

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL CONSTRUCTION AUTHORITY**

**FOR THE YEAR
ENDED 30 JUNE 2017**

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CORPORATE INFORMATION**Establishment**

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

Functions

The Authority Mandated is to:-

- Promote and stimulate the development, improvement and expansion of the construction industry ;
- Advise and make recommendations to the Cabinet Secretary on matters affecting or connected with the construction industry;
- Undertake or commission research into any matter relating to the construction industry;
- Prescribe the qualification or other attributes required for registration;
- Assist in the exportation of construction services connected to the construction industry;
- Provide consultancy and advisory services with respect to the construction industry;
- Encourage the standardization and improvement of construction techniques and materials;
- Promote and ensure quality assurance in the construction industry;
- Initiate and maintain a construction industry information system;
- Provide, promote, review and co-ordinate training programs organized by public and private accredited training centers for skilled construction workers and construction site supervisors;
- Accredite and register contractors and regulate their professional undertakings;
- Accredite and certify skilled construction workers and construction site supervisors;
- Develop and publish a code of conduct for the construction industry, and

- Do all other things that may be necessary for the better carrying out of its functions under the Act.

Vision

“A well-coordinated and developed construction industry”

Mission

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

Core values

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

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

Registered Office

11th Floor, KCB Plaza,

Kenya Road

Tel: +254 20 2712096/98/99.

Email: info@nca.go.ke

Website: www.nca.go.ke

P.O Box 21046-00100

NAIROBI.

Regional Offices

In line with Article 6 (3) of the Constitution of Kenya, the Authority has endeavored to ensure reasonable access to its services in all parts of the Republic of Kenya by establishing regional and liaison offices across the country. The following table indicates the existing 11 regional offices.

Table 1: Regional Offices

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



Corporate Information (Cont'd)

Auditors

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

Principal Legal Adviser

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

Bankers:

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

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

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

National Bank of Kenya
Community Branch,
NHIF BUILDING,
P.O Box 45219 00100
NAIROBI.

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

Housing Finance Corporation of
Kenya
Rehani House,
P.O Box 30088-00100
NAIROBI.

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

Corporate Information (Cont'd)

BOARD MEMBERS



Steven W. Oundo, OGW

Board Chair,

Representing AAK

D.O.B: 16.08.1971

Appointment: 02.11.2012

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

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

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

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



Dr. Loice J. Kipkorir

Vice-Chair Person, representing Special Interest Groups.

D.O.B 26.02.1970

Appointed on 31.07.2015

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

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



Ms. Susan Karanja

Board Member, representing the National Treasury

D.O.B 23.04.1960

Appointed on 09.08.2012

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

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



Qs. Jennifer Musyimi

Board Member, representing IQSK

D.O.B 06.04.1977

Appointed on 31.07.15

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

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



Hon. Moses Muhia

Board Member, representing KFMB

D.O.B 30.08.1946

Appointed on 31.05.2012

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



Ms Anne M. Kiusya

Board Member, representing LSK

D.O.B 29.11.1968

Appointed on 31.05.2015

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

PROF. GODRICK BULITIA

Board Member representing special interest

D.O.B 10.11.1970

Appointed on 12.05.2017



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



Eng. Henry S. Amaje

Board Member, representing IEK

D.O.B 05.02.1953

Appointed on 31.05.2012

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

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

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



Arch. Makenzi Kiilu,

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

D.O.B 10.04.1960

Appointed on 22.02.2016

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



Eng. Arjan Shankla

Board Member, representing KABCEC

D.O.B 17.07.1959

Appointed on 02.11.2012

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

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

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



Wallace Atim

Board Member, representing RACECA

D.O.B 28.01.1969

Appointed on 31.07.2015

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

He Chairs the Technical Committee of the Board.



Arch. Jackson Kafuna

Board Member, representing PS State Department of Public Works

D.O.B 20.06.1959

Appointed on 03.08.2016

Arch. Jackson Kwisi Kafuna is a registered architect with the Board of Registration of Architects and Quantity Surveyors (BORAQS), a corporate member of the Architectural Society of Kenya and represents the Principal Secretary, State Department of Public Works under the Ministry of Infrastructure, Housing and Urban Development on the NCA Board. He is a leading expert in project management, having led construction consultancy teams to successfully implement projects in various development areas such as the Parliamentary Service Commission and the Public Service Commission.

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

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



Eng. Stephen K. Kogi

Board Member, representing State Department of Infrastructure

D.O.B 14.01.1964

Appointed on 09.08.2012

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



Dr. Arch. Daniel O. Manduku

Executive Director/Secretary to the Board

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

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

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

SENIOR MANAGEMENT



Arch. Daniel O. Manduku

**Executive
Director/Registrar of
Contractors**

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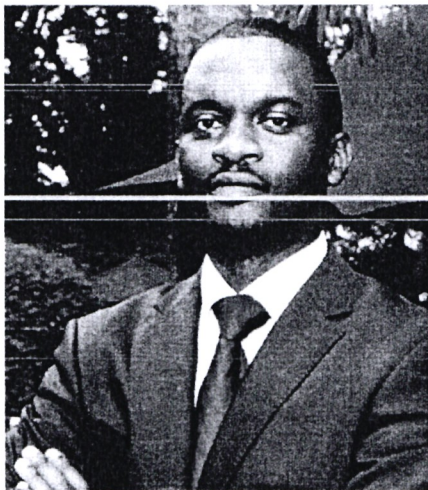


Eng. Maurice Aketch

**GM. Research, Capacity
Building and Training**

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

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



Eng. Raymond Karani

**Ag. GM. Registration and
Compliance**

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

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



Christine Kirimi

Ag. GM, Operations

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

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



James Kilonzi

Manager, Accounts

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

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



Daniel Kemei

Manager, Administration

Mr. Kemei is a Doctoral Candidate (Human Resource Management) at Jomo Kenyatta University of Science and Technology (JKUAT). He holds a MSc. Human Resource Management also from JKUAT and a Post Graduate Diploma in Corporate Governance from KCA University.

Mr. Kemei's passion for people led to his choice of career. Before joining NCA, he was the Senior Human Resource and Administration Manager at Kenya Power, where he had risen up the ranks and was responsible for recruitment, management of administrative services, policy formulation and records management. He has worked in various parts of the country and brings to the Authority over seventeen years' experience in the in Human Resource Management and Administration field.



Paul Gesora

Manager, Corporate Strategy

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

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



Paul Kariuki

Manager, Human Resource

Mr. Kariuki, who started his career as a teacher, has been a Human Resource professional for the last thirteen years, and was previously the Principal Human Resource Management Officer in the Public Works Directorate of the Ministry of Land, Housing and Urban Development. He has an extensive background in Human Resource generalist affairs, including experience in employee recruitment and retention, staff development, mediation, conflict resolution, benefits and compensation, records management, policy development and legal compliance. His teaching background provides an added advantage to staff at the Authority when it comes to welfare and development.

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



Samson Lukoba

Corporation Secretary and Head of Legal

Mr. Lukoba brings to the Authority over ten years' experience in both strategic and operational positions in multinational organizations. He has a strong legal background with emphasis on Human Resource and Industrial Relations Management with a focus on Compliance and Risk management. Prior to joining NCA, Mr. Lukoba was the Legal and Ethical Trading Manager at Oserian Development Company Ltd. He has also worked with various legal firms, where he worked extensively in litigation.

Mr. Lukoba holds a Bachelor of Laws (LLB) from the University of Mumbai (India), a Bachelor of Arts from Panjab University (India) and a Diploma in Law from the Kenya School of Law.



Qs. David Mathu

**Manager, Research and
Business Development**

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

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

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



Qs. Susan Rutto

Manager, Registration and Compliance (Building Works)

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



Stephen Obare

Manager, ICT

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

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



Arch. Stephen Mwilu
Manager, Regional Offices

Mr. Mwilu is a registered Architect with BORAQS. Prior to joining the Authority, Arch. Mwilu worked with the Directorate of Public Works, where he rose to the position of Senior Superintending Architect. Arch. Mwilu joined NCA as a Regional Officer in charge of the Lower Eastern Region, and his dedication and hard work saw him promoted to Manager, Regional Offices, where he coordinates the activities of NCA's all the regional offices and six liaison offices. Arch. Mwilu brings to the Authority a wealth of knowledge due to his technical background, as well as over a decade's experience both in the public sector and as a private consultant.

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

CHAIRMAN'S STATEMENT

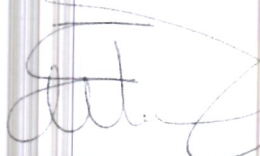
The global construction industry continues to grow exponentially every year, and the local industry is no different. The Government has been focused on the delivery of key infrastructural projects, particularly in the roads, rail and energy sectors, which is the critical intervention needed to jump start the economy as spelt out in Vision 2030, our nation's development blueprint.

This year has seen the launch of the much anticipated Standard Gauge Railway, a modern, efficient transport system that has put Kenya on the path to industrialization, especially due to the value addition that will emanate from the manufacturing sector having made the transportation of cargo faster and easier. The overall impact of Phase 1 of the SGR is de-congested roads leading to millions saved in road maintenance fees, the employment of over 30,000 Kenyans and a further increase in employment opportunities directly and indirectly through the industries coming up along the railway line.

The country's road networks have also greatly expanded, with over 2000 inter-city highways currently under construction, with thousands of kilometers of both urban and rural roads in various stages of procurement. The Isiolo-Moyale Highway, part of the Lamu Port Southern Sudan-Ethiopia Transport (LAPPSET) corridor, is currently at 98% completion. The Port of Mombasa, critical for transacting business locally and across the region, has seen its capacity enhanced with the construction of a second container terminal, raising the throughput from 894,000 to 1.1 million Twenty Foot Equivalent Units (TEUs).

Critical expansions have also taken place for major airports across the country; the Kisumu Airport was expanded to become a hub to support and service the Great Lakes Trade; Isiolo Airport, soon to be launched, is meant to support the LAPPSET corridor as well as to market the Isiolo Resort City. The Lamu and Malindi airports are also being upgraded, and these developments have improved safety and security, created employment opportunities and increased connectivity across region, boosting trade.

These projects continue to demonstrate why construction remains the cornerstone of our country's development. The Authority will continue to partner with the relevant stakeholders in order to ensure sustainable construction towards the growth of this industry and ultimately, our country's economy.



Steven Oundo, OGW

Chairperson of the Board

EXECUTIVE DIRECTOR'S STATEMENT

This year has undoubtedly been one of the best for the Authority, as we reflect on our achievements. All Authority services are now fully automated, and can be accessed via our newly launched and user friendly website, all done in order to enhance the customer experience. In the same spirit, the Authority also increased the number of regional and liaison offices, most notably the Kajiado and Kiambu regional offices in order to bolster the quality assurance activities, especially in regions with high levels of construction activity.

This past year also saw the launch of the first National Construction Week, featuring the second edition of the Authority's premiere event, the Annual Construction Research Conference and Exhibition, now the biggest construction research event across the region. The conference was co-located with one of the biggest construction exhibitions globally, the Big 5 Construct, taking place for the first time in East Africa through NCA's partnership.

Other key partnerships established this year include Memorandums of Understanding with Kenya Green Building Society towards sustainable construction practices, as well as with key manufacturers towards training of contractors and artisans.

The Authority also spearheaded the generation of construction industry trades, now numbering 59 in total. The process of generating occupational standards for the trades, beginning with the most prevalent (masonry, plumbing, carpentry, electrical works and steel fixing) is ongoing and should be completed by close of the next financial year. This will be critical as we prepare a curriculum for the training of construction workers. Another key activity for the Authority has been the review of the National Construction Authority Act, which is meant to empower the Authority to enforce legislation regarding the construction industry.

The progress made thus far by NCA has been commendable, and we look forward to growing from strength to strength in the coming year.

A handwritten signature in black ink, appearing to read 'Daniel O. Manduku', is written over the printed name. The signature is slanted and overlaps the text.

Arch. Dr. Daniel O. Manduku

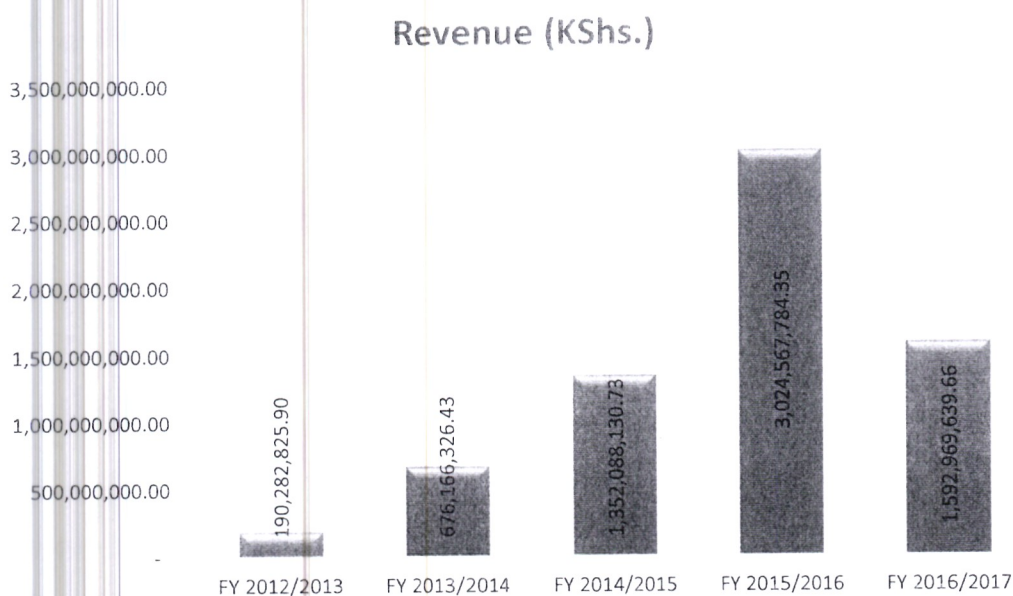
Executive Director/Registrar of Contractors

KEY HIGHLIGHTS AND ACHIEVEMENTS

The financial year 2016/2017 marks the fifth year of the Authority since its establishment in July 2012. The Authority remains committed to its mandate of promoting the development of the construction industry for a sustained socio-economic development. The key highlights of the Authority's performance for the period are as outlined below.

i. Financial Performance

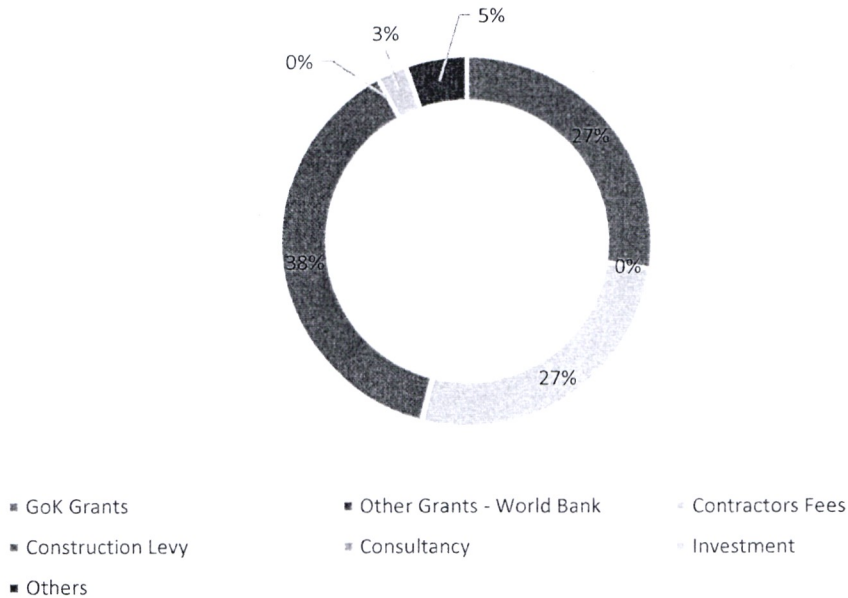
a. Financial performance in figures



The total revenue for the Authority has decreased by 47% as compared with the last financial year (internally generated revenue by 60%). This is attributable to the Government's removal of the construction levy with effect from 1st January 2017. The construction levy accounted for over 70% of the total revenue of the Authority for the last two financial years. The Board is aware of this fact and it is working on mitigating the effects by identifying other means of raising the internally generated revenue.

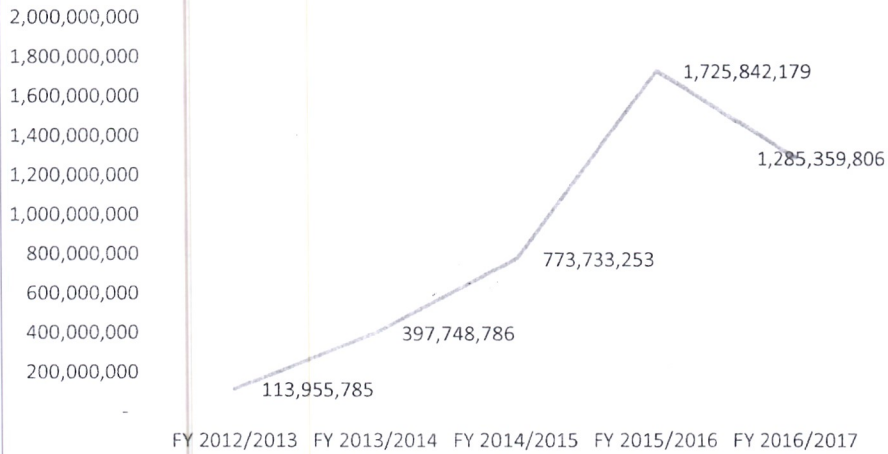
Key Highlights (Cont'd)

b. Revenue Sources for FY 2016/2017



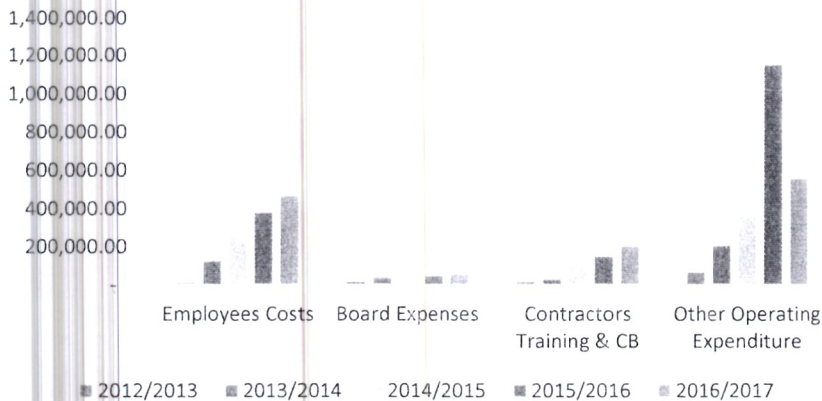
The construction levy contributed 38% of the total revenue for the Authority as compared with 72% last financial year. The grants from GoK increased to 27% from 5% last financial year. The increase is the Governments support after the removal of the construction levy. The income realized from the contractor's fees comprises of application fees for registration, registration fees and receipts from training workshops for contractors which accounted for 27% of the total revenue.

c. Expenditure Trends



The expenditure for the period under review declined by 26% as compared with the last financial year. This is in line with the reduction in revenue and to ensure that the Authority operates within the available resources hence reducing its exposure to liquidity risks.

d. Expenditure by Vote



The Authority's employee costs accounts for 37% of the total expenditure for the period. The expenditure has grown over the years from KShs. 11.8 Million to KShs. 467.3 Million with the staff compliment growing from 5 to 305 in 2012/2013 and 2016/2017 respectively. The reduction of the revenue mainly affected the reduction in other operating expenses which declined by 52% from KShs. 1.1 Billion recorded in 2015/2016 to KShs. 0.54 Billion in 2016/2017.

ii. Regulation

a. Registration of Contractors

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

Table 2: The Registered Contractors (by Certificate) as at 30th June 2017

Category	Classes of Works					Total
	Roads	Water	Buildings	Electrical	Mechanical	
NCA1	218	154	287	159	116	934
NCA2	221	146	289	62	51	769
NCA3	379	240	404	86	54	1,163
NCA4	1,371	943	1,419	339	207	4,279
NCA5	1,433	930	1,565	325	176	4,429
NCA6	2,828	1,465	3,147	584	274	8,298
NCA7	5,114	2,240	4,937	573	347	13,211
NCA8	5,528	3,166	5,631	254	301	14,880
Total	17,092	9,284	17,679	2,382	1,526	47,963

To ensure that the Authority responds appropriately to the dynamic environment in which it operates, the Authority has initiated the process of reviewing the

enabling Act and the subsequent regulations. This will ensure that we respond accordingly to the new developments within the industry.

b. Foreign Contractors

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

The number of foreign contractors as at 30th June 2017 was 197 against 167 as at 30th June 2016. The Authority undertakes to ensure that foreign contractors strictly adhere to the regulatory requirements that govern their professional undertakings in the Kenyan construction Industry in accordance to the NCA Act 2011 and Regulations 2014.

c. Registration of Skilled Workers

The Authority has an ambitious plan in its strategic plan 2015-2020 to accredit and register 1.5 Million and 0.5 Million construction workers and site supervisors respectively. This is geared towards ensuring that the industry has qualified and competent manpower with the right mix of skills. The Authority has identified over 250,000 workers in the construction industry across the different trades.

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

iii. Training and Capacity Building

a. Construction Workers

The Authority is mandated to accredit skilled workers in the industry. To facilitate their accreditation, the Authority has carried out a review of the criteria and is awaiting publication. In addition the Authority has been carrying out pilot apprenticeship Framework to allow for accreditation of apprentices and competency assessment in collaboration with industry stakeholders and trainers.

During the period under review the Authority trained 5,729 skilled workers in different trades across the country. In addition, the Authority in partnership with other industry players is conducting trainings for the skilled workers and site supervisors to enhance their skills. These initiatives includes the Bamburi Builders Academy, targeting 3,500 masons, Tujiajiri program by the KCB Foundation and the partnership with Savanah Cement.

b. Contractors Training and Capacity Building

The training function of the Authority is geared towards building the capacity of the contractors and the skilled workers. The Authority conducted 29 trainings across the country which attracted 6,430 contractors. This is above the target of 5,000 contractors per annum in line with the Strategic Plan 2015-2020. The total contractors trained under this program is 19,806 i.e (9,113 in 2014/2015, 4,263 in 2015/2016 and 6,430 in 2016/2017).

To improve on the training program the Authority has developed the contractors Continuous Development Policy. The policy intends to create a framework where the Authority is able to partner with other service providers in providing the trainings to the contractor which is more efficient and cost effective. The main challenge in implementing the program is adequate financial resources and lack of appreciation by the contractors the need for their professional development.

iv. Quality Assurance and Compliance

This is one of the key mandates of the Authority. During the financial year the Authority carried site inspections across the country to ensure that the constructions going on comply with the set standards. The sites that were found not to be compliant were issued with closure notices and closed until they comply with the requirements. The figure below indicates the sites inspected within the financial year.

Figure: Registered Projects



The projects registered comply with all the regulations regarding construction while the ones suspended did not comply with one or more of the regulations. The suspension notice issued to non-compliant sites is lifted once they comply with all statutory requirements as per the NCA Regulations 2014. The Authority focusses on seven attributes while carrying out the project compliance inspections. The highest percentage (56%) of the projects visited were found to be non-compliant with the major issues being site healthy and safety and absence of professionals.

v. Service Delivery

a. Human Resource

The Authority has continued to invest in one of its most valuable asset – the Human Capital. The Authority trained staff on areas outlined in competency assessment report as well as on the requirements of the Career Progression guidelines in order to bridge skills gap and to develop them for the purpose of growth in their careers. In addition, the Authority reviewed its career progression guidelines, the salary structure and the Human Resource policies and manual to align them to the new developments in the industry and other government guidelines.

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

b. Regional Offices

The Authority has continued to expand its regional presence across the country in line with its national mandate and constitutional requirements. The Authority has established fourteen regional and thirteen liaison offices around the country. This lies in line with the Authorities objective of decentralizing its services. Two more regional offices were opened during the financial year i.e. Kiambu and Kajiado Regional Offices.

c. Information Communication Technology (ICT)

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

have helped to improve productivity by relaying up to date information on projects and their status across the country.

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

d. Public Awareness and Sensitization Campaigns

The Authority created its first major advertising campaign, *Be Sure, Jenga Smart*, highlighting what is required from each stakeholder in order to enhance quality in the construction industry. The campaign, who's tagline is "*Building a strong Kenya*", introduced the Authority's new mascot *Fundi Smart*, a knowledgeable construction worker who will speak on the Authority's behalf and offer industry-related advise. The campaign includes television, radio, print and animated adverts, and has elicited a lot of possible feedback across the spectrum.

CORPORATE GOVERNANCE

Corporate Governance Statement

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

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

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

Board and Committee Meetings

The affairs of the Board are conducted in line with the National Construction Authority Act Sec. 9 and other guiding government regulations. The Board meets at most six times in every financial year but the Authority's business may warrant the convening of special meetings from time to time. To facilitate effective planning, attendance and participation in Board meetings an annual calendar is prepared for a financial year

and circulated in advance. The Board Committee meetings are scheduled before the Full Board meeting to ensure that all matters are adequately addressed at the committee level before presentation to the Board for adoption or approval.

Board Committees

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

The Board has four committees with specific mandate in line with its charter. The Board considered the professional qualifications, skills and competence in selection of the committee members. The provisions of the Mwongozo code of governance for state corporations was also taken into account in the composition and number of committees.

The Board held a total of five full board meetings and various committee meeting within the year.

Table 3: Board and Committee Attendance

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

*Resigned on 7th February 2017

** Appointed on 4th May 2017

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

Finance, Administration & Development (FAD)

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

committee is mandated to review strategies relating to the Authority's corporate strategy, corporate communications, information technology and communication and legal.

Members

1. Qs. Jennifer Musyimi – Chairperson
2. Eng. Henry Amaje- Member
3. Susan Karanja- Member
4. Hon. Moses Muihia – Member
5. Wallace Atim – Member
6. Eng. Josiah Maaga – Member (resigned on 7th February 2017)
7. Prof. Godrick Bulitia – Member (appointed on 4th May 2017)

Technical Committee

This committee is responsible for the technical operations of the Authority. The committee is responsible for recommending training, research and capacity building policies, goals, and budgets that support the mission, values, and strategic goals of the Authority. In relation to registration and compliance, the committee is charged with ensuring that the mandate of the Authority in relation to registration of contractor and construction workers is carried out effectively and efficiently. In addition the committee ensure that adequate policies are put in place for compliance of all statutory requirements by all the industry stakeholders.

Members

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

Human Resource Committee

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

Members

1. Anne M. Kiusya – Chairperson
2. Dr. Loice J. Kipkiror - Member
3. Eng. Arjan Shankla – Member
4. Eng. Stephen Kogi – Member
5. Eng. Josiah Maaga – Member (resigned on 7th February 2017)
6. Arch. Makenzi Kiilu – Member
7. Prof. Godrick Bulitia – Member (appointed 4th May 2017)

Board Audit, Risk & Governance Committee

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

Members

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

RISK MANAGEMENT

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

The implementation of the Enterprise Risks Management (ERM) framework will ensure the Authority develops a common platform for risk identification, measurement and management. The ERM framework under development includes a component on governance which provides for the guidelines on responsibilities for taking, managing, monitoring and reporting risks.

The Authority recognizes four major categories of risk which are:

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

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

In addition to the implementation of the ERM framework, to address the inherent operational risks, the Authority has formulated comprehensive policies and procedures which are constantly under review to address any emerging risks. Some of the measures instituted to mitigate against operational risks includes: effective segregation of duties,

- i. annual risk reviews;
- ii. staff education and sensitization;
- iii. authorization levels; and
- iv. entrenching risks management culture.

REPORT OF THE BOARD MEMBERS

The Board Members submit their report together with the financial statements for the year ended June 30th, 2017 which show the state of the National Construction Authority affairs.

Principal Activities

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

Results

The results of the National Construction Authority for the year ended June 30th 2017 are set out on page 1 to 25.

Board Members

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

Auditors

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

By Order of the Board

Arch. Dr. Daniel O. Manduku

Executive Director/Secretary to the Board

Nairobi.

Date:September 2017.

STATEMENT OF THE BOARD MEMBERS' RESPONSIBILITIES

The Public Finance Management Act 2012 Sec. 81, the National Construction Authority Act Sec. 35 and the State Corporations Act Cap 446 Sec. 14, require the Board to prepare annual financial reports in respect of National Construction Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and its operating results for that year. The Board is also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Board is also responsible for safeguarding the assets of the Authority.

The Board is responsible for the preparation and presentation of the Authority financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 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 Authority;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Authority;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Board accepts responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sectors Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Board is of the opinion that the Authority's financial statements

Statement of Board Members' Responsibility (Cont'd)

give a true and fair view of the state of the Authority's transactions during the financial year ended June 30th, 2017, and of the its financial position as at that date. The Board further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

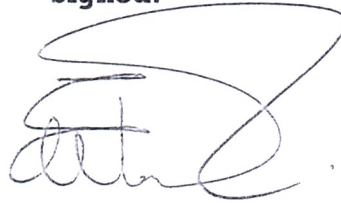
The Authority's financial statements were approved by the Board on September 2017 and signed on its behalf by:

Signed: -



Arch. Dr. Daniel O. Manduku
Executive Director/Secretary to the Board

Signed:-



Steven Oundo, OGW
Chairperson of the Board

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL CONSTRUCTION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Construction Authority set out on pages 1 to 28, 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 the Public Audit Act, 2015.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Construction Authority as at 30 June 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 National Construction Authority (NCA) Act No. 41, 2011 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing else 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

Receivables

Included in the statement of financial position as at 30 June 2017 are receivables amounting to Kshs.1,954,796,177 which includes debtors balance of Kshs.1,795,645,854. However, it was observed that Government Institutions owed the bulk of the debtors balance with a total of Kshs.963,841,869 or 54% of the total debtors being owed by three Institutions i.e. Kenya Railways Corporation -Kshs.625,132,485, Kenya Rural Roads Authority - Kshs.71,167,350 and Kenya Pipeline Corporation - Kshs.267,542,035. Management did not provide explanation as to why the above debtors have remained outstanding for over two years and the efforts being made towards recovery of the same.

In the circumstance, the recoverability of debtors totaling Kshs.1,795,645,854 reflected in the statement of financial position as at 30 June, 2017 remains doubtful.

Report of the Auditor-General on the Financial Statements of National Construction Authority for the year ended 30 June 2017

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Construction Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

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 Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Government intends to cease operations of the Authority, or has no realistic alternative but to do so..

The 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 Authority's financial reporting process.

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

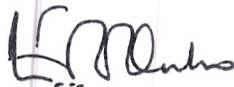
The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 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 Authority'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 Authority's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

15 August 2018

Report of the Auditor-General on the Financial Statements of National Construction Authority for the year ended 30 June 2017

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE, 2017

	<u>Note</u>	<u>2016/17</u> <u>KShs.</u>	<u>2015/16</u> <u>KShs.</u>
<u>INCOME</u>			
Revenue from Non- Exchange Transactions	3	1,524,148,358	2,943,096,909
Revenue from Exchange Transactions	4	68,471,282	81,470,876
Total Income		1,592,619,640	3,024,567,784
<u>RECURRENT EXPENDITURE</u>			
Employee Costs	5	467,694,991	379,524,747
Board Expenses	6	57,420,116	48,220,622
Communication	7	22,198,698	20,966,079
Travelling and Accommodation	8	147,408,642	145,183,504
Advertising and Public Relations	9	62,717,957	86,117,833
Insurance Costs	10	36,958,946	23,630,684
Other Operating Expenses	11	379,406,612	914,390,950
Depreciation	17	106,271,897	100,894,541
Taxes	12	6,400,301	6,913,219
Total Expenditure		1,286,478,160	1,725,842,179
Surplus/(Deficit) for the period		306,141,480	1,298,725,606

STATEMENT OF FINANCIAL POSITION

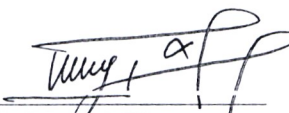
AS AT 30TH JUNE, 2017

	Note	2016/17 <u>KShs.</u>	2015/16 <u>KShs.</u>
<u>ASSETS</u>			
Current Assets			
Receivables	14	1,954,796,177	1,644,891,596
Investments	15	427,828,070	454,054,201
Cash & Cash Equivalents	16	721,018,341	537,891,527
		3,103,642,587	2,636,837,325
Non-Current Assets			
Property, Plant & Equipment	17	257,476,559	282,432,968
Intangible Assets	18	155,213,133	58,222,502
		412,689,693	340,655,471
TOTAL ASSETS		3,516,332,280	2,977,492,796
LIABILITIES			
Current Liabilities			
Trade Payables & Accruals	19	957,998,215	724,582,335
Total Current Liabilities		957,998,215	724,582,335
NET ASSETS		2,558,334,065	2,252,910,461
<u>RESERVES</u>			
Reserve		20,000,000	20,000,000
Accumulated Surplus		2,538,334,065	2,232,910,460
TOTAL RESERVES		2,558,334,065	2,252,910,460

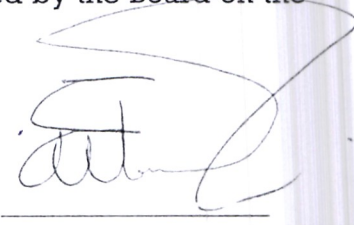
The financial statements set out on pages 1 to 5 were approved by the Board on the ... September 2017, and signed on its behalf by;



Arch. Dr. Daniel O. Manduku
Executive Director/CEO



Mr. James M. Kilonzi
Manager Accounts



Arch. Steven Oundo, OGW
Chairperson of the Board

**STATEMENT OF CHANGES IN NET ASSETS
FOR YEAR ENDED 30TH JUNE, 2017**

	Note	Accumulated Surplus KShs	Revenue Reserves KShs	Totals KShs
As at 1st July, 2015		934,184,855	-	934,184,855
Surplus for the year		1,298,725,606	-	1,298,725,606
Capital Grants		-	20,000,000	20,000,000
As at 30th June, 2016		2,232,910,460	20,000,000	2,252,910,460
As Restated				
Income overstatement	21	(717,874)		(717,874)
Salaries overstatement				-
As Restated		2,232,192,586	20,000,000	2,252,192,586
As at 1st July, 2016		2,232,192,586	20,000,000	2,252,192,586
Surplus/(Deficit) for the year		306,141,480		306,141,480
Capital Grants			-	-
As at 30th June, 2017		2,538,334,065	20,000,000	2,558,334,065

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE, 2017

		2016/17	2015/16
	Note	<u>KShs.</u>	<u>KShs.</u>
OPERATING ACTIVITIES			
Surplus/ (Deficit) generated from operating activities		306,141,480	1,298,725,606
Adjustments:-			
Interest Income	4(ii)	(40,503,002)	(55,994,987)
Depreciation	17	106,271,897	100,894,541
Operating income before working capital changes		371,910,375	1,343,625,159
Movements in Working Capital			
Decrease/ (Increase) in Debtors.	14	(312,425,478)	(1,236,566,970)
Increase/(Decrease) in Trade & Other Payables	19	233,415,879	624,304,160
Net Change in working Capital		(79,009,598)	(612,262,811)
Net Cash(used by)/from operating activities		292,900,777	731,362,348
INVESTING ACTIVITIES			
Purchase of other Non-Current Assets	17/18	(178,306,119)	(312,470,194)
Proceeds from Investments		454,054,201	314,886,517
Investments	15	(427,828,070)	(454,054,201)
Interest Income Received	20	43,023,899	52,572,422
Net Cash used in Investing activities		(109,056,088)	(399,065,457)
FINANCING ACTIVITIES			
Prior Year Adjustments	21	(717,874)	449,594
Development Grants		-	20,000,000
Net Cash From Financing Activities		(717,874)	20,449,594
Net (Decrease) / Increase in Cash and Cash Equivalents		183,126,814	352,746,485
<i>Cash and Cash Equivalents at the beginning of the year</i>		537,891,527	185,145,042
Cash and Cash Equivalents at the end of the year	16	721,018,341	537,891,527

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	BUDGET	ACTUAL	VARIANCE
GoK Recurrent Grants	435,464	435,464	-
Grants revenue	140,400	-	(140,400)
Contractors Application	25,000	39,582	14,582
Contractors Registration	248,798	394,360	145,563
Construction Levy	2,073,036	591,276	(1,481,760)
Conferences and Workshops	90,000	69,338	(20,662)
Registration of Workers	30,000	3,114	(26,886)
Consultancy	11,500	15,000	3,500
Investment Income	32,000	40,503	8,503
Miscellaneous revenue	10,250	3,982	(6,268)
Total Income	3,096,448	1,592,620	(1,503,828)
RECURRENT EXPENDITURE			
Salaries and wages	432,242	392,460	(39,782)
Training Expenses	62,500	37,321	(25,179)
Employer Payroll Contribution	43,487	37,915	(5,572)
Board Expenses	62,884	57,420	(5,464)
Contracted Services	16,848	15,315	(1,533)
Utilities Supplies & Services	6,000	1,949	(4,051)
Communication, Supply, Services	34,100	22,199	(11,901)
Domestic Travel & Subsistence	95,985	97,562	1,577
Foreign Travel & Substs Costs	51,500	49,847	(1,653)
Public Relations and Advertising	134,886	62,718	(72,168)
Rental Of Produced Assets	45,934	43,545	(2,389)
Staff Welfare & Hospitality	33,480	24,121	(9,359)
Insurance Costs	41,442	36,959	(4,483)
Contractor Training & Cap. Building	344,040	203,035	(141,005)
Office & Gen. Supply & Services	62,616	47,131	(15,485)
Motor Vehicle Expenses	22,000	20,161	(1,839)
Professional Fees	46,200	7,151	(39,049)
Other Operating Expenses	29,852	3,072	(26,780)
Repairs and Maintenance	20,000	13,928	(6,072)
Depreciation	116,274	106,272	(10,002)
Taxes		6,400	6,400
Total Expenditure	1,702,270	1,286,478	(415,792)
			-
Surplus/(Deficit)	1,394,177	306,141	(1,088,036)

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE 2017**

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

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

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

2. Summary of Accounting Policies

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

a) Revenue recognition

i. Revenue from non-exchange transactions – IPSAS 23

Levies, Application fees, and Registration Fees

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

The non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

Transfers/Grants from Government and other Entities

Revenues from non-exchange transactions with the government and other entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. *Revenue from exchange transactions – IPSAS 9*

Rendering of services

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

Interest income

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

b) **Budget Information – IPSAS 24**

The 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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

d) Property, Plant and Equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

e) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017
(Cont'd)

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

f) Depreciation Policy

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

The annual depreciation rates in use are:-

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

g) Provisions – IPSAS 19

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

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

Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017
(Cont'd)

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

h) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

i) Comparatives

Where necessary comparative figures for the previous financial year 2013/2014 have been amended or reconfigured to conform to the required changes in presentation.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017
(Cont'd)

3. Revenue from Non- Exchange Transactions

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

		2016/17	2015/16
		<u>KShs.</u>	<u>KShs.</u>
GoK Recurrent Grants	3 (i)	435,463,696	138,260,752
Grants revenue	3 (ii)	-	88,895,562
Contractors Application fees	3 (iii)	39,582,322	42,956,821
Contractors Registration fees	3 (iv)	385,374,495	449,228,820
Construction Levy	3 (v)	591,276,270	2,176,743,365
Conferences and Workshops	3 (vi)	69,337,660	31,599,678
Registration of Workers	3 (vii)	3,113,914	15,411,910
Total		<u><u>1,524,148,358</u></u>	<u><u>2,943,096,909</u></u>

i. GoK Recurrent Grants

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

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
GoK Recurrent Grants	435,463,696	138,260,752
	<u><u>435,463,696</u></u>	<u><u>138,260,752</u></u>

ii. Other Recurrent Grants

In the financial year 2015/16 the Authority received grants amounting to KShs. 88 Million from the World Bank under the Kenya Transport Sector Support Project (KTSSP). The grants were applied in the supply and installation of an information system (Enterprise Resource Planning System and the Regulatory Construction Information System) to enhance the Authority's service delivery.

	<u>2016/17</u> <u>KShs.</u>	<u>2015/16</u> <u>KShs.</u>
Other Recurrent Grants	-	88,895,562
	<u>-</u>	<u>88,895,562</u>

iii. Contractors Application Fee

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

	<u>2016/17</u> <u>KShs.</u>	<u>2015/16</u> <u>KShs.</u>
Contractors Application Fee	39,582,322	42,956,821
	<u>39,582,322</u>	<u>42,956,821</u>

iv. Contractors Registration Fees

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

	<u>2016/17</u> <u>KShs.</u>	<u>2015/16</u> <u>KShs.</u>
Contractors Registration	385,374,495	449,228,820
	<u>385,374,495</u>	<u>449,228,820</u>

v. Construction Levy

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

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Construction Levy	591,276,270	2,176,743,365
	<u>591,276,270</u>	<u>2,176,743,365</u>

vi. Conferences & Workshops

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

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Conferences & Workshops	69,337,660	31,599,678
	<u>69,337,660</u>	<u>31,599,678</u>

vii. Registration of Workers

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

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Registration of Workers	3,113,914	15,411,910
	<u>3,113,914</u>	<u>15,411,910</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)
4. Revenue from Exchange Transactions

		2016/17 KShs.	2015/16 KShs.
Consultancy	4 (i)	15,000,000.00	16,885,000.00
Investment Income	4 (ii)	40,503,002.06	55,994,987.35
Miscellaneous revenue	4(iii)	12,968,280.00	8,590,888.42
Total		<u>68,471,282.06</u>	<u>81,470,875.77</u>

i. Consultancy

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

	2016/17 KShs.	2015/16 KShs.
Consultancy	15,000,000	16,885,000
	<u>15,000,000</u>	<u>16,885,000</u>

ii. Interest Income

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

	2016/17 KShs.	2015/16 KShs.
Interest income	40,503,002	55,994,987
	<u>40,503,002</u>	<u>55,994,987</u>

iii. Miscellaneous Revenue

The miscellaneous revenue consists of the following items

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Tender	8,000	42,000
Sponsorship	3,974,280	3,622,500
Appeals	8,986,000	4,125,350
Miscellaneous revenue	-	801,038
	<u>12,968,280</u>	<u>8,590,888</u>

5. Employee Costs

The employees costs comprises of the following

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Salaries & Wages	392,459,594	283,434,852
Employer Pensions	26,134,124	14,549,355
Training and Capacity Building	37,320,718	72,810,321
Provision for Gratuity (Note 14)	11,780,555	8,730,220
	<u>467,694,991</u>	<u>379,524,747</u>

6. Board Expenses

The Board expenses for the year were as stated below

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Allowances and Honoraria	18,330,200	17,789,081
Travel & Accommodation	23,411,380	19,318,829
Training Expenses	7,289,855	2,998,378
Executive Remuneration	8,040,000	7,490,000
Medical expenses	348,681	624,334
	<u>57,420,116</u>	<u>48,220,622</u>

7. Communication

Communication expenses relates to telephone, courier and internet connections services

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Telephone & Mobile	12,132,188	15,972,881
Internet Connections	9,593,195	4,229,749
Courier and Postage	473,315	763,449
	<u>22,198,698</u>	<u>20,966,079</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

8. Travelling and Accommodation

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Domestic Travel & Subsistence	97,562,047	102,973,388
Foreign Travel & Subsistence	49,846,595	42,210,117
	<u>147,408,642</u>	<u>145,183,504</u>

9. Advertising and Public relations

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Publishing & printing	1,114,734	31,981,527
Advertising, Awareness & Pub.	52,442,873	47,110,437
Trade Shows and Exhibitions	4,655,200	5,234,869
Corporate Social Responsibility	11,600	100,000
Photography & Production	964,550	
Donations and Sponsorship	3,529,000	1,691,000
	<u>62,717,957</u>	<u>86,117,833</u>

10. Insurance Costs

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Group Personal Insurance-Life	1,467,607	1,264,094
Fire and other perils	1,112,263	622,511
Motor vehicle insurance	4,142,170	3,286,422
Medical Insurance	29,331,897	18,012,522
GPA & WIBA	905,009	445,135
	<u>36,958,946</u>	<u>23,630,684</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

11. Other Operating Expenses

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Contracted Services	15,314,668	8,178,586
Utilities Supplies & Services	1,948,594	2,969,720
Rent	43,545,212	42,269,173
Staff Welfare & Hospitality	24,120,627	13,855,779
Contractors Training and Cap. Building	203,034,772	148,625,007
Office & Gen. Supply & Services	47,130,528	52,727,590
Motor Vehicle Expenses	20,161,239	16,620,336
Professional Fees	7,151,097	15,259,013
Other Operating Expenses	3,072,259	7,588,530
Repairs and Maintenance	13,927,615	6,017,590
Provision for Bad Debts	-	600,279,625
	<u>379,406,612</u>	<u>914,390,950</u>

12. Taxes

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

13. Provisions/Accruals

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

	Gratuity	Audit Fees	Bad Debts	Operating Expenses	Totals
	KShs	KShs			KShs
As at 1st July 2016	8,730,220	464,000	638,902,185	-	648,096,405
Provision for the year	12,016,716			22,797,285	34,814,001
Adjustments					-
Payments/Transfers					
Payments during the year	(236,161)				(236,161)
As at 30th June 2017	20,510,775	464,000	638,902,185	22,797,285	682,674,245

The Authority has various members of staff on contract basis, this number include the executive Director and the General Manager – research, business development and capacity Building. The employees on contract are entitled to gratuity payment at the rate of 31% of the basic pay on successful completion of their terms.

The policy of the Authority is make a general provision for bad and doubtful debts at the rate of 9% of the trade receivables. The management has not made additional provision for bad and doubtful debts for the period under review. In the last financial year the management an additional of KShs. 500 Million over and above the 9%.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

14. Receivables

(i) Receivables

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Deposits	705,000	705,000
Debtors	1,795,645,854	1,537,817,160
Salary Advance	2,095,272	1,709,374
Outstanding Imprests	849,978	6,084,040
Prepayments	4,262,436	2,831,909
	<u>1,803,558,540</u>	<u>1,549,147,482</u>

(ii) Accrued Income

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Interest from FDR	9,713,578	12,234,475
Grants from GoK	-	54,130,376
	<u>9,713,578</u>	<u>66,364,851</u>

(ii) Staff Schemes

Mortgages	141,524,059	29,379,263
Car Loan	-	-
	<u>141,524,059</u>	<u>29,379,263</u>
	<u>1,954,796,177</u>	<u>1,644,891,596</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

15. Investments

The Authority invested funds not in immediate use in Fixed Deposit Receipt Accounts in Commercial Bank of Africa. The investments as at 30th June 2017 were as follows

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Fixed Deposit Receipt Account (KShs)	414,964,130	444,190,261
Fixed Deposit Receipt Account (USD)	9,863,940	9,863,940
Call Accounts	3,000,000	-
	<u>427,828,070</u>	<u>454,054,201</u>

16. Cash and Cash Equivalents

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

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
KCB - Operations	371,592,034	70,908,868
KCB - Staff Mortgage Scheme	160,379,307	172,524,102
CBA - Operations	45,897,702	41,387,832
CBA - Levy	13,815,494	105,020,323
CBA - USD	30,719,934	22,370,156
Consolidated Bank	8,812	
Equity Bank Ltd	3,166,600	2,651,000
Co-operative Bank	81,221,818	65,598,167
Housing Finance	10,122,435	32,657,469
National Bank	3,975,446	21,779,511
Cash at hand	118,760	194,099
Transit/Suspense Account		
	<u>721,018,341</u>	<u>535,091,527</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

17. Property, Plant and Equipment

	Office Equipment	Computer Equipment & Access	Furniture & Fittings	Motor Vehicles	Total
Rate	13% KShs	33% KShs	12.50% KShs	25% KShs	- KShs
Cost					
<i>As At 01.07.2016</i>	19,633,067	126,045,354	169,254,046	141,648,579	456,581,046
<i>Adjustment</i>	-	-	-	-	-
<i>Additions</i>	-	21,028,371	9,660,254	50,618,483	81,307,108
<i>Disposals</i>	-	-	-	-	-
As At 30.06.2017	19,633,067	147,073,726	178,914,299	192,267,063	537,888,155
Depreciation					
<i>As At 01.07.2016</i>	7,305,348	69,141,797	26,397,130	71,303,804	174,148,078
<i>Period Charge</i>	2,463,696	37,576,393	22,507,819	43,715,609	106,263,517
<i>Write off</i>	-	-	-	-	-
<i>Disposal</i>	-	-	-	-	-
As At 30.06.2017	9,769,044	106,718,190	48,904,949	115,019,412	280,411,595
Net Book Value					
<i>As At 30.06.2017</i>	9,864,023	40,355,536	130,009,351	77,247,650	257,476,559
<i>As At 30.06.2016</i>	12,327,719	56,903,557	142,856,916	70,344,776	282,432,968

Year ended 30 June 2016

	Office Equipment	Computer Equipment & Access	Furniture & Fittings	Motor Vehicles	Total
Rate	13%	33%	12.50%	25%	-
	KShs	KShs	KShs	KShs	KShs
Cost					
<i>As At 01.07.2014</i>	19,633,067	49,310,855	24,842,570	108,391,692	202,178,184
<i>Additions</i>	-	76,734,499	144,411,476	33,256,887	254,402,862
<i>Disposals</i>	-	-	-	-	-
As At 30.06.2016	19,633,067	126,045,354	170,450,746	141,648,579	457,777,746
Depreciation					
<i>As At 01.07.2015</i>	4,851,215	27,546,830	5,240,374	35,891,661	73,530,080
<i>Period Charge</i>	2,454,133	41,594,967	21,156,756	35,412,143	100,617,999
<i>Disposal</i>	-	-	-	-	-
As At 30.06.2016	7,305,348	69,141,797	26,397,130	71,303,804	174,148,079
Net Book Value					
<i>As At 30.06.2016</i>	12,327,719	56,903,557	142,856,916	70,344,776	282,432,968
<i>As At 30.06.2015</i>	14,781,852	21,764,025	19,602,196	72,500,032	128,648,105

18. Intangibles

Year ended 30 June 2017

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

Year ended 30 June 2016

	Rate	Software
		30%
		KShs
Cost		
<i>As At 01.07.2016</i>		838,000
<i>Adjustment</i>		
<i>Additions</i>		58,067,332
<i>Disposals</i>		-
As At 30.06.2016		58,905,332
Depreciation		
<i>As At 01.07.2015</i>		406,290
<i>Period Charge</i>		276,540
<i>Write off</i>		-
<i>Disposal</i>		-
As At 30.06.2016		682,830
Net Book Value		
<i>As At 30.06.2016</i>		58,222,502
<i>As At 30.06.2015</i>		431,710

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

19. Trade Payables and Accruals

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Accounts Payables	104,306,183	27,584,464
Provisions and Accruals	682,674,245	648,096,405
Prepaid Levy	27,264,896	27,264,896
Sundry Creditors	7,839,567	21,636,570
Receipts in Advance	135,913,323	
	<u>957,998,215</u>	<u>724,582,335</u>

20. Investment Income Received

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Accrued Income B/f (Note 14)	12,234,475	8,811,909
Investment income	40,503,002	55,994,987
Accrued Income C/f (Note 14)	(9,713,578)	(12,234,475)
Withholding Tax		-
	<u>43,023,899</u>	<u>52,572,422</u>

21. Restatement of Accounts

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Retained Earnings	2,232,910,460	-
Investment income overstatement	(717,874)	-
	<u>2,232,192,586</u>	<u>-</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)
22. Related Party Transactions

The control of the Authority is exercised through the Board appointed by the Cabinet Secretary in line with the Act. The Executive Director and the Senior Management manage the day-to-day operations of the Authority. The total remuneration for the top management during the year was KShs. 88.4 Million, which is included in the employee costs excluding the executive director's remuneration which is reported under Board expenses.

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Executive Director	8,040	7,490
General Managers	17,310	7,510
Managers	63,025	51,273
	<u>88,375</u>	<u>66,273</u>

23. Staff Schemes

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

	2016/17	2015/16
	<u>KShs.</u>	<u>KShs.</u>
Balance as at 1st July 2016	172,524,102	-
Payments into the Scheme - Mortgage	100,000,000	200,000,000
Car Loan	49,990,000	-
Total Cash Available for Disbursement	<u>322,514,102</u>	<u>200,000,000</u>
Disbursements	(115,795,000)	(29,547,000)
Interest Earned on the Scheme	2,131,724	1,903,365
Repayments	1,518,480	167,737
Balance as at 30th June 2017	<u>210,369,307</u>	<u>172,524,102</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (Cont'd)

24. Budget Comparison

i. Budget Approval

The Authority's original budget was approved in line with the PFM Act in January 2015 and revised in January 2017. The revision was meant to ensure that the Authority operates within the overall approved expenditure levels taking into account any new developments and meet its operational mandates. The revised budgets were subsequently approved for implementation by the Board.

ii. Budget Utilization

The Authority utilized 75% of its recurrent budget and 28% of its capital budget. The low utilization of the capital expenditure is attributable to the delay in implementation of the Construction Institute which accounted for over 50% of the capital budget.

25. Contingencies

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

