

REPUBLIC OF KENYA



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REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL COHESION AND INTEGRATION
COMMISSION**

**FOR THE YEAR ENDED
30 JUNE 2013**

*Paper laid
By the Leader of Majority
on Thurs 5/6/14
[Signature]*

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COHESION AND INTEGRATION COMMISSION FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Cohesion and Integration Commission set out on pages 4 to 13, which comprise the statement of financial position as at June 30, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the Provisions of Section 15 (2) of the Public Audit Act, 2003, and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The Audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material

misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

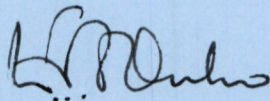
I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Cohesion and Integration Commission as at 30 June, 2013 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the National Cohesion and Integration Act, 2008.

Other Matter

The Commission has exhibited weak internal control as reflected by a moribund and irregularly constituted audit committee, understaffed internal audit function, lack of risk assessment mitigation mechanisms and Information Technology policies. My opinion is not qualified in respect of this matter.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 April 2014

B3 final.

**NATIONAL COHESION AND
INTEGRATION COMMISSION**



**FINANCIAL STATEMENTS FOR
THE YEAR ENDED**

30 JUNE 2013

R2 final.

NATIONAL COHESION AND INTEGRATION COMMISSION

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

CORPORATE INFORMATION

Commissioners	Dr. Mzalendo Kibunja Ms. Milly Lwanga Mrs. Jane Kiano Ms. Alice Nderitu Ms. Fatuma Mohamed Mr. Halakhe Waqo Dr. Ahmed Yassin Mr. Samuel Tororei Ms. Winfred Lichuma Mr. Otiende Amollo	Chairperson Vice Chairperson Commissioner Commissioner Commissioner Commissioner (Up to January 2013) Commissioner Chairperson, Kenya National Commission on Human Rights Chairperson, National Commission on Gender and Development Chairman, Commission on Administration Justice
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Secretary Hassan S. Mohamed
P. O. Box 7055 – 00100
Nairobi
Kenya.

**Principal Place
of Business** KMA Centre
6th Floor
Mara Road, Upper Hill
P. O. Box 7055 – 00100
Nairobi
Kenya.

Auditors Auditor General
Kenya National Audit Office
Anniversary Towers
P.O. Box 30084 – 00100
Nairobi
Kenya

Principal Bankers Kenya Commercial Bank
Sarit Centre Branch, Nairobi

Standard Chartered Bank
Harambee Avenue Branch, Nairobi

National Bank of Kenya
Harambee Avenue Branch, Nairobi

NATIONAL COHESION AND INTEGRATION COMMISSION

REPORT OF THE SECRETARY

The Secretary presents the report together with the financial statements for the year ended 30 June 2013, which disclose the state of affairs of the Commission.

Incorporation

The Commission is a statutory body established under the National Cohesion and Integration Act (Act No. 12 of 2008), and is domiciled in Kenya.

Principal Activities

The object and purpose for which the Commission is established is to facilitate and promote equality of opportunity, good relations, harmony and peaceful co-existence between persons of different ethnic and racial communities of Kenya, and to advise the Government on all aspects thereof.

Results for the Year

The results of the year are set out on page 4.

Commissioners

The Commissioners who held office during the year are set out on page 1.

Auditors

The Auditors of the Commission for the year ended is the Auditor General in line with the Public Audit Act, 2003 and the National Cohesion and Integration Act, 2008. The Auditor of the Commission continues to be the Auditor General.

On Behalf of the Commission



.....
Hassan Sheikh Mohamed, OGW
Secretary/Chief Executive Officer

.....27/09/.....2013

NATIONAL COHESION AND INTEGRATION COMMISSION

STATEMENT OF COMMISSION RESPONSIBILITIES

The National Cohesion and Integration Act requires the Commission to cause to be prepared financial statements for each financial year that give a true and fair view of the state of affairs of the Commission as at the end of the financial year and of its operating results for that year. The Commission is also responsible for keeping proper accounting records which disclose, with reasonable accuracy, the financial position of the Commission in addition to safeguarding the assets of the Commission.

The Commission accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting standards and the requirements of the Public Audit Act, 2003. The Commission is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Commission as at 30 June 2013 and of its operating results for the year then ended. The Commission further accepts responsibility for the maintenance for accounting records which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

Signed on behalf of the Commission by:



.....
Hassan Sheikh Mohamed, OGW
Secretary/Chief Executive Officer

.....
27/09/.....2013

NATIONAL COHESION AND INTEGRATION COMMISSION

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

		2013	2012
INCOME	Notes	Kshs	Kshs
Government of Kenya (GOK) Grants	2	446,067,200	235,000,000
Development Partner / Donor Support	3	180,545,325	92,952,156
Other Operating Income		1,309,432	-
Total Income		<u>627,921,957</u>	<u>327,952,156</u>
EXPENDITURE			
Administrative Expenses	4	109,360,006	80,010,435
Operating and Maintenance Expenses	5	272,631,594	93,643,867
Program / Project costs	6	161,290,251	68,867,027
Audit fees	7	1,044,000	1,044,000
Finance costs	8	59,750	17,064
Depreciation	9	27,979,545	19,881,557
Total Expenditure		<u>572,365,147</u>	<u>263,463,951</u>
Surplus / deficit for the year		<u>55,556,810</u>	<u>64,488,205</u>

NATIONAL COHESION AND INTEGRATION COMMISSION

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2013 Kshs	2012 Kshs
Assets			
Non current assets			
Property, plant & equipment	9	109,943,498	76,204,151
		<u>109,943,498</u>	<u>76,204,151</u>
Current assets			
Trade and other receivables	10	63,695,503	19,526,370
Cash and cash equivalents	11	33,432,921	50,997,946
		<u>97,128,424</u>	<u>70,524,315</u>
Total assets		<u><u>207,071,922</u></u>	<u><u>146,728,466</u></u>
Equity and liabilities			
Equity			
Capital fund		8,847,000	8,847,000
Accumulated fund		187,063,977	131,507,166
		<u>195,910,977</u>	<u>140,354,166</u>
Current liabilities			
Trade and other payables	12	11,160,945	6,374,300
Total equity and liabilities		<u><u>207,071,922</u></u>	<u><u>146,728,466</u></u>

The Financial Statements on pages 5 to 13 were approved on 27/09/2013 and were signed on behalf of the Commission by:

.....
Hassan Sheikh Mohamed, OGW
Commission Secretary

.....
Dr. Benjamin Kituku
Director Finance, HR & Administration

NATIONAL COHESION AND INTEGRATION COMMISSION

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013**

	Accumulated Fund Kshs	Capital Fund Kshs	Total Kshs
At 1st July 2011			
Accumulated Fund	67,018,961	-	67,018,961
Capital Fund	-	8,847,000	8,847,000
Net Profit for the Year	64,488,205	-	64,488,205
At 30th June 2012	<u>131,507,166</u>	<u>8,847,000</u>	<u>140,354,166</u>
At 1st July 2012			
Accumulated Fund	131,507,166	-	131,507,166
Capital Fund	-	8,847,000	8,847,000
Net Profit for the Year	55,556,810	-	55,556,810
At 30th June 2013	<u>187,063,976</u>	<u>8,847,000</u>	<u>195,910,976</u>

NATIONAL COHESION AND INTEGRATION COMMISSION

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012
	Kshs	Kshs
Surplus for the year	55,556,810	64,488,205
Adjustments for:		
Depreciation	<u>27,979,545</u>	<u>19,881,557</u>
Operating surplus before working capital changes	83,536,355	84,369,762
Decrease in trade and other receivables	(44,169,134)	(10,190,295)
Increase in trade and other payables	<u>4,786,645</u>	<u>4,800,865</u>
Cash generated from operating activities	44,153,867	78,980,332
Cashflows from investing activities		
Purchase of property, plant & equipment	<u>(61,718,892)</u>	<u>(60,967,588)</u>
Net cash flows used in investing activities	(61,718,892)	(60,967,588)
Net Increase / Decrease in cash and cash equivalents	(17,565,025)	18,012,745
Cash & cash equivalent at the beginning of the period	<u>50,997,946</u>	<u>32,985,201</u>
Cash & cash equivalents at the end of the period	<u><u>33,432,921</u></u>	<u><u>50,997,946</u></u>

NATIONAL COHESION AND INTEGRATION COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards under the historical cost convention, and are presented in the functional currency, Kenya Shillings (Shs). The preparation of financial statements as per IFRS also requires the use of estimates and assumptions and for management to exercise its judgement in the process of applying the accounting policies adopted by the commission. Although such estimates and assumptions are based on the commission's best knowledge of the information available, actual results may differ from the estimates.

b) Revenue recognition

The revenue constitutes all funds accruing to the Commission in form of releases from the Ministry, funds from development partners and other income which could arise from sale of any tender documents and disposal of assets if any.

c) Property, Plant and Equipment

All categories of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably. Repairs and maintenance is charged to the profit and loss account in the year to which it relates.

Depreciation is calculated using the reducing balance method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.

	<u>Rate - %</u>
Motor vehicles	25
Furniture & Fittings	12.5
Computers, copiers & faxes	33.3

NATIONAL COHESION AND INTEGRATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property plant and equipment

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each year end.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount. The recoverable amount is higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

d) Retirement Benefits Obligation

The Commission and the employees contribute to the National Social Security Fund, a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

e) Taxation

The Commission, being a non-trading entity is not subject to taxation. No tax is therefore provided in these accounts.

f) Receivables

Receivables are recognized initially at fair value and are subsequently measured at amortised cost using the effective interest method.

A provision for impairment is recognized in the profit and loss account in the year when recovery of the amount due as per the original terms is considered doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectable are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

NATIONAL COHESION AND INTEGRATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, term and call deposits with banking institutions and other short-term highly liquid investments in money market instruments with maturities of three months or less from the date of acquisition net of bank overdrafts.

h) Comparatives

The Commission has had financial statements prepared for the Financial year 2012 / 2013. This has formed the basis of comparison with the last Financial year. The UN-women project did not receive additional funding thus the

2. Government of Kenya grants (GOK)

	2013 Kshs	2012 Kshs
Authority to Incur Expenditure (AIE) net releases By Permanent Secretary, MOJNC&CA – Nairobi	<u>446,067,200</u>	<u>235,000,000</u>

3. Development Partner / Donor Support

	2013 Kshs	2012 Kshs
UNDP/UN Women	-	640,526
Uwiano Platform	20,000,000	-
UNDP / SIDA	148,455,130	86,747,494
IJR / FBA	<u>12,090,195</u>	<u>5,564,136</u>
	<u>180,545,325</u>	<u>92,952,156</u>

4. Administrative expenses

	2013 Kshs	2012 Kshs
Basic Salaries- Permanent Employees	57,076,580	43,377,830
Personal Allowance- Paid as part of Salary	20,221,143	16,237,538
Personal Allowance- Paid as Reimbursements	500,000	173,082
Employer contribution to NSSF	144,200	91,800
Utilities Supplies & Services	66,416	1,229,046
Hospitality Supplies	14,462,622	8,904,020
Insurance Costs	12,743,281	9,044,738
Social Security Benefits	2,539,567	
Increase in provision for bad debts	<u>1,606,198</u>	<u>952,382</u>
	<u>109,360,006</u>	<u>80,010,435</u>

NATIONAL COHESION AND INTEGRATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Operating and Maintenance expenses

	2012	2011
	Kshs	Kshs
Communication, Supplies & Services	6,573,151	1,267,685
Domestic Travel and subsistence and other transportation costs	30,969,992	21,775,938
Foreign Travel and Subsistence and other transportation costs	18,277,425	25,533,125
Printing, Advertising and Information Supplies & Services	143,832,679	6,583,367
Rentals of Produced Assets	27,843,146	16,974,569
Training Expenses	4,184,972	2,721,340
Specialised Material and supplies	138,200	710,735
Office & General Supplies & Services	9,487,060	5,481,593
Fuel Oil & Lubricants	9,638,499	8,275,398
Other operating expenses	6,346,480	812,108
Routine Maintenance -Vehicles & other transportation equipment	8,894,447	3,373,147
Routine Maintenance -Other assets	6,445,544	134,863
	<u>272,631,594</u>	<u>93,643,867</u>

6. Program Costs

	2013	2012
	Kshs	Kshs
UN women	-	7,049,372
Uwiano Platform	9,464,048	3,344,848
IJR	6,319,036	-
UNDP/ SIDA	<u>145,507,167</u>	<u>58,472,807</u>
	<u>161,290,251</u>	<u>68,867,027</u>

7. Audit Fees

	2013	2012
	Kshs	Kshs
Audit fees	<u>1,044,000</u>	<u>1,044,000</u>

8. Finance Costs

	2013	2012
	Kshs	Kshs
Bank Charges	<u>59,750</u>	<u>17,064</u>

NATIONAL COHESION AND INTEGRATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Property Plant and Equipment

	Motor Vehicles Kshs	Furniture and Fittings Kshs	Computers, Copiers & Faxes Kshs	Total Kshs
Cost				
1 July 2011	36,695,650	4,688,500	5,238,300	46,622,450
Additions	24,740,007	33,288,231	2,939,350	60,967,588
30 June 2012	<u>61,435,657</u>	<u>37,976,731</u>	<u>8,177,650</u>	<u>107,590,038</u>
Depreciation				
1 July 2011	9,173,913	586,063	1,744,354	11,504,330
Charge for the year	13,065,436	4,673,833	2,142,288	19,881,557
30 June 2012	<u>22,239,349</u>	<u>5,259,896</u>	<u>3,886,642</u>	<u>31,385,887</u>
Net book value 30 June 2012	<u>39,196,308</u>	<u>32,716,835</u>	<u>4,291,008</u>	<u>76,204,151</u>
Cost				
1 July 2012	61,435,657	37,976,731	8,177,650	107,590,038
Additions	31,520,870	25,356,733	4,841,288	61,718,892
30 June 2013	<u>92,956,527</u>	<u>63,333,464</u>	<u>13,018,938</u>	<u>169,308,930</u>
Depreciation				
1 July 2012	22,239,349	5,259,896	3,886,642	31,385,887
Charge for the year	17,679,295	7,259,196	3,041,055	27,979,545
30 June 2013	<u>39,918,644</u>	<u>12,519,092</u>	<u>6,927,697</u>	<u>59,365,432</u>
Net book value 30 June 2013	<u>53,037,884</u>	<u>50,814,372</u>	<u>6,091,241</u>	<u>109,943,498</u>

The Commission changed its principle place of business from Delta House, Westlands to KMA Plaza in Upper Hill during the 2011 / 2012 FY. The office partitioning and refurbishment that was anticipated to end by 30 June 2012 continued into the current financial year. The partitioning and refurbishment works for the year cost **Kshs 15,637,736** out of which 90% payment has been done with the retention of 10% of the cost **Kshs 1,589,872** being held to be paid after completion of the works.

This has been captured as Fittings and depreciated appropriately.

NATIONAL COHESION AND INTEGRATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Trade and Other Receivables

	2013	2012
	Kshs	Kshs
Rent KMA PLAZA	-	3,377,688
Deferred grant (UN Women)	-	640,526
Deferred grant GoK	54,681,600	-
Imprest debtors	9,034,075	14,008,156
Other debtors	633,644	-
Prepayment: Under Kenya Cultural Centre	-	1,500,000
SIDA Project officer	952,382	952,382
Provision for bad debts	<u>(1,606,198)</u>	<u>(952,382)</u>
	<u>63,965,503</u>	<u>19,526,370</u>

11. Cash and Cash Equivalents

The Commission's cash balances were as indicated by close of business on the 30 June 2012.

	2013	2012
	Kshs	Kshs
Cash at Bank – Kenya commercial Bank	(9,030,384)	27,773,959
Cash at Bank – National Bank of Kenya	32,260,534	23,153,585
Cash at Bank – Standard Chartered	9,575,860	24,382
Cash in Hand	<u>626,910</u>	<u>46,020</u>
	<u>33,432,921</u>	<u>50,997,946</u>

12. Trade and Other Payables

	2013	2012
	Kshs	Kshs
Belfast Engineering	1,589,872	3,130,655
Auditor General	1,044,000	1,044,000
Other creditors	<u>8,527,072</u>	<u>2,199,645</u>
	<u>11,160,945</u>	<u>6,374,300</u>

NATIONAL COHESION AND INTEGRATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
