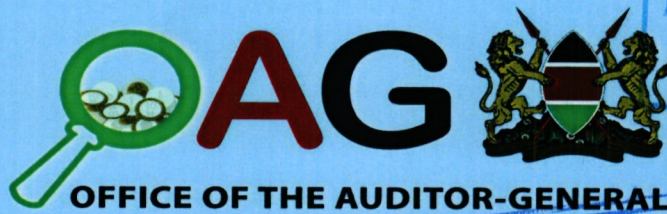


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*Enhancing Accountability*

THE NATIONAL ASSEMBLY PAPER LAID	
<b>REPORT</b>	
DATE: 24 FEB 2021	DAY: Thurs
TABLED BY:	OF LOM
CLERK-AT THE TABLE:	Mainah Wanjiku

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL CONSTRUCTION AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2020**





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**NATIONAL CONSTRUCTION  
AUTHORITY**

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**NATIONAL CONSTRUCTION AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**JUNE 30, 2020**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the  
International Public Sector Accounting Standards (IPSAS)**

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## **THE AUTHORITY INFORMATION AND MANAGEMENT**

### **a) Background information**

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.

### **b) Principal Activities**

The Authority is Mandated 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;
- 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**

“A well-coordinated and developed construction industry”

**Mission**

“To regulate, streamline and build capacity in the construction industry for sustainable socio-economic development”

**Core values**

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

- Professionalism
- Ethics and Integrity
- Efficiency
- Innovation
- Environmental stewardship
- Team spirit

**c) Authority Management Information**

The entity’s day-to-day management is under the following key organs:

- Board of Directors
- Executive Director
- Management

#### **d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Executive Director	Eng. Maurice Akech
2.	General Manager Corporate Services	CPA. James Kilonzi
3.	General Manager Registration and Compliance	Qs. Susan Rutto
4.	General Manager Construction Research, Business Development and Capacity Building	Qs. David Mathu
5.	Manager Finance and Accounts	CPA. Christine Kirimi
6.	Manager Supply Chain	Dr. Vincensia Apopa, Phd
7.	Manager Human Resource	Mr. Paul Kariuki,
8.	Manager Administration	Mr. Daniel Kemei,
9.	Manager Legal/Corporation Secretary	Mr. Samson Lukoba
10.	Manager Planning and Quality Assurance	Mr. Paul Gesora
11.	Manager Internal Audit	CPA. Anthony Ochieng
12.	Manager Registration	Eng. Raymond Karani
13.	Manager Corporate Communications	Ms. Wangui Kabala
14.	Manager Training and Capacity Building	Arch. Juliet Kabere
15.	Manager Compliance	Arch. Stephen Mwilu
16.	Manager ICT	Ms. Annette Okello
17.	Ag. Manager Construction Research and Business Development	Eng. Stephen Nyakondo

**e) Authority Headquarters**

9<sup>th</sup> Floor, KCB Plaza, Kenya Road

P.O Box 21046-00100

**NAIROBI.**

**f) Authority Contacts**

Tel : +254 20 2712096/98/99.

Email : [info@nca.go.ke](mailto:info@nca.go.ke)

Website : [www.nca.go.ke](http://www.nca.go.ke)

**g) Authority Bankers**

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

**NAIROBI.**

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

**NAIROBI.**

3. Co-operative bank of Ltd  
Upper Hill Branch,  
KUSSCO Centre  
P.O Box 30415-00100

**NAIROBI.**

4. Consolidated Bank of Kenya Ltd  
Koinange Street Branch,  
Consolidated Bank House,  
P.O Box 51133 - 00200

**NAIROBI.**

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

The Attorney General  
State Law Office  
P.O. Box 40112 – 00200  
**NAIROBI.**

## THE BOARD OF DIRECTORS



**Qs. David Gaitho,**  
**Chairperson of the Board,**  
**Representing the Institute of Quantity Surveyors**  
**of Kenya (IQSK)**  
**D.O.B: 27.07.1969**  
**Appointed on 20.01.2020**

Qs. David Gaitho has over 28 years' experience in the construction industry, having worked in both the public and private sectors. He is a registered Quantity Surveyor with the Board of Registration of Architects and Quantity Surveyors (BORAQS), a Fellow of the Institute of Quantity Surveyors (IQSK), a Fellow of the Royal Institution of Chartered Surveyors (RICS) and a Fellow of the Institution of Construction Project Managers (ICPMK).

Qs. Gaitho has served professional associations with distinction as Chairman of IQSK and currently as the President of the Africa Association of Quantity Surveyors (AAQS). Qs. Gaitho holds a Msc. in Project Management from the University of Liverpool and a Bachelor's Degree in Building Economics from the University of Nairobi.



**Eng. Zipporah Rotich,**  
**Vice Chairperson of the Board,**  
**Representing the Kenya Association of Building**  
**and Civil Engineering Contractors (KABCEC)**  
**D.O.B: 26.01.1964**  
**Appointed on 20.03.2020**

Eng. Zipporah Rotich is a registered Structural and Civil Engineer with the Engineers Board of Kenya.

She has over 25 years of practicing experience in the construction industry, having been involved in major infrastructural projects within the East African Region. Eng. Rotich has served on the Boards of various organizations and holds a Master's Degree in Leadership Studies.

**Waweru Gathecha, Board Member****Representing the Architectural Association of Kenya****D.O.B: 02.09.1972****Appointed on 01.07.2018**

Mr. Gathecha is an architect by training and practice, nominated to the Authority's Board of Directors by the Architectural Association of Kenya. He is the managing partner at Waweru & Associates Architects, an architectural firm based in Nairobi. He has undertaken projects in the United Kingdom, Kenya, Rwanda and South Sudan. He graduated with a degree in architecture from the University of Nottingham, United Kingdom, in 1998. He is a Fellow of the Architectural Association of Kenya (AAK) and a Corporate Member of the Royal Institute of British Architects (RIBA). He also serves as a board member at the Board of Registration of Architects and Quantity Surveyors of Kenya (BORAQS). Mr. Gathecha is a past president of the Architectural Association of Kenya, and a past council member of the East Africa Institute of Architects, Africa Union of Architects, and the International Union of Architects. He has also served the Commonwealth Association of Architects as a validation panel member, and in this capacity was involved in the validation of architectural education course outcomes at schools of architecture across several African countries. He has also served a sector board chairperson at the Kenya Private Sector Alliance (KEPSA).

**Prof. Godrick Bulitia****Board Member, representing Special Interest Groups****D.O.B: 23.09.1977****Appointed on 05.05.2020**

Prof. Bulitia is the Deputy Vice – Chancellor, Academics and Students Affairs at Maasai Mara University. Before his current post, he served as the Chief Executive Officer of Kaimosi Friends University, now a constituent college of Masinde Muliro University of Science and Technology. He has a PhD in Business Administration from Maseno University, as well as an MBA and a Bachelors (Education), both from the University of Nairobi. A career educator, Prof. Bulitia pioneered the e-learning modules for Maseno University and has helped develop curriculums for various universities both locally and abroad. He has been published in over nineteen (19) internationally peer reviewed scientific papers and journals, in addition to publishing a university level book in Human Resource Management. Prof. Bulitia also serves on the Board of The Centre for Corporate Governance Alumni Network. Prof. Bulitia is currently serving in the Board for the second term having been appointed first on 12.05.2017.

**Ms. Susan Karanja****Board Member, representing the Cabinet Secretary, National Treasury and Planning****D.O.B 23.04.1960****Appointed on 09.08.2012****Retired on 23.04.2020**

Ms. Karanja is a multi-talented investment and financial specialist and an experienced skilled negotiator with over thirty years' experience gained primarily in the public service. She is a member of the Institute of Directors (Kenya) and the Institute of Certified Investment and Financial Analysis (ICIFA)



**Arch. Makenzi Kiilu,**  
**Board Member, representing the Principal Secretary,**  
**State Department of Housing and Urban Development.**  
**D.O.B: 10.04.1960**  
**Appointed on 22.02.2016**  
**Retired on 02.06.2020**

Arch. Kiilu is a registered architect with the Board of Registration of Architects and Quantity Surveyors (BORAQS).



**Arch. Jackson Kafuna**  
**Board Member, representing the Principal Secretary**  
**State Department of Public Works**  
**D.O.B 20.06.1959**  
**Appointed on 03.08.2016**

Arch. Jackson Kivisi Kafuna is a registered architect with the Board of Registration of Architects and Quantity Surveyors (BORAQS) and a corporate member of the Architectural Association of Kenya. He is an expert in project management, having led construction consultancy teams to successfully implement projects in various development areas such as the Parliamentary Service Commission and the Public Service Commission.

Arch. Kafuna is currently in charge of managing the construction projects of all foreign embassies in Kenya. He is also a Lead Expert at the National Environmental Management Authority (NEMA).

Arch. Kifuna holds an MA in Project Planning and Management and a Bachelor of Architecture (Hons), both from the University of Nairobi.

**Eng. Stephen Kogi****Board Member, representing the Principal Secretary,  
State Department of Infrastructure.****D.O.B: 14.01.1964****Appointed on 09.08.2012**

Eng. Kogi is a Civil Engineer registered with the Engineers Board of Kenya. He has been involved in key infrastructural projects in the industry over the last twenty years.

**Elizabeth Mvoi Mwasaru, representing the Law  
Society of Kenya****D.O.B: 26.07.1985****Appointed on 01.07.2018**

Mvoi is an Advocate of the High Court of Kenya and specializes in Conveyance Law, Corporate & Commercial Law, Maritime Law and Construction Law. She is currently serving as the Chairperson of the Human Resource Committee of the Authority's Board of Directors. In 2012, she was appointed as the Quality Management Representative (QMR) for ISO Certification at the Focus Container Freight Station in Mombasa. Mvoi is also the Managing Partner at E. M. Mvoi & Co. Advocates based in Mombasa and lectures part time on the Principles of Commercial and Business Law at Jomo Kenyatta University of Agriculture and Technology (JKUAT). Mvoi is passionate about mentorship of the girl child and serve as a mentor in WOMESA, a UNDP project for Eastern and Southern Africa. Mvoi holds an Msc. (Project Management) from JKUAT and an LLB Degree from Kampala International University. She has three years pre-bar and three years post bar experience in Conveyance, Maritime Law, Corporate and Commercial Law. Mvoi previously worked as an in-house Legal Advisor at Focus Container Freight Station and Interpel Investments Ltd before joining Oloo and Chatur Advocates in April 2014.



**Eng. Jane Mutulili, representing the Institution of Engineers of Kenya**

**D.O.B: 11.11.1966**

**Appointed on 01.07.2018**

Eng. Jane Wanjiru Mutulili is the Project Manager of La Femme Engineering Services Ltd. A civil engineer by profession, she is registered with the Engineers Board of Kenya and is the First Vice President of the Institution of Engineers of Kenya (IEK). Eng. Mutulili also serves as the Chair of IEK's Membership Committee and is a Council Member of the Association of Consulting Engineers of Kenya (A.C.E.K.) Eng. Mutulili is currently the Chair of the Human Resource Committee of the Authority's Board.

She has previously worked as the Managing Director and Head of Construction at the Danish Refugee Council and the Lutheran World Federation, and as a project manager in Kenyatta University. Eng. Mutulili served as the Chair of the Construction Industry Policy Taskforce and as a presiding officer with the Electoral Commission of Kenya in 2002.

Eng. Mutulili has an MSc. From Sunderland University (2001) and a BSc. Civil Eng. (Hons) from the University of Nairobi.



**Mr. Kirpal Suri, representing the Roads and Civil Engineering Contractors Association (RACECA)**

**D.O.B 21.09.1961**

**Appointed on 01.07.2018**

Mr. Kirpal Singh Suri is a graduate from the University of Nairobi, where he studied Economics. He is a Director at Victory Construction Company Limited and has been involved in construction works from 1985 to date, specifically covering roads, water and sewer projects. He has served as the Assistant Secretary at RACECA since 2010.



**Eng. Maurice Owiti, representing the Kenya Federation of Master Builders (KFMB)**

**D.O.B: 18.09.1972**

**Appointed on 01.07.2018**

Eng. Maurice Owiti is the Vice Chairman of KFMB, a body representing the interests of local contractors on the Authority's Board of Directors. He is the founder and Group Chief Executive Officer of Spentech Engineering Limited, a construction company based in Kenya with local and international operations.

Eng. Owiti holds a Bachelor's Degree in Mechanical Engineering from the University of Nairobi (1997), an Executive MBA in Strategic Management from Moi University (2008) and is a globally certified Project Management Professional (PMP) from the Project Management Institute (USA).

He has run projects across the globe, moreso in Africa, particularly in the infrastructure and telecommunication sectors. Eng. Owiti was the contractor on the project that led the migration from Analogue to Digital Broadcasting in Kenya, Uganda and Nigeria in the period 2011-2013 through Multichoice Africa (PTY) Ltd. He is registered with and is a member of many professional bodies, including the Engineers Board of Kenya, the Institution of Engineers of Kenya (IEK), Project Management South Africa (PMSA), Project Management Institute (USA), as well as PMI Chapters in Kenya and South Africa.

Eng. Owiti is currently leading infrastructure projects both in Asia and in Africa.



**Kenneth Luusa, representing Special Interest Groups**

**D.O.B 21.12.1966**

**Appointed on 01.07.2018**

Ken graduated from the University of Aberdeen, (Scotland) with a Bachelor's Degree in Land Economics in 1990. He then joined a leading international firm of Chartered Surveyors working in the property management department of the firm's Aberdeen Office, where he was responsible for the firm's client portfolio in the North East of Scotland. Prior to joining Acorn Group, he was the Regional Chief Executive Officer of Property Development and Management Ltd (PDM), Aga Khan Development Network Company where he was responsible for managing and developing the organization's commercial property portfolio in East Africa. Apart from extensive management experience gained in practicing in the six East African Countries {Tanzania, Kenya, Uganda, Rwanda, Burundi and South Sudan} and Europe for the past 25 years, Ken is a seasoned professional and a member of the Royal Institution of Chartered Surveyors, The Institution of Surveyors in Uganda, is a practicing and registered Valuation Surveyor in Uganda and is a registered Real Estate Agent in Kenya, he is also the vice chairperson of the Kenya Property Developers Association (KPDA). Ken has been with Acorn since 2006.



**F.A. Paul Kiagu, representing the Cabinet Secretary  
National Treasury and Planning**

**D.O.B 04.07.1969**

**Appointed on 23.04.2020**

A graduate from Kenyatta University with B.A Economics and Masters in Applied Economics (Finance). He is also a Certified Investment and Financial Analyst with the Institute of Certified Investment and Financial Analysts (ICIFA). He is a member of Economists Society of Kenya (ESK) and the Institute of Certified Investment and Financial Analysts (ICIFA). He works at the National Treasury as an Economist /Financial Analyst dealing with approvals of State Corporations requests, Analysis of Budgets, Financial Reports and GOK on-lend loans to State Corporations. He is also involved in the Implementation of Public Finance Management Reforms (PFMR). He represents the National Treasury in the Public Investment Committee (PIC) in Parliament on policy matters relating to Government Investments and Public Enterprises. He has a wide range of experience in various Boards of State Corporations having represented the Cabinet Secretary from 2012.



**Qs. Patrick M. Bucha, MBS representing State Department of Housing And Urban Development.**

**D.O.B 30.10.1964**

**Appointed on 02.06.2020**

Holds a Master's degree in Building Management and a Bachelor's degree in Building Economics both from University of Nairobi and currently pursuing a PhD in Leadership and Governance. Served as part time lecturer in Architectural Department, University of Nairobi. He is a registered Quantity Survey and has worked with the Government for over 30 years in various positions including, Deputy Director Housing, Programme Coordinator, Kenya Slum Upgrading Programme (KENSUP), Project Manager, Civil Servants Housing Programme and Director of Estates Management in charge of all government houses. He served as Managing Director, National Housing Corporation and chaired a team on housing bond issue and capital restructuring of the Corporation.

Currently, he serves as the Secretary Housing in the State Department of Housing and Urban Development in charge of implementing the Housing Agenda under the Big 4, formulation of housing policies and laws as well as coordinating implementation of National Police and Kenya Prisons Services housing, Slum Upgrading and Civil Servants Housing. His Excellency the President honored him with Moran of the Order of the Burning Spear (MBS) on 12th December, 2011 for his contribution in the housing sector.

**Eng. Maurice Akech****Executive Director/Secretary to the Board.**

Eng. Akech was appointed on 27<sup>th</sup> September 2019 as the second Executive Director and Registrar of Contractors. He previously served the Authority in the capacity of the General Manager for Research, Training and Capacity Building where his main role was to spearhead and provide leadership in the construction Industry on research and training activities as well as consultancy and advisory services that promote its development, coordination and growth. He is a professional engineer registered as a civil engineer by Engineer's Board of Kenya and a corporate member of the Institution of Engineers of Kenya. He holds a master's degree in Construction Engineering and Management (CEM) and Bachelors of Science degree in Civil Engineering (CE) both from Jomo Kenyatta University of Agriculture and Technology, Kenya. Eng. Maurice has experience spanning over 20 years in design, construction supervision and management as well as leadership in the construction industry. He has worked on mega civil engineering, infrastructure and telecommunications projects in various capacities with international and local companies in Kenya. Some of the companies he has worked for prior to joining NCA include Safaricom Ltd, Gibb Africa and Howard Humphreys Consulting Engineers.



**Samson Lukoba**  
**Corporation Secretary**

Mr. Lukoba is an Advocate of the High Court of Kenya and a Certified Secretary. He has over fifteen years' experience in both strategic and operational positions in a multinational organization and the public sector. He has a strong legal background with emphasis on Human Resource and Industrial Relations Management with a focus on Compliance and Risk management. Prior to joining NCA, Mr. Lukoba was the Legal and Ethical Trading Manager at Oserian Development Company Ltd. He has also worked with various legal firms, where he worked extensively in litigation. Mr. Lukoba holds a Bachelor of Laws (LLB) from the University of Mumbai (India), a Bachelor of Arts from Panjab University (India) and a Diploma in Law from the Kenya School of Law. He is a member of the Law Society of Kenya and Institute of Certified Public Secretaries of Kenya and currently pursuing Master of Laws in oil and gas in Strathmore University.

**MANAGEMENT TEAM****Eng. Maurice Akech****Executive Director/Secretary to the Board.**

Eng. Akech was appointed on 27<sup>th</sup> September 2019 as the second Executive Director and Registrar of Contractors. He previously served the Authority in the capacity of the General Manager for Research, Training and Capacity Building where his main role was to spearhead and provide leadership in the construction Industry on research and training activities as well as consultancy and advisory services that promote its development, coordination and growth. He is a professional engineer registered as a civil engineer by Engineer's Board of Kenya and a corporate member of the Institution of Engineers of Kenya. He holds a master's degree in Construction Engineering and Management (CEM) and Bachelors of Science degree in Civil Engineering (CE) both from Jomo Kenyatta University of Agriculture and Technology, Kenya. Eng. Maurice has experience spanning over 20 years in design, construction supervision and management as well as leadership in the construction industry. He has worked on mega civil engineering, infrastructure and telecommunications projects in various capacities with international and local companies in Kenya. Some of the companies he has worked for prior to joining NCA include Safaricom Ltd, Gibb Africa and Howard Humphreys Consulting Engineers.

**CPA James Kilonzi****General Manager Corporate Services**

Mr. Kilonzi has an extensive accounting background in the public sector, having worked as the Chief Accountant at the Horticultural Crops Development Authority and The Kenyatta International Convention Centre, where he was in charge of formulating, implementing and reviewing accounting systems and financial policies and procedures. Mr. Kilonzi also has working experience as an auditor and has been in the accounting industry for more than fifteen years. He has already overseen several accounting milestones at NCA, such as the development of the financial and accounting policies, management of donor funding, Improved financial performance & reporting and automation of the Authority's accounting function.

Kilonzi has Master of Business Administration (Strategic Management) from Kenya Methodist University and a Bachelor of Commerce (Accounting Option) from Devi Ahilya University, Indore (India). He is currently pursuing a Master in Public Policy Analysis from Jomo Kenyatta University of Agriculture and Technology.

**Qs. Susan Rutto****General Manager, Registration and Compliance**

Qs. Susan Rutto is currently the General Manager, Registration and Compliance, National Construction Authority. Prior to her current role she was the Manager, Registration & Compliance. She was one of the key founding staff members who set up NCA and helped develop the evaluation criteria for the registration of contractors and initiated the registration process for the same. She has over 18 years of construction industry professional experience in both Private and Public sector. Previously before joining the Authority, she worked with the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works - State Department of Public Works where she rose to a position of superintending Quantity Surveyor. She holds a Master's degree in Business Administration (MBA) from Management University of Africa and Bachelor of Arts (Building Economics & Management) from University of Nairobi. She is a Registered Quantity Surveyor with Board of Registration of Architects & Quantity Surveyors of Kenya (BORAQS), a licensed Lead Expert in Environmental Impact Assessment (EIA) and a corporate member of Institute of Quantity Surveyor of Kenya (IQSK).



**Qs. David Mathu,  
General Manager, Construction Research,  
Business Development and Capacity Building**

David is an accomplished construction and management professional in both the public and private sectors. He started his career at Davson & Ward Quantity Surveyors & Project Managers before joining the State Department of Public Works in Quantities and Contracts Department. His professional diligence and focus saw him awarded the best quantity surveying candidate in the Board of Registration of Architects and Quantity Surveyors (BORAQS) professional examination of 2010. He is a past council member of the Institute of Quantity Surveyors of Kenya (IQSK). Over the years, David has obtained wide local and global knowledge in public policy, strategy, innovation, business development, fundraising and partnerships, research and capacity building; and environmental sustainability. Since his first appointment in January 2014 as a senior research officer, David has contributed immensely to the overall growth of the National Construction Authority. He is also a doctoral researcher in Management Science and Engineering at Harbin Institute of Technology (HIT), China, under the bilateral scholarship programme between the Kenyan government and the Chinese Scholarship Council (CSC).

**Eng. Raymond Karani****Manager, Registration**

Eng. Karani has over twenty years of experience as a civil engineer, extensively as a Water Engineer. He has a Bachelor of Science in Civil Engineering and a Master in Business Administration (MBA) all from the University of Nairobi. Eng Karani is also a professional engineer and a corporate member of the Institution of Engineers of Kenya. Prior to joining NCA, Eng. Karani worked for the National Water Conservation and Pipeline Corporation (NWCPC) as a Chief Engineer, where oversaw the design of and construction supervision of various small and medium size dams and pans in the ASAL regions including Rare, Thua and Rumuruti Dams. Eng. Karani, still under the NWCPC, also served as a Regional Manager in the Coast and Southern regions. He was also involved in the construction of the Phase I of the Kirandich River Dam Project in Baringo, with KIRDAM Consortium and the design of Phase II of the same project under NWCPC. He brings to the Authority an all-embracing knowledge of the construction industry, keenly aware of the workings and challenges of contractors and other professionals in the sector.

**Arch. Stephen Mwilu****Manager, Compliance**

Prior to joining the Authority, Arch. Mwilu was with the Directorate of Public Works, where he rose to the position of Senior Superintending Architect. He also worked as a Technical Personal Assistant to the Works Secretary. Arch. Mwilu joined NCA as a Senior Investigations Officer and deployed as a Regional Officer in charge of the Lower Eastern Region. His dedication and hard work saw him competitively promoted to Manager, Compliance, where he coordinates the activities of NCA's regional and liaison offices. Arch. Mwilu brings to the Authority a wealth of knowledge due to his technical background, as well as over a decade's experience both in the public sector and as a private consultant. Arch. Mwilu graduated with a Masters in Construction Management from the University of Nairobi as well as a Bachelor of Architecture from the same institution. Arch. Mwilu is a registered Architect with BORAQS and a corporate member of the Architectural Association of Kenya.

**Daniel Kemei****Manager, Administration**

Mr. Kemei is a Doctoral Candidate (Human Resource Management) at Jomo Kenyatta University of Science and Technology (JKUAT). He holds a MSc. Human Resource Management also from JKUAT and a Post Graduate Diploma in Corporate Governance from KCA University. Mr. Kemei's passion for people led to his choice of career. Before joining NCA, he was the Senior Human Resource and Administration Manager at Kenya Power, where he had risen up the ranks and was responsible for recruitment, management of administrative services, policy formulation and records management. He has worked in various parts of the country and brings to the Authority over seventeen years' experience in the in Human Resource Management and Administration field.

**CPA Christine Kirimi****Manager, Finance and Accounts**

Mrs. Kirimi is a career accountant, with extensive experience in finance, management accounting, taxation and stock control, with considerable knowledge in management information systems, financial management systems and computerized accounting and budgeting. Before assuming the role of Manager Finance at NCA, Mrs. Kirimi was the Acting Principal Accountant in the then Ministry of Land, Housing and Urban Development's Directorate of Public Works, where she supervised the day to day activities of the section, prepared monthly financial reports, prepared the annual budget and oversaw its implementation. She has substantial experience in public finance, having worked in Various Government Ministries such as the then ministry in the office of the president, Ministry of labour and Human Resource Development, Ministry of Metropolitan and Urban Development among others in different capacities.

She has a Master's of Business Administration (Finance) from the University of Nairobi and a Bachelor of Commerce (Finance) from the Catholic University of Eastern Africa. She is a member of Institute of Certified Public Accountants of Kenya, Association of Women Accountants of Kenya and Hon. Treasurer Ministry of Works Sports Club (MOW)

**CHRP Paul Kariuki****Manager, Human Resource**

Mr. Kariuki, who started his career as a teacher, has been a Human Resource professional for the last thirteen years, and was previously the Principal Human Resource Management Officer in the Public Works Directorate of the Ministry of Land, Housing and Urban Development. He has an extensive background in Human Resource generalist affairs, including experience in employee recruitment and retention, staff development, mediation, conflict resolution, benefits and compensation, records management, policy development and legal compliance. His teaching background provides an added advantage to staff at the Authority when it comes to welfare and development. Mr. Kariuki has a Master of Business Administration (Human Resource Management) from Kenyatta University, MA in Public Policy & Administration, a Higher National Diploma in Human Resource Management from Inoorero University and a Bachelor of Education (Arts) from Moi University. He is also a Certified Human Resource Professional CHRP (K) having successfully covered the CHRP programme with HRMPEB and is a full member of the Institute of Human Resource Management. He is currently undertaking his PhD studies at Moi University.

**Paul Gesora****Manager, Quality Assurance and Planning**

Mr. Paul N. Gesora, a career public servant, oversees the Department of Planning and Quality Assurance in the Authority. Among the responsibilities he carries out include coordinating implementation of NCA Strategic Plan, performance contracting, work planning, quality assurance pertaining to ISO standardization and risk management for the Authority.

He has previously worked as the Deputy Chief Economist in the Ministry of Transport Infrastructure Housing & Urban Development and Public Works. Other ministries worked during the past include Roads and Public Works, Lands and Settlement, Agriculture and Rural Development, and Planning and National Development. Mr. Gesora was one of the key staff members who participated in developing a working organizational framework and strategic plan for the Authority at inception. A seasoned economist, Mr. Gesora brings over twenty years' experience to NCA. Among the accomplished works undertaken, include:

- participation in the Implementation of Economic Recovery Strategy for Wealth and Employment Creation;
- development of initial strategic plans for Kenya National Highways Authority (KENHA), Kenya Rural Roads Authority (KERA), Kenya Urban Roads Authority (KURA);
- Participation in the formulation of various policies, such as the Irrigation and Drainage Policy for Kenya, Kenya's Horticultural Policy and the Oil-crops Policy for Kenya, etc.

Mr. Gesora holds degrees in Bachelor of Arts (BA-Honors) and Master of Economics (MA) both in Economics from the MS University of Baroda (India).



**Dr. Vincensia Apopa, PhD**  
**Manager, Supply Chain**

Dr. Vincensia Apopa is a Chartered Procurement and Supply Chain Professional licensed with the Kenya Institute of Supplies Management (KISM) with almost three decades of quality work experience acquired through several challenging roles with large and medium sized organizations in the public sector. Dr.

Apopa have made immense contribution to the procurement profession in Kenya, having worked in various sectors of the economy including Agriculture, Social Services and Infrastructure, and now the construction regulation.

Dr. Apopa was elected as a Council Member of Kenya Institute of Supply Chain Management (KISM) on 10<sup>th</sup> January, 2020 and is the chairperson of the Disciplinary Committee a position that boosts her passion of uplifting the standards of the procurement profession in the country towards improving performance and procurement competencies. She is the chairperson of the committee that is working on the Disciplinary Policy, and Code of Ethics and Standards of Professional Conduct for Supply Chain Professionals in Kenya in addition, she is chairing the task force for the preparation of the National Public Procurement and Asset Disposal Policy and also took part in the review of the published Procurement and Asset Disposal Regulation 2020.

Dr. Apopa holds a PhD in Supply Chain Management, Masters in Procurement and Logistics and Bachelor of Science in Supplies and Purchasing Management. She also holds a Professional Diploma in Supply Chain (CIPS-UK).

**Samson Lukoba****Corporation Secretary and Head of Legal**

Mr. Lukoba is an Advocate of the High Court of Kenya and a Certified Secretary. He has over fifteen years' experience in both strategic and operational positions in a multinational organization and the public sector. He has a strong legal background with emphasis on Human Resource and Industrial Relations Management with a focus on Compliance and Risk management. Prior to joining NCA, Mr. Lukoba was the Legal and Ethical Trading Manager at Oserian Development Company Ltd. He has also worked with various legal firms, where he worked extensively in litigation. Mr. Lukoba holds a Bachelor of Laws (LLB) from the University of Mumbai (India), a Bachelor of Arts from Panjab University (India) and a Diploma in Law from the Kenya School of Law. He is a member of the Law Society of Kenya and Institute of Certified Public Secretaries of Kenya and currently pursuing Master of Laws in oil and gas in Strathmore University.

**Annette Nasiaki Okello****Manager, ICT**

Annette is an experienced ICT professional and has worked as an ICT Consultant for both national and international organizations. She has held various roles in her career included being the ICT Manager at the Catholic University of Eastern Africa, ICT Manager at the Kenya Railways Staff Retirement Benefits Scheme and IT Officer at Habitat for Humanity Kenya along other roles. She has held other leadership positions including a Board Member at the Media Council of Kenya, Communication and Multimedia Appeals Tribunal among others. She holds a Master of Science in Information Technology Management from the University of Sunderland. She also holds a Post Graduate Certificate in Global Social and Sustainable Enterprise (GSSE) from Colorado State University and a Bachelor of Science (Hons.) in Computing from the University of Greenwich. She has undergone various leadership and governance courses.

**Mrs. Wangui Kabala****Manager, Corporate Communications**

Mrs. Kabala is a trained public relations professional and media personality with almost ten years' experience in both radio and television. She is also a writer, published in both local and international publications. Mrs. Kabala's media background has equipped her with excellent writing and oratory skills, as well as creativity and attention to detail- abilities that are invaluable in the profession. Since joining the Authority, she has managed the corporate brand and raised NCA's profile to a solid and reliable government agency as well as developed mutually beneficial relationships with relevant stakeholders.

Mrs. Kabala holds a Master of Business Administration (MBA) programme from Strathmore Business School, Bachelor of Arts, Communication (Public Relations) from Daystar University and a Diploma in Business Administration, Association of Business Executives (United Kingdom)

**Arch. Juliet Kabere****Manager, Training and Capacity Building**

Arch. Kabere is an experienced trainer and technical expert in the technical training and capacity building field, having worked extensively in the industry. She is a highly motivated and charismatic personality who is passionate about mentorship and continuous learning. Having worked with the Authority as an external trainer since the programme's inception, Arch. Kabere is highly capable and well suited to lead the Training and Capacity Building Department. Kabere has a Master's degree in Urban Management from the University of Nairobi as well as a Bachelor of Architecture, University of Nairobi.



**CPA Anthony Ochieng**  
**Manager, Internal Audit**

Mr. Ochieng, whose love for mathematics inspired his accounting background, has worked both as an external and internal auditor extensively in the public sector. He started his career with the Auditor General Corporation now office of the Auditor General (OAG). He previously worked as a Senior Internal Auditor at the Kenya Urban Roads Authority, where he developed, documented and updated audit procedures, developed a risk matrix for the Corporation, carried out financial audits and prepared audit reports. He also worked in the same capacity at the Kenyatta National Hospital. Mr. Ochieng has vast knowledge in risk management and information systems Audit and was instrumental in setting up the quality management system in his previous engagements, he brings that same experience to his position at the Authority.

Ochieng has a Master's of Business Administration (Finance) from the University of Nairobi and a Bachelor of Commerce (Finance) from the Catholic University of Eastern Africa. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Information Systems Audit & Control Association (ISACA) and Institute of Internal Auditors (IIA) Kenya.

**Eng. Stephen Nyakondo****Ag. Manager, Construction Research and Business Development**

Eng. Nyakondo is a Mechanical Engineer specializing in Building Services with sixteen years' experience in both the public and private sectors. He has a Bachelor of Science in Mechanical Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT), and is currently pursuing a Master of Environmental and Bio-systems engineering at the University of Nairobi. Prior to joining NCA, Eng. Nyakondo worked for the State Department of Public Works, where he handled major projects across the country. Stephen is well versed on global issues within construction, such as green construction, business development, Public Private Partnerships (PPPs), project finance, construction materials, distributions and business to business linkages. He brings to the Authority an all-embracing knowledge of the industry and keen awareness of the workings and challenges of contractors and other professionals in the sector.

## **CHAIRMAN'S STATEMENT**

Despite the challenges presented to the industry by the Covid-19 pandemic, the 2019/2020 financial year saw major wins for the Authority, especially on the legislative front.

In fulfillment of the Cabinet directive to enhance business reforms in the construction industry, the Government identified areas to be restructured in various Acts of Parliament, which culminated into the Business Laws (Amendment) Act 2020, which was assented to and commenced on 18<sup>th</sup> March 2020. In addition to anchoring the Building Code under NCA, it created an offence for failure to comply with a suspension notice, punishable by a jail term not exceeding three years, a fine of one million shillings, or both. This is expected to enhance compliance across the industry.

In tandem with the Cabinet decision on review of the Code, the Principal Secretary of the State Department of Public Works appointed a Committee to review and finalize the Draft Building Regulations (Building Code). The Draft Building Code Regulations 2020 were forwarded to the Office of the Attorney General for purposes of review and publication. The next stage of engagement is subjecting the Regulations to public participation towards submission to the Office of the Attorney General for final drafting and tabling before the National Assembly.

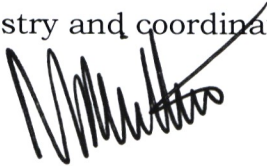
The Defects Liability Regulations 2020 came into effect on 8<sup>th</sup> April 2020 vide Special Issue 743 of the Kenya Gazette Supplement No. 51, Legal Notice 64 dated 20<sup>th</sup> April 2020. The Regulations introduce both a latent and patent defects liability period upon completion of commercial buildings and prescribes the liability on the contractor to rectify defects within given periods of time.

The National Construction (Amendment) Regulations – Revised Evaluation Criteria were also submitted to the Parent Ministry for onward transmission to the Attorney General's Office for subsequent publishing by the Government Printer.

For the first time in Kenyan history, an all-inclusive Construction Industry Policy has been developed. The policy will streamline regulatory and administrative regimes in order to overhaul the construction approvals process to create an enabling environment for the construction industry towards boosting investor-developer confidence and create a reputable image of the sector.

Pursuant to Section 5(2)(m) of the National Construction Authority Act No. 41 of 2011, the Authority is mandated to publish a Code of Conduct for the construction industry. The Authority published through the Kenya Gazette the 2<sup>nd</sup> edition of Code of Conduct for the Construction Industry and the Code is reviewed every three years.

With this legislative framework that is both in place and in the offing, the Authority is empowered to articulate its mandate to regulate the construction industry and coordinate its development.



**Qs. David Gaitho**

**CHAIRPERSON OF THE BOARD**

## **EXECUTIVE DIRECTOR'S STATEMENT**

The 2019/2020 financial year will go down in history as the most unique in recent history, on a global scale. The construction industry as most other sectors was deeply affected by the Covid-19 pandemic. In light of addressing these effects on the performance of the industry, the Authority led a multi-agency team composed of industry stakeholders drawn from both public and private institutions and developed health and safety guidelines to be used on construction sites to prevent transmission of the coronavirus (COVID-19). These guidelines, drawn from the overall Ministry of Health standards, are expected to protect those who work on the site as well as site visitors.

The Authority moreover actively engaged in review of the NCA Act with much success as the much sought broadening of the Authority's mandate to include mandatory inspections was achieved. The review of the legislation is aimed at guiding the country in the construction industry best practices and ensure safety of all Kenyans. The construction industry policy was also finalized and forwarded to the office of the Attorney General for review in readiness for publication. The policy document is aimed at guiding the country in the construction industry best practices.

Authority processes, though slowed down towards the end of the financial year, still proceeded as usual. As at the end of the 2019/2020 financial year, there were 43,613 registered construction firms, with 22, 930 of them in good standing as they renewed their practicing licenses. The Authority accredited 2,372 construction site supervisors and 18,528 construction workers, and registered 3,028 construction projects. 19,843 construction sites were inspected country wide country wide.

This financial year also saw the Authority train 2242 contractors, as well as organize five (5) business to business (B2B) meetings which linked local contractors to business opportunities both locally and internationally. 1,426 workers and 543 site supervisors were trained during the year. The Authority

also sensitized over 400 *Jua kali* groups on opportunities in the affordable housing programme.

Several research studies were conducted this year, including a study on building failures and collapses in Kenya. The purpose of the study was to determine causes of collapsing buildings and recommend remedial measures and policy interventions to minimize future occurrences. The Authority also partnered with KeNHA to conduct a study to establish the capacity of the local construction industry and develop a capacity building strategy. The study drew policy recommendations and associated proposals on regulations and procedures needed to reform the sector and improve performance of the Domestic Construction Industry. In partnership with the State Department of Housing, another research study was commissioned to identify the stumbling blocks in onboarding of micro, small and medium enterprises (MSMEs) in the affordable housing programme. This was an applied study that will allow development of a framework of engagement between the government and the MSME practitioners. This study led to the development of the first ever *Jua Kali* Manual, and a coffee table version of the manual was published and presented to His Excellency President Uhuru Kenyatta.

The Authority commissioned the review of the National Construction Research Agenda (NaCRA) which commenced in June 2019. The stakeholder driven process aligned the research topics to complement the Government Big Four Agenda on Affordable Housing.

A parcel of land was identified at the proposed Konza City towards the development of the Centre for Construction Industry Development (CCID). The CCID will serve as a center of excellence in research, innovation and capacity building for the construction industry in Kenya.

We were glad to maintain our ISO 9001:2015 Certification for the NCA Quality Management System after being subjected to periodic surveillance audits by the

Kenya Bureau of Standards. This is a reflection of the standards of excellence that we strive to uphold for all our processes.

This year, the Authority commenced the process of developing the 2020-2025 Strategic Plan, which provides the road map for the implementation of the Authority's mandate for the next five-year period.

All the above, coupled with the new legislative reforms, provide a solid stage for attainment of all our projected milestones in the next financial year.

  
Eng. Maurice Akech

**Executive Director/Registrar of Contractors**

**REVIEW OF THE AUTHORITY'S PERFORMANCE FOR FY 2019/2020**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statement, a statement of the National Government entity's performance against predetermined objectives.

National Construction Authority has five strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2019/2020. These strategic pillars are as follows:

- i. Construction Industry regulated
- ii. Capacity within the construction industry built and improved
- iii. Quality in the construction industry assured
- iv. Research and development in the construction industry enhanced.
- v. Development and sustainability of the Authority

National Construction Authority develops its annual work plans based on the above five pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The National Construction Authority achieved its performance targets set for the FY 2019/2020 period for its strategic pillars, as indicated in the table below:

<b>KEY PILLAR</b>	<b>OBJECTIVES</b>	<b>KEY PERFORMANC E INDICATORS</b>	<b>ACTIVITIES</b>	<b>FY 2019-2020 ACHEVEMENTS</b>
1. Construction Industry regulated	Register 30,000 contractors and regulate their professional undertakings.	Register 7,200 contractors	Online registration of contractors	NCA registered 7,767 contractors
	Accredit 1.5 million skilled construction workers and 500,000 site supervisors and regulate their professional undertakings.	Accredit 35,000 construction workers and 5,500 Site Supervisors	Online accreditation of skilled construction workers and Site Supervisors	NCA accredited 21,783 construction workers and 2,994 site supervisors
2. Capacity within the construction industry built and improved	Build capacity for 30,000 contractors, 1.5 million skilled construction workers and 500,000 site supervisors.	Train 10,000 contractors	Carry out training of contractors	NCA trained 2,242 contractors
		Train 10,000 Construction Workers	Carry out training of Construction Workers	NCA trained 1,426 construction workers
		Train 4,000 Site Supervisors	Carry out training of Site Supervisors	NCA trained 542 site supervisors
3. Quality in the construction	To oversee quality assurance in	Carry out 40,000 construction site inspections	Carrying out of site inspections in the	NCA carried out 20,267 site inspections

industry assured	the construction industry.		construction industry	
4. Research and development in the construction industry enhanced.	Initiate and execute research in the construction industry.	Carry out 5 construction industry researches and disseminate findings	Conduct research and disseminate their findings	NCA carried out 5 research works for the industry
	Provide professional and technical support to stakeholders	Provide 5 technical assistance services to the construction industry	Provide consultancy services to the construction industry	NCA carried out 5 consultancies for MDAs
5. Development and sustainability of the Authority	To develop and implement effective systems and processes.	Improve level of service delivery	Initiate and implement service delivery reforms	NCA put in place and utilized digital platforms for registration of contractors (RCIS) and running support services (ERP)
	To mobilize adequate resources to sustain the Authority's operations.	Adequate FY 2019/2020 budgetary allocation	Participate in FY 2019/2020 resource negotiations and bidding	NCA received budget support of Kshs. 1,243,400,000 from Government

## **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.

In Line with the provisions under the Mwongozo code of governance for state corporations, The Board of National construction Authority has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board adheres to good corporate governance by embracing the following principles among others; observance of high standards of ethical and moral behavior, acting in the best interests of the organization, remunerates and promote fairly and responsibly, recognizes the legitimate interests of all stakeholders and ensures that the organization acts as a good corporate citizen.

### **Board Composition**

Section 7 of the National construction Authority Act No 41 of 2011 prescribes the manner in which the Board of the Authority shall be constituted. The affairs of the Authority are managed by members from various nominating bodies and state organs as stipulated under Section 7(1) of the National Construction Authority Act No. 41 of 2011. 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 Cabinet Secretary of the Authority's Parent Ministry appointed Qs. David M. Gaitho to serve as Chairperson of the Board vide Kenya Gazette Notice No. 2794 dated 30th January 2020 for a period of three (3) years.

The powers of the Chairperson and those of the Executive Director are clearly stipulated and there is no conflict of interest of 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 Section 9 of the National Construction Authority Act No. 41 of 2011 as read together with the Second Schedule thereunder. The Authority is also guided by the provisions of the State Corporations Act No. 11 of 1986, Mwongozo Code of Governance for State Corporations, Circulars and other guiding government regulations that may be issued from time to time.

The Board meets at most six times in every financial year but 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, a Board almanac is prepared for a financial year and circulated to the members and management in advance for effective planning. The Board Committee meetings are scheduled before the ordinary Board meeting to ensure that all matters are adequately addressed at the committee level before presentation to the Board for adoption, approval or direction as the case may be.

The Board held a total of the following Board meetings and various committee meetings within the financial year:

- a) 5 Ordinary Board Meetings;
- b) 7 Special Board Meetings;
- c) 6 Technical Committee (TC) meetings and 2 Special meeting;

- d) 5 Human Resource Committee (HRC) meetings;
- e) 5 Finance Administration and Development Committee Meetings and 2 Special Meeting; and
- f) 5 Board Audit Risk Governance (BARG) Committee Meetings;

In line with the Office of the President Circular **REF: OP/CAB.9/1A** dated 11<sup>th</sup> March 2020 on the Guidelines on Conduct of Board Meetings during the period of COVID-19 pandemic, the Board Meeting and Committee meetings held in early April 2020 to date were conducted successfully over tele/videoconferencing means to adhere to government directives on physical distancing.

### **Board Committees**

In order to discharge its mandate 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, Mwongozo Code of Governance for State Corporations and the Second Schedule of the National Construction Authority Act No. 41 of 2011.

The Board has four committees with specific mandate in line with its charter. The Board considered the professional qualifications, skills and competence in selection of the committee members. The provisions of the Mwongozo Code of Governance for State Corporations were also considered in the composition and number of committees.

During the period under review, the following Committees were in place;

#### **a) Finance, Administration & Development (FAD) Committee**

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. The committee is mandated to review strategies relating to the

Authority's corporate strategy, corporate communications, information technology and communication and legal.

#### Members

1. Ken Luusa- Chair
2. Eng. Zipporah Rotich
3. F.A. Susan Karanja – **Retired on 23.04.2020**
4. Elizabeth Mvoi
5. Eng. Stephen Kogi
6. Arch. Makenzi Kiilu **Retired on 02.06.2020**
7. FA. Paul Kiagu - **Appointed 23.04.2020**
8. Qs. Patrick Bucha- **Appointed on 02.06.2020**

#### **b) Technical Committee.**

This committee is responsible for the technical operations of the Authority. The 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. In relation to registration and compliance, the committee is charged with 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 for compliance of all statutory requirements by all the industry stakeholders.

#### Members

1. Arch. Waweru Gathecha- Chair
2. Eng. Maurice Owiti
3. Eng. Zipporah Rotich
4. Ken Luusa
5. Arch. Jackson Kafuna
6. Eng. Stephen Kogi

### **c) Human Resource Committee**

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 of the National Construction Authority.

#### Members

1. Eng. Jane Mutilili- Chair
2. Elizabeth Mvoi
3. Prof. Godrick Bulitia
4. Kirpal Suri
5. Arch. Waweru Gathecha
6. Arch. Makenzi Kiilu - **Retired on 02.06.2020**
7. Qs. Patrick Bucha- **Appointed on 02.06.2020**

### **d) Board Audit, Risk & Governance Committee**

The committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, 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. Maurice Owiti – Chair
2. Kirpal Suri
3. Prof. Godrick Bulitia
4. Eng. Jane Mutilili
5. Arch. Jackson Kafuna
6. FA. Susan Karanja - **Retired on 23.04.2020**
7. FA. Paul Kiagu - **Appointed on 23.04.2020**

Table 1: Board and Committee Attendance from 1<sup>st</sup> July 2019 to 20<sup>th</sup> March 2020

No	Name	Full Board		Special Board		HRC		Technical Committee		BARGC		FAD	
		Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
1.	Qs. David Gaiho	3	3	7	6	3	3	5	5	N/A	N/A	N/A	N/A
2.	Eng. Zipporah Rotich	3	3	7	5	3	3	N/A	N/A	N/A	N/A	6	6
3.	Prof. Godrick Bulitia	3	2	7	6	3	3	N/A	N/A	N/A	N/A	6	5
4.	Eng. Jane Mutulili	3	3	7	7	N/A	N/A	5	5	N/A	N/A	6	6
5.	F.A. Susan Karanja	3	2	7	6	N/A	N/A	N/A	N/A	4	4	6	4
6.	Arch. Waweru Gathecha	3	3	7	7	N/A	N/A	5	5	N/A	N/A	6	6
7.	Kirpal Suri	3	3	7	7	N/A	N/A	5	5	N/A	N/A	6	6
8.	Arch. Jackson Kafuna	3	3	7	7	N/A	N/A	5	5	4	4	N/A	N/A
9.	Eng. Stephen Kogi	3	3	7	6	3	1	5	5	N/A	N/A	N/A	N/A
10.	Arch. Makenzi Kiilu	3	3	7	6	N/A	N/A	5	4	4	3	N/A	N/A
11.	Adv. Elizabeth Mvoi	3	2	7	7	3	3	N/A	N/A	4	3	N/A	N/A
12.	Mr. Ken Luusa	3	3	7	6	3	2	N/A	N/A	4	2	N/A	N/A
13.	Eng. Maurice Owiti	3	2	7	5	3	1	N/A	N/A	4	3	N/A	N/A

Table 2: Board and Committee Attendance from 20<sup>th</sup> March 2020 to 26<sup>th</sup> June 2020

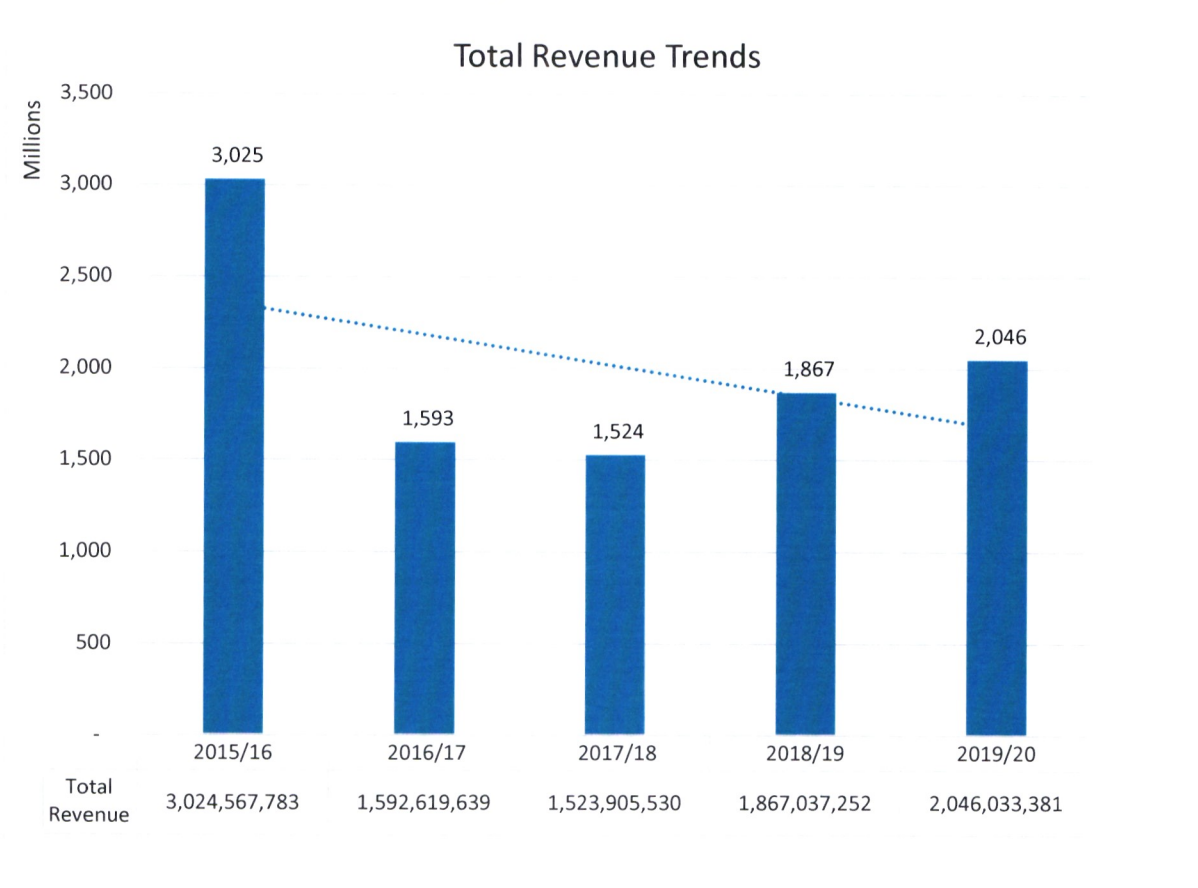
No.	Name	Full Board		Special Board		HRC		Technical Committee		BARGC		FAD	
		Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
1.	Qs. David Gaitho	2	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2.	Eng. Zipporah Rotich	2	2	N/A	N/A	N/A	N/A	3	3	N/A	N/A	3	3
3.	Prof. Godrick Bulitia	2	2	N/A	N/A	2	2	N/A	N/A	2	2	N/A	N/A
4.	Eng. Jane Mutulili	2	2	N/A	N/A	2	2	N/A	N/A	2	2	N/A	N/A
5.	F.A. Paul Kiagu	1	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1
6.	Arch. Waweru Gathecha	2	2	N/A	N/A	2	2	3	3	N/A	N/A	N/A	N/A
7.	Mr. Kirpal Suri	2	2	N/A	N/A	2	2	N/A	N/A	2	2	N/A	N/A
8.	Arch. Jackson Kafuna	2	2	N/A	N/A	N/A	N/A	3	3	2	2	N/A	N/A
9.	Eng. Stephen Kogi	2	2	N/A	N/A	N/A	N/A	3	3	N/A	N/A	3	3
10.	Adv. Elizabeth Mvoi	2	2	N/A	N/A	2	2	N/A	N/A	N/A	N/A	3	3
11.	Mr. Ken Luusa	2	2	N/A	N/A	N/A	N/A	3	2	N/A	N/A	3	3
12.	Eng. Maurice Owiti	2	2	N/A	N/A	N/A	N/A	3	3	2	2	N/A	N/A
13.	Mr. Patrick Bucha	1	1	N/A	N/A	N/A	N/A	0	0	0	0	N/A	N/A

## MANAGEMENT DISCUSSIONS AND ANALYSIS

The financial year 2019/2020 marks the eighth year of the Authority since its establishment in July 2012. The Authority remains committed to its mandate of promoting the development of the construction industry for a sustained socio-economic development. The key highlights of the Authority's performance for the period are as outlined below.

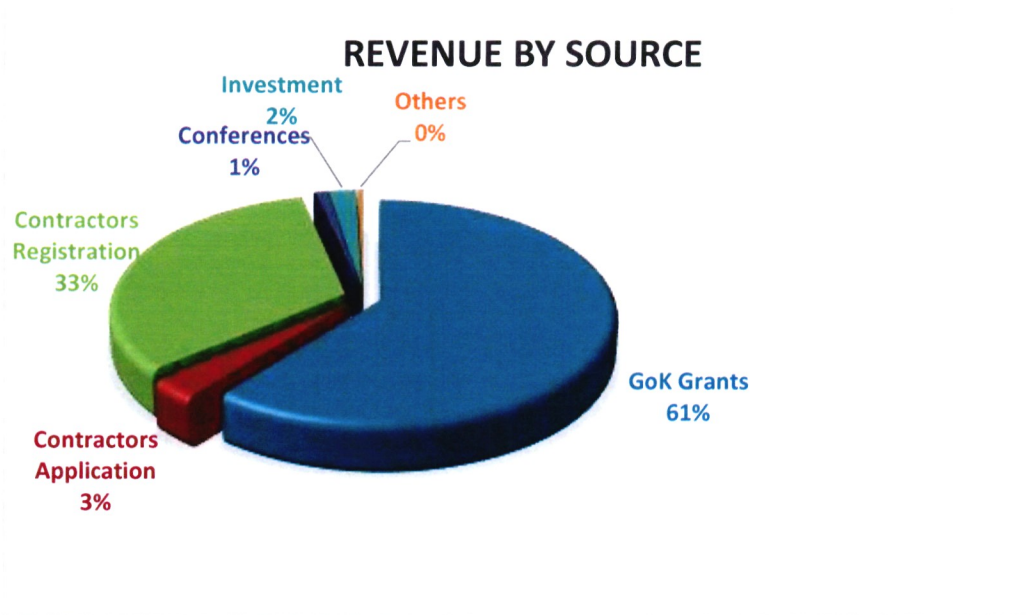
### i. Financial Performance

#### a. Financial performance in figures



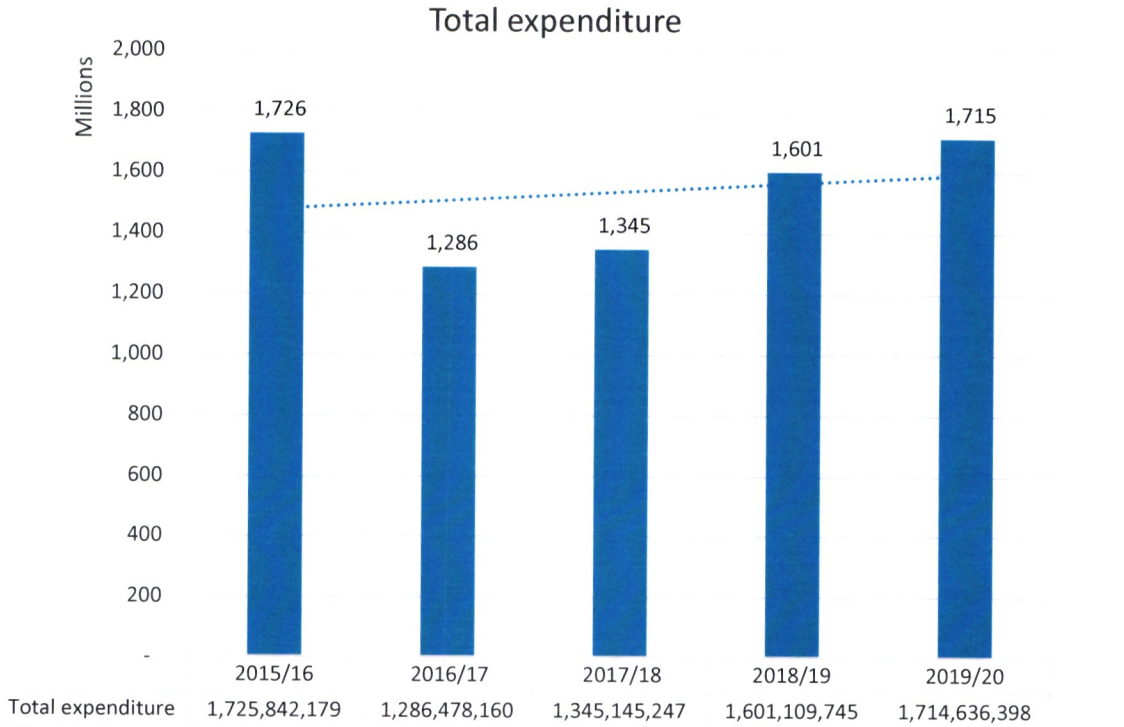
The total revenue for the Authority for the financial year 2019/20 increased by 10% as compared to the financial year 2018/19. The internally generated revenue increased by 15% which is attributable to timely renewal of contractors' licenses and growth in the contractors register. The support from the Government in the form of recurrent grants also grew by 7%.

**b. Revenue Sources for FY 2019/2020**



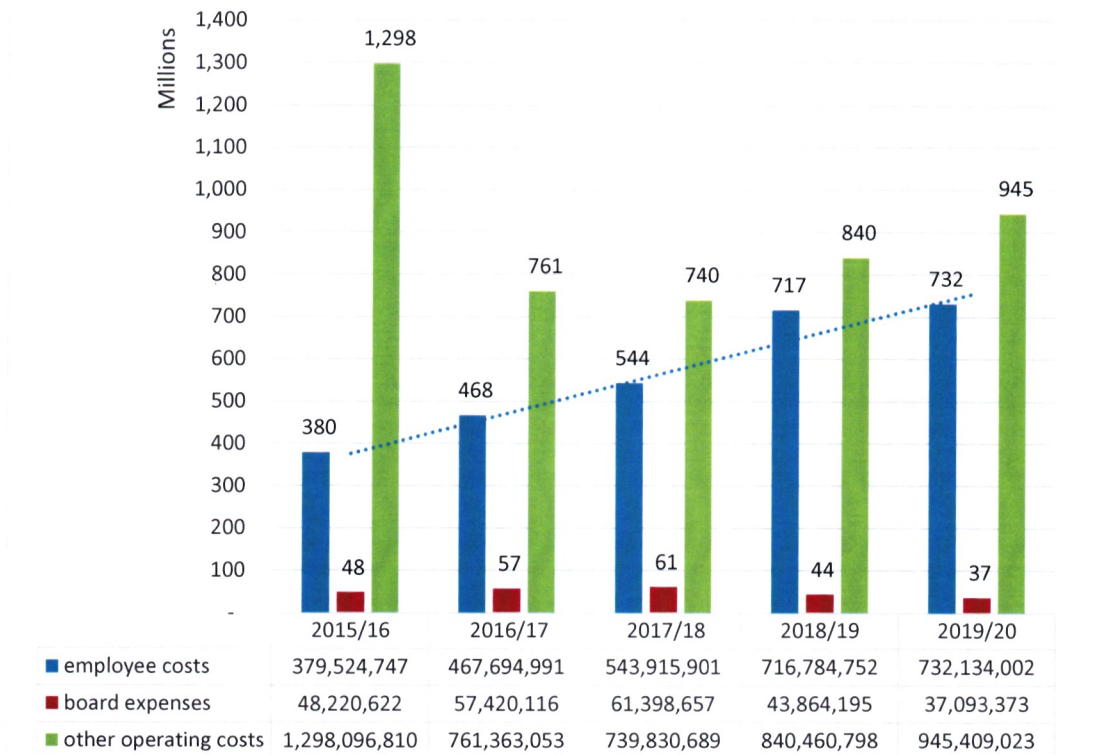
The GoK Grants contributed 61% of the total revenue for the Authority as compared to 62% in the last financial year. The internally generated revenue contributed 39 % from contractors’ application fees, registration fees, receipts from Contractors’ training workshops and investment income.

**c. Expenditure Trends**



The recurrent expenditure for the period under review increased by 7% as compared to the last financial year. However, the absorption of allocated funds stood at 96 %, this under performance is attributable to disruptions on the Authority’s operations by the COVID-19 pandemic as from the third quarter of the financial year.

**d. Expenditure by Vote**



The Authority’s employee costs accounts for 43% of the total expenditure for the period. The expenditure has grown over the years from KShs. 379 Million in the FY 2014/15 to KShs. 723 Million at the end of FY 2019/2020. This is attributed to the growth of staff complement from 235 to a total of 397 in 2015/2016 and 2019/2020 respectively. The current total work force comprises of 293 permanent and long-term contract employees and 104 on short term contract deployed to all Huduma centers and regionals offices to provide service across the country.

**ii. Regulation**

**a) Registration of Contractors**

Section 5(2)(d)(k) of NCA act No 41 of 2011, mandates the Authority to prescribe the qualifications or other attributes required for accreditation of contractors, registration, and regulation of their professional undertakings. Toward this end, The Authority has continued to improve on its systems with a view of streamlining the registration of contractors as one of its core

mandate. The Authority has fully automated the processes for registration of contractors, renewal of the annual practicing license and all other processes related to contractor registration like appeals, applications for upgrades, trainings, etc. This in effect has increased the Authority's efficiency by reducing the turn-around time and brought about with it positive impact on the ease of doing business in the country.

*Table 1: Registered Contractors (by Certificate) for FY 2019/2020*

Category	Classes of Works					Total
	Roads	Water	Buildings	Electrical	Mechanical	
<b>NCA1</b>	259	167	369	191	122	1,108
<b>NCA2</b>	316	193	423	78	66	1,076
<b>NCA3</b>	466	298	539	143	92	1,538
<b>NCA4</b>	1,680	1,130	1,730	352	225	5,117
<b>NCA5</b>	1,939	1,255	2,024	300	196	5,714
<b>NCA6</b>	3,272	1,987	3,235	395	188	9,077
<b>NCA7</b>	3,522	1,901	3,395	400	175	9,393
<b>NCA8</b>	6,153	3,987	6,816	515	247	17,718
<b>Total</b>	17,607	10,918	18,531	2,374	1,311	50,741

To ensure that the Authority responds appropriately to the dynamic environment in which it operates, the Authority has initiated the process of reviewing the enabling Act and the subsequent regulations. This will ensure that we respond accordingly to the new developments within the industry.

**b) Foreign Contractors**

The National Construction Authority Regulations 2014 provides for the regulations of foreign firms. In line with the provisions of the NCA Regulations 2014, the foreign firms are registered as Category "NCA 1". The firms are required to sub-contract or enter into a joint venture with a local person or firm for not less than 30% of the value of contract works for which registration is sought and transfer technical skills not available locally to a local person or firm.

The number of foreign contractors registered FY 2019/2020 was 62. The Authority undertakes to ensure that foreign contractors strictly adhere to the regulatory requirements that govern their professional undertakings in the Kenyan construction Industry in accordance to the NCA Act 2011 and Regulations 2014.

**c) Accreditation of Skilled Workers and site supervisors**

Section 5(2) (i) of the National Construction Authority Act No 41 of 2011, mandates the Authority to accredit and certify construction workers and construction site supervisors. This is geared towards ensuring that the industry has qualified and competent manpower with the right mix of skills. In the FY 2019/2020 the Authority accredited 18,528 workers and 2,372 site supervisors in the construction industry across the different trades.

**iii. Training and Capacity Building**

The Authority conducted **37** training and capacity building programmes with a total participation of **4,211** contractors, construction works and site supervisors in the FY. 2019/2020. This numbers are way below the targets due to the suspension of all scheduled capacity building programs in the wake of the COVID-19 pandemic.

**a. Construction Workers & Site Supervisors**

Under section 5(2)(i) of the National Authority Act No 41 of 2011, the Authority is mandated to provide, promote, review, and co-ordinate training programs organized by public and private accredited training centers for skilled construction workers, construction site supervisors and contractors within the industry.

The training and capacity building programs for construction workers and site supervisors is mostly conducted in collaboration with private and public accredited training institutions and with industry stakeholders.

During the period under review the Authority developed new training content for skilled workers and site supervisors in line with the training needs assessment carried out earlier. The Authority conducted **12** different trainings across the country with a cumulative total of **1,966 construction** workers and site supervisors in different trades across the country in different programs. A total of **1,423** construction workers and **543** site supervisors trained in the following programs; Upskilling program, site supervisory and safety course, and Collaborative Technical Trainings. In the wake of COVID-19 pandemic, the Authority conducted 2 webinars for site supervisors and skilled construction workers on pilot basis, in which a total of **274** attended.

#### ***b. Contractors Training and Capacity Building***

The Construction Authority Act 2011 mandates the Authority to train and build capacity of contractors across the country. The NCA regulations mandates the Authority to conduct Continuous Professional Development (CPD) programs for registered contractors to enable them qualify for annual renewal and to be considered for category upgrade. The Construction Industry Training Policy 2018 which has been reviewed from the previous NCA CPD Policy 2014 requires each registered contractor to acquire a **minimum of 10 CPD points** every year by attending NCA organized trainings or NCA accredited training programs offered by other industry institutions.

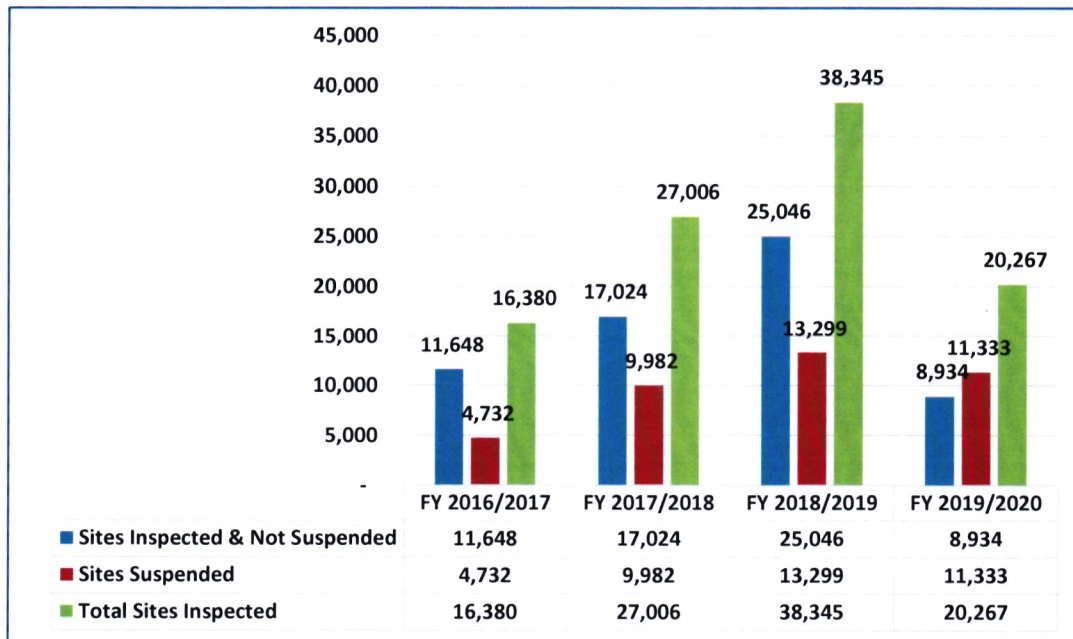
In the FY. 2019/2020, the Authority conducted **23** different CPD programmes across the country and trained **2,242 Contractors** in total. The different programs included the 2-day CPD seminars (both sector-based seminars and induction seminars for newly registered contractors), the Accredited CPD Providers programs, and collaborative CPD seminars with different industry stakeholders such as the National Building Inspectorate. In the wake of

COVID-19 pandemic, the Authority conducted 2 pilot webinars for contractors, in which a total of **592** contractors attended.

**iv. Quality Assurance and Compliance**

The Authority under Section 5(2) (g) of the NCA act 2011 is mandated to promote and ensure quality assurance in the construction industry. During the financial year, the Authority carried out site inspections across the country to ensure that the constructions going on comply with the set standards. The sites that were found not to be compliant were issued with suspension notices and suspended until they comply with the requirements. The figure below indicates the sites inspected within the financial year.

*Figure: Inspected projects*



During the period under review, the Authority managed to inspect a total of **20,267** construction sites against a target **40,000** which translates to **51%** of the target. Out of the total sites inspected, **11,333** were suspended.

The projects that were not suspended comply with all the regulations regarding construction while the ones suspended were in contravention of the regulations.

The suspension notice issued to non-compliant sites is lifted once they comply with all statutory requirements as per the NCA Regulations 2014. The Authority focusses on seven attributes while carrying out the project compliance inspections. The highest percentage of the projects visited were found to be non-compliant with the major issues being site healthy and safety and absence of professionals.

**v. Service Delivery**

**a. Human Resource**

The Authority's current approved staff establishment stands at 313 posts. Of this number, 293 positions are currently occupied by members of staff in various cadres. As required 70% of the total HR strength constitutes technical staff while the rest offer support services. These officers have been deployed at the headquarters and in the 14 and 14 regional and liaison offices respectively across the Country. The Board in the year 2019/2020 filled ten (10) positions in the establishment and is in the process of filling the remaining positions both at managerial and operational levels upon receipt of the necessary approvals.

Additionally, the Authority undertook a performance assessment for 104 staff at Huduma Centres all over the Country, after getting a Board approval to convert their terms into long term contracts and to substantively fill the supernumerary establishment. This will be done upon receiving waiver of recruitment from The Head of Public Service.

In keeping with the government policy and the spirit of providing opportunities for the youth, the Authority embarked on offering internship, apprenticeship and industrial attachment to fresh graduates and students respectively. In the FY 2019/20 and as per the Authority's performance contract requirements, the HR department engaged 47 graduates on internship seconded from the Public Service Commission and another 10 diploma holders on apprenticeship for a period of one year. The Authority also provided over 134 students with industrial attachment in different departments and regions.

## ***b. Public Awareness and Sensitization Campaigns***

### ***i). Stakeholder Engagement***

The Authority remains dedicated to building and maintaining mutually beneficial relationships with its stakeholders. In the financial year, the Authority conducted stakeholder workshops across the country in Machakos, Kitui, Makueni, Migori, Kisii, Nyamira, Kisumu and Isiolo to further sensitize on Authority processes in order to enhance compliance. A media sensitization workshop was also held during the year, as members of the press remain a critical agent of sensitization for the Authority.

In the 2019/2020 financial year, the Authority took home two awards. The first was the Champion of Governance Award 2019 at the Champions of Governance Awards. The Institute of Certified Secretaries has been running the Champions of Governance Award for the past two decades to celebrate good corporate governance in the public and private sectors, the second was the 'Business Enabler of the Year' at the Mombasa Business Awards 2019.

The Mombasa Business Awards encourage entrepreneurial activity and recognize the contribution of those who inspire others with their vision, leadership and achievement. Government agencies are also recognized for enabling entrepreneurship in the region.

### ***ii). Resolution of Public Complaints***

The Commission on Administrative Justice awarded the Authority an average score of 91% ("Very Good"), underscoring the dedication to customer service.

### ***iii). Corporate Social Responsibility***

Under corporate social responsibility, the Authority in partnership with the State Department of Early Learning and Basic Education launched the Ujenzi Club, meant to engage students at primary, secondary and tertiary levels in order to

sensitize them on safe construction practices and encourage uptake of construction-based careers.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The National Construction Authority exists to transform the construction industry by regulating and coordination of its development. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the NCA Act No 41 of 2011: putting the customer/Citizen first, delivering relevant policies and services, and improving operational excellence.

### **1. Sustainability strategy and profile**

#### **a. Anti-Corruption Policy**

The National Construction Authority (NCA) Anti-Corruption Policy is intended to outline a framework for ensuring a corruption-free working environment. In this endeavor it is noteworthy that NCA is motivated by ideals enshrined in its Mandate, Vision, Mission, Core Values and the prevailing laws. NCA recognizes that the ideal of a culture of zero-tolerance to corruption is only possible within a framework of integrity and ethics.

The Authority is implementing an Anti-corruption Policy to supplement legal provisions and other government initiatives for fighting and preventing corruption in Kenya. The policy seeks to provide a framework for efficient and effective detection and prevention of corruption at the workplace.

#### **b. Sustainability of NCA**

In order to sustain its operations, the National Construction Authority has in place its Strategic Plan. It provides a blueprint that will enable the organization to provide proper strategic direction in Kenya's dynamic construction industry. The development of this Strategic Plan is therefore imperative as it avails an opportunity to outline strategies for tackling the challenges anticipated, recognizing the past lessons learnt, and identifying the performance gaps witnessed in the recent past while effectively determining the critical success

factors that should subsequently inform future planning. Based on this contextual analysis, the Authority formulated its strategic objectives it will pursue over the next five years, while consistently engaging key stakeholders at all levels.

### **c. Competitiveness of NCA**

To be competitive, the Authority commits to the development and operationalization of institutional frameworks and procedures that will enable it to achieve its core mandate in conformity with the Government's overall Development Agenda. The Authority recognizes that its success is related to innovation, effective change management and continuous engagement with key stakeholders in the Construction Industry.

Above all, the Board shall give management full support during the implementation of its Plan, provide necessary oversight and lobby for the required resources to achieve the goals and objectives set out in the Plan.

Further, the Board will sustain existing linkages with relevant Government Ministries, Departments and Agencies (MDAs) to ensure consistency and enhance synergy to enable the Authority play its role towards effective realization of the Kenya Vision 2030 and the Big Four development agenda.

## **2. Environmental performance**

The Authority is committed to complying with all regulatory and other policy guidelines concerning environmental management including putting in place efforts, to manage and mitigate environmental impact of the organization's products and services, management of biodiversity and waste management. The Authority is undertaking a policy framework to guide on this and once approved, shall be rolled out.

To ensure compliance and promote environmental conservation guidelines and other statutory frameworks, The Authority has taken the following actions: -

- a. Partnering with Kenya Green Building Society on waste management and put in place measures to promote adoption of green building concepts in the country.
- b. The Authority also has an annual plan to support the government efforts to increase the forest cover by planting trees. The Authority organized a staff tree planting day at Ministry of Works where staff participated in tree planting.
- c. Adopted and implemented an office open plan system as a way of promoting energy conservation mechanisms in an effort to promote a green environment.

### **3. Employee welfare**

The Authority has a robust hiring policy whose statement is to recruit staff on the basis of fair competition and merit; representation of Kenya's diverse communities; adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities. The current gender ratio at the Authority is 39:61 in favour of male employees. However, our target is to eventually achieve 50/50 for either gender. The Authority has constantly reviewed the Human Resource Policies and procedures to align them with the various government circulars and legislations. Necessary consultations and stakeholder participation are usually conducted during such reviews to ensure that the policies are all inclusive and have a buy-in among the public and the immediate stakeholders.

The Authority has an approved Career Progression Guidelines which provide insight to staff on their upward mobility in the various cadres and professions within departments.

Additionally, the Authority every two years conducts a Training Needs Assessment (TNA) which informs the preparation of the annual training projections. The training plan informs the Authority on the skills gaps that exist and how they should be filled. The Authority further evaluates the individual performance of its staff by conducting a bi-annual appraisal system which leads

to any of the following; has in place staff reward scheme, sanctions or performance improvement programmes. The Authority is also committed to providing and maintaining working conditions, equipment and systems of work, that are safe and healthy for all employees, visitors and other persons at or near its operational areas. Thus, it strictly upholds the tenets of its policy on occupation health and safety.

#### **4. Market place practices**

##### ***a) Responsible competition practice.***

Section 5(2(d)(k)) of NCA act No 41 of 2011, mandates the Authority to prescribe the qualifications or other attributes required for accreditation of contractors, registration, and regulation of their professional undertakings. Toward this end, the Authority has continued to improve on its systems with a view of streamlining the registration of contractors as one of its core mandates. The Authority has fully automated the processes for registration of contractors with registration process being competitive in line with the approved evaluation criteria. The contractors are registered under different class of works under different categories (NCA1 -NCA8 with NCA 1 being the highest category and NCA 8 the lowest) dependent on their capacity thus promoting fair competition in the industry.

##### ***b) Responsible Supply chain and supplier relations***

The Authority creates on going improvement in supplier's performance by continuously developing our suppliers through training specifically on procurement procedures to improve on their responsiveness which eventually positively impacts the element of competitiveness that ensures the authority gets value for money. To nature the spirit of continuous improvement the Authority continuously debriefs the suppliers and service providers on their performance in reference. The Authority makes prompt payments to its suppliers thus does not have pending bills.

***c) Responsible marketing and advertisement***

The Authority, in line with its corporate values, upholds the standards of ethical marketing. This is done by ensuring all advertising and marketing communications are all truthful and fact based, and the officers tasked with communicating also uphold the highest standards of personal ethics. All the Authority's clients and other stakeholders are treated fairly and equitably, and their privacy is honoured and upheld, especially when it comes to personal information. Additionally, the Authority abides with the existing regulations and standards governing external communication.

***d) Product stewardship***

The Authority is a regulator, and thus a service based organisation. Consumer rights are safeguarded through the complaints handling mechanism that ensures the efficient resolution of public complaints. All complaints are recorded and resolved, where possible, within seven days as outlined in the Citizen Service Delivery Charter. A report on the same is compiled and submitted to the Commission on Administrative Justice, where a quarterly score is awarded, followed by an annual compliance certificate. The Authority has consistently scored above 90% ("Very Good") since its inception.

**5. Community engagements**

The Authority in partnership with the State Department of Early Learning and Basic Education launched the Ujenzi Club, meant to engage students at primary, secondary and tertiary levels in order to sensitize them on safe construction practices and encourage uptake of construction-based careers. The programme was suspended briefly due to the closure of schools following the Covid 19 pandemic, but is expected to resume in January 2021. Additionally, the Authority in conjunction with the State Department of Public Works also took part in a tree planting exercise, in line with the Presidential Directive of accelerating the achievement of 10% tree cover by 2022. The Authority committed 10% of its annual CSR budget to the exercise.

## **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. The implementation of the risk policies is spearheaded by the Manager planning and Quality Assurance.

The implementation of the Enterprise Risk Management (ERM) framework has ensured that the Authority develops a common platform for risk identification, measurement and management. The ERM framework that has been developed includes a component on governance, which provides for the guidelines on responsibilities for taking, managing, monitoring and reporting risks.

The Authority recognizes four major categories of risk which are:

- i. Regulatory/Compliance Risk – Risks arising from failure of regulated industry players to conform to NCA laws, rules, and regulations and prescribed practices (“regulatory requirements”).
- ii. Strategic Risk – This is defined as the risk of
  - a. Choosing and continuing to follow sub optimal strategies to meet objectives;
  - b. Not executing the strategies successfully; and,
  - c. Changing the business as usual risks differently from expected.
- iii. Financial Risk – The financial risks that the Authority has identified includes
  - a. Credit Risk: The risk of loss from a counterparty not meeting their obligations as they fall due;
  - b. Liquidity Risk: The risk of not being able to transact in a market either at all or at a significant cost; and,
- iv. Operational Risk – These are defined as the inherent risks within the Authority's operational processes. They include people/compliance/information security risk /fraud/regulatory/legal risks. They relate to the

risk of loss from inadequate failed processes, people, systems or external events. This also includes, but is not limited to, business continuity and disaster recovery, corporate governance, security, fraud and IT risks.

In addition to the implementation of the ERM framework, to address the inherent operational risks, the Authority has formulated comprehensive policies and procedures which are constantly under review to address any emerging risks. The board has since approved the overarching and operational risk management policies for implementation by management. Other measures instituted to mitigate against operational risks includes:

- i. effective segregation of duties;
- ii. annual risk reviews;
- iii. staff education and sensitization;
- iv. authorization levels; and
- v. Entrenching risks management culture.

## **REPORT OF THE BOARD MEMBERS**

The Board Members submit their report together with the financial statements for the year ended June 30<sup>th</sup>, 2020 which show the state of the National Construction Authority affairs.

### **Principal Activities**

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

### **Results**

The results of the National Construction Authority for the year ended June 30<sup>th</sup> 2020 are set out on page 1 to 6.

### **Board Members**

The members of the Board of Directors who served during the year are shown on page viii to xix. During the year F.A. Susan Karanja retired and F.A. Paul Kiagu was appointed with effect from 23<sup>rd</sup> April 2020 as the alternate to the Cabinet Secretary, National Treasury, Arch. Makenzi Kiilu retired and Qs. Patrick M. Bucha, MBS was appointed with effect from 2<sup>nd</sup> June 2020 as the alternate to the Principal Secretary of the State Department of Housing & Urban Development and Prof. Godrick Bulitia was also reappointed on 05.05.2020.

### **Dividends/Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority remitted Kshs 960,000,000 in the FY 2019/2020 to the National Treasury.

**Auditors**

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

By Order of the Board



**Eng. Maurice Akech**

**Executive Director/Secretary to the Board**

**Nairobi**

Date: 20/4/2021

**STATEMENT OF THE BOARD MEMBERS' RESPONSIBILITIES**

The Public Finance Management Act 2012 Sec. 81, the National Construction Authority Act Sec. 35 and the State Corporations Act Cap 446 Sec. 14, require the Board to prepare annual financial reports 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, 2020. 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 Authority;
- (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.

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 30<sup>th</sup>, 2020, 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 .....<sup>25<sup>th</sup></sup> September 2020 and signed on its behalf by:

**Signed: -**



**Eng. Maurice Akech**  
**Executive Director/  
Secretary to the Board**

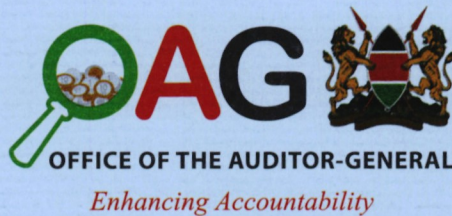
**Signed: -**



**Qs. David Gaitho**  
**Chairperson of the Board**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL CONSTRUCTION AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Construction Authority set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Construction Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the National Construction Authority Act, 2011 of the Laws of Kenya.

#### **Basis for Qualified Opinion**

##### **Lack of Revaluation of Property, Plant and Equipment**

As disclosed in Note 20 to the financial statements, the statement of financial position reflects property, plant and equipment balance totalling to Kshs.183,732,423. Included in the balance are fully depreciated assets with historical cost of Kshs.310,287,381 which further include motor vehicles with historical cost of Kshs.155,435,619 but are in good working condition and are in use. However, the Management has not carried out a revaluation as required under IPSAS 17 paragraph 44.

Consequently, the accuracy, completeness and validity of property, plant and equipment balance totalling to Kshs.183,732,423 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Purchase of ICT Equipment**

During the year under review, the Management procured Information Communication Technology (ICT) equipment at a cost of Kshs.15,285,001 comprising of; computers and accessories valued at a cost of Kshs.5,356,400 and data back up and retention software at a cost of Kshs.9,928,601. However, the purchases were not made through the Ministry of ICT as directed by Circular ref: No. OP/CAB.39A Vol. L that required all procurement of ICT equipment to be centralized at the Ministry to ensure economies of scale in procurement and optimize the use of shared services strategy.

Consequently, the Management was in breach of the Circular.

#### **2. Enterprise Risk Management System (ERMS)**

##### **2.1. Acquisition of ERMS**

Included in intangible assets balance of Kshs.173,514,481 disclosed under Note 21 is the cost of risk management system of Kshs.9,909,300. However, during the review of the Authority's systems, the ERMS was not functional.

## **2.2. Failure to Implement ERMS**

It was further noted that the contract period of two years for the supply of the system ended in November, 2017. The Authority is now required to procure licenses from the vendor to continue using the system.

Consequently, the ERMS cannot be put into use despite the consultant having been paid their dues in full amounting to Kshs.20,558,100.

In the circumstances, I am unable to confirm whether the public will obtain value for money for the procurement of the system totalling to Kshs.30,467,400.

## **3. Foreign Contractors' Registration - Requirements and Subcontracting**

The review observed that registration of foreign contractors was not pegged on any contracted works. The foreign contractors are not required to provide undertaking to subcontract local contractors and they are not required to commit to transfer of technical skills to locals as required under Section 12(3) of the National Construction Authority Regulations, 2014.

Consequently, the Management is in breach of the law.

## **4. Long Outstanding Receivables**

As disclosed in Note 17 to the financial statements, the statement of financial position reflects receivables totalling to Kshs.1,439,831,186. Included in the balance are debtors totalling to Kshs.1,044,071,491 net of provision for bad debts amounting to Kshs.738,902,185 that have been outstanding for more than four (4) years. Further, a review of records indicated that the amount related to construction levy that was suspended through an Executive Order of 2017. The gross balance also includes an amount of Kshs.1,081,817,245 owed by various County Governments and National Government institutions. Although Management has initiated various strategies to collect the outstanding debts by issuing demand notices, engaging debt collection agencies, engagement with The National Treasury and the Council of Governors, the efforts have not been successful.

In the circumstance, the recoverability of the receivables balance of Kshs.1,439,831,186 as at 30 June, 2020 is doubtful.

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

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **Lack of Integration Revenue Management Systems**

The staff under the finance and accounts department did not have access to the invoices generated by the RCIS. As such it was impossible to conduct reconciliations of the amounts received on E-citizen against the invoiced amounts. Further it was observed that it was not possible to trace a transaction from RCIS to ERP. There is possible loss of revenue during registration and transfer from e-citizen to ERP for lack of the reconciliations.

In the circumstances, I am unable to confirm the effectiveness of revenue collection measures put in place by Management.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

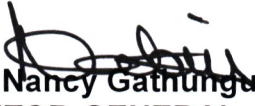
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**01 February, 2022**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

		<b>2019/20</b>	<b>2018/19</b>
	<b>Note</b>	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
<b><u>INCOME</u></b>			
Revenue from Non- Exchange Transactions	6	1,923,783,445	1,812,208,289
Revenue from Exchange Transactions	7	122,249,936	54,828,963
<b>Total Income</b>		<b><u>2,046,033,381</u></b>	<b><u>1,867,037,252</u></b>
<b><u>RECURRENT EXPENDITURE</u></b>			
Employee Costs	8	732,134,002	716,784,752
Board Expenses	9	37,093,373	43,864,195
Communication	10	28,156,688	28,260,740
Travelling and Accommodation	11	96,395,543	144,299,493
Advertising and Public Relations	12	65,133,656	37,809,924
Insurance Costs	13	64,977,425	61,183,944
Other Operating Expenses	14	524,008,131	509,600,373
Depreciation	20	46,357,205	58,385,003
Taxes	15	120,380,374	921,321
<b>Total Expenditure</b>		<b><u>1,714,636,398</u></b>	<b><u>1,601,109,745</u></b>
<b>Surplus/(Deficit) for the period</b>		<b><u>331,396,983</u></b>	<b><u>265,927,507</u></b>

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30<sup>TH</sup> JUNE, 2020**

	Note	2019/20 KShs.	2018/19 KShs.
<b>ASSETS</b>			
<b>Current Assets</b>			
Receivables	17	1,439,831,186	1,540,181,673
Investments	18	184,902,662	692,796,612
Cash & Cash Equivalents	19	742,742,797	541,096,007
		<b>2,367,476,645</b>	<b>2,774,074,292</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	20	183,732,423	129,471,142
Intangible Assets	21	173,514,481	173,514,481
		<b>357,246,904</b>	<b>302,985,623</b>
<b>TOTAL ASSETS</b>		<b>2,724,723,549</b>	<b>3,077,059,915</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade Payables & Accruals	22	355,483,170	102,032,808
<b>Total Current Liabilities</b>		<b>355,483,170</b>	<b>102,032,808</b>
<b>NET ASSETS</b>		<b>2,369,240,380</b>	<b>2,975,027,106</b>
<b>RESERVES</b>			
Reserve		20,000,000	20,000,000
Accumulated Surplus		2,349,240,380	2,955,027,106
<b>TOTAL RESERVES</b>		<b>2,369,240,380</b>	<b>2,975,027,106</b>

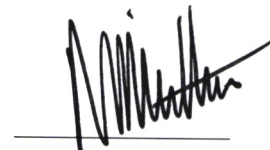
The financial statements set out on pages 1 to 6 were approved by the Board on the <sup>25<sup>th</sup></sup> September 2020, and signed on its behalf by;



Eng. Maurice Akech  
**Executive Director**



Ms. Christine Kirimi  
**Manager Finance &  
Accounts**



Qs. David Gaitho  
**Chairperson of the Board**

**ICPAK No. 5512**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

	Note	Accumulated Surplus KShs	Revenue Reserves KShs	Totals KShs
<b>As at 1<sup>st</sup> July, 2018</b>		2,689,099,600	-	2,689,099,600
Surplus for the year		265,927,507	-	265,927,507
Capital Grants		-	20,000,000	20,000,000
<b>As at 30<sup>th</sup> June, 2019</b>		<b>2,955,027,106</b>	<b>20,000,000</b>	<b>2,975,027,106</b>
As Restated Prior year adjustments	24	22,816,291		22,816,291
Surplus Remittance		(960,000,000)		(960,000,000)
Salaries overstatement				-
<b>As Restated</b>		<b>2,017,843,397</b>	<b>20,000,000</b>	<b>2,037,843,397</b>
<b>As at 1<sup>st</sup> July, 2019</b>		2,017,843,397	20,000,000	2,037,843,397
Surplus/(Deficit) for the year		331,396,983		331,396,983
<b>As at 30<sup>th</sup> June, 2020</b>		<b>2,349,240,380</b>	<b>20,000,000</b>	<b>2,369,240,380</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

	Note	2019/20 <u>KShs.</u>	2018/19 <u>KShs.</u>
<b>OPERATING ACTIVITIES</b>			
Surplus/ (Deficit) generated from operating activities		331,396,983	265,927,507
<b>Adjustments:-</b>			
Interest Income	7(ii)	(43,036,267)	(33,017,512)
Depreciation	20	46,357,205	58,385,003
<b>Operating income before working capital changes</b>		<b>334,717,921</b>	<b>291,294,997</b>
<b>Movements in Working Capital</b>			
Decrease/ (Increase) in Debtors.	17	91,799,488	(53,538,328)
Increase/(Decrease) in Trade & Other Payables	22	253,450,361	(21,294,929)
<b>Net Change in working Capital</b>		<b>345,249,849</b>	<b>(74,833,258)</b>
<b>Net Cash(used by)/from operating activities</b>		<b>679,967,770</b>	<b>216,461,739</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of other Non-Current Assets	20/21	(100,618,487)	(29,656,685)
Proceeds from Investments	18	692,796,612	695,043,806
Investments		(184,902,662)	(692,796,612)
Interest Income Received	23	51,587,265	32,593,865
<b>Net Cash used in Investing activities</b>		<b>458,862,729</b>	<b>5,184,373</b>
<b>FINANCING ACTIVITIES</b>			
Prior Year Adjustments	25	22,816,291	12,553,144
Surplus Remittance		(960,000,000)	(27,284,420)
Development Grants		-	-
<b>Net Cash From Financing Activities</b>		<b>(937,183,709)</b>	<b>(14,731,276)</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>201,646,790</b>	<b>206,914,837</b>
<i>Cash and Cash Equivalents at the beginning of the year</i>		541,096,007	334,181,171
<b>Cash and Cash Equivalents at the end of the year</b>	<b>19</b>	<b>742,742,797</b>	<b>541,096,007</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
THE FINANCIAL YEAR 2019/2020**

	<b>ORIGINAL BUDGET "Ksh 000"</b>	<b>REVISED BUDGET "Ksh 000"</b>	<b>ACTUAL "Ksh 000"</b>	<b>VARIANCE Ksh"000"</b>
-				
GoK Recurrent Grants	1,341,000	1,243,400	1,243,400	(0)
Grants revenue	100,000	-	-	-
Contractors Application	30,000	30,000	62,234	32,234
Contractors Registration	537,500	622,500	598,514	(23,986)
Conferences and Workshops	82,000	24,900	18,757	(6,143)
Registration of Workers	5,000	5,000	878	(4,122)
Consultancy	5,900	500	104	(396)
Investment Income	57,500	30,000	43,036	13,036
Miscellaneous revenue	100	15,100	79,110	64,010
<b>Total Income</b>	<b>2,159,000</b>	<b>1,971,400</b>	<b>2,046,033</b>	<b>74,633</b>
<b>RECURRENT EXPENDITURE</b>				
Salaries and wages	735,398	733,198	625,785	(107,412)
Training Expenses	54,800	64,731	42,743	(21,988)
Employer Payroll Contribution	83,152	78,152	63,605	(14,547)
Board Expenses	40,094	39,294	37,093	(2,201)
Contracted Services	22,000	24,500	24,406	(94)
Utilities Supplies & Services	8,000	8,000	4,132	(3,868)
Communication, Supply, Services	33,960	45,600	28,157	(17,443)
Domestic Travel & Subsistence	73,000	73,000	72,000	(1,000)
Foreign Travel & Substs Costs	31,000	31,000	24,395	(6,605)
Public Relations and Advertising	78,750	87,025	65,134	(21,891)
Rental Of Produced Assets	68,500	57,500	52,720	(4,780)
Staff Welfare & Hospitality	22,500	21,500	21,237	(263)
Insurance Costs	63,500	82,000	64,977	(17,023)
Training, Research & Cap. Building	164,540	130,440	130,214	(226)
Office & Gen. Supply & Services	68,786	84,860	81,055	(3,805)
Motor Vehicle Expenses	29,000	29,000	28,973	(27)
Professional Fees	58,000	58,000	20,984	(37,016)
Subscriptions and Licenses	55,500	50,000	40,171	(9,829)
Repairs and Maintenance	16,000	30,900	20,115	(10,785)
Depreciation	65,000	60,000	46,357	(13,643)
Taxes	-	-	120,380	120,380
Bad debts	-	-	100,000	100,000
<b>Total Recurrent Expenditure</b>	<b>1,771,480</b>	<b>1,788,700</b>	<b>1,714,636</b>	<b>(74,064)</b>
<b>Operating Surplus</b>		<b>182,700</b>	<b>331,397</b>	<b>148,697</b>
<b>Capital Expenditure</b>				
Land and Buildings	268,000	30,480	30,100	(380)
Motor Vehicles	15,000	48,500	43,134	(5,366)
Furniture and Fittings	10,200	7,700	5,504	(2,196)
Computers and IT Equipment	18,820	15,320	7,898	(7,422)
Intangible Assets	29,500	36,200	9,929	(26,271)
Funds	40,000	20,000	20,000	-
Plant and Equipment	6,000	22,500	4,054	(18,446)
<b>Total Capital Expenditure</b>	<b>387,520</b>	<b>180,700</b>	<b>120,618</b>	<b>(60,082)</b>
<b>Total Expenditure</b>	<b>2,159,000</b>	<b>1,969,400</b>	<b>1,835,255</b>	<b>(134,145)</b>
<b>Net Surplus</b>	<b>-</b>	<b>2,000</b>	<b>210,778</b>	<b>208,778</b>

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

### **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. Adoption Of New And Revised Standards**

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p>Impact of the standard to the Authority: - The Authority maintains a defined contributory pension plan for all its permanent staff and it is obligated by the standard to recognize, measure and disclose information relating to employee benefit plans</p>

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

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

### 3. Early adoption of standards

The Authority did not adopt any new or amended standards in year 2019-2020.

### 4. 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

The Authority recognizes revenues from application and registration of contractors and skilled workers, conference fees 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.

The non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority 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. The method applies this yield to the principal outstanding to determine interest income each period.

#### **b) Budget Information – IPSAS 24**

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by

presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

**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 Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**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%

**g) Provisions – IPSAS 19**

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

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

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

**h) 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.

**i) 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.

**j) Employee benefits -Retirement benefit plans**

The Authority provides a contributory retirement benefits for its employees. This defined contributory plan is a post-employment benefit plan under which the Authority pays fixed contributions of 15% while the employee contributes 7.5% on basic pay. The total amount is paid the fund account managed by Gen-Africa Asset Managers ltd (Fund manager). The Authority have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

**k) 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.

**l) Related parties**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, the Executive Director and Senior Managers.

**m) Comparatives**

Where necessary comparative figures for the previous financial year 2018/2019 have been amended or reconfigured to conform to the required changes in presentation.

**n) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**i. Estimates and assumptions**

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

**ii. Useful lives and residual values**

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

The condition of the asset based on the assessment of experts employed by the Entity

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**iii. Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 17. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## 6. Revenue from Non- Exchange Transactions

The Authority's major sources of income are from non-exchange transactions comprising of GoK grants, fees charged for registration of contractors, conference and workshops and registration of workers.

		<b>2019/20</b>	<b>2018/19</b>
		<u><b>KShs.</b></u>	<u><b>KShs.</b></u>
GoK Recurrent Grants	6 (i)	1,243,399,999	1,164,975,000
Contractors Application	6 (ii)	62,234,222	52,216,677
Contractors Registration	6 (iii)	598,514,067	530,024,570
Conferences and Workshops	6 (iv)	18,757,140	64,644,993
Registration of Workers	6 (v)	878,017	347,050
<b>Total Income</b>		<u><b>1,923,783,445</b></u>	<u><b>1,812,208,289</b></u>

### i. GoK Recurrent Grants –Transfers from Ministries, departments and other Agencies

The Authority receives budgetary support from the Government in the form of recurrent grants through the state department of Public Works and shown in the schedule below;

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	2019/2020 Total grant income during the year	2018/2019 Total grant income during the year
	Kshs	Kshs			
			KShs	KShs	KShs
State Department of Public Work	1,243,399,999	-	-	1,243,399,999	1,164,975,000
<b>Total</b>	<b>1,243,399,999</b>	<b>-</b>	<b>-</b>	<b>1,243,399,999</b>	<b>1,164,975,000</b>

### ii. Contractors Application Fees

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.

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Contractors Application Fee	62,234,222	52,216,677
	<b><u>62,234,222</u></b>	<b><u>52,216,677</u></b>

### iii. 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.

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Contractors Registration Fees	598,514,067	530,024,570
	<b><u>598,514,067</u></b>	<b><u>530,024,570</u></b>

#### iv. Conferences & Workshops

The Authority carries out training and capacity building workshops and seminars for the contractors and construction workers. The contractor's pays for the training while the Authority subsidizes the training cost using other internally generated revenues.

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Conferences & Workshops	18,757,140	64,644,993
	<b><u>18,757,140</u></b>	<b><u>64,644,993</u></b>

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

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Registration of Workers	878,017	347,050
	<b><u>878,017</u></b>	<b><u>347,050</u></b>

### 7. Revenue from Exchange Transactions

		<b>2019/20</b>	<b>2018/19</b>
		<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Consultancy	7 (i)	103,669	2,439,950
Investment Income	7 (ii)	43,036,267	33,017,512
Miscellaneous revenue	7(iii)	79,110,000	19,371,500
Total Income		<b><u>122,249,936</u></b>	<b><u>54,828,963</u></b>

**i. Consultancy**

In line with its strategic plan on resource mobilization, the Authority identified specialized consultancy as one of the areas for diversification for revenue generation.

	<b>2019/20</b> <b><u>KShs.</u></b>	<b>2018/19</b> <b><u>KShs.</u></b>
Consultancy	103,669	2,439,950
	<b><u>103,669</u></b>	<b><u>2,439,950</u></b>

**ii. Interest Income**

During the year funds not in immediate use were invested in fixed deposits with varying dates of maturity. The interest rates applied on the principal invested varied depending on the market rate.

	<b>2019/20</b> <b><u>KShs.</u></b>	<b>2018/19</b> <b><u>KShs.</u></b>
Interest from FDR	23,388,440	10,788,798
Interest from Treasury Bills	<u>19,647,827</u>	<u>22,228,714</u>
	<b><u>43,036,267</u></b>	<b><u>33,017,512</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**
**(Cont'd)**
**iii. Miscellaneous Revenue**

The miscellaneous revenue consists of the following items

	<b>2019/20</b> <b><u>KShs.</u></b>	<b>2018/19</b> <b><u>KShs.</u></b>
Sponsorship	-	4,559,576
Upgrade Fees	79,110,000	9,059,680
Other incomes	<u>-</u>	<u>5,752,245</u>
	<b><u>79,110,000</u></b>	<b><u>19,371,500</u></b>

### 8. Employee Costs

The employee costs comprise of the following

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Salaries & Wages	625,785,361	593,873,824
Employer Pensions	59,380,810	46,456,336
Training and Capacity Building	42,743,368	72,432,901
Provision for Gratuity (Note 16)	4,224,463	4,021,692
	<b><u>732,134,002</u></b>	<b><u>716,784,752</u></b>

### 9. Board Expenses

The Board expenses for the year were as stated below

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Allowances and Honoraria	16,133,400	14,172,203
Travel & Accommodation	14,241,108	21,575,122
Training Expenses	1,268,865	8,116,871
Executive Remuneration	5,450,000	-
	<b><u>37,093,373</u></b>	<b><u>43,864,195</u></b>

### 10. Communication

Communication expenses relates to telephone, courier and internet connections services

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Telephone & Mobile	20,758,792	15,636,492
Internet Connections	7,007,734	12,370,742
Courier and Postage	390,162	253,505
	<b><u>28,156,688</u></b>	<b><u>28,260,740</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**
**(Cont'd)**
**11. Travelling and Accommodation**

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Domestic Travel & Subsistence	72,000,195	98,832,756
Foreign Travel & Subsistence	24,395,348	45,466,737
	<b><u>96,395,543</u></b>	<b><u>144,299,493</u></b>

**12. Advertising and Public relations**

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Publishing & printing	22,423,010	13,547,520
Advertising, Awareness & Pub.	37,157,869	21,478,783
Trade Shows and Exhibitions	3,127,138	162,000
Corporate Social Responsibility	887,500	1,882,000
Photography & Production	813,140	163,300
Donations and Sponsorship	725,000	576,321
	<b><u>65,133,656</u></b>	<b><u>37,809,924</u></b>

**13. Insurance Costs**

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Fire and other perils	418,008	503,648
Motor vehicle insurance	2,819,128	5,878,831
Medical Insurance	58,278,099	51,118,338
GPA & WIBA	3,462,190	3,683,127
	<b><u>64,977,425</u></b>	<b><u>61,183,944</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**
**(Cont'd)**
**14. Other Operating Expenses**

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Contracted Services	24,406,122	20,056,374
Utilities Supplies & Services	4,132,278	4,201,268
Rent	52,719,921	48,655,807
Staff Welfare & Hospitality	21,236,999	25,767,078
Contractors Training and Cap. Building	130,214,017	224,442,050
Office & Gen. Supply & Services	81,055,286	70,488,032
Motor Vehicle Expenses	28,973,394	30,380,870
Professional Fees	20,983,923	35,146,074
Subscriptions and Licenses	40,170,973	33,835,046
Repairs and Maintenance	20,115,218	16,627,774
Provision for Bad Debts	100,000,000	-
	<b><u>524,008,131</u></b>	<b><u>509,600,373</u></b>

**15. Taxes**

This amount includes a tax provision of Kshs. 119,458,907 based on preliminary compliance checks from the Kenya Revenue Authority Kshs. 921,467 on taxes charged on bank charges and withheld interest earned.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**  
**(Cont'd)**

**16. Provisions/Accruals**

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

	<b>Gratuity</b>	<b>Audit Fees</b>	<b>Bad Debts</b>	<b>Operating Expenses</b>	<b>Totals</b>
	<b>KShs</b>	<b>KShs</b>			<b>KShs</b>
<b>As at 1st July 2019</b>	5,391,711	-	638,902,185		644,293,896
Provision for the year	4,224,463	1,400,000	100,000,000	278,733,635	384,358,098
<b>Payments/ Transfers</b>					
Payments during the year	(3,750,783)				(3,750,783)
<b>As at 30th June 2020</b>	<b>5,865,391</b>	<b>1,400,000</b>	<b>738,902,185</b>	<b>278,733,635</b>	<b>1,024,901,212</b>

The Authority has various members of staff on contract basis, this includes the Executive Director, General Manager – Research, Business Development and Capacity Building, the General Manager Corporate services and the General Manager Registration and Compliance. 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 policy of the Authority is to make a general provision for bad and doubtful debts at the rate of 9% of the trade receivables. The management has made additional provision of Kshs 100 Million for bad and doubtful debts for the period under review occasioned by the non-recoverability of long outstanding debts from debtors.

The Authority made provisions for operating expenses in the period under review to cater for contingent liabilities for goods and services provided and other running contracts that the Authority has a liability to pay in line with the accrual

basis of accounting. The provision also includes a tax provision with respect to tax demand arising from KRA compliance checks and the settlement will be done upon conclusion of the reconciliation.

## 17. Receivables

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
(i) Receivables		
Deposits	705,000	705,000
Debtors	1,782,973,676	1,797,846,646
Less: Provision for Bad Debts	(738,902,185)	(638,902,185)
Salary Advance	2,240,340	2,188,336
Outstanding Imprests	4,049,643	2,349,879
Prepayments	54,978,339	49,534,020
Sundry Debtors	3,584,700	7,110,800
	<b><u>1,109,629,513</u></b>	<b><u>1,220,832,497</u></b>
(ii) Accrued Income		
	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Interest Income	15,100,284	23,651,283
Ecitizen payments	15,979,911	17,661,887
Grants from GoK	-	18,000,000
	<b><u>31,080,194</u></b>	<b><u>59,313,170</u></b>
(ii) Staff Schemes		
Mortgages	275,172,032	231,891,364
Car Loan	23,949,447	28,144,643
	<b><u>299,121,479</u></b>	<b><u>260,036,006</u></b>
	<b><u>1,439,831,186</u></b>	<b><u>1,540,181,673</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**
**(Cont'd)**
**18. Investments**

The Authority invested funds not in immediate use both in Commercial Bank of Africa and Central Bank as follows. The investments as at 30<sup>th</sup> June 2020 were as follows

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Fixed Deposit Receipt Account (KShs)	169,558,797	144,542,448
Treasury Bills	-	531,910,300
Fixed Deposit Receipt Account (USD)	11,343,864	11,343,864
Call Accounts	4,000,000	5,000,000
	<b><u>184,902,662</u></b>	<b><u>692,796,612</u></b>

**19. Cash and Cash Equivalents**

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

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
KCB – Operations	485,455,438	255,644,910
KCB - Staff Mortgage Scheme	107,989,778	120,012,002
CBA – Operations	4,126,762	4,897,422
CBA – Levy	7,118,182	15,499,830
CBA – USD	81,636,971	94,594,635
Consolidated Bank	8,812	8,812
Co-operative Bank	28,155,541	27,611,636
Cash at hand	87,752	110,200
Consolidated Bank	28,163,561	22,716,561
	<b><u>742,742,797</u></b>	<b><u>541,096,007</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

(Cont'd)

**20. Property, Plant and Equipment**

	Office Equipment	Computer Equipment & Access	Furniture & Fittings	Motor Vehicles	Capital Work in Progress	Total
<b>Rate</b>	<b>12.5%</b>	<b>33%</b>	<b>12.50%</b>	<b>25%</b>		-
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>		<b>KShs</b>
<b>Cost</b>						
As At 01.07.2019	20,268,267	165,489,532	182,708,043	204,007,063	-	572,472,905
Adjustment	-	-	-	-		-
Additions	-	3,481,500	5,504,160	5,310,000	86,322,827	100,618,487
Disposals	-	-	-	-		-
<b>As At 30.06.2020</b>	<b>20,268,267</b>	<b>168,971,032</b>	<b>188,212,203</b>	<b>209,317,063</b>	<b>86,322,827</b>	<b>673,091,392</b>
<b>Depreciation</b>						
As At 01.07.2019	13,250,741	156,195,141	93,689,737	179,866,144	-	443,001,763
Period Charge	1,315,742	7,626,722	23,178,914	14,235,826	-	46,357,205
Write off	-	-	-	-		-
Disposal	-	-	-	-		-
<b>As At 30.06.2020</b>	<b>14,566,483</b>	<b>163,821,863</b>	<b>116,868,652</b>	<b>194,101,970</b>	<b>-</b>	<b>489,358,968</b>
<b>Net Book Value</b>						
<b>As At 30.06.2020</b>	<b>5,701,784</b>	<b>5,149,169</b>	<b>71,343,552</b>	<b>15,215,092</b>	<b>86,322,827</b>	<b>183,732,423</b>
<b>As At 30.06.2019</b>	<b>7,017,526</b>	<b>9,294,390</b>	<b>89,018,306</b>	<b>24,140,919</b>	<b>-</b>	<b>129,471,142</b>

	<b>Office Equipment</b>	<b>Computer Equipment &amp; Access</b>	<b>Furniture &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>Rate</b>	<b>12.5%</b>	<b>33%</b>	<b>12.50%</b>	<b>25%</b>	-
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>					
<i>As At 01.07.2018</i>	19,633,067	155,318,212	180,297,878	192,267,063	547,516,220
<i>Adjustment</i>	-	-	-	-	-
<i>Additions</i>	635,200	10,171,320	2,410,165	11,740,000	24,956,685
<i>Disposals</i>	-	-	-	-	-
<b>As At 30.06.2019</b>	<b>20,268,267</b>	<b>165,489,532</b>	<b>182,708,043</b>	<b>204,007,063</b>	<b>572,472,905</b>
<b>Depreciation</b>					
<i>As At 01.07.2018</i>	11,934,998	142,839,350	71,198,816	158,643,596	384,616,760
<i>Period Charge</i>	1,315,742	13,355,792	22,490,921	21,222,548	58,385,003
<i>Write off</i>	-	-	-	-	-
<i>Disposal</i>	-	-	-	-	-
<b>As At 30.06.2019</b>	<b>13,250,741</b>	<b>156,195,141</b>	<b>93,689,737</b>	<b>179,866,144</b>	<b>443,001,763</b>
<b>Net Book Value</b>					
<b>As At 30.06.2019</b>	<b>7,017,526</b>	<b>9,294,390</b>	<b>89,018,306</b>	<b>24,140,919</b>	<b>129,471,142</b>
<b>As At 30.06.2018</b>	<b>7,698,069</b>	<b>12,478,862</b>	<b>109,099,062</b>	<b>33,623,466</b>	<b>162,899,459</b>

## 21. Intangibles

### As at 30.06.20

	<b>Software</b>
<b>Rate</b>	<b>30%</b>
	<b>KShs</b>
<b>Cost</b>	
As At 01.07.2019	174,205,691
Adjustment	-
Additions	-
Disposals	-
<b>As At 30.06.2020</b>	<b>174,205,691</b>
<b>Depreciation</b>	
As At 01.07.2019	691,210
Period Charge	-
Write off	-
Disposal	-
<b>As At 30.06.2020</b>	<b>691,210</b>
<b>Net Book Value</b>	
<b>As At 30.06.2020</b>	<b>173,514,481</b>
<b>As At 30.06.2019</b>	<b>168,814,481</b>

### As at 30.06.19

	<b>Software</b>
<b>Rate</b>	<b>30%</b>
	<b>KShs</b>
<b>Cost</b>	
As At 01.07.2018	169,505,691
Adjustment	-
Additions	4,700,000
Disposals	-
<b>As At 30.06.2018</b>	<b>174,205,691</b>
<b>Depreciation</b>	
As At 01.07.2018	691,210
Period Charge	-
Write off	-
Disposal	-
<b>As At 30.06.2019</b>	<b>691,210</b>
<b>Net Book Value</b>	
<b>As At 30.06.2019</b>	<b>173,514,481</b>
<b>As At 30.06.2018</b>	<b>168,814,481</b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**
**(Cont'd)**
**22. Trade Payables and Accruals**

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Accounts Payables	21,943,842	4,986,510
Provisions and Accruals- (Note 16)	285,999,027	49,069,083
Prepaid Levy	27,264,896	27,264,896
Sundry Creditors	20,275,406	20,712,319
	<b><u>355,483,170</u></b>	<b><u>102,032,808</u></b>

**23. Investment Income Received**

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Accrued Income B/f (Note 17)	23,651,283	23,227,635
Investment income	43,036,267	33,017,512
Accrued Income C/f (Note 17)	(15,100,284)	(23,651,283)
	<b><u>51,587,265</u></b>	<b><u>32,593,865</u></b>

**24. Restatement of Accounts**

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Retained Earnings	2,510,339,317	2,525,070,593
Surplus Remittance	(960,000,000)	(27,284,420)
Prior year adjustments	22,816,291	12,553,144
	<b><u>1,573,155,607</u></b>	<b><u>2,510,339,317</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

**(Cont'd)**

**25. Related Party Transactions**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the directors, the executive director and senior managers. The control of the Authority is exercised through the Board appointed by the Cabinet Secretary in line with the Act. The Executive Director and the Senior Management manage the day-to-day operations of the Authority. The total remuneration for the top management during the year was KShs. 93.09 Million which is included in the employee costs and executive remuneration under board expenses.

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs. "000"</u></b>	<b><u>KShs. "000"</u></b>
Executive Director	5,450	-
General Managers	19,557	26,050
Managers	68,083	66,803
	<b><u>93,090</u></b>	<b><u>92,853</u></b>

## 26. Staff Schemes

The Authority implemented staff mortgage scheme to enable staff acquire houses by providing a cash backed staff mortgage scheme. The scheme is administered by the Kenya Commercial Bank to the credit risk at a fee of 3.5% with the Authority earning an interest of 1% on the loans disbursed. This is in line with the Authority's HR Policy and Public Service policies on attracting and retaining qualified and competent manpower.

	<b>2019/20</b>	<b>2018/19</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Balance as at 1st July 2019	119,658,939	133,679,251
Payments into the Scheme - Mortgage	20,000,000	50,000,000
Car Loan	-	-
Total Cash Available for Disbursement	<u>139,658,939</u>	<u>183,679,251</u>
Disbursements	(85,598,483)	(85,598,483)
Interest Earned on the Scheme	4,459,635	-
Repayments	<u>21,578,172</u>	<u>21,578,172</u>
Balance as at 30th June 2020	<b><u>80,098,263</u></b>	<b><u>119,658,939</u></b>

## 27. Budget Comparison

### i. Budget Approval

The Authority's original budget was approved in line with the PFM Act in January 2019 and revised in January 2020. The revision was meant to ensure that the Authority operates within the overall approved expenditure levels considering any new developments and meet its operational mandates. The revised budgets were subsequently approved for implementation by the Board.

### ii. Budget Utilization

The Authority utilized **96%** of its recurrent budget and **67%** of its capital budget. The low utilization is attributable to the disruptions due to the COVID-19 pandemic.

## 28. Contingencies

The Authority has provided for contingent liabilities on operating expenses as it had commitments and running contracts as at 30th June 2020. This is in line

with the accrual basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid)

The Authority received a demand from the Kenya Revenue Authority (KRA) of KShs. 2.1 Billion in relation to remittance of surplus funds to the exchequer. The Authority objected to the demand and initiated negotiations with KRA and the National Treasury through the parent ministry for a review of the figures. This is based on the fact that the Authority uses accrual accounting principle as recommended by the Public Sector Accounting Standards Board and the surplus demanded relates to revenue not received and the provisions of the NCA Act on the retention of surplus for the Authority in the National Construction Authority Fund. The Authority in the FY 2019/20 made payment of KShs. 960 Million to the exchequer as part of the negotiations and payment plan.

The demand and subsequent payment of the amounts demanded is likely to impact the Authority's operations. The demand is over and above the Authority's budget for the current Financial Year 2019/20 at KShs. 1.9 Million. In addition, the Authority hasn't received any development grants from the Government and finances its capital expenditure through the retained surplus and appropriations in aid. The capital expenditure projected to be financed through the surplus funds included the construction of the National Construction Institute (NCI) and enhancement of the IT systems to incorporate the construction one-stop-shop.

### **29. Events after the reporting period**

There were no material adjusting and non- adjusting events after the reporting period.

### **30. Ultimate and holding entity**

The Authority is a State Corporation Agency under the Ministry of Transport, Infrastructure Public works Housing and Urban Development. Its ultimate parent is the Government of Kenya.

### **31. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Referen ce No. on the external audit Report</b>	<b>Issue / Observation s from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designat ion)</b>	<b>Status: (Resolve d / Not Resolve d)</b>	<b>Timefram e: (Put a date when you expect the issue to be resolved)</b>
1.0	<b>Receivables</b> Long Outstanding debts	<p>The management in its action to recover the outstanding debt, presented a paper to the board of directors during its 49<sup>th</sup> full board meeting dated 27<sup>th</sup> June 2019 on some of the strategies to be applied.</p> <p>The Management initiated different strategies to collect the outstanding amounts including issuance of demand notices and engaging debt collection agencies. The Management issued demand notices to the private and public developers but this didn't yield any tangible results. The Management also initiated the process of procuring a debt collection agency to aid in collecting the outstanding amounts but this process was unsuccessful as the first and second procurement bids were unresponsive. The process of collecting the outstanding amount has become challenging with the</p>	Executive Director	Unresolv ed	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>suspension of the levy which was effected from 1st January 2017.</p> <p>However, the Authority has engaged the Kenya revenue Authority to collect the outstanding amounts.</p>			



Eng. Maurice Akech  
Executive Director/ Registrar of Contractors

Date.....20/4/2021.....

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the Authority funded by development partners

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
1	N/A	-	-	-	-	-

**Status of Projects completion**

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	N/A	-	-	-	-	-	-

**APPENDIX III: INTER-ENTITY TRANSFERS.**

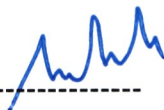
The above amounts have been communicated to and reconciled with the parent Ministry;

	ENTITY NAME:	National Construction Authority		
	Break down of Transfers from the State Department of Public Works			
	FY 2019/2020			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
a.	Recurrent Grants	As per Appendix III	1,243,399,999	2019/2020
b.	Development Grants	-	-	-
c.	Direct Payments	-	-	-
d.	Donor Receipts	-	-	-
	<b>Total</b>		<b>1,243,399,999</b>	<b>-</b>

**Christine Kirimi**

Manager Finance and Accounts

Sign



**Eng. Maurice Akech**

Executive Director

Sign



**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent /Development/Others	Total Amount - KES	Where Recorded / recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State department of, Housing and Urban Development	03.10.19	Recurrent	155,425,000	Statement of financial performance					155,425,000
State department of Public Works	06.11.19	Recurrent	155,425,000	Statement of financial performance					155,425,000
State department of Public Works	24.12.19	Recurrent	155,425,000	Statement of financial performance					155,425,000
State department of Public Works	24.12.19	Recurrent	155,425,000	Statement of financial performance					155,425,000
State department of Public Works	03.02.20	Recurrent	155,425,000	Statement of financial performance					155,425,000
State department of Public Works	05.03.20	Recurrent	155,425,000	Statement of financial performance					155,425,000
State department of Public Works	21.05.20	Recurrent	103,616,666	Statement of financial performance					103,616,666

State department of Public Works	02.06.20	Recurrent	103,616,666	Statement of financial performance					103,616,666
State department of Public Works	29.06.20	Recurrent	103,616,666	Statement of financial performance					103,616,666
<b>Total</b>			<b>1,243,399,999</b>						<b>1,243,399,999</b>