

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

Paper Laid.
By Hon. A. Suake (Hon)
on Wed. 29.07.2015 (pm)
M/M



REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**





NATIONAL COHESION AND INTEGRATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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



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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Commission is a statutory body established under the National Cohesion and Integration Act (Act No. 12 of 2008) and is domiciled in Kenya. The Commission is represented by the Commissioners who are responsible for the general policy and strategic direction of the Commission.

(b) Principal Activities

The principal activities of the Commission are 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.

(c) Key Management

The Commissions day-to-day management is under the following key organs:

- Commission Secretary
- Directors

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Commission Secretary	Hassan Sheikh Mohamed, OGW
2.	Director Programmes and Technical Services	Dr. Julius O. Jwan
3.	Director Finance, HR and Administration	Dr. Benjamin Kituku

(e) Fiduciary Oversight Arrangements

The funds of the Commission shall consist of;

- a) Monies appropriated by parliament
- b) Monies on asset as may accrue to the Commission in the course of the exercise of its powers in the performance of its functions under the National Cohesion and Integration Act.
- c) Monies from donors.

With regard to the Commissions finances, the Commission Secretary is the Accounting Officer. Administration of funds shall be as per the annual estimates / work plans and funding agreements with different donor agencies. This shall be guided by the Public Procurement disposal Act 2005, National Cohesion and Integration Act (No.12 of 2008) and the Government financial regulations and procedures.

National Cohesion and Integration Commission
Reports and Financial Statements
For the financial year ended June 30, 2014

The accounts of the Commission are audited and reported upon by the Auditor General in accordance with the provisions of the Public Audit Act 2003(No 12 of 2003).

In addition, development partners usually have independent audits of programs/projects that they fund directly as part of their oversight role as and when agreed.

(f) Entity Headquarters

KMA Centre
6th Floor
Mara Road, Upper Hill
P. O. Box 7055 – 00100
Nairobi
Kenya.

(g) Entity Contacts

Telephone: 020-258701/2/3 Cell: 0702-777000
E-mail: info@cohesion.or.ke
Website: www.cohesion.or.ke

(h) Entity Bankers

Kenya Commercial Bank
Sarit Centre Branch, Nairobi

Standard Chartered Bank
Harambee Avenue Branch, Nairobi

National Bank of Kenya
Harambee Avenue Branch, Nairobi

(i) Independent Auditors

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

II. COMMISSIONERS

1. Commissioner Mzalendo N. Kibunjia, PhD, EBS



Dr. Mzalendo Kibunjia is the Chairperson of the National Cohesion Integration Commission in Kenya. He holds a PHD and MA in Anthropology from Rutgers, The State university, New Jersey USA and a BA in Archaeology & History from the University of Nairobi. He is a member of the Institute of Directors (IOD) Kenya, Board Member Tana and Athi River Development Authority (TARDA), Kenya Representative to UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, Chairperson and member of International Council of Monuments and Sites (ICOMOS) Kenya. Dr. Kibunjia was the Director, Sites & Monuments at the National Museums of Kenya and Team Leader and Consultant of the New Nairobi Museum and Athletics Kenya Museums respectively. He has rich experience in heritage, anthropology, language and was an external examiner in Kenyatta University, University of Nairobi, University of Dar es Salaam and Institute of African Studies. He was awarded Elder of Burning Spear in December 2010 for exemplary leadership.

2. Commissioner Milly Lwanga Odongo



Commissioner Milly Lwanga Odongo, the Commission's vice chairperson is a Kenyan Lawyer with vast experience in International Human Rights Law. She was a member of the Task Force on Implementation of the Sexual Offences Act 2006, set up by the Attorney General to offer guidance in ensuring full implementation of the then new and progressive legislation that aimed to address sexual based gender violence. For thirteen years, Milly Lwanga has been actively involved in the protection of human rights, offering technical assistance to Civil Society Organizations. She was involved in advocacy work as a Strategist and Trainer and conducted research on the status of implementation of the Sexual Offences Act. She conducted an audit of the capacity of the Judiciary to contribute to the development agenda, particularly under Vision 2030. She also worked as a Program Officer for Africa with the Raoul Wallenberg Institute of Human Rights Sweden (RWI), as well as with UNHCR before her appointment as a Commissioner.

3. Commissioner Dr. Ahmed Yassin, PhD



Commissioner Dr. Ahmed Yassin joined NCIC from the National Museums of Kenya where he served as a Director at the Research Institute of Swahili Studies of Eastern Africa (RISSEA) as well as Director Human Resources and Administration. Dr. Ahmed has been the Chairman of the Muslims Education and Development Agenda Network (MEDAN), Board Member Kenya Marine and Fisheries Institute (KEMFRI), and Secretary, National Museums Education Trust (NMET). Dr. Yassin holds a PhD from School of Oriental and African Studies, University of London. His thesis was on Conflict and Conflict Resolution among the Swahili of Kenya. He has MA in Social Sciences/Development Administration from University of Birmingham UK and is a holder of Certified Public Secretaries (Kenya) Part Two. He has attended numerous project management courses.

4. Commissioner Jane M. Kiano EBS.



Commissioner Jane M. Kiano was the Chairperson of the National Council of Women of Kenya, the Kenya Literature Bureau and Alliance Francaise, Kenya. She is also the Patron of the Maendeleo ya Wanawake Organization and Vice President of the Common Wealth League. She is also a Board member of Family Health Foundation of Kenya. Commissioner Kiano was for many years the chairperson of Maendeleo ya wanawake organisation. She has vast experience as a teacher. She was awarded the Elder of the Burning Spear in 1979 as an outstanding woman leader, and the Golden Mercury International Award dubbed “Ad Personam for Productive Development and International Co-operation” in 1982 in Addis Ababa, Ethiopia. Commissioner Kiano was recognized as Kenya Woman of the Year, 1974. She has a passion for working with disadvantaged members of society and is a strong believer of gender equality.

5. Commissioner Fatuma Mohamed



Commissioner Fatuma Mohamed holds a Masters and Bachelors degree in Gender and Development studies from University of Nairobi. Commissioner Fatuma was the first National Vice Chairperson of the National Council of Women of Kenya and the founder of Women Advancement Initiative, an NGO that spearheads the empowerment of marginalised women in education, business and politics and eradication of negative cultural practices in North Eastern Province. Commissioner Fatuma was instrumental in resolving several conflicts in Garissa and the rest of North Eastern Province as the Secretary of Garissa Women for Peace Initiative. The organisation was set up by local women in response to the gender consequences of community conflicts. She is also a successful business woman and banker.



6. Commissioner Alice Nderitu



Commissioner Alice Nderitu is a Transitional Justice Fellow of the International Justice and Reconciliation Institute. She spearheads work on information education and communication at the Commission. Prior to joining NCIC, Commissioner Nderitu was the regional Director of Education of Fahamu, a UK registered charity with a head office in Oxford and a presence in South Africa, Brazil, Kenya and Senegal. She headed a program that worked to build capacities by developing and delivering training courses in human rights and conflict prevention in collaboration with the University of Oxford, The United Nations University for Peace and the UN High Commissioner for Human Rights. Commissioner Nderitu was also one of the pioneer staff at the Kenya National Commission on Human Rights (KNCHR) as program head of Human Rights Education, where she led the drafting of the first human rights education curriculum for public officers. Ms. Nderitu has also worked with the Prisons Department as Senior Superintendent of Prisons working as the personal assistant to the Commissioner of Prisons as well as human rights liaison officer.

Commissioner Alice Nderitu has mediated in several community peace initiatives in Kenya, Zimbabwe and Ethiopia. She also worked in a program that integrated militia groups into mainstream society in Rwanda, and contributed to the review of education curriculums in South Africa to accommodate race, ethnic and social cohesion. She has trained doctors supporting health programs in Somalia, Military and Law Enforcement Peace Keeping officers at the Rwanda Military Academy and the International Peace Support training college in Kenya on human rights and conflict prevention.

Commissioner Alice Nderitu is a guest lecturer at the University of Pretoria's Centre for Human Rights. Most recently, she has facilitated sessions at the John F. Kennedy

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



Mr. Hassan Mohamed has been the Commission Secretary since June 2010. He holds an MA in Economic and Social Studies (Development Administration and Management) from University of Manchester UK, Post Graduate Diploma in Public Administration and Management from Glasgow Caledonian University, UK; and Diploma in Range Management from Egerton University.

Mr. Hassan is a career Civil Servant who has served in various Government Ministries culminating in his promotion to the rank of Senior Deputy Secretary. He was awarded the Order of the Grand Warrior of Kenya in 2009 for Peace building efforts whilst serving as the Coordinator of the National Steering Committee for Peace Building and Conflict Management in the Office of the President. In addition to the aforementioned, Mr. Hassan also received exposure in international peace while he was on secondment as a Special Envoy of IGAD to the Sudan Peace Process in 2009 - 2010. He has extensive knowledge in Government Financial Management, having served as a Budget Supply Officer in the Ministry of Finance in 1997 – 2006.

The above Commissioners, except the Commission Secretary, left office in September 2013.

EX-OFFICIO MEMBERS

8. Commissioner Otiende Amollo



Mr. Otiende Amollo is the Chairperson of the Commission for the Administration of Justice. He served in the Committee of Experts on Constitutional Review and as the Chairman of the Kenya Section of the International Commission of Jurists (I.C.J.). He has also served as the Secretary to the East African Law Society, joint Secretary to the Government of Kenya Implementation Committee on the Report of the Task Force on HIV and AIDS. He is the Sub-Editor to the East African Lawyer magazine and a board member to 'Kituo Cha Sheria' a legal advice center.

9. Samuel K. Tororei, D.Phil-Human Eco; Msc. HPF; B.Ed (Arts)



Dr. Samuel K. Tororei is the Ag. Chairman, Kenya National Commission on Human Rights. Prior to his appointment as a Commissioner to the KNCHR, he was a Lecturer at Moi University and the Lead Consultant with Empowerment Resources Development Centre (ERDC). Dr. Tororei is a Human Ecologist and a Health Economist with a D. Phil in Human Ecology (Moi University), an Msc in Health Planning and Financing (London School of Economics). He has long and wide experience and expertise in disability and Non-Governmental work; University teaching at all levels and played the role of policy negotiation and dialogue in the Constitution of Kenya Review Process.

10. Commissioner Wilfred Lichuma



Commissioner Winfred Lichuma is the current Chairperson of the National Gender and Equality Commission (NGEC). Winfred is lawyer of over 20 years standing. Previously she has served as a Commissioner at the Kenya National Commission on Human Rights and has been a legal adviser to the National Aids Control Council. She also has worked as a practising Advocate of the High Court of Kenya. Commissioner Winfred Lichuma began her career as a Magistrate of the High Court of Kenya, a position she held for ten years and served around the country, growing up the ranks to Senior Resident Magistrate. Winfred has a wide experience in gender mainstreaming and human rights promotions and programming.

III. MANAGEMENT TEAM

1. Commission Secretary Hassan Sheikh Mohamed, OGW



Mr. Hassan Mohamed has been the Commission Secretary since June 2010. He holds an MA in Economic and Social Studies (Development Administration and Management) from University of Manchester UK, Post Graduate Diploma in Public Administration and Management from Glasgow Caledonian University, UK; and Diploma in Range Management from Egerton University.

Mr. Hassan is a career Civil Servant who has served in various Government Ministries culminating in his promotion to the rank of Senior Deputy Secretary. He was awarded the Order of the Grand Warrior of Kenya in 2009 for Peace building efforts whilst serving as the Coordinator of the National Steering Committee for Peace Building and Conflict Management in the Office of the President. In addition to the aforementioned, Mr. Hassan also received exposure in international peace while he was on secondment as a Special Envoy of IGAD to the Sudan Peace Process in 2009 - 2010. He has extensive knowledge in Government Financial Management, having served as a Budget Supply Officer in the Ministry of Finance in 1997 – 2006.

2. Dr Julius Ouma Jwan



Dr. Julius O. Jwan is the **Director, Programmes and Technical services** which entails coordinating the implementation of programmatic work within four programme departments. These are; Civic Education & Advocacy; Reconciliation and Integration; Research, Policy & Planning; Enforcement, Complaints & Legal.

Dr. Jwan holds a PhD Degree in Educational Leadership & Management; a Master of Science (MSc) Degree in Research Methods; a Master of Philosophy (MPhil) Degree in Education Communication & Management; Master of Philosophy (MPhil) Degree in Linguistics and a Bachelor of Education (B.Ed) Degree.

3. Dr. Benjamin Kituku



Dr. Benjamin Kituku is the **Director Finance, Hr and Administration** which is the administrative arm of the commission and is composed of the following divisions; Finance and Accounts, Human Resource, Administration, Supplies Management and ICT.

Dr. Kituku is a Certified Public Accountant of Kenya (CPA - K) and a member of ICPAK. He holds a Masters In Business Administration (MBA) Finance and Strategic Management from the University of Nairobi and a BVMPH from the same university.

4. Sellah King'oro



Sellah King'oro is the **Assistant Director of Research, Policy and Planning** at the National Cohesion and Integration Commission. This department collects, collates and synthesizes information on various issues of interest to the commission and is also key in policy development planning and implementation.

She holds a Bachelor of Education (Arts) and a Master in International Studies with a major in Conflict Management from the University of Nairobi and is currently pursuing her PhD in Peace and Conflict Studies at Kisii University.

5. Mr. Liban Guyo



Mr. Liban Guyo is the **Assistant Director; Reconciliation and Integration** at the National Cohesion and Integration Commission. This department is involved in the promotion and sustenance of the national peace and reconciliation agenda.

Mr. Guyo holds a Masters Degree in Governance and Development from Sussex University and a BA in International Relations from United States International University-Africa Nairobi, Kenya.

6. Mr. Charllow Kyalo Mwengi



Mr. Mwengi is the **Assistant Director Complaints, Legal and Enforcement department**, which receives and investigates complaints of ethnic and racial discrimination and makes recommendations to the parliament and any other relevant government department or authority.

Mr. Mwengi is an advocate of the high court of Kenya and a member of the law society of Kenya. He holds a Bachelors degree in Social Legislation (BSL), Bachelors in Laws (LLB) and a Diploma in Law from the Kenya School of Law.

Mr. Killian Nyambu Machila



Mr. Kilian Nyambu is the **Assistant Director, Civic Education and Advocacy** at the National Cohesion and Integration Commission. The department spearheads initiatives aimed at policy influence and advocacy, public education and awareness, capacity development and outreach

Mr. Kilian Nyambu holds a Master of Education (M.Ed) in Educational Administration and Planning as well as Bachelor of Education (Arts) degree from the University of Nairobi. He has multiple certificates in various management programmes from different training institutions including the Kenya Institute of Administration.

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

The NCIC was established under the National Cohesion and Integration Act (No.12 of 2008). Since its operationalization, the Commission has carried out a number of programmatic activities to achieve its mandate in six Key Result Areas as outlined in the Commission's strategic plan. The period under review was a period that saw the implementation of the devolved system of government bringing with it both challenges and opportunities for the Commission.

To this end, a large number of the Commission's activities in the period worked towards anchoring the work of the Commission with county governments. These are the fourth Annual Financial statements of the National Cohesion and Integration Commission (NCIC). The statements cover the period from 1 July 2013 to 30 June 2014.

The period under review saw a number of activities that focused on the county governments and in particular deliberate measures to ensure equality of opportunities at the both the county and national levels. The Commission carried out intensive media campaigns and engaged a wide range of Kenyans with messages promoting the importance of peaceful coexistence. The Commission also carried out trainings for key stakeholders.

The Commission has continued to hold a number of county forums to engage citizens and leaders on issues of devolution and access to resources for all Kenyans. The Commission has also carried out research on devolution and audit of public universities and recruitment at the County governments. I would like to recognize the work of all our partners from community based organizations, civil society, government institutions, donors and the general public who continue to work with the Commission in realizing its mandate and look forward to strengthening these partnerships moving forward.

Lastly, I thank the NCIC Commissioners for their guidance and support and the staff for working tirelessly towards the implementation of the Commission's programmes and activities. I wish to reiterate the Commission's zeal to continue putting in place strategies that will nurture the national identity of the Kenyan people while providing systematic peace building and reconciliation structures that will inspire communities towards the realization of national values rather than individualistic tribal affiliations.

The Commission urges all Kenyans to undertake the collective responsibility of building "A Peaceful, United, Harmonious and Integrated Kenyan Society."



Hassan Sheikh Mohamed, OGW
Secretary/Chief Executive Officer

V. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which an institution is directed and controlled with the ultimate aim of achieving a long term value with the interest of all stake holders being put into account. The quality and status of governance is a key factor to the operational success of any corporate institution and in this regard the Commission recognizes the need to base its operations on sound corporate governance principles including high professional ethics, integrity and accountability. This is also consistent with the Commissions core values hence a strong commitment and sense of responsibility to conduct its operations in accordance with best practices taking into consideration, transparency compliance to relevant laws and regulations. In this regard the Commission is guided by:

- 1) The Constitution of Kenya 2010.
- 2) The National Cohesion and Integration act No.12 of 2008.
- 3) The public offices Ethics Act.
- 4) Government financial regulations and procedures.
- 5) Relevant treasury circulars.
- 6) The Commission's human resource value.

Sound corporate governance is not only indispensable but a fundamental aspect of the Commission's culture and operational practices. The Commissioners are responsible for ensuring proper corporate governance within the Commission.

VI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the commission affairs.

Principal activities

The principal activities of the Commission are 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

The results of the Commission for the year ended June 30, 2014 are set out on page 1

Directors

The Commissioners who served during the year are shown on page ii

Auditors

The Auditor General is responsible for the statutory audit of the Commission in accordance with the Section 68 of the Public Finance Management (PFM) Act, 2012 and the National Cohesion and Integration Act, 2008. PFM Act, 2012, empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Commission



Hassan Sheikh Mohamed, OGW
Secretary/Chief Executive Officer

03 / 03 / 2015

VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Commissioners to prepare financial statements in respect of that Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year/period and the operating results of the Commission for that year/period. The Commissioners are also required to ensure that Commission the keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2014. 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 entity; (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 Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2014, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the Commission 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 Commission's financial statements were approved by the Commissioners on 03 / 03 / 2015 and signed on its behalf by:



Hassan Sheikh Mohamed, OGW
Commission Secretary

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COHESION AND INTEGRATION COMMISSION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Cohesion and Integration Commission set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of cash flows, 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 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 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.

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. 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 risks 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 circumstances, 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 qualified audit opinion.

Basis for Qualified Opinion

Outstanding Imprests

The statement of financial position reflects receivables from non-exchange transactions of Kshs.11,975,000.00 which included Kshs.11,874,702.00 being imprest due as at 30 June 2014. By the time of audit, only Kshs.768,690.00 had been surrendered leaving a balance of Kshs.11,106,012.00 as unsurrendered imprests.

As a result, it has not been possible to confirm the reasons for such huge amount of outstanding imprests as at 30 June 2014.

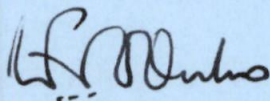
Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June, 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the National Cohesion and Integration Commission Act, 2008.

Other matter

I wish to draw your attention to the following matter without qualifying my opinion.

The audit revealed that the Commission has weak internal control as there are no internal audit, risk and IT strategy and disaster recovery policies in place.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

24 April 2015

National Cohesion and Integration Commission
Reports and Financial Statements
For the financial year ended June 30, 2014

IX. STATEMENT OF FINANCIAL PERFORMANCE			
For the year ended 30 June 2014			
	Note	2013-2014	2012-2013
		Kshs 000	Kshs 000
Revenue from non-exchange transactions			
Public contributions and donations	3	51,131	180,545
Transfers from other governments – gifts and services	4	174,960	446,067
		226,091	626,612
Revenue from exchange transactions			
Other income	5	5,715	1,309
Total revenue		231,806	627,921
Expenses			
Employee costs	6	104,060	113,678
Depreciation and amortization expense	7	23,333	27,979
Repairs and maintenance	8	6,094	15,340
General expenses	9	176,009	415,368
Total expenses		309,496	572,365
Other gains/(losses)			
Loss on sale of motor vehicle	10	(3,116)	-
Surplus for the period		(80,806)	55,556

National Cohesion and Integration Commission
Reports and Financial Statements
For the financial year ended June 30, 2014

X. STATEMENT OF FINANCIAL POSITION			
As at 30 June 2014			
	Note	2013-2014	2012-2013
		Kshs 000	Kshs 000
Assets			
Current assets			
Cash and cash equivalents	11	12,310	33,433
Receivables from non-exchange transactions	12	11,975	63,695
		24,285	97,128
Non-current assets			
Property, plant and equipment	13	94,663	109,944
		94,663	109,944
Total assets		118,948	207,072
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	3,843	11,161
Non-current liabilities			
		-	-
Total liabilities		3,843	11,161
Net assets			
		115,105	195,911
Reserves		8,847	8,847
Accumulated surplus		106,258	187,064
Minority interest		-	-
Total net assets and liabilities		115,105	195,911

The Financial Statements set out on pages 1 to 20 were signed on behalf of the Commission by:



Hassan Sheikh Mohamed, OGW
Commission Secretary

Date.....03/03/2015.....

XI. STATEMENT OF CHANGES IN NET ASSETS
 For the year ended 30 June 2014

	Attributable to the owners of the controlling Reserves		
	Capital reserve Kshs '000	Accumulated surplus Kshs '000	Total Kshs '000
Balance as at 30 JUNE 2012	8,847	131,507	140,354
Surplus/(deficit) for the period	-	55,557	55,557
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2013	8,847	187,064	195,911
Surplus for the period	-	(80,806)	(80,806)
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2014	8,847	106,258	115,105

**National Cohesion and Integration Commission
Reports and Financial Statements
For the financial year ended June 30, 2014**

XII. STATEMENT OF CASH FLOWS

	2013-2014	2012-2013
	Kshs 000	Kshs 000
Cash flows from operating activities		
Receipts		
Public contributions and donations	51,131	180,545
Government grants and subsidies	174,960	446,067
Other income, rentals and agency fees	-	1,309
	226,091	627,921
Payments		
Compensation of employees	81,729	98,328
Rent paid	22,303	17,304
Other payments	171,394	428,754
	275,426	544,386
Net cash flows from operating activities	(49,335)	83,535
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(12,149)	(61,719)
Proceeds from sale of property, plant and equipment	980	-
Net cash flows used in investing activities	(11,169)	(61,719)
Cash flows from financing activities		
Net cash flows used in financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(60,504)	21,816
Cash and cash equivalents at 1 JULY	72,814	50,998
Cash and cash equivalents at 30 JUNE	12,310	72,814

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Commission's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). 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.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be

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measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

b) Budget information

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

c) Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

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

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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

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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 fairvalue.

f) Leases

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

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

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

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

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

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

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- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

h) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

ii) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

IPSAS 29.65

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

i) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The Entity 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 Entity 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.

k) Nature and purpose of reserves

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

l) 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.

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and councillors. Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does

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not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) 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 councillors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

t) Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: e.g.

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.

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:

- i. The condition of the asset based on the assessment of experts employed by the entity;
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- iii. The nature of the processes in which the asset is deployed;
- iv. Availability of funding to replace the asset; and
- v. Changes in the market in relation to the asset.

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Provisions

Provisions were raised and management determined an estimate based on the information available.

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

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are

rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

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

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

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

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

3. Public contributions and donations

	2014	2013
	Kshs 000	Kshs 000
SIDA	51,131	148,455
IJR	-	12,090
UNDP-Uwiano		20,000
Total transfers and sponsorships	51,131	180,545

4. Transfers from other governments – gifts and services-in-kind

	2014	2013
	Kshs 000	Kshs 000
Unconditional grants		
Operational grant	174,960	446,067
	174,960	446,067

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5. Other income

	2014 Shs 000	2013 Shs 000
Other income	5,715	1,309
Total other income	5,715	1,309

6. Employee costs

	2014 Kshs 000	2013 Kshs 000
Employee related costs - salaries and wages	81,729	98,328
Employee related costs - contributions to pensions and medical aids	22,331	15,350
Employee costs	104,060	113,678

7. Depreciation and amortization expense

	2014 Kshs 000	2013 Kshs 000
Property, plant and equipment	23,333	27,979
Total depreciation and amortization	23,333	27,979

8. Repairs and maintenance

	2014 Kshs 000	2,013 Kshs 000
Vehicles	3,759	8,894
Other	2,335	6,446
Total repairs and maintenance	6,094	15,340

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9. General expenses

The following are included in general expenses:

	2014 Kshs 000	2013 Kshs 000
Advertising	9,398	143,833
Admin fees	-	16,069
Audit fees	1,044	1,044
Conferences and delegations (Hospitality)	2,086	5,585
Electricity	-	66
Fuel and oil	4,412	9,639
Insurance	2,774	77
Postage	263	181
Printing and stationery	3,732	9,487
Hire charges	3,337	10,510
Rental	22,303	17,304
Telecommunication	4,544	6,374
Training	1,573	1,057
Other	120,543	194,142
Total general expenses	176,009	415,368

10. Loss on sale of assets

	2014 Shs 000	2013 Shs 000
Property, plant and equipment	3,116	-
Other assets	-	-
Total gain on sale of assets	3,116	-

11. Cash and cash equivalents

	2014 Kshs 000	2013 Kshs 000
Bank	11,664	32,806
Cash-on-hand and in transit	646	627
Total cash and cash equivalents	12,310	33,433

12. Receivables from non-exchange contracts

Current receivables	2014 Kshs 000	2013 Kshs 000
Other debtors (non-exchange transactions)	11,975	63,695
Total current receivables	11,975	63,695

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13. Property, plant and equipment

<i>Cost or Valuation:</i>	Computers & Printers	Furniture & Fittings	Motor Vehicles	Total
	Kshs 000	Kshs 000	Kshs 000	Kshs 000
As at 1st July, 2012	8,178	37,976	61,436	107,590
Additions during the year	4,841	25,357	31,521	61,719
As at 30th June 2013	13,019	63,333	92,957	169,309
Additions during the year	841	11,308	-	12,149
Disposal	-	-	(9,710)	(9,710)
Transfer/Adjustments	-	-	-	-
As at 30th June 2014	13,860	74,641	83,247	171,749
Depreciation and impairment				
At 1 July 2012	3,887	5,260	22,239	31,386
Depreciation	3,041	7,259	17,679	27,979
At 30 June 2013	6,928	12,519	39,918	59,365
Depreciation	2,308	7,765	13,260	23,333
Disposals	-	-	(5,614)	(5,614)
At 30 June 2014	9,236	20,284	47,564	77,085
Net book values				
At 30 June 2014	4,624	54,357	35,682	94,663
At 30 June 2013	6,091	50,814	53,038	109,944

14. Trade and other payables from exchange transactions

	2014 Kshs 000	2013 Kshs 000
Trade payables	3,843	11,161
Total trade and other payables	3,843	11,161

15. Cash generated from operations

	2014 Kshs 000	2013 Kshs 000
Surplus for the year before tax	(80,806)	55,556
Adjusted for:		
Depreciation	23,333	27,980
(Gains) and losses on disposal of assets	3,116	-
Increase in receivables	51,908	(44,169)
Increase in deferred income		4,787
Increase in payables	(7,318)	-
Net cash flows from operating activities	(9,767)	44,154

IX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1	There was no risk management policy in place during the year under review	The Commission recognizes the importance of having in place a solid risk management policy even if it did not have one in place in the year under review. The internal audit department had been working on a risk and governance framework but its setup went beyond the period under review. This will be however be addressed to ensure risk management is handled with the importance it deserves	Senior Internal Auditor	Not resolved	June 2015
4	The Commission uses LSO's for ordering services of hotels. However, the books are not used chronologically.	The Commission has noted the observation made on the use of LSO's and will endeavour to improve on its system of issuance of accountable documents to ensure they are utilized chronologically to avoid their misuse.	Senior Supply Chain Officer	Resolved	N/A



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
8	The financial statements of NCIC for the period ended 30 June 2013 reflect cash and bank balances amounting to Ksh 33,432,921 which is not supported by board of survey report at the close of the year.	The Commission did not have a board of survey at the close of the period under review. However, the report for cash balance is hereby attached for your verification of the Ksh 626,910; being Kshs 288,681 for GoK Funds and Kshs 3688,229 for IJR/FBA/NCIC Funds that was at hand on 30 th June 2013.	Director Finance	Resolved	N/A
	Further the bank reconciliation statement for the account held at Standard Chartered Bank has not been availed for audit verification. Hence the figure for cash and bank balance cannot be ascertained to be accurate and complete.	The bank reconciliation for the Standard Chartered Bank account was availed to you on 2 nd April 2014. However, a copy is herewith attached for your verification of the reconciliation.	Senior Accountant	Resolved	N/A

Commission Secretary

Date _____

