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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NAIROBI CENTRE FOR INTERNATIONAL
ARBITRATION**

**FOR THE YEAR ENDED
30 JUNE 2017**

Nairobi Centre for International Arbitration
Reports and Financial Statements
For the year ended June 30, 2017



ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2017

NAIROBI CENTRE FOR INTERNATIONAL ARBITRATION (NCIA)

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

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II. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information:

The Nairobi Centre for International Arbitration is a state corporation established by an Act of Parliament vide Act No. 26 of 2013.

(b) Principal Activities:

The principal activity/mission of the **Nairobi Centre for International Arbitration** is to;

- (a)** promote, facilitate and encourage the conduct of international commercial arbitration in accordance with this Act;
- (b)** administer domestic and international arbitrations as well as alternative dispute resolution techniques under its auspices;
- (c)** ensure that arbitration is reserved as the dispute ' resolution process of choice;
- (d)** develop rules encompassing conciliation and mediation processes;
- (e)** organize international conferences, seminars and training programs for arbitrators and scholars;
- (f)** coordinate and facilitate, in collaboration with other lead agencies and non-State actors, the formulation of national policies, laws and plans of action on alternative dispute resolution and facilitate their implementation, enforcement, continuous review, monitoring and evaluation;
- (g)** maintain proactive co-operation with other regional and international institutions in areas relevant to achieving the Centre's objectives;
- (h)** in collaboration with other public and private agencies, facilitate, conduct, promote and coordinate research and dissemination of findings on data on arbitration and serve as repository of such data;
- (i)** establish a comprehensive library specializing in arbitration and alternative dispute resolution;
- (j)** provide ad hoc arbitration by facilitating the parties with necessary technical and administrative assistance at the behest of the parties;
- (k)** provide advice and assistance for the enforcement and translation of arbitral awards;
- (l)** provide procedural and technical advice to disputants;
- (m)** provide training and accreditation for mediators and arbitrators;
- (n)** educate the public on arbitration as well as other alternative dispute resolution mechanisms;
- (o)** enter into strategic agreements with other regional and international bodies for purposes of securing technical assistance to enable the Centre achieve its objectives;
- (p)** provide facilities for hearing, transcription and other technological services;
- (q)** Manage and apply the Fund In accordance with the provisions of this Act; and perform such other functions as may be conferred on it by this Act or any other written law.

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(a) Entity Headquarters

Nairobi Centre for International Arbitration
P.O. Box 548-00200
Cooperative Bank Building
8th Floor
Haile Selassie Avenue
Nairobi, Kenya

(b) Entity Contacts

Office Telephone: (254) 2224029/2240377
Office Mobile: (254) 771293055
E-mail: registrar@ncia.or.ke
Website: www.ncia.or.ke



(c) Entity Bankers

Kenya Commercial Bank Limited
Kenyatta International Convention Centre (Branch)
P. O. Box 48400-00100
Nairobi, Kenya

(d) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

III. THE BOARD OF DIRECTORS

Director	Director's Particulars
<p>1. Arthur Konye Igeria – Chairperson</p> 	<p>Arthur Igeria is the Chairperson of the Board of Directors. He trained at the University of Nairobi, graduating in 1989 with a Bachelor of Laws degree. He also holds a post graduate Diploma in Law from Kenya School of Law. He was admitted to practice as an Advocate of the High Court of Kenya in 1991.</p> <p>He is a Member of the Chartered Institute of Arbitrators (Kenya), the Mediation Training Institute, and the Institute of Directors of Kenya.</p>
<p>2. Ann Amadi – Member</p> 	<p>Anne is a holder of Master of Laws (LLM) in Public International Law, University of Nairobi; Master of Criminal Justice (MCJ), Boston University; Bachelor of Laws, University of Nairobi; Diploma in Legal practice, Kenya School of Law; Post Graduate Diploma in Alternative Dispute Resolution, California State University, Sacramento.</p>

3. Carole Kariuki – Member



Carole Kariuki is a graduate of Nairobi University with a Bachelor of Arts Degree in Economics and Sociology. She has a Masters Degree in Public Administration and International Affairs from the Bowling Green State University in Ohio, USA.

She has also done several courses on leadership, public policy, private sector advocacy among others offered by both international and local institutions

4. Allen Gichuhi – Member



Allen Gichuhi specialises in commercial and public law litigation with 18 years' experience. He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya

He became a Fellow of the Chartered Institute of Arbitrators in 2009.

5. Dr. Eve Hawa Sinare - Member



Dr. Eve Hawa Sinare is a corporate consultants and advocates in Tanzania. A graduate of Universities of Dar Es Salaam (LL. B & LLM) and Konstanz, Germany (LLD) in International economic law.

Dr Sinare also sits on several corporate boards in the country both private and public and abroad.

6. Peter Kihara Njuguna – Member



Peter Kihara Njuguna is an experienced Legal Researcher of more than 20 years standing having started off at the University of Nairobi's Law Library where he worked for 13 years.

He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya.



He is the Managing Partner at Kihara Njuguna & Co Advocates.

7. Maryann Njau-Kimani – Member



Maryann Njau-kimani is an advocate of the High Court of Kenya with over 26 years post admission experience both in private and public law practice.

She also has a Masters degree in Business and Administration from the University of Nairobi.

<p>8. Muthoni Kimani – Member</p>  A portrait of Muthoni Kimani, a woman with dark hair, wearing a green jacket over a black and white polka-dot top and a pearl necklace.	<p>Ms. Kimani is the Senior Deputy Solicitor General at the Office of the Attorney General and Department of Justice with more than 29 years post qualification experience.</p> <p>She also holds a post graduate Diploma in Law from Kenya School of Law. She is admitted to practice as an Advocate of the High Court of Kenya.</p>
<p>9. Jimmy Mbabali Muyanja – Member</p>  A portrait of Jimmy Mbabali Muyanja, a man with glasses, wearing a dark suit jacket over a white shirt.	<p>Jimmy Mbabali Muyanja has over 14 years of experience in commercial transactions, litigation and alternative dispute resolution. He is a member of the Chartered Institute of Arbitrators, United Kingdom branch.</p> <p>He is admitted to practice as an Advocate in Uganda.</p>

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10. Collins Namachanja – Member



Collins Namachanja is a senior partner in the firm of Namachanja & Mbugua Advocates with close to 20 years post qualification experience.

He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya.

11. John Ohaga – Member



John Ohaga is the Managing Partner in the firm TripleOKlaw LLP Advocates. He has more than 24 years' post-qualification experience.

He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya




12. Lawrence Muiruri Ngugi – Board Secretary



Born 15th December 1971, Lawrence holds a BA (Hons.) Econ, LLB and MA International Studies.

He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya with over 15 years' post-qualification experience and a Certified Public Secretary.

IV. MANAGEMENT TEAM

Name of the Staff	Responsibility
 <p>Lawrence Muiruri Ngugi</p>	<p>Registrar - Chief Executive Officer Lawrence holds a BA (Hons.) Econ, LLB and MA International Studies.</p> <p>He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya with over 15 years' post-qualification experience and a Certified Public Secretary</p>
 <p>Sarah M. Omete</p>	<p>Finance Officer Mrs. Omete holds a Bachelors of Commerce(finance) degree and great experience in finance and has served in public service for over 7 years</p>
 <p>CPA Diana Njeru</p>	<p>Accountant CPA Njeru holds a Bachelors of Business Administration Degree (Finance & Accounts) and is a registered member of ICPAK and a certified public accountant she has extensive experience of over 15 years in public service.</p>

V. CHAIRMAN'S STATEMENT

I am delighted to present the Centre's inaugural Annual Report and Financial Statement for the financial year 2016/2017. The report highlights key initiatives undertaken by the Centre towards promotion of international commercial arbitration and other alternative forms of dispute resolution.

I am pleased that after a very short period of time, the Centre is now standing on its feet, with a vision for being the premier Centre of choice for Alternative Dispute Resolution. One of the Centre's principal objectives is to ensure that arbitration is reserved as the dispute 'resolution process of choice and has in the reporting period endeavoured to live up to this objective.

During the reporting period, the Centre made significant progress in setting up the initial institutional structures. One of the major achievements in this regard was to secure a budgetary allocation which enabled the Centre to direct funds towards areas of priority such as acquisition of operational assets and refurbishment of its principal office in Nairobi. The Board has designed and continued with efforts to operationalize the Secretariat. In this regard, the Board commenced a rigorous recruitment process for priority and senior positions with a focus of attracting the relevant skills for optimum performance and execution of the Centres' mandate.

During the reporting period, the Centre hosted the Inaugural Nairobi International Arbitration Conference (NIAC) which presented a litmus test on preparedness of the Centre to attract a global audience and deliver a world class event. The Conference attracted more than 390 participants from more than 16 countries who included a host of dignitaries and persons with significant influence in arbitration practice in Africa. The Board considered this as one of its greatest achievements of the reporting period.

A major achievement for the Centre came in November 2016 when it recorded the maiden arbitration request under the NCIA (Arbitration) Rules, 2015 and handled 52 applications for listing of practitioners to its Mediation and Arbitration Panels at the close of the reporting period.

The Centre strengthened collaborative frameworks with various partners both internationally and locally. The most significant of such collaborations include the NCIA Memorandum of Cooperation with the Beijing Centre for International Arbitration under the China Africa Joint Arbitration Centre (CAJAC) initiative in March 2017 and cooperation with CAJAC Shanghai, and CAJAC Shenzhen, in March 2017 with a view to extending cooperation on arbitration, training and legal exchange. The Centre hosted the China Law Society accompanied by practitioners from academia and arbitral institutes in China for discussions on areas of mutual interest and collaboration under the 'One Belt One Road' cooperation. Locally, the Centre is in talks with the Chartered Institute of Arbitrators – Kenyan Branch as well as Law Society of Kenya on various collaborative initiatives.

To effectively deliver on its statutory mandate, the Centre continues to work with diverse stakeholders who comprise government institutions, private sector, professional associations, the media and the people of Kenya in realizing its mandate. The Centre is set to embark on corporate social responsibility programmes targeting creation of awareness Alternative Dispute Resolution by all stakeholders. In the coming financial year, the Centre has planned several activities which include seminars and symposiums on trending topics in Arbitration and

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Alternative Dispute Resolution; training of judges, magistrates and other practitioners on the UNCITRAL model law jurisprudence and the New York Convention; enlisting Arbitrators and Mediators on the NCIA Panel; Commencing a Young Practitioners Mentorship program in partnership with academic institutions and law firms; promotional activities and capacity building and development.

We acknowledge support from the Government and other partners and do hope that this journey on which we have embarked will be sustained for the benefit of generations to come. We are confident that the Centre, its partners and the people of Kenya will continue working closely in with Centre as it endeavours to be recognized as a Centre for International Commercial Arbitration and Alternative Dispute Resolution through provision of quality and innovative processes.

In conclusion and on behalf of the Board, I would like to sincerely thank my fellow Board members for their unwavering support, commitment, dedication and sacrifice. I would like to acknowledge each for their individual contributions and efforts made during the year. I would also like to sincerely thank all the Management and appreciate their efforts in supporting the Vision of the Board and the Centre. This has enabled the Centre create visibility and credibility in a very short term during its formative stage.


Arthur K. Ileria
Chairperson

Board of Directors, Nairobi Centre for International Arbitration

VI. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Nairobi Centre for International Arbitration (NCIA) financial year 2016- 2017 Annual Report and Financial Statement covers the Centre's performance and other interventions, for the period. It also elucidates the resources, both capital and human, which were at the Centre's disposal.

Launch of the Centre:

NCIA was officially launched on the 6th December 2016 during the 1st Nairobi International Arbitration Conference (NIAC). An intention to host the event in 2015 and launch of the Centre was delayed as we pursued more networks and gathered momentum for Nairobi as an attractive destination.

The Conference provided an opportunity for local and international commercial dispute resolvers to hear perspectives now in place to position Nairobi as an internationally-recognized seat for arbitration. The main thrust of the Conference was to facilitate the launch of NCIA before a global audience and bridge a diversity of players and users of arbitration onto a single platform. The resounding message from the government was her support for impartial and independent processes for resolution of private disputes. Support for NCIA in its nascent stages will be given without interfering with the adjudicative process. In the long term NCIA is envisioned to be a globally competitive neutral and independent institute.

Accreditation

During the reporting period, the Centre witnessed an increased number of applications for accreditation for both Mediators and Arbitrators. This can be attributed to the continuous awareness created by the Centre to its stakeholders as it aims to administer domestic and international Arbitrations as well as alternative dispute resolution techniques through its auspices.

Collaborations

The Centre is mandated to among other things, maintain proactive co-operation with other regional and international institutions in areas relevant to achieving the Centre's objectives. In this regard, and as earlier mentioned by the Chairman, the Centre has strengthened collaborative frameworks with various partners both internationally and locally. These collaborations include:

i. *Visit by the China Law Society, January 2017.*

A delegation from the China Law Society accompanied by practitioners from academia and arbitral institutes in China visited the Centre in January, 2017 for discussions on areas of mutual interest and collaboration under the 'One Belt One Road' cooperation. The two delegations also considered the proposal for a Memorandum of Understanding and legal exchange on arbitration practice in the two jurisdictions.

ii. CAJAC Beijing and CAJAC Nairobi, March 2017

NCIA concluded Memorandum of Cooperation with the Beijing Centre for International Arbitration under the China Africa Joint Arbitration Centre initiative in March 2017. The agreement was concluded at a seminar organized for the launch at the Beijing Centre for International Arbitration and a Symposium on Dispute Resolution of Sino-African Infrastructure Construction project. The joint initiative is aimed at deepening the dispute resolution cooperation for China Africa parties.

iii. CAJAC Nairobi and CAJAC Shanghai-Johannesburg, Shenzhen, March 2017 13.

NCIA entered into a proposal for cooperation with CAJAC Shanghai, and CAJAC Shenzhen, in March 2017 with a view to extending cooperation on arbitration, training and legal exchange. The proposal was signed at seminar organized at Shanghai and Shenzhen respectively culminating in the launch of the Association of CAJAC institutions based at Shenzhen.

Locally, the NCIA is focused on fostering partnerships with its strategic partners including the Law Society of Kenya, the Kenyan Judiciary, the Chartered Institute of Arbitrators – Kenyan Branch, Kenya Private Sector Alliance among others.

Administration of Disputes

I am pleased to report the reporting period was a momentous year for NCIA as the maiden request for appointment coincided with the official launch of the Centre. This came in November 2016 in the eve of the 1st Nairobi International Arbitration Conference. There have been subsequent requests for appointment and the Centre continues to give the necessary administrative support in the ongoing cases. In addition, the Centre has continued to offer its Mediation facilities for use by individual mediators and arbitrators.

During the reporting period, the Centre has successfully managed to refurbish its offices and more specifically created state of the art hearing rooms to facilitation of dispute resolution process. The hearing rooms complete with a VIP lounge access for arbitrators and mediators are available for use at a friendly cost.

Service Delivery Innovations

In terms of service delivery innovations, I am delighted to report that the Centre is in the process of automating its services using Microsoft Dynamics NAV 2017 Enterprise Resource Planning (ERP) system. This will enhance the Centre's service delivery to its customers and stakeholders.

Challenges Encountered

The Centre, however, faced a number of challenges during the year under review that prevented it from fully achieving all the planned activities. Key among them include:

- Inadequate office space
- Slow recruitment process due to the on-going job evaluation exercise by the Salaries and Remuneration Commission

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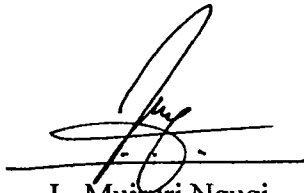
- Budgetary constraints
- Lack of a National Alternative Dispute Resolution (ADR) Policy
- Lack of public awareness and appreciation of structured ADR.

Planned Key Activities

The Centre plans to conduct the following activities in the coming financial year:

- Completion of the recruitment of staff with relevant skills for optimum performance and execution of the Centres' mandate;
- Conduct trainings and development programmes for new members of staff;
- Launch the NCIA Strategic Plan 2017-2022;
- Test & Operate ADR case management system;
- Develop, publish & circulate simplified user guidelines/handbook on ADR;
- Development of codes and standards for practice;
- Identify institutions/ individuals for partnership;
- Develop mentorship and Exchange programmes;
- Accreditation and induction of practitioners;
- Collate and publish research findings on ADR;
- Formulate Draft National Policy on ADR;
- Develop & implement a brand strategy for the Centre;
- Conduct ADR open days and clinics and
- Organize seminars and trainings programs on ADR.

In conclusion, I would like to appreciate the efforts made by both the NCIA Board as well as staff in realizing the aforementioned achievements, without which the Centre could not have successfully fulfilled its mandate as outlined in the NCIA Act No. 26 of 2013.



L. Muiruri Ngugi
Registrar/Chief Executive Officer

VII. CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that the Centre's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The Members and the Management undertake to perform their duties with impartiality, honesty, transparency and accountability, professionalism, integrity, care and due diligence and to act in good faith to the best interests of the public. The Board is committed to ensuring that the Centre complies with all applicable laws and statutes.

The Centre's Board

The Centre's Board is established under section 6 of the Nairobi Centre for International Arbitration Act No. 26 of 2013 and comprises of a non-executive Chairperson appointed by the President on the recommendation of the Cabinet Secretary; the Attorney General or his representative; the Principal Secretary in the ministry for the time being responsible for matters relating to justice or his representative; the Chief Registrar of the High Court or his representative; five members, not being public officers nominated by domestic arbitration bodies within the East African region, appointed by the Cabinet Secretary; One person nominated by each of the following bodies: Kenya National Chamber of Commerce & Industry, Law Society of Kenya, Kenya Private Sector Alliance and the Chartered Institute of Arbitrations. The Registrar/ CEO is an ex-officio Member and Secretary of the Board.

The Role of the Board

The Board Members are responsible for the overall management of the Centre. In addition, the Members are responsible for drawing up strategies for the long term success of the Centre as well as carrying out the fiduciary duty of monitoring and overseeing the activities of the Management. To actualize the aforementioned, the Members meet regularly to make determinations/decisions. The Board provides the Strategic direction of the Centre and overseeing the Centre's compliance with statutory and regulatory obligations. The Chairman is primarily responsible for providing leadership to the Board including Chairing of the Board's meetings. The Chairman also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively. The Registrar is the Chief Executive Officer, and is responsible for the day to day management of the Centre.

Board Charter

The Board Charter is a commitment by the Directors to discharge the Mandate of the Centre. It outlines the rules that guide them and does not in any way purport to replace or supersede any laws and regulations that guide the operations of the Centre.

Committees of the Board

The Board has four (4) standing Committees established with formal written terms of reference and which observe the same rules of conduct and procedure. These Committees are as follows:

1. Training and Communication Committee

The Committee's responsibilities are as follows:

- Advise the Board on the Centre's proposal for strategies on corporate marketing, communication and capacity development.
- Review the Centre's proposal for corporate image building and branding and make recommendations to the Board as necessary.
- Review the Centre's proposal for collaboration and cooperation frameworks and make recommendations to the Board as necessary.
- Advise the Board on resource mobilization strategies for funded projects and programmes for marketing and capacity development.
- Advise the Board on the Centre's proposal for training policy, recognition and accreditation of training programs and service providers.
- Advise the Board on the Centre's proposal for communication policy, protocols and guidelines on handling client information and feedback and complaints mechanism.
- Review the Annual work plans and performance of the Business Development Department make appropriate recommendations to the Board and ensure action points identified are implemented.
- Report to the Board on a regular basis on the committee's activities.
- Perform any such other function as the Board may from time to time assign to the Committee.

The membership of the Committee is as follows:

- i. **Allen Gichuhi** – Committee Chair
- ii. Eve Hawa Sinare – Member
- iii. MaryAnn Njau – Kimani - Member
- iv. Carol Kariuki – Member
- v. Peter Kihara Njuguna – Member
- vi. Ann Amadi – Member

2. Legislative Review and Accreditation Committee

The Committee's responsibilities are as follows:

- Review rules, procedures and guidelines for conduct of Alternative Dispute Resolution processes under the auspices of the Centre and make recommendations to the Board as necessary.
- Advise and recommend strategies to the Board to ensure Alternative Dispute Resolution processes adopted by the Centre are responsive to global trends and developments.
- Review criteria and procedure for accreditation and removal of practitioners listed on the Centre's panel and make recommendations to the Board as necessary.
- Exercise general oversight on processes for accreditation and removal of practitioners listed on the Centre's panel and recommend to the Board a framework for monitoring and evaluation.
- Review and advise the Board on the Centre's proposal for recognition of institutions for purposes of equivalence accreditation of practitioners to the Centre's list.

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- Review standards and code of Conduct for practitioners appointed to undertake the role of neutrals or representatives of parties in disputes referred for resolution under the rules of the Centre and make recommendations to the Board as necessary.
- Review and advise the Board on proposals for formulation, implementation, and enforcement, continuous review of a National Policy, laws and plans of action on Alternative Dispute Resolution.
- Review the Annual work plans and performance of the Case Management Department make appropriate recommendations to the Board and ensure action points identified are implemented.
- Report to the Board on a regular basis on the committee's activities.
- Perform any such other function as the Board may from time to time assign to the Committee.

The membership of the Committee is as follows:

- i. **John Ohaga** – Committee Chair
- ii. **Jimmy Muyanja** – Member
- iii. **Muthoni Kimani** – Member
- iv. **Collins Namachanja** – Member
- v. **Ann Amadi** – Member

3. Finance and Administration Committee

The Committee's responsibilities are as follows:

- Establish the content and process for the development of the five-year Strategic Plan providing for the full participation of members of the Board.
- Review the Centre's proposal for Annual Estimates of revenue and expenditure and make recommendations to the Board.
- Review the Annual Financial Statements for the Centre and make recommendations to the Board as necessary.
- Review on a quarterly basis the period management accounts of the Centre and make any necessary recommendations to Board.
- Ensure that the books and records of accounts and income of the Centre are maintained, and the expenditure and assets of the Centre are prudently managed and properly recorded.
- Review and advise the Board on the Annual plans for procurement of goods, works and services and disposal of assets by the Centre in accordance with the Public Procurement and Disposal laws and regulations.
- Advise the Board in relation to the Centre's policies, procedures, guidelines, manuals and other process for internal management of affairs and staff of the Centre.
- Advise the Board in relation to Board affairs and welfare.
- Review the Annual work plans and performance of the Corporate Support Services Department make appropriate recommendations to the Board and ensure action points identified are implemented.
- Liaise with other Committees of Board as may be required and where appropriate advise Board, the Audit, Risk and Governance Committee and other Committees of the Centre as appropriate.
- Report to the Board on a regular basis on the committee's activities.

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- Perform any such other function as the Board may from time to time assign to the Committee.

The membership of the Committee as follows:

- i. **MaryAnn Njau – Kimani** – Committee Chair
- ii. **Jimmy Muyanja** – Member
- iii. **Allen Gichuhi** – Member
- iv. **Peter Kihara Njuguna** – Member

4. Audit, Risk and Governance Committee

The Committee's responsibilities are as follows:

- Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance and advise the Board as necessary.
- Review the internal and external audit findings and recommendations including Public Accounts and Public Investment Committee' recommendations and propose corrective and preventive action where necessary.
- Review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans, code of conduct and ethics and advise the Board as necessary.
- Initiate special audit or investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Chief Executive Officer.
- Review the Annual work plans and performance of the Internal Audit Unit make appropriate recommendations to the Board and ensure action points identified are implemented.
- Liaise with other Committees of Board as may be required and where appropriate advise the Board and other Committees of the Centre as appropriate.
- Report to the Board on a regular basis on the committee's activities.
- Perform any such other function as the Board may from time to time assign to the Committee.

The membership of the Committee is as follows:

- i. **Collins Namachanja** – Committee Chair
- ii. **John Ohaga** - Member
- iii. **Muthoni Kimani** – Member
- iv. **Eve Hawa Sinare** – Member

During the year 2016/2017 the Board held six (6) regular meetings. There were other meetings during the year as need arose. These included meetings where members were engaged with various stakeholders including the Law Society of Kenya, the Kenyan Judiciary, the Office of the Honourable Chief Justice, and the Chartered Institute of Arbitrators among others.

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The summary of various meetings are presented below:

Table 1: Schedule of NCIA Board Meetings:

No.	Board / Board Committee	No. of Meetings Held
1.	Full Board Meeting	6
2.	Board Committee on Recruitment	4
3.	Training and Communication Committee - Special International Conference Planning Committee	11
4.	Audit, Risk and Governance Committee	0
5.	Finance and Administration Committee	6
6.	Legislative Review and Accreditation Committee	5

Removal from Office

Section 2 of the Schedule to the Act provides for the instances in which a board member, other than an ex-official member would leave office. These instances include the following:

- a) at any time resign from office by notice in writing to the Cabinet Secretary;
- b) be removed from office by the Cabinet Secretary on recommendation of the Board if the member –
 - i. has been absent from three consecutive meetings of the Board without its permission;
 - ii. is adjudged bankrupt or enters into a composition or scheme of arrangement with his creditors;
 - iii. is convicted of a corruption or economic crime or other criminal offence involving dishonesty, fraud or moral turpitude or any other criminal offence under any law punishable with imprisonment that amounts to a felony under the Laws of Kenya;
 - iv. is of unsound mind or is incapacitated by prolonged physical or mental illness for a period exceeding six months; or
 - v. is otherwise unable or unfit to discharge his functions.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Centre's operational and financial performance

The Centre is pursuing its 5-year strategy whose pillars include;

- The establishment of structures and processes is the support component which was achieved through the completion of the 1st Phase of the customised centre works during Quarter 4 and commencement of 2nd Phase.
- The implementation of the ERP and case management system continued within Quarter 4 with inception, design of the system and installation of the Centre's core server.
- Concept Paper on the development of a national ADR policy is a key objective which was progressed through stakeholder partnership discussions in Quarter 4 with agreement to commence the formulation process in FY 2017-18 Quarter 1.

SECTION B

Centre's compliance with statutory requirements

The Centre has entered registration for PAYE, Withholding Tax obligations with remittance made vide the i-tax portal.

There is no exposure to litigation recorded for the quarter.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Nairobi Centre for International Arbitration is implementing its service centre modelling and refurbishment to customise its facility to a fully functional alternative dispute resolution (ADR) centre.

This will facilitate delivery of the Centre's mandate of providing efficient and affordable hearing facilities for disputants in line with the National Government strategic objectives and policies as outlined in the Medium Term Plan II of the Vision 2030 i.e. to operationalise the Nairobi regional arbitration centre). The refurbishment of an ADR facility is financed through grants from Government as a one-off undertaking within the FY 2016-17. Implementation of the project will run through FY 2017-18 Quarter 1.

SECTION D

Major risks facing the entity

The key risks facing the entity include:

i. Operational Risks;

- Delay in approvals for recruitment of critical staff has been mitigated through concurrence of SRC on terms and conditions of service for staff.
- Delay in delinking of administrative services due to inadequacy of staff has been mitigated through commencement of the recruitment process.

ii. Market Risks;

- Low awareness and uptake of Alternative Dispute Resolution services
- Competition from established centres and institutions
- Negative perception of lack of neutrality

SECTION E

Material arrears in statutory/financial obligations

The centre does not have loan default, tax default, outstanding staff & pension obligations/actuarial deficit on pension schemes, non-payment of dividends & loan redemption to the National Exchequer. An amount of Kes 1,894,745 for 10% per centum retention on payment certificate for civil works incurred in the quarter but not paid is reflected.

SECTION F

The Centre's financial probity and serious governance issues

There is no financial improbity reported by internal audit/Board audit committee, external auditors, or other National Government Agencies providing oversight.

There are no governance issues among the Board or member of the Board and top management including conflict of interest. The conflict of interest register is maintained with no declaration made and recorded during the quarter.

IX. STATEMENT OF THE DIRECTORS' RESPONSIBILITY

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, Nairobi centre for international arbitration Act No. 26 of 2013) require the Directors to prepare financial statements which give a true and fair view of the state of affairs of the centre) at the end of the financial year and the operating results of the centre for that year. The Directors are also required to ensure that the centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the centre. The Directors are also responsible for safeguarding the assets of the centre.

The Directors are responsible for the preparation and presentation of the centre's financial statements, which give a true and fair view of the state of affairs of the centre for and as at the end of the financial year ended on June 30, 2017. 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 centre; (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 centre; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Nairobi centre for international arbitration (NCIA) financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – Nairobi centre for international arbitration Act No. 26 of 2013). The Directors are of the opinion that the centre's financial statements give a true and fair view of the state of the centre's transactions during the financial year ended June 30, 2017, and of the centre's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the centre, which have been relied upon in the preparation of the centre's financial statements as well as the adequacy of the systems of internal financial control.

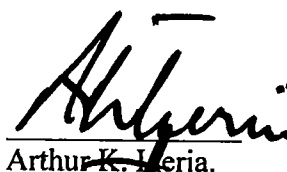
Nothing has come to the attention of the Directors to indicate that the centre will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Nairobi centre for international arbitration (NCIA) financial statements were approved by the Board on 10th August 2017 and signed on its behalf by:



L. Muiruri Ngugi
Registrar/Chief Executive Officer



Arthur K. Ileria.
Chairman Board of Directors



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CENTRE FOR INTERNATIONAL ARBITRATION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nairobi Centre For International Arbitration set out on pages 24 to 38, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nairobi Centre for International Arbitration 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 Nairobi Centre for International Arbitration Act, 2013.

Further, and as required by Article 229(6) of the Constitution, based on the procedures performed I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nairobi Centre For International Arbitration 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 opinion.

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Nairobi Centre for International Arbitration for the year ended 30 June 2017

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 Centre's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Centre or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015 and Section 3k of the Nairobi Centre for International Arbitration Act. 26 of 2013.

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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.

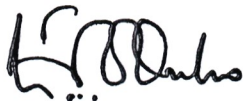
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 Centre'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 Centre's ability to continue as a going concern. 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 Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary under 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

22 February 2018

Nairobi Centre for International Arbitration
Reports and Financial Statements
For the year ended June 30, 2017

X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017


	Note	2016-2017 Kshs
Revenue from non-exchange transactions		
Transfers from other governments – gifts and services-in-kind	1	129,000,000
		129,000,000
Revenue from exchange transactions		
Revenue from domestic arbitration and mediation	2	13,369,963
Total revenue		142,369,963
Expenses		
Employee costs	3	6,902,127
Remuneration of directors	4	5,539,555
Depreciation & amortization expenses	5	5,973,880
General expenses	6	30,869,698
Total expenses		49,285,260
Surplus/(deficit) for the period		93,084,703

The notes set out on pages 29 to 39 form an integral part of these Financial Statements

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

		2016-2017 Kshs
Assets		
Current assets		
Cash and cash equivalents	7	66,590,512
Receivables from non-exchange transactions	8	5,040,000
Non-current assets		
Property, plant and equipment	9	49,614,518
Total assets		121,245,030
Liabilities		
Current liabilities		
Refundable deposits from customers	10	1,894,745
Non-current liabilities		
Total liabilities		1,894,745
Net assets		119,350,285
capital		26,265,582
Accumulated surplus		93,084,703
Total net assets and liabilities		119,350,285

The Financial Statements set out on pages 1 to 40 were signed on behalf of the Board of Directors by:



Registrar/Chief Executive Officer
Name: LAWRENCE MUIRURI NGUGI

Date.....28.02.2018.....



Chairperson of the Board
Name: ARTHUR KONYE IGERIA

Date.....28th February 2018.....

Nairobi Centre for International Arbitration
Reports and Financial Statements
For the year ended June 30, 2017

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Description	Capital Reserve	Accumulated surplus Kshs	Total Kshs
Surplus for the period	-	93,084,703	93,084,703
Grants received during the year	26,265,582	-	26,265,582
Balance as at 30 JUNE 2017	26,265,582	93,084,703	119,350,285

XIV. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2017

	2016-2017
	Kshs
Cash flows from operating activities	
Receipts	
Government grants and subsidies	129,000,000
Rendering of services	13,369,963
Total Receipts	142,369,963
Payments	
Compensation of employees	6,902,127
Remuneration of Directors	5,539,555
General expenses	30,869,698
OAG	5,040,000
Work-in-progress	21,945,816
Property, plant & equipment	7,377,000
Total Payments	77,674,196
Net cash flows from operating activities	64,695,767
Cash flows from financing activities	
Increase in deposits	1,894,745
Net cash flows used in financing activities	1,894,745
Net increase/(decrease) in cash and cash equivalents	
	66,590,512
Cash and cash equivalents at 1 JULY	-
Cash and cash equivalents at 30 JUNE	66,590,512

Nairobi Centre for International Arbitration
Reports and Financial Statements
For the year ended June 30, 2017

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Performance percentage difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue						
Government grants and subsidies	129,000,000	-	129,000,000	129,000,000	-	
Rendering of services	-	-	-	13,369,963	13,369,963	
Total income	129,000,000	-	129,000,000	142,369,963	13,369,963	
Expenses						
Employee costs	20,714,340		20,714,342	6,902,127	1 13,812,215	66%
Remuneration of Directors	8,250,000		8,250,000	5,539,555	2 2,710,445	32%
Temporary committees	1,300,000	-	1,300,000	1,191,273	> 108,727	8%
Consumables	2,500,000		2,500,000	2,006,736	3 493,264	19%
advertising	2,500,000		2,500,000	2,569,479	> (69,479)	2%
Conferences & delegations	19,000,000		19,000,000	15,559,288	4 3,440,712	18%
ADR Awareness & capacity build	5,900,000		5,900,000	4,904,312	5 995,688	16%
Telecommunications & postage	500,000		500,000	488,854	> 11,146	2%
Training	3,000,000		3,000,000	2,536,282	6 463,718	15%
Motor vehicle expenses & repairs	950,000		950,000	604,857	7 345,143	36%
Administrative & other expenses	19,840,000		19,840,000	1,008,617	8 18,831,383	94%
Other fixed assets	7,850,000		7,850,000	7,377,000	473,000	6%
Capital expenditure	36,695,660	-	36,695,660	21,945,816	9 14,749,844	40%
Total expenditure	129,000,000	-	129,000,000	72,634,196		
Surplus for the period	-	-	-	69,735,767	-	

Budget notes

1. *NCIA had planned for staff recruitment within the year but authority to recruit delayed until towards the end of the financial year hence difference in compensation of employees and operational costs.*
2. *At some time during the year, the term of the NCIA Chairperson and other Board Directors expired with a resultant delay in reappointment/appointment of Board of Directors hence difference in Board remuneration and budgeted costs.*
3. *The variance in consumables is as a result of expiry of the Directors' term and delay in the approval of recruitment of the staff.*
4. *The difference in the conferences and delegations was caused by event sponsorship by stakeholders and paid participation by conference attendants for the inaugural conference held in December 2016.*
5. *The delay in the staff recruitment process precipitated in delay for implementation of other planned activities including ADR awareness.*
6. *There was a difference in the amount budgeted for staff training and the actual amount spent due to delay in recruitment of members of staff.*
7. *The NCIA motor vehicles were relatively new and did not require much repairs.*
8. *Lack of staff to fill planned establishment resulted in unspent budgeted amounts as was the case for administrative expenses.*
9. *Refurbishment of the NCIA offices commenced within the quarter with partial completion. The completed works were certified for payment within the last quarter of the financial year hence difference in the capital expenditure Commissioning of an Enterprise Resource Planning (ERP) for the Centre operations commenced within the fourth quarter and was partly paid awaiting full completion of the project hence difference in the capital expenditure.*

XVI. NOTES TO THE FINANCIAL STATEMENTS

• **GENERAL INFORMATION**

The Nairobi Centre for International Arbitration is established by and derives its authority and accountability from the Nairobi centre for International Arbitration Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Centre's principal activity is Alternative dispute resolution.

• **STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. Nairobi Centre for International Arbitration adopted IPSAS in the year ended 30 June 2017.
IPSAS 34: Separate Financial Statements	The Centre does not have any subsidiaries, joint ventures or investments
IPSAS 35: Consolidated Financial Statements	The Centre does not have any subsidiaries, joint ventures or investments

Nairobi Centre for International Arbitration
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Standard	Impact
IPSAS 36: Investments in Associates and Joint Ventures	The Centre does not have investments in associates or joint ventures
IPSAS 37: Joint Arrangements	The Centre does not have any interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in Other Entities	The Centre does not have any interests in other entities and therefore the standard does not apply

ii. Early adoption of standards

The Centre did not early – adopt any new or amended standards in year 2017.

• SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees

The Centre recognizes revenues from fees relating to Domestic and international Arbitration and Mediation when the event occurs and the asset recognition criteria are met.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset 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.

b) Budget information

The original budget for FY 2016-2017 was approved by the NCIA Board. The Centre's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Provisions

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

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

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

Contingent Assets and Liabilities

The Centre does not have any assets whose occurrence or non-occurrence of one or more uncertain future events are not wholly within the control of the entity.

The Centre's contingent liability is pending litigations which may arise. In the current financial year there are no pending litigations.

Taxation

The Centre is a non-profit making state corporation and is exempted from taxation

e) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The Centre has set aside reserves for capital and Accumulated surplus to cater for long term capital investment projects and anticipated expenses that will occur in future.

f) Changes in accounting policies and estimates

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

Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction.

g) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits, 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 Kenya Commercial Bank accounts at the end of the financial year.

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount recognised in capital fund.	Total grant income during the year
		KShs	KShs
Office of the Attorney General & department of Justice	129,000,000	-	129,000,000
Total	129,000,000	-	129,000,000

2. Rendering of services

Description	2016-2017
	KShs
Arbitration and mediation panels	9,102,350
International Arbitration & Mediation	4,267,613
Total revenue from the rendering of services	13,369,963

3. Employee costs

Description	2016-2017
	KShs
Salaries and wages and extraneous allowance	1,883,294
Staff Travel costs	5,018,833
Employee costs	6,902,127

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Remuneration of directors

Description	2016-2017
	KShs
Chairman's Honoraria	522,000
Sitting allowances	1,388,000
Board retreat & training	1,873,920
Board Travel cost	1,755,635
Total director Remuneration	5,539,555

5 Depreciation and amortization expense

Description	2016-2017
	KShs
Property, plant and equipment	5,973,880
Total depreciation and amortization	5,973,880

6 General expenses

Temporary committees	1,191,273
Advertising	2,569,479
ADR Awareness	4,904,312
Consumables	2,006,736
Conferences & Delegations	15,559,288
Telecommunications	361,869
Training	2,536,282
Others	1,740,459
Total General expenses	30,869,698

6 a) Others

Administrative expenses	1,008,617
Postage	126,985
Repairs	604,857
Total expenses	1,740,459

7 Cash and cash equivalents

Description	2016-2017
	KShs
Current Account	62,322,899
International Mediation Arbitration Account	4,267,613
Total cash and cash equivalents	66,590,512

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2016-2017
		KShs
a) Current account		
Kenya Commercial bank	1180828607	66,590,512
Sub- total		66,590,512

Note 8

Amount of Ksh 5,040,000 is an amount transferred to the office of the Attorney General and Department of Justice to cater for the AALCO conference on the understanding that it will be refunded upon payment by the Chinese Embassy on reimbursable basis

9 Property, plant and equipment

	Motor vehicles 25%	Furniture and fittings 12.50%	Office equipment 33.30%	Computers 33.30%	work in progress Refurbishment	Work in progress ERP system	Total
Cost	Shs	shs	shs	shs	shs	shs	Shs
At 1st July 2016	-	-	-	-	-	-	
Additions	11,071,750	8,911,552	1,069,000	5,213,280	-	-	26,265,582
Disposals	-	-	-	-	-	-	
Depreciation and impairment	2,767,936	1,113,944	355,977	1,736,023			5,973,880
At 30 th June 2017	8,303,814	7,797,608	713,023	3,477,257	-	-	20,291,702
At 30 th June 2017 additions	-	4,959,400	273,000	2,144,600	18,947,448	2,998,368	29,322,816
At 30 th June Net Book Value	8,303,814	12,757,008	986,023	5,621,857	18,947,448	2,998,368	49,614,518

9b

The figure appearing in the property, plant & equipment of Ksh. 26,265,582 relates to assets bought on behalf of Nairobi Centre for international arbitration by the Office of the Attorney General and department of justice at inception.

Work – in progress

ERP	2,998,368
Refurbishment	18,947,448
TOTAL	21,945,816

10 Refundable deposits from customers

Description	2016-2017
	KShs
Other deposits	1,894,745
Total deposits	1,894,745

The figure above of Ksh, 1,894,745 represents retention money being 10% amount retained on behalf of Hawi Kenya Ltd which is a construction company carrying out refurbishment of NCIA offices on the 7th and 8th floors of Cooperative Bank House.

11 Financial Risk Management

The Centre’s activities expose it to a variety of financial risks including liquidity risks and effects of changes in foreign currency. The company’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Centre’s financial risk management objectives and policies are detailed below:

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Centre’s directors, who have built an appropriate liquidity risk management framework for the management of the Centre’s short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

Capital Risk Management

The objective of the Centre’s capital risk management is to safeguard the Board’s ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2016-2017
	Kshs
Accumulated Surplus	93,084,703
*Capital reserve	26,265,582
Total funds	119,350,285
cash and bank balances	66,590,512
Excess cash and cash equivalents	66,590,512
Gearing	71%

Related Party Balances

a) Nature of related party relationships.

The entity is related to:

- i) The Government of Kenya;
- ii) Office of the Attorney General and Department of Justice;
- iii) Key management;
- iv) Board of directors;

b) Related party transactions.

	2017
	Kshs
Transfers from Office of Attorney General	129,000,000
Transfers to related parties (Directors)	5,539,555
	<u>=====</u>

c) Key management remuneration

	2017
	Kshs
Staff Salaries and allowances	1,883,294
Staff travel costs	5,018,833

12 Events after the reporting period

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

13. Ultimate and Holding Entity

The entity is a State Corporation under the Office of the Attorney General and Department of Justice. Its ultimate parent is the Government of Kenya.

14. Currency

The financial statements are presented in Kenya Shillings (Kshs).

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

This being the first year the Centre is presenting its financial reports, there were no audit queries pending resolution.

Organizational Structure

