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ANNUAL REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 30TH JUNE 1987

1870
1871
1872
1873
1874
1875
1876
1877
1878
1879
1880

THE KENYA NATIONAL EXAMINATIONS COUNCIL

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE 1987

The Kenya National Examinations Council
P O Box 73598
NAIROBI

TABLE OF CONTENTS

<u>ITEM NO.</u>	<u>CONTENTS</u>	<u>PAGE</u>
1	Chairman's Report	1
2	Report of the Auditor-General (Corporations)	8
3	Balance Sheet as at 30th June 1987	11
4	Income and Expenditure Account for the Year Ended 30th June 1987	12
5	Trial Balance as at 30th June 1987	13
6	Fixed Assets Schedules as at 30th June 1987	14
7	Comments on the Accounts for the Year Ended 30th June 1987	19

Chairman's Report

For the Year Ended 30th June 1987

The 1986 school examinations season ended in January 1987 with the release of the Kenya Certificate of Education examination results. The results were released two and a half weeks earlier than the usual dates. This was followed by the release of the November series of the Post School Business and Management examinations and technical examinations.

The 1986 examination season was a success. This was as a result of combined efforts of many people. The Council has already conveyed its gratitude to the Office of the President, field officers of the Ministry of Education, Science and Technology, supervisors and invigilators, and examiners for their co-operation, dedication and good work.

Gratitude was also conveyed to the staff of the Council's Secretariat for their dedication. They put in many hours of hard work to ensure that tight deadlines were met right from the development of question papers to processing and release of examination results.

The system introduced in phases in 1984 of centering question papers for the day was applied for the first time throughout the Republic during the 1986 examinations. It worked well.

The following are detailed reports on individual examinations.

1. **Kenya Certificate of Primary Education (K.C.P.E.)**

This was the second result of the Kenya Certificate of Primary Education Examination. The primary aim of this examination is an assessment of the extent to which pupils have achieved the objectives of the primary education curriculum. The Kenya Certificate of Primary Education examination is used for two purposes. First, it is used for ranking of candidates according to performance. Second, it is used for selection of candidates into Form 1 in government maintained secondary schools. To serve these purposes, efforts were made to ensure that the K.C.P.E. examination is relevant, efficient and equitable.

The 1986 K.C.P.E. examination was sat in three days - from 18th November to 20th November 1986. A total of 335,524 candidates took the examination in 1986. This represented an increase of 1,188 candidates compared to 1985. Out of these, 334,336 were school candidates and 733 were private candidates.

As has been the case now for several years, there were no cases of examination leakage. Instances of attempts by teachers to give unfair assistance to some candidates during sitting of individual examination papers is on the decline. Stern action is being taken against those teachers who were involved in these cases.

The top ten districts in this examination were Nyandarua, Eldoret Municipality, Nakuru Municipality, Kirinyaga, Thika Municipality, Muranga, Nyeri, Machakos, Marsabit and City of Nairobi.

2. **Kenya Certificate of Education (K.C.E.)**

The processing of 1986 Kenya Certificate of Education Examination was completed on 29th January, 1987 and results released on 3rd February 1987.

A total of 126,688 candidates sat 1986 KCE examination as compared to 126,198 in 1985. The number of examination centres increased from 1,864 in 1985 to 1,991 in 1986. A total number of 5,580 examiners participated in the marking of the examination. the examination was conducted successfully.

There were no cases of examination leakages in 1986 as has been the case for the last four years. The main worry in this examination is impersonation: there were 101 attempted cases. Teachers and the management of some schools are responsible for corrupting the youth into these dishonest practices. The Ministry of Education, Science and Technology cancelled as registered examination centres two of the schools, which were the worst. The results of several others were cancelled.

The summary statistics of performance for 1986 given below show that 59,446 (46.93%) candidates obtained Division III or better. The distribution of all the candidates was as follows:

Division	1986	1985
1	5207 (4.11%)	5747 (4.55%)
2	18975 (14.98%)	19531 (15.48%)
3	35264 (27.84%)	36184 (28.67%)
4	40524 (31.99%)	35285 (25.96%)
Fail	26718 (21.09%)	29451 (23.34%)

3. **Kenya Advanced Certificate of Education (K.A.C.E)**

The 1986 Kenya Advanced Certificate of Education results were processed and results released by 20th January 1987. This was ahead of the KCE in order to enable the Universities prepare for the double intake.

In 1986 22249 candidates sat KACE examination as compared to 18423 candidates in 1985. This represented an increase of 20.77% over 1985 candidature.

The number of examination centres for 1986 was 314. A total number of 843 examiners participated in the marking of the examination. The administration of the examination was a success.

In 1986, 68.03% of the candidates obtained one principal pass and better. As shown in summary statistics of performance below, this was 5.88% better than in 1985.

	1986	1985
4 Principals and above	190 (0.85%)	129 (0.70%)
3 Principals	5327 (23.94%)	3342 (18.14%)
2 Principals	4775 (21.46%)	3779 (20.51%)
1 Principal	5036 (22.63%)	4200 (22.80%)
Subsidiary	5541 (24.90%)	5207 (28.26%)
Fail	1570 (7.06%)	1766 (9.59%)
No. of candidates	22249	18423

4. Primary Teachers' Examinations

The processing of Primary Teachers' Examinations for the 1984 Pre-Service Course and 1982 In-Service Course was completed on the 24th July 1986. A total of 10,025 candidates sat for these two examinations. Of these, 6,803 were Pre-Service Course candidates and 3222 were In-Service Course candidates. In 1985, a total of 6606 Pre-Service Course candidates sat for the examination. the number of repeaters dropped significantly from 919 in 1985 to 429 in 1986.

The performance of candidates in these examinations was good. In the Pre-Service Course, 88.98% passed while in the In-Service Course 83.89% passed. The following are the summary statistics of candidates' performance in the two examinations:

I have examined the attached Balance Sheet and the Income and Expenditure Accounts of the Kenya National Examinations Council for the year ended 30th June, 1987 in accordance with Section 13 (3) of the Kenya National Examinations Council Act, 1980 as amended by the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I have required for the purpose of my audit. Proper books of account have been kept by the Council and the accounts are in agreement therewith. Except for the matters referred to herebelow, in my opinion, the accounts which have been prepared on the basis of the historical cost convention, when read together with the supporting notes thereon, show a true and fair view of the financial affairs of the Council as at 30th June, 1987 and of its income and expenditure for the year ended on that date.

1. SUNDRY DEBTORS

The amount of Kshs.300,000.00 previously reported as having been advanced to the School Equipment Production Unit in September, 1980 to clear practical examination package from Customs Department and which was subsequently converted to a loan with effect from 1st January, 1987 repayable at an interest rate of 10% per annum was still outstanding as at 30th June, 1987. Apart from the fact that the amount was irregularly included under debtors after its conversion to a loan, the Council has also not been able to even recover the interest of 10% p.a. accruing from the above amount since 1980. I am, however, informed that the Council has taken action in the accounts for the year 1987/88 to reflect the amount as an outstanding loan against the School Equipment Production Unit.

2. BUILDING CONTRACT

The Balance Sheet Building (W-I-P) figure of Kshs.29,990,366.25 as at 30th June, 1987 represents contract work for building New Mitihani House, Project No. LR 209/9792. The Work-in-Progress includes an amount of Kshs.20,995,214.50 paid to a contractor and a number of consultants who had to be decommissioned by Government after they had been appointed by the Council in November, 1987 for the construction of the New Mitihani House. It was noted that the Council apparently awarded the construction tender to the lowest tenderer on 6th December, 1986 and about a week later on 13th December, 1986 awarded the same tender to the second lowest bidder, together with other four Consulting Engineers. The second lowest bidder apparently moved quickly and took over the site. The lowest tenderer, thereafter, took up the issue with Government and as a result the contract awarded to the second lowest bidder was cancelled. Consequently, the second lowest bidder threatened to file a law suit for a breach of contract but the Council accepted to settle the matter out of court by paying Kshs.4,708,690.00 to the contractor as compensation even though there was no evidence on the ground to show that any construction work had actually been done. The Council also paid another total amount of Kshs.16,286,524.50 to

the other four consulting firms who had been decommissioned. I have, however, not been able to ascertain why the matter of the building contract was handled in this apparently unsatisfactory manner nor have I been able to establish whether or not the services rendered by the firms referred to above were worth the expenditure of Kshs.20,995,214.00 incurred by the Council on the project at the time the contract was cancelled.

3. PAYMENT OF HONORARIUM AND OVERTIME

During the year under review, the Council paid a total of Kshs.1,515,600.00 in respect of honoraria to some of its senior officers for working outside normal hours. Honorarium is normally payable only in exceptional circumstances where an officer is engaged in special duties of which he is required to work for lengthy periods in excess of normal working hours and he cannot be given time off in lieu and should, in my view, receive specific approval of the Board before payment is effected. The Council, however, has a practice of paying honoraria to its staff every year and without specific approval being obtained contrary even to its own terms and conditions of service. Moreover, I was unable to confirm the correctness of Kshs.2,867,241.00 paid as overtime to junior officers of the Council during the year under review due to the Council's failure to maintain proper records of overtime worked by each officer containing such details as overtime claimed, actual number of hours worked as certified by a Senior Officer of the Council etc.

4. BANK RECONCILIATIONS


The Council has not been able to prepare proper bank reconciliation statements for quite some time as none was available as at 30th June, 1987. Although an attempt to prepare a bank reconciliation statement for the month of December, 1986 was made during the year under review, this was unsuccessful as some of the figures inserted into that reconciliation statement were merely balancing figures and the expenditure as per the Cash Book was undercast by Kshs.5,243,822.40 as shown below:-

Amount shown in the Cash Book	Kshs.21,447,060.70
Correct amount after audit	" <u>26,690,893.10</u>
Undercast	Kshs. 5,243,822.40 =====

Further, cheque payments amounting to Kshs.5,735,625.15 had not been posted to the Cash Book thereby resulting in omission of expenditure of the same amount while the unrepresented cheques included Kshs.56,490.80 which had similarly not been posted into the Cash Book. The bank reconciliation showed Kshs.25,852,311.25 as payments in the bank reconciliation but not recorded in the Cash Book while the bank statement only showed direct debits amounting to Kshs.93,229.45 thus reflecting an unexplained difference of Kshs.25,759,081.80. In the circumstances, I am unable to confirm the correctness or otherwise of the amount of Kshs.52,620,186.90 reflected in the Balance Sheet in respect of bank/cash balance as at 30th June, 1987.

5. SUSPENSE ACCOUNT

The Council's Trial Balance for 1986/87 as well as its Balance Sheet as at 30th June, 1987 reflect a debit balance difference of Kshs.1,257,557.25 which has been charged to a Suspense Account in addition to a previous debit balance difference of Kshs.11,716,952.55 and a credit balance difference of Kshs.8,428,039.30 previously charged to suspense accounts in the year 1984/85 and 1985/86 respectively. The Council has not been able to adequately explain or identify the nature of these suspense accounts differences and in the circumstances, I am unable to confirm the effect, if any, that the suspense account balances may have on the accuracy of the Council's accounts for the year 1986/87.


A. J. OKOTH
AUDITOR-GENERAL (CORPORATIONS)

21st April, 1989

BALANCE SHEET AS AT 30TH JUNE, 1987

<u>ASSETS EMPLOYED</u>	<u>NOTES</u>	<u>1987</u>	<u>1986</u>
Fixed Assets	1	5,273,224.30	4,178,137.20
Short-term Investments	2	131,546,223.20	123,485,320.95
Buildings (Work in progress)		29,990,366.25	
		<u>166,809,813.75</u>	<u>127,663,458.15</u>
<u>CURRENT ASSETS</u>			
Suspense A/C - 1985-86	3	8,428,039.30	8,428,039.30
Sundry Debtors	4	13,385,975.35	15,142,477.65
Bank/Cash		52,620,186.90	4,470,412.90
		<u>74,434,201.55</u>	<u>28,040,929.85</u>
<u>CURRENT LIABILITIES</u>			
Suspense A/C - 1986/87	5	195,036.95	11,716,952.55
Suspense A/C - 1984/85		11,716,952.55	4,000,000.00
Sundry creditors		4,960,913.55	
		<u>16,872,903.05</u>	<u>15,716,952.55</u>
<u>NET CURRENT ASSETS</u>			
		<u>57,561,298.50</u>	<u>12,323,977.30</u>
<u>TOTAL ASSETS</u>			
		<u>224,371,112.25</u>	<u>139,987,435.45</u>
<u>FINANCED BY</u>			
Capital Reserve.		31,752,992.45	1,753,000.00
Excess of Income over Expenditure		192,618,119.80	138,234,435.45
		<u>224,371,112.25</u>	<u>139,987,435.45</u>

Rajiv M. M. M. M.

CHAIRMAN

DATE: 16/3/88.

[Signature]

SECRETARY

DATE: 16/3/88.

KENYA NATIONAL EXAMINATIONS COUNCIL

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1987

	<u>1987</u>	<u>1986</u>
<u>INCOME</u>		
Examination Fees	160,399,301.85	106,896,370.30
Other Income	9,305,314.15	8,450,604.95
Grants	88,596,140.00	88,293,408.00
Development Grants	29,999,992.45	
	<u>288,300,748.45</u>	<u>203,640,383.25</u>
 <u>LESS EXPENDITURE</u>		
Personnel Expenses	9,029,469.40	7,806,847.40
Office Administration Expenses	12,188,661.65	13,743,637.25
Examination expenses	115,888,345.95	108,796,380.00
Test Development & Research	58,214,586.95	32,695,176.20
Housing of Staff and Office		
Accommodation	8,435,998.25	7,132,061.00
Depreciation	1,120,923.55	709,976.05
	<u>204,877,985.75</u>	<u>170,884,077.90</u>
Excess of income over expenditure c/f	<u>83,422,762.70</u>	<u>32,756,305.35</u>

TRIAL BALANCE AS AT 30TH JUNE, 1987

Building (Work in progress)	29,990,366.25	2,228,603.80
Leasehold Buildings	2,557,574.50	31,752,992.45
Motor vehicles	2,651,413.40	138,234,435.45
Office Equipment	1,303,578.75	88,596,140.00
Office Furniture	1,519,846.50	10,266,227.75
House Furniture	590,338.00	160,399,301.85
Accumulated Depreciation		
Capital Reserve		
Income and Expenditure		
Grants from Ministry of Education		
Other Income		
Examination Fees		
Short-term Investments	131,546,223.20	
Debtors and Creditors	13,385,975.35	4,960,913.55
Examinations Expenses	115,888,345.95	
Housing of Staff and Office Accommodation	8,435,998.25	
Personnel expenses	9,029,469.40	
Administration and Office expenses	12,188,661.65	
Test Development & Research	58,214,586.95	
Bank	52,620,186.90	
Suspense A/C 1986/87		195,036.95
Suspense A/C 1985/86, 1984/85	<u>8,428,039.30</u>	
	<u>448,350,604.35</u>	<u>448,350,604.35</u>

FIXED ASSETS SCHEDULE AS AT 30TH JUNE, 1987

	LEASEHOLD BUILDINGS	MOTOR VEHICLES	OFFICE EQUIPMENT	OFFICE FURNITURE	HOUSE FURNITURE	TOTAL
Balance brought forward 1.7.86	2,557,574.50	1,502,849.00	918,611.00	837,368.50	590,338.00	6,406,741.00
Additions	-	1,250,170.00	384,967.75	682,478.00	-	2,317,615.75
Disposal during the year	2,557,574.50	2,651,413.40	1,303,578.75	1,519,846.50	590,338.00	101,605.60
Accumulated depreciation as at 1.7.86	310,315.40	855,545.25	204,925.90	390,444.75	467,372.00	2,228,603.80
Depreciation for the year	63,939.35	662,853.35	130,357.80	189,980.80	73,792.25	1,120,923.55
Accumulated depreciation as at 30.6.87	374,254.75	1,518,398.60	335,283.70	580,425.55	541,164.25	3,349,526.85
Book Value 1.7.86	2,247,259.10	647,303.75	713,685.10	446,923.75	122,965.50	4,178,137.20
Book Value 30.6.87	2,183,319.75	1,133,014.80	968,295.05	939,420.95	49,173.75	5,273,224.30
Rate of Depreciation	2½%	25%	10%	12½%	12½%	

Note 2 SHORT-TERM INVESTMENTS

City Finance Ltd.	10,000,000.00
Kenya finance Corporation Ltd.	20,000,000.00
Trans-National Finance Co. Ltd.	48,529,133.90
Jimba Credit Corporation Ltd.	<u>53,017,089.30</u>
	<u>131,546,223.20</u>

Note 3

Suspense A/C Dr. 1985/86	8,428,039.30
Suspense A/C Cr. 1984/85	11,716,952.55

Note 4 DEBTORS

Ministry of Education	1,462,996.10
Overpayment of retirement benefits	137.75
Temporary imprest	6,902,462.65
Interest Receivable	2,686,509.75
Returned Cheques RD	1,679,075.15
K.S.E.S.	300,000.00
Staff Motor Loan	149,407.35
Kenya Polytechnic	153,460.00
Salary Advance	<u>51,926.60</u>
	<u>13,385,975.35</u>

Note 5

Creditors (E.A.E.C.)	4,000,000.00
Stale cheques	<u>960,913.55</u>
	<u>4,960,913.55</u>

Note 6

Income and Expenditure A/C	
Balance b/d 1st July, 1986	138,234,435.45
Surplus for year 1986/87	<u>54,383,683.85</u>
	<u>192,618,119.30</u>

Note 7

Examinations Fees

KCPE	18,489,783.00
KCE	109,335,153.60
KACE	22,130,245.00
LGCE	3,759,035.30
PTE	2,586,898.50
Technical	1,315,418.05
Business	<u>2,782,768.40</u>
	<u>160,399,301.85</u>

Note 8

Other Income

Rent	24,900.00
Interest on fixed deposits	9,055,512.25
Sale of publications	119,696.00
Miscellaneous Examinations	-
Disposal of Motor Vehicles	101,605.60
Royalties	<u>3,600.30</u>
	<u>9,305,314.15</u>
Development Grants	29,999,992.45

Note 9

Recurrent Grants from Min. of Education	<u>88,596,140.00</u>
	<u>88,596,140.00</u>

Note 10

Personnel Expenses	
Personnel Emoluments	5,108,310.65
Extra-clerical Assistance	2,897,240.80
Medical Expenses	741,735.35
Contributions to F.S.S.U.	<u>282,182.60</u>
	<u>9,029,469.40</u>

Note 11**Office Administration Expenses**

Passages & Leave Expenses	119,095.90
Transport Operating Expenses	2,196,471.30
Travelling and Accommodation	957,099.55
Post & Telegrams	365,252.20
Telephone Expenses	1,182,183.95
Official Entertainment	79,568.75
Electricity and Water	302,637.20
Security Expenses	216,247.00
Purchase of Stationery	2,179,741.25
Purchase of Uniforms	117,917.20
Cleaning Materials	4,110.90
Bank Charges and Ledger fees	390,196.85
Audit Fees	50,000.00
Fines and penalties	734,769.00
Maintenance of Plant and Equipment	1,210,307.80
Miscellaneous charges	1,156,336.35
Staff Training	327,138.95
Council Travel & Subsistence	130,713.50
Advertising & Publicity	390,204.00
Purchase of Cheque Books	<u>78,670.00</u>
	<u>12,188,661.65</u>

Note 12**Examination Expenses**

KCPE	7,446,088.00
KJSE	29,994.15
KCE	72,167,072.30
KACE	4,540,279.75
PTD	2,341,199.25
Technical	1,465,895.85
Business	1,587,522.45
Miscellaneous Examinations	1,630,917.65
Invigilation & Supervision	17,062,543.45
Training of Examiners	280,960.30
Computer Charges	7,100,705.80
Hire of Halls	<u>235,167.00</u>
	<u>115,888,345.95</u>

Note 13

Test Development	
Printing & Publishing	52,799,046.30
Setting	1,624,313.30
Moderation	1,161,916.10
Committee Expenses	1,246,254.40
Examination Panel & Awards Meetings	<u>1,383,056.85</u>
	<u>58,214,586.95</u>

Note 14

Staff Housing & Office Accommodation	
Rents & Rates Senior Staff Housing	2,610,519.75
Repair to Council Houses	925,662.20
Rents & Rates to Office Accommodation	4,808,184.30
Rates to Bellevue	<u>91,632.00</u>
	<u>8,435,998.25</u>

Comments on the Accounts
For the Year Ended 30th June 1987

1. SUNDRY DEBTORS

The details pertaining to the debt of Kshs. 300,000 owed to the Council by the Schools Equipment Production Unit have been taken to account in converting the debt to a loan that was to earn interest. The interest accrued has been calculated and will be reflected in the accounts for the next financial year.

2. BUILDING CONTRACT

When the Ministry of Public Works received the Government directive that they implement the New Mitihani House Project they demanded that the consultants who had been engaged earlier be decommissioned. At a meeting held on 24th June 1987 between the Ministry of Public Works, Ministry of Education and the Kenya National Examinations Council, the Ministry of Public Works advised the Ministry of Education and the Council to decommission the consultants. Subsequently, on 26th June 1987, the Council's Tender Committee decommissioned the consultants in accordance with the conditions of engagement and the scales of fees for professional services for building works issued by the Ministry of Public Works.

The contract between M/s Mavji Construction Company and the Council for construction of the New Mitihani House was determined in April 1987. The assessment of the work done by the constructor was made by the Ministry of Public Works. The Ministry of Public Works also recommended to the Ministry of Education the payment of Kshs. 4,704,790.00 to M/s Mavji Construction Company. The Council acted in every respect as guided by the Government.

3. PAYMENT OF HONORARIUM AND OVERTIME

The Council pays honoraria to its senior staff in accordance with the Council's Terms and Conditions of Service section 8.10.2 which reads:

'An employee in Job Group 'H' and above will not qualify for overtime allowance since staff members in this category are normally called upon to perform duties of a supervisory nature and this factor is taken to account in their remuneration. However, in exceptional circumstances where an officer is engaged in special duties of which he is required to work for lengthy periods in excess of normal working hours and he cannot be given off in lieu, consideration will be given by the Council for grant to him of an honorarium which will be determined on the merits of each case'.

Determination of the payments is based on the Council's Finance and General Purposes Committee authority of March 19th 1986 which states that:

'The Council pays honorarium to officers in Job Group 'H' and above when required to put in extra work in the processing of examinations. In view of the fact that processing is a demanding task, the Committee approved the rate of 75 cents per script as a basis for working out honorarium for officers on Job Group 'H' and above'.

It is worth noting that according to Chapter 225A of the Laws of Kenya, membership of the Council's Finance and General Purposes Committee is as follows:

The Permanent Secretary, Ministry of Education,
The Chairman, Kenya National Examinations Council,
The Director of Education,
The Chief Inspector of Schools,
Representative of the Senate, University of Nairobi, and
The Council Secretary.

The work for which honorarium is paid involves handling of live examination papers and processing of candidates' examination results. For reasons of accountability and security, only a restricted number of senior professional officers of the Council can participate in such sensitive operations. Deadlines for the work are very strict as the country's expectations for timely conduct of examinations and issue of results have to be met.

4. BANK RECONCILIATION

A bank reconciliation, like a trial balance, must balance/reconcile, if not the cause(s) must be sought. Once identified, the figures will be reflected in the reconciliation and will remain outstanding until such time that they are cleared by either debiting or crediting the cash book. Therefore, the use of the term 'figures inserted as balancing figures' is misleading. It must be appreciated that these current problems have been brought forward from previous years and the only solution to the Council is to open a new bank account and this has been done.

The Council wrote to the auditors vide our letter Ref. KNEC/AUT/1 Vol. ii/99 of 23rd June 1989 suggesting to them that in view of the complexities of the issues involved, a working party should be formed between their office and our office to come up with a practical solution to these recurring queries which were brought about by problems of previous years brought about by the former Ag. Chief Accountant who has since been dismissed. The present office bearers are being called upon to solve these problems quickly. The reply to these suggestions is being awaited.

As regards the undercast of Kshs. 5,243,822.40 appearing in the December 1986 Reconciliation, this was posted in June 1987. Admittedly, there was a problem by December 1986, this being the time the Council was recruiting the new Accountants. However, after less than six months in

office, these errors were rectified and do not appear in reconciliations subsequent to 31st December 1987. The issue has therefore been overtaken by events.

1.4 Suspense Account

Most of the accounting problems contributing to the cumulative suspense accounts from 1981/82 to 1986/87 were unearthed and corrective action taken in the 1987/88 accounts. Consequently, the amounts were reduced from:

1981/82	-	1,917,294.05 (CR)
1982/83	-	622,538.15 (DR)
1983/84	-	5,192,924.50 (DR)
1984/85	-	11,716,952.55 (CR)
1985/86	-	8,428,039.30 (DR)
1986/87	-	1,257,557.25 (CR)

It is our intention to reduce the figure to nil as further information become available.

