

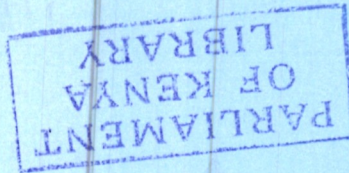
REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



*Paper laid by
Majority whp
2/4/15*



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
NATIONAL CONSTRUCTION
AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2014





**NATIONAL CONSTRUCTION
AUTHORITY**

FINANCIAL STATEMENTS AND

ANNUAL REPORT

FOR THE YEAR ENDED

30TH JUNE, 2014

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CORPORATE INFORMATION

Establishment

The National Construction Authority was established through the National Construction Authority (NCA) Act No. 41 of 2011. The object for which the Authority is established is to oversee the construction industry and coordinate its development. The Minister of Public Works gazetted the appointment of Board Members and the Act commenced on 8th June, 2012.

Functions

The Authority Mandated is to:-

- Promote and stimulate the development, improvement and expansion of the construction industry ;
- Advise and make recommendations to the Cabinet Secretary on matters affecting or connected with the construction industry;
- Undertake or commission research into any matter relating to the construction industry;
- Prescribe the qualification or other attributes required for registration;
- Assist in the exportation of construction services connected to the construction industry;
- Provide consultancy and advisory services with respect to the construction industry;
- Encourage the standardization and improvement of construction techniques and materials;
- Promote and ensure quality assurance in the construction industry;
- Initiate and maintain a construction industry information system;

Corporate Information (Cont'd)

- Provide, promote, review and co-ordinate training programs organized by public and private accredited training centers for skilled construction workers and construction site supervisors;
- Accredite and register contractors and regulate their professional undertakings;
- Accredite and certify skilled construction workers and construction site supervisors;
- Develop and publish a code of conduct for the construction industry, and
- Do all other things that may be necessary for the better carrying out of its functions under the Act.

Vision

“To attain quality, safe and well-coordinated construction industry”

Mission

“To regulate and coordinate construction industry for sustainable social and economic development”

Core values

As a public sector institution, NCA is dedicated to excellence and provision of high quality professional service to its customers. The Authority’s core values are:

- Professionalism
- Integrity
- Leadership
- Creativity
- Teamwork
- Reliability in delivery of service
- Environmental stewardship

Corporate Information (Cont'd)

Registered Office:

1st Floor, Hill Plaza,
Ngong Road
Tel: +254 20 2712096/98/99.
Email: info@nca.go.ke
Website: www.nca.go.ke
P.O Box 21046-00100
NAIROBI.

Bankers:

Kenya Commercial Bank Ltd,
Milimani Branch,
NSSF Building, Bishops Road,
P.O. Box 69695 – 00400
NAIROBI.

Commercial Bank of Africa,
Upper Hill Branch,
CBA Building, Mara and Ragati Roads,
P.O Box 30437-00100
NAIROBI.

Equity Bank,
Community Branch,
NHIF BUILDING,
P.O Box 8181-00100
NAIROBI.

Corporate Information (Cont'd)

Auditors: **The Auditor- General**
Office of the Auditor-General
Anniversary Towers
P.O Box 30084-00100
NAIROBI.

Principal Legal Adviser: The Attorney General
State Law Office
P.O. Box 40112 – 00200
NAIROBI.

BOARD MEMBERS

The following members served during the year;

Steve Oundo, OGW	Chairperson of the Board Representing the Architectural Association of Kenya (AAK)
Qs. Isabella Njeri Wachira Towey (PhD)	Vice Chairperson of the Board Representing the Institute Of Quantity Surveyors of Kenya (IQSK)
Arch. Victor Ogutu	Member Representing the Principal Secretary, Ministry of Land, Housing and Urban Development (Urban Development Directorate)
Eng. Stephen K. Kogi	Member Representing the Principal Secretary Ministry of Transport and Infrastructure
Dr. Mike Ptoo Parklea	Member Representing Groups With Special Interests
Eng. Arjan Shankla	Member Representing the Kenya Association of Building and Civil Engineering Contractors
Eng. Joseph Schwartzman	Member Representing Road and Civil Engineering Contractors Association
Hon. Qs. Moses Muihia	Member Representing the Kenya Federation of Master Builders

Arch. Aidah Munano, HSC	Member Representing the Principal Secretary, Ministry of Land, Housing and Urban Development (Works Directorate)
Ms. Leah Muraguri	Member Representing the Principal Secretary, Ministry of Land, Housing and Urban Development (Housing Directorate)
Ms. Susan Karanja	Member Representing the Principal Secretary, The National Treasury
Qs. Joseph Alex Magembe	Member Representing Groups with Special Interests
Eng. Henry Songole Amaje	Member Representing Institution of Engineers of Kenya
Arch. Daniel O. Manduku	Executive Director/Secretary to the Board

SENIOR MANAGEMENT

The following were members of the senior management team during the year.

Arch. Daniel O. Manduku	Executive Director
Arch. Francis K. Njuguna	GM – Registration, Training and Compliance
Eng. Maurice Akech	GM – Research, Business Development and Capacity Building
Dinah J. Kirwa	GM – Human Resource and Administration
James Kilonzi	Chief Accountant
Christine K. Kirimi	Manager – Finance
Paul G. Kariuki	Manager – Human Resource and Development
Daniel Kemei	Manager – Human Resource and Administration
Paul N. Gesora	Manager – Corporate Strategy
Vincensia Apopa	Manager – Supply Chain Management
Stephen Obare	Manager – ICT
Qs. Susan Rutto	Manager – Registration, Compliance and Training (Building, Energy & Associated Works)
Eng. Raymond Karani	Manager – Registration, Compliance and Training (Civil and Water Works)
Antony Ochieng	Manager – Internal Audit
Wangui Gitei	Manager – Public Relations
Samson Lukoba	Senior Legal Officer

CHAIRMAN'S COMMENTS

The financial year 2013/14 has seen a lot of the development in the construction industry, especially in the infrastructure sector. From highways to shopping malls, techno-cities to resort towns, Kenya is on the cusp of a development explosion. This of course means more jobs, bigger investments (both local and foreign) and the beginning of the journey towards leaving the title 'third world country' firmly behind.

The key to development lies in construction. It means building affordable housing for all citizens, building better roads to ease traffic congestion and making travel easier and safer. It also means decongesting the capital by moving away from the city after the construction of the standard gauge railway which cuts travel time by half. It means the construction of sports and entertainment arenas to attract foreign awards shows and competitions, bringing in tourists and with them foreign exchange. The future simply lies with construction.

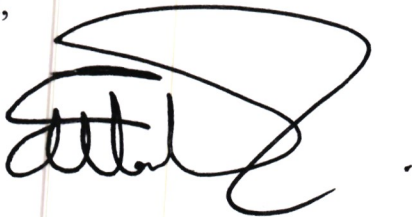
This is why the National Construction Authority (NCA) as the industry regulator does not take its mission to regulate and coordinate the construction industry for sustainable social and economic development lightly. Considering a sizeable chunk of our economy comes from the construction industry, which also employs a large percentage of the workforce, this is one sector that plays a key role in socio-economic development. The presence of the Authority in this industry means we will ensure compliance, build the capacity of our stakeholders, commission research to identify our urgent industry needs, facilitate the exportation of skills and services and promote and ensure quality assurance in the industry. We will also ensure all contractors working in this industry are not only registered but adhere to the industry code of conduct.

Chairman's Comment (Cont'd)

As an Authority, we are committed to eradicating the lack of professionalism that has pervaded this industry, leading to shoddy infrastructure that is at least displeasing to the eye and at most the cause of accidents and fatalities to the members of the public. We are also committed to being as accessible as possible to our stakeholders, and being a body they can count on to articulate their needs and action them.

As we wind up this eventful financial year and enter the next, we will look forward to joint ventures and partnerships with academic, financial and professional entities in order to take this industry to the next level.

Thank you,



Steven Oundo, OGW

Chairperson of the Board

EXECUTIVE DIRECTOR'S COMMENTS

The financial year 2013/2014 has been a good year for the Authority, mostly because this was the first year we were fully operational. Managerial and other permanent staff were recruited in early 2014, and the pertinent departments were forged from the ground up.

The Authority therefore has a lot to be proud of. As the industry regulator, our key mandate is to oversee the construction industry and coordinate its development. The first step was to ensure that every contractor working in the industry became registered. We published the Register of Contractors this year, a database that contains the names of registered firms and their registration categories so that anyone who wishes to verify the status and legitimacy of a construction firm can do so with ease. We have issued over 22,000 certificates of registration for the various classes to over 12,000 registered firms, a number that continues to rise every day. Accreditation of skilled construction workers is also well under way, with a target of accrediting five hundred thousand workers by the end of the next financial year.

To ensure the continuous development of our contractors, this financial year also saw the first round of mandatory trainings, where the contractors were equipped with knowledge on health and safety, project management, construction procurement amongst others. In order to bring our services even closer to our stakeholders, we now have four county offices, excluding the Headquarters in Nairobi: Mombasa, Kisumu, Kitui and Nakuru which we intend to grow to twenty eight by the end of the next financial year. This ensures faster and more efficient delivery of services.

Research is a core function of the Authority, and this financial year saw the inaugural National Construction Research Agenda Stakeholder's Forum, a gathering of

Executive Director's Comment (Cont'd)

construction, finance and academic professionals who sought to identify the research gaps within the industry and how best to tackle them. This provided us a firm basis by which we can begin to commission our research. This financial year also saw the publication of the first Contractor's Directory, a listing of all our registered contractors and their contacts, as well as our industry magazine, The NCA Quarterly, which is distributed to all our stakeholders across the country. We have also developed an industry Code of Conduct, the draft of which has been circulated to our stakeholders for their input before the final copy is published towards the end of 2014.

The Authority has laid the ground work for an auspicious financial year 2014/2015. The inaugural Women Contractor of the Year Awards will be held in November of 2014, a platform to celebrate women contractors and help them network with industry professionals. In addition, we are generating a Projects Register, which is a database of all ongoing construction works, in order to make it easier to monitor ongoing projects. Training for contractors continuous, as does registration and accreditation. We will also continue to expand our reach and establish offices in other counties, the goal being to have an office in every county. All in all, the 2014/2015 financial year is rife with possibilities. We look forward to attaining as many as possible.

Thank you.

Arch. Daniel O. Manduku

Executive Director

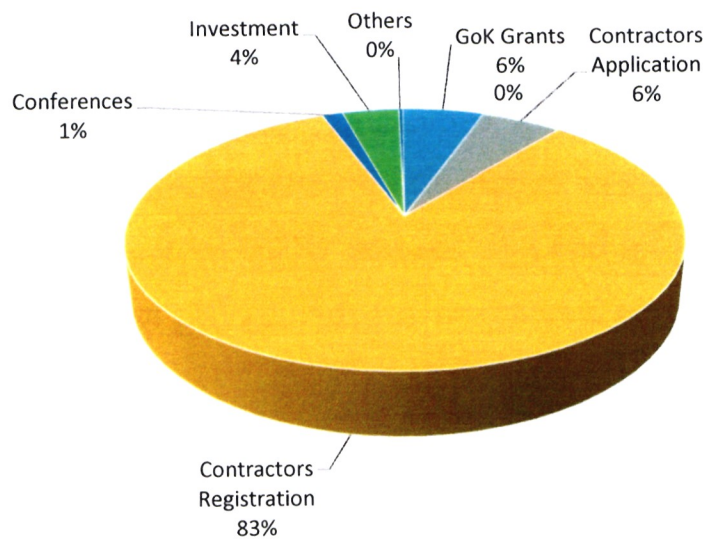
KEY HIGHLIGHTS AND ACHIEVEMENTS

The National Construction Authority has been in operation for the last two financial years. During this period the Authority has made great strides in executing its mandate as outlined in the enabling legislation. This has been achieved through embracing team work across the entire organization. Some of the key highlights achieved over the last financial year are:

i. Financial Performance

The internally generated revenue for the Authority has increased from KShs 162.3 Million to KShs. 602.0 Million in the financial year. The surplus for the year has also increased from KShs 76.4 Million to KShs 279.9 Million which represents a growth of 266.8%.

Revenue by Source

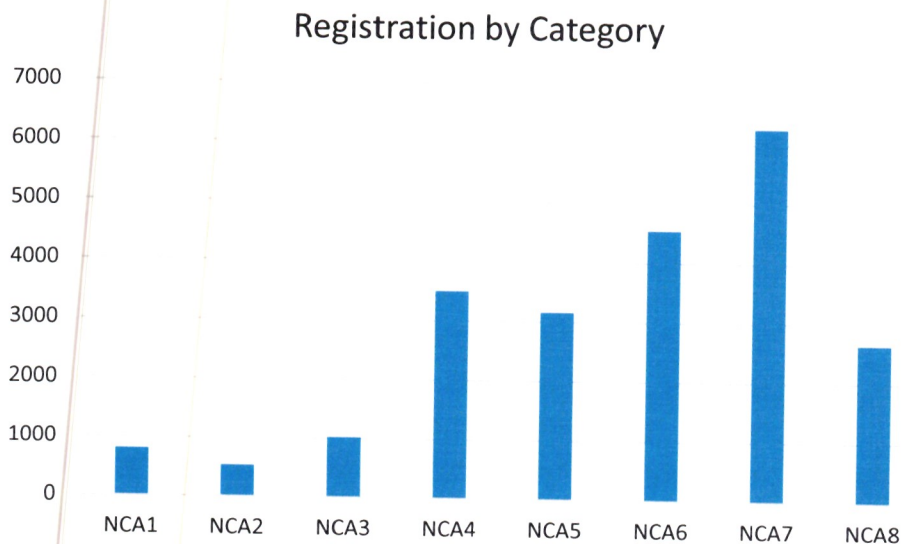


Key Highlights (Cont'd)

ii. Regulation

a. Registration

The Authority is mandated to regulate the conduct of contractors and the skilled construction workers. The number of registered contractors has increased to over 12,000 firms with over 22,000 registration certificates issued in the different classes and categories during the financial year. In the financial year, the Authority embarked on the accreditation of the construction and skilled workers whereby the accredited number as at the close of the financial year was over 600.



b. Legislation

To operationalize provisions of the National Construction Authority Act the Cabinet Secretary drafted the National Construction Authority Regulations 2014. The Regulations were subjected to stakeholders in line with the provisions of the Constitution and presented to Parliament for approval. The Regulations provide for various issues e.g. registration of contractors, registration of construction works, certification and accreditation of construction workers that will increase

Key Highlights (Cont'd)

the industry's competitiveness, productivity and improve on the ease of doing business.

c. Code of Conduct

The NCA Act requires the Authority to develop and publish a code of conduct for the industry. To fulfil its mandate, the Authority in collaboration with the industry players developed the first ever code of conduct to provide for the self-regulation of the contractors. This has been well received by the industry and the Authority will be rolling out its sensitization and implementation in the following financial year.

iii. Training and Capacity Building

The Authority has developed the curriculum for Continuous Professional Development for the registered firms. The Authority signed a Memorandum of Understanding with the Housing Finance Foundation to facilitate the training and accreditation of one million skilled workers. In addition, several capacity building initiatives were carried out in collaboration with other institutions e.g. Alibhai Sharrif Company to train individuals/firms during the period under review.

iv. Research and Business Development

The Authority is mandated to undertake research relating to the construction industry and intends to play a leading role in innovations and the adoption of new technologies that will spur growth in the industry. During the financial year the Authority organized the first ever National Construction Research Agenda (NaCRA) forum.

Key Highlights (Cont'd)

The objective was to bring all the industry players including policy makers and training institutions together to discuss and identify critical issues affecting the industry in relation to research, innovation and business development. As a way forward, the Authority will constitute a committee of experts to develop the tri-annual construction research agenda. The committee's terms of reference will be based on the forum's discussions and findings from other research work related to the industry.

v. Service Delivery

a. Human Resource

The Authority had no permanent staff in the first year of operation with exception of the Executive Director, the rest of the staff were on attachment from the former Ministry of Public Works, Roads and Energy. During the financial year the Authority carried out recruitment of Senior Management and other support staff to ensure effective and efficient service delivery. The senior management represents a diverse back ground, skills, experience, expertise and competencies that are necessary for the execution of the Authority's strategic objectives.

b. Regional Offices

The Authority has been able to open up four county offices (Nakuru, Mombasa, Kitui and Kisumu) in the financial year. This is in line with the national mandate of the Authority which requires a countrywide presence for effective service delivery. Plans are underway to increase the office network to 28 counties by end of the next financial year.

Key Highlights (Cont'd)

c. Policies and procedures

The operations of the Authority are guided by internal policies and procedures developed in line with the relevant Government policies, guidelines and best industry practices. The Board approved the Authority's policies and procedures manual covering all the functional areas of its operations, these includes but are not limited to Finance, Human Resource, Procurement and Information Communication Technology.

d. Information Communication Technology (ICT)

The Authority has developed a five year ICT strategy that will transform its operations and computerize all operations. This is in line with the industry trends across the globe and the Authority intends to leverage on the use of IT in service delivery. The Authority is mandated to develop and maintain an industry information systems and this process has commenced during the financial year.

CORPORATE GOVERNANCE

Corporate Governance Statement

Corporate governance is the manner in which the power over and the power of an organization is exercised in the stewardship of its total portfolio of assets and resources with the primary objective of increasing and sustaining shareholders value while satisfying the needs of the other stakeholders in the context of the vision and mission of the organization. The Authority is committed to the ideals espoused on this statement and as a result all the Members of the Board and the top management have been trained and certified on corporate governance.

The affairs of the Authority are managed by an independent Board comprising of independent Members appointed from the private sector and representatives of the Government. The Board is keen on reviewing the overall framework of the internal controls and the assessment of management process and the adoption of the appropriate policies, regulations and codes of ethics. It is also responsible for ensuring that the Authority complies with the law and highest standards of the corporate and business ethics.

The chairperson of the Board is an independent member. The powers of the Chairman and those of the Executive Director are clearly stipulated and there is no conflict of interest or roles and responsibilities. The Executive Director is in charge of the day-to-day operations of the Authority while the Board provides the strategic and policy direction of the Authority.

Board and Committee Meetings

The affairs of the Board are conducted in line with the National Construction Authority Act Sec. 9. The Board meets at most six times in every financial year but

Corporate Governance (Cont'd)

the Authority's business may warrant the convening of special meetings from time to time. To facilitate effective planning, attendance and participation in Board meetings an annual calendar is prepared for a financial year and circulated in advance. The Board Committee meetings are scheduled before the Full Board meeting to ensure that all matters are adequately addressed at the committee level before presentation to the Board for adoption or approval.

To enhance the performance of the Board, the Authority implemented the E-Board systems. This is in line with the Authority's strategic direction of leveraging on information technology in delivery of its services. The e-board systems provides for a board evaluation module which facilitates the members to carry out self-evaluation, peer-evaluation and committee and full board evaluation. The Authority during the period under review engaged a consultant to guide the members through the first evaluation of its performance. The board evaluation will form part of the annual work plan for the Board.

The Board has been operating without a fully pledged Board Charter. The Authority has started the process of developing the charter which among other things will provide the terms of reference of the Board, authorities of the Board and structure. During the period under review the Board Audit Committee (BAC) charter was developed, adopted by the committee and approved by the Board.

Board Committees

In order to discharge its mandates and responsibilities effectively, the Board has delegated certain tasks to its Committees with a specific mandate. This has been done in line with the principles of corporate governance and the second Schedule of

Corporate Governance (Cont'd)

the National Construction Authority. The Board committees were reorganized and reconstituted during the financial year. During the period under review, the following Committees were in place.

Finance, Administration & Development (FAD)

The FAD committee is responsible for recommending financial policies, goals, and budgets that support the mission, values, and strategic goals of the Authority. The committee also reviews the Authority's financial performance against its goals and proposes major transactions and development programs for the Authority.

Members

1. Eng. Henry S. Amaje – Chair
2. Dr. Mike Ptoo Parklea – Member
3. Eng. Stephen Kogi – Member
4. Susan Karanja – Member
5. Leah Muraguri – Member

Training & Capacity Building

This committee is responsible for recommending training, research and capacity building policies, goals, and budgets that support the mission, values, and strategic goals of the Authority. The committee also reviews the Authority's training, research and capacity building performance against its goals and proposes major transactions and development programs.

Corporate Governance (Cont'd)

Members

1. Dr. Isabella Njeri Wachira-Towey – Chair
2. Eng. Henry S. Amaje – Member
3. Eng. Arjan Shankla – Member
4. Hon. Moses Muihia – Member
5. Susan Karanja – Member

Registration & Compliance

The registration and compliance committee is charged with the mandate of ensuring that the mandate of the Authority in relation to registration of contractor and construction workers is carried out effectively and efficiently. In addition the committee ensure that adequate policies are put in place to for compliance to all statutory requirements by all the industry stakeholders.

Members

1. Hon. Moses Muihia – Chair
2. Eng. Arjan Shankla – Member
3. Arch. Aidah Munano – Member
4. Eng. Stephen Kogi - Member
5. Eng. Joseph Schwartzman – Member

Human Resource

This is the committee of the Board responsible for guidance on human resource management of the National Construction Authority. Its primary responsibility includes reviewing, monitoring, and making recommendations and policies regarding human resource management activities of the National Construction Authority.

Corporate Governance (Cont'd)

Members

1. Qs. Joseph Magembe – Chair
2. Arch. Aidah Munano – Member
3. Leah Muraguri – Member
4. Arch. Victor Ogutu - Member

Audit & Risk Management

The committee assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Authority's process for monitoring compliance with laws and regulations and the code of conduct. The risk management role of the Board is also implemented through this committee through the review of the risk policy and making recommendations on risk mitigation measures.

Members

1. Eng. Joseph Schwartzman – Chair
2. Dr. Isabella Njeri Wachira-Towey – Member
3. Dr. Mike Ptoo Parklea – Member
4. Arch. Victor Ogutu – Member
5. Qs. Joseph Magembe – Member

Corporate Governance (Cont'd)

Risk Management

The Authority has identified risk management as a priority area. This is premised on the effect the risks have on the achievement of the strategic objectives of the Authority and the industry at large. The Board Audit Committee is charged with the mandate to oversee the Authority's risk procedures, review and approval of key risk policies, risk authorities and risk tolerances.

To start off the process of managing the Authority's risks the Board and the senior management have been trained on risk management governance. The process of developing an Enterprise Risk Management (ERM) framework has been started with the constitution of the management risk committee. In addition, to address the inherent operational risks, the Authority has formulated comprehensive policies and procedures. Some of the measures instituted to mitigate against operational risks includes effective segregation of duties, annual risk reviews, staff education and sensitization, authorization levels, etc.

REPORT OF THE BOARD MEMBERS

The Board Members submit their report together with the financial statements for the year ended June 30th, 2014 which show the state of the National Construction Authority affairs.

Principal Activities

The principal activity of the Authority is to oversee the construction industry and coordinate its development.

Results

The results of the National Construction Authority for the year ended June 30th, 2014 are set out on page 1 to 23.

Board Members

The members of the Board who served during the year are shown on page v to vi.

Auditors

The Auditor General is responsible for the statutory audit of the National Construction Authority in accordance with the Section 68(2) (k) of the Public Finance Management (PFM) Act, 2012.

By Order of the Board

Arch. Daniel O. Manduku

Executive Director/Secretary to the Board

Nairobi.

Date: 22nd September 2014.

STATEMENT OF THE BOARD MEMBERS' RESPONSIBILITIES

The Public Finance Management Act, 2012, the National Construction Authority Act and the State Corporations Act Cap 446, require the Board to prepare financial statements in respect of National Construction Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and its operating results for that year. The Board is also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Board is also responsible for safeguarding the assets of the Authority.

The Board is responsible for the preparation and presentation of the Authority financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2014. 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 Authority;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

Statement of Board Members' Responsibility (Cont'd)

The Board accepts responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sectors Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Board is of the opinion that the Authority's financial statements give a true and fair view of the state of the Authority's transactions during the financial year ended June 30th, 2014, and of the its financial position as at that date. The Board further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

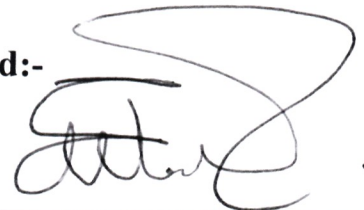
The Authority's financial statements were approved by the Board on 22nd September 2014 and signed on its behalf by:

Signed: -

Arch. Daniel O. Manduku

Executive Director/Secretary to the Board

Signed:-



Steven Oundo, OGW

Chairperson of the Board

**REPORT OF THE INDEPENDENT AUDITORS
ON THE FINANCIAL STATEMENTS OF NATIONAL CONSTRUCTION
AUTHORITY FOR THE YEAR ENDED 30TH JUNE 2014**

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL CONSTRUCTION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Construction Authority as set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2014, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the report in compliance with 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.

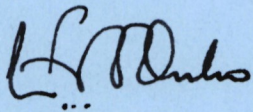
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Authority'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 financial position of the Authority as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards and comply with National Construction Authority Act, 2011 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

11 March 2015

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE, 2014**

		2013/14	2012/13 (Restated)
	<u>Note</u>	<u>KShs.</u>	<u>KShs.</u>
<u>INCOME</u>			
GoK Recurrent Grants	3 (i)	35,190,029	10,564,776
Grants revenue	3 (ii)	40,462,738	17,404,629
Contractors Application	3 (iii)	35,310,135	62,704,842
Contractors Registration	3 (iv)	528,880,709	37,720,800
Conferences and Workshops	3 (v)	8,948,600	51,645,355
Registration of Workers	3 (vi)	1,091,000	-
Investment Income	4	27,043,514	20,959
Miscellaneous revenue	5	755,500	10,221,465
Total Income		<u>677,682,225</u>	<u>190,282,826</u>
<u>RECURRENT EXPENDITURE</u>			
Employee Costs	6	125,815,628	11,816,654
Board Expenses	7(i)	38,666,460	17,682,943
Communication	7(ii)	6,768,051	1,171,107
Travelling and Accommodation	8	42,085,939	11,920,883
Advertising and Public Relations	9	72,509,509	34,050,757
Insurance Costs	10	7,266,925	792,908
Other Operating Expenses	11	82,493,846	28,372,497*
Depreciation		19,583,287	4,998,637*
Taxes	12	2,559,140	3,149,400
Total Expenditure		<u>397,748,786</u>	<u>113,955,785</u>
Surplus/(Deficit) for the period		<u>279,933,439</u>	<u>76,327,041</u>

*Other operating expenses and depreciation have been restated as indicated in Note 17 and 20

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE, 2014

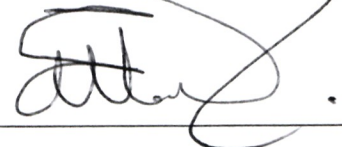
	Note	2013/14 <u>KShs.</u>	2012/13 (Restated) <u>KShs.</u>
<u>ASSETS</u>			
Current Assets			
Receivables	14	12,104,464	971,500
Investments	15	204,499,178	40,020,959
Cash & Cash Equivalents	16	110,510,108	29,626,015
		327,113,750	70,618,473
Non-Current Assets			
Property, Plant & Equipment	17	60,822,057	14,596,447*
Intangible Assets	17	708,250	175,000
		61,530,307	14,771,447
TOTAL ASSETS		388,644,057	85,389,921
LIABILITIES			
Current Liabilities			
Trade Payables & Accruals	18	32,383,578	9,062,880
Total Current Liabilities		32,383,578	9,062,880
NET ASSETS		356,260,479	76,327,041
<u>RESERVES</u>			
Reserve		-	
Accumulated Surplus		356,260,479	76,327,041*
TOTAL RESERVES		356,260,479	76,327,041

*Property, plant and equipment and the accumulated surplus have been restated as indicated in notes 17 and 20.

The financial statements set out on pages 1 to 5 were approved by the Board on the 22nd September 2014, and signed on its behalf by;

~~Arch. Daniel O. Manduku~~

Executive Director



Steven Oundo, OGW

Chairperson of the Board

**STATEMENT OF CHANGES IN NET ASSETS
FOR YEAR ENDED 30TH JUNE, 2014**

	Note	Accumulated Surplus (Restated) KShs	Revenue Reserves (Restated) KShs	Totals (Restated) KShs
As at 1st July, 2012		-	-	-
Surplus for the year Capital Grants		59,003,613	17,404,629	76,408,241
As at 30th June, 2013		59,003,613	17,404,629	76,408,241
As Restated Expenditure understatement	20	(81,201)		(81,201)
Transfer from Revenue Reserves	3	17,404,629	(17,404,629)	-
As Restated		76,327,040	-	76,327,040
As at 1st July, 2013		76,327,040	-	76,327,040
Surplus/(Deficit) for the year		279,933,439		279,933,439
As at 30th June, 2014		356,260,479	-	356,260,479

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE, 2014

	Note	2013/14 <u>KShs.</u>	2012/13 (Restated) <u>KShs.</u>
OPERATING ACTIVITIES			
Surplus/ (Deficit) generated from operating activities		279,933,439	76,327,041*
Adjustments:-			
Interest Income		(27,043,514)	20,959
Depreciation		19,583,287	4,998,637*
		272,473,212	81,346,636
Operating income before working capital changes			
Movements in Working Capital			
Decrease/ (Increase) in Debtors.		(1,807,066)	(971,500)
Increase/(Decrease) in Trade & Other Payables		23,782,198	9,062,880
Net Change in working Capital		21,975,132	8,091,380
Net Cash(used by)/from operating activities		294,448,344	89,438,016
INVESTING ACTIVITIES			
Purchase of other Non-Current Assets		(66,342,147)	(19,770,084)*
Proceeds from Investments		40,020,959	-
Investments		(204,499,178)	(40,020,959)
Interest Income Received	19	17,256,116	(20,959)
Net Cash used in Investing activities		(213,564,250)	(59,812,002)
FINANCING ACTIVITIES			
Capital Grants		-	-
Net Cash From Financing Activities		-	-
Net Increase in Cash and Cash Equivalents		80,884,094	29,626,015
<i>Cash and Cash Equivalents at the beginning of the year</i>		29,626,015	-
Cash and Cash Equivalents at the end of the year	16	110,510,108	29,626,015

*Restated as explained in Notes 17 and 20

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	ACTUAL	BUDGET	VARIANCE
GoK Grants-recurrent	35,190,029	48,260,752	(13,070,724)
Other Grants	40,462,738		40,462,738
Contractors Application	35,310,135	-	35,310,135
Contractors Registration	528,880,709	400,000,000	128,880,709
Conferences and Workshops	8,948,600	9,000,000	(51,400)
Registration of Workers	1,091,000	-	1,091,000
Tender	145,500	-	145,500
Sponsorship	540,000	-	540,000
Appeals	35,000	-	35,000
Construction Levy	-	150,000,000	(150,000,000)
Investment Income	27,043,514	20,000,000	7,043,514
Miscellaneous revenue	35,000	-	35,000
Total Income	677,682,225	627,260,752	50,421,473
RECURRENT EXPENDITURE	ACTUAL	BUDGET	VARIANCE
Salaries and wages	86,333,954	100,378,880	(14,040,926)
Training Expenses	30,262,914	30,536,300	(273,386)
Employer Payroll Contribution	9,218,760	9,536,260	(317,500)
Board Expenses	38,666,460	39,160,000	(493,540)
Contracted Services	2,345,522	3,500,000	(1,154,478)
Utilities Supplies & Services	502,420	600,000	(97,580)
Communication, Supply, Services	6,768,051	7,000,000	(231,949)
Domestic Travel& Subsistence	19,859,071	20,400,000	(540,929)
Foreign Travel & Substs Costs	22,226,868	22,500,000	(273,132)
Public Relations and Advertising	72,509,509	73,040,000	(530,491)
Rental Of Produced Assets	592,148	3,700,000	(3,107,852)
Staff Welfare & Hospitality	24,032,349	24,600,000	(567,651)
Insurance Costs	7,266,925	9,320,000	(2,053,075)
Contractor Training & Cap. Building	29,058,567	35,000,000	(5,941,433)
Office & Gen. Supply & Services	13,999,254	17,408,560	(3,409,306)
Motor Vehicle Expenses	4,144,562	9,150,000	(5,005,438)
Professional Fees	5,074,870	13,300,000	(8,225,130)
Other Operating Expenses	1,813,039	5,100,000	(3,286,961)
Repairs and Maintenance	770,385	6,000,000	(5,229,615)
Depreciation	19,583,287	10,000,000	(9,583,287)
Taxes	2,559,140	-	2,559,140
Miscellaneous	310,137	400,000	(89,863)
Exchange gain and losses	(149,406)	-	(149,406)
Total Expenditure	397,748,786	440,630,000	(42,881,214)
Surplus/(Deficit)	279,933,439	186,630,752.00	93,302,686

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014

1. Statement of compliance and basis of preparation – IPSAS 1

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the National Construction Authority. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

a) Revenue recognition

i. *Revenue from non-exchange transactions – IPSAS 23*

Levies, Application fees, and Registration Fees

The Authority recognizes revenues from levies, application and registration of contractors and skilled workers when the contractors submit their applications and register. 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. Other non-exchange revenues are recognized when it is probable that

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers/Grants from Government and other Entities

Revenues from non-exchange transactions with the government and other entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) 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.

*ii. Revenue from exchange transactions – IPSAS 9****Rendering of services***

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

Interest income

The Authority invests funds that are not in immediate use in Fixed Deposit Receipt accounts with Government approved financial institutions and other Government approved investments that do not expose the Authority to any financial risks. The interest income is accrued using the effective yield method.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget Information – IPSAS 24

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

c) 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.

d) Property, Plant and Equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

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.

e) Intangible Assets

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 accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and 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.

f) Depreciation Policy

Depreciation is calculated on straight line basis at annual rates estimated to write off the cost of the asset over expected useful lives.

The annual depreciation rates in use are:-

i. Computer Equipment & Accessories	33.3%
ii. Motor Vehicles	25%
iii. Communication and Office Equipment	12.5 %
iv. Furniture and Fittings	12.5%

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)**g) Provisions – IPSAS 19**

Provisions are recognized when the Authority 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.

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

Contingent liabilities

The Authority 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.

Contingent assets

The Authority does not recognize a contingent asset, 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 Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually 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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

h) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange 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 applying 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.

i) Comparatives

Where necessary comparative figures for the previous financial year 2012/2013 have been amended or reconfigured to conform to the required changes in presentation. The Authority's operations started off in earnest in January 2014 after the recruitment of the senior management and other support staff. In view of this, there is a huge variance between the results for the two financial years which to some extent may not be comparable due to the limited operations carried out in the financial year 2012/2013.

3. Revenue from Non- Exchange Transactions

The Authority's major sources of income are from non-exchange transactions comprising of levies and fees charged for registration of contractors, registration of projects and skilled workers and site supervisors.

i. GoK Recurrent Grants

The Authority receives budgetary support from the Government in the form of recurrent grants.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)
ii. Other Recurrent Grants

The Authority received grants in kind, (Motor Vehicles), from the World Bank in the financial year 2012/13 which were recognized as capital reserve. The

Authority has re-stated the statement of financial performance in line with the IPSAS 23 to recognize the total grant received as revenue for that financial year.

In the financial year 2013/14 the Authority received grants in kind amounting to KShs. 40,462,738. The grants were received in the form of office furniture, office equipment computers and other ICT equipment.

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Grants from World Bank	40,462,738	17,404,629
	<u>40,462,738</u>	<u>17,404,629</u>

iii. Contractors Application Fee

The Authority is mandated to register and regulate the conduct of all contractors both foreign and local. The contractors are required to make an application to the Authority in the prescribed form and pay KShs. 5,000.00 for local contractors and US \$ 500.00 for foreign contractors as application fees. The application is subjected to an evaluation and rated based on the provided criteria to inform the category and class of registration.

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Contractors Application	35,310,135	62,704,842
	<u>35,310,135</u>	<u>62,704,842</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)
iv. Contractors Registration Fees

The Authority registers contractors in different classes and categories depending on their qualifications and experiences. The categories of registration ranges from NCA 1 being the highest to NCA 8 being the lowest with the registration fees ranging from KShs 100,000.00 to KShs 5,000.00. The registration certificate issued is valid for a period of 3 years and renewable every year.

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Contractors Registration	528,880,709	37,720,800
	<u>528,880,709</u>	<u>37,720,800</u>

v. Conferences Workshops and Seminars

The Authority carries out training and capacity building trainings for the contractors. The contractor's pays for the training while the Authority subsidizes the training cost using the revenues generated from the registration and application fees.

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Conferences, Workshops and Seminar	8,948,600	51,645,355
	<u>8,948,600</u>	<u>51,645,355</u>

vi. Registration of Workers

The Authority is mandated to register all construction workers and site supervisors. The skilled workers and site supervisors are required to make the

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

application in the prescribed form and make a payment of KShs. 1,000.00 and KShs 2,000.00 respectively.

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Registration of Workers	1,091,000	
	<u>1,091,000</u>	<u> </u>

4. Investment Income

The Authority invested funds not in immediate use in FDR with the Commercial Bank of Africa. The interest rates applied on the principal invested varied depending on the market rate during the period of investment but the average rate over the year was 11.25%.

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Interest from FDR - CBA	27,043,514	20,959
Interest from FDR - KCB		-
	<u>27,043,514</u>	<u>20,959</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)
5. Miscellaneous Revenue

The miscellaneous revenue consists of the following items

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Tender	145,500	1,409,575
Sponsorship	540,000	8,811,890
Appeals	35,000	-
Miscellaneous revenue	35,000	-
	<u>755,500</u>	<u>10,221,465</u>

6. Employee Costs

The Authority carried out recruitment in the second half of the financial year to fill up the senior management positions and other positions within the establishment.

The employees costs comprises of the following

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Salaries & Wages	86,333,954	8,521,843
Employer Pensions	9,218,760	-
Training and Capacity Building	26,113,874	3,294,811
Provision for Gratuity	4,149,040	-
	<u>125,815,628</u>	<u>11,816,654</u>

7. (i) Board Expenses

The Board expenses for the year were as stated below

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Allowances and Honoraria	14,237,568	7,362,000
Travel & Accommodation	15,498,510	4,372,289
Training Expenses	2,463,036	1,570,250
Executive Remuneration	6,380,000	3,700,000
Medical expenses	87,346	678,404
	<u>38,666,460</u>	<u>17,682,943</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)
7 (ii) Communication

Communication expenses relates to telephone, courier and internet connections services

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Communication	6,768,051	1,171,751
	<u>6,768,051</u>	<u>1,171,751</u>

8. Travelling and Accommodation

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Domestic Travel & Subsistence	19,859,071	3,944,515
Foreign Travel & Subsistence	22,226,868	7,976,368
	<u>42,085,939</u>	<u>11,920,883</u>

9. Advertising, Publishing and Printing

Publishing & printing	48,686,195.13	4,599,896.00
Advertising, Awareness & Pub.	13,955,862.00	29,450,860.97
Trade Shows and Exhibitions	5,833,201.00	-
Corporate Social Responsibility	60,000.00	-
Donations and Sponsorship	3,974,251.00	-
	<u>72,509,509</u>	<u>34,050,757</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)
10. Insurance Costs

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Group Personal Insurance	113,057	
Motor vehicle insurance	865,265	753,596
Medical Insurance	6,288,603	39,312
	<u>7,266,925</u>	<u>792,908</u>

11. Other Operating Expenses

	2013/14	2012/13
	<u>KShs.</u>	(Restated) <u>KShs.</u>
Contracted Services	2,345,522	-
Utilities Supplies & Services	502,420	-
Rental Of Produced Assets	592,148	-
Staff Welfare & Hospitality	24,032,349	7,189,974
Contractors Training and Cap. Building	29,058,567	16,408,390
Office & Gen. Supply & Services	13,999,254	1,855,976
Motor Vehicle Expenses	4,144,562	1,372,160
Professional Fees	5,074,870	190,000
Subscriptions and Licenses	1,813,039	1,194,006*
Repairs and Maintenance	770,385	109,600
Miscellaneous	310,137	52,390
Exchange Gain/(Loss)	(149,406)	-
	<u>82,493,846</u>	<u>28,372,497*</u>

*Restated as explained in Notes 17 and 20.

12. Taxes

The taxes paid out by the Authority relates to the 15% withholding tax on interest income earned from the investments.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

13. Provisions

The provisions made during the year for operating expenses are as per the schedule below

	Gratuity	Audit Fees	Totals
	KShs	KShs	KShs
As at 1st July 2013	-	-	-
Provision for the year	3,132,240	400,000	3,532,240
Adjustments	1,016,800		1,016,800
<u>Payments/Transfers</u>			
Payments during the year			-
As at 30th June 2014	4,149,040.00	400,000.00	4,549,040.00

The Authority has four members of the senior management team i.e. the Executive Director and three General Managers on contract basis. The employees on contract are entitled to gratuity payment at the rate of 31% of the basic pay on successful completion of their terms.

The provision fees for audit is based on the fees paid out to the Kenya National Audit Office for the audit of the financial statements for the year 2012/2013.

Note: The adjustments represents under provision for the last financial year i.e. 2012/2013.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)
14.Receivables

(i) Receivables

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Deposits	630,000	510,000
Sundry Debtors		-
Salary Advance	827,923	-
Prepayments	859,143	461,500
	<u>2,317,066</u>	<u>971,500</u>
(ii) Accrued Income		
	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Interest from FDR	9,787,398	-
Other Incomes		-
	<u>9,787,398</u>	<u>-</u>
Grand Total	<u>12,104,464</u>	<u>971,500</u>

15.Investments

The Authority invested funds not in immediate use in Fixed Deposit Receipt Accounts in Commercial Bank of Africa. The investments as at 30th June 2014 were as follows

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
CBA - Fixed Deposit Receipt Account	204,499,178	-
KCB - Fixed Deposit Receipt Account	-	15,020,959
Equity - Fixed Deposit Receipt Account	-	25,000,000
	<u>204,499,178</u>	<u>40,020,959</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

16. Cash and Cash Equivalents

Cash and cash equivalents as at the close of the year were;

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Kenya Commercial Bank Ltd	16,159,864	8,816,148
Commercial Bank of Africa	44,802,887	19,712,799
Call Account - CBA	47,319,729	-
Equity Bank Ltd	2,166,157	1,034,008
Cash at hand	61,472	63,060
	<u>110,510,108</u>	<u>29,626,015</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

17. Property, Plant and Equipment

Year ended 30 June 2013	Software	Office Equipment	Computer Equipment & Access	Furniture & Fittings	Motor Vehicles	Total
<i>Rate</i>	12.50%	12.50%	33.30%	12.50%	25%	-
<i>Cost</i>	KShs	KShs	KShs	KShs	KShs	KShs
<i>As At 01.07.2012</i>	-	-	-	-	-	-
<i>Additions</i>	200,000	696,507	1,521,338		17,404,629	19,822,474
<i>Adjustment</i>	-	(647,387)	169,997	425,000		(52,390)
As At 30.06.2013	200,000	49,120	1,691,335	425,000	17,404,629	19,770,084
Depreciation						
<i>As At 01.07.2012</i>						
<i>Period Charge</i>	25,000	87,063	506,606		4,351,157	4,969,826
<i>Adjustment</i>		(80,923)	56,608	53,125		28,811
As At 30.06.2013	25,000	6,140	563,214	53,125	4,351,157	4,998,637
<i>Net Book Value as At 30.06.2013</i>	175,000	42,980*	1,128,121*	371,875*	13,053,472	14,771,447*

Year ended 30 June 2014	Software	Office Equipment	Computer Equipment & Access	Furniture & Fittings	Motor Vehicles	Total
<i>Cost</i>	KShs	KShs	KShs	KShs	KShs	KShs
<i>As At 01.07.2013</i>	200,000	49,120	1,691,997	425,000	17,404,629	19,770,084
<i>Additions</i>	638,000	19,078,407	30,029,619	16,230,421	365,700	66,342,147
As At 30.06.2014	838,000	19,127,527	31,720,954	16,655,421	17,770,329	86,112,231
Depreciation						
<i>As At 01.07.2013</i>	25,000	6,140	563,214	53,125	4,351,157	4,998,637
<i>Period Charge</i>	104,750	2,390,940.93	10,563,087	2,081,928	4,442,582	19,583,287
As At 30.06.2014	129,750	2,397,081	11,126,301	2,135,053	8,793,739	24,581,924
Net Book Value						
As At 30.06.2014	708,250	16,730,446	20,594,653	14,520,368	8,976,590	61,530,307
<i>As At 30.06.2013</i>	175,000	42,980*	1,128,121*	371,875*	13,053,472	14,771,447*

*Note:

- i. There we adjustments to reclassify some of the assets that had been placed on a different class hence the adjustments both in cost and depreciation values.
- ii. The adjustment of KShs 52,390.00 represents utensils that were reported as office equipment that have been derecognize

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

18. Trade Payables and Accruals

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Accounts Payables	20,209,378	9,060,280
Accruals	5,569,861	2,600
Sundry Creditors	6,604,339	-
	<u>32,383,578</u>	<u>9,062,880</u>

19. Investment Income Received

	2013/14	2012/13
	<u>KShs.</u>	<u>KShs.</u>
Accrued Income B/f (Note 14)	-	-
Investment income	27,043,514	20,959
Accrued Income C/f (Note 14)	(9,787,398)	-
	<u>17,256,116</u>	<u>20,959</u>

20. Accounts Restatement

The accounts have been adjusted due to reclassification of mobile phones and other IT equipment's from office equipment to computers and ICT Equipment and de-recognition of utensils posted as office equipment. This increases the depreciation charged on the mobile phones.

	2012/13
	<u>KShs.</u>
Retained Earnings	59,003,613
Grant Income Recognition	17,404,629
General Office understatement	(52,390)
Additional Depreciation	<u>(28,811)</u>
	<u>76,327,041</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2014 (Cont'd)

21. Budget Comparison

The Authority's original budget was approved in line with the PFM Act in January 2013. The Authority was not fully operational by the time of the budget approval which necessitated its revision in February 2014 and June 2014. The revision were meant to ensure that the Authority operates within the overall approved expenditure levels and meet its operational mandates. The revised budgets were subsequently approved for implementation by the Board.

22. Contingent Liabilities and Assets

The Authority did not have any contingent liabilities or assets for the period under review.

23. Related Party Transactions

The control of the Authority is exercised through the Board appointed by the Cabinet Secretary in line with the Act. The day-to-day operations of the Authority are managed by the Executive Director and the Senior Management. The total remuneration for the top management during the year was KShs. 37.3 Million which is included in the employee costs excluding the executive director's remuneration which is reported under Board expenses.

Position	No.	Amount KShs. "000"
Executive Director	1	6,380
General Managers	3	7,274
Managers	11	23,689
TOTAL	15	37,343