(5,455,064)	4,569,471
	(5,455,064)	4,569,471

NOTE 14	2018	2017
DEPRECIATION & AMORTIZATION EXPENSES	Kes.	Kes.
Depreciation of New Mitihani House (Dennis Pritt)	6,294,547	6,094,408
Depreciation of New Mitihani House (Printing Unit)	6,946,473	7,112,958
Depreciation of Residential Houses	19,778,703	17,225,343
Depreciation of Computer Equipment	82,412,739	40,948,096
Depreciation of Office Equipment	88,383,229	84,749,804
Depreciation Expenses - Motor Vehicles	22,477,782	23,578,118
Depreciation of Furniture	12,369,678	9,887,743
Depreciation of Office Fittings and Partitions	18,694,090	18,694,090
Amortization of Software Development	15,772,715	7,040,070
	273,129,956	215,330,630

NOTE 15	2018	2017
RELOCATION TO NEW MITIHANI HOUSE	Kes.	Kes.
Relocation to New Mitihani House	-	-



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**Note 16
TAXATION**

	<u>Kes.</u>	<u>Kes.</u>
Current income tax		
Current corporate income tax	36,104,906	17,702,929
Tax arrears	-	-
	<u>36,104,906</u>	<u>17,702,929</u>
Temporary difference	-	-
	<u>36,104,906</u>	<u>17,702,929</u>

**NOTE 17
CASH AND CASH EQUIVALENTS**

		2018	2017
	Note	Kes.	Kes.
Cash in Bank	43	626,275,710	146,983,106
Interbank Transfer in Transit	43	-	20,100,000
Short term Deposits	43	2,195,580,610	2,994,216,969
		<u>2,821,856,320</u>	<u>3,161,300,075</u>

**NOTE 18 A
RECEIVABLES FROM NON -EXCHANGE
TRANSACTIONS**

		2018	2017
	Note	Kes.	Kes.
MoE	44	-	971,509,112
		<u>-</u>	<u>971,509,112</u>



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NOTE 18 B		2018	2017
PREPAYMENT & RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Note	Kes.	Kes.
Prepayments		175,994,908	11,396,136
Debtors - Examinations	45	18,886,590	36,184,230
Unsurrendered Imprest	45	2,565,850	3,590,625
Sundry Debtors	45	12,495,742	12,724,461
Staff Receivables	45	412,181	501,206
Interest Receivable/Accrued Interest		9,832,301	39,753,166
Deposit to Institutions	45	11,644,560	8,917,705
		231,832,132	113,067,529

NOTE 19		2018	2017
INVENTORIES		Kes.	Kes.
Printing Materials -Inventories		111,340,151	75,828,828
General Stationery		83,820,909	60,705,276
Book Shop - Inventories		28,295,865	19,058,873
		223,456,925	155,592,977



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NOTES TO THE FINANCIAL STATEMENTS (Continued)
NOTE 20 : PROPERTY, PLANT & EQUIPMENT as June 30 2018

COST OR VALUATION

	Land Kes	Leasehold Building Kes	Motor Vehicle Kes	Office Equipment Kes	Computer Equipment Kes	Furniture Kes	Partition & Fittings Kes	Gross Total Kes
Balance as at 1 July 2016	329,550,000	380,896,706	86,761,472	832,312,848	595,849,523	96,212,560	232,156,340	2,553,739,449
Additions for the year	-	8,430,770	12,615,000	195,759,290	113,593,400	2,287,167	1,708,540	334,394,167
Balance as at 1 July 2017	329,550,000	389,327,476	99,376,472	1,028,072,138	709,442,923	98,499,727	233,864,880	2,888,133,616
Additions for the year	-	1,716,222	32,928,655	134,602,092	188,255,552	16,862,275	-	374,364,796
Balance as at 30 June 2018	329,550,000	391,043,698	132,305,127	1,162,674,230	897,698,475	115,362,002	233,864,880	3,262,498,412

ACCUMALATED DEPRECIATION

Balance as at 1 July 2016	67,927,386	45,657,118	483,029,994	568,485,450	79,533,154	97,109,265	1,341,742,367
Depreciation charge for the year	13,207,365	23,578,118	84,749,804	40,948,096	9,887,743	18,694,090	191,065,216
Balance as at 1 July 2017	81,134,751	69,235,236	567,779,798	609,433,546	89,420,897	115,803,355	1,532,807,583
Depreciation charge for the year	13,241,020	22,477,782	88,383,229	82,412,739	12,369,678	18,694,090	237,578,538
Balance as at 30 June 2018	-	94,375,772	91,713,018	656,163,027	101,790,575	134,497,445	1,770,386,121

As at 30 June 2018	329,550,000	296,667,927	40,592,109	506,511,203	205,852,190	13,571,427	99,367,435	1,492,112,291
As at 30 June 2017	329,550,000	308,192,725	30,141,236	460,292,340	100,009,377	9,078,830	118,061,525	1,355,326,033
Rate of Depreciation		2.5%	25.0%	10.0%	25.0%	12.5%	10.0%	



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 21

PROPERTY IN WORK IN PROGRESS

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

	2018	2017
	Kes.	Kes.
Balance as at 1 July	1,889,215,227	1,889,215,227
Prior item additions paid by MOPW	488,735,759	
Additions during the year	337,325,446	-
Balance as at 30 June	2,715,276,432	1,889,215,227

NOTE 22

INVESTMENT PROPERTY

COST

	2018	2017
	Kes.	Kes.
Balance as at 1 July	381,408,000	381,408,000
Additions	-	-

Balance as at 30 June

381,408,000	381,408,000
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ACCUMULATED DEPRECIATION

Balance as at 1 July	(116,971,252)	(99,745,909)
Depreciation charge for the year	(19,778,703)	(17,225,343)

Balance as at 30 June

(136,749,955)	(116,971,252)
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NET BOOK VALUES

Balance as at 30 June	244,658,045	264,436,748
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NOTE 23

INVESTMENTS

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

	2018	2017
	Kes.	Kes.
695,000 Ordinary Shares @ Kes. 20.00	13,900,000	13,900,000
2,520,000 4% Non cumulative Preference Shares @ Kes. 20.00	50,400,000	50,400,000
Balance as at 30 June	64,300,000	64,300,000



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 24

INTANGIBLE ASSETS -SOFTWARES

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

COST

Balance as at 1 July

Additions for the year

Balance as at 30 June

ACCUMULATED AMORTIZATION

Balance as at 1 July

Amortization charge for the year

Balance as at 30 June

NET BOOK VALUES

Balance as at 30 June

	2018	2017
	Kes.	Kes.
Balance as at 1 July	152,539,913	141,287,404
Additions for the year	3,106,682	11,252,509
Balance as at 30 June	155,646,595	152,539,913
Balance as at 1 July	(124,794,726)	(117,754,656)
Amortization charge for the year	(15,772,715)	(7,040,070)
Balance as at 30 June	(140,567,441)	(124,794,726)
Balance as at 30 June	15,079,154	27,745,187

NOTE 25

TRADE AND OTHER PAYABLES

Examination Expenses Payable

Trade Creditors

Accrued Expenses (Budget Commitments)

Staff Deductions Payables

Statutory Deductions Payables

KNEC Contribution to WCPS / Staff Contribution to WCPS

Audit Fees (Accrual)

Rent Deposit Refundable

	2018	2017
Note	Kes.	Kes.
Examination Expenses Payable	3,180,483	42,922,799
Trade Creditors	339,393,379	239,542,527
Accrued Expenses (Budget Commitments)	97,693,139	84,691,455
Staff Deductions Payables	5,305,528	11,318,045
Statutory Deductions Payables	60,719,327	30,578,256
KNEC Contribution to WCPS / Staff Contribution to WCPS	54,809	12,364,260
Audit Fees (Accrual)	2,900,000	2,900,000
Rent Deposit Refundable	987,500	1,217,500
	510,234,165	425,534,842



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 26

DEFERRED INCOME

	2018	2017
	Kes.	Kes.
Deferred - Income - KCPE	526,471,631	497,479,383
Deferred - Income - KCSE	1,829,794,931	1,989,816,698
Deferred - Income - PTE	87,582,794	67,156,947
Deferred - Income - TCEA	682,640	363,739
Deferred - Income - Technical	338,834,520	291,226,768
Deferred - Income - Business	88,120,132	88,464,197
Deferred - Income - ECDE	-	120,010,467
Confirmation of Certificates	-	32,755,387
Replacement of Certificates	-	19,003,952
Deferred Income - Equation	-	1,213,172
	2,871,486,648	3,107,490,710

DEFERRED INCOME RECONCILIATION

	2018	2017
	Kes.	Kes.
Balance as at 1 July	3,107,490,710	2,539,628,229
Movements during the year		
Current year receipts		
Examination grants received from MoE	4,122,568,672	3,208,868,712
MoE Examination grants receivable	-	642,899,488
Other receipts generated internally	1,615,276,262	1,911,824,207
Conditions met- transferred to revenue		
Examination grants expanded	(4,227,695,987)	(3,112,226,088)
Other receipts generated expanded	(1,746,153,009)	(2,083,503,837)
Total Movements during the year	(236,004,062)	567,862,482
Conditions to be met- liabilities	2,871,486,648	3,107,490,710



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**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

NOTE 27 OVERDRAWN ACCOUNTS	Note	2018 Kes.	2017 Kes.
Overdrawn Accounts	47	3,794	-
		3,794	-

NOTE 28 EMPLOYEE BENEFIT OBLIGATION		2018 Kes.	2017 Kes.
Balance as at July		33,974,142	16,437,234
Additional Staff Leave Days Provision raised		(5,455,064)	4,569,471
Additional Gratuity Provision raised		(7,047,076)	12,967,437
Balance as at 30 June		21,472,002	33,974,142

TAXATION PROVISION	Note	Kes.	Kes.
Balance as at 1 July		25,113,570	48,989,415
Additional Tax Provision raised	16	19,501,260	17,702,929
Tax Provision utilized		(13,363,062)	(41,578,774)
Balance as at 30 June		31,251,768	25,113,570

NOTE 30 DONOR PROJECT FUNDS		2018 Kes.	2017 Kes.
Rockefeller B/F		3,339,543	3,339,543
EAC (Essay Writing Competition) B/F		329,248	329,248
KESSP - NASMLA B/F		8,185,861	8,185,861
UKEFR Study - AKF B/F		41,000	41,000
GPE-World Bank PRIEDE Project Account		162,102,599	27,526,692
World Bank SEQIP		36,453,808	-
Balance as at June		210,452,059	39,422,344



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DONOR PROJECT FUNDS	2018 Kes.	2017 Kes.
Reconciliation of Donor Project Funds		
Balance as at 1 July	39,422,344	67,226,752
Movements during the year		
Current year receipts		
GPE-World Bank PRIEDE Project	225,911,723	-
SEQIP-Secondary Education Quality Improvement Project	41,423,025	-
GPE-World Bank PRIEDE Project	(91,335,816)	(27,804,408)
SEQIP-Secondary Education Quality Improvement Project	(4,969,217)	-
Total Movements during the year	171,029,715	(27,804,408)
Conditions to be met- liabilities	210,452,059	39,422,344
 NOTE 31	 2018	 2017
CAPITAL WORKS RETENTIONS	Kes.	Kes.
Balance as at 1 July		
Retention of New Mitihani House	54,906,282	55,346,942
Additions		
Retention of New Mitihani House	27,837,179	-
Retention of Other Refurbishment Works	1,415,200	(440,660)
Balance as at 30 June	84,158,661	54,906,282



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NOTE 32	2018	2017
CAPITAL RESERVE	Kes.	Kes.
Balance as at 1 July	2,683,007,414	2,513,007,414
Prior item additions grants on NMH paid by MOPW	488,735,759	
Capital grants for the year	315,000,000	170,000,000
Balance as at 30 June	3,486,743,173	2,683,007,414

NOTE 33	2018	2017
REVALUATION RESERVE	Kes.	Kes.
Balance as at 1 July	709,640,359	709,640,359
Revaluations for the year	-	-
Balance as at 30 June	709,640,359	709,640,359

NOTE 34	2018	2017
REVENUE RESERVE -ACCUMULATED SURPLUS	Kes.	Kes.
Balance as at 1 July	923,403,225	1,074,794,741
Prior Items Adjustments	25,141,003	75,613,927
Surplus/(Deficit) for the Year	48 (1,065,415,558)	(227,005,443)
Balance as at 30 June	(116,871,330)	923,403,225



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NOTE 35

INTER-ENTITY TRANSFERS

Parliamentary Allocation approved

	2018	2017
	Kes.	Kes.
MoE Recurrent Grants Transfer	841,135,888	200,000,000
MoE Recurrent Exams Grants Transfer	3,481,432,784	3,208,868,712
MoE Capital Grants	315,000,000	60,000,000
World Bank Projects Grants	267,334,748	-
Outstanding Recurrent Pending Bills	-	362,714,424
Outstanding Capital Pending Bills	-	110,000,000
Balance as at 30 June	4,904,903,420	3,941,583,136

Note 35 b) Transfer from Ministries, Departments & Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Amount recognized in Project funds	2017-2018 Total grant income during the year
	Kes	Kes	Kes.	Kes	Kes
Ministry/State Department of Basic Education	841,135,888	3,481,432,784	315,000,000	267,334,748	4,904,903,420



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 36

RELATED PARTIES

Nature of related party relationships

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

Government of Kenya

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

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

	2018	2017
	Kes.	Kes.
Amounts owed by related parties		
MoE	-	971,509,112
Related party transactions		
MoE Grants	4,051,470,575	3,596,127,394
Key management compensation		
Council Members Expenses	32,684,036	48,814,840
Key Management Emoluments	34,967,671	



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 37

COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure authorized and contracted for

Local Purchase Orders authorized

2018

Kes.

2017

Kes.

72,909,893

91,263,588

72,909,893

91,263,588

OPERATING LEASE COMMITMENTS

KNEC as lessee

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

Due within one year

Due within two to five years

Later than five years

Total operating lease expense commitments

2018

Kes.

2017

Kes.

39,666,729

49,595,410

158,798,914

4,567,667

18,775,867

-

217,241,510

54,163,077

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

NOTE 38

PRIOR ITEMS ADJUSTMENTS

Kes.

*** Prior Adjustments amounting to Kshs. 25,141,003 are explained as follows;**

Write-offs of Local Purchase Orders (LPO's) amounting to Kes. 25,141,003 during the year 2017/2018 which were not expected to be serviced but whose commitments had earlier been factored in the Financial Statements in accordance with Accrual Basis of Accounting.

25,141,003

**** Prior Items on capital reserve and New Mitihani Work in Progress amounting to Kshs. 488,735,759 are explained as follows;**

The Ministry of Public Works had paid the contractor Ongata Works Ltd for Construction of New Miithani House Phase V amounts totaling to Kes.488,735,759 prior periods which were not factored in earlier in the Financial Statements.

488,735,759



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 39

CONTINGENT ASSETS

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

Debtors	<u>Kes.</u>
Foundation Institute of Africa.	16,016,000
COM -21 Ltd.	4,546,829
Ken bright Insurance Broker	7,000,000
	<u>27,562,829</u>

NOTE 40

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

CHANGES FROM ORIGINAL BUDGET TO FINAL BUDGET

The variance between the Original budget and the Final budget can be explained by the necessary budgetary adjustments made in the course of the year where the original budget did not adequately envisage actual operating circumstances. The actual revenues fell short of budgeted amount by Kes.92,904,849 and capital increase of Kes.513, 294,370 on the budget heads and recurrent line items increase of Kes.603,091,019 became necessary to safeguard the security of examination processes.

NOTE 40

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

Revenue	Variance based on % increased Kes.	Justification
Interest Income from Financial Institutions	(8,725,552)	The budgeted interest income was conservative as informed by the interest capping law.
Other Operating Income	(18,668,634)	The decrease was attributable to the lower turnout in Examiners training than had been anticipated.
Capital Grants from MOE	(495,000,000)	Full Request of Kes.810 million not given due to funding challenges.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 40

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

Expenditure	Variance based on % increased Kes.	Justification
Board and its Committees Expenses	11,859,964	Fewer Council meetings than had been anticipated
Administration Expenses	(33,004,921)	<p>The main causes of the negative variance was due to:</p> <ol style="list-style-type: none">1. Additional costs towards asset revaluation which is a non-routine expenditure. Additionally, expenses were incurred for inspection of containers.2. Increased cost of operations, maintenance and high fuel costs of Council vehicles following the decision of not disposing old vehicles.3. Attributable to high stock levels found at the closing stock take exercise.4. More staff were sent on sensitization and training programs as incorporated under the Council's performance contract.5. High maintenance costs of the generators, air-conditioners and 60kv UPS and CCTV security systems.
Examinations Expenses	(311,981,749)	<p>The main causes of the negative variance was due to:</p> <ol style="list-style-type: none">1. There was a review of contracted professionals rates on script fee for examiners in the year coupled up with higher turnout following successful training.2. Additional costs are attributable to dispatching & printing of the long outstanding prior years certificate recoveries from 2010 to date and settlement of the 2016 certificates invoices which had been delayed due to a Court Case.3. Extra Costs incurred to facilitate the dispatch of 2017 result slips and 2016 certificates and the twice weekly examinations materials dispatch by KNEC officers.4. Additional costs were used to administer examination centres i.e. KCPE (9,684), KCPE (26,284) & PTE (129).5. Provision made to cater for the Allowances paid to DCCs and SCDEs attending a briefing and to collect padlocks for containers apportioned between the national examinations.



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NOTE 40 Continued

Expenditure	Variance based on % increased Kes.	Justification
Housing of Staff & Office Accommodation	(32,216,163)	Refurbishment and improvement works in key Council premises coupled up with renewal of operating leases.
Project Expenses	676,670	Fewer Sacmeq expenses than had been anticipated.
Increase in Provision of Doubtful Debt	(19,889,300)	Provision for doubtful debt not budgeted for.
Increase in Provision of Leave pay	5,455,064	Savings is attributable to staff taking annual leave.
Depreciation & Amortization	(273,129,956)	Depreciation not budgeted for, it does not involve monetary.
Taxation	58,010,734	Tax arrears not paid in the financial Year 2017/2018 following tribunal ruling.
Construction of Buildings	472,674,554	Full Request of Kes.810 million not given due to funding challenges.
Purchase of computer equipment	(29,791,501)	New acquisitions of computers to facilitate the examination processing in the marking centres.
Other purchase of non - current assets	81,388,676	Capital expenditure authorized and contracted for Kes.81.3 million were outstanding.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 41

RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

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

	Operating	Investing	Financing	Total
	Kes.	Kes.	Kes.	Kes.
Surplus for the Year as per Statement of Financial Performance	(1,065,415,560)	-	-	(1,065,415,560)
Adjusted for:				
Basic Difference	(351,351,296)	-	-	(351,351,296)
Presentation Difference	-	-	-	-
Entity Difference	-	-	-	-
Deficit for the Year as per Statement of Budget Performance	(1,416,766,856)	-	-	(1,416,766,856)



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 42

FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

CREDIT RISK MANAGEMENT

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

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

Trade receivables have been adequately assessed for impairment.

Classification of credit risk bearing assets

The table below represents Council's maximum exposure to credit risk as at 30 June 2018.

2018	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.	TOTAL Kshs.
Cash in Bank	626,275,710	-	-	626,275,710
Examination Debtors	18,886,590	-	19,889,300	38,775,890
Unsurrendered Imprest	2,550,750	15,100	309,100	2,874,950
Sundry Debtors	11,915,046	580,696	271,383	12,767,124
Staff Receivables	283,181	129,000	93,622	505,803
Interest Receivable/Accrued Interest	9,832,301			9,832,301
Deposit to Institutions	11,644,560	400,000	-	11,644,560
	681,388,137	1,124,796	20,563,405	702,676,339



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 42 (Continued)

MARKET RISK MANAGEMENT

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

Interest rate risk

Interest rate risk is the risk that the interest rate movement may have a significant impact on Council's value of investments. The Council's investments in fixed rate deposits expose it to fair value interest rate risk. The Council has no interest bearing liabilities. The Council considers that no change in interest rates in the year ending 30 June 2018.

Price risk

Long term instruments held by the Council whose market prices are not subject to change. The table below represents Council's maximum exposure to interest and price risk as at 30 June 2018.

2018	Within 12 months	Over 12 months	TOTAL
	Kes.	Kes.	Kes.
Long term Investments	-	64,300,000	64,300,000
Fixed Deposits	2,195,580,610	-	2,195,580,610
	2,195,580,610	64,300,000	2,259,880,610

FOREIGN CURRENCY RISK MANAGEMENT

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

2018	Within 12 months	Over 12 months	TOTAL
	UK £.	UK £.	UK £.
Co-operative Bank -Forex Account	120,982	-	120,982
	120,982	-	120,982



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 42 (Continued)

LIQUIDITY RISK MANAGEMENT

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

2018	Within 6 months Kes.	Over 12 months Kes.	TOTAL Kes.
Examination Expenses Payable	3,180,483	-	3,180,483
Trade Creditors	326,617,291	12,776,088	376,789,639
Accrued Expenses	82,946,694	14,746,444	97,693,138
Statutory Deductions Payables	53,766,306	6,953,021	60,719,327
Staff Deductions Payables	5,052,888	252,640	5,305,528
KNEC Contribution to WCPS / Staff Contribution to WCPS	54,809	-	54,809
Audit Fees (Accrual)	2,900,000	-	2,900,000
Rent Deposit Refundable	-	987,500	987,500
Provision for Employee obligations benefits	21,472,002	-	21,472,002
	495,990,473	35,715,693	531,706,167



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NOTE 43

**Detailed CASH AND
CASH EQUIVALENTS**

<i>Bank</i>	<i>Branch</i>	<i>Account</i>	2018 Kes.	2017 Kes.
Standard Chartered Bank of Kenya Ltd. -Current Account	Harambee	0104074065402	-	3,150,566
Standard Chartered Bank of Kenya Ltd.			-	3,150,566
Co-operative Bank - GPE-WORLD BANK-PRIEDE PROJECT	Coop House	01136030120309	162,102,599	23,049,537
Co-operative Bank -Forex Account	Coop House	03120030120300	16,736,041	459,134
Co-operative Bank - Current Account	Coop House	01136030120300	7,537,301	17,249,981
Co-operative Bank -Project Account	Coop House	01136030120302	5,065,917	2,678,063
Co-operative Bank -KCSE Collection Account	Coop House	01136030120304	10,000	10,000
Co-operative Bank - General Tran Collection Account	Coop House	01136030120307	10,000	10,000
Co-operative Bank - Business Collection Account	Coop House	01136030120305	9,093	10,001
Co-operative Bank - Technical Collection Account	Coop House	01136030120306	9,054	8,824
Co-operative Bank -Other Exams Collection Account	Coop House	01136030120308	8,554	103,540
Co-operative Bank -KCPE Collection Account	Coop House	01136030120303	8,515	8,863
Co-operative Bank			191,497,074	43,587,943
Equity Bank -Current Account	Lavington Supreme Centre	0470294988324	7,447,210	49,557,478



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Equity Bank - KCPE Collection Account	Lavington Supreme Centre	0470294988424	10,000	10,000
Equity Bank -KCSE Collection Account	Lavington Supreme Centre	0470294988446	10,000	10,000
Equity Bank -General Tran. Collection Account	Lavington Supreme Centre	0470294988491	10,000	9,986
Equity Bank -Technical Exam Collection Account	Lavington Supreme Centre	0470294988458	10,000	9,978
Equity Bank -Other Exam Collection Account	Lavington Supreme Centre	0470294988480	10,000	9,798
Equity Bank -Business Exam Collection Account	Lavington Supreme Centre	0470294988466	9,981	10,001
Equity Bank			7,507,191	49,617,241
National Bank of Kenya - Current Account	Harambee avenue	0100105387000	76,746,013	14,198,270
National Bank of Kenya - KCSE Collection Account	Harambee avenue	0100160313800	10,001	10,001
National Bank of Kenya - Business Collection Account	Harambee avenue	0100160314000	10,000	10,000
National Bank of Kenya - Technical Collection Account	Harambee avenue	0100160314100	10,000	10,000
National Bank of Kenya - General Tran Collection Account	Harambee avenue	0100160314300	10,000	9,999
National Bank of Kenya - Other Exams Collection Account	Harambee avenue	01001060314200	9,999	9,999
National Bank of Kenya - KCPE Collection Account	Harambee avenue	0100160313800	9,500	10,020
National Bank of Kenya			76,805,513	14,258,289
Kenya Commercial Bank - Current Account	Moi Avenue	01107140870	336,234,662	9,650,368
Kenya Commercial Bank - Technical Collection Account	Moi Avenue	01116686791	9,560	9,054



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Kenya Commercial Bank - Business Collection Account	Moi Avenue	01116686554	9,054	9,472
Kenya Commercial Bank - KCPE Collection Account	Moi Avenue	01116686414	7,954	8,724
Kenya Commercial Bank - General Transactions Collection Account	Moi Avenue	01116686937	7,866	8,218
<hr/>				
Kenya Commercial Bank - Other Exams Collection Account	Moi Avenue	01116686880	7,074	6,662
Kenya Commercial Bank - KCSE Collection Account	Moi Avenue	01116686457	-	8,878
Kenya Commercial Bank			336,276,170	9,701,376
Commercial Bank of Africa - Current Account	Mama Ngina Street	7079410014	-	6,810,848
Safaricom - Mpesa Utility (float) Account	Mama Ngina Street	74810049-17	12,518,275	19,856,843
Cash in Hand			383,834	-
Cash in Bank and Hand			626,275,710	146,983,106
<hr/>				
Interbank Transfer			-	20,000,000
Cash in Transit			-	100,000
Total Transfer in Transit			-	20,100,000
<hr/>				
Short Term Deposits				
Fixed Deposits - KCB			2,063,201,542	577,874,169
Fixed Deposit - Project Co-operative Bank			81,079,616	237,000,000
Fixed Deposit - Co-operative Bank			50,000,000	929,342,800



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Fixed Deposits - Commercial Bank of Africa	1,299,450	600,000,000
Fixed Deposit -Equity Bank	-	450,000,000
Fixed Deposit - National Bank	-	200,000,000
	2,195,580,610	2,994,216,969

NOTE 44

Detailed RECEIVABLES FROM NON EXCHANGE TRANSACTIONS	2018 Kes.	2017 Kes.
MoE Debtor- School Examinations - KCSE	-	952,699,488
MoE (Sacmeq)	-	18,809,624
	-	971,509,112

NOTE 45

Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS	2018 Kes.	2017 Kes.
Debtors - Examinations		
Debtors - School Examinations - KCPE	297,600	297,600
Debtors - School Examinations - KCSE	4,235,910	4,751,010
Debtors - Teachers Examinations - DTE	1,917,350	78,750
Debtors - Teachers Examinations - ECDE	27,625,220	26,273,030
Debtors - Teachers Examinations - SNE	-	237,800
Debtors - Post School Examinations - Business	2,553,000	1,382,840
Debtors - Post School Examinations - Technical	2,146,810	3,163,200
Provision for Bad Debts – ECDE Foundation Institute	(19,889,300)	-
	18,886,590	36,184,230
Unsurrendered Imprest -Non staff	2,874,950	3,899,725
Provision for Bad Debts - Temporary Imprest	(309,100)	(309,100)
	2,565,850	3,590,625
Staff Receivables		
Salary Advance	129,000	420,723
Staff Debtors	376,803	174,105
Provision for Bad Debts - Staff Debtors	(93,622)	(93,622)
	412,181	501,206



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**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

Sundry Debtors

Miscellaneous Debtors	11,818,665	12,047,384
Debtors - Kenya Polytechnic	153,460	153,460
Retirement Benefits	795,000	795,000
Provision for Bad Debts - Kenya Polytechnic	(153,460)	(153,460)
Provision for Bad Debts - Fina Stationers	(103,273)	(103,273)
Provision for Bad Debts - Mufam Collectors	(14,650)	(14,650)
	12,495,741	12,724,461

NOTE 45 (Continued)

**Detailed RECEIVABLES FROM EXCHANGE
TRANSACTIONS**

Deposit to Institutions

	2018	2017
	Kes.	Kes.
Deposit to Hospitals	706,000	706,000
Deposit to Institutions(Office Rent)	9,338,560	6,611,705
Deposit to Petrol Stations	1,600,000	1,600,000
	11,644,560	8,917,705

NOTE 46

Detailed TRADE AND OTHER PAYABLES

Examination Expenses Payable

	2018	2017
	Kes.	Kes.
Marking Payables	562,293	-
Field Administration Payables	2,618,190	42,922,799
	3,180,483	42,922,799

Staff Deductions Payables

Net Pay	-	225,053
Other Co-operatives / Elimu Co-operative	-	1,022,697
Mwalimu Co-operative	-	887,722
Insurance	-	540,324
Mortgages / Bank Loans	-	3,132,129
Benevolent Funds	-	48,500
Insurance benefits	5,305,528	5,456,620
Teachers Service Commission (Recoveries)	-	5,000
	5,305,528	11,318,045



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Statutory Deductions Payables

University Loan Recoveries (HELB)	-	92,870
PAYE- Salaries and wages & facilitation allowances	13,349,762	18,226,041
PAYE- Board members allowances	464,164	597,305
Income Tax (Withholding Tax) - Creditors	733,049	805,063
Withholding tax - Contracted Professionals	40,005,093	2,594,887
Commissioner of Tax -VAT Withholding	6,167,259	8,262,090
	<u>60,719,327</u>	<u>30,578,256</u>

NOTE 47

Detailed OVERDRAWN

ACCOUNTS

<i>Bank</i>	<i>Branch</i>	<i>Account</i>	2018	2017
			Kes.	Kes.
Kenya Commercial Bank - KCSE Collection Account	Moi Avenue	01116686457	1,650	-
Co-operative Bank - SEQIP Project			2,144	-
Overdrawn Accounts			<u>3,794</u>	-



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NOTE 48

Analysis of Financial Performance

In the financial year 2017/2018 the Council incurred a deficit of Kes. 1,065,415,588 resulting to decreased accumulated surplus to Kes.(116,871,330) from Kes.923,403,225 in financial year 2016/2017. The Council has attributed the loss to the national need to secure the KCPE & KCSE national examinations after the massive leakage and irregularities experience in 2015 resulted in the Government disbanding the previous Council and management.

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

The Council has brought this matter to the attention to the Ministry of Education with a proposal to increase the unit cost per candidature as follows Kes.800 to Kes.1,145 for KCPE & Kes.5,400 to Kes.6,790 for KCSE for funding of the 2018 candidature.

The Council has also requested for an increase in its recurrent capitation from the current level of Kes.200 million to Kes.400 million.

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



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NOTE 49

Analysis of Key Personnel used in Examination Administration

The Council is conscious of the need to complete the process of standardizing its assessment processes by involving qualified and experienced contracted professionals to run the school examinations. During the reporting period, a total of 256,253 contracted professionals were used in 2017 national examinations in comparison to the total of 241,420 contracted professionals were used in 2016 national examinations. Details of the number on contracted professionals for KCPE & KCSE examinations are shown below:

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

	2018 No	2018 Kes.	2017 No	2017 Kes.
KCPE				
Marking				
Examiners travel and coordination	5,370	30,819,030	4,892	24,484,283
Examiners Script Fees		32,193,544		27,427,787
Field Administration				
Supervision & invigilation	120,676	209,715,118	113,734	178,152,601
Centre managers EMDs (Examination officials manning the distributions centres)	25,287 5,332	37,930,500 37,987,723	24,614 4,964	36,912,000 31,819,240
	156,665	348,645,915	148,204	298,795,911
KCSE				
Marking				
Examiners travel and coordination	19,223	112,468,100	16,348	115,687,283
Examiners Script Fees		819,566,549		685,346,803
Field Administration				
Supervision & invigilation	65,616	546,041,287	62,999	543,228,940
Centre managers EMDs (Examination officials manning the distributions centres)	9,417 5,332	84,726,000 63,345,423	8,905 4,964	78,606,000 76,855,075
	99,588	1,626,147,359	93,216	1,499,724,101



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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

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

Reference No of the External Audit Report	Issues/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)												
1.0	Delay in the completion of Mitihani House in South C. The Works has been outgoing for the last 32 years. According to the latest engineers valuations report it requires Kes. 1.3 billion to complete the building.	<p>The Mgt concur with the auditor's observation. The construction has faced numerous challenges resulting from:</p> <p>➤ Project management: The New Mitihani House construction project management is under the Ministry of Land, Housing & Urban development) and not the Council.</p> <p>➤ Project Funding: The Council has been receiving amounts far below the Council Requirements for the project as shown below:</p> <table border="1"><thead><tr><th>Fiscal Year</th><th>Printed Estimate Kes. million</th><th>Amount allocated Kes. million</th></tr></thead><tbody><tr><td>2017/18</td><td>315</td><td>315</td></tr><tr><td>2018/19</td><td>15</td><td>15</td></tr><tr><td>2019/20</td><td>15</td><td>15</td></tr></tbody></table>	Fiscal Year	Printed Estimate Kes. million	Amount allocated Kes. million	2017/18	315	315	2018/19	15	15	2019/20	15	15	Mercy Karogo CEO KNEC	Not Resolved	
Fiscal Year	Printed Estimate Kes. million	Amount allocated Kes. million															
2017/18	315	315															
2018/19	15	15															
2019/20	15	15															

Guidance Notes:

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

Prof. George A.O Magoha MBS EBS CBS
CHAIRMAN

Dr. Mercy Karogo MBS
Ag. CHIEF EXECUTIVE OFFICER



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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 The New Mitihani House Project		The GoK	1986-2018	No	No	Yes
2 Regional Containers		The GoK	2017-2018	No	No	Yes
3 OMR Scanners		The GoK	2017-2018	No	No	Yes

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	The New Mitihani House Project	3,965,615,444	2,715,276,431	68%	810,000,000	337,325,446	The GoK
2	Regional Containers	346,783,723	296,783,723	86%	113,394,370	69,384,199	A.I.A
3	OMR Scanners	144,000,000	131,451,874	99%	132,000,000	137,977,171	A.I.A



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APPENDIX III: INTER-ENTITY TRANSFERS

Kenya National Examinations Council			
Break down of Transfers from the State Department of Education			
FY 2017/18			
a.	Recurrent Grants		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	18/09/17	50,000,000	FY 2017/2018
	28/09/17	793,719,770	FY 2017/2018
	8/12/2017	50,000,000	FY 2018/2019
	12/1/2018	1,000,000,000	FY 2018/2019
	11/4/2018	50,000,000	FY 2018/2019
	11/5/2018	278,848,902	FY 2018/2019
	19/06/18	1,000,000,000	FY 2018/2019
	19/06/18	1,100,000,000	FY 2018/2019
	Total	4,322,568,672	-
b.	Development Grants		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	11/12/2017	15,000,000	FY 2017/2018
	28/06/18	300,000,000	FY 2017/2018
	Total	315,000,000	-
c.	Direct Payments		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Total	0	-
d.	Donor Receipts		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	22/12/17	225,911,723	FY 2017/2018 to FY 2018/2019
	21/06/18	41,423,025	FY 2017/2018 to FY 2018/2019
	Total	267,334,748	-

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

Finance Controller
KNEC



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2018**

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund	Total Amount - KES	Where Recorded/recognized						Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Project Funds		
MOE	18/09/17	Recurrent	50,000,000	50,000,000						50,000,000
MOE	28/09/17	Recurrent /Direct Payment	793,719,770	791,135,888		2,583,882	0			793,719,770
MOE	8/12/2017	Recurrent	50,000,000			50,000,000				50,000,000
MOE	11/12/2017	Development	15,000,000		15,000,000					15,000,000
MOE/World Bank	22/12/17	Donor Fund	225,911,723					225,911,723		225,911,723
MOE	12/1/2018	Recurrent	1,000,000,000			1,000,000,000				1,000,000,000
MOE	11/4/2018	Recurrent	50,000,000			50,000,000				50,000,000
MOE	11/5/2018	Recurrent	278,848,902			278,848,902				278,848,902
MOE	19/06/18	Recurrent	1,000,000,000			1,000,000,000				1,000,000,000
MOE	19/06/18	Recurrent	1,100,000,000			1,100,000,000				1,100,000,000
MOE	28/06/18	Development	300,000,000		300,000,000					300,000,000
MOE/World Bank	21/06/18	Donor Fund	41,423,025					41,423,025		41,423,025
Total			4,904,903,420	841,135,888	315,000,000	3,481,432,784	0	267,334,748	0	4,904,903,420

