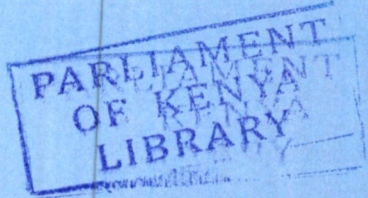




OFFICE OF THE AUDITOR-GENERAL

*Paper laid on the  
Table of the House  
by the Majority  
Whip [Hon. Benjamin*

**REPORT** *Washiali]* on  
*Thursday 21<sup>st</sup> June*  
*2018 (Afternoon)*



**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NGOs CO-ORDINATION BOARD**

**FOR THE YEAR ENDED  
30 JUNE 2017**



# NGOs CO-ORDINATION BOARD

THE PRESIDENCY  
MINISTRY OF DEVOLUTION & PLANNING

Telephone: Nairobi, 2214044, 2214813  
Fax: (020) 2214801

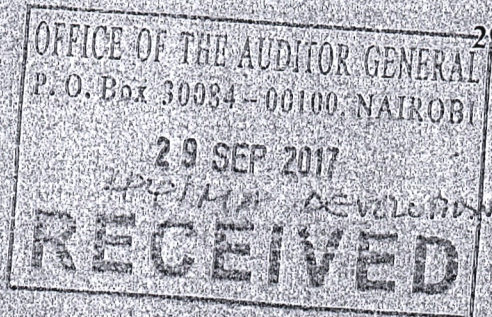
Email: [info@ngobureau.or.ke](mailto:info@ngobureau.or.ke)  
Website: [www.ngobureau.or.ke](http://www.ngobureau.or.ke)

Co-operative Bank Hse, 15th Floor  
Haile Selassie Avenue

P. O. Box 44617 (00100)  
NAIROBI, KENYA.

**NGOB/218/ACCTS/2016/2017**

Office of the Auditor General  
P.O. Box 30084-00100  
Nairobi



29<sup>th</sup> September, 2017

Dear

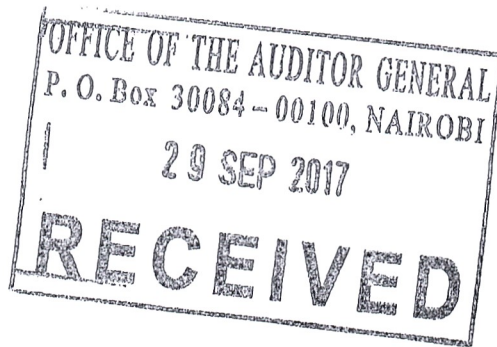
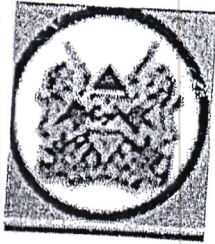
**RE: THE FINANCIAL STATEMENTS OF NON-GOVERNMENTAL ORGANIZATIONS CO-ORDINATION BOARD FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

The above subject refers.

Please find attached for your perusal and further guidance.

Yours Faithfully,

  
David R.K. Njane  
For: Executive Director



# NGOs CO-ORDINATION BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017

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

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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

#### **Incorporation/Establishment**

The Non-Governmental Organizations Co-ordination Board simply referred to as the NGOs Co-ordination Board, was established by an Act of Parliament in 1990 under the provisions of the State Corporations Act, Cap 446 of the Laws of Kenya.

### b) Principal Activities

The principal activities of the NGOs Co-ordination Board includes but not limited to register, co-ordinate and facilitate the work of all national and international NGOs operating in/from Kenya.

Its mission is to efficiently and effectively regulate and enable the charitable sector to enhance its role in national development

### c) Key Management

The NGO Board's day-to-day management is under the Board of Directors and the Executive Director/CEO.

### d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

- |   |   |                       |
|---|---|-----------------------|
| 1. Chief Executive Officer                      | - | Yusuf Mahamed Fazul   |
| 2. Ag Deputy Executive Director                 | - | Joyce Naisiala        |
| 3. Finance Manager                              | - | David R.K. Njane      |
| 4. Internal Audit & Risk Manager                | - | Benard Bwoma          |
| 5. Human Resource and Administration manager-   | - | -                     |
| 6. Procurement Manager                          | - | Dorris Muthini        |
| 7. Ag. Head of Operations and Guidance manager- | - | Lindon Nicolas Otieno |
| 7. Public Relations Manager                     | - | Richard Chesos        |
| 8. Corporate Affairs Manager                    | - | Nixon Sekoh           |

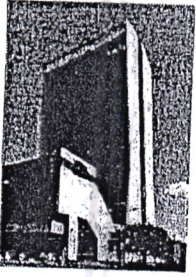
### e) Fiduciary Oversight Arrangements

The Board plays the fiduciary responsibility role which is achieved through the following committees.

1. Finance and Administration Committee
2. Resource Mobilization Committee
3. Audit and Risk Committee
4. Operations and Compliance Committee




### f) Entity Headquarters

Co-operative Bank House 15<sup>th</sup> floor  
Haile Selassie Avenue  
P.O Box 44617-00100 Nairobi







- g) Entity Contacts**  
Telephone 254-02- 2214044  
E-mail: info @ngobureau.or.ke  
Website: www.ngobureau.or.ke
- h) Entity Bankers**  
Co-operative Bank of Kenya Limited  
Co-op House Branch  
P.O Box 67881 00200  
Telephone: 3276279  
Nairobi  
Kenya
- i) Independent Auditors**  
Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084 - 00100  
Nairobi,  
Kenya
- j) Principal Legal Adviser**  
The Office of the Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112-00200  
City Square  
Nairobi,  
Kenya

## II. THE BOARD OF DIRECTORS

| 1. The Director's name and key profession/academic qualifications  | Description of each Director's date of birth, key qualifications and work experience  |
|--|---|
|  <p>Dr. Mary Njoki Ndiba</p>  | <p>Vice Chairperson<br/>MA,MSW,PhD<br/>Appointed on 2<sup>nd</sup> October 2015<br/>Resigned February 2017 to vie for<br/>Parliament seat</p> |
|  <p>Hon. Simon Mbugua</p>    | <p>Former Member of Parliament<br/>Appointed on 2<sup>nd</sup> October 2015<br/>Resigned February 2017 to vie for<br/>Parliament seat</p>     |
|  <p>Yusuf Mahamed Fazul</p> | <p>Chief Executive and secretary to the Board<br/>since 14<sup>th</sup> November 2014<br/>Bachelor of Business Administration</p>             |

### III.MANAGEMENT TEAM

| Name  | Area of responsibility   |
|---|--|
| <br>Yusuf Mahamed Fazul      | <p style="text-align: center;"><b>Chief Executive Officer/CEO</b><br/>                     Bachelor of Business Administration</p>   |
| <br>Joyce Naisiala          | <p style="text-align: center;"><b>Ag. Deputy Chief Executive</b><br/>                     BBA-Human Resource Management</p>  |
| <br>CPA David. R. K. Njane | <p style="text-align: center;"><b>Finance Manager</b><br/>                     Certified Public Accountant, CPA(K )</p>  |
| <br>CPA Benard N. Bwoma    | <p style="text-align: center;"><b>Audit and Risk Manager</b><br/>                     Master in Business Administration<br/>                     Certified Public Accountant, CPA(K)</p> |



Nixon Sekoh

**Corporate Affairs Manager**  
Degree – Rural Sociology and Community  
Development



Richard Chesos

**Public Relations Manager**  
Bachelor of Education



Doris Muthini

**Supply Chain Manager**  
Advanced Diploma – Purchasing & Supply  
CIPS



Lindon Otieno

**Ag. Head of Operations and Guidance  
manager**  
LLB

**Note:** The Executive Director is the Secretary to the Board

#### IV. CHAIRPERSON'S STATEMENT

The NGOs Board is a Government State Corporation whose mandate is to register and regulate the NGOs sector in Kenya. To date, there are over 10,000 registered NGOs in Kenya, operating in virtually all Counties and sector of the economy. It is estimated that NGOs contribute about 100 million shillings to the Kenyan annually. These amounts utilized by NGOs implies that the Government needs to consider the sector seriously through proper facilitation and adequate regulation

In terms of finances, the year 2016/17, was not good to the NGOs Board. The Exchequer reduced our budget considerably leading to the failure in achievements of key activities. This therefore meant that keys activities were not performed and targets were not achieved

The Board's financial policy enabled us to ensure that available funds were utilized for the intended purposes. The Board of Directors are committed in ensuring that there is an enabling environment for NGOs thrive, considering the fact their contribution to national development  
Looking forward to a better financial year 2017/18.

**Chairperson**

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

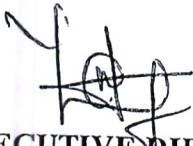
In order to understand the workings of the NGOs Board, it is important to acknowledge its background. Prior to the enactment of the NGOs Act, NGOs were registered under different legal regimes. This made it difficult to monitor and regulate their activities, thus the creation of the NGOs Act.

Section 7 of the NGOs Act of 1990 defines the functions of the Board as:

- a) To facilitate and co-ordinate the work of all national and international NGOs operating in Kenya.
- b) To maintain the register of National and International NGOs operating in Kenya, with the precise sectors, affiliations and locations of their activities.
- c) To receive and discuss the annual reports of NGOs.
- d) To advise the government on the activities of the NGOs and their role in National Development within Kenya.
- e) To conduct a regular review of the register to determine the consistency with the reports submitted by the NGOs and the Council.
- f) To provide policy guidelines to the NGOs for harmonizing their activities to the National Development Plan for Kenya.
- g) To receive discuss and approve the regular reports of the Council and to advise on strategies for efficient planning and Co-ordination of the activities of NGOs in Kenya
- h) To develop and publish a code of conduct for the regulation of NGOs and their activities in Kenya.
- i) To prescribe rules and procedures for the audit of the accounts of NGOs.

In terms of finances, the year 2016/17, was not good to the NGOs Board. The Exchequer reduced our budget considerably leading to the failure in achievement of key activities and targets. .

Thank you.



**EXECUTIVE DIRECTOR/C.E.O**

## VI. CORPORATE GOVERNANCE STATEMENT

Since its operationalization in 1992, the NGOs Co-ordination Board is administered by a Board of Directors. The Board reports to the Cabinet Secretary Devolution and Planning

### Composition of the Board

1. A Chairman appointed by the President
2. The Executive Director who is the Secretary to the Board and a non-voting member appointed by the Cabinet Secretary in charge of the NGO portfolio
3. Two members appointed by the Minister in charge of the NGOs Portfolio
4. Three members seconded by the National Council of NGOs
5. The Attorney General
6. The Permanent Secretary, Ministry of Foreign Affairs
7. The Permanent Secretary, National Treasury

### Functions of the Board

- a) To facilitate and co-ordinate the work of all national and international NGOs operating in Kenya.
- b) To maintain the register of National and International NGOs operating in Kenya, with the precise sectors, affiliations and locations of their activities.
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- g) To receive discuss and approve the regular reports of the Council and to advise on strategies for efficient planning and Co-ordination of the activities of NGOs in Kenya
- h) To develop and publish a code of conduct for the regulation of NGOs and their activities in Kenya.
- i) To prescribe rules and procedures for the audit of the accounts of NGOs.

### Code of Conduct

The Board of Directors are obligated to follow the State Corporations and Civil Service Codes of Conduct and Rules and Regulations

### Meetings

The Boards meets quarterly. However in extra ordinary circumstances, the Board may hold special meetings

### Operating Procedures

As per the NGOs Act, the Board may form committees to facilitate its work. The Committees are:

1. Finance and Administration Committee

2. Resource Mobilization Committee
3. Audit and Risk Committee
4. Operations and Compliance Committee

The day to day activities of the Board are undertaken by a Secretariat headed by the Executive Director. The Board has 79 members of staff stationed in the Nairobi, Kisumu, Eldoret and Garissa offices.

## **VII. MANAGEMENT DISCUSSION AND ANALYSIS**

The management have been discussing and analysing the quarterly financial statements and advising on areas of the budget that needs to be reviewed either down wards or upwards and forwarding the same to the Board of Directors.

## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

This Statement is about how NGOs Co-ordination Board takes account of its economic, social and environmental impact in the way it operates as an organization.

By demonstrating our commitment to Corporate Social Responsibility we aim to align our organization values, purpose and Strategy with the needs of our clients, whilst embedding such responsible and ethical principles into everything we do.

The elements of this Statement cover our approach in dealing with our clients, suppliers and the local community principles in an effort to support reducing our energy, procurement, transport, water use and other business usage to reduce our carbon footprint and environmental impact.

### **Environment**

Protection of the environment in which we live and operate is part of NGO Co-ordination Board values and principles and we consider it to be sound organization practice. Care for the environment is one of our key responsibilities and an important part of the way in which we do business.

This Statement should also be read in conjunction with our Code of Regulations

In this policy statement we commit our organization to:

Complying with all relevant environmental legislation, regulations and approved codes of practice.

- Protecting the environment by striving to prevent and minimize our contribution to pollution of land, air, and water
- Seeking to keep wastage to a minimum and maximize the efficient use of materials and resources
- Managing and disposing of all waste in a responsible manner
- Providing training for our staff so that we all work in accordance with this policy statement and within an environmentally aware culture
- Regularly communicating our environmental performance to our employees and other significant stakeholders
- Developing our management processes to ensure that environmental factors are considered during planning and implementation
- Monitoring and continuously improving our environmental performance.

The nature of our work as a Board means that we do not inherently have a high environmental impact but we will take consideration of environmental issues in the services we provide and endeavour to reduce our environmental impact to an absolute minimum.

The Directors will ensure that the organization reduces the environmental impact on the organization by:

- Using such facilities as web-ex and conference call facilities
- By using vehicles that are regularly serviced and checked with regards to their emission levels and economically use their fuel.
- Ensuring that all lights and equipment are switched off when not required
- Ensuring that water is used efficiently within the offices
- Using scrap paper for drafts and notes

- Printing in mono and double sided wherever possible
- Recycling all waste (shredding all unwanted documentation)
- Not printing unnecessary emails
- Working with like-minded suppliers who take steps to minimize their environmental impact
- Encouraging NGOs during induction workshops to take steps to minimize their environmental impact

### **Local Community**

The Directors will also ensure that our work with the local community involves:

- Working and supporting local and national charities
- Encouraging volunteer work in community activities
- Undertaking voluntary business advisory services via professional bodies

### **Clients**

The Directors will also ensure that we deal responsibly, openly and fairly with clients and potential clients by:

- Ensuring that all our advertising and documentation about the organization and its activities are clear, informative, legal, decent, honest and truthful
- Being open and honest about our services and telling customers what they want to know, including what we do to be socially responsible
- Ensuring that if something goes wrong we will acknowledge the problem and deal with it
- We will listen to our clients so that this can help us improve the services we offer to them
- Ensuring that we benchmark and evaluate what we do in order to constantly improve our services to our stake holders.

The Directors will also ensure that we deal responsibly, openly and fairly with suppliers by:

- Ensuring that we use Youth and women suppliers as much as possible
- That we will endeavour to pay our suppliers on time.

The operational and ultimate responsibility for the commitment to our corporate social responsibility principles lies with the Directors of NGO Board. Every employee of NGO Co-ordination Board is expected to give their full co-operation to the above principles in their activities at work.

Consultants or visitors are also expected to apply our environmental principles.

The effectiveness of the Policy Statement will be monitored and reviewed at least annually by the Directors to ensure the organization continuing compliance with any relevant legislation and to meet new stakeholder's requirements and to identify areas in need of improvement. We will also ensure that all areas changes will be brought to the attention of employees as necessary.

## IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the entity's affairs.

### Principal activities

The principal activities of the NGOs Co-ordination Board includes to register, regulate and facilitate the work of all National and International NGOs operating in/from Kenya

### Results

The results of the entity for the year ended June 30, 2017 are set out on pages 1 to 5.

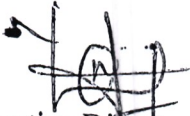
### Directors

The members of the Board of Directors who served during the year are shown on page 111

### Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with the Section 81 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board.



Executive Director  
Secretary to the Board

Nairobi

Dated: 27/09/2017

## X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 11 of the State Corporations Act, require the Directors to prepare financial statements in respect of the NGOs Co-ordination Board, which give a true and fair view of the state of affairs of the NGOs Co-ordination Board at the end of the financial year and the operating results of the NGOs Co-ordination Board for that year. The Directors are also required to ensure that the NGOs Co-ordination Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the NGOs Co-ordination Board. The Directors are also responsible for safeguarding the assets of the NGOs Co-ordination Board.

The Directors are responsible for the preparation and presentation of the NGOs Co-ordination Board's financial statements, which give a true and fair view of the state of affairs of the NGOs Co-ordination Board for and as at the end of the financial year (period) ended on June 30, 2016. 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 NGOs Co-ordination Board; (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 NGOs Co-ordination Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the NGOs Co-ordination Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the NGOs Co-ordination Board's financial statements give a true and fair view of the state of NGOs Co-ordination Board's transactions during the financial year ended June 30, 2017, and of the NGOs Co-ordination Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the NGOs Co-ordination Board, which have been relied upon in the preparation of the NGOs Co-ordination Board's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the NGOs Co-ordination Board 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 NGOs Co-ordination Board's financial statements were approved by the Board on 27/09/2017 and signed on its behalf by:

Chairman

Executive Director

Director

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NGOs CO-ORDINATION BOARD FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of the NGOs Co-ordination Board set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the NGOs Co-ordination Board as at June 30, 2017, 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 Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the basis for Qualified Opinion and Other Matter sections of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1. Unremitted Statutory Deductions

Disclosed under Note 15 to the financial statements are trade and other payables totalling Kshs.26,799,354 as at 30 June, 2017 which includes Kshs.9,711,383 and Kshs.3,930,370 relating to unremitted PAYE deductions for the months starting February to May 2017 and unremitted employer pension contributions, respectively. Failure to remit PAYE deductions shall result in penalties specified under Section 37A of the Income Tax Act. In addition, no satisfactory explanation has been provided for failure to remit the employer pension contributions to the umbrella provident fund.

---

*Report of the Auditor-General on the Financial Statements of NGOs Co-ordination Board for the year ended 30 June 2017*

The trade and other payables also includes an amount of Kshs 1,394,492 in respect of unremitted deductions for NSSF and Hazina Saccos for May 2017.

Had the above over-due deductions totalling Kshs. 15,036,245 been remitted to the relevant bodies during the year under review, the statement of financial position as at 30 June, 2017 would have reflected a reduced trade and other payables balance of Kshs. 11,763,109 instead of the Kshs. 26,799,354 now shown.

## **2. Unsupported Board Expenses**

The statement of financial performance reflects board expenses totalling Kshs. 7,391,208 for the year 2016/2017. However, payment vouchers for amount of Kshs. 3,080,000 paid as the board's expenses for sitting, local travel and mileage allowances were not properly supported with signed attendance registers and payment schedules indicating cash received by board members. Consequently, the validity and propriety of the expenditure of Kshs. 3,080,000 cannot be confirmed.

The vouchers for Kshs. 3,080,000 above were processed and paid contrary to regulation 104 (2) of the Public Financial Management (National Government) Regulations, 2015 which requires that all payments vouchers of public moneys shall be supported by appropriate authority and documentation.

In addition, records show that the board did not, during the year under review, have a quorum necessary for the conduct of official business as three board members attended the meetings instead of the authorized minimum number of six members contrary to Section 4 of the Non-Governmental Organizations Co-Ordination Act, 2012.

## **3. Undisclosed Material Uncertainty**

The statement of financial performance reflects an operating loss of Kshs. 26,583,046 for the year ended 30 June, 2017. The statement of financial position similarly reflects total current assets of Kshs. 13,518,566 against total current liabilities of Kshs. 26,799,354, meaning that the board had a negative working capital of Kshs. 13,280,788 as at 30 June 2017 and was therefore technically insolvent. However, no disclosures have been made in the financial statements by the management concerning this material uncertainty with regard to the board's ability to sustain its services in view of the precarious financial situation or any arrangements in place for the continued financing of the board's activities.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of NGOs Co-ordination Board 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 and Other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

## **Other Matter**

### **1. Variation of Contract for Staff Medical Insurance**

Records available indicate that original contract for provision of medical insurance services to the NGOs Co-ordination Board was awarded to Jubilee Insurance Company of Kenya at Kshs 9,093,032. The board purported to have renewed the contract on 26 January, 2017 and awarded a new contract at Kshs. 13,390,902 for a period ending on 25 January, 2018. The resulting variation of contract by 47% of the original contract sum contravened Section 139 (4) (e) of the Public Procurement and Asset Disposal Act, 2015 which require that the cumulative value of all contract variations should not result in an increment of the total contract price by more than twenty-five per cent of the original contract price.

In addition, no explanation has been given by the board for additional payment of premiums totalling Kshs 1,280,013 on 7 September, 2017 to the company, which in effect has varied again the contract by 61% of the original contract price.

### **2. Direct procurement of Legal Services**

During the year under review, the board through direct procurement method engaged a law firm at a negotiated fee of Kshs. 2,000,000 to represent and defend its interests against the Cabinet Secretary's alleged disbandment of the board. The use of direct procurement method for legal services contravened Section 103 (2) (a) of the Public Procurement and Asset Disposal Act, 2015 as there were other law firms available that could offer the same services.

In addition, no evidence has been made available for audit review in support of the allegation that the board was due for disbandment.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the board's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management 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.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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.

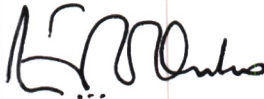
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Board's 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 board's ability 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 board to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the board 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**

**28 May 2018**

NGO COORDINATION BOARD  
 STATEMENT OF FINANCIAL PERFORMANCE  
 For the year ended 30 JUNE 2017

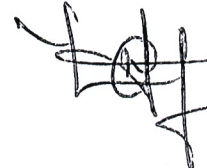
|   | Notes | 2017<br>Kshs        | 2016<br>Kshs       |
|---|-------|---------------------|--------------------|
| Revenue from non-exchange transactions                          | 3     | 165,836,479         | 226,673,560        |
| <b>Total revenue</b>  |       | <b>165,836,479</b>  | <b>226,673,560</b> |
| <b>Expenses</b>   |       |                     |                    |
| Employee costs  | 4     | 117,601,528         | 108,972,617        |
| Board expenses  | 5     | 7,391,208           | 1,186,500          |
| Depreciation and amortization expense                           | 6     | 3,465,752           | 4,568,823          |
| Repairs and maintenance   | 7     | 1,328,633           | 1,110,068          |
| General expenses  | 8     | 62,632,404          | 70,028,890         |
| <b>Total expenses</b>   |       | <b>192,419,525</b>  | <b>185,866,897</b> |
| <b>Other losses</b>   |       |                     |                    |
| Loss on sale of assets  | 9     | -                   | 66,730             |
| <b>Surplus before tax</b>                                       |       | <b>(26,583,046)</b> | <b>40,739,933</b>  |
| Taxation  |       | -                   | -                  |
| <b>Surplus for the period</b>                                   |       | <b>(26,583,046)</b> | <b>40,739,933</b>  |
| <b>Surplus attributable to owners of the controlling entity</b> |       | <b>(26,583,046)</b> | <b>40,739,933</b>  |

The notes in the financial statements form an integral part of the financial statements set out on pages 1 to 4 and were signed on behalf of the Board of Directors by;

Executive Director



Date: 29/09/2017



Chairman of the Board

Date: 29/09/2017

NGO COORDINATION BOARD  
STATEMENT OF FINANCIAL POSITION  
As at 30 JUNE 2017

|   | Notes | 2017<br>Kshs      | 2016<br>Kshs      |
|---|-------|-------------------|-------------------|
| <b>Assets</b>                                       |       |                   |                   |
| <b>Current assets</b>                               |       |                   |                   |
| Cash and cash equivalents                           | 10    | 1,241,537         | 11,275,935        |
| Receivables from exchange transactions              | 11    | 10,398,414        | 6,641,813         |
| Receivables from non-exchange transactions          | 12    | 1,206,812         | 1,403,591         |
| Inventories   | 13    | 671,803           | 714,704           |
| <b>Total current assets</b>                         |       | <b>13,518,566</b> | <b>20,036,043</b> |
| <b>Non-current assets</b>                           |       |                   |                   |
| Property, plant and equipment                       | 14    | 13,834,373        | 17,162,405        |
| <b>Total non current assets</b>                     |       | <b>13,834,373</b> | <b>17,162,405</b> |
| <b>Total assets</b>                                 |       | <b>27,352,939</b> | <b>37,198,448</b> |
| <b>Liabilities</b>                                  |       |                   |                   |
| <b>Current liabilities</b>                          |       |                   |                   |
| Trade and other payables from exchange transactions | 15    | 26,799,354        | 10,061,817        |
| <b>Total current liabilities</b>                    |       | <b>26,799,354</b> | <b>10,061,817</b> |
| <b>Total liabilities</b>                            |       | <b>26,799,354</b> | <b>10,061,817</b> |
| <b>Net assets</b>                                   |       | <b>553,585</b>    | <b>27,136,631</b> |
| Reserves  |       |                   |                   |
| Accumulated surplus/ Deficit                        |       | 553,585           | 27,136,631        |
| Minority interest                                   |       |                   | -                 |
| <b>Total net assets and liabilities</b>             |       | <b>553,585</b>    | <b>27,136,631</b> |

The notes in the financial statements form an integral part of the financial statements set out on pages 1 to 4 and were signed on behalf of the Board of Directors by;

Executive Director



Date: 29/09/2017



Chairman of the Board

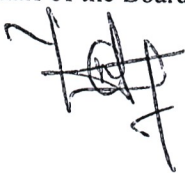
Date: 29/09/2017

**NGO COORDINATION BAORD**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the Year ended 30 June 2017**

|                                     | Reserves<br>Kshs | Accumulated surplus<br>Kshs | Total<br>Kshs     |
|-------------------------------------|------------------|-----------------------------|-------------------|
| <b>Balance as at 30th June 2015</b> | 222,558          | (13,603,302)                | (13,380,744)      |
| Surplus for the period              |                  | 40,739,933                  | 40,739,933        |
| Transfers from accumulated surplus  | (222,558)        | -                           | (222,558)         |
| <b>Balance as at 30 JUNE 2016</b>   | -                | <b>27,136,631</b>           | <b>27,136,631</b> |
| Surplus for the period              |                  | (26,583,046)                | (26,583,046)      |
| <b>Balance as at 30 June 2017</b>   |                  | 553,585                     | 553,585           |

The notes in the financial statements form an integral part of the financial statements set out on pages 1 to 4 and were signed on behalf of the Board of Directors by;

Executive Director



Date: 29/09/2017



Chairman of the Board

Date: 29/09/2017

NGO COORDINATION BOARD  
STATEMENT OF CASH FLOWS  
As at 30th JUNE 2017

|  | Notes | 2017<br>Kshs            | 2016<br>Kshs             |
|--|-------|-------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                  |       |                         |                          |
| <b>Receipts</b>  |       |                         |                          |
| Government grants and subsidies                              | 3     | 125,150,000             | 185,831,875              |
| Rendering of services  |       |                         |                          |
| Sale of goods  | 14b   | -                       | 192,150                  |
| Finance income   | 15    |                         | 1,257,521                |
| Other income, rentals and agency fees                        | 3     | 40,686,479              | 40,649,535               |
|  |       | <u>165,836,479</u>      | <u>227,931,081</u>       |
| <b>Payments</b>  |       |                         |                          |
| Compensation of employees                                    | 18    | 106,929,136             | 131,854,882              |
| Goods and services   | 18    | 57,394,111              | 65,456,480               |
| Finance cost   |       |                         |                          |
| Rent paid  | 18    | 11,409,911              | 11,409,911               |
| Taxation paid  |       |                         |                          |
| Other payments(gratuity)                                     |       |                         |                          |
| Grants and subsidies paid                                    |       |                         |                          |
|  |       | <u>175,733,158</u>      | <u>208,721,273</u>       |
| <b>Net cash flows from operating activities</b>              |       | <b>(9,896,679)</b>      | <b>19,209,808</b>        |
| <b>Cash flows from investing activities</b>                  |       |                         |                          |
| Purchase of property, plant, equipment and intangible assets |       | (137,720)               | (7,888,072)              |
| Proceeds from sale of property, plant and equipment          |       | -                       | 192,150                  |
| Decrease in non-current receivables                          |       |                         |                          |
| <b>Increase in investments</b>                               |       |                         |                          |
| <b>Net cash flows used in investing activities</b>           |       | <b>(137,720)</b>        | <b>(7,695,922)</b>       |
| <b>Net cash flows used in financing activities</b>           |       | <b>(137,720)</b>        | <b>(7,695,922)</b>       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>(10,034,398)</b>     | <b>11,513,887</b>        |
| Cash and cash equivalents at 1 July                          | 10    | 11,275,935              | (237,952)                |
| <b>Cash and cash equivalents at 30 June</b>                  | 10    | <u><b>1,241,537</b></u> | <u><b>11,275,935</b></u> |

The notes in the financial statements form an integral part of the financial statements set out on pages 1 to 4

Executive Director



Date: 29/09/2017

Chairman of the Board

Date: 29/09/2017

NGO COORDINATION BOARD  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
2016-2017

|                                  | Original Budget     | Adjustments        | Final Budget        | Actual on comparable basis | Performance difference | Performance difference |
|----------------------------------|---------------------|--------------------|---------------------|----------------------------|------------------------|------------------------|
|                                  | 2016-2017           | 2016-2017          | 2016-2017           | 2016-2017                  | 2016-2017              | %                      |
|                                  | Kshs                | Kshs               | Kshs                | Kshs                       | Kshs                   | %                      |
| <b>Revenue</b>                   |                     |                    |                     |                            |                        |                        |
| Disposal of assets               | -                   | -                  | -                   | -                          | -                      | -                      |
| Government recurrent development | 125,150,000         | -                  | 125,150,000         | 125,150,000                | -                      | 100%                   |
| Appropriation in Aid             | 40,000,000          | 686,479            | 40,686,479          | 40,686,479                 | -                      | 100%                   |
|                                  | <b>165,150,000</b>  | <b>686,479</b>     | <b>165,836,479</b>  | <b>165,836,479</b>         | <b>-</b>               | <b>100%</b>            |
| <b>Total income</b>              |                     |                    |                     |                            |                        |                        |
| <b>Expenses</b>                  |                     |                    |                     |                            |                        |                        |
| Board, Committees and Programmes |                     |                    |                     |                            |                        |                        |
| Board Sitting allowance          | 8,500,000           | -                  | 8,500,000           | 7,391,208                  | 1,108,792              | 53.91%                 |
| PPR Committee                    | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| FINAD Meeting                    | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| Audit Committee                  | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| Resource Mobilization            | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| W/Permit                         | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| Lunches                          | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| Subsistence                      | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| Milleage                         | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| Fees, commission & honorari      | 960,000             | (960,000)          | -                   | -                          | -                      | 0.00%                  |
| Basic salaries                   | 66,000,000          | -                  | 66,000,000          | 65,957,429                 | 42,571                 | 2.07%                  |
| House allowances                 | 25,600,000          | -                  | 25,600,000          | 25,563,500                 | 36,500                 | 1.77%                  |
| comuter allowance                | 5,900,000           | -                  | 5,900,000           | 5,889,982                  | 10,018                 | 0.49%                  |
| Leave and passage                | 4,385,342           | -                  | 4,385,342           | 4,155,114                  | 230,228                | 11.19%                 |
| Other allowances                 | 3,007,449           | 700,000            | 3,707,449           | 3,998,302                  | (290,853)              | -14.14%                |
| Pension                          | 10,000,000          | -                  | 10,000,000          | 9,958,092                  | 41,908                 | 2.04%                  |
| Transfer allowance               | 700,000             | -                  | 700,000             | 653,709                    | 46,291                 | 2.25%                  |
| NSSF                             | 200,000             | (30,000)           | 170,000             | 160,600                    | 9,400                  | 0.46%                  |
| bank charges                     | 800,000             | -                  | 800,000             | 797,243                    | 2,757                  | 0.13%                  |
| Insurance costs                  | 11,000,000          | 2,000,000          | 13,000,000          | 13,451,837                 | (451,837)              | -21.97%                |
| Internet connections             | 2,412,956           | (200,000)          | 2,212,956           | 2,165,709                  | 47,247                 | 2.30%                  |
| Professional services            | 6,008,997           | (900,000)          | 5,108,997           | 5,193,172                  | (84,175)               | -4.09%                 |
| Domestic travel & accomoda       | 9,800,000           | 2,000,000          | 11,800,000          | 11,926,854                 | (126,854)              | -6.17%                 |
| Foreign travel & subsistence     | 500,000             | 1,000,000          | 1,500,000           | 1,435,186                  | 64,814                 | 3.15%                  |
| Fuel, Oil                        | 840,000             | -                  | 840,000             | 786,482                    | 53,518                 | 2.60%                  |
| Motor vehicles maintenance       | 200,000             | -                  | 200,000             | 206,501                    | (6,501)                | -0.32%                 |
| General Maintenance other a      | 1,202,323           | -                  | 1,202,323           | 1,122,132                  | 80,191                 | 3.90%                  |
| Library expenses & magazin       | 600,000             | -                  | 600,000             | 547,447                    | 52,553                 | 2.55%                  |
| hospitality                      | 4,600,000           | -                  | 4,600,000           | 4,162,513                  | 437,487                | 21.27%                 |
| Postal services                  | 400,000             | -                  | 400,000             | 391,717                    | 8,283                  | 0.40%                  |
| Office general supplies          | 3,300,000           | -                  | 3,300,000           | 3,285,645                  | 14,355                 | 0.70%                  |
| Publishing and advertising       | 200,000             | -                  | 200,000             | 180,000                    | 20,000                 | 0.97%                  |
| Rent and rates                   | 14,250,000          | -                  | 14,250,000          | 14,236,906                 | 13,094                 | 0.64%                  |
| Telephone expenses               | 1,664,935           | 300,000            | 1,964,935           | 1,935,223                  | 29,712                 | 1.44%                  |
| Training and workshop expe       | 1,600,000           | -                  | 1,600,000           | 1,586,630                  | 13,370                 | 0.65%                  |
| Procurement committee            | -                   | -                  | -                   | -                          | -                      | 0.00%                  |
| ISO Expenses                     | 180,000             | -                  | 180,000             | 174,000                    | 6,000                  | 0.29%                  |
| Audit fee provision              | -                   | 375,840            | 375,840             | 375,840                    | -                      | 0.00%                  |
| Gratuity provision               | -                   | 1,264,800          | 1,264,800           | 1,264,800                  | -                      | 0.00%                  |
| depreciation                     | -                   | -                  | -                   | 3,465,752                  | (3,465,752)            | -168.50%               |
| Loss on disposal of assets       | -                   | -                  | -                   | -                          | -                      | -                      |
| <b>Total expenditure</b>         | <b>184,812,002</b>  | <b>5,550,640</b>   | <b>190,362,642</b>  | <b>192,419,525</b>         | <b>(2,056,883)</b>     |                        |
| <b>Surplus for the period</b>    | <b>(19,662,002)</b> | <b>(4,864,161)</b> | <b>(24,526,163)</b> | <b>(26,583,046)</b>        | <b>2,056,883</b>       |                        |

**XVI. NOTES TO THE FINANCIAL STATEMENTS**

**1 GENERAL INFORMATION**

The NGOs Co-ordination Board is established by and derives its authority and accountability from the NGOs Co-ordination Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to register, co-ordinate and facilitate the work of all national and international NGOs operating in/from Kenya.

**2. Statement of compliance and basis of preparation**

The entity'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 entity and all values are rounded to the nearest thousand (Ksh 000). 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 direct method. The financial statements are prepared on accrual basis.

**3 ADOPTION OF NEW AND REVISED STANDARDS**

I. Relevant new standards and amendments to published standards effective for the year ended 30th June 2017

| Standard   | Impact  |
|--|---|
| <b>IPSAS 33:</b><br>First time adoption of Accrual Basis IPSAS | <b>(Effective for annual periods beginning on or January 1, 2017)</b><br>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.<br><i>The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</i>  |
| <b>IPSAS 34:</b><br>Separate Financial Statements              | <b>(Effective for annual periods beginning on or January 1, 2017)</b><br>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.<br><i>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i>   |
| <b>IPSAS 35:</b><br>Consolidated Financial Statements          | <b>Effective for annual periods beginning on or January 1, 2017)</b><br>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following: <ul style="list-style-type: none"> <li>- Its power over the other entity</li> <li>- Its exposure or rights to variable benefits from involvement with the other entity</li> <li>- Its ability to control the nature, timing and amount of benefits from the other entity.</li> </ul> Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.<br><i>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i> |

| Standard   | Impact  |
|--|---|
| <b>IPSAS 36:</b><br>Investments in Associates and Joint Ventures | (Effective for annual periods beginning on or January 1, 2017)<br>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.<br><i>The entity does not have investments in associates or joint ventures</i> |
| <b>IPSAS 37:</b> Joint Arrangements                              | (Effective for annual periods beginning on or January 1, 2017)<br>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.<br><i>The entity does not have an interest in a joint arrangement and therefore the standard does not apply</i>  |
| <b>IPSAS 38:</b><br>Disclosure of Interests in Other Entities    | (Effective for annual periods beginning on or January 1, 2017)<br>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.<br><i>The entity does not have an interests in other entities and therefore the standard does not apply</i>                  |

| Standard                              | Effective date and impact:                                  |  |                                     |                                    |           |
|---------------------------------------|---|--|-------------------------------------|------------------------------------|-----------|
| IPSAS 39:                             | Applicable: 1st January 2018                                |  |                                     |                                    |           |
| IPSAS 40: Public                      | Applicable: 1st January 2019:                               |  |                                     |                                    |           |
| Other organizational grants           |   |  | xxx                                 | xxx                                |           |
| Total government grants and subsidies |   | xxx  |                                     | xxx                                |           |
| Name of the Entity sending the grant  | Amount recognized to Statement of Comprehensive Income KShs | Amount deferred under deferred income KShs | Amount recognis ed in capital fund. | Total grant income during the year | 2015-2016 |
|                                       |   |  | KShs                                | KShs                               | KShs      |
| Xxx nistry/State Department           | xxx   | xxxx                                       | xxxx                                | xxxx                               | xxxx      |
| Xxx Ministry                          | xxx   | xxxx                                       | xxxx                                | xxxx                               | xxxx      |
| il                                    | xxx   | xxxx                                       | xxxx                                | xxxx                               | xxxx      |

iii. Early adoption of standards

The Board did not early adopt any new or amended standards in the year 2017

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Revenue recognition

##### i) Revenue from non-exchange transactions – IPSAS 23

###### **Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

###### **Transfers from other government entities**

Revenues from non-exchange transactions with other government 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 entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

###### **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

###### **Interest Income**

Interest income is accrued using the effective yields method. The effective yield discounts estimated future cash receipts through the expected life of the financial assets to the assets' net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period

###### **Dividends**

Dividends or similar distributions must be recognized when the shareholders' or the entity's right to receive payments is established

###### **Rental Income**

Rental Income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms and included in revenue

**b) Budget information – IPSAS 24**

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

**c) Taxes – IAS 12**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority,
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

### **e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes 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. The annual rates used are motor vehicles 20%, Furniture & equipment 12.5 %, and computers 30%

### **f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

#### **g) 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.

#### **h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

#### **i) Financial instruments**

##### ***Financial assets***

##### ***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

##### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

##### ***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### ***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

### ***j) Financial liabilities***

#### ***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

#### **IPSAS 29.65**

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### ***i) Inventories – IPSAS 12***

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

#### **h) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
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After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

#### **j) Provisions**

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 Entity 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

#### ***Contingent liabilities***

The Entity 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.

**j) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

**k) Changes in accounting policies and estimates – IPSAS 3**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**l) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and councilors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**m) Foreign currency transactions**

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.

**n) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

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 councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

**q) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party

**q) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**r) Comparative figures**

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

**5) SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

### *Estimates and assumptions*

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

### *Useful lives and residual values*

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

### *t) Provisions*

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

### *t) 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, 2016.

**1. Property taxes and revenue**

| Description                             | 2016-2017 | 2015-2016 |
|---|-----------|-----------|
| <b>Actual</b>                           |           |           |
| <b>Taxable land and buildings</b>       |           |           |
| Residential                             | -         | -         |
| Commercial                              | -         | -         |
| State                                   | -         | -         |
| Penalties                               | -         | -         |
|   |           |           |
| Income forgone                          | -         | -         |
|   |           |           |
| <b>Total property taxes and revenue</b> |           |           |
|   |           |           |

**Public contributions and donations**

| Description  | 2016-2017 | 2015-2016 |
|--|-----------|-----------|
| Total transfer and sponsorships                      | -         | -         |
| Reconciliation of public contributions and donations | -         | -         |
| Balance unspent at beginning of quarter              | -         | -         |
| Current year receipts                                | -         | -         |
| Conditions met - transferred to revenue              | -         | -         |
| Conditions to be met - remain liabilities            | -         | -         |
|  |           |           |
|  |           |           |
|  |           |           |
|  |           |           |
|  |           |           |

**2. Fines, Penalties and levies**

| Description  | 30/06/2017 | 30/06/2016 |
|--------------|------------|------------|
| Fuel levy    | -          | -          |
| Fines        | -          | -          |
| <b>Total</b> | -          | -          |

4. Transfer from other Governments

| Description                 | 30/06/2017 | 30/06/2016 |
|-----------------------------|------------|------------|
| <b>Unconditional grants</b> |            |            |
| Operational grant           | -          | -          |
| Other                       | -          | -          |
|                             |            |            |
| <b>Conditional grants</b>   | -          | -          |
|                             |            |            |
|                             |            |            |
|                             |            |            |

4b) Transfers from Ministries, Departments and agencies

| Name of entity sending the grant     | Amount recognized to statement of comprehensive income in Kshs | Amount deferred under deferred income in Kshs | Amount recognised in capital fund | Total grant income during the year | 2016-2017 |
|--------------------------------------|--|---|-----------------------------------|------------------------------------|-----------|
| Ministry of Planning and Vision 2030 | 125,150,000  |   |                                   |                                    |           |
|                                      |  |   |                                   |                                    |           |
| <b>Total</b>                         |  |   |                                   |                                    |           |

### 5. Rendering of Services

| Description                                | 2016-2017 | 2015-2016 |
|--|-----------|-----------|
| Waste management - solid waste             |           |           |
| Waste management - sewerage and sanitation |           |           |
| Other                                      |           |           |
| Water quality                              |           |           |
| Quality assurance                          |           |           |
|  |           |           |
| <b>Total</b>                               |           |           |

### 6. Sale of goods

| Description                 | 2016-2017 | 2015-2016 |
|-----------------------------|-----------|-----------|
| Sale of electricity         | -         | -         |
| Sale of water               | -         | -         |
| Sale of books               | -         | -         |
| Sale of publications Others | -         | -         |
| Others                      | -         | -         |
|                             |           |           |
| <b>Total</b>                | -         | -         |

### 7. Rental revenue from facilities and equipment

| Description                            | 2016-2017 | 2015-2016 |
|--|-----------|-----------|
| Straight line operating lease receipts | -         | -         |
| Contingent rentals                     | -         | -         |
| Total                                  | -         | -         |
| <b>Total</b>                           | -         | -         |

### Finance income - external investments

| Description                              | 2016-2017 | 2015-2016 |
|--|-----------|-----------|
| Cash investments and fixed deposits      | -         | -         |
| Interest income from treasury bills      | -         | -         |
| Interest income from treasury bonds      | -         | -         |
| Interest income from outstanding debtors | -         | -         |
|  |           |           |
| <b>Total</b>                             | -         | -         |

9. Other income

| Description                    | 2016-2017 | 2015-2016     |
|--------------------------------|-----------|---------------|
| Insurance recoveries           | -         | -             |
| Bulk infrastructure levies     | -         | -             |
| Infrastructure improvement fee | -         | -             |
| Income from sale of tender     | -         | -             |
| Services concession income     | -         | -             |
| Skills development levy        | -         | -             |
| Income from disposal of assets |           | 192,150       |
|                                |           |               |
| <b>Total</b>                   | -         | <b>192150</b> |

|  | 30/06/2017<br>Kshs | 30/062016<br>Kshs  |
|--|--------------------|--------------------|
| <b>3 (i) Revenue from exchange transactions</b>      |                    |                    |
| Others   | -                  | 192,150            |
| <b>3 (ii) Revenue from non-exchange transactions</b> |                    |                    |
| Grant transfers from the Government Reccurent        | 125,150,000        | 185,831,875        |
| Internally generated revenue                         | 40,686,479         | 40,649,535         |
|  | <u>165,836,479</u> | <u>226,673,560</u> |
| <b>Total government grants and subsidies</b>         | <u>165,836,479</u> | <u>226,673,560</u> |

#### 4. Employee costs

|   | 30/06/2017<br>Kshs | 30/062016<br>Kshs  |
|---|--------------------|--------------------|
| Employee related costs - salaries and wages                         | 65,957,429         | 61,807,697         |
| Employee related costs - contributions to pensions and medical aids | 9,958,092          | 9,391,818          |
| NSSF  | 160,600            | 129,300            |
| transfer and luggage allowances                                     | 653,709            | 1,077,617          |
| Housing benefits and allowances                                     | 25,563,500         | 22,440,500         |
| other allowances  | 3,998,302          | 3,423,712          |
| Leave allowances  | 4,155,114          | 3,621,652          |
| Gratuity Executive Director   | 1,264,800          | 1,264,800          |
| Gratuity paid   | -                  | -                  |
| Commuter allowances   | 5,889,982          | 5,815,521          |
| Expenditure recharged to capital projects                           |                    |                    |
| <b>Employee costs</b>   | <u>117,601,528</u> | <u>108,972,617</u> |

#### 5. Board Expenses

|                             | 30/06/2017<br>Kshs | 30/062016<br>Kshs |
|-----------------------------|--------------------|-------------------|
| Sitting allowance           | 7,391,208.00       | 1,186,500.00      |
| Lunches                     |                    | -                 |
| Subsistence                 |                    | -                 |
| Mileage                     |                    | -                 |
| Fees, commission& honoraria |                    | -                 |
| <b>Total Board Expenses</b> | <u>7,391,208</u>   | <u>1,186,500</u>  |

#### 6. Depreciation and amortization expense

|  | 30/06/2017<br>Kshs | 30/062016<br>Kshs |
|--|--------------------|-------------------|
| Property, plant and equipment              | 1,203,589          | 1,355,856         |
| Motor vehicles                             | 196,300            | 261,734           |
| Computers                                  | 2,065,863          | 2,951,233         |
| armotised computers                        |                    |                   |
| <b>Total depreciation and amortization</b> | <u>3,465,752</u>   | <u>4,568,823</u>  |

7. Repairs and maintenance

|  | 30/06/2017<br>KShs | 30/06/2016<br>KShs |
|--|--------------------|--------------------|
| Investment property -- earning rentals |                    |                    |
| Equipment                              | 1,122,132          | 747,395            |
| Vehicles                               | 206,501            | 362,673            |
| <b>Total repairs and maintenance</b>   | <b>1,328,633</b>   | <b>1,110,068</b>   |

8. General expenses

The following are included in general expenses:

|                                   | 30/06/2017<br>KShs | 30/06/2016<br>KShs |
|-----------------------------------|--------------------|--------------------|
| Bank charges                      | 797,243            | 346,173            |
| Computer and Internet connections | 2,165,709          | 2,048,977          |
| Professional services             | 5,193,172          | 2,482,582          |
| Domestic travel & accomodation    | 11,926,854         | 23,587,101         |
| Foreign travel & subsistence      | 1,435,186          | 2,374,680          |
| Fuel and Oil                      | 786,482            | 1,415,505          |
| Insurance costs                   | 13,451,837         | 9,611,573          |
| Library expenses & magazines      | 547,447            | 365,068            |
| procurement committee             | -                  | 41,000             |
| hospitality                       | 4,162,513          | 4,894,930          |
| Postal services                   | 391,717            | 251,444            |
| Office general supplies           | 3,285,645          | 2,629,896          |
| Publishing and advertising        | 180,000            | 1,023,000          |
| Rent and rates                    | 14,236,906         | 11,409,911         |
| Telephone expenses                | 1,935,223          | 1,523,902          |
| Training and workshop expenses    | 1,586,630          | 2,982,750          |
| ISO certification                 | 174,000            | 1,087,658          |
| Audit fee provision               | 375,840            | 375,840            |
| Scheme of service                 | -                  | 1,576,900          |
| <b>Total General expences</b>     | <b>62,632,404</b>  | <b>70,028,890</b>  |

9. Total loss on sale of assets

|                                     | 30/06/2017<br>KShs | 30/06/2016<br>KShs |
|-------------------------------------|--------------------|--------------------|
| Property, plant and equipment       | -                  | 66,730             |
| Other assets                        | -                  | -                  |
| <b>Total gain on sale of assets</b> | <b>-</b>           | <b>66,730</b>      |

**10. Cash and cash equivalents**

|  | 30/06/2017       | 30/062016         |
|--|------------------|-------------------|
|  | KShs             | KShs              |
| Bank- Chase bank                       |                  |                   |
| coop bank - a/c 001                    | 1,121,610.00     | 1,121,610         |
| coop bank - a/c 002                    | 78,393.00        | 134,495           |
| Cash-in-hand                           |                  | 9,964,012         |
| Short-term deposits                    | 41,534           | 55,818            |
| <b>Total cash and cash equivalents</b> | <b>1,241,537</b> | <b>11,275,935</b> |

**11. Receivables from exchange transactions**

|                            | 30/06/2017        | 30/062016        |
|----------------------------|-------------------|------------------|
|                            | KShs              | KShs             |
| <b>Current receivables</b> |                   |                  |
| Prepaid insurance          | 9,704,178         | 5,947,577        |
| Rent deposit               | 494,236           | 494,236          |
| Fuel deposit               | 200,000           | 200,000          |
| <b>Total receivables</b>   | <b>10,398,414</b> | <b>6,641,813</b> |

**12. Receivables from non-exchange contracts**

|                                  | 30/06/2017        | 30/06/2016       |
|----------------------------------|-------------------|------------------|
|                                  | KShs              | KShs             |
| <b>Current receivables</b>       |                   |                  |
| Property tax debtors             |                   |                  |
| Salary advances                  | 1,206,812.00      | 1,403,591.00     |
| <b>Total current receivables</b> | <b>11,605,226</b> | <b>8,045,404</b> |

**13. Inventories**

|  | 30/06/2017     | 30/062016      |
|--|----------------|----------------|
|  | KShs           | KShs           |
| Consumable stores  | 671,803        | 714,704        |
| <b>Total inventories at the lower of cost and net realizable value</b> | <b>671,803</b> | <b>714,704</b> |

**14. Property, plant and equipment**

| Cost                                | Motor vehicles<br>25%<br>Shs | Furn.& Equip.<br>12.5%<br>Shs | Computers<br>30%<br>Shs | Total<br>Shs      |
|-------------------------------------|------------------------------|-------------------------------|-------------------------|-------------------|
| At 1st July 2016                    | 5,748,879                    | 19,546,186                    | 20,727,672              | 46,022,737        |
| Additions                           | -                            | 137,720                       |                         |                   |
| Disposals                           |                              |                               |                         |                   |
| Transfer/adjustments(armotization ) |                              |                               |                         |                   |
| At 30 June 2017                     | <u>5,748,879</u>             | <u>19,683,906</u>             | <u>20,727,672</u>       | <u>46,160,457</u> |
| <b>Depreciation and impairment</b>  |                              |                               |                         |                   |
| At 1st July 2016                    | 4,963,678                    | 10,055,191                    | 13,841,463              | 28,860,332        |
| Disposals                           |                              |                               |                         |                   |
| Depreciation charge                 | 196,300                      | 1,203,589                     | 2,065,863               | 3,465,752         |
| Impairment                          |                              |                               |                         |                   |
| Transfer/adjustment                 |                              |                               |                         |                   |
| At 30 June 2017                     | <u>5,159,978</u>             | <u>11,258,780</u>             | <u>15,907,326</u>       | <u>32,326,084</u> |
| Net book values                     |                              |                               |                         |                   |
| At 30 June 2017                     | <u>588,901</u>               | <u>8,425,126</u>              | <u>4,820,346</u>        | <u>13,834,373</u> |
| At 30 June 2016                     | <u>785,201</u>               | <u>9,490,995</u>              | <u>6,886,209</u>        | <u>17,162,405</u> |

**14b. Disposal of Property Plant and Equipment**

During the year under review, some class of property plant and Equipment were disposed. Relevant Acts were followed during the process as required by law. These assets were furniture & equipment and computers

|                                | Furniture & Equipment | Computers | Total |
|--------------------------------|-----------------------|-----------|-------|
| Total cost                     | -                     | -         | -     |
| Total Accumulated Depreciation | -                     | -         | -     |
| Net Book value at disposal     | -                     | -         | -     |
| Cash received from disposal    | -                     | -         | -     |
| Gain/(loss on disposal)        | -                     | -         | -     |

15. Trade and other payables from exchange transactions

|   | 30/06/2017           | 30/06/2016        |
|---|----------------------|-------------------|
|   | KShs                 | KShs              |
| Trade payables                            | 5,394,072.00         | 2017840           |
| Coop bank - A/c 02                        | 583,786.00           |                   |
| Coop bank - A/c 00                        | 627,628.00           | 1257521           |
| Unremitted Employer pension contributions | 3,930,370.00         | 1157219           |
| Unremitted PAYE                           | 9,711,383.00         | 1812142           |
| Gratuity Provison                         | 3,267,400.00         | 2002600           |
| Other payables                            | 3,284,715.00         | 1814495           |
| <b>Total trade and other payables</b>     | <b>26,799,354.00</b> | <b>10,061,817</b> |

16. Current provisions

|   | Defined benefit plan | Total              |
|---|----------------------|--------------------|
|   | KShs                 | KShs               |
| Current benefit obligation              |                      | 105,122,970        |
| Non-current benefit obligation          | -                    | -                  |
| <b>Total employee benefit liability</b> | <b>-</b>             | <b>105,122,970</b> |

Current provision represent the pension scheme fund managed by Britam.

17. Cash generated from operations

|   | KShs                | KShs              |
|---|---------------------|-------------------|
| <b>Suplus for the year before tax</b>           | <b>(26,583,046)</b> | <b>40,739,933</b> |
| Adjusted for:                                   |                     |                   |
| Depreciation                                    | 3,465,752           | 4,568,823         |
| Gains and losses on disposal of assets          | -                   | 66,730            |
| capital grant amortization                      | -                   | (222,558)         |
| <b>Working capital adjustments:</b>             |                     |                   |
| Increase in inventory                           | (42,901)            | (379,172)         |
| Increase in receivables                         | 3,559,822           | (2,174,348)       |
| Increase in deferred income                     |                     |                   |
| Increase in payables                            | (16,737,537)        | (24,008,819)      |
| Increase in payments received in advance        |                     |                   |
| <b>Net cash flows from operating activities</b> | <b>(36,337,910)</b> | <b>18,590,589</b> |

18. Reconciliation on receipts and payments

|                            | Ksh.               |
|----------------------------|--------------------|
| Receivables b/f            | 8,045,404          |
| Cash paid on;              |                    |
| opening stock              | 714,704            |
| Employees                  | 106,929,136        |
| Rent                       | 11,409,911         |
| Other payments             | 57,394,111         |
| Payables c/d               | 26,799,354         |
|                            | <b>211,292,620</b> |
| Payables b/f               | 10,061,817         |
| Total employee cost        | 117,601,528        |
| Board expenses             | 7,391,208          |
| Repairs and maintenance    | 1,328,633          |
| General expenses           | 62,632,404         |
| Capital grant amortisation | -                  |
| Closing stock              | 671,803            |
| Receivables c/d            | 11,605,226         |
|                            | <b>211,292,619</b> |

**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<br>(Name and designation) | Status: Resolved/ Not resolved | Time frame: (Put a date when you expect the) |
|--|---|--|---|--------------------------------|--|
| Basis of qualification - Going concern     | A negative net assets of Ksh. 13 million. The Board unable to pay statutory deductions of Ksh. 27 million. Hence the Board is technically insolvent | The management has prioritized the issue raised and the statutory deductions have been paid and net assets is positive | Executive Director  | Resolved                       |  |
|  |   |  |   |                                |  |
|  |   |  |   |                                |  |
|  |   |  |   |                                |  |
|  |   |  |   |                                |  |



Executive Director

Date: 29/09/2017

Chairperson of the Board

Date: 29/09/2017