

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

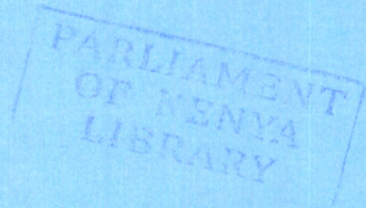
REPORT


OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
CHILD WELFARE SOCIETY OF KENYA



 THE NATIONAL ASSEMBLY PAPER NO. 1	
FOR THE YEAR ENDED	
DATE: 26 JUN 2019 30 JUNE 2018	
TABLED BY:	L.O.M
CLERK-AT THE TABLE:	M. Mado

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

25 APR 2019

RECEIVED



CHILD WELFARE SOCIETY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2018



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

TABLE OF CONTENTS

1. KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
2. THE BOARD OF TRUSTEES	vii
3. MANAGEMENT TEAM	ix
4. CHAIRMAN'S STATEMENT	xi
5. REPORT OF THE CHIEF EXECUTIVE OFFICER	xiii
6. CORPORATE GOVERNANCE STATEMENT	xxv
7. MANAGEMENT DISCUSSION AND ANALYSIS	xxvi
8. REPORT OF THE DIRECTORS	xxvii
9. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxviii
10. REPORT OF THE INDEPENDENT AUDITORS.....	xxix
11. STATEMENT OF FINANCIAL PERFORMANCE.....	1
12. STATEMENT OF FINANCIAL POSITION.....	2
13. STATEMENT OF CHANGES IN NET ASSETS	3
14. STATEMENT OF CASH FLOWS	4
15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
16. NOTES TO THE FINANCIAL STATEMENTS.....	7
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	23

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Child Welfare Society of Kenya is a Semi-autonomous Government Agency in transition, established for the care, protection; welfare and adoption of children vide Legal Notice No. 58 of 23/05/2014. It is the National Adoption Society for Kenya and the national emergency response, welfare and rescue organization for children. The government agency was established and gazetted in 1955 as an approved society Gazette Notice No. 1768 of 27/12/1955, an exempt society gazette notice 1536 of 04/11/1955, Certificate of Exemption number 455 and the adoption society for Kenya, Gazette Notice No. 1356 of 28/04/1969. It is an exempt society with permanent trustees of public nature, with an irrevocable Trust of 1970. The entity is domiciled in Kenya and has fifteen Temporary Places of Safety (TPS) countrywide .i.e. CWSK Mama Ngina Kenyatta, CWSK Mji wa Salama, CWSK Kisii, CWSK Kanduyi, CWSK Arap Moi, CWSK foster families and group homes, CWSK Nanyuki, CWSK Embu, CWSK Isiolo and CWSK Murang'a.

(b) Principal Activities

- 1.To respond to all emergencies affecting children in Kenya and rescue children in emergency situations.
- 2.To rescue, receive and provide care to children in need of care and protection.
- 3.To provide family tracing and re unification services for separated children.
- 4.To facilitate alternative family care (adoption, foster care and guardianship) of children.
- 5.To strengthen, rehabilitate and empower families to promote quality care of children.
- 6.To provide education, vocational skills to vulnerable children and young persons.
- 7.To build the capacity of duty bearers, right holders and provide institutional strengthening in order to effectively ensure the welfare of children.
- 8.To provide quality temporary care to rescued children by upgrading/ establishing temporary places of safety including child care facilities, group homes, foster care homes, child rescue centres, child protection units as may be considered necessary and in the best interest of the child.
- 9.To ensure care and protection for Orphans and Vulnerable children without families through facilitating or /and providing shelter, education health food and nutrition.

Vision

All children and vulnerable young person's leading a happy fulfilling and fruitful life.

Mission

'To promote and secure the rights of children and vulnerable young persons in order for them to realize their full potential.'

Core Values

- *Innovative*
- *Customer focused*
- *Knowledge driven*

Strategic Objectives

The objective and purpose of CWSK is “to provide a legal and institutional framework for the care, control, protection, welfare and adoption of children through the establishment of the Child Welfare Society of Kenya”.

CWSK is an exempt Society; it is a special vehicle of the Government to deliver its mandate for the welfare, relief and emergency response for children. Its target group includes children and infants. According to the nature of work we focus on the best interest of the child which is of paramount importance and consideration as guided by the constitution Article 53 (2) “*A child's best interests are of paramount importance in every matter concerning the child*”.

Children Act (4) “*In all actions concerning children, whether undertaken by public or private social welfare institutions, courts of law, administrative authorities or legislative bodies, the best interests of the child shall be a primary consideration*”

(c) Key Management

The Society's day-to-day management is under the following key organs:

- Board of Trustees
- Chief Executive Officer
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Irene Mureithi
2.	Programmes Coordinator	Felistus Mwikali
3.	Head of Finance	Charles Maina
4.	Development projects	Peter Githinji
5.	Internal Audit	Cynthia Nderitu
6.	Information Communication and Technology	Geofrey Yegon
7.	Education and Skills Development	Jerusha Chepsat

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Entity Headquarters

Child Welfare Society of Kenya
P.O. Box 43982-00100
Child Welfare Building
Langata Road
Nairobi, KENYA

(f) Entity Contacts

Telephone: (020) 6003301/6006391 (254) 0726298921
E-mail: cwsktoto@childwelfaremail.co.ke
Website: www.childwelfaresocietykenya.org

(g) Entity Bankers

1. Equity Bank Limited
P O Box 43982-00100
Nairobi, Kenya
2. Sidian Bank Limited
P O Box 25363-00603
Nairobi, Kenya
3. Bank of Africa Groupe BMCE Bank
P O Box 43982
Nakuru, Kenya
4. Bank of Baroda
P O Box 30033-00100
Nairobi
5. Barclays Bank Limited
P O Box 27518-00506
Nairobi, Kenya
6. Cooperative Bank Limited
P O Box 48231-00100
Nairobi
7. Diamond Trust Bank
P O Box 61711-00200
Nairobi

8. National Bank of Kenya Limited
P O Box 578-80100
Mombasa, Kenya
9. Standard Chartered Limited
P O Box 90170-80100
Mombasa, Kenya
10. Kenya Commercial Bank of Kenya
P O Box 48400-00100
Bungoma, Kenya
11. Family Bank of Kenya
P O Box 74145-00200
Nairobi


(h) Independent Auditors

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

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

THE BOARD OF TRUSTEES

<p>1. Joseph Gitau, HSC</p> 	<p>Born in 1943, Mr. Gitau is the Acting Chairman of the CWSK Board. He holds a Master of Arts (MA) Degree in Sociology (with emphasis in Criminology, Justice, Administration, Probation and Parole), Fordham University, New York, USA. Mr. Gitau led the CWSK Board of Directors in transforming the organization into a State Corporation in 2014. He has performed exceptionally well by providing vision, leadership and good governance which has steered CWSK to great success making it the national agency for children.</p> <p>He was a career civil servant who rose within the ranks from a District Probation Officer to the Director of Probation and After Care Services. Among other achievements, Mr. Gitau taught at the Kenya Institute of Administration and was awarded the Head of State Commendation (HSC). He is a Life Member of Child Welfare Society of Kenya.</p>
<p>2. Hon. Senator Nathan Munoko</p> 	<p>Hon. Munoko has been a Trustee of Child Welfare Society of Kenya (CWSK) from 1982 to date. He previously served as a member and Treasurer of CWSK Bungoma Branch. He was the Minister for Public Works from 1975 to 1979 and an Assistant Minister in three Ministries namely Co-operatives and Social Services, Local Government and Agriculture. He was the Member of Parliament for Bungoma Central from 1967 to 1979. He was the KANU National Organizing Secretary from 1966 to 1987 and the Senator for Bungoma from 1963. He was the first Chairman of the Lake Basin Development Authority from 1980 to 1983. He has served on various Commissions and in various sectors including the political, government, administrative and education sectors. Mr. Munoko was a Veterinary Officer for many years. Among others, he took a Local Administration Course at Oxford University UK in 1959.</p>
<p>3. Joseph Gichuru</p> 	<p>Mr. Joseph Gichuru is a Trustee of Child Welfare Society of Kenya and was previously the National Chairman and Nakuru Branch Chairman in Child Welfare Society of Kenya. He is also a Life Governor of Agricultural Society of Kenya.</p> <p>Previously, he served as Agricultural Society of Kenya Nakuru Branch Chairman, National Council Member of Agricultural Society of Kenya, Chairman of the Editorial Board, Kenya Farmers Magazine and Chairman of the Board of Trustees, Rift Valley Provincial General Hospital, among others.</p>

4. Nelson Marwa Sospeter, EBS



Mr. Nelson Marwa Sospeter, EBS is the Principal Secretary, State Department of Social Protection. Mr. Marwa oversees the design and implementation of policy reforms in Child Protection, Older Persons and Persons with Disability Sector. He provides strategic leadership in the design and execution of innovative programmes that strengthen service delivery to the vulnerable people in the communities across the country.

5. Irene Mureithi







Born in 1962, Irene is the Chief Executive Officer, Child Welfare Society of Kenya. She holds a BA in Social and is finalizing a Master in Education, Psychology, Phil. Edpsy.

She is the **Joint Secretary and Technical Advisor** to the Expert/Steering Committee to Review the Framework for Child Adoption in Kenya; **Member** of the Project Committee in the Ministry of Labour and Social Protection, to guide the preparation of the expenditure proposals for the Medium Term budget; **Member** of the Project Implementation Committee of the Inter-Agency Steering Committee to Fast-Track Implementation of Government Priority Development Projects Including Development Partner Financial Projects & **Member** of the National Multi-Disciplinary Committee to Coordinate the Development of the Social Workers Bill.

Irene is a leading professional of long standing in Social Work. She is also an Orphans and Vulnerable Children (OVC) specialist who has initiated several programmes for OVC interventions

2. MANAGEMENT TEAM

<p>1. Irene Mureithi</p>  <ul style="list-style-type: none">• Master in Education, Psychology, Phil. Ed.psy• B A (Social Work) Hons	<p>Chief Executive Officer</p>
<p>2. Felistus Mwikali</p> 	<p>Programmes Coordinator</p>
<p>3. Charles Maina</p>  <ul style="list-style-type: none">• CPA	<p>Head of Finance</p>

<p>4. Peter Githinji</p>  <ul style="list-style-type: none"> • BA Social Work 	<p>Development Projects</p>
<p>5. Cynthia Nderitu</p>  <ul style="list-style-type: none"> • Bachelor of Commerce • CPA 	<p>Internal Audit</p>
<p>6. Geoffrey Yegon</p>  <ul style="list-style-type: none"> • Higher Dip in IMIS • CCNA • ITIL • CEH 	<p>Information Communication and Technology</p>
<p>7. Jerusha Chepsat</p>  <ul style="list-style-type: none"> • BA in Public Admin in Sociology • Dip in Social Work 	<p>Education and Skills Development</p>

3. CHAIRMAN'S STATEMENT

4.

Chairman Board of Trustees

As a semi-autonomous government agency in transition, Child Welfare Society of Kenya (CWSK) prepares annual Financial Statements to the Auditor General. It is my pleasure to provide this report as part of the Financial Statement for the year ended June 30, 2018.

It is imperative to underscore that the first transitional Board of Trustees for Child Welfare Society of Kenya has not yet been properly constituted. This is because the Chairman has not been appointed. It is the foregoing first Board that had a duty to transition the organization, following the issuance of the Child Welfare Society of Kenya Order, 2014.

The CWSK Board of Trustees maintains an oversight role of CWSK and still expects the Board of Trustees to be fully constituted, to allow for transition.

The Board provided an oversight role in the organization's budget preparation process, which culminated in the Board approving a Budget request of KShs. 4.2 Billion for submission to the National Treasury. Out of the foregoing budget request, CWSK only received KSh. 913,250,000/- from the government's budget estimates in the financial year 2017/18. From this amount, KSh.481, 250,000/- was allocated to recurrent expenditure, KSh.207, 000,000/- to Orphans and Vulnerable Children (OVC) development and KSh.225, 000,000/- to development expenditure.

The Board signed a performance contract with the Government setting out targets which the organization was expected to achieve within the year under review. Members of the Board including the Chairman of the Board of Trustees were present during the negotiations and even the signing exercise. Having taken part in this exercise year after year, the Board notes an upward trajectory in the number of families and children reached by the organization and this is commendable!

I am happy to report that there was an increment of 41% in the percentage of children and families reached in the incumbent year as compared to the previous year. This refers to services provided in programmes cutting across such as education support, emergency response, family strengthening through counselling, mediation, economic empowerment, alternative family care, capacity building of duty bearers on OVC Protection, among others, which are Vision 2030 Flagship Project programmes. The budgetary allocation to CWSK by the Government in the financial year 2017/2018 was a substantial increase from the amount of Kshs 879,400,000 granted in the year 2016/2017. This marked increment came as a result of a sustained campaign by the Board for increased funding. Even so, the Board applauds the government for the higher consideration in budgetary allocation. With these funds, CWSK was able to satisfactorily implement its programmes, achieve and indeed surpass some targets set out in the performance contract that was signed. This remarkable increment translates to better lives, improved food security, empowerment, improved health and provision of shelter for our families all of which are hallmarks of the Presidents Big Four agenda. This also means more families are being empowered and the welfare of children whose destinies would have been lost are transformed. As CWSK, we shall continue to work with communities with a focus on the best interests of children. I want to thank the Board and the staff of CWSK for their dedication in efforts to change lives of children and families.

With a focus on the President's big four agenda pillars of universal healthcare, manufacturing, affordable housing and food security, CWSK has expanded the healthcare services provided in its temporary places of

safety. Remarkably, the ground has been set for these services to be offered in eight additional CWSK temporary places of safety thereby increasing access to quality and affordable health services for the children in our care and the community. This is an outstanding achievement and it calls for more personnel and technical support to match the growth. To this end, the Board approved the enlisting of the necessary manpower especially where resources permit.

There were key changes in the top management of the Ministry of Labour and Social Protection which is our parent Ministry, whereby the Principal Secretary (PS) Ms. Susan Mochache was moved to another Ministry following a reshuffle. The Ministry now has a new PS, Nelson Marwa Sospeter, EBS. The Board of Trustees had a very cordial working relationship with the outgoing PS who strongly supported the work of the organization. We welcome the new PS and look forward to working closely with his office in progressing matters of children.

The Board would like to appreciate the Government for their continued support and commitment in improving the lives of children and families and specifically for the invaluable support accorded to CWSK.

As a Board, we have laid the foundation for continued growth for CWSK and wish the organization sustained development. We are keen on improving and strengthening the organization and we are counting on the continued support of the government, staff and other stakeholders.

God bless CWSK!

Signed by:



DATE: 23/08/2019

.....
Mr. Joseph Gitau, HSC
CHAIRMAN, BOARD OF TRUSTEES

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

The financial year 2017/2018 has been a remarkable year for Child Welfare Society of Kenya. In this year, CWSK recorded massive growth in the services given to children and families. The services of the organization continued uninterrupted despite the electioneering period.

In this financial year, CWSK was pleased to host the Cabinet Secretary (CS) Ministry of East African Community, Labour and Social Protection, Madam Phyllis Kandie on a site visit of ongoing CWSK development projects in Joska. The CS was very happy with the magnitude and vision of the project stating that through these projects the government has increased its capacity to handle children who need temporary shelter.

She noted that the facilities will provide a comfortable accommodation for children. The CWSK development projects in Isiolo were also visited by the Principal Secretary (PS) for Social Protection, Madam Susan Mochache who was accompanied by government delegation. The PS was very impressed with the progress terming it a solution by the government for children who need temporary shelter.

Separately, the Board of Trustees held site visits to CWSK construction projects in Joska where notable and impressive progress was noted. This was done as part of the oversight of the Board. Though the projects are on course, their completion has been delayed because of non-disbursement of funds in quarter four in this financial year.

In compliance with government's ICT regulations, CWSK is undertaking a digitization of all programmes and archives in a system, which enables the data to be retrieved electronically. This will cut down on man-hours and wastage of time in file retrieving and is also key for business continuity, disaster recovery and securing data. This undertaking by CWSK is very innovative and a milestone for the organization.

Over the past year, the CWSK assets have increased very significantly. This follows the recovery of the plot adjacent to CWSK headquarters in Nairobi, which was initially reserved for CWSK parking but had been grabbed. After a spirited fight, CWSK has now successfully vacated the previous occupants and taken possession of the same. CWSK has also acquired the Lease for the 5.6 Hectares of land in Nyahururu Municipality Block 5/364, which had also been grabbed. It gives me great pleasure to report this as no mean feat knowing the battle the Board and the Secretariat has gone through to achieve this. I applaud the Secretariat for the tireless efforts it puts towards the recovery of all CWSK properties.

The parent Ministry, that is, the Ministry of Labour and Social Protection is undertaking a review of its Strategic Plan and has incorporated the programmes of CWSK as a way to align our goals with that of the Ministry. This makes CWSK a strategic implementer of the Ministry objectives and goals. In line with this, the review of the CWSK Strategic Plan is an ongoing exercise of high priority.

Our programmes have expanded in terms of numbers reached. It is my honour and privilege to outline the achievements in our programmes as follows:

During the financial year 2017/2018, the Child Welfare Society of Kenya was given a budgetary allocation of KShs. 1,057,250,000 by the Government out of which 481,250,000 was recurrent and 576,000,000 development.

5.1 ACHIEVEMENT PER CWSK PROGRAMME

(a) TEMPORARY PLACES OF SAFETY & RAPID RESPONSE AND RESCUE OF CHILDREN PROGRAMME

CWSK implements rapid response and rescue of children services in its branches. Whenever a case of lost, child abuse, abandonment, or exposure to detrimental risk is reported to our offices, we respond immediately

and rescue the children). CWSK has also been working with the Agricultural Society of Kenya to prevent separation of children from their families during the ASK shows

CWSK has fifteen temporary places of safety countrywide .i.e CWSK Mama Ngina Kenyatta, CWSK Mji wa Salama, CWSK Kisii, CWSK Kanduyi, CWSK Arap Moi, CWSK foster families and group homes, CWSK Nanyuki, CWSK Embu, CWSK Isiolo and CWSK Murang'a.

Through this programme, CWSK rescues & offers shelter and safe houses for children in need of temporarily care and protection. Further CWSK provides psychosocial support to the children in the CWSK temporary places of safety and networks with Charitable Children's Institutions (CCIs).



Children in one of CWSK temporary places of Safety posing for a photo during school holidays.

Achievements in rapid response and rescue of children

-6,110 Rescued children and in temporary places of safety were provided with psychosocial support.

(b) ALTERNATIVE FAMILY CARE PROGRAMME

This programme is a vision 2030 flagship project. Its overall goal is to increasingly realize conducive family and alternative Care for Children in Need of Special Protection (CNSP).

The programme realizes this through; adoption, foster care and guardianship.

Achievements in Alternative family care

- 92 separated children were placed in with families(through foster care, guardianship and local adoption)

(c) EMERGENCY PREPAREDNESS AND RESPONSE PROGRAMME

This programme focuses on addressing child protection concerns and ensuring protection of children during emergencies such as droughts, floods, fire outbreaks, Collapsed buildings and dam like in Solai CWSK responds to any emergencies that may take place in any part of the country.

In addition, CWSK establishes and or strengthens the existing of local community structures to respond to child protection in emergencies.

Achievements in emergency preparedness

- 68,544 children affected by emergencies were provided with psychosocial support in various parts of the country
- 1,127 separated children in emergency affected areas were provided with Family tracing, mediation and reintegration services.



Among the highlights of this programme was this emergency response for the children in Baringo County where lactating mothers received nutritious Uji mix for their babies.



The pupils Eldume Primary which was affected by floods in Baringo County receive education materials including school bags, books and sanitary towels among other items from CWSK Officers

(d) FAMILY STRENGTHENING PROGRAMME.

Aims at strengthening of family relationships in order for them to effectively care and protect children. This is done through providing counselling, mediation, psychosocial support, rehabilitation and economic empowerment to families in order for them to provide quality care to children.

Achievements in family counselling, mediation, empowerment, rehabilitation

- 41,932 families provided with psychosocial support, mediation, rehabilitation and counselling.
- 557 families received economic empowerment support



A CWSK officer handing over a pack of baby porridge flour among other child friendly items to a mother in Nginya'ng area of Baringo County.



A family receiving IGA support (bags of cereals) from CWSK officers to start an income generating activity to enable them sustain the reunified child and his siblings



CWSK officers supporting families living with OVCs with dairy goats in Meru County.



Children receiving reunification kitty during reunification with their mother at Milimani Law Courts, Nairobi



A family receives the reunification kitty from CWSK Officer

(e) FAMILY TRACING AND REUNIFICATION PROGRAMME.

This involves family tracing for children who are not aware of the whereabouts of their parents or parents not aware of the whereabouts of the children and facilitating reunification of these children with their families. This is done locally and internationally.



HELP ME FIND MY FAMILY

Lost/Missing children ask- are you my family?
The children are currently under the care of CWSK Places of Safety and CCF's across the country.



 Name: Quintus Chikat Age: 10 years Resourced: Kilifi Town	 Name: Lavinia Othman Age: 8 years Resourced: Kilifi Town	 Name: Emmanuel Mwaka Age: 1 year Resourced: Kilifi Town	 Name: Christos Othman Age: 10 years Resourced: Kilifi Town	 Name: Joel Bwanga Age: 17 years Resourced: Kilifi	 Name: John Bwanga Age: 10 months Resourced: Kilifi	 Name: Wesley Age: 7 years Resourced: Mt Kenya	 Name: Esty Francis Age: 4 days Resourced: Makongoro	
 Name: Oliver Joseph Age: 7 years Resourced: Chania Kilifi	 Name: Francis Mwangi Age: 8 years Resourced: Offspring	 Name: Cassius Mwangi Age of rescue: 8 years Resourced: Makongoro	 Name: Billy Oth Age of rescue: 8 months Resourced: Industrial Area	 Name: Billy Othman Age of rescue: 1 month Resourced: Lungwi	 Name: Emily Mwangi Age: 7 years Resourced: Offspring	 Name: John Othman Age: 8 years Resourced: Offspring	 Name: Edward Francis Age: 8 years Resourced: Kilifi Level 5	 Name: Esty Mwangi Age: 1 month Resourced: Industrial Area
 Name: Christy Mwangi Age: 17 years Resourced: Offspring	 Name: Wilson Mwangi Age: 4 years Resourced: Offspring	 Name: Patrick Mwangi Age: 10 years Resourced: Offspring	 Name: Esty Mwangi Age: 7 1/2 years Resourced: Offspring	 Name: Adrian Age: 7 years Resourced: Offspring	 Name: Francis Mwangi Age: 10 years Resourced: Kilifi	 Name: Paul Mwangi Age: 10 years Resourced: Kilifi	 Name: Esty Mwangi Age of rescue: One Month Resourced: Industrial Area	
 Name: Polly Mwangi Age: 13 months Resourced: Offspring	 Name: Esty Mwangi Age: 10 yrs Resourced: Offspring	 Name: Esty Mwangi Age: 10 yrs Resourced: Offspring	 Name: Billy Mwangi Age of rescue: 3 months Resourced: Offspring	 Name: Billy Mwangi Age: 1 month Resourced: Offspring	 Name: Billy Mwangi Age: 1 month Resourced: Offspring	 Name: Billy Mwangi Age: 1 month Resourced: Offspring	 Name: Billy Mwangi Age: 1 month Resourced: Offspring	 Name: Billy Mwangi Age: 1 month Resourced: Offspring

MISSING CHILDREN

Have you seen me? These children ask!
Please report to CWSK any missing or lost children on the numbers below.

 Name: Mary Mwangi Age: 8 years Resourced: Offspring	 Name: Esty Mwangi Age: 10 years Resourced: Offspring	 Name: Esty Mwangi Age: 8 years Resourced: Offspring	 Name: Esty Mwangi Age: 8 years Resourced: Offspring	 Name: Esty Mwangi Age: 8 years Resourced: Offspring	 Name: Esty Mwangi Age: 8 years Resourced: Offspring	 Name: Esty Mwangi Age: 8 years Resourced: Offspring	 Name: Esty Mwangi Age: 8 years Resourced: Offspring
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Telephones: 0713 908 835/0713 908 826
Email: cwsktoto@childwelfaremail.co.ke www.childwelfarekenya.org

CWSK Media Tracing advertisements on different Newspapers are some of the many channels that Child Welfare Society of Kenya uses in Tracing Families of lost Children.

Achievements in family Tracing and Reunification

- Provided 6,241 separated children with family tracing services through social investigations and also by placing their photos on the print media both Nation and Standard.
- 1,467 children were reunited with their families having been separated.

Achievements in family Tracing and Reunification

- Provided 6,241 separated children with family tracing services through social investigations and also by placing their photos on the print media both Nation and Standard.
- 1467 children were reunified with their families having been separated.

(f) EDUCATION AND SKILLS DEVELOPMENT PROGRAMME.

This programme is a vision 2030 flagship project. The programme focuses on achieving and promoting OVCs, vulnerable young persons and children access to quality education and self-reliance skills training through; Enhancing and strengthening early childhood development (ECD) programmes; providing support towards education to all children in the 15 CWSK temporarily places of safety and to unreached children that fall through the cracks at local community level and promoting children and youth access to quality education and self-reliance skills.

Achievements in education and skills development

Supported 48,198 children in education and skills development



Wonderful moments captured as Bernard Mwaniki (in the middle) a CWSK beneficiary of education support programme graduated from Kenyatta University with a BA in Economics upper class second division.



Child Welfare Society of Kenya
Since 1955

2017 KCPE RESULTS.

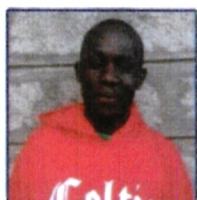
Excellent Performance by Orphans and
other vulnerable children



Name: Dominic Oigo Getugi
Marks: 411
TPS: CWSK Arap Moi – Nakuru



Name: Branice Sempayo
Marks: 408
TPS: CWSK Arap Moi-Nakuru



Name: Josphat Mugendi Ongembo
Marks: 392
TPS: CWSK Kisii



Name: Bruno Odemo Imperial
Marks: 382
TPS: CWSK Kisii



Name: Pamela Juliet
K.C.P.E: 374 Marks
TPS: CWSK -Mama Ngina Kenyatta (Karen A)



Name: Sylvia Nekesa
Marks: 368
TPS: CWSK Arap Moi-Nakuru



Name: Immaculate Ajwang
Marks: 353
TPS: CWSK Arap Moi-Nakuru



Name: Mercy Atenge Barasa
Marks: 350
TPS: CWSK Arap Moi-Nakuru



Name: Silvester Nyakundi Elimu
Marks: 338
TPS: CWSK Kisii



Name: Justine Wandera
Marks: 337
TPS: CWSK Arap Moi-Nakuru



Name: Emmanuel Mutiso
Marks: 335
TPS: CWSK Arap Moi-Nakuru



Name: Benson Kamau
Marks: 330
TPS: CWSK -Mama Ngina Kenyatta



Name: Geoffrey Makokha
Marks: 322
TPS: CWSK Arap Moi-Nakuru



Name: Franklin Othiaku Gundka
Marks: 320
TPS: CWSK Kisii



Name: Bonard Maina
Marks: 318
TPS: CWSK Muranga



Name: Margaret Akoth
Marks: 313
TPS: CWSK Arap Moi-Nakuru



Name: Mercy Njoki
Marks: 310
TPS: CWSK Arap Moi-Nakuru



Name: Stephen Onyango
Marks: 303
TPS: CWSK Arap Moi-Nakuru



Name: Rosemary Wanjiru
Marks: 302
TPS: CWSK Muranga



Name: Grace Sharon
Marks: 301
TPS: Arap Moi-Nakuru



Name: Jacinta Mumbi
Marks: 300
TPS: CWSK Arap Moi-Nakuru



Name: Lucy Ochieng
Marks: 300
TPS: CWSK Arap Moi-Nakuru

(g) CHILD LABOUR & COMMERCIAL SEXUAL EXPLOITATION OF CHILDREN (CSEC) AND OVCS OUT OF FAMILY PROGRAMME

This programme aims at creating an enabling environment for child labour free zones across the country and support to OVCs outside family household. This includes lobbying and advocating for policies and laws that promote child labour & CSEC free society, prevention and Withdrawal of children from situation child labour including CSEC, street, neglect, abuse and exploitation.

Through this programme CWSK identifies, registers, rescues, rehabilitates, mediates families, traces, and integrates/reunifies these children with their families. It also involves provision of psychosocial support to OVCs outside cash transfer programme.

Achievements

3,278 children involved and at risk of child labour and CSEC identified, provided with psychosocial support to go to school and retain them in school.

46,365 OVCs outside the cash transfer provided with psychosocial support including those OVCs in CWSK networks and in other linkages in CCIs.

96 local child protection community structures were strengthened for OVC protection.

(h) CAPACITY BUILDING PROGRAMME

The programme aims at strengthening the community capacities, duty bearers, youth and children in order to provide an enabling environment for OVCs care and protection as well institutional strengthening.

Achievements in capacity building

- 24,932 duty bearers sensitized/trained on OVC protection and their roles in protecting OVCs.
- 4744 children were sensitised on their rights and on child participation.



CWSK staff training chiefs and assistant chiefs on OVC protection in Changamwe Sub County – Mombasa County

(i) DEVELOPMENT-UPGRADING & ESTABLISHMENT OF CWSK TEMPORARY PLACE OF SAFETY

Development is aimed at improving the quality of life of children, orphans and other and vulnerable young persons at the local community as well as those in CWSK temporary places of safety, rescue centres across the country. CWSKs development projects are flagship projects for vision 2030.

Achievements in development

- Remarkable progress in projects has been realized. Phase 2 of the following projects was completed; CWSK foster care centres in Isiolo 80%, Joska 80%, Nanyuki 80%.
- Phase 1 of the following projects was completed CWSK foster care centres in Mama Ngina Kenyatta 30%, Murang'a 30 %, Bungoma 20%, Kisumu 20%.
- The overall implementation of projects up to phase two is 50%.



Ongoing construction of a bungalow, administration unit and kitchen/dining units at CWSK Joska Integrated Child & Family Centre

CONCLUSION

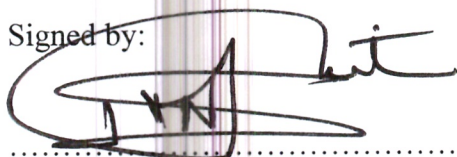
We give glory to God for the tremendous achievements that Child Welfare Society of Kenya accomplished in the year 2017/18 and for the remarkable growth to a higher level of glory that has seen CWSK continue to expand the provision of services to children across the country.

CWSK has made a tremendous impact through its programmes and made good progress in the implementation of the vision 2030 flagship projects namely; alternative family care, education, rehabilitation and skills development and development projects. More children have been reached through our programmes and through the increased number of referrals from other Government departments as well as other partners. We applaud the resilience of our staff whose strength in serving children is remarkable. We also thank the government for the confidence they have in Child Welfare Society of Kenya and appreciate the Government's demonstrated commitment to the children of this nation.

The main challenge faced this year has been insufficient allocation of funds considering CWSK's national mandate as per Legal Notice No. 58 of 2014. The said insufficient allocation of funds and in some cases non-disbursement of allocated funds affects the implementation of programmes. We hope the Government find a solution to this.

CWSK aims to ensure that children and vulnerable young persons in Kenya lead a happy, fulfilling and fruitful life. We look forward to the next financial year to make a positive impact to the lives of children and vulnerable young persons.

Signed by:



Irene Mureithi
CHIEF EXECUTIVE OFFICER

DATE: 23/04/2019

6. CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process and structure by which organizations are directed and controlled while ensuring accountability and transparency in resource mobilization and utilization. Child Welfare Society of Kenya is committed to high standards of corporate governance.

Board of Trustees

Child Welfare Society of Kenya is in transition having been established as a State Corporation on 23rd May 2014, an Approved society in 1955 and an irrevocable Trust in 1970. The Board of Trustees is responsible for the governance of CWSK and it ensures that the organization complies with all government regulations while achieving its objectives as per the CWSK strategic plan and performance contract. The Board members are collectively responsible for the long term success of the organization and they are charged with the responsibility to provide leadership and oversee management of the organization.

Board Meetings

The Board of Trustees holds meetings on a regular basis and where necessary special meetings of the Board are called.

Accountability

The Board of Trustees is responsible for reviewing and approving the annual budget of the organization before submission to the relevant authorities. The Board also reviews and approves financial statements to ensure they are a true representation of the organization's position. The Board of Trustees sign a Performance Contract with the Government and oversees compliance and realization of the same by the Management.

Organizational Policies

The organization has policies including the Human Resource policy, ICT policy and the Child protection policy, among others which govern the organization and the interests of children. These policies are in line with the CWSK strategic plan and the performance contract.

Audit

Internal audit systems are in place. However, the organization undergoes external audit by the government.

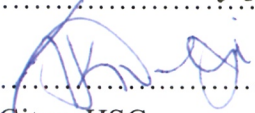
Organizational Structure

An organizational structure detailing lines of authority is in place. Staff professionalism and competence is maintained through recruitment policies and a performance appraisal system which is keen on targets and accountability while taking into account appropriate training requirements. Through continuous monitoring, staff are expected to develop and maintain the required skills to fulfil their responsibilities.

Signed: 

Irene Mureithi
Chief Executive Officer

Date: 23/01/2019


Joseph Gitau, HSC

Chairman, Board of Trustees
Date: 23/01/2019

7. MANAGEMENT DISCUSSION AND ANALYSIS

The Chairman of the Board of Trustees submits this report together with the financial report for the year ended June 30, 2018.

The Board of Trustees would like to pass their gratitude to the Government of Kenya for making CWSK as a State Corporation and by so doing securing all the property under CWSK for the children and their future.

The functions of the Board include:

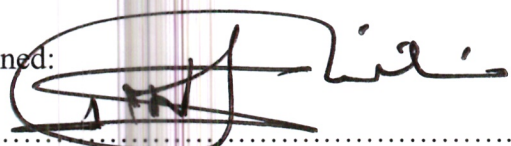
- i) To receive budgetary allocation from the Government of Kenya
- ii) To collect donations (whether periodical or otherwise)
- iii) They shall be the custodian of all the assets, legal documents, and liabilities of the society.
- iv) To establish the Secretariat which runs from the National level to the County level.
- v) To issue appeals for donations and periodical reports on the work of Trustees
- vi) To accept donations on any special trusts in connection with Child Welfare of Kenya Programmes so that every donation so accepted shall be held subject to the terms and conditions of the gifts.

The Board of Trustees approved the CWSK budget. Though the amount requested from the Government for running a State Corporation has not been given yet. Under the leadership of the Board, CWSK worked within this budget.

The performance of CWSK in the FY 2017/18 has been outstanding in the implementation of both the development projects and the provision of services to the children which is said to be above the projected target.


Though the organization faced many challenges including court cases, transitional hiccups and limited funding, targets agreed upon in the performance contract signed with the Ministry of Labour, Social Security and Services were realized.

The fixed assets in the balance sheet are held under a trust managed by a Board of Trustees registered under an irrevocable trust deed of the Child Welfare Society of Kenya on 12th June 1970.

Signed: 

.....
Irene Mureithi
Chief Executive Officer

Date: 23/04/2019



.....
Joseph Gitau, HSC
Chairman, Board of Trustees

Date: 23/04/2019

8. REPORT OF THE DIRECTORS

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2018, which show the state of Child Welfare Society of Kenya affairs.

Principal activities

The principal activities of the Child Welfare Society of Kenya are;

1. To respond to all emergencies affecting children in Kenya and rescue children in emergency situations.
2. To rescue, receive and provide care to children in need of care and protection.
3. To provide family tracing and re unification services for separated children.
4. To facilitate alternative family care (adoption, foster care and guardianship) of children.
5. To strengthen, rehabilitate and empower families to promote quality care of children.
6. To provide education, vocational skills to vulnerable children and young persons.
7. To build the capacity of duty bearers, right holders and provide institutional strengthening in order to effectively ensure the welfare of children.
8. To provide quality temporary care to rescued children by upgrading/ establishing temporary places of safety including child care facilities, group homes, foster care homes, child rescue centres, child protection units as may be considered necessary and in the best interest of the child.
9. To ensure care and protection for Orphans and Vulnerable children without families through facilitating or /and providing shelter, education health food and nutrition.

Results

The results of the Society for the year ended June 30, 2018 are set out on page 1-6.

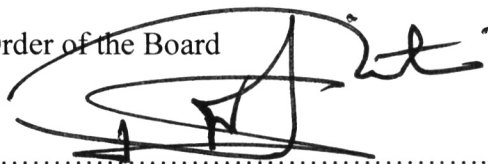
Directors

The members of the Board of Trustees who served during the year are shown on page vii-viii

Auditors

The Auditor General is responsible for the statutory audit of the Society in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board



.....
Irene Mureithi
Chief Executive Officer
Nairobi

Date 23/04/2019

9. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


The Trustees are responsible for the preparation and presentation of the Society's financial statements, which give a true and fair view of the state of affairs of the Society for and as at the end of the financial year ended on June 30, 2018. 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 Society; (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 Society; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

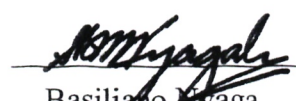
The Trustees accept responsibility for the Society's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the Society's financial statements give a true and fair view of the state of Society's transactions during the financial year ended June 30, 2018, and of the Society's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Society, which have been relied upon in the preparation of the Society's financial statements as well as the adequacy of the systems of internal financial control.

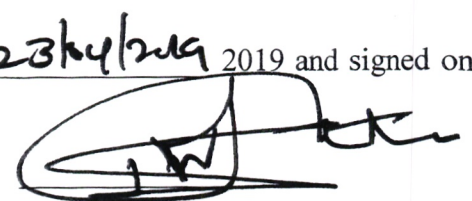
Nothing has come to the attention of the Trustees to indicate that the Society will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Society's financial statements were approved by the Board on 23/04/2019 2019 and signed on its behalf by:


Joseph Gitau, HSC
Chairman, Board of Trustees


Basilio Nyaga
Treasurer


Irene Mureithi
CEO/Secretary

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON CHILD WELFARE SOCIETY OF KENYA FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Child Welfare Society of Kenya set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Child Welfare Society of Kenya as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Child Welfare Society of Kenya Order, 2014.

Basis for Qualified Opinion

1. Property Plant and Equipment

The statement of financial position as at 30 June 2018 reflects property, plant and equipment balance of Kshs.2,500,083,716 which includes an amount of Kshs.1,147,113,276 in respect to land. As previously reported, nineteen (19) parcels of land spread across the country had partial or no ownership documents. Although evidence availed by the Society shows progress in acquiring the ownership documents for some parcels of land, the process of resolving disputed land issues and Court cases should be fast tracked to ensure security of the public assets.

Further, the Society did not maintain a comprehensive fixed assets register for property, plant and equipment with necessary details such as; record of each parcel of land and each building and the terms in which it is held, with reference to, the conveyance, address, area, dates of acquisition, disposal or major change

Report of the Auditor-General on the Financial Statements of Child Welfare Society of Kenya for the year ended 30 June 2018

in use, capital expenditure, leasehold terms, maintenance contracts and other pertinent management details as required. Documents made available for audit indicated that only a listing of various properties was maintained.

In the circumstances, it has not been possible to confirm the accuracy, custody, security, valuation and completeness of the property, plant and equipment balance of Kshs.2,500,083,716 as at 30 June 2018.

2. Inventory and Stores Management

The statement of financial position as at 30 June 2018 reflects an amount of Kshs.17,786,191 in respect of Inventories for construction materials paid for but not collected from the suppliers. However, no documentary evidence was provided for audit scrutiny to show that stock take was carried out at the end of the financial year as required.

Consequently, it has not been possible to confirm the balances held by the suppliers or the accuracy and completeness of the Kshs.17,786,191 inventories balance as at 30 June 2018.

3. Unremitted Pay As You Earn (PAYE)

The statement of financial position as at 30 June 2018 reflects trade and other payables balance of Kshs.71,101,478 which includes PAYE deductions amounting to Kshs.54,206,764. A review of the status as at the time of audit in March 2019 indicate that between August and December 2018 an amount of Kshs.30,859,009 had been remitted to Kenya Revenue Authority (KRA) leaving a balance of Kshs.23,347,755 outstanding.

Failure to remit PAYE deductions within the stipulated timelines exposes the Society to payment of avoidable interest and penalties to Kenya Revenue Authority.

4. Trustees Account

The statement of financial position as at 30 June 2018 reflects current assets balance of Kshs.195,951,996. Included in this balance is an amount of Kshs.120,659,747 described as Trustees Account which is explained in Note 16 to the financial statements as income generating activities and property held thereunder which continue to be presided over by the Trustees under the Trust Deed of 12 June 1970 as per Legal Notice No. 58 of 2014.

However, the analyses provided did not fully support the increase of Kshs.52,059,242 from Kshs.68,600,505 in 2016/2017 to Kshs.120,659,747 in 2017/2018.

In consequence, the accuracy of the Trustees Account balance of Kshs.120,659,747 as at 30 June 2018 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Emphasis of Matter

1.0 Budget and Budgetary Performance

1.1 Revenue

The Society had budgeted for revenue totalling Kshs.1,079,828,192 but total realized amounted to Kshs.935,821,227 resulting to a shortfall of Kshs.144,006,965 or 13% as follows:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Variance %
Government Grants- Recurrent	481,250,000	481,250,000	0	0
Government Grants- Development	300,000,000	225,000,000	(75,000,000)	25
Orphans and Vulnerable Children	276,000,000	207,000,000	(69,000,000)	25
Projects Grants - Nakuru Lapsetry	18,878,192	18,878,192	0	0
Donations/Other Incomes	3,700,000	3,693,035	(6,965)	0.2
Total	1,079,828,192	935,821,227	(144,006,965)	13

The shortfall was largely attributed to shortfall in Government Development Grants which had a budget of Kshs.300,000,000 against actual receipts of Kshs.225,000,000 and Orphans and Vulnerable Children receipts which was budgeted at Kshs.276,000,000 but actual receipts amounted to Kshs.207,000,000.

1.2 Expenditure

The Society had budgeted for expenditure totalling Kshs.913,250,000 but actual spent amount was Kshs.918,070,524 resulting to an over-expenditure of Kshs.4,820,524 as follows:

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Operating Expenses	99,620,506	99,035,170	(585,336)	0.6
Family Strengthening & tracing	13,000,000	12,689,711	(310,289)	0.2
Capital expenditure	95,279,494	8,926,308	(863,353,186)	91
Personnel Costs	271,200,000	270,160,151	(1,039,849)	0.3
Trustee Expenses	2,150,000	2,202,429	52,429	2.4
Sub-Total	481,250,000	393,013,769	(88,236,231)	18
OVC Development				
Capacity Building	14,200,000	13,112,339	(1,087,661)	8
Education & Skills Dev.	45,000,000	43,589,270	(1,410,730)	3
Emergency Preparedness	62,800,000	13,425,770	(49,374,230)	79
Temporary Places of Safety	76,000,000	75,632,601	(367,399)	0.5
Alternative Family Care	9,000,000	8,732,250	(367,750)	3
Sub-Total	207,000,000	154,492,230	(52,507,770)	25
Projects Development	225,000,000	370,564,525	145,564,525	65
Total	913,250,000	918,070,524	4,820,524	1

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Expiry of Board of Directors Term

Section 7(i) of the Child Welfare Society of Kenya Order 2014 requires that the management of the Society shall be vested on a non-executive Board which consists of a chairman and 6 members while Chief Executive Officer of the society is the Secretary to the Board. It was however noted that term of the previous Board expired on 20 March, 2018 and the Society therefore operated for three months without a Board. As at the time of audit in March, 2019 a Board was still not in place.

2. Non-Appointment of Audit Committee

Section 174(1), (2) and (4) of the Public Finance Management (PFM) Act, Regulations 2015 requires each national Government entity to establish an audit committee. During the year under audit the Society operated without an audit committee for three months starting from April 2018 and even at the time of audit in March, 2019 it was not put in place.

Failure to appoint an audit committee is contrary to the requirements of the PFM Act, 2012 and also implies that the activities of the Society's management were not independently appraised.

3. Information Technology (IT) Internal and Management Controls

A review of the financial transactions processing environment revealed that the Society uses QuickBooks software for accounting and financial records which seems inadequate to meet the demands of the society as it lacked key modules such as; payroll processing, human resource management, asset management, procurement, child information management etc. Further, a review of the information technology environment revealed the following matters:

- i. The CWSK does not have an IT strategic committee. Non-establishment of an IT strategic committee at the board level could result in IT governance not being addressed adequately;

- ii. The CWSK does not have a formally approved IT security policy to ensure data confidentiality, integrity and availability;
- iii. The CWSK does not have an IT continuity plan and a disaster recovery plan and its operations may be affected in case there is a disaster;

The CWSK does not have an approved risk management policy and no risk assessment was carried out in the year under audit to identify possible risks and appropriate responses.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Society's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Society's policies and procedures may deteriorate.

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

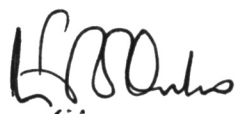
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

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.

- 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 Society's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Society to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Society to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

28 May 2019

Report of the Auditor-General on the Financial Statements of Child Welfare Society of Kenya for the year ended 30 June 2018

**10. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

**REVENUE FROM NON-EXCHANGE
TRANSACTIONS**

RECURRENT FUNDS

	Note	2017/18 KShs	2016/17 KShs
Government Grant	6	688,250,000	580,800,000
Other Grants	7	19,506,345	32,026,805
Other Income	7(b)	4,167,657	4,243,966
Total Recurrent Revenue		<u>711,924,002</u>	<u>617,070,772</u>

Recurrent Expenses

Compensation of Employees	8	270,160,151	266,662,658
Directors Expenses	9	2,202,429	2,548,775
Programs Support Expenses	10	122,285,501	116,677,806
OVC Development	11	167,181,940	129,793,075
Subtotal - Recurrent Expenses		<u>561,830,021</u>	<u>515,682,314</u>

**SURPLUS/(DEFICIT) FROM RECURRENT
ACTIVITIES**

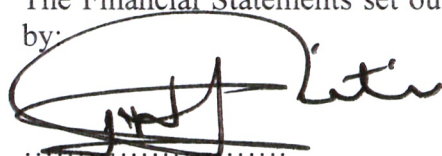
<u>150,093,981</u>	<u>101,388,458</u>
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The notes set out on pages 7 to 22 form an integral part of these Financial Statements.

**11. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**


	Note	2017/18 KShs	2016/17 KShs
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	12	2,500,083,716	2,143,843,213
Investments			
Investments	13	3,697,500	2,878,313
		2,503,781,216	2,146,721,526
Current Assets			
Inventories	14	17,786,191	19,807,217
Receivables	15	1,191,041	2,122,871
Trustees Account	16	120,659,747	68,600,505
Cash and Cash Equivalents	17	56,315,017	120,619,748
Total Current Assets		195,951,996	211,150,341
Total Assets		2,699,733,212	2,357,871,867
Current Liabilities			
Accounts Payable and Accruals	18	71,101,478	104,334,114
		71,101,478	104,334,114
Net Assets			
Accumulated Fund		65,078,841	(85,015,439)
Revaluation Reserve		1,204,907,081	1,204,907,081
Capital Reserve		1,358,646,111	1,133,646,111
Total Net Assets		2,628,631,734	2,253,537,753
Total Net Assets and Liabilities		2,699,733,212	2,357,871,867

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Chief Executive Officer
Name: Irene Mureithi

Date: 23/04/2019



National Treasurer
Name: Basiliano Nyagah

Date: 23/04/2019



Chairman, Board of Trustees
Name: Joseph Gitau

Date: 23/04/2019

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

**12. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018**

	Accumulated Fund KShs	Revaluation Reserves KShs	Capital Reserves KShs	Total KShs
Balance as at 1st July 2016	(184,101,311)	1,212,869,081	835,046,111	1,863,813,881
Amortised during the year	-	(1,016,000)	-	(1,016,000)
Capital Grants Received	-	-	298,600,000	298,600,000
Surplus (Deficit) for the Period	101,388,458	254,000	-	100,953,098
Adjustment	(2,302,585)	(7,200,000)	-	(7,200,000)
Balance as at 30th June 2017	<u>(85,015,439)</u>	<u>1,204,907,081</u>	<u>1,133,646,111</u>	<u>2,255,150,979</u>
Balance as at 1st July 2017	(85,015,439)	1,204,907,081	1,133,646,111	2,253,537,753
Capital Grants Received	-	-	225,000,000	225,000,000
Surplus (Deficit) for the Period	150,093,981	-	-	150,093,981
Balance as at 30th June 2018	<u>65,078,542</u>	<u>1,204,907,081</u>	<u>1,358,646,111</u>	<u>2,628,631,734</u>

Nature and purpose of reserves

CWSK creates and maintains reserves in terms of specific requirements as follows

- i) Capital Reserve – this is used to record contribution made by Government inform of development grants transfers
- ii) Revaluation Reserve – this is used to indicate the re-valued amounts on the plant property and equipment, and any other adjustments on the same.

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

**13. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	2017/18 KShs	2016/17 KShs
Cash flows from operating activities		
Net Surplus /(Deficit) for the year	150,093,981	100,699,098
Adjusted for item not involving movement of cash		
Depreciation	23,250,331	28,726,868
Unrealised gains on investments	(819,187)	(615,188)
Operating Surplus/(Deficit) before Working Capital Changes	172,525,126	128,810,778
(Increase)/decrease in inventory	2,021,026	15,924,840
(Increase)/decrease in receivables	6,713,862	(333,933)
Increase/(decrease) in payables	(33,232,636)	(19,980,558)
Increase/(decrease) in Trustee Account	(5,822,033)	1,483,005
Net cash generated from operating activities	142,205,344	125,904,132
Investing activities		
Purchase of Fixed Assets	(379,490,833)	(357,337,195)
Cash from operating and investing activities	(237,285,489)	(231,433,063)
Financing activities		
Development Government Fund	225,000,000	298,600,000
Net cash from financing and investing activities	225,000,000	298,600,000
Net cash in/(out) flow for the year	(12,285,489)	67,166,937
Cash and cash equivalents at 1st July	68,600,506	1,433,569
Cash and cash equivalents as at 30th June	56,315,017	68,600,506

Kenya Regulatory & Non - Commercial (Child Welfare Society of Kenya)
Annual Reports and Financial Statements
For the year ended June 30, 2018

14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018

REVENUE	Original	Adjustments	Final Budget	Actual	Performance difference	
	Budget			Comparable		
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	%
	KShs	KShs	KShs	KShs	KShs	
Government grants – Recurrent	1,500,000,000	-	481,250,000	481,250,000	-	0%
Government grants – Development	1,229,383,500	-	300,000,000	225,000,000	75,000,000	25%
Orphans and Vulnerable Children (OVC) Development	1,470,616,500	-	276,000,000	207,000,000	69,000,000	25%
Project Grants: Nakuru Lapsetry	-	-	18,878,192	18,878,192	-	0%
Donations/Other Incomes	-	-	3,700,000	3,693,035	6,965	0%
TOTAL INCOME	4,200,000,000	-	1,079,828,192	935,821,227	144,006,965	13%
RECURRENT						
Programs Support Expenses	285,823,624	-	81,620,506	80,983,186	637,320	0.78%
Moratorium expenses	576,000,000	-	19,000,000	18,051,984	948,016	4.99%
Family Strengthening & Family Tracing Programmes	76,857,856	-	13,000,000	12,689,711	310,289	2.39%
Capital expenditure	60,486,573	-	94,279,494	8,926,308	85,353,186	90.53%
Personnel Costs	498,231,947	-	271,000,000	270,160,151	839,849	0.31%
Trustees Expenses	2,600,000	-	2,350,000	2,202,429	147,571	6.28%
TOTAL RECURRENT EXPENDITURE	1,500,000,000	-	481,250,000	393,013,769	88,236,231	18.33%
DEVELOPMENT PROGRAMME						
OVC DEVELOPMENT						
Capacity Building, Research and Advocacy Programme	138,485,720	-	14,200,000	13,112,339	1,087,661	8%
Education and Skills Development for Unreached Children at the Community Level	459,129,546	-	45,000,000	43,589,270	1,410,730	3%
Emergency, Preparedness and Response Programmes	187,286,023	-	62,800,000	13,425,770	49,374,230	79%
Temporary Places of Safety (including Children's Home) Programme	333,789,909	-	76,000,000	75,632,601	367,399	0%
Alternative Family Care	250,654,500	-	9,000,000	8,732,250	267,750	3%
TOTAL OVC DEVELOPMENT	1,369,345,698	-	207,000,000	154,492,230	52,507,770	25%
PROJECTS DEVELOPMENT						
Upgrading CWSK Places of safety (Development projects)	1,229,383,500	-	225,000,000	370,510,446	(145,510,446)	-65%
TOTAL PROJECTS DEVELOPMENT	1,229,383,500	-	225,000,000	370,510,446	(145,510,446)	-65%
TOTAL CWSK BUDGET YEAR 2017/2018	4,200,000,000	-	913,250,000	917,373,985	(4,123,985)	0%

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

Budget variance comments

Budget line	Comments
a) Upgrading CWSK Places of safety(Development Projects)	<p>CWSK projects are implemented in phases. The Government issued a moratorium on resident and intercountry adoptions which is expected to lead to closure of many Charitable Children's Institutions in the country. CWSK was instructed by the Government to fast track the projects in order to accommodate children from closed institutions. The CWSK Board of Trustees have a deliberate commitment to fast track the completion of the projects to ensure proper housing for children rescued from various emergencies. CWSK needed to be prepared in terms of capacity to handle this expected occurrence by hastening completion of the projects. Further to the moratorium, the Expert/Steering Committee was appointed in 2015 to review the framework for child adoption in Kenya and CWSK was appointed as the Secretariat. The Secretariat included professionals and officers with technical know-how on matters of children whose expertise was employed in various stages of implementation of the moratorium. The Committee and the secretariat were to be funded by the exchequer. However, the funds from treasury were not allocated hence CWSK financed the moratorium activities. The said moratorium activities were time-sensitive, critical, urgent covering local and international scope and hence could not wait. Subsequently, CWSK used funds allocated to development expenditure to finance the activities of the moratorium.</p> <p>The over expenditure in the development projects is a result of fractional reinstatement of funds used from that program.</p>

**Kenya Regulatory & Non - Commercial (Child Welfare Society of Kenya)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

15. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Child Welfare Society of Kenya is a Semi-autonomous Government Agency in transition, established for the care, protection; welfare and adoption of children vide Legal Notice No. 58 of 23/05/2014. It is the National Adoption Society for Kenya and the national emergency response, welfare and rescue organization for children. The government agency was established and gazetted in 1955 as an approved society Gazette Notice No. 1768 of 27/12/1955, an exempt society gazette notice 1536 of 04/11/1955, Certificate of Exemption number 455 and the adoption society for Kenya, Gazette Notice No. 1356 of 28/04/1969. It is an exempt society with permanent trustees of public nature, with an irrevocable Trust of 1970.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Society's accounting policies

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Society.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Government grants and donor funds

The organization recognizes revenues from fees, government grants and donor funds 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 recognised when it is probable that the future economic benefits or service potential associated with the asset will flow to the organization and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions

Rental income

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

Other Income

Interest income, school tuition and dispensary income are recognized as received.

b) Taxes

i) 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 Society 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.

ii) 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.

Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018

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.

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.

Depreciation is calculated to write off the cost or valuation of property and equipment in equal annual instalments over their estimated useful lives. The rates are;

Freehold land	Nil
Leasehold land	Over period of lease
Buildings	2%
Motor vehicles	25%
Fixtures, furniture & fittings	12.5%
Equipment	20%
Computers	30%

Capital work in progress is not depreciated until such as time as the asset is brought into use. No depreciation is provided for in the year of acquisition, whilst full depreciation is provided for in the year of disposition.

Revaluation reserve on buildings is amortised at 2% per year.

d) 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,

***Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018***

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.

e) 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 conditions are accounted for, as follows:

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

Inventory is measured at cost upon initial recognition. 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 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 Society.

f) Provisions

Provisions are recognized when the Society 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 Society 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 Society 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 financial statements, potential is remote.

Contingent assets

The Society 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 Society 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.

g) Nature and purpose of reserves

The Society creates and maintains reserves in terms of specific requirements as follows: (i) capital reserve - used to record contribution made by government in form of grants / transfers (ii) revaluation reserve - used to indicate the revalued amount on the plant property and equipment.

h) Changes in accounting policies and estimates

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

i) Employee benefits

Retirement benefit plans

Short term employee benefits include items such as: (a) Wages, salaries, and social security contributions; (b) short term compensated absence (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled.

When an employee has rendered service to the Society during an accounting period, the Society recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for that service: as a liability (accrued expense), after deducting any amount already paid.

If the amount already paid exceeds the undiscounted amount of the benefits, the Society recognises the excess (i) as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and (ii) as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset

j) 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

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

changes in value. Bank account balances include amounts held in various commercial banks at the end of the financial year.

k) Budget information

The National Assembly approved the original budget for FY 2017-2018 on 21 June 2017. The entity'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. 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 15 of these financial statements.

l) Comparative figures

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

m) 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, 2018.

n) Financial management risk and objectives

The Society's activities expose it to a variety of financial risks including credit, liquidity and capital risks. The Society's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Society'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 Society 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 Society
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions are recognized when the Society 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 Society 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.

1. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognised in capital fund	Total grant income during the year	2017-2018	2016-2017
	KShs	KShs	KShs	KShs	KShs
Ministry of Labour and Social Protection	688,250,000	225,000,000	913,250,000	913,250,000	879,400,000
Total	688,250,000	225,000,000	913,250,000	913,250,000	879,400,000

2. OTHER GRANTS

Description	2017-2018	2016-2017
	KShs	KShs
Project Grants: Nakuru Lapsetry	18,878,192	21,894,922
Project Grants: Katian Diesel	302,115	-
Project Grants: UNICEF	-	10,000,000
Donations/Other Incomes	326,038	131,883
Total other income	19,506,345	32,026,805

7 (a) OTHER INCOME

Description	2017-2018	2016-2017
	KShs	KShs
Interest Received	2,328	7,128
Dispensary Income	40,540	54,970
School Tuition Fees	3,305,601	3,566,680
Unrealised gains on investments	819,187	615,188
Total other income	4,167,656	4,243,966

3. EMPLOYEE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Basic salaries	263,873,037	266,399,328
Allowances	5,591,540	-
NSSF employer contribution	695,574	263,330
Employee costs	270,160,151	266,662,658

4. REMUNERATION OF TRUSTEES

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	1,020,000	1,020,000
Other members allowances	1,182,429	1,528,775

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

Total director emoluments	2,202,429	2,548,775
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5. PROGRAM SUPPORT EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Depreciation Charge	23,250,331	28,726,868
Programs Support Expenses	80,983,186	88,640,297
Moratorium expenses	18,051,984	-
Total general expenses	122,285,501	117,367,165

6. OVC DEVELOPMENT EXPENDITURE

Description	2017-2018	2016-2017
	KShs	KShs
Capacity building & Institutional strengthening	13,112,339	16,059,660
Education & skills development	43,589,270	39,198,966
Emergency Response	13,425,770	16,602,400
Family tracing & reunification	12,689,711	7,827,997
Alternative Family Care	8,732,250	11,503,402
Temporary places of safety	75,632,600	38,600,650
Total general expenses	167,181,940	129,793,075

Kenya Regulatory & Non - Commercial (Child Welfare Society of Kenya)
Annual Reports and Financial Statements
For the year ended June 30, 2018

12. PROPERTY, PLANT AND EQUIPMENT

Description	Land	Land & buildings	Motor vehicles	Computers	Furniture and Equipment	Construction in progress	TOTALS
	KShs	KShs	KShs	KShs	KShs	KShs	KShs
COST							
At 1 July 2016	1,165,513,276	209,888,057	106,252,861	8,858,660	29,424,328	359,152,136	1,879,089,318.00
Additions	-	184,950	8,038,326	765,962	8,604,236	339,743,721	357,337,195.00
Prior year adjustment	(14,200,000.00)	-	-	-	-	-	(14,200,000.00)
At 30 June 2017	<u>1,151,313,276</u>	<u>210,073,007</u>	<u>114,291,187</u>	<u>9,624,622</u>	<u>38,028,564</u>	<u>698,895,857</u>	<u>2,222,226,513</u>
DEPRECIATION							
At 1 July 2016	-	1,019,207	33,833,233	3,519,249	8,655,517	-	47,027,206
Charge for the year	-	3,220,116	20,054,446	1,537,744	3,225,202	-	28,037,508
Amortisation	-	1,016,000	-	-	-	-	1,016,000
Prior year adjustment	-	-	-	2,302,585	-	-	2,302,585
At 30 June 2017	-	<u>5,255,323</u>	<u>53,887,679</u>	<u>7,359,578</u>	<u>11,880,719</u>	-	<u>78,383,299</u>
NBV at 30 June 2017	<u>1,151,313,276</u>	<u>204,817,684</u>	<u>60,403,508</u>	<u>2,265,044</u>	<u>26,147,845</u>	<u>698,895,857</u>	<u>2,143,843,214</u>
COST							
At 1 July 2017	1,151,313,276	210,073,007	114,291,187	9,624,622	38,028,564	698,895,857	2,222,226,513
Additions	-	-	-	578,605	8,347,703	370,510,446	379,490,833
At 30 June 2018	<u>1,151,313,276</u>	<u>210,073,007</u>	<u>114,291,187</u>	<u>10,203,227</u>	<u>46,376,267</u>	<u>1,069,406,303</u>	<u>2,601,717,346</u>
DEPRECIATION							
At 1 July 2017	-	5,255,323	53,887,679	7,359,578	11,880,719	-	78,383,299
Charge for the year	-	4,201,460	15,100,877	679,513	3,268,481	-	23,250,331
Amortisation	-	-	-	-	-	-	-
At 30 June 2018	-	<u>9,456,783</u>	<u>68,988,556</u>	<u>8,039,091</u>	<u>15,149,200</u>	-	<u>101,633,630</u>
NBV at 30 June 2018	<u>1,147,113,276</u>	<u>200,616,224</u>	<u>45,302,631</u>	<u>2,164,136</u>	<u>31,227,067</u>	<u>1,067,167,879</u>	<u>2,500,083,716</u>

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

13. INVESTMENTS

Description	2017-2018	2016-2017
	KShs	KShs
a) Equity investments (specify)		
127500 Safaricom Limited Shares @KShs.5.00	2,878,313	2,263,125
Revaluation Surplus as at 30th June (2018: Kshs 29; 2017: Kshs 22.575)	819,187	615,188
Sub- total	3,697,500	2,878,313
Grand total	3,697,500	2,878,313

14. INVENTORIES

Description	2017-2018	2016-2017
	KShs	KShs
Beddings & Cutlery	-	9,113,884
Tiles	148,680	148,680
Roof Trusses	201,168	201,168
EPS panels	4,316,591	1
Iron Sheets	4,924,234	3,808,302
Cement	4,005,921	6,327,600
Paints	207,582	207,582
Electrical cables	3,966,135	-
Total inventories at the lower of cost and net realizable value	17,786,191	19,807,217

15. RECEIVABLES

Description	2017-2018	2016-2017
Current receivables	KShs	KShs
Deposits refundable	822,325	822,325
Staff debtors	368,716	1,300,546
Total current receivables	1,191,041	2,122,871

16. TRUSTEES ACCOUNT

This relates to income generating activities and property held thereunder which continue to be presided over by the Trustees under the Trust Deed of the 12th June 1970 as per Legal Notice 58 of 2014.

17. CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs	KShs
Current account	55,756,858	68,543,291
Others(Petty cash)	558,159	57,214
Total cash and cash equivalents	56,315,017	68,600,505

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

17(a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2017/18	2016/17
Financial Institution	Account number	KShs	KShs
Sidian (formerly K-Rep) Bank(USD)	010030100027	220,248	220,248.28
Sidian (formerly K-Rep) Bank(KShs)	010030200057	770,322	(1,015,598.02)
Bank of Africa- Arap Moi 0004	08013140004	(916,953)	(980,862.21)
Bank of Africa- Arap Moi 0012	08013150012	9,861	2,396,741.60
Bank of Africa Bungoma branch	02605510009	54,719	14,509.00
Bank of Baroda- Kisumu branch	95850100001696	49,404	49,403.80
BBK- Nanyuki Children's Home	0948522934	201,461.2	201,461.20
BBK-Kisii Children Home	0081053979	41,092	55,342.50
BBK – Embu		590,000	590,000.00
BBK -Nanyuki branch	0308017389	-3,095	(3,095.00)
BBK 1330	0948551330	80,551	9,452,666.00
BBK Fin 8484	0941258484	4,437,749	(609,257.00)
BBK HQ 8468	0941258468	465,486	-
BBK Isiolo		451,278	451,278.00
BBK Mama Ngina	0948003112	182,606	197,857.20
BBK Murang'a 1137(Donation a/c)	2026601137	13,543	13,542.65
BBK TBP 1349	0948551349	2,301,470	827,326.20
Coop Bank A/c 6900		(56,276)	(56,276.10)
DTB Nakuru Arap Moi 5123		11,467	55,438.35
Equity Bank EURO 458	1470262150458	283,813	283,812.71
Equity-CWSK-Kisii 8384	1470262758384	108,840	109,060.05
Equity Bank-Bungoma 6992	0480299936992	162,421	602,690.00
Equity Bank (Towa)488	0150295282488	3,273,553	3,455,528.94
Equity Bank A/c 416	0150291898416	36,900	320,002.97
Equity Bank CESVI EURO 478	1470262150478	3079667.5	3,079,667.48
Equity Bank Development 4154	1470262374154	579,923	16,318,103.71
Equity Bank KSHS(CESVI)271	1470262150271	1,041,098	47,487.95
Equity Bank Murang'a 7226	0220299937226	450,492	303,918.50
Equity bank supreme 225	1470262150225	7,971,783	315,203.00
Equity Bank USD	0150291898436	88,584	88,583.53
Equity Off A/c 458	0150291898458	1,973,697	17,630,385.75
Equity salary Account - 253	1470262150253	26,065,591	13,302,785.15
Family Bank Bungoma		442	442.00
KCB Bungoma branch	1126858692	1,871	1,871.00
Mama Ngina -Equity Bank		41,000	-
NBK Mji Wa Salama	01038075304600	1,598,721	180,487.95
Standard Chartered Mombasa		93,530	642,534.35
Total		55,756,858	68,543,291.49

18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Operations	2,874,484	5,511,850
Staff creditors	13,738,980	13,738,418
Salary deductions	54,319,614	84,915,446
Total trade and other payables	71,101,478	104,165,714

19. CASH GENERATED FROM OPERATIONS

	2017-2018	2016-2017
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	23,284,987	28,726,868
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	2,021,026	15,924,840
Increase in receivables	6,713,862	(333,933)
Increase in deferred income	-	-
Increase in payables	(33,232,636)	(19,980,558)
Increase in payments received in advance	(5,822,033)	1,483,005
Net cash flow from operating activities	(7,034,794)	25,820,222

20. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and 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.

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity'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.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management

*Child Welfare Society of Kenya
Annual Reports and Financial Statements
For the year ended June 30, 2018*

is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

21. EVENTS AFTER THE REPORTING PERIOD

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

22. ULTIMATE AND HOLDING ENTITY

The entity is a Semi- Autonomous Government Agency under the Ministry of Labour and Social Protection. Its ultimate parent is the Government of Kenya.

23. Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Property, Plant and Equipment – No Ownership documents for some assets. No proper fixed assets register	CWSK has a draft valuation report with a list of all Fixed assets. Acquisition of title documents in progress.	CEO	Partly Resolved.	30 June 2022
2	Inventory and stores management – No stock exercises done at the end of the year.	Inventories represent materials paid for but not collected from suppliers. All confirmations were sought and are available for inspection	CEO	Resolved	N/A



Irene Mureithi

Chief Executive Officer

Date.....23/01/2019.....