

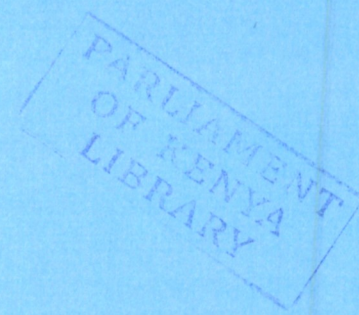
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT



THE NATIONAL ASSEMBLY  
PAPERS LAJD

DATE: 17 AUG 2019 DAY: Wednesday

TABLED BY: LOM  
Clerk-at-Table: Gertrude Chebet

OF  
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
NATIONAL CONSTRUCTION AUTHORITY

FOR THE YEAR  
ENDED 30 JUNE 2018





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**NATIONAL CONSTRUCTION  
AUTHORITY**

**FINANCIAL STATEMENTS**

**AND**

**ANNUAL REPORT**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE, 2018**

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## **CORPORATE INFORMATION**

### **Establishment**

The National Construction Authority was established through the National Construction Authority (NCA) Act No. 41 of 2011. The object for which the Authority is established is to oversee the construction industry and coordinate its development.

### **Functions**

The Authority Mandated is to:-

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

### **Registered Office**

11<sup>th</sup> Floor, KCB Plaza,

Kenya Road

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)

P.O Box 21046-00100

**NAIROBI.**

## Regional Offices

In line with Article 6 (3) of the Constitution of Kenya, the Authority has endeavored to ensure reasonable access to its services in all parts of the Republic of Kenya by establishing regional and liaison offices across the country. The following table indicates the existing 14 regional offices.

*Table 1: Regional Offices*

No.	Region	Physical Location	Contacts
1.	Coast	Directorate of Public Works Mombasa	P. O. Box 80343-801000, Mombasa Tel. 0707 351398
2.	Lower Eastern	Directorate of Public Works Kitui	P. O. Box 375 – 90200 Kitui Tel. 0770 662469
3.	Upper Eastern	Directorate of Public Works Isiolo	P. O. Box 774 – 603000 Isiolo Tel. 0717 866955
4.	Central Nyanza	Directorate of Public Works Kisumu	P. O. Box 103-40100 Kisumu Tel. 0704 737878
5.	Central Rift	Directorate of Public Works Nakuru	P. O. Box 16786-20100 Nakuru Tel. 0708 768457
6.	North Rift	Directorate of Public Works Eldoret	P. O. Box 503-30100 Eldoret Tel. 0775 502503
7.	Mount Kenya	Directorate of Public Works Nyeri	P. O. Box 2542 – 10100 Nyeri Tel. 0703 749742
8.	Western	Directorate of Public Works Kakamega	P. O. Box 1798-50100 Kakamega Tel. 0720 342594
9.	North Eastern	Directorate of Public Works Garissa	P. O. Box 1015-70100 Garissa Tel. 0707 999455
10.	South Nyanza	Directorate of Public Works Kisii	P. O. Box 3303-40200 Kisii Tel. 0729 931866
11.	Nairobi	1 <sup>st</sup> Floor, Hill Plaza Ngong Road	P. O. Box 21046 – 00100, Nairobi Tel. 0700 021222
12.	Kiambu	Treasury Building off Kiambu Road	P. O. Box 1734 – 00900, Kiambu Tel. 0704 410497
13.	Kajiado	State Department of Housing off Namanga Road	P. O. Box 369 – 001100, Kajiado Tel. 0716 673726
14.	Central Eastern	Directorate of Public Works Embu	Public Works Yard, Hospital Road. +254 707 255 638

## **Corporate Information (Cont'd)**

### **Auditors**

The Auditor- General

Office of the Auditor-General

Anniversary Towers

P.O Box 30084-00100

**NAIROBI.**

### **Principal Legal Adviser**

The Attorney General

State Law Office

P.O. Box 40112 – 00200

**NAIROBI.**

**Bankers:**

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

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

Co-operative Bank Ltd  
Upper Hill Branch,  
KUSSCO Centre,  
P.O Box 30415 - 0010  
**NAIROBI.**

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

## **Corporate Information (Cont'd)**

### **BOARD MEMBERS**



**Steven W. Oundo, OGW**

**Board Chair,**

**Representing AAK**

**D.O.B: 16.08.1971**

**Appointment: 02.11.2012**

**Term ended on 30.06.18**

Oundo graduated from the University of Nairobi with a Bachelor of Architecture (Hons) Degree in 1997 and a Master in Business Administration (Strategic Management) Degree from the same University in 2014. He has served as the Chairman of NCA's Board of Directors since its inception in 2012. Oundo is also a former Chairman of the Architectural Association of Kenya (AAK) where he served with distinction from 2009 to 2013 and a member of the Governing Council since 2005.

Oundo has served in a number of international professional organizations including the Africa Union of Architects (AUA), East Africa Institute of Architects (EAIA), Association of Professional Societies in East Africa (APSEA), Commonwealth Association of Architects (CAA). In addition, Oundo served as a Member of Interim Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) Steering Committee under the Ministry of Higher Education, Science and Technology from 2009 to 2013.

A registered architect, Oundo has been honored to serve as a Member of the Board of Registration of Architects and Quantity Surveyors of Kenya (BORAQS). He serves in the Board of NSE listed paints manufacturer, Crown Paints Kenya Ltd, as a Non- Executive Director from April 2015 to date. He is also a partner and architect for Trioscape LTD a reputable indigenous architectural practice which was originally formed back in 1999.

He has wide experience in alternative dispute resolution mechanisms and is a Member of the Chartered Institute of Arbitrators (Kenya Branch).

In recognition of his contribution to the Country, Oundo was awarded the Order of the Grand Warrior (OGW) for his distinguished service to the Nation in December 2012.

**Dr. Loice J. Kipkorir**

**Vice-Chair Person, representing Special Interest Groups.**

**D.O.B 26.02.1970**

**Appointed on 31.07.2015**

**Term ended on 30.06.18**

Dr. Kipkorir is a lecturer in the School of Arts and Social Sciences, Department of Humanities, at the University of Kabianga. She is a member of the University Senate and serves in several Committees. Dr. Kipkorir also serves as the Chairperson of the Board at TOT Mixed Secondary School and as a member of the Board of Kabianga High School.

She holds a PhD in Environmental Studies (Environmental Information Systems). Passionate about environmental issues, Dr. Kipkorir is a Lead Expert in Environmental Impact Assessment and a member of the Environmental Institute of Kenya.

**Ms. Susan Karanja**

**Board Member, representing the National Treasury**

**D.O.B 23.04.1960**

**Appointed on 09.08.2012**

Susan is a multi-talented investment and financial specialist with over thirty years' experience gained primarily in the public service. Susan has extensive directorship experience having served as an Alternate Director for the National Treasury in a number of State Corporations' Boards. She is a member of the Institute of Directors (Kenya), Rotary International and Ruiru Sports Club and institute of certified Public financial analyst (ICIPA)

She attained her Bachelor of Commerce (Finance & Accounting Major) in Nagpur University, India (1983), Masters in Business Administration (ESAMI/MSM) in 2007 and a Post Graduate Diploma in Corporate Governance at KCA University (2012).



**Qs. Jennifer Musyimi**

**Board Member, representing IQSK**

**D.O.B 06.04.1977**

**Appointed on 31.07.15**

**Term ended on 30.06.18**

Qs. Jennifer is the Managing Director of Anka Consultant Ltd, a Quantity Surveying firm in Kenya. Qs. Jennifer's career was founded at Safaricom Ltd in 2004. She is currently serving at the Governing Council of The Institute of Quantity Surveyors of Kenya (IQSK) where her mandate is to assure value for membership and enliven mentorship for the young professionals.

Qs. Jennifer holds a Bachelor's Degree in Quantity Surveying, a Master's Degree in Business Administration and is a member of IQSK, the Architectural Association of Kenya, The Royal Institute of Chartered Surveyors, and Women on Boards Network. She has attended executive programs from Strathmore University, Cranfield University, Babson College as well as the Harvard Business School.

**Hon. Moses Muhia**

**Board Member, representing KFMB**

**D.O.B 30.08.1946**

**Appointed on 31.05.2012**

**Term ended on 30.06.18**

Hon. Muihia, a former Member of Parliament for Gatundu South Constituency, is a registered Quantity Surveyor with extensive experience in the construction industry. He was heavily involved in the lobbying for the establishment of the Authority, and has served as a Director on the NCA Board since its inception.





**Ms Anne M. Kiusya**

**Board Member, representing LSK**

**D.O.B 29.11.1968**

**Appointed on 31.05.2015**

**Term ended on 30.06.18**

Ms. Kiusya is an Advocate of the High Court of Kenya, and represents the Law Society of Kenya on the NCA Board of Directors. She chairs the Board Human Resource Committee.



**PROF. GODRICK BULITIA**

**Board Member representing special interest**

**D.O.B 10.11.1970**

**Appointed on 12.05.2017**

Prof. Bulitia is a PhD holder in the field of Business Administration from Maseno University and has a Master's in Business Administration from the University of Nairobi. He has been a lecturer in various universities since 2005 and has worked as immediate Chief Executive Officer of Kaimosi University now constituent college of Masinde Muliro University of Science and Technology. Prof. Bulitia is currently serving as Registrar-Administration, Finance, Planning and Development at Murang'a University of Technology and was appointed in January 2016 as Resource Person Reviewer by the Commission for University Education. Prof. Bulitia has been actively involved in the development of various academic programmes approved by Commission for University Education in a number of universities. He is also a consultant of various Universities in Kenya in terms of curriculum development, strategic plans and beacons of Charter Award for Constituent Colleges.



**Eng. Henry S. Amaje**

**Board Member, representing IEK**

**D.O.B 05.02.1953**

**Appointed on 31.05.2012**

**Term ended 30.06.18**

Eng. Amaje is an Electrical Engineer with over 34 years' experience in managing government contracts and diverse professional teams as a Senior Government Engineer. Eng. Amaje served for over 12 years as the Deputy Chief Electrical and Mechanical Engineer (Building Services).

He serves as an elected council member of the Institution of Engineers of Kenya, and has served as the Chairman of the Industrialization, Environment and Quality Assurance Committees of the Institution. He was appointed as an NCA Board Member in 2012, and has served as the Chair of the Finance, Administration and Development committee of the Board from 2012 to 2015 and is currently the Chair of the Board Audit, Risk and Governance committee.

Eng. Amaje holds a BSc (Elec. Eng.) (Hons.) Degree from University of Nairobi. He is an Accredited Professional Engineer (P.E.) and Registered Consulting Engineer with Engineers Board of Kenya. He is also a Fellow of the Institution of Engineers of Kenya and a Member of Institution of Engineering and Technology (UK).



**Arch. Makenzi Kiilu,**

**Board Member, representing PS State Department of Housing and Urban Development.**

**D.O.B 10.04.1960**

**Appointed on 22.02.2016**

Arch. Killu is a registered architect with the Board of Registration of Architects and Quantity Surveyors (BORAQS). He represents the Principal Secretary, State Department of Housing and Urban Development under the Ministry of Transport, Infrastructure and Urban Development.



**Eng. Arjan Shankla**

**Board Member, representing KABCEC**

**D.O.B 17.07.1959**

**Appointed on 02.11.2012**

**Term ended on 30.06.18**

Eng. Shankla graduated from the University of Sheffield with an honors degree in Civil & Structural Engineering. He is one of the leading Chartered Engineers in Kenya and a fellow member of two major engineering institutions in the world (FIStructE, FICE).

He is a registered engineer in Kenya, Uganda and Tanzania, and has an ACCA Diploma in finance. Eng. Shankla is also a real estate developer, is involved in various design, and build projects.

He has served as Chairman of the Architectural Association of Kenya Engineers Chapter for a number of years, as well as an Executive Member of the Kenya Association of Building and Civil Engineering Contractors (KABCEC).



**Wallace Atim**

**Board Member, representing RACECA**

**D.O.B 28.01.1969**

**Appointed on 31.07.2015**

**Term ended 30.06.18**

Wallace Atim is a practicing engineer representing the Roads and Civil Engineering Contractors Association (RACECA) on the NCA Board.

He Chaired the Technical Committee of the Board.



**Arch. Jackson Kafuna**

**Board Member, representing PS State Department of Public Works**

**D.O.B 20.06.1959**

**Appointed on 03.08.2016**

Arch. Jackson Kwisi Kafuna is a registered architect with the Board of Registration of Architects and Quantity Surveyors (BORAQS), a corporate member of the Architectural Society of Kenya and represents the Principal Secretary, State Department of Public Works under the Ministry of Infrastructure, Housing and Urban Development on the NCA Board. He is a leading 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.

Jackson 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).

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



**Eng. Stephen K. Kogi**

**Board Member, representing State Department of Infrastructure**

**D.O.B 14.01.1964**

**Appointed on 09.08.2012**

Eng. Kogi is a Mechanical Engineer registered with the Engineers Board of Kenya. He has been involved in key infrastructural projects in the industry over the last twenty years, and represents the Principal Secretary, Ministry of Transport, Infrastructure and Urban Development (State Department of Transport and Infrastructure) on the NCA Board of Directors.



**Dr. Arch. Daniel O. Manduku**

**Executive Director/Secretary to the Board**

Dr. Manduku was appointed on 12<sup>th</sup> November 2012 as the founding Executive Director and Registrar of Contractors. He is a corporate member of the Architectural Association of Kenya (AAK) and Institute of Construction Project Managers of Kenya.

Prior to his appointment as Executive Director of the Authority, he founded and managed a leading private architectural consultancy firm, Cadplan Architects Ltd, from 2001 to 2012.

Dr. Manduku has a Doctorate of Philosophy (PhD) in Business Administration from the United States International University- Kenya (USIU), a Master's in Business Administration also from USIU and a Bachelor's Degree in Architecture from the Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is currently undertaking a post masters degree in sustainable urban management at Centre of urban studies, JKUAT. He served the Authority up to 30.05.18 and is currently the Ag. Managing Director KPA



**Eng. Maurice Aketch**

**Ag. Executive  
Director/Secretary to the  
Board as from 02.06.18**

Prior to joining NCA, Eng. Akech was a Project Manager and Team Leader at Safaricom, where he was fully responsible for the day to day running of major projects, such as data centers and mobile switching rooms in over one thousand base station sites. Before that, he worked as a structural engineer at Gibb Eastern Africa Ltd from 2001 to 2005, where he worked on several projects in Tanzania, Malawi and Mauritius, including the Kenya Airways hangar in Embakasi. He had previously worked for Howard Humphreys Consulting Engineers as a Graduate Engineer, and was involved in key projects in both Kenya and Ethiopia. Eng. Akech has over fifteen years' experience in design, supervision and management in multi-disciplinary construction engineering environments and brings that wealth of knowledge to his current position at the Authority, where he is in charge of commissioning research and disseminating the findings, developing and implementing training programmes as well as conceptualizing income generating ventures.

Eng. Akech has an M.Sc. Construction Engineering and Management from the Jomo Kenyatta University of Science and Technology (JKUAT) as well as a B.Sc. Civil Engineering from the same university.

## **SENIOR MANAGEMENT**



**Arch. Daniel O. Manduku**

**Executive  
Director/Registrar of  
Contractors**

Dr. Manduku was appointed on 12<sup>th</sup> November 2012 as the founding Executive Director and Registrar of Contractors. He is a corporate member of the Architectural Association of Kenya (AAK) and Institute of Construction Project Managers of Kenya.

Prior to his appointment as Executive Director of the Authority, he founded and managed a leading private architectural consultancy firm, Cadplan Architects Ltd, from 2001 to 2012.

Dr. Manduku has a Doctorate of Philosophy (PhD) in Business Administration from the United States International University- Kenya (USIU), a Master's in Business Administration also from USIU and a Bachelor's Degree in Architecture from the Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is currently undertaking a post masters degree in sustainable urban management at Centre of urban studies, JKUAT. He served the Authority up to 30.05.18 and is currently the Ag. Managing Director KPA



**Eng. Maurice Aketch**

**Ag. Executive  
Director/Registrar of  
Contractors as from 02.06.18**

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Eng. Akech has an M.Sc. Construction Engineering and Management from the Jomo Kenyatta University of Science and Technology (JKUAT) as well as a B.Sc. Civil Engineering from the same university.



**Eng. Raymond Karani**

**Ag. GM. Registration and Compliance**

Eng. Karani has over twenty years of experience as a civil engineer, extensively as a Water Engineer. Prior to joining NCA, Eng. Karani worked for the National Water Conservation and Pipeline Corporation, where he handled major projects across the country, such as the construction of Rare, Thua and Rumuruti Dams. Eng. Karani, still under the NWPC, served as the Regional Manager in the Coast and Southern regions. He brings to the Authority an all-embracing knowledge of the industry, keenly aware of the workings and challenges of contractors and other professionals in the sector.

He has a Bachelor of Science in Civil Engineering, Department of Civil Engineering, University of Nairobi, and is currently pursuing a Master of Business Administration (MBA) at the University of Nairobi.



**Christine Kirimi**

**Manager Finance**

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 the Office of the President and the Ministries of Labour and Human Resource Development as well as Land, Housing and Urban Development.

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.



**James Kilonzi**

**Manager, Accounts**

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.



**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.



**Paul Gesora**

**Manager, Corporate  
Strategy**

Mr. Gesora, a career civil servant, oversees the Corporate Strategy Department of the Authority, where he ensures that the Authority is in line with its Performance Contract and Strategic Plan. He has previously worked as the Principal Economist in the Ministry of Land, Housing And Urban Development, and was one of the key staff members who set up NCA and helped build a working organizational framework. Mr. Gesora has also worked in the Ministries of Roads and Public Works, Lands and Settlement, Agriculture and Rural Development, and Finance and Treasury. In various capacities, he has worked on the Implementation of Economic Recovery Strategy for Wealth and Employment Creation, developed Strategic Plans for Kenya National Highways Authority (KENHA), Kenya Rural Roads Authority (KERA), Kenya Urban Roads Authority (KURA) and participated 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. A seasoned economist, Mr. Gesora brings over twenty years' experience to NCA.

Gesora holds a Bachelor of Arts (BA-Honours, Economics) from the University of Baroda (India).



**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, a Higher National Diploma in Human Resource Management from Inoorero University and a Bachelor of Education (Arts) from Moi University. He is currently pursuing a Master's in Public Policy and Administration, Kenyatta University.



**Samson Lukoba**

**Corporation Secretary and Head of Legal**

Mr. Lukoba brings to the Authority over Fifteen years' experience in both strategic and operational positions in multinational organizations. 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 postgraduate Diploma in Law from the Kenya School of Law. He is a Certified Public Secretary a member of the Certified Institute of Secretaries Kenya and Law Society of Kenya.



**Qs. David Mathu**

**Manager, Research and  
Business Development**

Qs. Mathu has implemented several public and private projects both as a consulting Quantity Surveyor and a Project Manager. He started his career at Davson & Ward Quantity Surveyors & Project Managers before joining the former Ministry of Public Works in Quantities and Contracts Department. David serves as a Council Member of the Institute of Quantity Surveyors of Kenya (IQSK) amongst other Boards.

He has a wide local and international exposure in global issues in construction such as Business Development, Public Private Partnerships, Project Finance, Procurement & Contract Management of Works, Construction Materials Distributions and Business to Business Linkages. As a founding member of Research and Business Development Department, Qs. Mathu has contributed immensely to the growth and innovation strategies of National Construction Authority to date.

He holds an MSc in Procurement & Logistics (Jomo Kenyatta University of Agriculture and Technology) and a B.A. in Building Economics from the University of Nairobi. Mathu also holds an Advanced Diploma (CIPS-UK) and Certification in Monitoring and Evaluation from the Kenya Institute of Management. David is currently pursuing a PhD in Business Administration (Operations) Management at University of Nairobi.



**Qs. Susan Rutto**

**Manager, Registration and  
Compliance (Building Works)**

Qs. Susan Rutto holds a Bachelor of Arts, Building Economics and Management from University of Nairobi and is a construction industry professional with fifteen years' experience both in the private and public sectors. Having worked for various consultancy firms, she joined the then Ministry of Public Works where she rose to Superintending Quantity Surveyor, preparing bills of quantities, tender documents and advising on contract administration, as well as handling various projects such as the School of Combat in Lanet. Qs. Rutto was one of the founding staff members of the Authority, where she helped develop the evaluation criteria for the registration of contractors and initiated the registration process for the same.



**Stephen Obare**

**Manager, ICT**

Mr Obare has broad experience and knowledge in the ICT field. Before joining NCA, he was an Assistant Systems Applications Manager at KenTrade, responsible for planning, coordinating and supervising all activities related to the design, development and implementation of the company's information systems and software applications. He has also worked as a systems administrator at the Kenya Ports Authority and the Rural Electrification Authority. Mr. Obare has been involved in policy formulation as well as the development of standards and procedures in various capacities, and brings that wealth of knowledge to his position at the Authority.

He is a certified systems developer and engineer, with an MSc. (Computer Science) from the University of Nairobi and a Bachelor of Science (Computer Science) from Jomo Kenyatta University of Science and Technology (JKUAT), currently pursuing a Phd in computer science



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

Dr. Apopa is a long standing professional in the supply chain management field, having practiced the same for over twenty years. She has worked in various capacities for the Ministries of Agriculture and Labour, and more extensively for the Kenya National Highways Authority, where she received a Professional Achievement Award in recognition of distinguished accomplishments in her department. Ms. Apopa has expansive experience in procurement planning and budgeting, preparation of statutory reports and tender documents as well as a good understanding of legal frameworks associated with procurement, and brings that wealth of knowledge to the Authority.

Mrs. Apopa holds a Master of Science, Procurement and Logistics from the Jomo Kenyatta University of Science and Technology (JKUAT) and a Bachelor of Purchasing and Supplies Management from the same university. She hold a doctoral degree in Supply Chain Management also from JKUAT.



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



**Anthony Ochieng**  
**Manager, Quality Assurance**  
**And Internal Audit**

Mr. Ochieng, whose love of mathematics inspired his accounting background, has worked as an auditor extensively in the public sector. He was previously the Senior Internal Auditor at the Kenya Urban Roads Authority, where he developed, documented and updated audit procedures, developed a risk matrix, 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 quality management, and brings that same experience to his position at the Authority.

Ochieng has a Master of Business Administration (Finance) from the University of Nairobi and a Bachelor of Commerce (Finance) from the Catholic University of Eastern Africa.



**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 for the last 7 years. 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 Masters in Urban Management from the University of Nairobi as well as a Bachelor of Architecture, University of Nairobi.



**Arch. Stephen Mwilu**

**Manager, Regional Offices**

Mr. Mwilu is a registered Architect with BORAQS. Prior to joining the Authority, Arch. Mwilu worked with the Directorate of Public Works, where he rose to the position of Senior Superintending Architect. Arch. Mwilu joined NCA as a Regional Officer in charge of the Lower Eastern Region, and his dedication and hard work saw him promoted to Manager, Regional Offices, where he coordinates the activities of NCA's all the regional offices and six 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.

Mwilu is currently pursuing a Masters in Construction Management from the Jomo Kenyatta University of Science and Technology (JKUAT) and a Bachelor of Architecture from the University of Nairobi.

## **CHAIRMAN'S STATEMENT**

Undoubtedly, this has been a landmark year for the construction industry. His Excellency President Uhuru Kenyatta launched the 'Big Four' in December 2017, and set in motion a transformative agenda for the country.

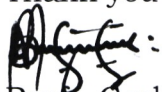
Affordable housing is one of the pillars of the agenda, with the aim of providing half a million houses to those who in ordinary circumstances would have been unable to afford them. The Authority as the industry regulator has played a critical advisory role. Under the Ministry of Transport, Infrastructure, Housing and Urban Development, NCA, in a quest to build the capacity of local contractors, coordinated the invitation of contractors to bid for construction tenders. The contractors, invited to showcase affordable housing models through Innovative Building Materials and Technologies (IBMT), will be given land on which they will build show houses to demonstrate the most prudent use of resources.

The affordable housing agenda is yet another example of the considerable impact the construction industry has in Kenya. Housing isn't just about a literal roof over your head, but about human settlement and dignity. This project is reinventing housing solutions not just in the country but in the entire region, and will surely be replicated. Investing in housing and related infrastructure and services will have a multiplier effect on the national income, due to investments drawn from manufacturing and labour.

The Nairobi Regeneration Project was another critical project that the Authority was proud to be associated with. Seeking to rehabilitate roads, introduce a Rapid Bus Transit System and reclaim riparian land, the project will also incorporate low cost housing in areas such as Shauri Moyo, Makongeni, Starehe, Park Road and Ngara. The Authority has been a key driver of another one of the project's components, which is the collapsing of approval process in the construction value chain. In conjunction with the Nairobi City County, the National Environmental Management Authority and other statutory bodies, the Authority has been coordinating efforts to reduce the cost of doing business in Kenya, specifically in the construction industry, by creating a one stop portal that will not only greatly shorten the time it takes to acquire construction permits, but will also discount the cost as well.

This is a season of rapid change and development for our country, and the Authority looks forward to playing a role in the coordination and effective regulation of the construction industry towards the same.

Thank you



Prof. Godrick Bulitia

**Vice Chairperson of the Board**

## **EXECUTIVE DIRECTOR'S STATEMENT**

The Authority this past year celebrated its fifth anniversary, a milestone that was marked with a series of celebrations that reflected the considerable achievements.

Over the past five years, the Authority established professional registers for contractors, construction workers and projects, developed occupational standards for the trades within the industry, developed and implemented a Code of Conduct and Ethics for the construction industry and established regional offices across the country, amongst other key industry activities.

One of the biggest milestones that came to fruition in the last year was the award of the ISO 9001:2015 certification. In doing so, the Authority became one of the 174 organizations in Kenya certified by the Kenya Bureau of Standards as per the quality management systems (QMS) standards and one of only 32 Kenyan institutions that have been certified using the 9001:2015 system. The certification provides a basis for the Authority's efforts to gain better process control, improved customer satisfaction, consistency in operations and development of a professional culture.

This year also saw the relaunch of the National Construction Week, featuring the International Construction Research Conference and Exhibition (ICoRCE), the Authority's biggest event in terms of scale, and the Big Five Construct Exhibition which is run by one of the Authority's partners.

Significant progress was also made this year towards the realization of the National Construction Institute, a proposed center of excellence for contractors, construction workers and other relevant stakeholders in the industry. The centre will be located within the Konza Technopolis, where the Authority has been allocated land and is looking to break ground in the coming months.

The Authority is also proud of strengthened ties with stakeholders, right from the grassroots level, which came about through sustained engagement, and the impact has been felt through heightened awareness of Authority activities and higher quality assurance compliance rates.

In the same breath of sustained awareness, the Authority is now present at all Huduma Centres across the country. This is part of our commitment to devolve services towards enhanced service delivery.

As always, the Authority looks forward to making an even bigger impact in the coming year towards the development of the construction industry.



**Eng. Maurice Akech**

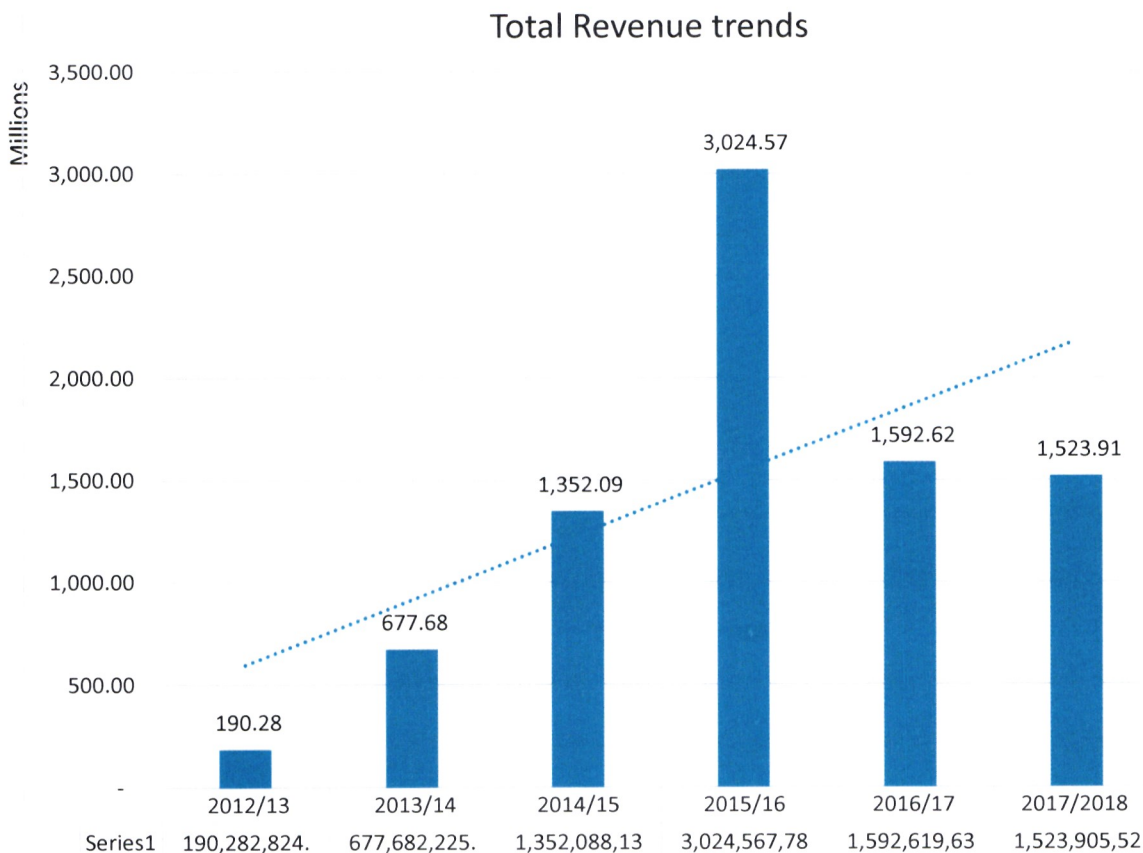
**Ag. Executive Director/Registrar of Contractors**

## KEY HIGHLIGHTS AND ACHIEVEMENTS

The financial year 2017/2018 marks the sixth 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

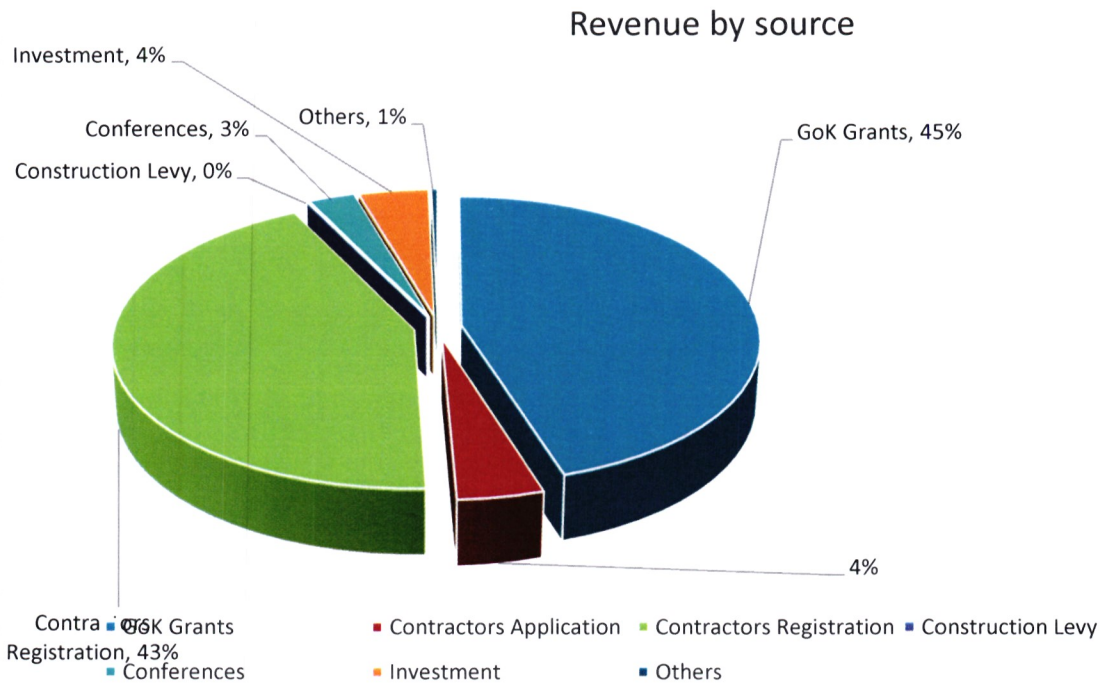


The total revenue for the Authority has recorded a further decreased by 5% as compared with the last financial year. The internally generated revenue decreased by 28% which is attributable to the Governments removal of the construction levy with

effect from 1<sup>st</sup> January 2017. The support from the Government in the form of recurrent grants grew by 58 % as a compensation for the removal of the construction levy in line with the Government's policy.

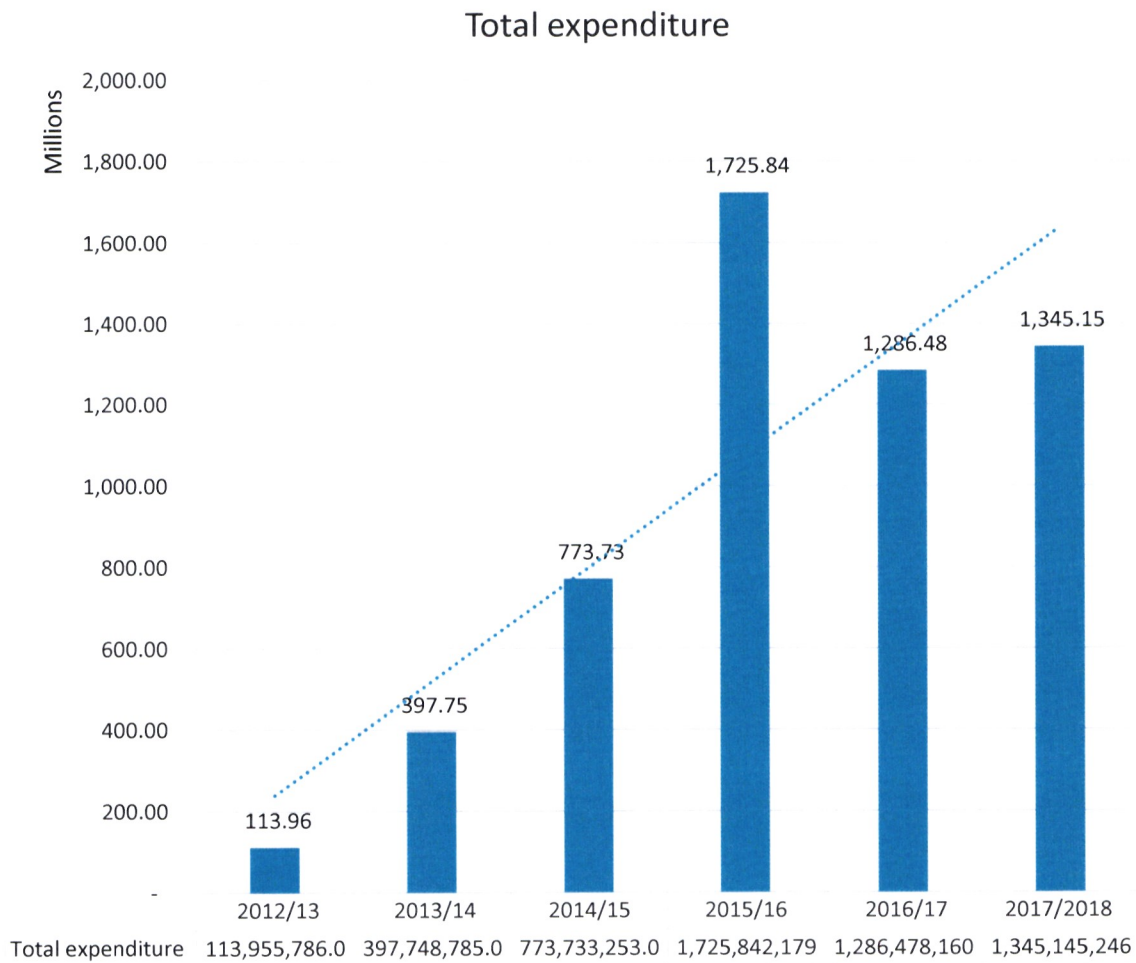
**Key Highlights (Cont'd)**

*b. Revenue Sources for FY 2017/2018*



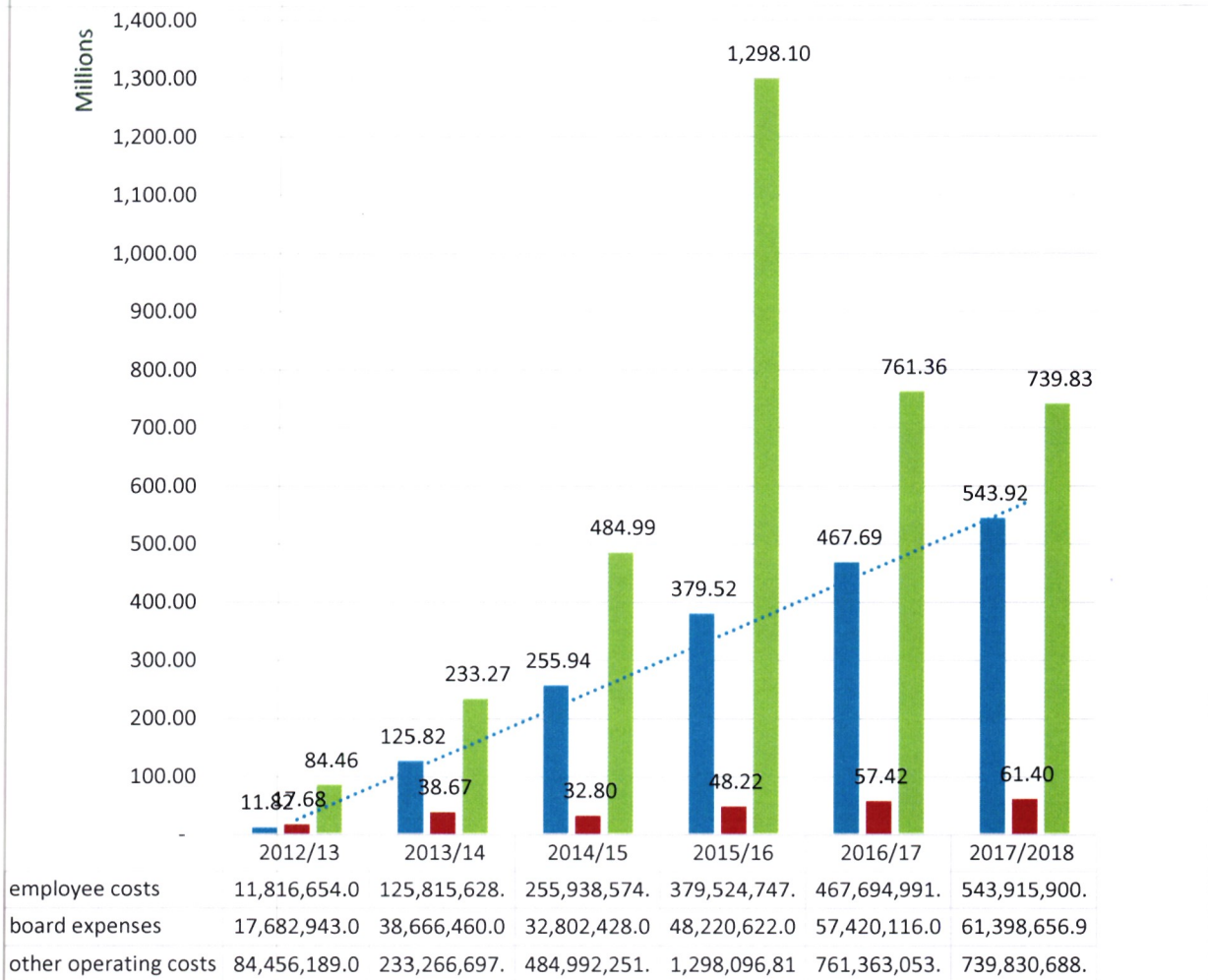
The GoK Grants contributed 45% of the total revenue for the Authority as compared with 27% last financial year. The increase is the Government's support after the removal of the construction levy. The income realized from the contractor's fees comprises of application fees for registration, registration fees and receipts from training workshops for contractors which accounted for 53% of the total revenue.

**c. Expenditure Trends**



The expenditure for the period under review increased by 4% as compared with the last financial year. This is attributable to the growth in staff establishment.

**d. Expenditure by Vote**



The Authority's employee costs accounts for 41% of the total expenditure for the period. The expenditure has grown over the years from KShs. 11.8 in the FY 2012/2013 Million to KShs. 543.6 Million at the end of FY 2017/2018. This is attributed to the growth of staff complement from 5 to a total of 477 in 2012/2013 and 2017/2018 respectively. The current total work forces comprises of 292 permanent and long term contract employees, 151 short term contract employees

deployed to all Huduma centers and regionals offices to provides various services across the country ,and 34 interns and students on attachment.

The reduction of the revenue was occasioned by the suspension of the levy by the Government in January 2017. This forced the Authority to scale down part of its operations leading to reduction in other operating expenses

**e. Regulation**

*i. 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 . 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 2: Registered Contractors (by Certificate) for FY 2017/2018*

Category	Classes of Works					Total
	Roads	Water	Buildings	Electrical	Mechanical	
<b>NCA1</b>	265	193	361	197	134	<b>1,150</b>
<b>NCA2</b>	264	157	339	69	59	<b>888</b>
<b>NCA3</b>	352	233	421	89	60	<b>1,155</b>
<b>NCA4</b>	1,417	1,000	1,464	256	171	<b>4,308</b>
<b>NCA5</b>	1,494	1,017	1,576	178	131	<b>4,396</b>
<b>NCA6</b>	2,498	1,540	2,604	244	161	<b>7,047</b>
<b>NCA7</b>	3,154	1,663	3,180	230	159	<b>8,386</b>
<b>NCA8</b>	4,877	3,141	5,318	221	268	<b>13,825</b>
<b>Total</b>	<b>14,321</b>	<b>8,944</b>	<b>15,263</b>	<b>1,484</b>	<b>1,143</b>	<b>41,155</b>

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.

*ii. 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 2017/2018 was 39. 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.

*iii. 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 . The Authority has an ambitious plan in its strategic plan 2015-2020 to accredit and register 1.5 Million and 0.5 Million construction workers and site supervisors respectively. This is geared towards ensuring that the industry has qualified and competent manpower with the right mix of skills. The Authority accredited 15,036 workers and 2,612 site supervisors in the construction industry across the different trades.

The Authority initiated and coordinated a sector wide review of the trades within the industry. This resulted in the recognition of additional trades within the industry from 7 trades to 59 trades which are in line with the industry requirements and international industry best practices. In collaboration with other industry stakeholders and training institutions, the development of the training curriculum has commenced and 5 trades in Scaffolding, Masonry, Plumbing, Electrical, and Wiring & Carpentry have been developed.

**iv. Training and Capacity Building**

*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 and construction site supervisors (Artisans) within the industry. To facilitate the training and capacity building function, the Authority constituted a Taskforce in Training that: identified 59 different trades in the industry, outlined the function skills sets of each trade, developed the occupational Standards for each trade and gave recommendations on the different competency levels to guide the review of the accreditation evaluation criteria. The Taskforce Report dubbed the Draft Occupational Standards for Kenyan Construction Workers and Site Supervisors will guide in the development of competency based-training curriculums, course content and assessment guides to be used in the training and capacity building programs. In addition the Authority has developed an Apprenticeship Framework that will guide in the pilot apprenticeship programs that will allow for accreditation of apprentices in the 59 trades. Training and capacity building of artisans takes place in collaboration with private and public accredited training institutions and with industry stakeholders.

During the period under review the Authority trained a cumulative total of **16,231** construction workers and site supervisors in different trades across the country in different programs. Through the On-site Artisan Training a total of **3,605** construction workers were trained on health and safety aspects on site. The On-site training program trained workers in 14 regions across the country where the trainings were conducted on live construction sites. The programs relied heavily on the regional offices to identify compliant sites as well as mobilize the workers in the region to attend the trainings and thereafter accredit them on the site. In addition, the Authority in partnership with Toolkit Institute, a private accredited training institution trained a total of **273** workers in Mombasa and Kisumu. Additionally the Authority collaborated with the Bamburi Builders Academy and trained a total of **255** workers in Maralal, Lodwar, Garissa and Kapenguria. Other collaborative trainings with St. Gobain for **100** workers and with Housing Finance Foundation for **45** workers. A total of **11,953** construction workers and site supervisors also gained hands-on skills and experience from on-job training in compliant construction sites registered with the Authority. All the 16,231 construction workers were granted provisional accreditation for a period of 3 years renewable upon undergoing prescribed competency-based assessment and certification as per the NCA Occupational Standards.

Training of construction workers and site supervisors has a myriad of challenges with the key one being the lack of incentives to the workers to attend trainings. The Authority also lacks adequate financial resources and human resource to effectively conduct trainings at the sub-county and ward levels where it's easier to reach more workers.

*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

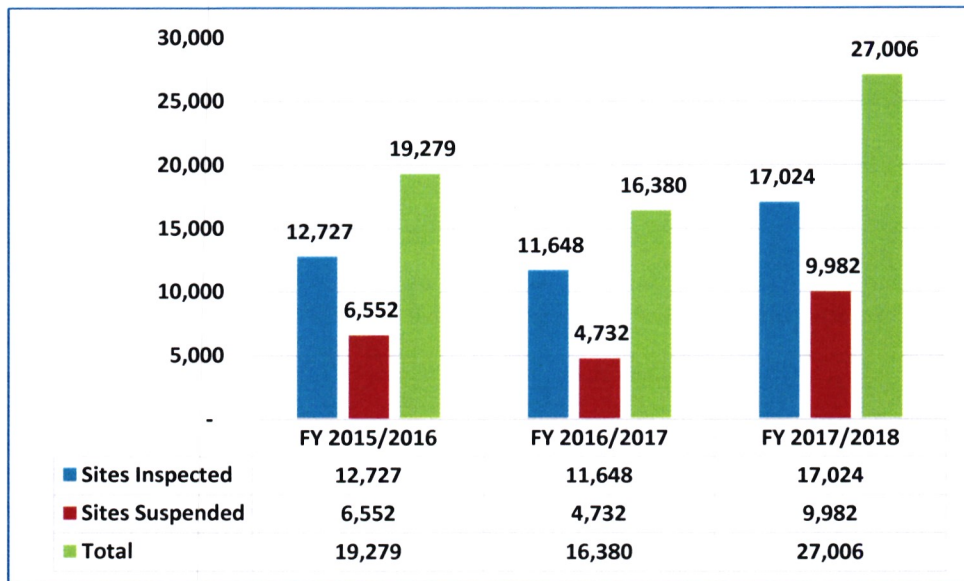
registered contractors to enable them qualify for annual renewal and to be considered for category upgrade. The Construction Industry Training Policy 2018 which has been reviewed from the previous NCA CPD Policy 2014 requires a registered contractors to acquire a minimum of 10 CPD points every year by attending NCA organized trainings or NCA accredited training programs offered by other industry institutions.

In the FY. 2017/2018, the Authority trained a total of 5,808 contractors across the country in different programs. The NCA organized program was the 2-day CPD seminars conducted in 15 regions nationwide with a total of 4,103 contractors trained. The Authority also conducted Technical Trainings programs for NCA 7&8 contractors in collaboration with manufacturers and suppliers of construction materials and conducted 8 factory tours across the country with a total of 466 contractors trained. A total of 1,171 contractors were also trained in 14 different sensitization forums held across the country with different stakeholders such as National Building Inspectorate (NBI) and International Finance Corporation (IFC).

**v. 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 closure notices and closed until they comply with the requirements. The figure below indicates the sites inspected within the financial year.

Figure: Inspected projects



The projects registered comply with all the regulations regarding construction while the ones suspended did not comply with one or more 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.

**vi. Service Delivery**

*a. Human Resource*

The Authority considers its people as the most valuable asset. The human capital strength excluding 34 students and interns as at the end 2017/2018 stood at 443. This comprises of 292 permanent and long term contract employees stationed at the headquarters and regional offices while 151 staff were on short contracts of which 94 were deployed to Huduma centers while 57 of them were engaged in various capacities and deployed to different departments and regions. In the spirit of digital revolution, the Authority has also established Desks in 52 Huduma Centres where various services are offered in line with its mandate.

Additionally, in a bid to build capacity of our staff and in line with our learning and development strategy, the recommendations of the competency assessment report were implemented during the year. Consequently, staff were enrolled in various trainings based on the skills gaps that had been identified.

The Authority further started the implementation of the reviewed Human Resource Management instruments including; the Career Progression Guidelines, Salary Structure, Human Resource Policies and Procedures Manual, Staff Establishment and Organizational Structure.

In line with requirements of the Public Service Commission on internship and attachment, the Authority engaged a total of thirty four (34) interns and sixty nine (69) students on attachment basis.

#### ***b. Regional Offices***

The Authority has continued to expand its regional presence across the country in line with its national mandate and constitutional requirements. The Authority has established fourteen regional and thirteen liaison offices around the country. This lies in line with the Authorities objective of decentralizing its services.

#### ***c. Information Communication Technology (ICT)***

The implementation of the Authority's Five Year ICT strategy is on course and this will greatly transform service delivery and improve on efficiencies'. The Authority has in the financial year implemented a Geographic Information System (GIS), a Construction Site Mapping System (CSMS) and Identification System (IS) which are android and web-based applications used to manage work sites like construction sites, registering new construction sites and relaying the data to a central repository that can be viewed from any online computer terminal. These systems have helped to improve productivity by relaying up to date information on projects and their status across the country.

## **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

Section 7 of the National construction Authority Act No 41 of 2011 prescribes the manner in which the Board of NCA shall be constituted. The affairs of the Authority are managed by an independent Board comprising of independent Members appointed from the private sector and representatives of the Government. The Board is keen on reviewing the overall framework of the internal controls and the assessment of management process and the adoption of the appropriate policies, regulations and codes of ethics. It is also responsible for ensuring that the Authority complies with the law and highest standards of the corporate and business ethics.

The chairperson of the Board is an independent member. The powers of the Chairman and those of the Executive Director are clearly stipulated and there is no conflict of

The Authority has also implemented Local Area Network (LAN) and Wide Area Network (WAN) installations in its' regional offices bringing it under one network environment and cutting down on courier, telephone and other communication costs.

***d. Public Awareness and Sensitization Campaigns***

***i). Stakeholder Engagement***

The Authority continuously engages stakeholders in order to promote understanding of its mandate and enhance compliance. In the year under review, the Authority organized regional stakeholder forums, meeting contractors, developers, county officials, government agencies and members of the public to discuss how individual efforts can be synergized for mutual benefit. The major forums were held in Narok, Eldoret, Kakamega, Isiolo and Marsabit counties, with smaller engagements all across the country.

A media sensitization workshop was also held during the year, as members of the press remain a critical agent of sensitization for the Authority.

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

The Authority, as part of the requirements under its performance contract, has developed a complaints handling mechanism and maintains complaints register. In the last four years, the Authority has consistently been awarded a score of “very good” by the Commission on Administrative Justice.

***e. Corporate Social Responsibility and Donations***

The Authority has developed a comprehensive policy governing its CSR and Donations activities, playing its role in developing and uplifting the community. This year, the Authority initiated the NCA Ujenzi Clubs in primary and secondary schools in order to promote quality assurance in construction from an early age.

interest or roles and responsibilities. The Executive Director is in charge of the day-to-day operations of the Authority while the Board provides the strategic and policy direction of the Authority.

### **Board and Committee Meetings**

The affairs of the Board are conducted in line with the National Construction Authority Act Sec. 9 and other guiding government regulations. 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 an annual calendar is prepared for a financial year and circulated in advance. The Board Committee meetings are scheduled before the Full Board meeting to ensure that all matters are adequately addressed at the committee level before presentation to the Board for adoption or approval.

### **Board Committees**

In order to discharge its mandates and responsibilities effectively, the Board has delegated certain tasks to its Committees with a specific mandate. This has been done in line with the principles of corporate governance, Mwongozo code of Conduct for State Corporations and the second Schedule of the National Construction Authority.

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 was also considered in the composition and number of committees.

The Board held a total of five (5) full board meetings, five (5) special board meetings and various committee meeting within the year.

**Table 3: Board and Committee Attendance**

No	Name	Full Board		Special Board		HRC		Technical		BARGC		FAD	
		Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
1	Steven Oundo, OGW	5	5	5	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Dr. Loice Kipkiror	5	5	5	5	6	6	N/A	N/A	6	6	N/A	N/A
3	Adv. Ann Kiusya	5	5	5	5	6	6	6	6	N/A	N/A	N/A	N/A
4	Eng. Arjan Shankla	5	4	5	2	6	5	6	5	N/A	N/A	N/A	N/A
5	Eng. Henry Amaje	5	5	5	5	N/A	N/A	N/A	N/A	6	6	6	5
6	Qs. Jennifer Musyimi	5	5	5	3	N/A	N/A	N/A	N/A	6	6	6	6
7	Hon. Moses Muhia	5	4	5	2	N/A	N/A	6	5	N/A	N/A	6	4
8	Eng. Stephen Kogi	5	5	5	4	6	6	6	5	N/A	N/A	N/A	N/A
9	Ms. Susan Karanja	5	3	5	4	N/A	N/A	N/A	N/A	6	5	6	5
10	Wallace Atim	5	5	5	5	N/A	N/A	6	6	N/A	N/A	6	6
11	Arch. Makenzi Kiilu	5	4	5	4	6	4	N/A	N/A	6	5	N/A	N/A
12	Arch. Jackson Kafuna	5	5	5	3	N/A	N/A	6	5	6	6	N/A	N/A
13	Prof. Godrick Bulitia	5	5	5	4	6	6	N/A	N/A	N/A	N/A	6	5

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

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

The FAD committee is responsible for recommending financial policies, goals, and budgets that support the mission, values, and strategic goals of the Authority. The committee also reviews the Authority's financial performance against its goals and proposes major transactions and development programs for the Authority. The committee is mandated to review strategies relating to the Authority's corporate strategy, corporate communications, information technology and communication and legal. The committee held five (5) committee meetings and one (1) special meeting during the financial year.

### **Members**

1. Qs. Jennifer Musyimi – Chairperson
2. Eng. Henry Amaje- Member
3. Susan Karanja- Member
4. Hon. Moses Muihia – Member
5. Wallace Atim – Member
6. Prof. Godrick Bultia – Member

### **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. The committee held five (5) committee meetings and one (1) special meeting during the financial year.

### **Members**

1. Wallace Atim – Chairperson
2. Eng. Arjan Shankla – Member
3. Hon. Moses Muihia – Member
4. Anne M. Kiusya – Member
5. Eng. Stephen Kogi – Member
6. Arch. Jackson Kafuna – Member

### **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. The committee held five (5) committee meetings and one (1) special meeting during the financial year.

### **Members**

1. Anne M. Kiusya – Chairperson
2. Dr. Loice J. Kipkiror - Member
3. Eng. Arjan Shankla – Member
4. Eng. Stephen Kogi – Member
5. Arch. Makenzi Kiilu – Member
6. Prof. Godrick Bulitia – Member

### **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. The committee held five (5) committee meetings and one (1) special meeting during the financial year.

**Members**

1. Eng. Henry Amaje - Chairperson
2. Qs. Jennifer Musyimi – Member
3. Susan Karanja – Member
4. Dr. Loice Kipkiror – Member
5. Arch. Makenzi Kiilu – Member
6. Arch. Jackson Kafuna-Member

## **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 Internal Audit and Risk management.

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: effective segregation of duties:

- i. annual risk reviews;
- ii. staff education and sensitization;
- iii. authorization levels; and
- iv. 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>, 2018 which show the state of the National Construction Authority affairs.

### **Principal Activities**

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

### **Results**

The results of the National Construction Authority for the year ended June 30<sup>th</sup> 2018 are set out on page 1 to 25.

### **Board Members**

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

### **Auditors**

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

By Order of the Board



**Eng. Maurice Akech**

**Ag. Executive Director/Secretary to the Board**

Date..27<sup>th</sup> September 2018.

## **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, 2018. 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

### **Statement of Board Members' Responsibility (Cont'd)**

give a true and fair view of the state of the Authority's transactions during the financial year ended June 30<sup>th</sup>, 2018, 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 26<sup>th</sup> September 2018 and signed on its behalf by:

**Signed: -**



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

**Signed:-**



**Prof. Godrick Bulitia**  
**Vice chairperson of the**

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL CONSTRUCTION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

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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 53 to 82, which comprise the statement of financial position as at 30 June, 2018, and the statement of financial performance, the statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Construction Authority as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the National Construction Authority Act No. 41 of 2011 of the Laws of Kenya.

##### Basis for Qualified Opinion

###### 1.0. Receivables

The statement of financial position as at 30 June 2018 reflects receivables amounting to Kshs.2,125,121,882 which include debtors balances of Kshs.1,795,123,766. However, it was observed that Government Institutions owed the bulk of the debtors balance with a total of Kshs.963,841,869 or 54% of the total debtors being owed by three Institutions i.e. Kenya Railways Corporation – Kshs.625,132,485, Kenya Rural Roads Authority – Kshs.71,167,350 and Kenyan Pipeline Corporation – Kshs.267,542,035. Management did not provide explanation as to why the above debtors have remained outstanding for over two years and the efforts being made towards recovery of the same.

In the circumstance, the recoverability of debtors totaling to Kshs.1,795,123,766 in the statement of financial position as at 30 June, 2018 remains doubtful.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Construction Authority in accordance with ISSAI 30 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter discussed in the basis of Qualified Opinion Section of my report, I confirm that, nothing 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**

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Government either intends to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

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

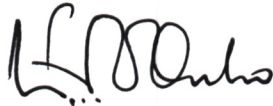
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 going concern 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 ability to continue as a going concern or 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 as a going concern or 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**02 May 2019**



**STATEMENT OF FINANCIAL PERFORMANCE**
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018**

	<u>Note</u>	<u>2017/18</u> <u>KShs.</u>	<u>2016/17</u> <u>KShs.</u>
<b><u>INCOME</u></b>			
Revenue from Non- Exchange Transactions	5	1,449,512,195	1,524,148,358
Revenue from Exchange Transactions	6	74,393,335	68,471,282
<b>Total Income</b>		<b>1,523,905,530</b>	<b>1,592,619,640</b>
<b><u>RECURRENT EXPENDITURE</u></b>			
Employee Costs	7	543,915,901	467,694,991
Board Expenses	8	61,398,657	57,420,116
Communication	9	25,565,098	22,198,698
Travelling and Accommodation	10	74,385,384	147,408,642
Advertising and Public Relations	11	47,761,353	62,717,957
Insurance Costs	12	56,235,587	36,958,946
Other Operating Expenses	13	424,066,338	379,406,612
Depreciation	19	104,205,165	106,271,897
Taxes	14	7,611,764	6,400,301
<b>Total Expenditure</b>		<b>1,345,145,247</b>	<b>1,286,478,160</b>
<b>Surplus/(Deficit) for the period</b>		<b>178,760,283</b>	<b>306,141,480</b>

**STATEMENT OF FINANCIAL POSITION**


**AS AT 30<sup>TH</sup> JUNE, 2018**

	Note	2017/18 <u>KShs.</u>	2016/17 <u>KShs.</u>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Receivables	16	2,125,121,882	1,954,796,177
Investments	17	695,043,806	427,828,070
Cash & Cash Equivalents	18	334,181,171	721,018,341
		<b>3,154,346,858</b>	<b>3,103,642,587</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	19	162,899,459	257,476,559
Intangible Assets	20	168,814,481	155,213,133
		<b>331,713,940</b>	<b>412,689,693</b>
<b>TOTAL ASSETS</b>		<b>3,486,060,799</b>	<b>3,516,332,280</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade Payables & Accruals	21	762,229,923	957,998,215
<b>Total Current Liabilities</b>		<b>762,229,923</b>	<b>957,998,215</b>
<b>NET ASSETS</b>		<b>2,723,830,876</b>	<b>2,558,334,065</b>
<b><u>RESERVES</u></b>			
Reserve		20,000,000	20,000,000
Accumulated Surplus		2,703,830,876	2,538,334,065
<b>TOTAL RESERVES</b>		<b>2,723,830,876</b>	<b>2,558,334,065</b>

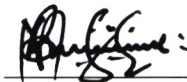
The financial statements set out on pages 1 to 5 were approved by the Board on the 26<sup>th</sup> September 2018, and signed on its behalf by;



Eng. Maurice Akech  
**Ag. Executive Director/CEO**



Ms. Christine Kirimi  
**Manager Finance**



Prof. Godrick Bulitia  
**Vice Chairperson of the Board**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR YEAR ENDED 30<sup>TH</sup> JUNE, 2018**

	Note	Accumulated Surplus KShs	Revenue Reserves KShs	Totals KShs
<b>As at 1<sup>st</sup> July, 2016</b>		<b>2,232,192,586</b>	-	2,232,192,586
Surplus for the year		306,141,480	-	306,141,480
Capital Grants		-	20,000,000	20,000,000
<b>As at 30<sup>th</sup> June, 2017</b>		<b>2,538,334,065</b>	<b>20,000,000</b>	<b>2,558,334,065</b>
As Restated				
Prior year adjustments	23	378,838		378,838
Surplus Remittance		(13,642,310)		(13,642,310)
<b>As Restated</b>		<b>2,525,070,593</b>	<b>20,000,000</b>	<b>2,545,070,593</b>
<b>As at 1<sup>st</sup> July, 2017</b>		<b>2,525,070,593</b>	<b>20,000,000</b>	2,545,070,593
Surplus/(Deficit) for the year		178,760,283		178,760,283
Capital Grants			-	-
<b>As at 30<sup>th</sup> June, 2018</b>		<b>2,703,830,876</b>	<b>20,000,000</b>	<b>2,723,830,876</b>

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018**

	Note	2017/18 <u>KShs.</u>	2016/17 <u>KShs.</u>
<b>OPERATING ACTIVITIES</b>			
Surplus/ (Deficit) generated from operating activities		<b>178,760,283</b>	306,141,480
<b>Adjustments:-</b>			
Interest Income	6(ii)	(64,408,208)	(40,503,002)
Depreciation	19	104,205,165	106,271,897
<b>Operating income before working capital changes</b>		<b>218,557,240</b>	<b>371,910,375</b>
<b>Movements in Working Capital</b>			
Decrease/ (Increase) in Debtors.	16	(156,811,647)	(312,425,478)
Increase/(Decrease) in Trade & Other Payables	21	(195,768,292)	233,415,879
<b>Net Change in working Capital</b>		<b>(352,579,939)</b>	<b>(79,009,598)</b>
<b>Net Cash(used by)/from operating activities</b>		<b>(134,022,699)</b>	<b>292,900,777</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of other Non-Current Assets	19/20	(23,229,413)	(178,306,119)
Proceeds from Investments		427,828,070	454,054,201
Investments	17	(695,043,806)	(427,828,070)
Interest Income Received	22	50,894,150	43,023,899
<b>Net Cash used in Investing activities</b>		<b>(239,550,999)</b>	<b>(109,056,088)</b>
<b>FINANCING ACTIVITIES</b>			
Prior Year Adjustments	23	378,838	(717,874)
Surplus Remittance		(13,642,310)	-
Development Grants		-	-
<b>Net Cash From Financing Activities</b>		<b>(13,263,472)</b>	<b>(717,874)</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>(386,837,170)</b>	<b>183,126,814</b>
<i>Cash and Cash Equivalents at the beginning of the year</i>		721,018,341	537,891,527
<b>Cash and Cash Equivalents at the end of the year</b>	18	<b>334,181,171</b>	<b>721,018,341</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	BUDGET "Ksh 000"	ACTUAL "Ksh 000"	VARIANCE Ksh"000"
GoK Recurrent Grants	686,061	686,061	-
Grants revenue	61,104	-	(61,104)
Contractors Application	42,500	61,362	18,862
Contractors Registration	333,995	664,793	330,798
Construction Levy	200,000	606	(199,394)
Conferences and Workshops	50,000	45,191	(4,809)
Registration of Workers	20,000	-	(20,000)
Consultancy	31,500	-	(31,500)
Investment Income	28,000	64,408	36,408
Miscellaneous revenue	1,250	1,484	234
<b>Total Income</b>	<b>1,454,410</b>	<b>1,523,906</b>	<b>69,495</b>
<b><u>RECURRENT EXPENDITURE</u></b>			
Salaries and wages	478,940	466,624	(12,316)
Training Expenses	38,000	36,688	(1,312)
Employer Payroll Contribution	41,090	40,605	(486)
Board Expenses	62,889	61,399	(1,490)
Contracted Services	19,775	19,070	(705)
Utilities Supplies & Services	4,500	2,348	(2,152)
Communication, Supply, Services	28,200	25,565	(2,635)
Domestic Travel & Subsistence	56,880	55,698	(1,182)
Foreign Travel & Substs Costs	18,500	18,688	188
Public Relations and Advertising	49,270	47,761	(1,509)
Rental Of Produced Assets	47,421	45,201	(2,220)
Staff Welfare & Hospitality	27,503	25,206	(2,297)
Insurance Costs	58,500	56,236	(2,264)
Contractor Training & Cap. Building	270,248	214,545	(55,703)
Office & Gen. Supply & Services	50,651	52,615	1,964
Motor Vehicle Expenses	29,640	29,566	(74)
Professional Fees	17,400	9,363	(8,037)
Other Operating Expenses	21,500	19,446	(2,054)
Repairs and Maintenance	12,000	6,706	(5,294)
Depreciation	104,934	104,205	(729)
Taxes		7,612	7,612
<b>Total Expenditure</b>	<b>1,437,841</b>	<b>1,345,145</b>	<b>(92,695)</b>
			-
<b>Surplus/(Deficit)</b>	<b>16,570</b>	<b>178,760</b>	<b>162,191</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

### 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 2018

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>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019:</p> <p>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.</p>

**3. Early adoption of standards**

The entity did not early adopt any new or amended standards in year 2017-2018.

**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*

**Levies, Application fees, and Registration Fees**

The Authority recognizes revenues from levies, application and registration of contractors and skilled workers when the contractors submit their applications and register. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

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.

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

### **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 original budget for FY 2017-2018 was presented by Cabinet Secretary for National Treasury, to National Assembly for approval on 30<sup>th</sup> March 2017. Revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

Accordingly, the entity did not record any additional appropriations on the FY 2017-2018 budget.

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

embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the 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.

#### **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.

#### **i) 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

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

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.

### **j) 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.

### **k) 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 directors, the CEO and senior managers.

### **l) Comparatives**

Where necessary comparative figures for the previous financial year 2016/2017 have been amended or reconfigured to conform to the required changes in presentation.

### **m) 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, 2018.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

**5. Revenue from Non- Exchange Transactions**

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

		<b>2017/18</b>	<b>2016/17</b>
		<u><b>KShs.</b></u>	<u><b>KShs.</b></u>
GoK Recurrent Grants	5 (i)	686,060,752	435,463,696
Contractors Application	5 (ii)	61,361,743	39,582,322
Contractors Registration	5 (iii)	656,292,250	385,374,495
Construction Levy	5 (iv)	606,450	591,276,270
Conferences and Workshops	5 (v)	45,191,000	69,337,660
Registration of Workers	5 (vi)	-	3,113,914
<b>Total Income</b>		<u><b>1,449,512,195</b></u>	<u><b>1,524,148,358</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 housing and urban development

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	2017/2018 Total grant income during the year	2016-2017
			KShs	KShs	KShs
State department of Housing and urban development	686,060,752			686,060,752	435,463,696
<b>Total</b>	<b>686,060,752</b>			<b>686,060,752</b>	<b>435,463,696</b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

**ii. Contractors Application Fee**

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

	<b>2017/18</b>	<b>2016/17</b>
	<u><b>KShs.</b></u>	<u><b>KShs.</b></u>
Contractors Application Fee	61,361,743	39,582,322
	<u><u>61,361,743</u></u>	<u><u>39,582,322</u></u>

**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>2017/18</b>	<b>2016/17</b>
	<u><b>KShs.</b></u>	<u><b>KShs.</b></u>
Contractors Registration Fees	656,292,250	385,374,495
	<u><u>656,292,250</u></u>	<u><u>385,374,495</u></u>

#### iv. Construction Levy

It is a statutory obligation for all developers to register their projects with the Authority in line with the NCA Act and the regulations. The Authority charges 0.5% of the projects contract sum as construction levy which is payable before issuance of the construction project compliance certificate. The Authority started charging the levy for projects commenced on 1<sup>st</sup> July 2014 with the approval of the NCA Regulations in September 2014.

	2017/18 <u>KShs.</u>	2016/17 <u>KShs.</u>
Construction Levy	606,450	591,276,270
	<u>606,450</u>	<u>591,276,270</u>

#### v. 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.

	2017/18 <u>KShs.</u>	2016/17 <u>KShs.</u>
Conferences & Workshops	45,191,000	69,337,660
	<u>45,191,000</u>	<u>69,337,660</u>

#### vi. Registration of Workers

The Authority is mandated to register all construction workers and site supervisors. The skilled workers and site supervisors are required to make the application in the prescribed form and make a payment of KShs. 1,000.00 and KShs 2,000.00 respectively

	2017/18 <u>KShs.</u>	2016/17 <u>KShs.</u>
Registration of Workers	-	3,113,914
	<u>-</u>	<u>3,113,914</u>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**
**6. Revenue from Exchange Transactions**

		<b>2017/18</b>	<b>2016/17</b>
		<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Consultancy	6 (i)	-	15,000,000
Investment Income	6 (ii)	64,408,208	40,503,002
Miscellaneous revenue	6 (iii)	<u>9,985,127</u>	<u>12,968,280</u>
Total Income		<b><u>74,393,335</u></b>	<b><u>68,471,282</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>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Consultancy	<u>-</u>	<u>15,000,000</u>
	<b><u>-</u></b>	<b><u>15,000,000</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>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Interest from FDR	52,355,224	40,503,002
Interest from Treasury Bills	<u>12,052,984</u>	<u>-</u>
	<b><u>64,408,208</u></b>	<b><u>40,503,002</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**
**iii. Miscellaneous Revenue**

The miscellaneous revenue consists of the following items

	2017/18 <u>KShs.</u>	2016/17 <u>KShs.</u>
Tender	4,000	8,000
Sponsorship	-	3,974,280
Appeals	8,501,203	8,986,000
Miscellaneous revenue	1,479,924	-
	<u><u>9,985,127</u></u>	<u><u>12,968,280</u></u>

**7. Employee Costs**

The employees costs comprises of the following

	2017/18 <u>KShs.</u>	2016/17 <u>KShs.</u>
Salaries & Wages	466,623,705	392,459,594
Employer Pensions	38,456,697	26,134,124
Training and Capacity Building	36,687,666	37,320,718
Provision for Gratuity	2,147,833	11,780,555
	<u><u>543,915,901</u></u>	<u><u>467,694,991</u></u>

**8. Board Expenses**

The Board expenses for the year were as stated below

	2017/18 <u>KShs.</u>	2016/17 <u>KShs.</u>
Allowances and Honoraria	22,114,000	18,330,200
Travel & Accommodation	23,098,555	23,411,380
Training Expenses	6,265,877	7,289,855
Executive Remuneration	8,130,000	8,040,000
Medical expenses	1,790,225	348,681
	<u><u>61,398,657</u></u>	<u><u>57,420,116</u></u>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

**9. Communication**

Communication expenses relates to telephone, courier and internet connections services

	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Telephone & Mobile	14,121,480	12,132,188
Internet Connections	10,962,072	9,593,195
Courier and Postage	481,545	473,315
	<b><u>25,565,098</u></b>	<b><u>22,198,698</u></b>

**10. Travelling and Accommodation**

	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Domestic Travel & Subsistence	55,697,688	97,562,047
Foreign Travel & Subsistence	18,687,696	49,846,595
	<b><u>74,385,384</u></b>	<b><u>147,408,642</u></b>

**11. Advertising and Public relations**

	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Publishing & printing	12,395,480	1,114,734
Advertising, Awareness & Pub.	33,409,667	52,442,873
Trade Shows and Exhibitions	1,434,406	4,655,200
Corporate Social Responsibility	-	11,600
Photography & Production	353,800	964,550
Donations and Sponsorship	168,000	3,529,000
	<b><u>47,761,353</u></b>	<b><u>62,717,957</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**
**12. Insurance Costs**

	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Group Personal Insurance-Life	998,717	1,467,607
Fire and other perils	698,172	1,112,263
Motor vehicle insurance	5,529,380	4,142,170
Medical Insurance	46,825,286	29,331,897
GPA & WIBA	2,184,032	905,009
	<b><u>56,235,587</u></b>	<b><u>36,958,946</u></b>

**13. Other Operating Expenses**

	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Contracted Services	19,069,867	15,314,668
Utilities Supplies & Services	2,347,706	1,948,594
Rent	45,201,423	43,545,212
Staff Welfare & Hospitality	25,205,859	24,120,627
Contractors Training and Cap. Building	214,544,758	203,034,772
Office & Gen. Supply & Services	52,615,391	47,130,528
Motor Vehicle Expenses	29,566,294	20,161,239
Professional Fees	9,362,674	7,151,097
Other Operating Expenses	19,446,098	3,072,259
Repairs and Maintenance	6,706,270	13,927,615
	<b><u>424,066,338</u></b>	<b><u>379,406,612</u></b>

**14. Taxes**

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

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

**15. 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 2017</b>	20,510,775	464,000	638,902,185	22,797,285	<b>682,674,245</b>
Provision for the year	6,395,982				<b>6,395,982</b>
Adjustments					-
<b>Payments/Transfers</b>					
Payments during the year	(4,248,149)	(464,000)		(22,797,285)	<b>(27,509,434)</b>
<b>As at 30th June 2018</b>	<b>22,658,608</b>	-	<b>638,902,185</b>	-	<b>661,560,793</b>

The Authority has various members of staff on contract basis, this number include the executive Director and the General Manager – research, business development and capacity Building. 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 not made additional provision for bad and doubtful debts for the period under review.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**
**16. Receivables**

	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Deposits	705,000	705,000
Debtors	1,795,123,766	1,795,645,854
Salary Advance	3,141,804	2,095,272
Outstanding Imprests	1,448,331	849,978
Prepayments	41,191,945	4,262,436
	<b><u>1,841,610,846</u></b>	<b><u>1,803,558,540</u></b>
<b>(ii) Accrued Income</b>		
	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Interest from FDR	23,227,635	9,713,578
Ecitizen payments	39,942,705	-
Grants from GoK	-	-
	<b><u>63,170,341</u></b>	<b><u>9,713,578</u></b>
<b>(ii) Staff Schemes</b>		
Mortgages	198,496,060	141,524,059
Car Loan	21,844,635	-
	<b><u>220,340,695</u></b>	<b><u>141,524,059</u></b>
	<b><u>2,125,121,882</u></b>	<b><u>1,954,796,177</u></b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

**17. Investments**

The Authority invested funds not in immediate use in Fixed Deposit Receipt Accounts in Commercial Bank of Africa. The investments as at 30<sup>th</sup> June 2018 were as follows

	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
Fixed Deposit Receipt Account (KShs)	391,675,591	414,964,130
Treasury Bills	288,024,350	-
Fixed Deposit Receipt Account (USD)	11,343,864	9,863,940
Call Accounts	4,000,000	3,000,000
	<b><u>695,043,806</u></b>	<b><u>427,828,070</u></b>

**18. Cash and Cash Equivalents**

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

	<b>2017/18</b>	<b>2016/17</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
KCB - Operations	2,963,675	371,592,034
KCB - Staff Mortgage Scheme	103,407,305	160,379,307
CBA - Operations	34,307,982	45,897,702
CBA - Levy	15,393,980	13,815,494
CBA - USD	85,897,811	30,719,934
Consolidated Bank	8,812	8,812
Equity Bank Ltd	-	3,166,600
Co-operative Bank	59,659,780	81,221,818
Housing Finance	-	10,122,435
National Bank	-	3,975,446
Cash at hand	205,256	118,760
Consolidated bank Car loans control account	26,536,204	-
Consolidated bank Car loans control account	2,480,365	-
Suspense Account	3,320,000	-
	<b><u>334,181,171</u></b>	<b><u>721,018,341</u></b>

The Authority closed the accounts held at Equity Bank, Housing Finance and National Bank of Kenya with the approval of the board in line with the guidelines on rationalization of bank accounts during the quarter under review.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

**19. Property, Plant and Equipment**

	<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>13%</b>	<b>33%</b>	<b>12.50%</b>	<b>25%</b>	<b>-</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>					
<b>As At 01.07.2017</b>	19,633,067	147,073,726	178,914,299	192,267,063	<b>537,888,155</b>
<i>Adjustment</i>	-	-	-	-	-
<i>Additions</i>	-	8,244,486	1,383,579	-	<b>9,628,065</b>
<i>Disposals</i>	-	-	-	-	-
<b>As At 30.06.2018</b>	<b>19,633,067</b>	<b>155,318,212</b>	<b>180,297,878</b>	<b>192,267,063</b>	<b>547,516,220</b>
<b>Depreciation</b>					
<i>As At 01.07.2017</i>	9,769,044	106,718,190	48,904,949	115,019,412	<b>280,411,595</b>
<i>Period Charge</i>	2,165,954	36,121,160	22,293,868	43,624,184	<b>104,205,165</b>
<i>Write off</i>	-	-	-	-	-
<i>Disposal</i>	-	-	-	-	-
<b>As At 30.06.2018</b>	<b>11,934,998</b>	<b>142,839,350</b>	<b>71,198,816</b>	<b>158,643,596</b>	<b>384,616,760</b>
<b>Net Book Value</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>
<b>As At 30.06.2017</b>	<b>9,864,023</b>	<b>40,355,536</b>	<b>130,009,351</b>	<b>77,247,650</b>	<b>257,476,559</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>13%</b>	<b>33%</b>	<b>12.50%</b>	<b>25%</b>	<b>-</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>					
<i>As At 01.07.2016</i>	19,633,067	126,045,354	169,254,046	141,648,579	<b>456,581,046</b>
<i>Adjustment</i>	-	-	-	-	-
<i>Additions</i>	-	21,028,371	9,660,254	50,618,483	<b>81,307,108</b>
<i>Disposals</i>	-	-	-	-	-
<b><i>As At 30.06.2017</i></b>	<b>19,633,067</b>	<b>147,073,726</b>	<b>178,914,299</b>	<b>192,267,063</b>	<b>537,888,155</b>
<b>Depreciation</b>					
<i>As At 01.07.2016</i>	7,305,348	69,141,797	26,397,130	71,303,804	<b>174,148,078</b>
<i>Period Charge</i>	2,463,696	37,576,393	22,507,819	43,715,609	<b>106,263,517</b>
<i>Write off</i>	-	-	-	-	-
<i>Disposal</i>	-	-	-	-	-
<b><i>As At 30.06.2017</i></b>	<b>9,769,044</b>	<b>106,718,190</b>	<b>48,904,949</b>	<b>115,019,412</b>	<b>280,411,595</b>
<b>Net Book Value</b>					
<b><i>As At 30.06.2017</i></b>	<b>9,864,023</b>	<b>40,355,536</b>	<b>130,009,351</b>	<b>77,247,650</b>	<b>257,476,559</b>
<b><i>As At 30.06.2016</i></b>	<b>12,327,719</b>	<b>56,903,557</b>	<b>142,856,916</b>	<b>70,344,776</b>	<b>282,432,968</b>

## 20. Intangibles

As at 30.06.18

	<b>Software</b>
<b>Rate</b>	<b>30%</b>
	<b>KShs</b>
<b>Cost</b>	
<b>As At 01.07.2017</b>	155,904,343
<i>Adjustment</i>	-
<i>Additions</i>	13,601,348
<i>Disposals</i>	-
<b>As At 30.06.2018</b>	<b>169,505,691</b>
<b>Depreciation</b>	
<b>As At 01.07.2017</b>	691,210
<i>Period Charge</i>	-
<i>Write off</i>	-
<i>Disposal</i>	-
<b>As At 30.06.2018</b>	<b>691,210</b>
<b>Net Book Value</b>	
<b>As At 30.06.2018</b>	<b>168,814,481</b>
<b>As At 30.06.2017</b>	<b>155,213,133</b>

As at 30.06.17

	<b>Software</b>
<b>Rate</b>	<b>30%</b>
	<b>KShs</b>
<b>Cost</b>	
<b>As At 01.07.2016</b>	58,905,332
<i>Adjustment</i>	-
<i>Additions</i>	96,999,011
<i>Disposals</i>	-
<b>As At 30.06.2017</b>	<b>155,904,343</b>
<b>Depreciation</b>	
<b>As At 01.07.2016</b>	682,830
<i>Period Charge</i>	8,380
<i>Write off</i>	-
<i>Disposal</i>	-
<b>As At 30.06.2017</b>	<b>691,210</b>
<b>Net Book Value</b>	
<b>As At 30.06.2017</b>	<b>155,213,133</b>
<b>As At 30.06.2016</b>	<b>58,222,502</b>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

**21. Trade Payables and Accruals**

	<b>2017/18</b>	<b>2016/17</b>
	<u><b>KShs.</b></u>	<u><b>KShs.</b></u>
Accounts Payables	65,343,566	104,306,183
Provisions and Accruals	661,560,793	682,674,245
Prepaid Levy	27,264,896	27,264,896
Sundry Creditors	8,060,668	7,839,567
Receipts in Advance	-	135,913,323
	<u><b>762,229,923</b></u>	<u><b>957,998,215</b></u>

**22. Investment Income Received**

	<b>2017/18</b>	<b>2016/17</b>
	<u><b>KShs.</b></u>	<u><b>KShs.</b></u>
Accrued Income B/f	9,713,578	12,234,475
Investment income	64,517,162	40,503,002
Accrued Income C/f	(23,336,590)	(9,713,578)
Withholding Tax	-	-
	<u><b>50,894,150</b></u>	<u><b>43,023,899</b></u>

**23. Restatement of Accounts**

	<b>2017/18</b>	<b>2016/17</b>
	<u><b>KShs.</b></u>	<u><b>KShs.</b></u>
Retained Earnings	2,232,192,586	2,232,910,460
Surplus Remittance	(13,642,310)	-
Prior year adjustment	378,837	(717,874)
	<u><b>2,218,929,113</b></u>	<u><b>2,232,192,586</b></u>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**
**24. Related Party Transactions**

The Entity 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 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. 88.5 Million, which is included in the employee costs excluding the executive director's remuneration which is reported under Board expenses.

	2017/18	2016/17
	<u>KShs.</u>	<u>KShs.</u>
Executive Director	8,130	8,040
General Managers	17,310	17,310
Managers	63,025	63,025
	<u>88,465</u>	<u>88,375</u>

**25. 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.

	2017/18	2016/17
	<u>KShs.</u>	<u>KShs.</u>
Balance as at 1 <sup>st</sup> July 2017	210,369,307	172,524,102
Payments into the Scheme - Mortgage	-	100,000,000
Car Loan	-	49,990,000
Total Cash Available for Disbursement	<u>210,369,307</u>	<u>322,514,102</u>
Disbursements	(62,948,276)	(115,795,000)
Interest Earned on the Scheme	1,374,330	2,131,724
Repayments	12,405,334	1,518,480
Balance as at 30 <sup>th</sup> June 2018	<u>161,200,696</u>	<u>210,369,307</u>

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018 (Cont'd)**

### **26. Budget Comparison**

#### *i. Budget Approval*

The Authority's original budget was approved in line with the PFM Act in January 2015 and revised in January 2017. The revision was meant to ensure that the Authority operates within the overall approved expenditure levels taking into account 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 **75%** of its recurrent budget and **28%** of its capital budget. The low utilization of the capital expenditure is attributable to the delay in implementation of the Construction Institute which accounted for over **50%** of the capital budget.

### **27. Contingencies**

The Authority did not have any contingent liabilities or assets for the period under review. The petition by the Law Society of Kenya challenging the implementation of the National Construction Authority Regulations 2014 was dismissed in favor of the Authority hence there is no significant effect on the operations of the Authority. On the other hand, the proposal to remove the construction levy has been effected and a Legal Notice gazette towards this effect.

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

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

### **29. 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.

### **30. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

**Appendix 1: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
				(Resolved / Not Resolved)	(Put a date when you expect the issue to be resolved)
	Long outstanding uncollected trade debtors / project development levies amounting to kshs 1.7 billion	Reluctance by developers to pay for invoices issued before the suspension of levies by Gok in January 2017	Executive Director	Not resolved	The Authority have issued demand letters and is also considering procuring a professional debt collector to follow up



Eng. Maurice Akech  
Ag. Executive Director

Date... 27/09/2018

**Appendix II: Inter-entity transfers.**

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

	<b>ENTITY NAME:</b>	National Construction Authority		
	Break down of Transfers from the State Department of Housing and Urban Development			
	FY 17/18			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
a.	Recurrent Grants	As per Appendix III	686,060,752	2017/2018
b.	Development Grants	-	-	-
c.	Direct Payments	-	-	-
d.	Donor Receipts	-	-	-
	<b>Total</b>		<b>686,060,752</b>	<b>-</b>

**Christine Kirimi**  
**Finance Manager**

Sign 

**Eng. Maurice Akech**  
**Ag. Executive Director**

Sign 

**Appendix III: 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	09-06-17	Recurrent	171,515,188	Statement of financial performance					171,515,188
State department of , Housing and Urban Development	20-12-17	Recurrent	171,515,188	Statement of financial performance					171,515,188
State department of , Housing and Urban Development	27-02-18	Recurrent	171,515,188	Statement of financial performance					171,515,188
State department of , Housing and Urban Development	21-05-18	Recurrent	171,515,188	Statement of financial performance					171,515,188
<b>Total</b>			<b>686,060,752</b>						<b>686,060,752</b>

