



THE KENYA NATIONAL EXAMINATIONS COUNCIL

Annual Report and Financial Statements for the Year Ended 30 June, 2021



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)



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LIST OF ACRONYMS

KEY

ADA	Alcohol and Drug Abuse
AEAA	Association for Educational Assessment in Africa
CBA	Competency Based Assessment
CBC	Competency Based Curriculum
CEO	Chief Executive Officer
CS	Cabinet Secretary
CPC	Corruption Prevention Committee
CSR	Corporate Social Responsibility
DTE	Diploma in Teacher Education
ECDE	Early Childhood Development & Education
EGMA	Early Grade Mathematics Assessment
ESQAC	Education Standards and Quality Assurance Council
EPS	Examinations Processing System
FPE	Free Primary Education
FDSE	Free Day Secondary Education
GPE	Global Partnership for Education
HELB	Higher Education Loans Board
HIV	Human Immunodeficiency Virus
IAEA	International Association for Educational Assessment
ICT	Information and Communication Technology
IPSAS	International Public Sector Accounting Standards
ISMS	Information Security Management System
KCSE	Kenya Certificate of Secondary Education
KCPE	Kenya Certificate of Primary Education
KEPSHA	Kenya Primary Schools Head Teachers Association
KICD	Kenya Institute of Curriculum Development
KNEC	Kenya National Examinations Council
KESSHA	Kenya Secondary School Heads Association
MoE	Ministry of Education
MTEF	Medium Term Expenditure Framework
MTP 3	The Third Medium Term Plan
NASLMA	National Assessment System for Monitoring Learner Achievement
NAC	National Assessment Centre
NGEC	National Gender & Equality Commission
MLA	Monitoring Learner Achievement
NMH	New Mitihani House
PFM Act	Public Finance Management Act, 2012
PTE	Primary Teachers Education
PWD	Persons with Disability
DQAS	Directorate of Quality Assurance and Standards
QMS	Quality Management System
SEACMEQ	Southern and Eastern Africa Consortium for Monitoring Educational Quality
SEQIP	Secondary Education Quality Improvement Project
SNE	Special Needs Education
SRC	Salaries and Remuneration Commission
TCAE	Teacher Certificate in Adult Education
TSC	Teachers Service Commission



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PREAMBLE

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

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

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

KNEC's programmes are embedded and aligned to the Constitution of Kenya, the Kenya Vision 2030, Medium-Term Plan III 2018–2022 and the National Education Sector Strategic Plan (2018-2022). KNEC develops, administers, supervises, and oversees all national examinations in Kenya. These examinations are based on the curricula 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.

For the various educational programmes, KNEC develops and administers assessments and examinations to assess the knowledge, skills and attitudes acquired by the learners. The examination results are analysed and cross-tabulated to give accurate insight into the state of education service delivery in every county, Sub County, zone and school in the country.

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

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



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1.0 KEY ENTITY INFORMATION AND MANAGEMENT

1.1 BACKGROUND INFORMATION

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

The Council consists of –

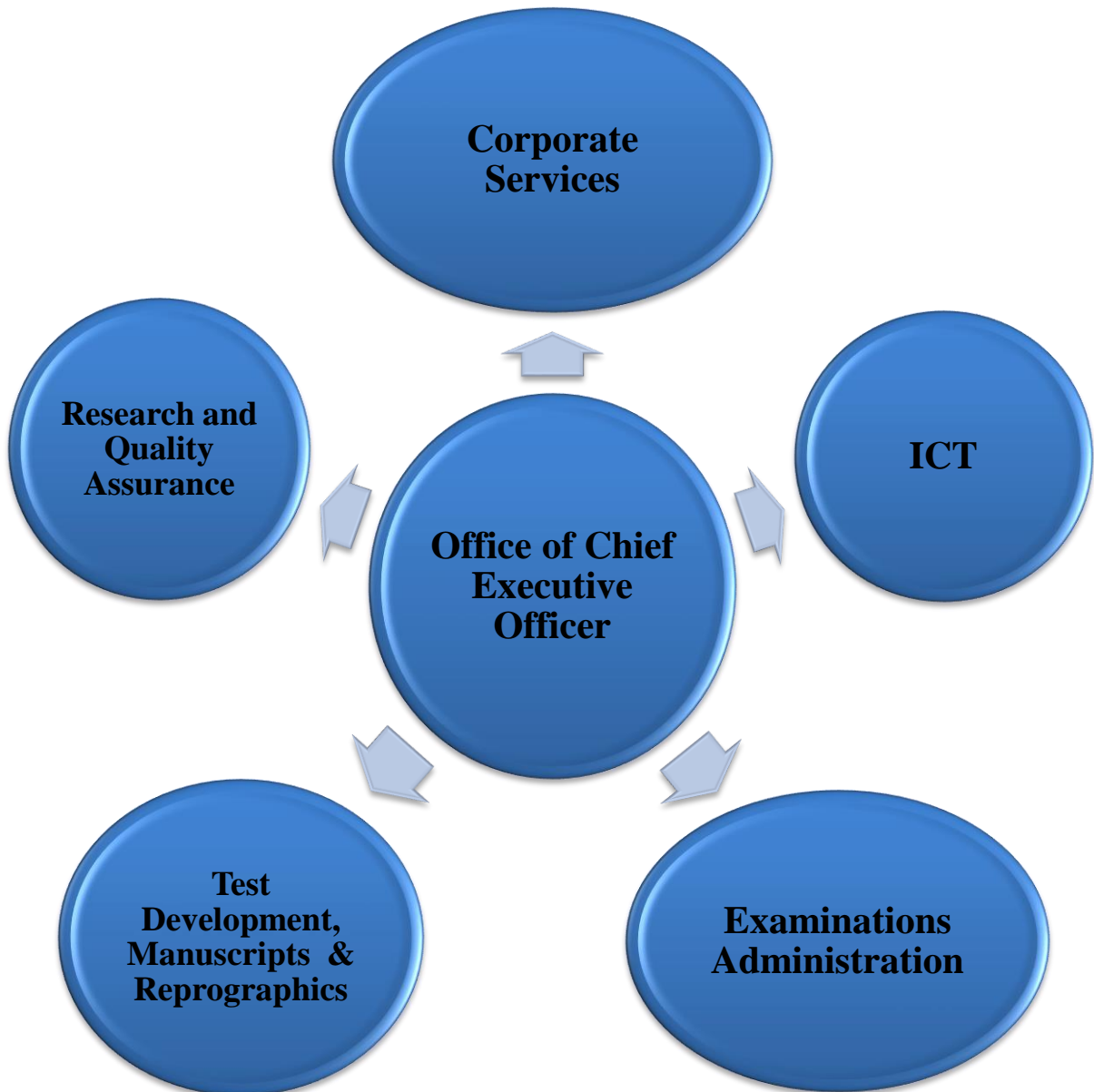
- 1.1.1 A Chairperson appointed by the President under Section 5;
- 1.1.2 The Principal Secretary of the Ministry responsible for matters relating to education or a representative of the Principal Secretary;
- 1.1.3 The Principal Secretary of the Treasury or his representative;
- 1.1.4 The officer in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



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1.2 DEPARTMENTAL MODEL

Examinations processes are carried out by various departments. These include Test Development, Manuscripts & Reprographics, Examinations Administration, Research and Quality Assurance while Corporate Services and ICT provide support services required to ensure that examinations are conducted efficiently and effectively.





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1.3 PRINCIPAL ACTIVITIES

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



1.4 KEY ORGANS

KNEC's governance and management is under the following key organs:

1.4.1 The Council

1.4.2 Accounting Officer who is the Chief Executive Officer

1.4.3 Management



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1.5 FIDUCIARY MANAGEMENT

The Key management personnel who held office during the financial year ended 30th June 2021 and who had held direct fiduciary responsibility were:

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

1.6 FIDUCIARY OVERSIGHT ARRANGEMENTS

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

1.6.1 Examinations and Assessments Management Committee (EAMC)

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

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

The committee also endorses the research plan of the organization on behalf of the Council and advises on the conduct of educational research and policy interventions emanating from the research findings.

1.6.2 Finance, Strategy & General Purposes Committee (FSGPC)

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



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1.6.3 Audit & Risk Committee (ARC)

The Committee is responsible for managing the organization's risk, ensuring compliance to all applicable laws and regulations, and spearheading good governance practices by the Council members and the Secretariat. The Committee is responsible for monitoring the Council's internal control environment and provide advice on areas of improvement. The Committee oversees the operations of the Council to ensure that the set policies and procedures are adhered to.

1.6.4 Staff Affairs Committee (SAC)

The Committee is responsible for human resource management matters including recruitment and succession management. The Committee monitors, evaluates and makes recommendations with respect to policies and strategic matters relating to the Council's human resource.

1.6.5 Parliamentary/ Development Partners Oversight committees

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

1.7 REGISTERED OFFICE



National Housing Corporation (NHC) House, 6th Floor
Aga Khan Walk,



P. O. Box 73598
Code 00200 City Square
NAIROBI

1.8 KNEC CONTACTS



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



Fax: +254-020- 2226032



Website: www.knec.ac.ke



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



Facebook: Kenya National Examinations Council



Twitter: KNEC@ExamsCouncil



Mobile: 0720741001 / 0732333860



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Other Offices



New Mitihani House South C



Tel: +254 - 020-202143412



Mobile: 0720741004/0723333566 /0771813972/ 0772069891/ 0772069882/
0771813866/0771814259/ 0771814060/ 0771814105



Industrial Area Offices, Ministry of Public Works, Supplies Branch, Likoni Road.



Tel: +254 -0206 650820



Mobile: 0720741003 /0732333530



Mitihani House, Dennis Pritt Road, Kilimani



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



Mobile: 0703448667/0734333360

1.9 BANKERS



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



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



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



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



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



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1.10 INDEPENDENT AUDITORS



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

1.11 PRINCIPAL LEGAL ADVISOR





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



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2.0 THE COUNCIL

The Council that was in place from 1 July 2019 to 30 June 2020

COUNCIL MEMBER	PROFILE
<p>2.1</p>  <p>Dr. John O. Onsati, OGW</p>	<p><i>Council Chairman (Non-Executive)</i></p> <p>Dr. John O. Onsati OGW (Born 1953) was appointed as a Non-Executive Chairman of the Kenya National Examinations Council on 3rd May 2019 after serving three years as a member of the KNEC Council. He is an expert in Organizational Development and Transformation, Education and Training.</p> <p>Dr. John Onsati holds a Doctorate degree in Organizational Development and Transformation from Cebu Doctor's University - Philippines and a Master of Science (MSc) degree from Victoria University of Manchester, UK, and has experience in the education sector spanning several decades.</p>
<p>2.2</p>  <p>Dr. Julius O. Jwan, MBS</p>	<p><i>Principal Secretary, Ministry of Education and chairperson of the Education and Assessments Management Committee.</i></p> <p>Dr. Julius O. Jwan MBS (Born 1965) is the Principal Secretary, State Department for Early Learning & Basic Education, Ministry of Education.</p> <p>Dr. Jwan served as the Director/CEO at the Kenya Institute of Curriculum Development (KICD). Previously, he worked as the Director – Programmes and Technical Services at the National Cohesion & Integration Commission (NCIC) and prior to joining the Commission, he served as a senior lecturer at Moi University and a tutor at Kaimosi Teachers' college.</p> <p>He holds a PhD in Educational Leadership and Management and a Master of Science in Educational Research Methods, both obtained from the UK. He has a Master of Philosophy in Education Management from Norway and another Masters Degree in Linguistics from Moi University, where he also graduated with a Bachelor of Education Degree.</p>





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COUNCIL MEMBER	PROFILE
<p>2.3</p>  <p>Dr. Julius M. Muia, CBS</p>	<p><i>Principal Secretary, The National Treasury</i></p> <p>Dr. Julius M. Muia CBS is the Principal Secretary at The National Treasury.</p> <p>He served as the Principal Secretary at the State Department for Planning. Previously he was the Director General, Vision 2030 Delivery Secretariat and as the Secretary, National Economic and Social Council, Office of the President.</p> <p>Dr. Muia has over 25 years' experience in leadership in the private sector in Kenya and UK in the hotel, manufacturing, and banking sector. His other engagements include an adjunct faculty at Strathmore Business School; adviser on strategy and trainer on leadership. He holds a PhD in Educational Leadership & Management and a Master of Science (M.Sc) in Finance in University of Nairobi, where he also graduated with a Bachelor of Commerce Degree.</p> <p>His professional qualifications include Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.</p> <p>He is represented on the Council by Mr. Festus Kingori.</p>
<p>2.4</p>  <p>Dr. Nancy N. Macharia CBS</p>	<p><i>Chief Executive, Teachers Service Commission (TSC)</i></p> <p>Dr. Nancy N. Macharia CBS (Born 1963) is a member of the Kenya Association of Public Administration Management (KAPAM) and Institute of Directors. She has worked in the education sector for over 28 years.</p> <p>She holds a Doctorate Degree, a Master of Education (Policy and Management) degree from Bristol University, UK and a Bachelor of Education degree in English/Literature from Kenyatta University.</p>




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	COUNCIL MEMBER	PROFILE
2.5	 <p>Prof, Charles Ochieng' Ong'ondo, MBS</p>	<p><i>Chief Executive Officer, Kenya Institute of Curriculum Development (KICD) and Chairperson of the Finance, Strategy & General Purposes Committee</i></p> <p>Prof. Charles Ochieng' Ong'ondo (Born 1964) is the Director/Chief Executive Officer (CEO) at the Kenya Institute of Curriculum Development (KICD).</p> <p>Previously, he worked as the Head of the Department of Communication Studies for Six years (2011-2017) and as School Examinations and Timetables Coordinator (2009-2011) in Moi University. He also served as acting Dean of School of Information Sciences and School of Human Resource Development.</p> <p>Prof. Charles Ochieng' Ong'ondo is an Associate Professor in Teacher Education. He is a Commonwealth Academic Fellow and Scholar who holds a Postdoctoral Fellowship in Research Methodology (University Warwick, UK), a PhD in English Language Teacher Education (the University of Leeds, UK); an Master of Philosophy Degree in English Language Education (Moi University, Kenya), a Bachelor Education Degree in English and Literature (Moi University) and a Diploma in Education (Siriba Teachers College - Kenya).</p>
2.6	 <p>Dr. Mary Gaturu, HSC</p>	<p><i>Director, Directorate of Quality Assurance & Standards at the Ministry of Education, State Department for Basic Education.</i></p> <p>Dr. Mary Gaturu, HSC (born 1963) is the Director in charge of Quality Assurance and Standards in the Ministry of Education.</p> <p>Formerly, she was the Regional Director of Education for the Rift Valley Region, County Director of Education for Muranga and for Nyandarua Counties. Before that she worked at the Teachers Service Commission as the Senior Graduate Teacher.</p> <p>She holds a Doctorate in Philosophy, Masters in Education and Bachelors of Education Degree, all from Kenyatta University.</p>



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	COUNCIL MEMBER	PROFILE
2.7	 <p>Mrs. Rosemary C. Saina, OGW</p>	<p><i>Independent Member and Chairperson of the Staff Affairs Committee</i></p> <p>Mrs. Rosemary C. Saina OGW (Born 1955), the immediate former Chief Principal of Kenya High School, is an educationist and manager. She also served in institutions such as Moi Girls School, Eldoret and Solian Girls High School, Baringo.</p> <p>She holds an Executive Master of Education degree -Moi University, Bachelor of Education (Arts) Degree - University of Nairobi, Diploma in Educational Management, Kenya Education Management Institute (KEMI) and a Certificate in Educational Methodologies - Ofri International Training Centre, Israel. She undertook a Certificate Course on Servant Leadership Training at Sundoulos African Leaders Training (S.A.L.T.).</p>
2.8	 <p>Prof. Eric O. Ogur</p>	<p><i>Independent Member</i></p> <p>Prof. Eric O. Ogur (Born 1971) is a Chartered Engineer and Member of the Institution of Mechanical Engineers (UK Since 2014). Prof. Ogur worked as the Director, Centre for Engineering Innovation and Production (CEIP). The CEIP's core purpose is to build capacity through Competency Based Education and Training (CBET) in advanced manufacturing technologies such as Computer Numerical Control (CNC) machine operation and maintenance, Reverse Engineering, Rapid Prototyping, Automation and Control.</p> <p>Prof. Ogur has extensive academic and practical knowledge of TVET reform strategies, pilot implementation, design, development, and implementation of different methodologies concerning CBET, Vocational Education and Training (VET), life-long learning and training of trainers.</p> <p>He holds a Doctorate Degree in Engineering, a Masters in Manufacturing Systems Engineering from University of Warwick, Coventry, England, and a Bachelor of Engineering in Mechanical and Manufacturing Engineering from the University of Portsmouth, Portsmouth, England.</p>





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COUNCIL MEMBER	PROFILE
<p>2.9</p>  <p>Martin O. Okiyo OGW</p>	<p><i>Independent Member representing interests of Persons with Disabilities and Chairperson of the Audit & Risk Committee</i></p> <p>Mr. Martin O. Okiyo OGW (Born 1982) is an Educationist by profession with strengths in Training, Leadership and Communication. Martin works with the International Council for Education of People with Visual Impairment, ICEVI as the Africa Region Coordinator of ICEVI’s Global Campaign for Education. He previously worked with Handicap International Tanzania, Uganda, Somalia, and Kenya Programme. Martin is a person with visually impairment and this combined with his work experiences in disability have made him diversity sensitive.</p> <p>He has a Bachelor of Education in Special Needs Education (and French language), National Diploma in Human Resources Management, National Diploma in Project Management, Master of Science in Development Studies and Master of Education in Educational Leadership and Administration. He is a University of Pretoria Senior Management Institute Fellow.</p>
<p>2.10</p>  <p>Col (Rtd.) Leonard Owambo</p>	<p><i>Co-opted Member</i></p> <p>Colonel (Ret) Leonard Owambo (Born 1956) is a co-opted member of the Council to advise on security matters. He is a professional security and leadership expert with vast experience both locally and internationally having served as Kenya’s Defense, Military, Naval and Air attaché to the United States of America (Washington DC) and Canada (Ottawa). He simultaneously served as Regional Director for Central and Southern Africa in the Washington Corps of Military Attaches.</p> <p>He holds a Masters degree in Leadership from Faith Christian University and Schools, Maryland USA, Bachelor’s Degree in Organizational Leadership (Magna cum Laude) from Bellevue University, Nebraska, Diploma in International Studies from the University of Nairobi and a Certificate in Defense Resource Management from Naval Post- Graduate School, Monterey CAO. Additionally, he is a trained and certified Close Protection agent.</p>



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COUNCIL MEMBER	PROFILE
<p>2.11</p>  <p style="text-align: center;">Dr. Fred O Sporta</p>	<p><i>Co-opted Member</i></p> <p>CPA, Dr. Fred O. Sporta (Born 1982) is an expert in Accounting & Financial Reporting and was co-opted as a member of the Kenya National Examinations Council from June 2019.</p> <p>Dr. Sporta is a trainer in financial reporting in many institutions among them, ICPAK, KCA University, Technical University of Kenya and Kenya School of Government (KSG). He is Panel of expert (PoE) in Accounting and Financial Reporting at the Institute of Certified Public Accountants of Kenya (ICPAK). He has extensive experience in accounting, audit and risk management in the private sector.</p> <p>He holds a PhD degree in Business Administration (Finance) from Jomo Kenyatta University of Agriculture & Technology, Master of Business Administration (Kenyatta University), Bachelor of Business Management (Moi University), Certified Public Accountant of Kenya (KASNEB), and he is also a full member in good standing at ICPAK.</p>
<p>2.12</p>  <p style="text-align: center;">Dr. Mercy G. Karogo MBS</p>	<p><i>Ag. Chief Executive Officer KNEC</i></p> <p>Dr. Mercy Karogo MBS (Born 1956) is the Acting Chief Executive Officer at the Kenya National Examinations Council. She is the accounting officer of KNEC.</p> <p>She is responsible for the running of the Council affairs, up to 30 June 2021, to ensure that the mission is achieved and efficiency of the Council is realized.</p> <p>She is the secretary to the Council and chairperson of the Senior Management. She is responsible for spearheading partnerships of the Council.</p> <p>She holds a PhD. in Business Administration and Management - Entrepreneurship from Dedan Kimathi University of Technology, a Master of Science (Entrepreneurship) from Jomo Kenya University of Agriculture and Technology and a Bachelor of Education (Business Studies and Economics) from University of Nairobi.</p> <p>Prior to her appointment as CEO of KNEC, she was the Senior Deputy Director at Kenya Institute of Curriculum</p>



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	COUNCIL MEMBER	PROFILE
		<p>Development (KICD) and Head of Department, Curriculum and Research Services (SDDCRS). She has held a number of other senior management positions in a career spanning approximately 30 years.</p>
2.13	<div style="text-align: center;">  <p>Dr. David Njengere</p> </div>	<p><i>Chief Executive Officer KNEC w.e.f 1.7.2021</i></p> <p>Dr. David Njengere (Born 1967) is the Chief Executive Officer at the Kenya National Examinations Council. He is the accounting officer of KNEC with effect from 1st July 2021.</p> <p>He holds a PhD in Education, Master of Philosophy in English and Bachelor of Education in English and Literature all from Moi University. He also holds a Post Graduate Diploma in Curriculum Design and Development from the International Bureau of Education (UNESCO) and Open University of Tanzania, and a Certificate in Design and Development of Large Scale Assessments from Education and Testing Services, Princeton, New Jersey.</p> <p>Prior to appointment, he was education advisor to the Cabinet Secretary, Ministry of Education, Prof George Magoha. He previously worked at KNEC and at the Kenya Institute of Curriculum Development (KICD).</p> <p>He was instrumental in conceptualization and design of Competency Based Curriculum (CBC) and Competency Based Assessment (CBA) approaches for the ongoing education reforms in basic and teacher education.</p> <p>Dr Njengere has a wide experience as an educationist and has been involved in many initiatives in education reforms at national, regional and global levels. He chaired some of the East African Community Technical Committees Sessions that culminated in the Framework for Harmonization of Education Systems and Curricula.</p>





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3.0 MANAGEMENT TEAM

	Name of the Staff	Responsibility
3.1	 Dr. Mercy G. Karogo MBS	<p>Ag Chief Executive Officer up to 30th June 2021</p> <p>Dr Mercy G. Karogo MBS is the Acting Chief Executive Officer at the Kenya National Examinations Council since March 2016. She is the accounting officer of KNEC.</p> <p>She was responsible for the running of the Council affairs, up to 30 June 2021, to ensure that the mission is achieved and efficiency of the Council is realized. She was the secretary to the Council and chairperson of the Senior Management. She was responsible for spearheading partnerships of the Council.</p> <p>She holds a PhD in Business Administration and Management - Entrepreneurship from Dedan Kimathi University of Technology, a Master of Science (Entrepreneurship) from Jomo Kenya University of Agriculture and Technology and a Bachelor of Education (Business Studies and Economics) from University of Nairobi.</p>
3.2	 Dr. David Njengere	<p>Chief Executive Officer with effect from 1st July 2021</p> <p>Dr. David Njengere is the Chief Executive Officer at the Kenya National Examinations Council from 1 July 2021. He is the accounting officer of KNEC with effect from 1 July 2021.</p> <p>He is responsible for the running of the Council affairs to ensure that the mission is achieved and efficiency of the Council is realized.</p> <p>He is the secretary to the Council and chairperson of the Senior Management. She is responsible for spearheading partnerships of the Council.</p> <p>He holds a PhD. in Education, Master of Philosophy in English and Bachelor of Education in English and Literature all from Moi University. He also holds a Post Graduate Diploma in Curriculum Design and Development from the International Bureau of Education (UNESCO) and Open University of Tanzania, and a Certificate in Design and Development of Large Scale Assessments from Education and Testing Services, Princeton, New Jersey.</p>





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	Name of the Staff	Responsibility
3.3	 <p>Dr. Ibrahim Otieno</p>	<p>Director, ICT Department</p> <p>Dr Ibrahim Otieno is the Director, ICT Department at the Kenya National Examinations Council. He was appointed as the Director in March, 2017.</p> <p>He is in charge of planning, sourcing and implementing the ICT programs.</p> <p>He is responsible for providing ICT support services to the Council to ensure effective, efficient and secure processing and delivery of examination results.</p> <p>He holds a PhD. (Information Systems) from the University of Nairobi, a Master of Science Degree from University of Vrije Brussels (VUB), Belgium (Distinction), and a Bachelor (Hon) Degree in Science (Computer Science) from the University of Nairobi.</p>
3.4	 <p>Mr. Patrick Ochich</p>	<p>Director, Test Development Department</p> <p>Mr. Patrick Ochich is the Director, Test Development at the Kenya National Examinations Council. He was appointed into this position in August 2015.</p> <p>He is responsible for the development of assessment policy, procedures and instruments as well as maintaining internationally competitive standards.</p> <p>He has a Master of Education in Measurement and Evaluation and Bachelor of Education (Hons) from the University of Nairobi. He has been trained at the Kenya School of Government for Strategic Leadership Development (SLDP) and Senior Management Course (SMC).</p>





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	Name of the Staff	Responsibility
3.5	 <p data-bbox="240 763 528 831">Mrs. Imelda Anyanga Barasa</p>	<p data-bbox="647 356 1350 389">Director, Examination Administration Department</p> <p data-bbox="647 427 1485 533">Mrs. Imelda Anyanga Barasa, is the Director, Examinations Administration. She was appointed into this position in October 2017.</p> <p data-bbox="647 573 1485 790">She is an educationist having previously served for twenty-seven (27) years with the TSC and managed several educational institutions. She is the immediate former Chief Principal of Maryhill Girls and managed other educational institutions such as Tambach TTC, Kipsigis Girls, Hill School Eldoret, Our Lady of Victory Kapnyeberai Girls and St. Joseph’s Chepterit Girls.</p> <p data-bbox="647 831 1485 1084">Mrs. Barasa is currently undertaking a PhD. at Moi University in Business Administration (strategic management). She holds an Executive Master’s Degree in Business Administration from Moi University, Bachelor of Education (Arts) Degree -Kenyatta University, Diploma in Educational Management, Kenya Education Management Institute (KEMI) and is an Associate member of Kenya Institute of Management (KIM).</p>
3.6	 <p data-bbox="240 1532 603 1565">Mrs. Befly Jemurgor Bisem</p>	<p data-bbox="647 1128 959 1162">Corporation Secretary</p> <p data-bbox="647 1200 1485 1305">Mrs. Befly Jemurgor Bisem is the Corporation Secretary at the Kenya National Examinations Council. She was appointed into this position on 2nd May, 2018.</p> <p data-bbox="647 1346 1289 1379">She is responsible for corporate and legal matters.</p> <p data-bbox="647 1420 1458 1637">She is currently undertaking MBA in Strategic Management at the Kenyatta University. She has Bachelor of Laws Degree from the University of Nairobi, Postgraduate Diploma in law from the Kenya School of Law and is a Certified Public Secretary (CPS) registered with the Institute of Certified Secretaries (ICS).</p>




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	Name of the Staff	Responsibility
3.7	 CPA Abraham K. Oloo	<p>Financial Controller and Head of Finance</p> <p>CPA Abraham K. Oloo is the Financial Controller at the Kenya National Examinations Council. He was appointed into this position on April 2011.</p> <p>He is in charge of planning, sourcing and managing financial resources to achieve corporate objectives.</p> <p>He holds a Masters Degree from Jomo Kenyatta University of Agriculture, Science and Technology and a Bachelor of Commerce degree, acquired from the Catholic University of Eastern Africa.</p> <p>He is a Certified Public Accountant and a member of ICPAK.</p>
3.8	 Mr. Nicholas O. Mang'ata	<p>Deputy Director- Supply chain Management</p> <p>Mr. Nicholas O. Mang'ata is the Deputy Director Supply Chain Management. He re-joined KNEC in his new capacity on 19th February, 2021.</p> <p>He is responsible for all procurement process</p> <p>He holds a Graduate Professional Diploma in Procurement & Supply by the CIPS - UK, Master of Science in Procurement & Logistics (JKUAT) and a Bachelor's degree in Business Management from Moi University.</p> <p>He is a licensed member in good standing with the Kenya Institute of Supplies Management (KISM) and the Chartered Institute of Procurement & Supply (CIPS).</p>



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	Name of the Staff	Responsibility
3.9	 Mr. Andrew F Otieno	<p>Deputy Director - Research & Quality Assurance</p> <p>Mr. Andrew F Otieno is the Deputy Director Research & Quality Assurance. He was appointed into this position in 2018.</p> <p>He is responsible for research and quality assurance at the Council.</p> <p>He holds a Master of Science in Statistics from University of Nairobi and a Bachelor of Education from Kenyatta University.</p> <p>He has been trained in Project Management at ESAMI, Arusha and undertaken continuous trainings in the field of Educational Assessment, Research, Computer Application & Statistical Packages and Management at the Kenya School of Government, ESAMI- Arusha and Kampala, Uganda.</p>



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4.0

CHAIRMAN'S STATEMENT



As the Kenya National Examinations Council concludes another year of service to the nation, I am pleased to present the Annual report which documents the accomplishments and the challenges we faced during the Financial Year 2020/2021.

The Council has grown in terms of its organizational strength without wavering in maintaining a fair and rigorous conduct of the national examinations as mandated by the KNEC Act (2012).

4.1 Stakeholder engagement Overview

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

During the year under review the Council was unable to carry out the training of examiners due to the Covid-19 pandemic. The effect of the Covid-19 pandemic impacted the Council operations and needs to be factored in the Strategic Plan 2021-2026.

4.2 Examination Processes Engineering

The Council is very grateful to the Cabinet Secretary, Ministry of Education Prof. George A.O Magoha, Cabinet Secretary, Ministry of Interior and National Co-ordination, Dr. Fred Matiang'i, and Cabinet Secretary, Ministry of ICT, Mr. Joe Mucheru for their dedicated support in the multi-sectorial approach adopted in the 2020 national examination management. Increased cooperation between the three Ministries in examination management ensured credibility of the national examinations.

There were noted achievements in the first post Covid-19 examinations where Ministry of Health guidelines were strictly adhered to with few Covid-19 positive cases of candidates and teachers reported during the administration of the examination.

The Council made arrangements that ensured that candidates with special needs access all examinations as enshrined in the Constitution of Kenya. There was an increase in candidates with special needs sitting for KCPE from 2,414 in 2019 to 2,675 in 2020. Similarly, candidates with special needs sitting for the 2020 KCSE increased from 1,673 in 2019 to 1,883 in 2020.



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4.3 Transformational Agenda

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

During the year, KNEC continued to develop tools for Monitoring Learner Progress (MLP) at Grade 3 and the first School Based Assessment (SBA) tools for Grade 4. All the assessment tools were adapted to suit the needs of learners with disability. The use of ICT was embraced through the development of the MLP portal and the SBA Grade 4 portal. All schools that had learners at Grade 3 & Grade 4 were identified and enrolled learners online. The assessment tools were uploaded on to the portals and the School Based Assessments were conducted across the country in good time.

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

4.4 Organization Restructuring

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

4.5 Appreciation

The Council remains grateful to the Cabinet Secretary, Ministry of Education Prof. George A. O. Magoha for his steadfast support in ensuring that the Council maintains internationally acceptable standards of assessments. The Council is proud to have worked with Dr Mercy Karogo MBS as the acting CEO of KNEC who completed her term on 30th June 2021. The team spirit within the Council has been excellent and the diverse expertise has been enriching.



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

Thank You and May God Bless You.

Dr. John O. Onsati, OGW
COUNCIL CHAIRMAN



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5.0 STATEMENT BY THE COUNCIL CHIEF EXECUTIVE OFFICER



The Council plays a key role in development of skills required in actualizing the economic and social goals of Vision 2030 and transforming Kenya to a globally competitive and newly industrialized economy. Assessment serves as a driver in the implementation of the national curricula in education institutions.

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

5.1 Excellence in Examination Output

During the period under review despite the challenges posed by the Covid-19, the Council was able to complete the examination cycles and provide candidates with their results. The Council recorded a 5.8% growth in the volume of scripts marked in national examinations from 21,841,697 in FY 2019/2020 to 23,119,410 in FY 2020/2021. The increase in script volumes is attributable to the success of the FPE and FDSE provided by the Government. As the volume increases, the number of examiners and assessors has also been increased to match this increase.

5.2 Organization Structure

In the period under review our staff compliment stood at 388. Two new staff members were recruited while nine staff left through natural attrition and retirement. The Council will continually improve its systems, people, and leadership capabilities as well as appropriate resourcing of its activities in the changing environment.

5.3 Financial Performance

KNEC is committed to the fiscal responsibility principles outlined in the constitution and the Public Finance Management Act, 2012. The government's examination reforms which have enabled KNEC to provide secure and credible examinations within strict timelines, have had a significant financial implication. Like the previous year, the additional expenditure was not matched by Government funding giving a shortfall of Kes.684,840,731. The net earnings and assets base, among other indicators registered a drop in the FY 2020/2021 whereby the total asset base decreased from Kes.6,888,088,760 in FY 2019/2020 to Kes.6,190,553,828 in FY 2020/2021.



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5.4 Future Outlook

The Kenya National Examinations Council is mandated with the conduct of National Examinations. Following the launch of the CBC Task Force report, the mode of assessment of the CBA will entail a combination of teacher-administered formative assessment in Grades 4, 5, and 6, and a summative assessment to be administered by KNEC at the end of Grade 6 with effect from December 2022. The Council will be required to collect and store school-based assessment data for grades 4, 5 and 6 carrying 60% of the score to be combined with grade 6 summative assessment catering for the remaining 40%. There is need for legal examination reforms and financial capacity for KNEC to achieve its mandate.

So far, the World Bank has supported the Council in achieving the CBA Assessment goals. KNEC will reach out to the MOE and the National Treasury to fund the CBA recurrent expenditure and ICT infrastructure requirements for effective implementation of CBA.

5.5 Appreciation

I would like to express my special thanks to the Council under the leadership of Dr. John O. Onsati, for its wise counsel and guidance and the staff of the Council who worked tirelessly to ensure smooth operations of the Council. The Council appreciates Dr Mercy Karogo for her dedicated service in implementing examination reforms and wish her well in her future endeavours.

I end with my sincerest gratitude to the Council and all resource persons: examiners, panel members, and moderators without whom the work of the Council would not be possible. I greatly appreciate the continued support of our stakeholders.

Thanks and God bless you all.


Dr David Njengere
CHIEF EXECUTIVE OFFICER, KNEC



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6.0 REVIEW OF COUNCIL'S PERFORMANCE FOR FY 2020/2021

6.1 PERFORMANCE AGAINST THE STRATEGIC OBJECTIVES

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

- 6.1.1 **Pillar I:** Stakeholder Engagement
- 6.1.2 **Pillar II:** Quality Products & Services
- 6.1.3 **Pillar III:** Organizational Efficiency and Effectiveness
- 6.1.4 **Pillar IV:** Organization Capacity & Capability

The Council develops its annual work plans based on the above 4 pillars. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Council set its performance targets set for the FY 2020/2021 period for its 4 strategic pillars, as indicated in the table below:

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



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



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



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



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			Class 6 for South and East African Consortium for Monitoring Education Quality (SEACMEQ)
		Production and dissemination of reports	Conducting National Assessment for Monitoring Learners Achievement at Class 3 and Class 7
		EGMA, baseline, Midline and end-line survey reports	Conducting Early Grade Mathematics (EGMA) end line Survey –Class 2
6.1.8 Pillar 1V	Ensure there is a responsive organization structure	Implemented organization structure and scheme	Implementing the organization structure and schemes of service
	Review and implement HR policies and procedures	No of staff sensitized	Disseminating and sensitizing the reviewed HR Policies to staff
	Hire, capacity build a retain a motivated workforce	Return to work report	Staff training and development
		Operational mortgage and car loan scheme	Implementing mortgage and car loan facility
	Create capacity to enable research and implementation of the CBA	Training of TD officers on CBA	Capacity building of Test Developers for CBA
		No of trained Contracted Professionals	Capacity building of contracted professionals (item writers, setters, moderators and field officers)
	Ensure stable revenue streams	Increased revenue for alternative sources by 5%	Identifying alternative sources of revenue and developing related procedures
			Enhancing existing sources of revenue
	Ensure minimized costs and value for money	Effective cost management	Formulating and implementing cost management strategies
		Realistic budget	Instituting zero/activity based budgeting



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6.2 KEY RESULTS OF ACTIVITIES AND ACHIEVEMENTS

The Council achieved the following results in the FY 2020/2021 period for its 4 strategic pillars.

6.2.1 Stakeholder Engagement

Release of National Examinations.

Meetings for the release of KCPE and KCSE 2020 examination results have provided insight into specific needs of the country and identified areas where specific support may be required.



Dr. John Onsati addressing stakeholders during the release of the 2020 (KCSE) results on May 10, 2021 at Mitihani House.



Education Cabinet Secretary, Prof George Magoha during the release of the 2020 KCPE examination results at Mitihani House.

The CS stated that the 2020 national examinations results had registered an improvement compared to the previous years.

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

The Council held a preparedness briefing on the 2020 administration at the Kenya School of Government. Stakeholders were able to acquire information and education resources.



Stakeholders attending a preparedness briefing on the 2020 administration at the Kenya School of Government



SCDEs attending a preparedness briefing on the 2020 examinations administration

Awareness Programmes for TVET.



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Outreach programmes have been undertaken to create awareness about the Council Post School Examinations. Career guidance handbooks have been issued to the stakeholders for reference and guidance. There was a decline in candidature in the Post School Examinations of 18.36% from 222,939 in FY 2019/2020 to 171,929 in FY 2020/2021 due to the Covid 19 pandemic.



An electrical engineering candidate during the July 2020 series held in January 2021

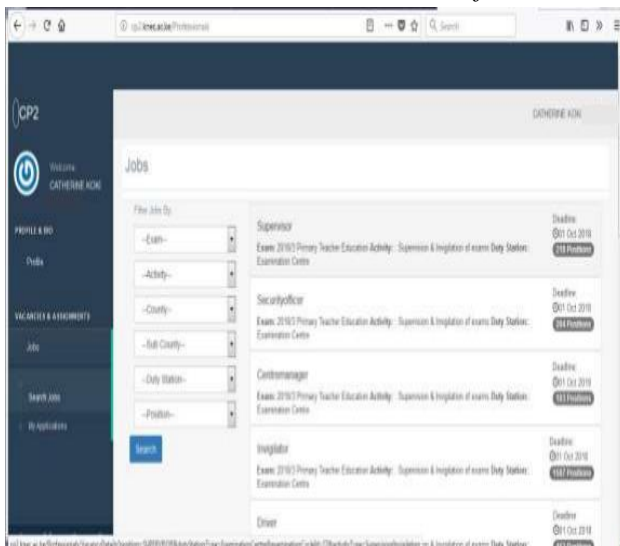


A carpentry candidate during the July 2020 series that took place in January 2021

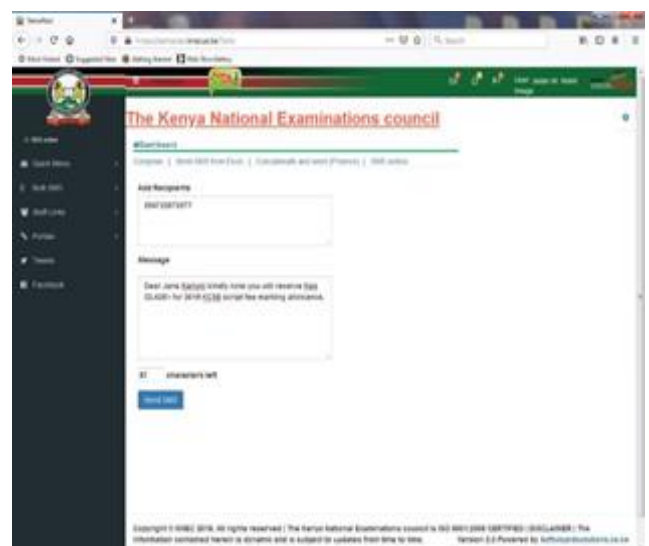
Digital Presence

The Council continued its engagement with stakeholders online through its website: www.knec.ac.ke. The website is an interactive website which provides internet users a wide scope of information on KNEC and its activities.

Interactions with the Contracted Professionals



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



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

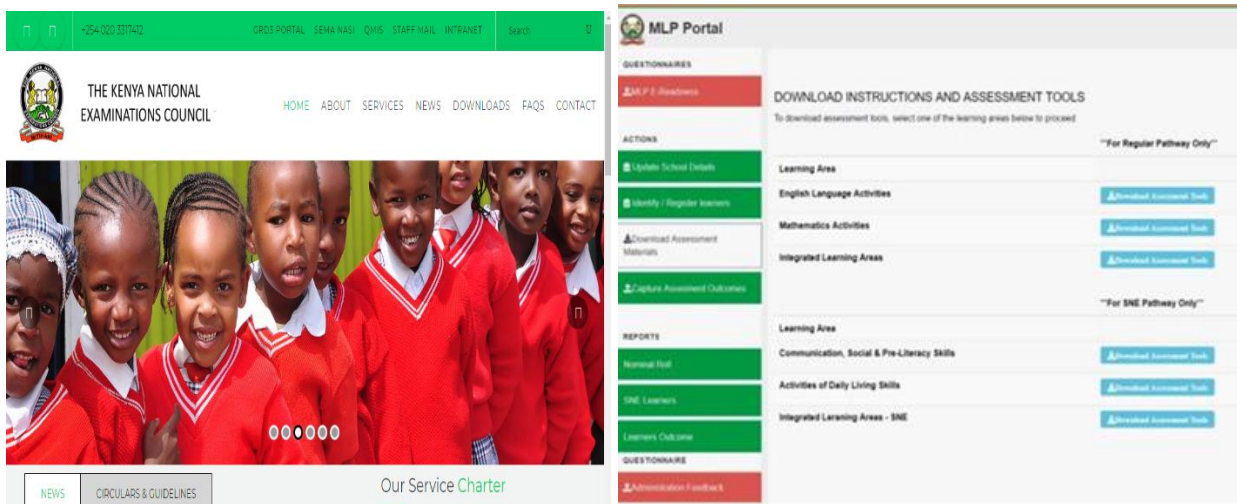


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Over 285,000 contracted professionals in various regions in the counties registered in the CP2 platform for recruitment. Through the platform, KNEC processed their payments via the Safaricom MPESA platform which was cost effective and efficient for service delivery. Through the the *Sema Nasi* platform, the Council sends payments notification to the contracted professionals.

CBA web based portal

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



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

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

During the administration of 2020 Grade 3 & Grade 4 MLP head teachers downloaded the tools, printed, and handed over the tasks to the class teachers. The Class teachers administered the tasks, marked, and uploaded the performance levels of each learner on the Grade 3 & Grade 4 MLP portal.



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6.2.2 Quality Products & Services

Transformative agenda in national examinations in place



The KNEC Ag CEO hands over the 2020 KCSE examination material in one of containers used countrywide for examination storage and safety to ensure the undertaking of credible examinations



PS Univ. Education at Westlands DDC Container on March 22

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

Realization of the CBA



CBA learners' portfolios on display



Community Engagement on tree planting

Grade 3 & Grade 4 learners were assessed in March 2021 during the FY 2020/2021. The assessed scores were later uploaded to the KNEC website.



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6.2.3 Organizational Efficiency and Effectiveness

Monitor, quality-assure and evaluate each examination process



Education Cabinet Secretary, Prof. George Magoha addresses candidates in Moi Girls High Nairobi during 2020 KCSE examinations on March 31 2021

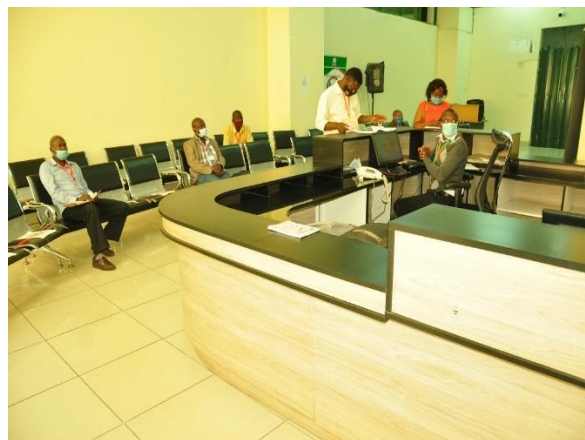


Education Cabinet Secretary, Prof. George Magoha addresses KCSE 2020 examiners under Covid 19 protocols on May 7 2021

The Senior Government officials & Council officers visited several schools and regional containers during monitoring of national examinations.



KNEC rules observed during an Examination session.



KNEC ensured that the Covid 19 health guidelines were adhered to in examinations centers KNEC premises



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6.2.4 Organizational Capacity & Capability

CBA Training



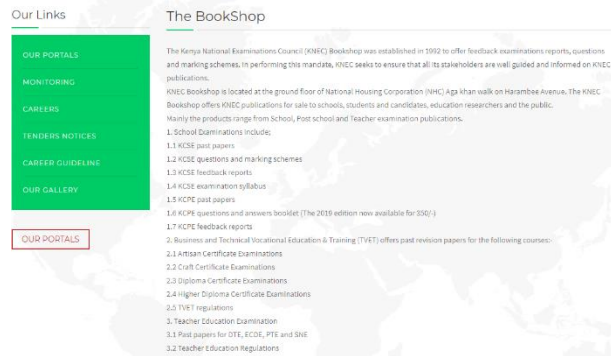
Staff attending a capacity building workshop on CBA Communication Materials



Training Workshop on Development of CBA Materials in Meru



Examination publications on sale in the Council Bookshop



Council website is updated to show available publications found in the bookshop

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



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7.0 CORPORATE GOVERNANCE STATEMENT

7.1 Introduction

The Council is constituted under Section 4 of the KNEC Act No. 29 of 2012. The current Council consists of 12 members including a non-executive Chairman and the Chief Executive Officer. The non-executive members are independent of the Management. The Chief Executive is an *ex officio* member and Secretary to the Council.

7.2 Council Diversity

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

On gender parity, four members of the Council are female (33⅓ %) thus meeting the constitutional gender threshold requirement. The Council was also balanced in terms of ethnic and regional balance.

7.3 The Council Term of Service

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

7.4 The Roles and Responsibilities of Members

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

7.3 The Council Charter

The Council has in place a Council Charter which was reviewed in 2018. The Council Charter governs;

- Conduct and management of meetings,
- Facilitation of Council members,
- Succession planning,
- Process of Appointment and removal of Council members,



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- Roles & functions of the Council,
- Induction & training,
- Conflict of Interest,
- Council remuneration and
- Ethics & conduct.

7.4 The Council Evaluation

During the FY 2020-2021, the State Corporation Advisory Committee (SCAC) facilitated a Council self-evaluation on 27th July 2020 for the financial year ending 30 June 2020. The Council scored 4.623 in its corporate performance which translate to 92.5%.

7.5 Compliance to laws and other legal requirements

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

7.6 The Council Remuneration

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

7.7 Conflict of Interest and Declaration of interest

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

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



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7.8 Induction and Training

The Council develops induction and training programs designed to induct new members of the Council to the operations of the Council and related governance matters. The programs are also aimed at equipping them with the requisite knowledge required to make crucial decisions and deepening the understanding of the changes in risks, laws, business and political environment in which the Council operates.

7.9 Whistle Blowing Policy

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

7.10 Supply of Information

Council Members have full access to the advice and services of management. They are consistently updated on the activities of the Council and are provided with all the information needed to carry out their duties and responsibilities fully and effectively. In addition, members are entitled where necessary to seek independent professional advice concerning the affairs of the Council.

7.11 The Council Composition and Committees

During the year under review, the following table presents the members of the Council and its committees. There are three committees of the Council and each member is appointed to various committees. The table shows committee composition as well as attendance for meetings held during the year under review.



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COUNCIL & COMMITTEE MEETING ATTENDANCE FOR THE YEAR 2020/2021

NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE, STRATEGY & GENERAL PURPOSES COMMITTEE	EXAMINATIONS & ASSESSMENTS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	STAFF AFFAIR COMMITTEE	COUNCIL	TOTAL
7.11.1	Dr. John Onsati OGW	Independent	Council Chairman	1/12	1/6	-	8/13	43/45	52/78
7.11.2	Dr. Belio Kipsang CBS	Principal Secretary, Ministry of Education served in the first and second quarters	Member	1/12	-	-	-	5/45	6/78
7.11.3	Dr. Julius Jwan MBS	Principal Secretary, Ministry of Education served from the third Quarter	Member & Chairperson, Examination Management Committee	5/12	6/6	-	-	24/45	37/78
7.11.4	Prof Charles Ongondo	CEO, Director, Kenya Institute of Curriculum Development served from the 2 nd Quarter	Member & Chairperson, Finance, Strategy & General	7/12	6/6	-	-	33/45	48/78



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NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE, STRATEGY & GENERAL PURPOSES COMMITTEE	EXAMINATIONS & ASSESSMENTS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	STAFF AFFAIR COMMITTEE	COUNCIL	TOTAL
			Purposes Committee						
7.11.5	Dr. Joel Mabonga	Ag. CEO/Director, Kenya Institute of Curriculum Development served in the first Quarter	Member	3/12	-	-	-	5/45	8/78
7.11.6	Dr. Nancy Macharia CBS	CEO, Teachers Service Commission	Member	-	6/6	-	-	7/45	13/78
7.11.6	Mrs. Rosemary Saina OGW	Independent Member	Member & Chairperson, Staff Affairs Committee	-	-	2/2	11/13	45/45	58/78
7.11.7	Festus Kingori	Representing the Principal Secretary, National Treasury and Planning	Member	9/12	-	-	-	18/45	27/78



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NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE, STRATEGY & GENERAL PURPOSES COMMITTEE	EXAMINATIONS & ASSESSMENTS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	STAFF AFFAIR COMMITTEE	COUNCIL	TOTAL
7.11.8	Mr. Martin Okiyo	Independent Member	Member & Chairperson, Audit & Risk Committee	-	-	2/2	12/13	41/45	55/78
7.11.9	Dr. Mary Gaturu HSC	Director, Quality Assurance & Standards, Ministry of Education	Member	-	4/6	-	11/13	35/45	50/78
7.11.10	Prof. Erick Okoth Ogur	Independent Member	Member	-	6/6	2/2	5/13	44/45	57/78
7.11.11	Col. Leonard Owambo	Co-opted Member	Member	-	-	-	12/13	45/45	57/78
7.11.12	Dr. Fred O. Sporta	Co-opted Member	Member	-	-	2/2	7/13	43/45	52/78
7.11.13	Mr. William Maina	Director, Teachers Service Commission	Alternative Member for TSC CEO	12/12	-	-	5/13	34/45	51/78



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NO	COUNCIL MEMBER	CLASSIFICATION	DESIGNATION	FINANCE, STRATEGY & GENERAL PURPOSES COMMITTEE	EXAMINATIONS & ASSESSMENTS MANAGEMENT COMMITTEE	AUDIT & RISK MANAGEMENT COMMITTEE	STAFF AFFAIR COMMITTEE	COUNCIL	TOTAL
7.11.14	Wekesa Khaoya	SCFO, Ministry of Education	Alternative Member for PS, MOE	1/12	-	-	-	-	1/78
7.11.15	Robert Osano	CFO, Ministry of Education	Alternative Member for PS, MOE	2/12	-	-	-	-	2/78

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

NB

- Mr. William Maina represented Dr Nancy Macharia of TSC in some of the meetings
- Mr. Wekesa Khaoya and Mr. Robert Osano represented Dr Belio Kipsang, in various meetings.



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7.12 Council Committees

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

7.12.2. Examinations and Assessments Management Committee (EAMC)

The Committee consists of six (6) members, it was chaired in the financial year 2020/2021 initially by Dr Belio Kipsang and then by Dr. Julius O. Jwan. The committee is responsible for reviewing and approval of the following:

- 7.12.2.1 Regulations governing all examinations.
- 7.12.2.2 Reports on Examination irregularities.
- 7.12.2.3 Reports on Examinations results release.
- 7.12.2.4 Circulars touching on examination matters.
- 7.12.2.5 Any other examinations report and matters that the management and the Council may deem necessary for consideration by the Committee.

7.12.3. Finance, Strategy & General Purposes Committee (FSGPC)

The Committee consists of five (5) members, it was chaired in the first quarter of the financial year 2020/2021 by Dr Joel Mabonga and the rest of the year by Prof. Charles O. Ongóndo. The committee is responsible for the following:-

- 7.12.4.1 To consider financial and operational matters.
- 7.12.4.2 To prescribe levels of fees and other charges levied by the Council.
- 7.12.4.3 To approve rules and procedures for the control of expenditure and administration of financial matters.
- 7.12.4.4 To consider and advise on development plans and programmes of KNEC as proposed by the Management.
- 7.12.4.5 To consider, advise and approve the strategic plans of the Council.
- 7.12.4.6 Any other exercise given by the Council.



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7.12.4. Audit & Risk Committee (ARC)

The Committee consists of five (5) members. The Committee was chaired by Mr. Martin O. Okiyo in the financial year 2020/2021. The committee is responsible for the following:-

- 7.12.4.1 Overseeing audit function and internal controls.
- 7.12.4.2 Evaluating adequacy of management procedures with regard to issues relating to risk management, control and governance.
- 7.12.4.3 Reviewing and approving the internal audit annual work plans.
- 7.12.4.4 Reviewing the internal and external audit findings and recommendations and proposing corrective and preventive action where necessary.
- 7.12.4.5 Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- 7.12.4.6 Initiating special audit/investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer/Chief Executive.

7.12.5. Staff Affair Committee (SAC)

The Committee consists of five (5) members. The Committee was chaired by Ms. Rosemary Saina in the financial year 2020/2021. The committee is responsible for the following:-

- 7.12.5.1 Reviewing and making recommendations to the Council on Staff Terms and Conditions of service as and when necessary or when directed to do so by the Council from time to time.
- 7.12.5.2 The Committee monitors, evaluates and makes recommendations with respect to policies and strategic matters relating to the Council's human resource.

7.13 Risk Management and Internal Controls

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



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7.14 Internal Audit and Assurance

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

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

7.15 External Audit

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.

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



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8.0 MANAGEMENT DISCUSSION AND ANALYSIS

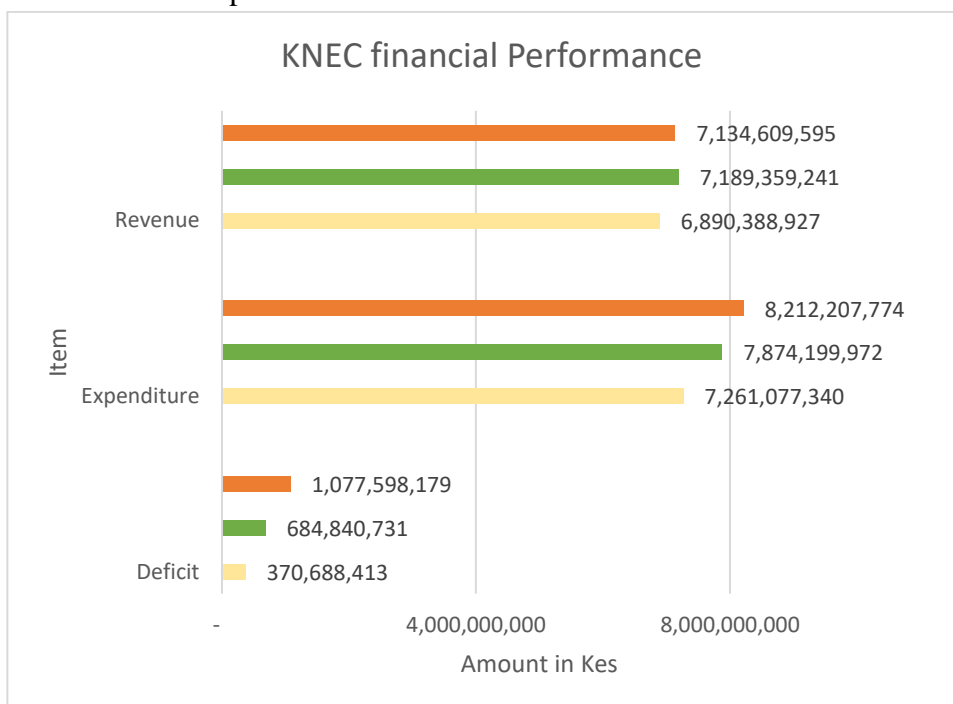
SECTION A

The performance of the Council in general is reviewed below:

8.1 FISCAL PERFORMANCE

The Council aimed at raising 100% of the budget revenue and containing expenditure within the approved ceiling. Government allocation was received in full and absorbed in funding Council operations. The actual deficit was within the approved budget deficit.

KNEC Financial performance FY 2020-2021



Key: FY 2019/2020 Actual ■
FY 2020/2021 Actual ■
FY 2020/2021 Budget ■

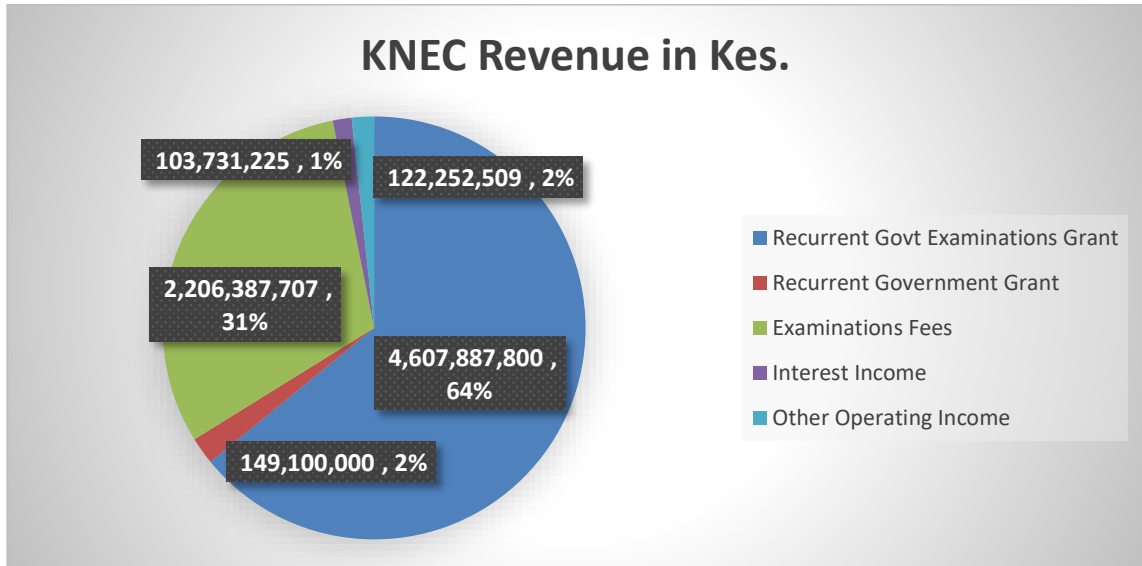
8.2 REVENUE PERFORMANCE

The Council is supported by the National Government through the Ministry of Education by way of transfer of funds for operational use and national examinations grants. During the year, MoE transferred a total of **Kes.4,222,968,711** for recurrent expenditure and **Kes.211,794,500** for World Bank projects.



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

8.3 EXPENDITURE PERFORMANCE

The Council's total actual expenditure for financial year 2020/2021 totaled to **Kes.7,875,288,231** which was 91% of the budget. The actual recurrent expenditure was **Kes.7,874,199,972** while Kes.1,088,259 was for the development expenditure.

8.4 BASIC EDUCATION LEVEL STATISTICS

8.4.1 Kenya Certificate of Primary Education

The KCPE examination is designed as a primary school leaving examination. The 2020 examination was conducted in March 2021 instead of December 2021 due to the Covid 19 pandemic disruptions. The KCPE examination provides a criterion for placement in Secondary Schools in accordance with the GoK directive on mandatory transition. The examination is taken in three days preceded by a day of rehearsal.

	2020/2021	2019/2020	
	Candidates	1,193,275	1,088,989
	Exam Centres	28,471	27,807
	Subjects	5	5
	Papers	7	7
	Scripts	8,340,772	7,622,923
Performance			
Qualify for Secondary Level	100%	100%	




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8.4.2 Kenya Certificate of Secondary Education

The Kenya Certificate of Secondary Education (KCSE) examination is offered after the four-year cycle in secondary education and to other candidates who meet the registration criteria. The 2020 examination was conducted in March/April 2021.

	2020/2021	2019/2020	
	Candidates	752,848	699,706
	Exam Centres	10,438	10,801
	Subjects	30	30
	Papers	73	73
	Scripts	14,778,638	14,218,774
	Performance		
	Qualify for University	20%	18%
	Qualify for TVET Diploma courses	26%	21%
	Qualify for TVET Certificate courses	32%	35%
	Qualify for TVET Artisan courses	22%	30%

8.5 TERTIARY LEVEL STATISTICS


Due to the effects of the Covid 19 pandemic, post school examinations were held in October for March 2020 series while 2020 July series was held in January 2021.

8.5.1 Business Examinations

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

8.5.1.1 Business Single and Group

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.


	2020/2021	2019/2020	
	Candidates	5,112	8,912
	Papers	91	108
	Scripts	23,006	42,924
	Performance		
	Awarded Certificate	47%	54%



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8.5.1.2 Business Technical Education Programme

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

		2020/2021	2019/2020
	Candidates	50,921	68,035
	Papers	1,128	1,183
	Scripts	255,199	362,179
	Performance		
Awarded Certificate	51%	56%	

8.5.2 Technical Examinations

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

		2020/2021	2019/2020
	Candidates	115,841	145,811
	Papers	1,889	2,137
	Scripts	444,032	575,950
	Performance		
Awarded Certificate	53%	57%	

8.5.3 ECDE Examinations

Early Childhood Development and Education (ECDE) is the bedrock of all learning. The ECDE examination was offered once in December.

However, from 2019 the examinations will be offered in April. Courses are offered at the levels of Certificate and Diploma. A candidate is required to pass a lower level before proceeding to a higher one.




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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued


8.5.3.1 ECDE Examinations-Certificate

		2020/2021	2019/2020
	Candidates	24,964	Postponed
	Papers	7	
	Scripts	135,785	
	Performance		
	Awarded Certificate	45%	

8.5.3.2 ECDE Diploma

		2020/2021	2019/2020
	Candidates	11,461	Postponed
	Papers	7	
	Scripts	49,547	
	Performance		
	Awarded Certificate	60%	

8.5.3.3 ECDE -Proficiency

		2020/2021	2019/2020
	Candidates	15,191	Postponed
	Papers	2	
	Scripts	39,344	
	Performance		
	Awarded Certificate	86%	

8.5.4 DTE Examinations

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

	2020/2021	2019/2020
Candidates	Postponed	1,952
Papers		20
Scripts		12,378
Performance		
Awarded Certificate		65%




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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

8.5.5 SNE Examinations

The Diploma in Special Needs Education examinations are administered in part I and Part II. SNE Part II examination is administered to teacher trainees at Diploma level after two (2) terms of study subject to successful undertaking of the part I examinations. The candidates' results for Parts I and II are combined and successful candidates awarded a Diploma in SNE. The SNE examination is offered in April.

		2020/2021	2019/2020
	Candidates	2,465	Postponed
	Papers	16	
	Scripts	7,892	
	Performance		
	Awarded Certificate	82%	

8.5.6 PTE Examinations

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

	2020/2021	2019/2020
Candidates	29,387	26,592
Papers	14	14
Scripts	183,406	201,227
Performance		
Awarded Certificate	69%	43%



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A Continued

8.5.7 TCAE Examinations

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

	2020/2021	2019/2020
Candidates	218	230
Papers	4	4
Scripts	799	1,057
Performance		
Awarded Certificate	15%	76%

8.5.8 National Assessment Programme

KNEC has conducted Monitoring Learner Achievement (MLA) studies to monitor learner acquisition of basic and essential competencies in literacy, numeracy & life skills at lower primary, as well as in Languages, Science and Mathematics in Upper Primary and Lower Secondary levels.

KNEC has been implementing the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SEACMEQ, formerly, SACMEQ) project. The SEACMEQ is a consortium involving 16 countries in the Southern and Eastern Africa region. The aim of carrying out National and Regional Learning Assessments is to monitor how well countries are progressing in the provision of quality, relevant and equitable education.

Key Milestones of the National Assessment Studies

8.5.8.1 Conduct of the Kenya GPE- COVID-19 Learning Continuity in Basic Education (LCBE) learning assessments in all primary schools in Kenya

During this fiscal year, KNEC conducted the LCBE learning assessment. This was a re-entry assessment conducted after the reopening of learning institutions after the long closure due to COVID-19. The overarching aim of the assessment was to assess the impact of COVID- 19 on learning.



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The assessment involved all learners from Grade 1 to Class 8. Cumulatively a total of 8,233,334 from Grade 1 to Class 8, as well as Foundation and Intermediate (for SNE) levels were assessed. School Specific Reports and National Reports were developed and disseminated online.

8.5.8.2 Development of the NASMLA Framework

During this fiscal year, KNEC commenced the review of the NASMLA (2007) draft policy framework. The NASMLA (2021) Framework once concluded shall be responsive to the current legal and policy frameworks guiding provision of quality education in Kenya, as well as global protocols on provision of quality education.

8.5.8.3 Completion of the supervision of the consultancy for the Evaluation of the Quality of the Early Grade Mathematics (EGM) training as well as the School Improvement Programme (SIP) under the GPE PRIEDE project

During this fiscal year, KNEC supervised the conduct of the above evaluation and approved the evaluation report. The report has been uploaded onto the Ministry of Education website.

8.5.8.4 Conduct of the Monitoring Impacts on Learning Outcomes (MILO) Study

This project is being funded by the UNESCO Institute for Statistics (UIS). The project is being undertaken by KNEC, in liaison with the UIS and the Australian Council for Educational Research (ACER). The project is aimed at assessing the impact of COVID- 19 on learning outcomes and the effectiveness of remote learning during the closure of schools due to COVID-19. In Kenya the Study was being undertaken at Class 7; in Reading and Mathematics for 5,738 learners.

8.5.8.5 Conduct of the Class 5 Reading and Mathematics assessment under the Ending Learning Poverty (ELP) Initiative

The overarching aim of the assessment was to assess reading proficiency among 10-year-olds (in Kenya, Class 5). In line with Sustainable Development Goal (SDG) Number 4.1.1, the Study assessed learners' proficiency levels in Mathematics based on 5,969 learners.



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8.5.9 Secondary Education Quality Improvement Project (SEQIP)

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

The Government of Kenya through the Ministry of Education and the World Bank designed a six- year Secondary Education Quality Improvement Project (SEQIP) aimed at improving retention in the upper primary education and increased transition to Secondary Education for the vulnerable children living in the Marginalized areas.

To this end, MoE in collaboration with the World Bank has been providing support to the Kenya National Examinations Council (KNEC) to institutionalize Competency Based Assessment (CBA). CBA aims at re-aligning evaluation of learning progress with the Competency Based Curriculum (CBC) which focuses on meeting the aspirations and needs of Kenyan citizens in the dynamic global village.

Key Milestones of the SEQIP

8.5.9.1 Development and Adaptation of Assessment Tools

The assessment tools for 2020 Grade 3 MLP Integrated Learning Areas (ILA) Regular and SNE Learners were developed. Adaptation of the Integrated Learning Areas (ILA) assessment tools for the Hearing Impaired, Visually Impaired and Physically Handicapped was also conducted. These activities were undertaken through multiagency approach with participants drawn from MoE, TSC, KICD, KNEC, KISE and the Universities.

8.5.9.2 Competency-Based Assessment Framework (CBAF)

The Early Years Education (EYE) Assessment Framework was reviewed to adapt it to suit learners with special needs and disabilities. The framework was finalized through a multi-agency engagement involving the Ministry of Education (MoE), KICD and other stakeholders. The draft competency-based assessment framework (CBAF) that guides the assessment up to the early years of education (EYE) has been approved and uploaded to the KNEC website.



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MANAGEMENT DISCUSSION AND ANALYSIS

8.5.9.3 Capacity building of KNEC stakeholders

Training Manual for Early Years Education (grades 1-3 for Age based pathway) and Foundation Stage for SNE for Stage based pathway was reviewed. The review was necessitated by the need to include new areas and enhance the training material. KNEC staff have undergone training and therefore the new knowledge and skills acquired needed to be reflected in the training manuals.

Samples of Assessment tasks were developed to compliment the training manual and used for training teachers. These were to serve as a guide for teachers when conducting formative assessment.

8.5.9.4 Capacity building of KNEC Staff

Capacity building of KNEC staff on CBA has been conducted for the test development officers in both Basic and Tertiary education. The objective of the training was to equip subject specialists with adequate CBA content/knowledge with the aim of ensuring that they have capacity to execute their mandate during the national exercise of training education stakeholders and specifically grade 1-3, 4 teachers.

The KNEC ICT team in collaboration with Novel Technologies East Africa Limited conducted the cyber-security sensitization for **257** KNEC officers from 13th to 29th January 2021. The sensitization covered email security, password security, malware, privacy, data security and encryption, mobile device security, multi-factor authentication, physical security, how to be safe online, ICT Regulations and response to attacks.

8.5.9.5 Monitoring of learner progress (MLP)

KNEC registers/identifies each learner in the database with an assessment number (Unique Identifier Number) automatically generated by the KNEC ICT system. This number is used to identify the learner throughout their basic education cycle for KNEC assessments.

8.5.9.5.1 Grade 3

In the FY 2020/2021, KNEC conducted 2020 Grade 3 national assessments. A total of 1,327,512 for 2020 Grade 3 learners were identified through CBA Portal in 35,858 primary schools. Out of these, 633,267 (47.70%) were female, while 694,245 (52.29%) were male.



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The assessment tools included Mathematics Activities assessment, English Activities, and Integrated Learning Assessment (ILA).

The 2020 MLP reports for MLP Grade 3 is under review for approval. Learners at the Intermediate Level of the stage-based curriculum pathway will also be assessed for the purposes of tracking learners' progress and informing transition to pre-vocation level.

8.5.9.5.2 Grade 4

In the FY 2020/2021, KNEC also conducted Grade 4 School based assessments between 8th and 19th March 2021. 2020 Grade 4 MLP was administered to 1,404,738 learners through CBA Portal in 37,376 primary schools. Out of these, 664,942 (47.70%) were female, while 739,796 (52.29%) were male. This is the CBC Pioneer Class expected to undertake summative assessments at Grade 6 in December 2022.

SECTION B

The Council has complied with the following statutory requirements,

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

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

8.7 PENSION COMPLIANCE

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

8.8 SUPPLY CHAIN MANAGEMENT

The procurement function in the Council is guided by The Constitution of Kenya 2010, The Public Procurement & Asset Disposal Act, 2015 & The Public Procurement and Disposal Regulations 2020 and subsequent legal notices. Pursuant to Legal Notice No.114, the Council achieved 17.42% in the allocation of contracts out of the total procurement plan budget of Kes.830.617 million to the designated categories of preference groups.



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MANAGEMENT DISCUSSION AND ANALYSIS

The Council awarded tenders worth Kes.144.766 million to Youth, Women and persons with disability noting that Persons with Disabilities were awarded Kes.3.925 million worth of tenders. Statutory reporting to PPRA was done.

SECTION C

The Key project the Council is implementing

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

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



The New Mitihani House (Ongoing Project)

NMH entails construction of three towers each towering to six floors in a vertical formation inclusive of multiple level basement and external works such as access roads. Once complete, the three-tower office complex would boast of a modern architectural masterpiece, fitted with elevators and a modern roof that allows easy harvesting of water and solar energy. The new building has been fitted with modern video conferencing facilities, closed circuit cameras (CCTV) for advanced security management of the complex. The finishing has a touch of class in colour being predominant and reflecting the brand of Council. The floors are designed to offer flexibility in the configuration of office space as well as excellent access to services.



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MANAGEMENT DISCUSSION AND ANALYSIS

SECTION C

The doors are fitted with card reading system and biometric system. This will help in enhancing the security of the staff and examination materials. There are door access option and an electric fence around the perimeter wall.

It will be the ultimate solution in housing all the KNEC staff within one building/location.

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

SECTION D

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

8.10 OPERATIONAL RISKS

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

8.11 CAPITAL RISKS

The Council capital is limited by Government Guarantee. It is subject to the KNEC Act and the PFMA Act and any directives issued pursuant to the Acts. These Acts affect how the Council manages its reserves. Among other prudential measures, the Council is committed to cost containment and the sourcing of funds to ensure that the Council continues to effectively deliver on its mandate into the foreseeable future.

The Council targets to maintain a level of reserves that helps to minimize the impact of financial risks on the organization. As of June 30 2021, Council suffered a deficit of **Kes.684,840,731** up from the previous year deficit of **Kes.370,688,413**.

The Council requires a capital injection of **Kes.2,012,441,115** to offset the accumulated recurrent deficits incurred during the implementation of the examination reforms. The Council overall budgetary target is **Kes.8,662,733,574** which will allow it to remain financially sustainable.



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MANAGEMENT DISCUSSION AND ANALYSIS

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

SECTION E

Material Arrears in statutory/ financial obligations

8.12 CAPITAL EXPENDITURE

The budgetary allocation for the New Mitihani House construction for the FY 2020-2021 was Nil. The Council had earlier terminated the NMH Phase VI contract with the contractor M/S Ongata Works Ltd in the 2018/2019 Financial Year.

8.13 STATUTORY DEDUCTIONS

The Council in the 2020-2021 Financial year made all the monthly and quarterly statutory remittances on time.

SECTION F

8.14 THE COUNCIL'S FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

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

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



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9.0 ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

9.1 SUSTAINABILITY STRATEGY AND PROFILE.

The Sustainability Report for FY 2020/2021 is organized to reflect the financial, economic, social and environment achievements that the Council has delivered on and to show where our sustainability efforts are now focused in terms of priority. The report will be a platform for embracing sustainable management practices as a way of life at KNEC.

9.1.1 Budgets.

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

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

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

9.1.2 Financial Reports.

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

9.1.3 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 the Performance Contracting Department by submitting quarterly reports. The Council scored a composite score of 3.0537 in the Performance Contract evaluation of the FY 2019/2020 which is equivalent to score of "Good". This was conducted online and disseminated through the Report on Evaluation of Performance of Ministries, State Corporations and Tertiary Institutions for FY 2019/2020.



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SUSTAINABILITY STRATEGY AND PROFILE continued

9.1.4 Quality Management System.

The Council attained ISO 9001:2015 certification through the Kenya Bureau of Standards (KEBS) on 14th October 2018 and is certified up to 13th October 2021.

The Quality Management System (QMS) has been maintained through regular internal audits and surveillance audits. The process of recertification for the next three years is currently ongoing.

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

Emerging issues including the Competency Based Assessment (CBA), risks and opportunities are being addressed in the development of the KNEC Strategic Plan 2021-2026 and will ultimately result to better ways of initiating continual improvement of our products and services.

9.2 ENVIRONMENTAL PERFORMANCE

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

9.2.1 Environmental Polices.

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

9.2.2 Occupational Safety and Health.

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

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



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9.2.3 Safety and Security Measures.

Measures undertaken in KNEC owned premises include:

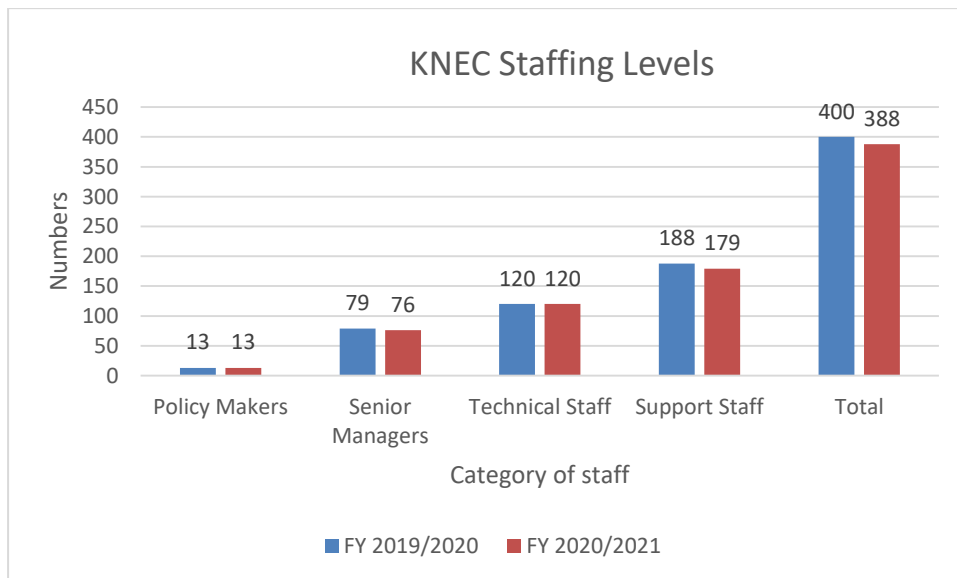
- i. Gate house for screening equipment under construction at NMH.
- ii. Lift and Ramp installed at the New Mitihani House for people with disabilities.
- iii. Toilets for PWD are available in NMH.
- iv. Parking spaces reserved for people with disability in all KNEC premises.
- v. Fire/smoke detectors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

9.3 EMPLOYEE WELFARE

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

9.3.1 Recruitment of Staff members.

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



During the period under review the staff workforce decreased from 400 to 388. Two (2) employees were recruited while 9 staff exited during FY 2020-2021. The attrition rate for the year was at 3%. The process of recruitment to fill to vacant positions as advertised earlier could not be finalized due to the restrictions occasioned by Government to manage the Corona pandemic.



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As of 30 June 2021, 60% of staff were male and 40% were female thus meeting the constitutional gender parity threshold requirement on appointment, promotion, and employment.

The disaggregated data that has been collected as of June 2021 puts the Persons with Disabilities (PWD) at 3.09% of KNEC population. (12/388*100).

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

Through its HRM Policies, human right issues are addressed through grievance handling mechanisms and provisions for disciplinary action.

9.3.2 **Human Development.**

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

The Council coordinated trainings for thirty-nine (39) employees; inducted one new employee; liaised with NITA for partial refund of fees paid by the Council to training institutions and undertook competency development for staff at all levels.

Short Courses

Annual Staff Performance Appraisal was carried out and one of the performance incentives identified was training. The training for the thirty-nine (39) staff is detailed as follows; 5 in Administrator Security Training, 4 in Result based Monitoring, 2 in Activity based budgeting in public sector, 11 in 21st Century Assistants and effective communication and presentations skills and 22 in Quantitative Methods for Monitoring and Evaluating the Quality of Education.

9.3.3 **Employee Wellness Programmes.**

These are national programmes used to sensitize staff on their well-being. There were presentations on road safety mainstreaming, occupational safety and health, HIV/Aids, gender, disability mainstreaming, drug and alcohol abuse, national values and principles, and corruption prevention during the KNEC Open Day



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9.3.3.1 HIV/AIDS

Under *Maisha II* programme, the HIV & AIDS Committee sensitized the Management and staff on HIV/AIDS stigma and discrimination towards PLHIV by sensitizing 233 staff members. Combination Prevention Approach was adopted by distributing a total of 1,000 condoms to staff and family members.



A NACC facilitator taking examiners through HIV & AIDS Sensitization



Section of Examiners following the HIV & AIDS Workshop

921 examiners prescribed sensitization conducted in April 2021 at Moi Girls during the marking period.

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

9.3.3.2 Corruption Eradication

80 staff members of Test Development Directorate were sensitized on the Corruption Risk Assessment and Mitigation Plan (CRAMP) on 23rd February 2021. Progress reports on CRAMP for Quarters 1, 2, 3 & 4 for F/Y 2020-2021 were forwarded to EACC.

9.3.3.3 Road Safety Mainstreaming

The KNEC Road Safety Committee conducted training for its members from 23rd to 27th November 2020 at South C with Officers from NTSA facilitating the training. The committee was expected to develop a Workplace Policy on Road Safety, prepare an annual work plan, implement the same and submit quarterly reports to the NTSA.

9.3.3.4 National Cohesion and Values

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



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9.3.3.5 Talent cultivation.

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

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

9.4 MARKET PLACE PRACTICES

9.4.1 Examinations Practices & Regulations.

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

Examination timetables are available on the website to enable candidates to plan their studies.

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

9.4.2 Customer Complaints.

The Council is committed to resolution of complaints which is a performance contract target. During the financial year 2020/2021, KNEC submitted quarterly reports to CAJ as per the guidelines issued. For continuous improvement in service delivery the commission revises and issues new guidelines when it deems necessary.

The reports were submitted as per the 10th edition guidelines. CAJ score organizations according to the performance on resolution of complaints and access to information.

The score for KNEC for the FY 2020/2021 was a 75 percent was an improvement to the previous score.



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

9.4.2 Special Needs Candidates.

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

Special Needs Access Arrangement

Type of Special Need/Disability	Access arrangement	KCPE	KCSE	PTE	TCAE	SNE	ECDE
		2020	2020	2020	2020	2020	2020
Visual Impairment (Total Blindness)	Braille papers and extra-time	104	113	34	-	23	14
Visual Impairment (Low vision)	Enlarged print papers	603	499	38	1	12	-
Physical Disabilities	Modified papers/extra time	1,201	709	3	-	6	17
Hearing Impairment (Profound loss of hearing)	Modified papers/extra time	738	562	36	-	16	5
Hearing Impairment (Deaf))	Modified papers/extra time	-	-	-	-	4	21
Total		2,675	1,883	111	1	61	57

9.4.3 Examination Security Threats.

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

- i. The list of the newly trained examiners was forwarded to the Teachers Service Commission (TSC) for vetting and to ascertain their qualifications, employment, registration, work station and discipline status.
- ii. The examination centres that were mapped out as hot spots for examination malpractices were assigned full time KNEC officers to monitor the administration of the examinations.



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- iii. KNEC uses Optical Mark Reader (OMR) forms as answer sheets for KCPE examination. The OMR answer sheets were personalized for each candidate and thus the challenge of script identification has been successfully resolved..
- iv. The Council is continuously mitigating the risks involved in Data and cyber security. The Council applies the multilevel government approach in ensuring the examination materials are secured electronically.

9.5 COMMUNITY ENGAGEMENTS

KNEC participates in a tree planting exercise as part of its Corporate Social Responsibility (CSR) at St. George's Primary School in Nairobi County.



KNEC participate in a tree planting exercise

St. George's Primary School pupils in Nairobi County participate in a tree planting exercise on June 25, 2021. The event organized the by KNEC's team was led by Mr. Wesley Kirui.



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

The Council submits its report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Council's affairs.

10.1 Principal Activities

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

10.2 Result

The results of the Kenya National Examinations Council for the year ended June 30, 2021, are set out on page 1 to 64.

10.3 Members

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

10.4 Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Council did not make any surplus during the year (FY 2020/2021 Nil) and hence no remittance was made to the Consolidated Fund.

10.5 Auditors

The Auditor-General is responsible for the statutory audit of the Kenya National Examinations Council in accordance with the Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

10.6 By Order of the Council

Dr David Njengere
CEO/ Secretary to the Council
NAIROBI

Date : 23 September 2021



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11.0 STATEMENT OF COUNCIL MEMBER'S RESPONSIBILITIES

- 11.1 Section 81 of the Public Finance Management Act of 2012, Section 14 of the State Corporation Act and Section 24 of KNEC Act requires the Council members to prepare financial statements in respect of the Council, which give a true and fair view of the situation of the Council at the end of the financial year and the operating results of the Council for that year. The Council members are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Council members are also responsible for safeguarding the assets of the Council.
- 11.2 The Council members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the situation of the Council for and as at the end of the financial year ended on 30 June 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.
- 11.3 The Council members accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, the State Corporations Act and KNEC Act. The Council members are of the opinion that the Council's financial statements give a true and fair view of the state of Council transactions during the financial year ended 30 June 2021, and of the Council's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.
- 11.4 Nothing has come to the attention of the Council members to indicate that the Council will not remain a going concern for at least the next twelve months from the date of this statement.
- 11.5 Approval of the financial statements.
The Council's financial statements were approved by the Council on 23 September 2021 and signed on its behalf by:


Dr John O Onsati, OGW
COUNCIL CHAIRMAN


Dr David Njengere
CHIEF EXECUTIVE OFFICER



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**12.0 REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF
KENYA NATIONAL EXAMINATIONS COUNCIL**

REPUBLIC OF KENYA

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**REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL EXAMINATIONS
COUNCIL FOR THE YEAR ENDED 30 JUNE, 2021**

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

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 61, which comprise of the statement of financial position, as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and

Report of the Auditor-General on Kenya National Examinations Council for the year ended 30 June, 2021



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya National Examinations Council as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya National Examinations Council Act, 2012.

Basis for Qualified Opinion

1. Non-Disclosure of Material Uncertainty Relating to Going Concern

The statement of financial performance reflects a deficit of Kshs.684,840,731 (2020: deficit of Kshs.370,688,413) reducing the revenue reserve to a negative balance of Kshs.2,012,441,115 as at 30 June, 2021. In addition, the statement of financial position reflects current liabilities amounting to Kshs.3,075,511,480 which exceeds current assets amount of Kshs.1,738,022,768 resulting in a negative working capital of Kshs.1,337,488,712. As previously reported, the Council is therefore, technically insolvent and may not meet its short-term obligations when they fall due. Its continued existence as a going concern is dependent upon financial support from its creditors and the Government.

In the circumstances, the continued existence of the Council could not be confirmed.

2. Long Outstanding Work in Progress

As reported previously, the Council has been constructing the New Mitihani House in South C, Nairobi and the works have been on going for the last thirty-three (33) years. However, as at the time of the audit, the contractor had sued the Council and as per the reviewed multiagency report, the court had ordered the Council to settle an amount of Kshs.455,000,000 which had already been paid as at 30 June, 2021. Review of records revealed that the amount paid constituted the final dues to the contractor since the contract had earlier been terminated. In addition, the New Mitihani House remained incomplete with Kenya National Examinations Council (KNEC) having occupied part of the building.

In the circumstances, the delays in completion of the project may lead to cost escalation due to inflationary pressure and the Council may not get value for money for the project.

3. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 18 to the financial statements, reflects a balance of Kshs.207,962,649 under prepayment receivables from exchange transactions which includes an amount of Kshs.25,461,180 in respect of debtors-



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examinations. Further, and as previously reported, the debtors-examinations balance includes the Early Childhood Development Examinations (ECDE) - Teachers Examination debtors of Kshs.25,206,120 which further includes an amount of Kshs.19,889,300 due from the Foundation Institute of Africa relating to unpaid examination fees in 2014. The amounts have attracted penalties amounting to Kshs.16,016,000 being late registration and late payment for the examination, which the Council has recognized as contingent assets. Management has explained that they have released the examination certificates to the Institute, and it is therefore, not clear how this amount will be recovered.

In the circumstances, the recoverability of the receivables from exchange transactions balance Kshs.19,889,300 and the contingent asset of Kshs.16,016,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Examination Council Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidences I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.7,585,135,387 against actual revenue collections of Kshs.7,239,363,779 resulting in under collection of Kshs.345,771,608 which represents a 5% under performance. Similarly, the Council spent a total of Kshs.7,875,288,231 against an approved budget of Kshs.8,662,733,574 resulting to an under-expenditure of Kshs.787,445,343 or 9% of the budget.

The under collection of revenue and the under-expenditure affected the planned activities of the Council and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else

Report of the Auditor-General on Kenya National Examinations Council for the year ended 30 June, 2021



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has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Expenditure on Field Inspections by Council Members

The Council incurred an expenditure of Kshs.10,324,600 on examination monitoring allowances which were paid to Council members to participate in field inspections for monitoring exams. This is contrary to Circular Ref. No. OP/CAB.9/1A dated March, 2020, which delegates field/inspection visits as a function of the executive team.

In the circumstances, Management was in breach of regulations.

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 the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of ICT Steering Committee and ICT Strategic Committee

Review of the Information Technology (IT) controls revealed that the Council did not have an ICT strategic committee and an ICT steering committee to guide its ICT operations.

In the circumstances, the Council may not realise its ICT strategic goals as outlined in its strategic plan.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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.



THE KENYA NATIONAL EXAMINATIONS COUNCIL ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Council, or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Council's financial reporting process, reviewing the effectiveness of how the Management 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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Council's 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue to sustain its services. 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 to sustain its services.
- 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.

Report of the Auditor-General on Kenya National Examinations Council for the year ended 30 June, 2021



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

- 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 controls 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 September, 2022




THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021


13.0 STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2021

	<u>NOTES</u>	<u>2020-2021</u> <u>Kes.</u>	<u>2019-2020</u> <u>Kes.</u>
Revenue from Non-Exchange Transactions			
Recurrent Government Grant	2	4,756,987,800	4,405,729,200
		4,756,987,800	4,405,729,200
Revenue from Exchange Transactions			
Examinations Fees	3	2,206,387,707	2,242,873,515
Interest Income	4	103,731,225	108,801,158
Other Operating Income	5	122,252,509	132,985,054
		2,432,371,441	2,484,659,727
Total Revenue		7,189,359,241	6,890,388,927
Personnel Expenses	6	967,609,525	984,658,136
Council and its Committees Expenses	7	29,202,579	22,488,189
Administration Expenses	8	357,245,286	335,001,380
Examinations Expenses	9	6,119,153,320	5,493,585,273
Housing of Staff & Office Accommodation	10	106,732,809	104,997,923
Project Expenses	11	-	-
Decrease in Provision of Employee benefit Obligation	12	6,491,660	(6,344,045)
Depreciation & Amortization	13	260,912,596	293,674,093
Total Expenses		7,847,347,775	7,228,060,949
Other Gains/Losses			
Gain on Foreign Exchange Transactions	14	4,514,281	(548,016)
Deficit Before Taxation		(653,474,253)	(338,220,038)
Taxation	15	31,366,478	32,468,375
Deficit for the Year		(684,840,731)	(370,688,413)

The notes set out on pages 9 to 64 form an integral part of these Financial Statements


Dr David Njengere
Chief Executive Officer


CPA Abraham K. Oloo
Head of Finance
ICPAK No: 2743


Dr John O. Onsati, OGW
Chairman of the Council

Date 23rd Sept 2021.

Date 23rd Sept 2021.

Date 23/09/2021.



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021

14.0 STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

ASSETS

	NOTE	2020-2021 Kes.	2019-2020 Kes.
CURRENT ASSETS			
Cash and Cash Equivalents	16	1,336,211,294	1,651,089,640
Receivables from non-exchange transactions	17	-	-
Prepayment Receivables from exchange transactions	18	207,962,649	309,781,850
Inventories	19	193,848,825	236,631,333
		1,738,022,768	2,197,502,823
NON - CURRENT ASSETS			
Property, Plant & Equipment	20	1,082,199,125	1,316,899,238
Property in Work In Progress	21	3,095,633,964	3,095,633,964
Investment Property	22	196,577,994	209,229,173
Investments (Consolidated Bank)	23	64,300,000	64,300,000
Intangible Assets	24	13,819,977	4,523,562
		4,452,531,060	4,690,585,937
TOTAL ASSETS		6,190,553,828	6,888,088,760

LIABILITIES

CURRENT LIABILITIES

Trade and other payables from exchange transactions	25	1,195,450,843	224,523,442
Deferred income	26	1,811,850,290	2,873,208,516
Employee benefit Obligation	27	26,371,235	21,415,552
Taxation Provision	28	41,839,112	35,540,452
		3,075,511,480	3,154,687,962

NON CURRENT LIABILITIES

Donor Project Funds	29	378,879,569	388,621,480
Capital Works Retention	30	4,399,990	4,399,990
		383,279,559	393,021,470
		3,458,791,039	3,547,709,432

RESERVES


Capital Reserve	31	4,034,563,545	3,966,136,910
Revaluation Reserve	32	709,640,359	709,640,359
Accumulated Surplus	33	(2,012,441,115)	(1,335,397,941)
		2,731,762,789	3,340,379,328


TOTAL LIABILITIES

6,190,553,828 **6,888,088,760**

The Financial statements set out on pages 1 to 64 were signed on behalf of the Council by:


Dr David Njengere
Chief Executive Officer


CPA Abraham K. Oloo
Head of Finance
ICPAK No: 2743


Dr John O. Onsati, OGW
Chairman of the Council

Date 23rd Sept 2021

Date 23rd Sept 2021

Date 23/09/2021.



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

**15.0 STATEMENT OF CHANGES IN NET ASSETS
As at 30 June 2021**

	Capital Reserve (Kes)	Revaluation Reserve (Kes)	Accumulated Surplus (Kes)	Total (Kes)
Balance as at 1 July 2019	3,683,241,668	709,640,359	(971,338,575)	3,421,543,452
Prior Year Adjustments (Note 37)	1,312,629	-	6,629,047	7,941,676
Restated Balance as at 1 July 2019	3,684,554,297	709,640,359	(964,709,528)	3,429,485,128
NMH Capital Grants –MOPW	106,927,400			106,927,400
Capital Grants – SEQIP	174,655,213			174,655,213
Deficit for the Year			(370,688,413)	(370,688,413)
Balance as at 30 June 2020	3,966,136,910	709,640,359	(1,335,397,941)	3,340,379,328
Balance as at 1 July 2020	3,966,136,910	709,640,359	(1,335,397,941)	3,340,379,328
Prior Year Adjustments (Note 37)			7,797,557	7,797,557
Restated Balance as at 1 July 2020	3,684,554,297	709,640,359	(964,709,528)	3,429,485,128
Capital Grants-Printing Equipment	50,000,000			50,000,000
Capital Grants –SEQIP	18,426,635			18,426,635
Deficit for the Year			(684,840,731)	(684,840,731)
Balance as at 30 June 2021	4,034,563,545	709,640,359	(2,012,441,115)	2,731,762,789



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

**16.0 STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2021**

		2020-2021	2019-2020
		Kes.	Kes.
Cash flows from operating activities			
Deficit for the Year	33	(684,840,731)	(370,688,413)
Adjustments for :			
Accrued expenses adjustments	33	7,797,557	6,629,047
Interest Income	4	(103,731,225)	(108,801,158)
Depreciation & Amortization	13	260,912,596	293,674,093
Operating profit before working capital changes		(519,861,803)	(179,186,431)
Decrease in Inventories	19	42,782,508	647,846
Decrease in Receivables from non-exchange transactions	17	-	661,277,773
Decrease in Receivables from exchange transactions	18	88,022,906	(49,246,455)
Increase in Trade and other payables	25	970,927,401	(10,875,003)
Decrease in Deferred Income	26	(1,061,358,226)	(339,152,458)
Decrease in Employee benefit Obligation	27	4,955,683	(4,003,022)
Decrease in Tax provisions	28	6,298,660	(421,624)
		49,628,932	258,227,057
Net cash flows from operating activities		(470,814,685)	79,040,626
Cash flows from financing activities			
Increase in Capital Reserve	31	50,000,000	-
Decrease in Donor Project Funds	29	(9,741,911)	164,938,170
Net cash flows from financing activities		40,258,089	164,938,170
Cash flows from investing activities			
Interest received	4,18	119,527,520	97,783,350
Purchase of property, plant and equipment	20	(4,431,084)	(25,745,089)
Construction on New Mitihani Building	21	-	-
Purchase of Software System	24	-	(3,770,428)
Retention of Capital Works	30	-	-
Net cash flows from investing activities		115,096,436	68,267,833
Net increase in Bank		(314,878,346)	312,246,629
Cash and Cash Equivalents at Beginning of Year	16	1,651,089,640	1,338,843,011
Cash and Cash Equivalents at End of Year	16	1,336,211,294	1,651,089,640



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

17.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2021

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	4,215,944,448	521,384,512	4,737,328,960	4,756,987,800	19,658,840	0%	
Receipt of Examination Fees	3,393,733,038	(1,200,491,189)	2,193,241,849	2,206,387,707	13,145,858	1%	
Interest Income from Financial Institutions	150,000,000	(53,012,931)	96,987,069	103,731,225	6,744,156	7%	
Other Operating Income	230,582,326	(133,776,609)	107,051,717	122,252,509	15,200,792	14%	(a)
TOTAL RECURRENT REVENUE	7,990,259,812	(855,650,217)	7,134,609,595	7,189,359,241	54,749,646	1%	
DEVELOPMENT REVENUE							
Capital Grants from MOE	50,000,000	400,525,792	450,525,792	50,000,000	(400,525,792)	-89%	(b)
GRAND REVENUE - RECURRENT & DEVELOPMENT	8,040,259,812	(455,124,425)	7,585,135,387	7,239,363,779	(345,776,146)	-5%	
RECURRENT EXPENDITURE							
Personnel Expenses	1,020,832,022	(1,071,877)	1,019,760,145	967,609,525	52,150,620	5%	
Council Expenses	30,000,000	-	30,000,000	29,202,579	797,421	3%	
Administration Expenses	490,031,704	(119,335,176)	370,696,528	357,245,286	13,451,242	4%	
Examinations Expenses	6,229,345,000	134,482,354	6,363,827,354	6,119,153,320	244,674,034	4%	
Housing of Staff & Office Accommodation	109,700,000	1,718,316	111,418,316	106,732,809	4,685,507	4%	
Increase in Provision of Employee Obligation	-	-	-	6,491,660	(6,491,660)	-100%	(c)
Depreciation & Amortization	193,660,644	97,844,787	291,505,431	260,912,596	30,592,835	10%	(d)
Taxation	50,000,000	(25,000,000)	25,000,000	31,366,478	(6,366,478)	-25%	(e)



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

17.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2021

TITLE DETAILS	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Differences	Variance	
	Kes	Kes	Kes	Kes	Kes	%	
Loss/(Gain) on Foreign Exchange	-	-	-	(4,514,281)	4,514,281	-100%	(f)
TOTAL RECURRENT EXPENDITURE	8,123,569,370	88,638,404	8,212,207,774	7,874,199,972	338,007,802	4%	
DEVELOPMENT EXPENDITURE							
Construction of New Mitihani House	-	389,325,800	389,325,800	-	389,325,800	100%	(g)
Purchase of Office Equipment	-	11,200,000	11,200,000	1,088,259	10,111,741	90%	(h)
Purchase of Specialized Printing Equipment	50,000,000	-	50,000,000	-	50,000,000	100%	(i)
TOTAL DEVELOPMENT EXPENDITURE	50,000,000	400,525,800	450,525,800	1,088,259	449,437,541	100%	
GRAND EXPENDITURE - RECURRENT & DEV	8,173,569,370	489,164,204	8,662,733,574	7,875,288,231	787,445,343	9%	
NET DEFICIT	(133,309,558)	(944,288,629)	(1,077,598,187)	(635,928,990)	441,669,197	-41%	



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

BUDGET NOTES

CHANGES FROM ORIGINAL BUDGET TO FINAL BUDGET

The variance between the Original budget and the Final budget can be explained by the necessary budgetary adjustments made in the course of the year where the original budget did not adequately envisage actual operating circumstances. The actual revenues decreased over the budgeted amount by **Kes.345,776,146** and capital budget increase of **Kes.400,525,792** on the budget heads and recurrent line items increase of **Kes.88,638,404** became necessary to safeguard the security of examination processes.

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

Revenue

- a) *Other Operating Income:* Drop was attributable to lower royalties on the KLB Mathematics Tables Booklets net sales from 290,922 to 151,320 due to the Covid 19 pandemic.
- b) *Capital Grants from MOE:* Capital grant with respect to New Mitihani House Construction was not received as at year end.

Expenditure

- c) *Increase in Provision of Employee benefit Obligation:* Attributable to most if not all staff members not utilizing their annual leave which raised the outstanding number of leave days from 3,559 as at 30 June 2020 to 5,002 as at 30 June 2021.
- d) *Depreciation & Amortization:* Drop was attributable to fully depreciated obsolete equipment.
- e) *Taxation:* Reduction on taxable income.
- f) *Gain on foreign exchange:* Gain made on closing rate translation on the forex investment account.
- g) *Construction of New Mitihani House:* The contract for construction was deferred to FY 2020/2021 as a result of funding constraints.
- h) *Purchase of Office Equipment:* Outstanding commitment for the acquisition of security cameras for new marking centres.
- i) *Purchase of Specialized Printing Equipment:* Outstanding commitment for the acquisition of specialized printing machines.



THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021

BUDGET NOTES

RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

As required by IPSAS 24, reconciliation is provided between the actual amounts on a comparable basis as presented in budget statement and the actual amounts in the financial accounts identifying separately any basis, timing and entity differences. Basic differences include the acquisition of assets, 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	(684,840,731)	-	-	(684,840,731)
Adjusted for:				
Basic Difference	48,911,741	-	-	48,911,741
Presentation Difference	-	-	-	-
Entity Difference	-	-	-	-
Deficit for the Year as per Statement of Budget Performance	(635,928,990)	-	-	(635,928,990)



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
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ENDED 30 JUNE, 2021**

18.0 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Council is established by and derives its authority and accountability from KNEC Act of 2017. The entity is 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 conduct research on educational assessment.

1.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

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 2021

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1 January 2021</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p>
Other Improvements to IPSAS	<p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE, 2021**

1.3 ADOPTION OF NEW AND REVISED STANDARDS Continued

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.



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1.3 ADOPTION OF NEW AND REVISED STANDARDS Continued

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Impact
Other Improvements to IPSAS	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

The members of the Council have evaluated the impact of the new standards not yet effective for the year and had noted the IPSAS 42 has no impact on the Council's financial statements.

iii) Early adoption of standards

The Council did not adopt early any new or amended standards in 2020/2021.

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue From Non-Exchange Transactions –IPSAS 23

Transfers from Government

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

To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Development/capital grants are recognized in the statement of financial position.

ii) Revenue From Exchange Transactions –IPSAS 9

Examination Fees

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non- Examination Revenue

Rendering of services

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

Sale of goods

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

Rental income

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

Interest Income

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

b) Expenditure Recognition

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

c) Budget Information –IPSAS 24

The original budget for FY 2020-2021 was approved by the National Assembly on June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Information –IPSAS 24

Accordingly, the Council recorded additional appropriations of Kes.99,838,404 on the 2020-2021 budget following the governing body's approval.

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

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

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

d) Taxes – IAS 12

The Council does not operate for gain as per its mandate. The Deferred Taxation accounting is not applicable on the Council's operating income which is not taxable. However its investment income & rental income are subject to income tax as per ruling of the Tax Appeals Tribunal No. TAT/57 of 2018.

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Investment property –IPSAS 16

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 40-year period.

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

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

f) Property, Plant and Equipment –IPSAS 17

All Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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

g) Intangible Assets –IPSAS 31

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Intangible Assets –IPSAS 31 Continued

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

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

h) Research and development costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

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

i) Financial Instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

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

Impairment of financial assets

The Council assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Inventories –IPSAS 12

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

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

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

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

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

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

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

Provisions, Contingent Liabilities and Contingent Assets (continued)

Contingent Liabilities

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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) Changes in Accounting Policies and Estimates –IPSAS 3

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

n) Employee Benefits: -IPSAS 25

Short-term employee benefits

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Benefit Plans

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

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

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

o) Project Funds

The Ministry of Education, (MoE) received funds from the Global Partnership for Education (GPE) to support development of the primary school sub-sector in Kenya under the Kenya Primary Education Development (PRIEDE) project. The PRIEDE project which is a 3 year project expected to run from June 2018 to March 2019. During the FY 2020-2021 KNEC received funds for implementing activities under component I, II, and III of the PRIEDE project.

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

p) Related Parties Disclosures– IPSAS 20

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Leases–IPSAS 13

Council as a lessee

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

Council as a lesser

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

r) Capital Commitments

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

s) Cash and cash equivalents

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

t) Foreign Currency transactions –IPSAS 4

Transactions in foreign currencies are initially accounted for at the exchange rate on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by apply the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

u) Comparatives Figures

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Subsequent events -IPSAS 14

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

w) Segment Reporting -IPSAS 18

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

1.5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in notes for provision for doubtful debts, leave provision, useful lives and depreciation methods and asset impairment.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTE 2	2020-2021	2019-2020
Recurrent Government Grant	Kes.	Kes.
KCPE Recurrent Grants –MoE	937,977,600	852,811,200
KCSE Recurrent Grants –MoE	3,669,910,200	3,375,918,000
<i>Exams Fees for Public & Private Institutions</i>	4,607,887,800	4,228,729,200
Recurrent Grants –MoE	149,100,000	177,000,000
	4,756,987,800	4,405,729,200

NOTE 2 b

INTER-ENTITY TRANSFERS

Parliamentary Allocation approved

	2020-2021	2019-2020
	Kes.	Kes.
MoE KCPE Deferred Income transferred	937,977,600	852,811,200
MoE Recurrent Exams Grants Transfer	1,384,246,176	797,707,088
MoE KCSE Deferred Income transferred	2,285,664,024	2,578,210,912
<i>Exams Fees for Public & Private Institutions</i>	4,607,887,800	4,228,729,200
MoE Recurrent Grants Transfer	149,100,000	177,000,000
MoE Recurrent Grants	4,756,987,800	4,405,729,200



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 2 c) Transfer from Ministries, Departments & Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Amount recognized in receivables	Amount recognized in Project funds	2020-2021 Total grant income during the year
	Kes	Kes	Kes.	Kes.	Kes	Kes
Ministry/State Department of Basic Education	1,533,346,176	2,639,622,535	50,000,000	-	211,794,500	4,434,763,211
Total	1,533,346,176	2,639,622,535	50,000,000	-	211,794,500	4,434,763,211

NOTE 3

EXAMINATION FEES

	2020-2021	2019-2020
	Kes.	Kes.
KCPE	16,642,400	18,380,000
PTE	86,215,350	83,882,550
KCSE	437,755,400	435,226,200
Adult Education	590,700	740,100
ECDE	319,508,330	-
Diploma Teachers Education	-	24,500,850
Special Needs Education	19,746,750	-
Technical	859,740,340	1,053,097,550
Business	443,464,780	605,731,710
Commissions received on Foreign Exams	23,102,802	7,676,800
Examination Fees – Qualify Tests, Amendments, Penalties	1,732,630	14,995,360
Examinations Refunds	(2,111,775)	(1,357,605)
	2,206,387,707	2,242,873,515



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4 INTEREST INCOME	2020-2021 Kes.	2019-2020 Kes.
Interest - Fixed Deposits	99,083,880	102,438,101
Interest - Current Accounts	4,647,345	6,363,057
	103,731,225	108,801,158

NOTE 5 OTHER OPERATING INCOME	2020-2021 Kes.	2019-2020 Kes.
Rent Recoveries from Staff	10,020,000	9,985,000
Commercial Rental Income	2,608,893	3,000,000
Sale of Waste Paper	5,015,681	4,186,080
S M S Income	49,759,212	47,673,201
Sale of Publication	19,408,494	30,880,402
Sundry Revenue	3,500	422,120
Confirmation of Certificate Services	23,605,000	30,229,000
Letters of Certificate Services	3,397,500	5,157,890
Equation of Foreign Certificates	516,000	2,243,667
Sale of Data (Consultancy services)	-	52,000
Inspection of Examination centres - KCPE	7,853,000	-
Inspection of Examination centres - KCSE	1,188,000	-
Inspection of Examination centres - Technical	605,000	-
Inspection of Examination centres - Business	600,000	-
Less Refunds	(2,327,771)	(844,306)
	122,252,509	132,985,054



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6

	2020-2021	2019-2020
	Kes.	Kes.
PERSONNEL EXPENSES		
Personal Emoluments	734,737,730	756,626,207
Wages (NYS)	21,822,316	18,599,000
Leave and Passage Expenses	12,568,697	13,461,813
Employer Contribution to Pension Schemes	108,041,919	110,951,795
<i>Compensation to Employees</i>	877,170,662	899,638,815
Medical Expenses –Staff Medical Policy	90,438,863	85,019,321
	967,609,525	984,658,136

NOTE 7

COUNCIL AND ITS COMMITTEE EXPENSES

	2020-2021	2019-2020
	Kes.	Kes.
Sitting allowance	14,120,000	14,700,000
Exam Monitoring Allowance	10,324,600	-
Training costs	234,600	3,688,000
Subsistence Allowance	2,899,500	1,913,700
Travelling	579,879	1,142,489
Honoraria	1,044,000	1,044,000
	29,202,579	22,488,189



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8

OFFICE ADMINISTRATION EXPENSES

	2020-2021	2019-2020
	Kes.	Kes.
Transport Operation Expenses	47,111,141	48,192,715
Travel & Accommodation	19,959,860	29,746,727
Telephone, Courier /Airtime Expenses	22,916,116	26,294,998
Electricity, Water & Conservancy	15,903,516	13,993,027
Official Entertainment	430,000	495,000
Newspapers, Magazines and Periodicals	80,870	665,892
Advertising & Publicity	8,335,667	9,969,253
Purchase of Uniforms	-	114,000
Purchase of Stationery & Accountable Documents	77,354,069	16,296,245
Maintenance of Plant & Equipment	27,952,394	25,022,778
Supplies of Sanitary Services	12,930,516	6,970,947
Events and Catering Management	33,442,766	49,236,010
Contracted Guards (Armed guards)	42,348,877	43,914,998
Staff Welfare Development	13,462,316	16,178,684
Staff Training	2,609,073	6,051,298
International Conferences	100,170	20,334,840
National Programs i.e. HIV/AIDS, ADA, Gender & Anti-Corruption	5,992,754	2,250,380
Library Expenses	1,177,100	439,866
Bookshop Operating Expenses	5,451,726	(6,980,373)
Quality Management and Strategic Management	-	1,248,500
Legal Expenses	940,570	3,608,118
General Consultancy	1,922,900	3,363,275
Audit Expenses	2,900,000	2,900,000
MPESA & Bank Charges	13,922,885	14,694,202
	357,245,286	335,001,380



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NOTE 9	2020-2021	2019-2020
EXAMINATION EXPENSES	Kes.	Kes.
Computer Charges	40,214,486	24,204,336
Reprographics Printing Unit	90,912,215	54,962,019
KCPE	1,090,224,205	987,111,586
KCSE	4,197,857,521	3,797,727,250
PTE	62,360,117	54,726,095
ADULT/TCAE	1,365,882	1,317,956
ECDE	67,378,396	17,044,708
DTE	25,417,213	12,514,254
SNE	13,410,646	1,607,068
TECHNICAL	329,287,903	355,603,608
BUSINESS	188,498,335	182,150,154
FOREIGN EXAMS Expenses	10,998,304	4,616,239
CBA	1,228,097	
Contracted Professionals- Insurance	-	-
	6,119,153,320	5,493,585,273

NOTE 10	2020-2021	2019-2020
STAFF HOUSING AND OFFICE ACCOMODATION	Kes.	Kes.
Repair to Council Offices	10,973,637	17,722,268
Maintenance to Residential Houses	-	-
Maintenance to Regional Containers	2,718,316	1,481,540
Rent & Rates to Office Accommodation	93,040,856	85,794,115
	106,732,809	104,997,923

NOTE 11	2020-2021	2019-2020
PROJECT EXPENSES	Kes.	Kes.
Seacmeq IV Research Project Expenses	-	-
	-	-



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NOTE 12	2020-2021	2019-2020
INCREASE IN PROVISION OF EMPLOYEE OBLIGATION	Kes.	Kes.
Increase in provision of leave pay	6,491,660	(6,344,045)
	6,491,660	(6,344,045)

NOTE 13	2020-2021	Restated 2019-2020
DEPRECIATION & AMORTIZATION EXPENSES	Kes.	Kes.
Depreciation of New Mitihani House (Dennis Pritt)	7,479,428	7,063,904
Depreciation of New Mitihani House (Printing Unit)	8,249,732	7,999,740
Depreciation of Residential Houses	12,651,179	11,758,479
Depreciation of Computer Equipment	98,808,635	129,433,123
Depreciation of Metal Containers	34,423,800	34,423,800
Depreciation of Office Equipment	51,922,298	52,758,896
Depreciation Expenses - Motor Vehicles	16,250,828	16,250,828
Depreciation of Furniture	7,488,632	9,876,883
Depreciation of Office Fittings and Partitions	14,507,844	16,888,082
Amortization of Software Development	9,130,220	8,165,781
	260,912,596	293,674,093



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NOTE 14	2020-2021	2019-2020
OTHER GAINS/LOSSES	Kes.	Kes.
Gain/(Loss) on foreign exchange	4,514,281	(548,016)
	4,514,281	(548,016)

NOTE 15	2020-2021	2019-2020
TAXATION EXPENSES	Kes.	Kes.
Current corporate income tax	31,366,478	32,468,375
Tax arrears	-	-
	31,366,478	32,468,375
Temporary difference	-	-
	31,366,478	32,468,375

NOTE 16		2020-2021	2019-2020
CASH AND CASH EQUIVALENTS	Note	Kes.	Kes.
Cash in Bank	41	613,289,421	476,089,641
Short term Deposits	42	722,921,873	1,174,999,999
		1,336,211,294	1,651,089,640

NOTE 17		2020-2021	2019-2020
RECEIVABLES FROM NON -EXCHANGE TRANSACTIONS		Kes.	Kes.
MoE		-	-
		-	-



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NOTE 18

		2020-2021	2019-2020
PREPAYMENT & RECEIVABLES FROM EXCHANGE TRANSACTIONS		Kes.	Kes.
	Note		
Prepayments		-	183,493,893
Prepayments -ESAMI		2,285,412	23,613,266
Debtors - Examinations	43	25,461,180	18,896,040
Unsurrendered Imprest	44	72,049,805	25,130,567
Staff Receivables	45	489,066	610,680
Sundry Debtors	46	86,378,524	20,942,447
Interest Receivable/Accrued Interest		7,031,102	22,827,397
Deposit to Institutions	47	14,267,560	14,267,560
		207,962,649	309,781,850

NOTE 19

INVENTORIES

	2020-2021	2019-2020
	Kes.	Kes.
Printing Materials -Inventories	76,877,562	85,736,927
General Stationery	80,971,764	109,472,081
Book Shop - Inventories	35,999,499	41,422,325
	193,848,825	236,631,333



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

	Land Kes	Leasehold Building Kes	Motor Vehicle Kes	Office Equipment Kes	Examination Materials Container Kes	Computer Equipment Kes	Furniture Kes	Partition & Fittings Kes	Gross Total Kes
COST OR VALUATION									
Balance as at 1 July 2019	329,550,000	391,043,698	151,764,783	896,345,360	322,640,348	929,804,176	128,804,998	255,816,797	3,405,770,160
Additions for the year	-	98,000	-	49,376	21,597,669	174,873,288	3,781,969	-	200,400,302
Balance as at 1 July 2020	329,550,000	391,141,698	151,764,783	896,394,736	344,238,017	1,104,667,464	132,586,967	255,816,797	3,606,170,462
Additions for the year	-	-	-	1,099,259	882,825	2,460,000	-	-	4,431,084
Balance as at 30 June 2021	329,550,000	391,141,698	151,764,783	897,482,995	345,120,842	1,107,137,464	132,586,967	255,816,797	3,610,601,546
ACCUMALATED DEPRECIATION									
Balance as at 1 July 2019		108,152,392	116,178,312	664,518,735	78,826,988	778,697,619	115,211,989	153,935,356	2,015,521,391
Depreciation charge for the year		15,063,644	16,250,828	51,813,471	34,423,802	129,433,123	9,876,883	16,888,082	273,749,833
Balance as at 1 July 2020		123,216,036	132,429,140	716,332,206	113,250,790	908,130,742	125,088,872	170,823,438	2,289,271,224
Depreciation charge for the year		15,729,160	16,250,828	51,922,298	34,423,800	98,808,635	7,488,632	14,507,844	239,131,197
Balance as at 30 June 2021		138,945,196	148,679,968	768,254,504	147,674,590	1,006,939,377	132,577,504	185,331,282	2,528,402,421
NET BOOK VALUE									
As at 30 June 2021	329,550,000	252,196,502	3,084,815	129,228,491	197,446,252	100,198,087	9,463	70,485,515	1,082,199,125
As at 30 June 2020	329,550,000	267,925,662	19,335,643	180,062,530	230,987,227	196,546,722	7,498,095	84,993,359	1,316,899,238
Rate of Depreciation		2.5%	25.0%	10.0%	10.0%	25.0%	12.5%	10.0%	



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NOTE 21

PROPERTY IN WORK IN PROGRESS

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

	2020-2021 Kes.	2019-2020 Kes.
Balance as at 1 July	3,095,633,964	2,987,393,935
Prior item additions paid by MOPW	-	1,312,629
Additions during the year paid by MOPW	-	106,927,400
Balance as at 30 June	3,095,633,964	3,095,633,964

NOTE 22

INVESTMENT PROPERTY

COST

	2020-2021 Kes.	2019-2020 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	(172,178,827)	(160,420,348)
Depreciation charge for the year	(12,651,179)	(11,758,479)

Balance as at 30 June

	(184,830,006)	(172,178,827)
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NET BOOK VALUES

Balance as at 30 June	196,577,994	209,229,173
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NOTE 23

INVESTMENTS

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

	2020-2021 Kes.	2019-2020 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

Additions from SEQIP Project

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

	2020-2021	2019-2020
	Kes.	Kes.
	<u>165,468,278</u>	<u>161,697,850</u>
	-	3,770,428
	18,426,635	-
	<u>183,894,913</u>	<u>165,468,278</u>
	(160,944,716)	(152,778,935)
	(9,130,220)	(8,165,781)
	<u>(170,074,936)</u>	<u>(160,944,716)</u>
	<u>13,819,977</u>	<u>4,523,562</u>

NOTE 25

TRADE AND OTHER PAYABLES

Examination Expenses Payable

Trade Creditors

Accrued Expenses (Budget Commitments)

Staff Deductions Payables

Statutory Deductions Payables/ Benefits

KNEC Contribution to WCPS / Staff Contribution to WCPS

Audit Fees (Accrual)

Rent Deposit Refundable

	2020-2021	2019-2020
Note	Kes.	Kes.
48	797,448,490	11,477,655
	146,340,335	75,915,343
	196,115,698	44,780,696
49	9,418,587	9,023,108
50	38,904,325	75,908,808
	54,808	219,232
	5,800,000	5,800,000
	1,368,600	1,398,600
	<u>1,195,450,843</u>	<u>224,523,442</u>



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NOTE 26 DEFERRED INCOME	2020-2021 Kes.	2019-2020 Kes.
Deferred - Income - KCPE	291,149,027	637,643,990
Deferred - Income - KCSE	765,582,853	1,466,073,078
Deferred - Income - PTE	10,189,204	85,584,214
Deferred - Income - TCEA	936,699	806,523
Deferred - Income - ECDE	207,680,097	316,833,818
Deferred - Income - DTE	16,065,640	-
Deferred - Income - SNE	10,474,810	19,277,060
Deferred - Income - Technical	329,559,720	222,536,943
Deferred - Income - Business	172,489,042	117,631,925
Confirmation of Certificates	4,800,746	6,411,128
Letter of Certificates services	861,216	390,376
Letter of Certificates services	2,061,236	19,461
	1,811,850,290	2,873,208,516

NOTE 26: THE DEFERRED INCOME MOVEMENT IS AS FOLLOWS:

	2020-2021 Kes.	2019-2020 Kes.
MoE Balance as at 1 July	2,068,730,718	2,273,591,206
Other receipts generated internally as at 1 July	804,477,798	938,769,768
Balance as at 1 July	2,873,208,516	3,212,360,974
Movements during the year		
Current year receipts		
Examination grants received from MoE	4,023,868,711	4,023,868,712
Other receipts generated internally	1,744,089,413	2,124,897,547
	5,769,958,124	6,148,766,259
Conditions met- transferred to revenue		
Examination grants expanded	(4,607,887,800)	(4,228,729,200)
Other receipts generated expanded	(2,221,428,550)	(2,259,189,517)
	(6,829,316,350)	(6,487,918,717)
Total Movements during the year	(1,061,358,226)	(339,152,458)
MoE Balance as at 30 June	1,484,711,629	2,068,730,718
Other receipts generated internally as at 30 June	327,138,661	804,477,798
Conditions to be met- liabilities	1,811,850,290	2,873,208,516



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 27 EMPLOYEE BENEFIT OBLIGATION	2020-2021 Kes.	2019-2020 Kes.
Balance as at July	21,415,551	25,418,574
Staff Leave Days Provision raised	6,491,660	(7,230,045)
Additional Gratuity Provision raised	(1,535,977)	3,227,023
Balance as at 30 June	26,371,235	21,415,552

NOTE 28 TAXATION PROVISION	Note	2020-2021 Kes.	2019-2020 Kes.
Balance as at 1 July		35,540,452	35,962,076
Income tax charge for the year		31,366,478	32,468,375
Under/(over) provision in prior year/s		-	-
Income tax paid during the year		(25,067,818)	(32,889,999)
Net change		6,298,660	(421,624)
Balance as at 30 June		41,839,112	35,540,452

NOTE 29 DONOR PROJECT FUNDS	2020-2021 Kes.	2019-2020 Kes.
Rockefeller	3,339,543	3,339,543
EAC (Essay Writing Competition)	329,248	329,248
KESSP - NASMLA	8,084,361	8,084,361
UKEFR Study - AKF	41,000	41,000
UNESCO- Education Response to Covid 19	6,333,370	-
GPE-World Bank PRIEDE Project	32,830,692	18,376,276
GPE-Covid 19 LCBE Project	13,981,320	-
SEQIP-Secondary Education Quality Improvement Project	313,940,035	358,451,052
Balance as at June	378,879,569	388,621,480



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

DONOR PROJECT FUNDS	2020-2021 Kes.	2019-2020 Kes.
Other Projects b/f	11,794,152	11,895,652
GPE-World Bank PRIEDE Project b/f	18,376,276	21,036,010
SEQIP-Project b/f	358,451,052	190,751,648
Balance as at 1 July	388,621,480	223,683,310
Movements during the year		
Current year receipts		
UNESCO- Education Response to Covid 19	19,078,940	-
GPE-World Bank PRIEDE Project	111,794,500	69,803,500
GPE-Covid 19 LCBE Project	100,000,000	-
SEQIP-Secondary Education Quality Improvement Project	-	364,866,310
	230,873,440	434,669,810
Conditions met- project expenses utilized		
Other Project –NASLMA	-	(101,500)
UNESCO- Education Response to Covid 19	(12,745,570)	-
GPE-World Bank PRIEDE Project	(97,340,084)	(72,463,234)
GPE-Covid 19 LCBE Project	(86,018,680)	-
SEQIP-Secondary Education Quality Improvement Project	(44,511,017)	(197,166,906)
	(240,615,351)	(269,731,640)
Total Movements during the year	(9,741,911)	164,938,170
Other Projects c/f	11,794,152	11,794,152
UNESCO- Education Response to Covid 19	6,333,370	-
GPE-World Bank PRIEDE Project c/f	32,830,692	18,376,276
GPE-Covid 19 LCBE Project	13,981,320	-
SEQIP-Project c/f	313,940,035	358,451,052
Conditions to be met- liabilities	378,879,569	388,621,480

NOTE 30

CAPITAL WORKS RETENTIONS

	2020-2021 Kes.	2019-2020 Kes.
Balance as at 1 July	4,399,990	4,399,990
Additions		
Retention of New Mitihani House	-	-
Retention of Other Refurbishment Works	-	-
Balance as at 30 June	4,399,990	4,399,990



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NOTE 31 CAPITAL RESERVE	2020-2021 Kes.	2019-2020 Kes.
Balance as at 1 July	3,966,136,910	3,683,241,668
Prior item additions grants on NMH received by MOPW	-	1,312,629
Capital grants for the year	50,000,000	-
MOPW Capital grants on NMH for the year	-	106,927,400
SEQIP Capital grants for the year	18,426,635	174,655,213
Balance as at 30 June	4,034,563,545	3,966,136,910

NOTE 32 REVALUATION RESERVE	2020-2021 Kes.	2019-2020 Kes.
Balance as at 1 July	709,640,359	709,640,359
Revaluations for the year	-	-
Balance as at 30 June	709,640,359	709,640,359

NOTE 33 REVENUE RESERVE -ACCUMULATED SURPLUS	2020-2021 Kes.	2019-2020 Kes.
Balance as at 1 July	(1,335,397,941)	(971,338,575)
Prior Items Adjustments	7,797,557	6,629,047
Deficit for the Year	(684,840,731)	(370,688,413)
Balance as at 30 June	(2,012,441,115)	(1,335,397,941)

Note

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 34

INTER-ENTITY TRANSFERS

Parliamentary Allocation approved

	2020-2021	2019-2020
	Kes.	Kes.
MoE Recurrent Grants Transfer	149,100,000	177,000,000
MoE KCSE Exams Grants Transfer	1,384,246,176	797,707,088
Amount recognized to Statement of Comprehensive Income	1,533,346,176	974,707,088

MoE KCPE Exams Grants Transfer	942,130,682	940,497,600
MoE KCSE Exams Grants Transfer	1,697,491,853	2,285,664,024
Amount recognized to Deferred Income	2,639,622,535	3,226,161,624

GPE-World Bank PRIEDE Project	111,794,500	69,803,500
GPE-Covid 19 LCBE Project	100,000,000	-
SEQIP-Project	-	364,866,310
Amount recognised in Donor fund	434,669,810	434,669,810

MoE Capital Grants	50,000,000	-
Amount recognised in capital fund	50,000,000	-

MOE -National Examinations (Debtor)	-	-
Amount recognised in receivables	-	-

Balance as at 30 June	4,434,763,211	4,635,538,522
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NOTE 35

RELATED PARTIES

Nature of related party relationships

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

Government of Kenya

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

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

	2020-2021	2019-2020
	Kes.	Kes.
Related party transactions		
a) Grants from the Government		
Grants from National Govt –MOE	4,434,763,211	4,635,538,522
Grants from National Govt -MOPW	-	106,927,400
b) Expenses incurred on behalf of related party		
Payments for goods and services for MOE	-	-
c) Key management compensation		
Council Members	29,202,579	22,488,189
Management	35,332,996	37,362,212



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 36

COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure authorized and contracted for

Local Purchase Orders authorized

2020-2021

Kes.

2019-2020

Kes.

57,858,797

13,165,638

57,858,797

13,165,638

2020-2021

Kes.

2019-2020

Kes.

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

96,751,448

96,751,448

100,271,008

162,538,740

-

-

Total operating lease expense commitments

197,022,456

259,290,188

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

NOTE 37

PRIOR ITEMS ADJUSTMENTS

Prior Items Adjustments amounting to Kes.7,941,676 are explained as follows

**** Prior Item on the Income Expenditure Account;**

Write-offs of Local Purchase Order (LPO) amounting to Kes.7,797,557 during the year 2020/2021 which were not expected to be serviced but whose commitment had earlier been factored in earlier in the Financial Statements according with Accrual Basis of Accounting.

2020-2021

Kes.

2019-2020

Kes.

7,797,557

6,629,047



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 37

	2020-2021	2019-2020
	Kes.	Kes.
PRIOR ITEMS ADJUSTMENTS		
** Prior Items on capital reserve and New Mitihani Work in Progress amounting to Kes.1,312,629 are explained as follows;		
The Ministry of Public Works had paid the Main Contractor Ongata Works Ltd for Construction of New Miithani House Phase V amounts totalling to Kes.1,312,629 in prior periods to FY 2019-2020 but which were not factored in the Financial Statements under Capital Reserve and under NMH.	-	1,312,629

NOTE 38

CONTINGENT ASSETS

	2020-2021	2019-2020
	Kes.	Kes.
Foundation Institute of Africa.	16,016,000	16,016,000
COM -21 Ltd.	4,546,829	4,546,829
Ken bright Insurance Broker	7,000,000	7,000,000
	27,562,829	27,562,829

NOTE 39

CONTINGENT LIABILITIES

	2020-2021	2019-2020
	Kes.	Kes.
Court cases against the KNEC		
Ongata Works Ltd (Court case No. 85 of 2017)*	413,672,286	413,672,286
Former Staff Cases**	19,464,833	1,533,540
CIC Insurance	16,482,914	16,482,914
	449,623,033	431,688,740



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CONTINGENT LIABILITIES Continued

* Contingent liability on New Mitihani House.

A Pending Bills Multi Agency team was formed under the Ministry of Education to verify the pending bill under New Mitihani House consisting of the Project Manager (State Department for Public Works), Officials of the Ministry of Education, the contractor, the National Treasury, the Council and Counsel from the Attorney General's office.

The team prepared a report and recommended the recommended settlement of the final account at the amount of **Kes.441,790,781.87** being the principal amount of **Kes.368,978,231.53** and interest accrued of **Kes.72,812,550.34**.

*Former Staff Court Awards are derived from Nyeri ELRC 87(2017), Nairobi Nos. 508 (2016), 915 (2016), & 1511 (2016).

NOTE 40

FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

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

(i) Credit risk

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

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



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FINANCIAL RISK MANAGEMENT

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

(i) Credit risk (Continued)

	Total	Fully performing	Past due	Impaired
	Kes.	Kes.	Kes.	Kes.
At 30 June 2021				
Receivables from non-exchange transactions	207,962,649	161,108,412	26,599,932	20,254,305
Cash And Cash Equivalents	1,336,211,294	1,336,211,294	-	-
Total	1,544,173,943	1,497,319,706	26,599,932	20,254,305

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

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

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



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FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kes.	Kes.	Kes.	Kes.
At 30 June 2021				
Trade and other payables from exchange transactions	279,343,842	891,532,861	24,574,140	1,195,450,843
Deferred income	1,811,850,290	-	-	1,811,850,290
Taxation Provision	10,713,073	-	31,126,039	41,839,112
Employee benefit obligation	22,993,261	-	3,377,974	26,371,235
Total	2,124,900,466	891,532,861	59,078,153	3,075,511,480
At 30 June 2020				
Trade and other payables from exchange transactions	145,923,135	7,686,489	70,913,818	224,523,442
Deferred income	2,873,208,516	-	-	2,873,208,516
Taxation Provision	4,414,413	-	31,126,039	35,540,452
Employee benefit obligation	18,037,578	-	3,377,974	21,415,552
Total	3,041,583,642	7,686,489	105,417,831	3,154,687,962



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FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Council's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

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

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



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FINANCIAL RISK MANAGEMENT (Continued)

a) Foreign currency risk continued

	Kes	Other currencies	Total
	Kes.	Kes.	Kes.
At 30 June 2021			
Financial assets			
Investment	64,300,000	-	64,300,000
Cash	1,313,737,806	22,473,488	1,336,211,294
Debtors	207,962,649	-	207,962,649
Total financial assets	1,586,000,455	22,473,488	1,608,473,943
Financial liabilities			
Trade and other payables	1,188,631,212	6,819,631	1,195,450,843
Deferred income	1,811,850,290	-	1,811,850,290
Total financial liabilities	3,000,481,502	6,819,631	3,007,301,133
Net foreign currency asset/(liability)	(1,414,481,047)	15,653,857	(1,398,827,190)

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



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FINANCIAL RISK MANAGEMENT (Continued)

a) Foreign currency risk continued

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

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on Surplus
	Kes.	Kes.	Kes.
2021 GBP	10%	4,514,281	4,514,281
2020 GBP	10%	(548,016)	(548,016)



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FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Interest rate risk

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

Management of interest rate risk

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

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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



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FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

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

	Level 1	Level 2	Level 3	Total
	Kes.	Kes.	Kes.	Kes.
At 30 June 2021				
Financial Assets				
Quoted equity investments	-	-	64,300,000	64,300,000
Non-financial Assets				
Investment property	-	-	381,408,000	381,408,000
Land and buildings	-	-	3,610,601,546	3,610,601,546
Total	-	-	4,056,309,546	4,056,309,546
At 30 June 2020				
Financial Assets				
Quoted equity investments	-	-	64,300,000	64,300,000
Non-financial Assets				
Investment property	-	-	381,408,000	381,408,000
Land and buildings	-	-	3,606,170,462	3,606,170,462
Total	-	-	4,051,878,462	4,051,878,462

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

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



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FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

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

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kes.	Kes.
Revaluation	709,640,359	709,640,359
Accumulated Deficit	(2,012,441,115)	(1,335,397,941)
Capital reserve	4,034,563,545	3,966,136,910
Total Funds	2,731,762,789	3,340,379,328
Non-Current Liabilities	383,861,373	393,021,470
Less: cash and bank balances	(1,336,211,294)	(1,651,089,640)
Net debt/(excess cash and cash equivalents)	(952,931,735)	(1,258,068,170)
Gearing	713%	850%



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NOTE 41

DETAILED ANALYSIS OF THE CASH IN BANK

Cash in Bank	Branch	Account	2020-2021 Kes.	2019-2020 Kes.
Co-operative Bank - SEQIP Project	Coop House	01136030120310	317,495,700	359,855,756
Co-operative Bank - Current Account	Coop House	01136030120300	56,250,339	7,717,130
Co-operative Bank - Project Account	Coop House	01136030120302	44,253,416	38,020,445
Co-operative Bank - GPE-World Bank-Priede Project	Coop House	01136030120309	41,712,180	10,302,746
Co-operative Bank - GPE- Covid 19 LCBE Project	Coop House	01136030120311	13,937,135	-
Co-operative Bank - Forex Account	Coop House	03120030120300	93,053	34,295,034
Co-operative Bank - KCPE Collection Account	Coop House	01136030120303	10,000	9,598
Co-operative Bank - KCSE Collection Account	Coop House	01136030120304	10,000	9,112
Co-operative Bank - Business Collection Account	Coop House	01136030120305	9,136	9,280
Co-operative Bank - Technical Collection Account	Coop House	01136030120306	8,296	9,556
Co-operative Bank			473,779,255	450,228,657
Commercial Bank of Africa - Current Account	Mama Ngina Street	7079410014	2,539,962	5,644,768



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NOTE 41

DETAILED ANALYSIS OF THE CASH IN BANK

Cash in Bank	Branch	Account	2020-2021 Kes.	2019-2020 Kes.
National Bank of Kenya -Current Account	Harambee	0100105387000	16,517,190	4,280,322
National Bank of Kenya - General Tran Collection Account	Harambee	0100160314300	20,000	10,000
National Bank of Kenya -KCPE Collection Account	Harambee	0100160313800	10,000	10,000
National Bank of Kenya -KCSE Collection Account	Harambee	0100160313800	10,000	10,000
National Bank of Kenya -Business Collection Account	Harambee	0100160314000	10,000	10,000
National Bank of Kenya -Technical Collection Account	Harambee	0100160314100	10,000	10,000
National Bank of Kenya - Other Exams Collection Account	Harambee	01001060314200	10,000	10,000
National Bank of Kenya			16,587,190	4,340,322
Equity Bank -Current Account	Lavington Supreme Centre	0470294988324	17,764,700	3,772,089
Equity Bank - KCPE Collection Account	Lavington Supreme Centre	0470294988424	9,991	10,000
Equity Bank -Technical Exam Collection Account	Lavington Supreme Centre	0470294988458	9,035	10,000



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NOTE 41

DETAILED ANALYSIS OF THE CASH IN BANK

Cash in Bank	Branch	Account	2020-2021 Kes.	2019-2020 Kes.
Equity Bank -KCSE Collection Account	Lavington Supreme Centre	0470294988446	9,969	9,999
Equity Bank -Business Exam Collection Account	Lavington Supreme Centre	0470294988466	8,118	8,294
Equity Bank			17,801,813	3,810,382
Kenya Commercial Bank - Current Account	Moi Avenue	01107140870	31,294,330	2,470,583
Kenya Commercial Bank - Technical Collection Account	Moi Avenue	01116686791	7,607,660	9,880
Kenya Commercial Bank - KCPE Collection Account	Moi Avenue	01116686414	9,880	9,880
Kenya Commercial Bank - KCSE Collection Account	Moi Avenue	01116686457	9,880	9,880
Kenya Commercial Bank - Business Collection Account	Moi Avenue	01116686554	9,880	9,880
Kenya Commercial Bank - Other Exams Collection Account	Moi Avenue	01116686880	9,880	9,880
Kenya Commercial Bank - General Transactions Collection Account	Moi Avenue	01116686937	9,880	9,880
Kenya Commercial Bank			38,951,390	2,529,863
Safaricom - Mpesa Utility (float) Account	Mama Ngina Street	74810049-17	63,629,811	9,535,649
Cash in Bank			613,289,421	476,089,641



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 42

DETAILED ANALYSIS OF THE SHORT TERM DEPOSITS

	2020-2021	2019-2020
	Kes.	Kes.
Fixed Deposits - KCB	225,000,000	500,000,000
Fixed Deposit - Commercial Bank of Africa	200,000,000	99,999,999
Fixed Deposit - Co-operative Bank	172,921,873	325,000,000
Fixed Deposit -Equity Bank	125,000,000	250,000,000
	722,921,873	1,174,999,999

NOTE 43

Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS

Debtors - Examinations

	2020-2021	2019-2020
	Kes.	Kes.
Debtors - Teachers Examinations - ECDE	26,928,580	25,206,120
Debtors - School Examinations - KCSE	14,217,960	10,985,160
Debtors - Post School Examinations - Business	2,235,350	1,585,410
Debtors - School Examinations - KCPE	953,300	782,900
Debtors - Post School Examinations - Technical	767,390	225,750
Debtors - Teachers Examinations - SNE	184,900	-
Debtors - Teachers Examinations - DTE	63,000	-
Total Debtors -Examinations	45,350,480	38,785,340
Provision for Bad Debts – (ECDE Foundation Institute)	(19,889,300)	(19,889,300)
	25,461,180	18,896,040



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NOTE 44	2020-2021	2019-2020
Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS	Kes.	Kes.
Unsurrendered Imprest		
Unsurrendered Imprest	72,049,805	25,130,567
Provision for Bad Debts - Temporary Imprest	-	-
	72,049,805	25,130,567

NOTE 45	2020-2021	2019-2020
Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS	Kes.	Kes.
Staff Receivables		
Staff Debtors	453,688	575,302
Salary Advance	129,000	129,000
Total Staff Receivables	582,688	704,302
Provision for Bad Debts - Staff Debtors	(93,622)	(93,622)
	489,066	610,680

NOTE 46	2020-2021	2019-2020
Sundry Debtors	Kes.	Kes.
Debtor –SMS	67,591,623	9,870,937
Miscellaneous Debtors	17,588,540	9,873,149
Retirement Benefits	795,000	795,000
Sundry Debtors- Examiners	521,284	521,284
Debtors - Kenya Polytechnic	153,460	153,460
Total Sundry Debtors	86,649,907	21,213,830
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)
	86,378,524	20,942,447



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Detailed RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

NOTE 47	2020-2021	2019-2020
	Kes.	Kes.
Deposit to Institutions		
Deposit to Institutions(Office Rent Deposits)	9,338,560	9,338,560
Deposit to Petrol Stations	4,223,000	4,223,000
Deposit to Hospitals	706,000	706,000
	14,267,560	14,267,560

Detailed TRADE AND OTHER PAYABLES

NOTE 48	2020-2021	2019-2020
	Kes.	Kes.
Examination Expenses Payable		
Marking Payables	781,092,715	109,885
Field Administration Payables	16,355,775	11,184,540
Test Developers Payables	-	183,230
	797,448,490	11,477,655

After the year end in August, 2021 the Council paid Kes.722,917,681 to the 2020 Examiners for their script fee balance.

NOTE 49	2020-2021	2019-2020
	Kes.	Kes.
Staff Deductions Payables/ Benefits		
Insurance benefits	9,351,037	9,023,108
Benevolent Funds	67,550	-
	9,418,587	9,023,108

NB: During the year under review the Council lost one member of staff and the Insurance Company remitted their final dues of Kes.9,351,037 by 30 June 2021 for onward distribution to their dependants. The payment to the dependants will be made after due diligence by the Staff Pension fund and Human Resources Division.



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Detailed TRADE AND OTHER PAYABLES

NOTE 50	2020-2021	2019-2020
Statutory Deductions Payables	Kes.	Kes.
PAYE- Salaries	880,547	10,023,598
PAYE- Council members allowances	998,100	148,250
FDR-Withholding Tax	-	3,424,110
Income Tax (Withholding Tax) - Creditors	3,920,000	1,652,162
Withholding tax - Contracted Professionals	5,093,027	48,144,023
VAT Output Tax	25,302,299	11,542,683
Commissioner of Tax -VAT Withholding	2,710,352	973,982
	14,267,560	14,267,560

NB: PAYE and VAT deductions are done in the month they occur but remitted the next month by 9th and 20th of the following month as per the law. Thus the PAYE of Kes.880,547 and 874,783 were paid in July 2021.

NOTE 51

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 285,686 contracted professionals were used in 2020 national examinations in comparison to the total of 295,257 contracted professionals were used in 2019 national examinations. Details of the number on contracted professionals for KCPE & KCSE examinations are shown below:



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 51

Analysis of Key Personnel used in Examination Administration

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

	2020-2021 No	2020-2021 Kes.	2019-2020 No	2019-2020 Kes.
KCPE				
Marking				
Examiners travel and coordination	4,724	38,091,534	5,891	37,359,600
Examiners Script Fees		36,472,975		35,276,184
Field Administration				
Supervision & invigilation	127,721	211,579,105	132,947	218,549,837
Centre managers	26,405	39,607,000	26,706	39,837,000
EMDs (Examination officials manning the distributions centres)	9,258	34,657,784	9,691	64,262,840
	168,108	360,408,398	175,235	395,285,461
KCSE				
Marking				
Examiners travel and coordination	25,732	210,209,202	25,694	165,803,938
Examiners Script Fees		1,085,155,721		969,408,139
Field Administration				
Supervision & invigilation	73,363	594,750,880	77,354	577,767,770
Centre managers	10,206	93,487,000	9,943	90,538,500
EMDs (Examination officials manning the distributions centres)	8,277	138,614,436	7,031	90,551,250
	117,578	2,122,217,239	120,022	1,899,908,106



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APPENDIX I: PROGRESS ON FOLLOW UP OF EXTERNAL AUDITORS RECOMMENDATIONS

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

Reference No of the External Audit Report	Issues/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	The Council is technical insolvent and its ability to meet short-term obligations as and when they fall due could not be confirmed. The Management has not explained any mitigation measures to improve the performance.	The Management concur with the auditor's observation. The Council has undertaken various transformative strategies in the last five (5) years to securing the integrity of the National examinations and restore the Country's confidence following the unfortunate events of examinations administration in 2015. The Council has brought the matter of the examination funding to the attention of the Ministry of Education and the National Treasury with a proposal to sustain the examination reforms and increase in candidature. Although the Council capital is limited by Government Guarantee, The Council manages its capital management annually through the approval of its operating and capital budget in order to reduce the accumulated deficit of Kes.2,013,022,929. The Council hopes that the Ministry of Education and the National Treasury will honour the Council's supplementary Budget estimates.	Dr David Njengere CEO KNEC	Not Resolved	
2.0	Delay in the completion of Mitihani House in South C. The Works has been outgoing for the last 30 years. The management has not provided a road map on how it intends to complete the project which could lead to cost escalation and stakeholders may not get value for their resources if the project is not completed and put to its intended purpose. Any delays in payments the management risks legal suits and interest penalties.	The Management concur with the auditor's observation. The construction has faced numerous challenges resulting from: <ul style="list-style-type: none"> ➤ Project management: The New Mitihani House construction project management is under the Ministry of Land, Housing & Urban development) and not the Council. ➤ Project Funding: The Council has been receiving amounts far below the Council requirement which has lead delays in paying outstanding bills. Further future allocation of Kes.500 million was made by the parent ministry for the printed estimates for the fiscal year 2021/2022. The Council has consulted with the MOE seek for 	Dr David Njengere CEO KNEC	Not Resolved	



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Reference No of the External Audit Report	Issues/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		supplementary estimates to enable to settle the outstanding bills.			
3.0	The management has not recovered monies from Foundation Institute of Africa although they have released examination certificates to the institute. This recoverability is in doubt.	The Management concur with the auditor's observation. The Council has requested the Attorney General to pursue recovery by way of court case for the full amount.	Dr David Njengere CEO KNEC	Not Resolved	

Guidance Notes:

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

Dr John O. Onsati, OGW
CHAIRMAN

Dr David Njengere
CHIEF EXECUTIVE OFFICER



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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
The New Mitihani House Project	1066103500	The GoK	1986-2020	No	No	Yes
Specialized Printing Equipment	1066104701	The GoK	2021-2025	No	No	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	The New Mitihani House Project	4,666,147,501	3,171,989,145	59%	389,325,800	-	The GoK
2	Specialized Printing Equipment	853,550,000	50,000,000	6%	50,000,000	50,000,000	The GoK

Projects Brief

New Mitihani House

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



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APPENDIX III: INTER-ENTITY TRANSFERS

Kenya National Examinations Council			
Break down of Transfers from the State Department of Education			
FY 2020/21			
a.	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (Kes)</u>
			<u>Indicate the FY to which the amounts relate</u>
		09/09/2020	37,275,000
		05/11/2020	111,825,000
		10/12/2020	803,136,469
		28/01/2021	1,208,797,886
		19/04/2021	2,011,934,356
		Total	4,172,968,711
b.	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (Kes)</u>
			<u>Indicate the FY to which the amounts relate</u>
		27/01/2021	25,000,000
		20/04/2021	25,000,000
		Total	50,000,000
c.	Direct Payments		
		<u>Bank Statement Date</u>	<u>Amount (Kes)</u>
			<u>Indicate the FY to which the amounts relate</u>
		Total	0
d.	Donor / Project Receipts		
		<u>Bank Statement Date</u>	<u>Amount (Kes)</u>
			<u>Indicate the FY to which the amounts relate</u>
		09/09/2020	111,794,500
		15/01/2021	100,000,000
		Total	211,794,500

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

Financial Controller
KNEC



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Project Funds	
MOE	09/09/2020	Recurrent	37,275,000	37,275,000					37,275,000
MOE	09/09/2020	Project	111,794,500	-				111,794,500	111,794,500
MOE	05/11/2020	Recurrent	111,825,000	111,825,000					111,825,000
MOE	10/12/2020	Recurrent	803,136,469			803,136,469			803,136,469
MOE	15/01/2021	Project	100,000,000					100,000,000	100,000,000
MOE	27/01/2021	Development	25,000,000		25,000,000				25,000,000
MOE	28/01/2021	Recurrent	1,208,797,886			1,208,797,886			1,208,797,886
MOE	19/04/2021	Recurrent/Direct payment	2,011,934,356	1,384,246,176		627,688,180			2,011,934,356
MOE	11/06/2020	Development	25,000,000		25,000,000				25,000,000
Total			4,434,763,211	1,533,346,176	50,000,000	2,639,622,535	0	211,794,500	4,434,763,211