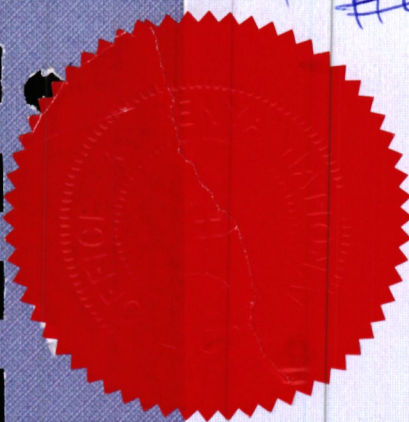


paper laid by the
Hon Leader of the Opposition
on 27/8/2014
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REPUBLIC OF KENYA



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**REPORT OF
THE
AUDITOR-GENERAL**

KENYA NATIONAL AUDIT OFFICE

ON

**THE FINANCIAL STATEMENTS OF
NEPAD KENYA SECRETARIAT FOR THE
YEAR ENDED 30 JUNE, 2013**

KENYA NATIONAL AUDIT OFFICE





NEPAD KENYA SECRETARIAT

IMPLEMENTING ENTITY:

MINISTRY OF DEVOLUTION AND PLANNING

FINANCIAL REPORT

AS AND FOR THE YEAR ENDED

JUNE 30, 2013

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1 LIST OF ABBREVIATIONS

A.I.A.	Appropriation – in – Aid
C.E.O.	Chief Executive Officer
DANIDA	Danish Development Agency
GOK	Government of Kenya
HSGIC	Heads of State and Governments Implementation Committee
NEPAD	New Partnership for Africa's Development
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OSIEA	Open Society Initiative for Eastern Africa
PAYE	Pay As You Earn
REC	Regional Economic Communities
UNDP	United Nations Development Programme

2 INFORMATION AND PERFORMANCE

INSTITUTIONAL DETAILS/INFORMATION

The lead agency of the Project: Ministry of Devolution and Planning.

CORPORATE INFORMATION

PRINCIPAL PLACE OF LOCATION:

LIAISON HOUSE 4TH FLOOR, STATE HOUSE AVENUE

P.O BOX 46270- 00100

TEL: (254- 020) 2733735/ 8/ 42

FAX: 254- 020) 2733725

E-mail: info@nepadkenya.org

Website: www.nepadkenya.org

NAIROBI.

Account Name	Account No.	Banker
NEPAD Kenya Secretariat	01136006041100	Cooperative Bank of Kenya Cooperative House Branch

Independent Auditors:

~~Controller &~~ Auditor General,

Kenya National Audit Office,

P.O. Box 30084 – 00100,

NAIROBI.

3 MANDATE OF THE NEPAD KENYA SECRETARIAT

The mandate of the NEPAD Kenya Secretariat includes the following:

- Intensify Kenya's participation in the activities of the New Partnership for Africa's Development (NEPAD).
- To oversee regional projects that have direct link with national priorities.
- To coordinate priority projects identified in the Vision 2030 and NEPAD.
- To oversee the implementation of Kenya's national development goals in relation to NEPAD priorities.
- To market the NEPAD initiatives among the business communities in Kenya.
- To give direction to the National Steering Committee.
- To be the Regional Coordinator of NEPAD activities in Eastern Africa.
- To institutionalize the African Peer Review Mechanism (APRM).

4 FUNCTIONS

To implement the mandate, the NEPAD Kenya Secretariat will undertake the following strategic functions:

- Leverage the NEPAD's acknowledged mandate and international recognition to mobilize additional resources for NEPAD/APRM programmes/activities.
- Leverage the APRM mandate to facilitate implementation of the National Programme Action.
- Implement an integrated information, education, communication and advocacy strategy.
- Coordinate and promote partnership at the international, continental, regional, national and local levels to build synergy and enhance efficiency and acceptability of NEPAD and APRM.

5 CORPORATE STATEMENTS

VISION

“To be the centre of excellence for coordinated, harmonized and integrated implementation of NEPAD priority programmes and APRM for improved governance, sustainable development, peace and security in Kenya and the Eastern African Region.”

MISSION

“To facilitate implementation of NEPAD priority programmes and APRM through coordination, information sharing and enhancement of partnership among stakeholders in Kenya and the Eastern Africa Region”

CORE VALUES

The NEPAD Kenya Secretariat subscribe to the following core values:

- Mutual accountability and responsibility
- Mutual benefit and reciprocity
- Win-win scenarios
- Value addition
- Integrity
- Common interest

6 KEY STRATEGIC OBJECTIVES

- To facilitate integration of priority NEPAD programmes into the National Development process with a view of fast tracking growth and development.
- To institutionalize the APRM process and promote good governance as a key driver for development.
- To strengthen institutional capacity of the Secretariat to deliver on its mandate.

7 BACKGROUND INFORMATION

Introduction

NEPAD

The New Partnership for Africa's Development enunciates the vision of an 'African Renewal' whereby *Africans should harness their collective energies to transform the continent* into a region where economic progress, development, consolidation of democracy, good governance and peace, security and stability reign.

In this respect, the NEPAD Programme of Action is a "holistic, comprehensive and integrated sustainable development initiative for the revival of Africa"¹. The 3rd Meeting of the HSGIC on 11 June 2002 in Rome emphasized the fact that NEPAD is a framework and programme outline and that in developing programmes, consideration should be given to the continental and regional nature of the programme, particularly the processes of identifying programmes, especially when considering infrastructure projects (3rd Meeting Communiqué, Para. 7) The 3rd Meeting also stressed that as a framework, NEPAD provides the policy and programme direction within which states, sub-regional bodies and continental structures can operate. Therefore, as regards regional infrastructure development, NEPAD highlights the importance of this issue, provides a framework for engagement among stakeholders and provides impetus and support to regional infrastructure priorities identified by sub-regional and continental structures.

In essence, the NEPAD framework provides guidelines to assist Regional Economic Communities (RECs) and Member States to prioritize, adapt and design their own programmes and projects according to their own needs and local realities. Further, these guidelines are meant to enhance coordination, synergies and complementarities amongst the different actors and promote attainment of the objectives of the Constitutive Act of the African Union. Therefore, all other initiatives promoted by individual African countries should be subsumed under the NEPAD process, to represent a basis on which Africa can collectively and effectively cooperate with its development partners (Inaugural HSGIC Meeting Communiqué, Para 8).

NEPAD Kenya Secretariat

The NEPAD Kenya Secretariat is now in its 10th year of operation. In September 2002 the President appointed a National Steering Committee to coordinate participation in the NEPAD process by Presidential Executive Order (Gazette Notice No. 6225, The Kenya Gazette, vol. CIV - no. 63). NEPAD Kenya Secretariat became operational with the appointment of the first CEO in April 2003. Since then, Secretariat has made enormous strides to keep the spirit and essence of the New Partnership for Africa's Development (NEPAD) alive in Kenya in particular and the Eastern Africa region in general.

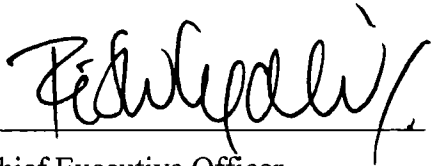
8 STATEMENT OF MANAGEMENT RESPONSIBILITIES

The responsibility for the preparation of financial statements lies with the management of the Secretariat, headed by The Chief Executive Officer. The statements give a true and fair view of the state of affairs of the Secretariat for, and as at the end of the accounting period. This responsibility includes; maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, 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 mis-statements, whether due to fraud or error, safeguarding the assets of the Secretariat; selecting and applying appropriate policies; and making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer accepts responsibility for the Secretariat's financial statements, which have been prepared on the Cash Basis method of Financial Reporting, using appropriate accounting policies.

The Chief Executive Officer is of the opinion that the financial statements give a true and fair view of the state of the Secretariat's financial position as at June 30 2013. The Chief Executive Officer further confirm the completeness of the accounting records maintained for the Secretariat which have been relied upon on the preparation of the Financial Statements as well as on the adequacy of the internal control systems.

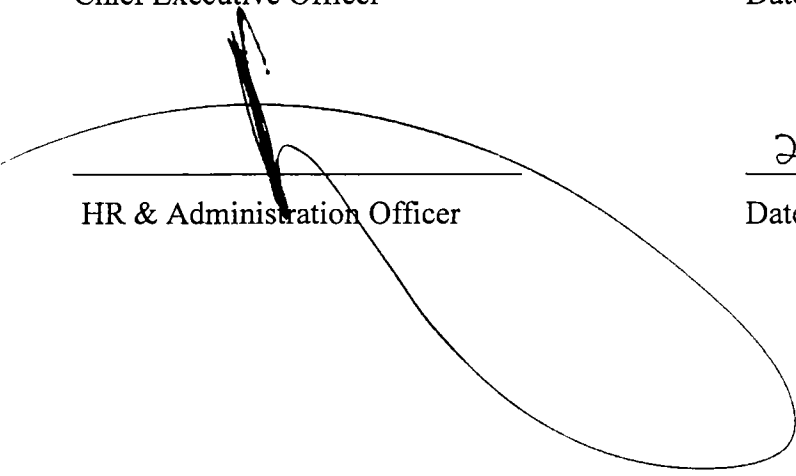
The Chief Executive Officer confirm that the Secretariat has complied fully with the terms and conditions of the Financing Covenants in accordance with the Legal Agreement and applicable Government Regulations, and that the project funds received during the period under audit were used for the eligible purposes for which they were intended and were properly accounted.



Chief Executive Officer

25/09/2013

Date



HR & Administration Officer

25/09/2013

Date

REPUBLIC OF KENYA



Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: cag@kenao.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NEPAD KENYA SECRETARIAT FOR THE YEAR ENDED 30 JUNE, 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of NEPAD Kenya Secretariat set out on pages 10 to 16, which comprise the statement of receipts and payments for the year ended 30 June 2013 and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

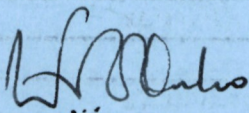
My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the receipts and payments of NEPAD Kenya Secretariat for the year ended 30 June 2013, in accordance with International Public Sector Accounting Standards (Cash Basis of Accounting).



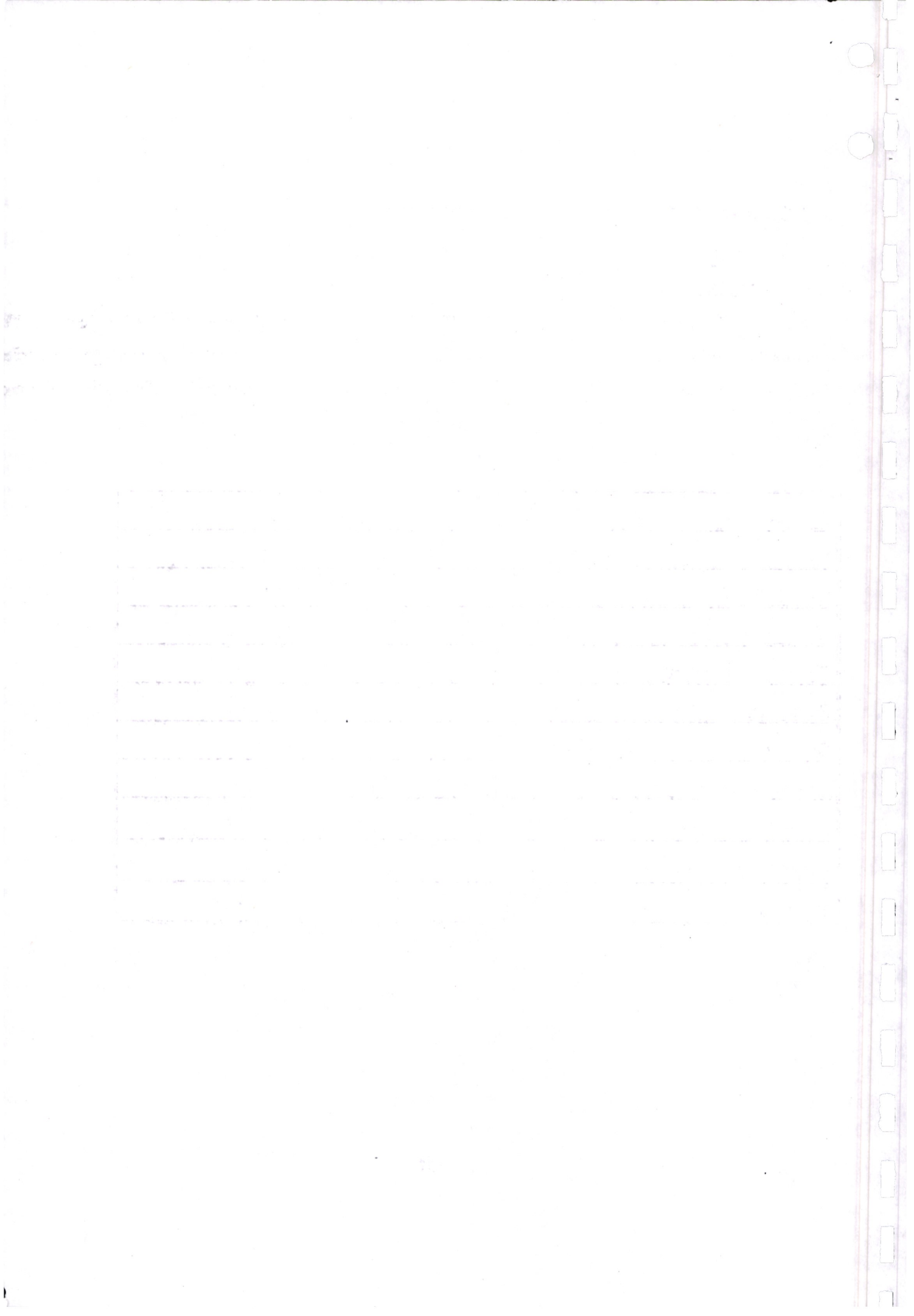
Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 March 2014

9 FINANCIAL STATEMENTS
NEPAD KENYA SECRETARIAT
STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30TH JUNE 2013

ITEMS	NOTES	2012/2013
INCOME		Kshs.
GOK Grants		148,152,000.00
Donor Funds:		-
UNDP		-
DANIDA		21,218,000.00
OSIEA		3,429,718.00
Other Income (A-I-A)		243,000.00
Less: Transfer to Ministry of Planning		- 5,000,000.00
Gross Income		168,042,718.00
EXPENSES		
Operating Expenses		
Staff Costs	1	26,344,337.47
Rent and Utilities	2	11,566,596.48
Communications, Supplies and Services	3	3,236,661.40
Travel expenses	4	25,716,608.95
Publicity and Advertising	5	1,757,435.00
Training Expenses	6	2,625,008.00
Hospitality	7	6,329,491.90
Office and General Supplies	8	4,411,699.50
Motor Vehicle Operating Expenses	9	2,698,584.10
Office Maintenance - other assets	10	6,983,516.20
Insurance Expense	11	2,607,163.25
Contracted Professional Services	12	11,483,079.64
Bank Charges	13	155,318.74
Meal allowance	14	8,468,611.57
Depreciation	15	-
Total Operating Expenses		114,384,112.20
Capital Expenditure		
Purchase of furniture	16	2,029,899.00
Car alarm installation	17	114,000.00
Purchase of motor vehicles seats	18	281,300.00
Purchase of motor vehicles	19	17,317,817.00
Purchase of Intangible Assets	20	1,200,000.00
Purchase of Equipment	21	2,321,825.00
Total Capital Expenditure		23,264,841.00
Total Expenses		137,648,953.20
NET SURPLUS		30,393,764.80



10 NOTES TO FINANCIAL STATEMENTS

STATEMENT OF RECEIPTS AND PAYMENTS

(Comparative)

1. STAFF COSTS

The costs include payments to members of staff as basic pay, house allowances and other benefits. The statutory deductions; PAYE, NHIF, NSSF and Pension expenses are recovered from employees' salaries. The highlighted expenses are deducted directly from staff salaries and are not included in the total figure of staff cost.

ITEMS	2012/2013
	Kshs.
Basic Salary	13,472,242.00
House allowances	4,628,100.00
Commuter allowance	1,696,440.00
Extraneous allowance	1,040,000.00
Gratuity	4,715,555.47
Leave allowance	126,000.00
Medical allowance	36,000.00
Entertainment allowance	630,000.00
TOTAL	26,344,337.47

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2. RENT AND UTILITIES

Rent and utilities relate to rent, service charge, car parking fees and electricity as broken down below.

ITEMS	2012/2013
	Kshs.
Rent	6,522,854.00
Service Charge	3,690,311.30
Car parking fees	501,120.00
Electricity	852,311.18
TOTAL	11,566,596.48

3. COMMUNICATION, SUPPLIES AND SERVICES

Communication, supplies and services relate to telephone, telex, facsimile, internet, courier and postal services incurred during the financial years under reporting.

ITEMS	2012/2013
	Kshs.
Telephone, Telex, Facsimile and Mobile phone services	2,712,233.40
Internet connections	487,428.00
Courier & Postal services	37,000.00
TOTAL	3,236,661.40

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4. TRAVEL EXPENSE

Travel costs entail air tickets, road transport, daily subsistence allowances and accommodation.

ITEMS	2012/2013
	Kshs.
Domestic Travel	12,862,853.00
Foreign Travel	12,853,755.95
TOTAL	25,716,608.95

5. PUBLICITY AND ADVERTISING

Publicity and advertising involved media engagement in the Secretariat programmes as well as advertising for vacant positions and invitation to tender.

6. TRAINING EXPENSES

Training expenses involved short term trainings, seminars, workshops and staff development.

7. HOSPITALITY

Hospitality expenses relates to accommodation, food and conference facilities during official functions and projects of the secretariat.

8. OFFICE AND GENERAL SUPPLIES

Office and general supplies includes stationery, sanitary, kitchen items, education and library, purchase uniforms and clothing for staff, delivery charges and other incidentals.

9. MOTOR VEHICLE OPERATING EXPENSES

Motor Vehicle operating expenses included fuel top ups, repairs and maintenance



10. OFFICE MAINTENANCE, OTHER ASSETS

Office maintenance - other assets includes photocopiers, printers, computers, shredders, air conditioning, telephones, electrical, furniture and other equipment.

11. INSURANCE EXPENSE

Insurance expense relates to Staff Medical Scheme and Motor Vehicles for the years under reporting period. The two insured motor vehicles were both purchased during the financial year 2012/2013; hence there was no insurance in the year 2011/2012.

ITEMS	2012/2013
	Kshs.
Staff Medical Scheme	1,886,435.00
Motor Vehicles	720,728.25
TOTAL	2,607,163.25

12. CONTRACTED PROFESSIONAL SERVICES

These are consultancy services to support NEPAD and APRM Projects that comprise of Youth, Agriculture, Corporate Governance, Socio-economic, Political and Poverty eradication programmes.

13. BANK CHARGES

Bank charges relate to the various charges and commissions that the bank levies for maintenance of the account.

14. MEAL ALLOWANCE

The figure under this heading relates to amounts spent on participants in the planned visits to the various target groups as well as task force.

15. DEPRECIATION

There was no depreciation for the two years under consideration because during the financial year 2011/2012 the only vehicle donated from NEPAD South Africa Secretariat had exhausted its economic useful life. Two motor vehicles, KBT 971N and KBU 230T qualifies for depreciation in exclusion of the year of purchase.

16. FURNITURE AND FITTINGS

Office furniture and fittings involves the furniture purchased and office partitioning done in the financial year 2012/2013.

ITEMS	2012/2013
	Kshs.
Furniture	449,995.00
Partitioning of office	446,954.00
Curtains	260,000.00
Office Carpet	791,250.00
Picture Frames	33,600.00
Interior Design	48,100.00
TOTAL	2,029,899.00

17. CAR ALARM INSTALLATION

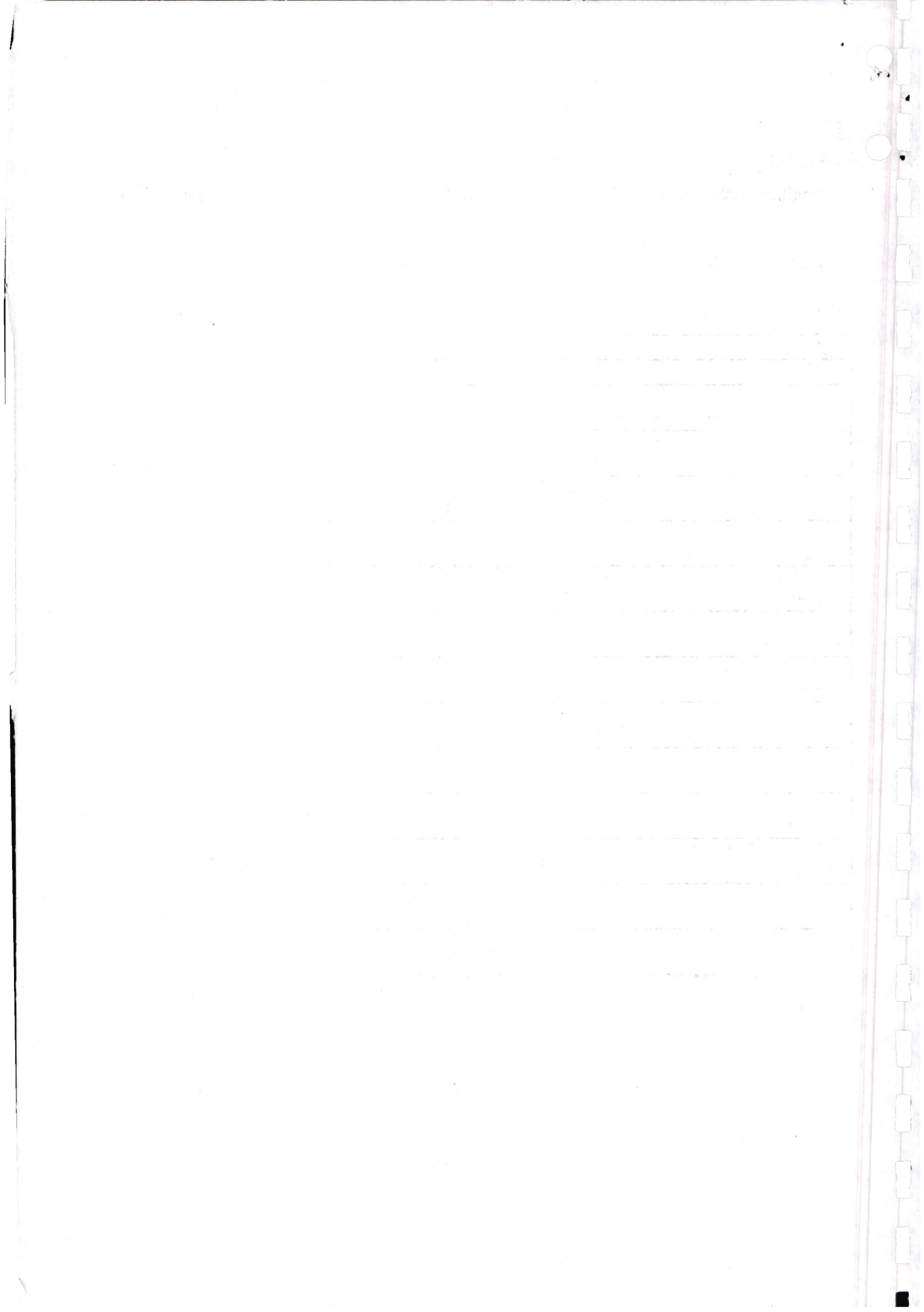
The car alarms were fixed for security purposes with regards to the two (2) vehicles, KBT 971N and KBU 230T for the Secretariat.

18. PURCHASE OF MOTOR VEHICLE SEATS

The seats were bought and fixed to the Secretariat's van KBU 230T since the ones bought with the vehicle were not comfortable for long distance travels.

19. MOTOR VEHICLE

The Financial year 2011/2012, there was no purchase of vehicle. The Secretariat had one motor vehicle model Toyota Condor, donated by NEPAD South Africa in 2002. The vehicle was already used for over (10) years and had exhausted its useful life for the sake of depreciation.



20. INTANGIBLE

ASSETS

Intangible assets comprise of software and network systems bought for use in the Secretariat.

21. EQUIPMENT

Equipment consists of computer hardware, photocopying machines, printers and accessories.

ITEMS	2012/2013
	Kshs.
Computer Systems	564,000.00
Uninterrupted power supply (UPS)	98,000.00
Mobile Phones	235,995.00
Printers and scanners	286,000.00
Photocopiers	180,000.00
Shredders	93,830.00
Air conditioners	310,000.00
Television	37,500.00
Telephone systems	93,500.00
Projectors	53,000.00
Safe deposit and filing cabinets	250,000.00
Kitchen Equipment	120,000.00
TOTAL	2,321,825.00

