

REPUBLIC OF KENYA

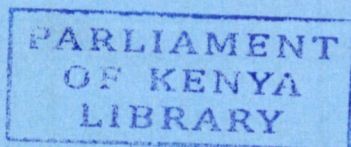


*Paper laid
By Hon A. Swale, LOM
on Tue 30/5/17
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OFFICE OF THE AUDITOR-GENERAL



REPORT



OF

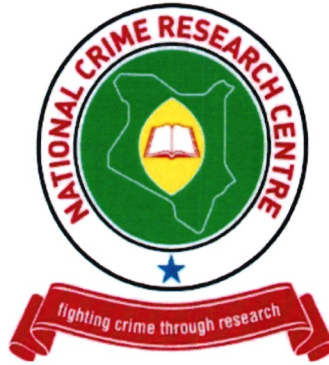
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL CRIME RESEARCH CENTRE**

**FOR THE YEAR ENDED
30 JUNE 2016**





NATIONAL CRIME RESEARCH CENTRE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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



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I. KEY ENTITY INFORMATION AND MANAGEMENT**(a) Background information**

The National Crime Research Centre (NCRC) is a state corporation in the State Law Office. The centre was established by an Act of Parliament, the National Crime Research Act Cap 62 Laws of Kenya. Its objective is to carry out research into the causes of crime and its prevention.

(b) Principal Activities

The objectives of NCRC is to carry out research into the causes of crime and its prevention and to disseminate research finding and recommendations to the Government agencies concerned with the administration of crime justice.

The key management personnel who held office during the Financial Year ended 30th June, 2016 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Director/CEO	Gerard E. Wandera
2.	Principal Research Officer	Stephen M. Muteti
3.	Principal Research Officer	Vincent O. Opondo
4.	Accountant I	Josephine N. Mandere
5.	Human Resource Mgt. Officer I	John Kipkoros
6.	Supply Chain Mgt. Officer I	Kennedy Kwambai

(c) Fiduciary Oversight Arrangements**Audit and finance committee activities**

The National Crime Research Centre has an operational Audit committee. The committee has a non-executive status and serves in an advisory capacity to the Governing Council whose mandate is to look at the internal controls in order to improve efficiency, transparency and accountability; Reviewing audit issues raised by both internal and External Auditors; resolving unsettled and unimplemented Public Accounts and Public Investment Committees (PAC/PIC) recommendations; enhancing communication between management, Internal and External Audit and fostering an effective Internal Audit function.

The key duties and responsibilities of the NCRC Audit Committee are include: evaluating adequacy of management procedures in regards to issues relating to risk management, control and governance, reviewing and approving the Audit Charter where applicable and the internal audit Annual Work plans, reviewing the Internal and External Audit findings and recommendations and proposing corrective and preventive action where necessary, reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics, initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Chief Executive Officer.

(d) Entity Headquarters

ACK Garden Annex Building
Ground Floor
P.O. Box 21180-00100
Nairobi
Kenya
Telephone No. 0202714735

(e) Entity Contacts

ACK Garden Annex, Ground Floor
1st Ngong Avenue, Off Bishop's Road
P.O. Box 21180-00100
Nairobi
Kenya
Telephone No. 0202714735, 0722980102

(f) Entity Bankers

Kenya Commercial Bank
Milimani Branch
P.O. Box 69696-00400
Nairobi
A/C No. 1122479417




(g) Independent Auditors




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




(h) Principal Legal Adviser




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


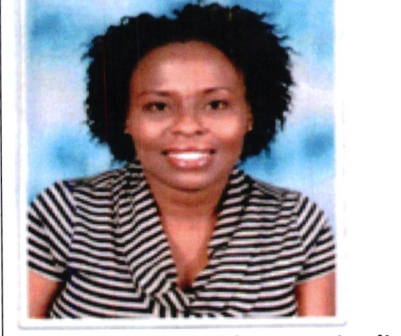

II. GOVERNING COUNCIL MEMBERS

	NAME	DETAILS
1.	 <p>Prof. Githu Muigai, EGH, SC.</p>	<p>Prof. Githu Muigai, EGH, SC. Attorney General of the Republic of Kenya</p> <p>Master Degree in International Law from Columbia University</p> <p>Bachelor Degree in Law, University of Nairobi</p> <p>Date of Birth: 1960</p>
2.	 <p>Hon Justice Jessie Wanjiku Lesiit</p>	<p>Judge of the High Court of Kenya since December 2002</p> <p>Bachelor of Laws (LLB, Hon)</p> <p>Diploma in Law</p> <p>Date of Birth: April 1959</p>
3.	 <p>Mr. Joseph Boinnet,</p>	<p>Inspector General Kenya National Police Service</p> <ul style="list-style-type: none"> • Masters of Arts (National Security Policy) • Masters of Arts (Diplomatic Studies) • Bachelor of Arts (International Studies and Diplomacy) <p>Date of Birth: 29th November, 1962</p>




<p>4.</p>	 <p>Mr. Keriako Tobiko</p>	<p>Director of Public Prosecutions</p> <p>Masters of Law (LLM)</p> <p>Date of Birth: 12th December, 1964</p>
<p>5.</p>	 <p>Mr. Jerim W. Odhiambo Oloo</p>	<p>Director of Probation & Aftercare</p> <p>Bachelor of Arts in Sociology & Philosophy</p> <p>Date of Birth: 12th November, 1956</p>
<p>6.</p>	 <p>Dr. Lydia Muriuki, OGW</p>	<p>Secretary, Social Services Department of Social Development</p> <p>PhD in Strategic Management</p> <p>Master in Business Administration, University of Eastern Africa (Baraton)</p> <p>Date of Birth: 28th November, 1958</p>





<p>7.</p>	 <p>Mr. Isaiah Osugo, CBS</p>	<p>Commissioner General of Prisons, Kenya</p>
<p>8.</p>	 <p>Dr. Florence Muli-Musiime</p>	<p>A Social scientist with many years of (post PhD) professional experience at the national, regional and international levels.</p>
<p>9.</p>	 <p>Mr. Evans Nyachio</p>	<p>Senior Assistant Director, Supply Chain Management Services The National Treasury</p> <p>Date of Birth: 4th August, 1957</p>

<p>10.</p>	 <p>Mr. Benard N. Bwoma</p>	<p>Internal Audit & Risk Manager NGOs Co-ordination Board</p> <p>Masters Degree in Business Administration (Finance option)</p> <p>Member of (ICPAK) Institute of Certified Public Accountants of Kenya.</p> <p>Date of Birth: 1st January 1972</p>
<p>11.</p>	 <p>Dr. Robinson Ocharo,</p>	<p>Senior Lecturer & Head, Department of Sociology & Social Work, University of Nairobi</p> <p>PhD in Agricultural Extension Master of Arts (Rural Sociology & Community Development</p> <p>Bachelor of Arts</p> <p>Date of Birth: 1961</p>
<p>12.</p>	 <p>Dr. Linda Musumba</p>	<p>Senior Lecturer & Founding Dean, Kenyatta University School of Law, Since 2012 to date.</p> <p>PhD in Law Master in Law in Development Bachelor of Law Diploma in Law</p>

<p>13.</p>	 <p>Dr. Francis K. arap Sang</p>	<p>Assistant Professor of Criminal Justice Program at, United States International University (USIU) Africa</p> <p>PhD in Sociology Washington International University USA</p> <p>Date of Birth: 25th January, 1952</p>
<p>14.</p>	 <p>Ms. Sylvia Wairimu Kang'ara</p>	<p>Associate Professor of Law & Founding Dean of Riara Law School</p> <p>Doctor of Juridical Sciences (SJD)</p> <p>Master of Law (LLM)</p> <p>Diploma in Law</p>
<p>15.</p>	 <p>Ms. Jacqueline Mbogo-Asinuli</p>	<p>Chief of Party, Coffey International, Nairobi Jamii Thabiti Programme</p> <p>Master of Arts in Development Studies, Bachelor of Education</p>
<p>16.</p>	 <p>Mr. Gerard E. Wandera</p>	<p>Director/CEO, National Crime Research Centre Masters in Business Administration</p> <p>Bachelor of Arts Business Administration & Economics</p> <p>Higher Diploma in Sales & Marketing</p> <p>Diploma in Purchasing & Supplies</p> <p>Diploma in Crime & Violence Prevention</p> <p>Qualification in Public Policy</p> <p>Date of Birth: 27th July, 1969</p>

III. MANAGEMENT TEAM

 <p>Mr. Gerard E. Wandera Director/CEO</p>	<p>Masters in Business Administration Bachelor of Arts Business Administration & Economics Higher Diploma in Sales & Marketing Diploma in Purchasing & Supplies Management Diploma in Crime & Violence Prevention Qualification in Public Policy</p>
 <p>Mr. Stephen M. Muteti; Principal Researcher</p>	<p>Master of Arts in Sociology, Bachelor of Arts, Sociology, Higher Diploma HRM.</p>
 <p>Mr. Vincent O. Opondo Principal Researcher</p>	<p>Master of Arts Development Studies Bachelor of Arts, Political Science & Sociology Forensic Investigations</p>

 <p>Mr. Josephine N. Mandere Accountant</p>	<p>Masters Degree in Business Administration Bachelor of Commerce, Finance</p> <p>Member of (ICPAK) Institute of Certified Public Accountants of Kenya.</p> <p>Certified Public Secretaries (CPSK) Finalist.</p>
 <p>Mr. John Kipkoros HRM Officer</p>	<p>Bachelor of Arts, Political Science & Sociology</p> <p>Higher Diploma in HRM</p>
 <p>Mr. Kennedy Kwambai SCMO</p>	<p>Bachelor of Business Management and Information Technology, Post Graduates Diploma in Purchasing & Supplies Certificate in Project Management Member of MKISM, MCIPS</p>
 <p>Mr. James M. Mwangi Internal Auditor</p>	<p>Member of (ICPAK) Institute of Certified Public Accountants of Kenya.</p>

IV. CHAIRMAN'S STATEMENT

The National crime research Centre (NCRC) is a State Corporation established to carry out research into the causes of crime and its prevention and to disseminate research findings and recommendations to the agencies of government concerned with the administration of criminal justice, with a view to assisting them in their policy formulation and planning. The Corporation falls under the State Law Office and Department of Justice.

Over this financial period, I am happy to note the progress achieved by the Centre in pursuit of the fulfilment of its mandate. This is with specific reference to the crime related research reports and publications that have supported evidence based decision making to the criminal justice system. Going forward the Centre determined to do more to encourage the culture of crime statistics decision making.

It's also noteworthy that the organs of the council have worked extremely hard to ensure that application of resources follows statutory requirements and demonstrate high standards of accountability and transparency. Going forward the council will endeavour to mobilize resources through the various stakeholders to position the work of the Centre as a major contributor to National security.

In forwarding this report the governing council and management are committed to steering the Centre towards a world class crime research agency.

CHAIRMAN:

Signed.....

Prof. Githu Muigai, EGH, SC.

V. REPORT OF THE DIRECTOR

The National crime research Centre (NCRC) is a State Corporation established to carry out research into the causes of crime and its prevention and to disseminate research findings and recommendations to the agencies of government concerned with the administration of criminal justice, with a view to assisting them in their policy formulation and planning. Despite the numerous achievements recorded, the fight against crime and causes of crime is still less than can match the magnitude of the challenge. Emerging crime such as female extremists that are less understood, less researched have now become vicious. The Centre recognises that security and insecurity around Kenya Vision 2030 foundations is one of the major concern that face Kenya's development agenda. Successful performance in this area requires consulted efforts of all stakeholders.

Key Achievements

Rollout of crime research reports and publications in typical crime areas have led to improvement of evidence based thought process in relevant criminal justice agencies. This included , Organized Criminal Gangs in Kenya; Survey of Gender Based Violence (GBV);A study of Election Crimes and Offences in Kenya ;Human Trafficking in Kenya ;Emerging Crimes: The Case of Kidnappings in Kenya; Delivery of Community Based Sentences: The Case of Community Service Orders in the Meru High Court Administrative Jurisdiction, Kenya; a Study of Community Based Sentences in Kenya: The Case of Probation Orders in Kenya and a Study of Community Based Sentences in Kenya: The Case of Community Service Orders in Kenya, National Crime Mapping , security conflict and borderland management, conflict around large scale projects in Kenya a case of Lapset and research on Youth in Transition(radicalization) in Kwale and Bungoma counties.

Challenges

Human and institutional capacities play a significant role in the success of organizational performance. The Centre has less than 15% staff in post against the approved establishment. As a result, activities heavily rely on the part-time researchers posing a challenge of uniformity in research methodology and organization culture. The lack of a one stop shop national crime data repository system that collates all crime related data for access and use by agencies in agencies

in criminal justice system poses a serious challenge. One other factor is weak interagency collaboration and cooperation on crime research priorities for the country.

Way forward

In addressing these challenges, the Centre is working to establish a national crime data repository system that will not only prove real time crime incident monitoring but also will be linked to key Government policing agencies to encourage crime information sharing and management. This will go hand in hand with increase full time staff to at least 30% of the approved staff establishment in addition the evaluation of efficacy and adequacy of agencies preparedness to address risk factors around the Kenya vision 2030 foundations will be enhanced to improve ease of doing business.

It's desirous that this will be achieved with close working relationship between organs of the Centre and its stakeholders.

Acknowledgement

Finally, I wish to appreciate the following organizations that played a key role in the execution of the mandate of the Centre.

The Office of the Attorney General and Department of Justice which played a role in securing government resources and for offering guidance and direction in the Performance Contracting exercise; Institutions in the administration of criminal justice that are represented in the Centre's Governing Council for facilitating collection of crime research data from their field stations; Public and private universities and the civil society (NGOs) that agreed to support NCRC in achieving its mandate by sending their representatives to the Governing Council ; Fourth Estate who supported NCRC by providing critical information during research studies and the members of staff who worked tirelessly to ensure success in operations of the Centre.



DIRECTOR:

Signed
Mr. Gerard Egesa Wandera



VI. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure by which companies are directed and controlled and held accountable to achieve the mandate of the Centre and the interest of stakeholders.

The Governing Council of National Crime Research Centre (NCRC) is responsible for the governance of the Corporation and is accountable for ensuring that the Corporation complies with the law and the highest standards of business ethics and corporate governance. Accordingly, the Council attaches very high importance to the generally accepted corporate governance practice and has embraced the international developed principles and code of best practice of good corporate governance.

Governing Council

The Chairman of the Governing Council is Prof. Githu Muigai, Attorney General.

The roles and functions of the Chairman and the Director are distinct and their respective responsibilities clearly defined.

The Council comprises of sixteen members including the Director. The Council defines the Centre's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Council members bring a wealth of experience and knowledge to the Council's deliberations.

Council meetings

The Council holds meetings on a quarterly basis while special meetings are called when it is deemed necessary to do so.

Committees of the Governing Council

The Council comprises of four committees with well-defined terms of reference set by the Governing Council. This is intended to facilitate efficient decision making of the Centre in discharging its duties and responsibilities.

Audit Committee of the Council

The membership of the Audit Committee comprises Mr. Joseph Boinnett Chairman, Mr. Isaiah Osugo, Benard Bwoma, Dr. Lydia Muriuki, OGW and Ms. Sylvia Kangara.

The Committee assists the Council to fulfil its corporate governance responsibilities and in particular to: review financial statements before submission to the Governing Council focusing on changes of accounting policies, compliance with the International Public Sector Accounting Standards and legal requirements and the going concern assumption, strengthen the effectiveness of the internal audit function, maintain oversight on internal control system, review and make recommendations regarding the Centre's budgets and financial plans and risk management

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Council's considers the results of work carried out to audit and review the activities the Centre. The Council also considers strategic opportunities for the Centre.

The Finance and Administration Committee

The Committee reviews and recommends the finance and administrative issues of the staff and the Centre at large, It comprised of Mr. Evans Nyachio, Chairperson, Mr. Jacob Ondari, Mr. Jerim Oloo, Dr. Linda Musuumba and Jacqueline Mbogo-Asinuli.

Research and Development Committee

This is the core function of the Centre. Most members are drawn from the universities. it was chaired by Mrs. Lydia Muriuki, OGW and its members comprised of the following: Dr. Florence Muli-Musiime, Benard Bwoma, Dr. Robinson Ocharo, Dr. Linda Musumba. They oversee the research conducted by the Researchers of the Centre and give recommendations.

Legal Committee

The Legal Committee is to advise and report on matters related to legal to the Governing Council for the betterment of the Centre. The members comprise of Justice Jessie Wanjiku Lesiit, Mr. Jerim Oloo, Ms. Sylvia Kangara, Dr. Francis K. Sang and Jacob Ondari.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The national crime research centre (NCRC) is committed to supporting the community, through working with employees and other stakeholders.

The Centre in its process of carrying out research on youth in transition (radicalization) in Kwale came across a needy child in Ngombeni location of Kwale who had excelled in KCPE 2015 but lacked a sponsor to join form one at Mazeras High School. The Centre intervened by meeting the cost of all school requirements and approached the County Government for school fees payment which was duly done.

VIII. REPORT OF THE GOVERNING COUNCIL

The Governing Council submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the National Crime Research Centre affairs.

Principal activities

The principal activities of the entity to carry out research is to carry out research into the causes of crime and its prevention, undertake study on efficacy and adequacy of policies, procedures and systems in criminal justice, to disseminate research findings, provide crime statistics and advisory service to National Council for Administration of Justice and recommendations to institutions that the Council may from time to time determine for appropriate action.

Results

The results of the Centre for the year ended June 30, 2016 are set out on page 24 to 40

Governing Council Members

The members of the Governing Council who served during the year are shown on page 6. All directors are elected as per the National Crime Research Centre Act 1997.

Auditors

The Auditor General is responsible for the statutory audit of the Centre in accordance with the Public Audit Act Part Three Sec.39, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Governing Council



Secretary to the Governing Council

Date..... 27. 3. 2017

IX. STATEMENT OF GOVERNING COUNCILS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the National Crime Research Act Cap 62 laws of Kenya, requires the Governing Council to prepare financial statements in respect of National Crime Research Centre, which give a true and fair view of the state of affairs at the end of the financial year and the operating results for that year. The Governing Council is also required to ensure that the Centre keeps proper accounting records which disclose with reasonable accuracy the financial position. The Council members are also responsible for safeguarding the assets of the Centre.

The Governing Council members are responsible for the preparation and presentation of the NCRC's financial statements, which give a true and fair view of the state of affairs of as at the end of the financial year ended on June 30, 2016. This responsibility includes: maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position; 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; safeguarding the assets of the Centre; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Governing Council accept responsibility for the Centre financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the accrual Basis of Accounting Method under the International Public Sector Accounting Standards(IPSAS) and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the financial statements give a true and fair view of the state of NCRC's transactions during the financial year ended June 30, 2016, and of the NCRC's financial position as at that date. The Governing Council further confirm the completeness of the accounting records maintained which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Governing Council to indicate that the NCRC 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 NCRC's financial statements were approved by the Governing Council and signed on its behalf by:

Prof. Githu Muigai, EGH, SC.

CHAIRMAN GOVERNING COUNCIL

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL CRIME RESEARCH CENTRE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Crime Research Centre set out on pages 24 to 40 which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

Report of the Auditor-General on the Financial Statements of National Crime Research Centre for the year ended 30 June 2016

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Unsupported Rental Expenses

The statement of financial performance reflects general expenses of Kshs.29, 019,571 which includes rentals expenses of Kshs.10,702,571 for the year, however the lease agreement has not been duly registered with the Ministry of Lands.

Under the circumstance, the basis (rates) under which the rental payments of Kshs.10,702,571 was done remains doubtful.

2.0 Irregular Personnel Emoluments

The statement of financial performance reflects personnel emoluments of Kshs.33,579,715 which includes Kshs.3,055,000 paid to the current Director with a gross salary of Kshs.611,000. A scrutiny of the contract/employment documents confirmed that the new Director joined the Centre on 1 February 2016 with approved salary and other benefits totalling Kshs.551,000 thus leading to an over payment of Kshs.300, 000 for a period of 5 months ending 30 June 2016.

Consequently, the excess payments of Kshs.300,000 is an irregular charge to public funds.

3. Cash and Cash Equivalentents

The statement of financial position reflects cash balance of Kshs.196,302 and bank balance of Kshs.10,473,262 as at 30 June 2016. However, the cash book reflects an adjusted cash balance of Kshs.169,201.40 and an adjusted bank balance of Kshs.12,180,907.10. The reasons for the adjustments were not provided.

Further, the bank reconciliation statement reflects a cash book balance of Kshs.10,669,564. In view of the foregoing, the accuracy and completeness of the cash and cash equivalentents balance of Kshs.10,473,263 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the National Crime Research Centre as at 30 June 2016, and its

financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the National Crime Research Centre Act, 2012.

Other Matter

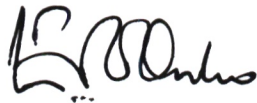
1. The Internal Audit and Internal Audit Committee

The internal audit unit and the Audit Committee were not active during financial year to ensure that the internal auditor did his work and documents such as internal audit plans, charters and audit committee terms of reference were not approved.

2. Unremitted Statutory Deductions

The centre had unremitted statutory deductions in respect of P.A.Y.E amounting to Kshs.1,681,591. It is not clear and the Centre had not explained why they were not following the law and why they risked the penalties for late/non remittance.

My opinion is not qualified in respect of these matters.



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

Nairobi

05 May 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2016

	NOTES	2015 - 2016 <u>Kshs</u>	2014 - 2015 <u>Kshs</u>
<u>INCOME</u>			
Revenue from Non-Exchange Transactions			
Transfers from Government			
Recurrent	3	77,005,863	61,600,000
Development	3		8,000,000
Revenue from Exchange Transactions			
Other Incomes	3	=	<u>1,530,928</u>
Total Income		<u>77,005,863</u>	<u>71,130,928</u>
<u>Expenditure</u>			
Personnel Emoluments	4	36,815,088	39,640,363
Council Expenses	5	8,132,442	5,822,044
Repairs and Maintenance	6	1,140,311	761,383
General Expenses	7	28,802,589	29,296,920
Depreciation	11	<u>5,961,263</u>	<u>6,857,856</u>
Total Expenditure		<u>80,851,693</u>	<u>82,378,566</u>
DEFICIT		<u>(3,845,830)</u>	<u>(11,247,638)</u>

XII. STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2016

	NOTES	2015-16 <u>Kshs</u>	2014-2015 <u>Kshs</u>
<u>Assets</u>			
<u>Current Assets</u>			
Bank	8	10,473,262	7,353,380
Cash	8	196,302	204,885
Accounts Receivable	9	<u>4,394,296</u>	<u>3,422,339</u>
TOTAL CURRENT ASSETS		15,063,860	10,980,604
<u>NON-CURRENT ASSETS</u>			
Property Plant and Equipment	11	<u>34,273,044</u>	<u>38,565,329</u>
Total Assets		49,336,904	49,545,933
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	10	6,320,051	4,125,250
Non-Current Liabilities		-	-
Total Liabilities		<u>6,320,051</u>	<u>4,125,250</u>
NET ASSETS		<u>43,016,853</u>	<u>45,420,683</u>
RESERVES			
Capital Reserve	12	1,442,000	-
Accumulated Surplus		45,420,683	56,668,321
Deficit for The Year		<u>(3,997,321)</u>	<u>(11,247,638)</u>
TOTAL		<u>43,016,853</u>	<u>45,420,683</u>

Chairman: Prof. Githu Muigai, EGH, SC.

Director: Mr. Gerard E. Wandera

Sign:

Sign:

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2016

	ACCUMULATED SURPLUS 2015-2016	ACCUMULATED SURPLUS 2014-2015
	<u>KSHS</u>	<u>KSHS</u>
Balance B/F June 2015	56,668,321	47,132,408
Surplus for The Period June 2015	<u>(11,247,638)</u>	<u>9,535,913</u>
Surplus as at 30th June 2015	45,420,683	56,668,321
Capital Reserve	1,442,000	-
Surplus for The Period 2015-2016	<u>(3,845,830)</u>	<u>(11,247,638)</u>
Balance as at 30th June 2016	<u>43,016,853</u>	<u>45,420,683</u>

XIV. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE, 2016

	NOTES	2015- 2016 <u>Kshs</u>	2014- 2015 <u>Kshs</u>
Surplus for the year		(3,845,830)	(11,247,638)
Adjusted for			
Depreciation	11	5,961,263	6,857,856
Cash Generated from within		1,963,942	(4,389,782)
changes in working capital			
Increase/ Decrease in Debtors	9	(971,956)	(29,764)
Increase/ Decrease in Creditors	10	2,194,801	(9,300,821)
Net Cash Flow Operating Activities		1,222,845	(9,330,585)
Cash Flow from Investing Activities			
Adjustments assets payable		-	748,864
Purchase of Assets	12	(226,979)	(21,807,255)
Net Cash Flow Investing Activities		(226,979)	(21,058,391)
Cash Flow from Financing Activities			
Net cash flow from financing Activities			
Increase in Cash and Cash Equivalents		3,111,299	(34,778,758)
Cash and Cash Equivalent at the beginning	3	<u>7,558,265</u>	<u>42,337,023</u>
Cash and Cash Equivalent at the End		<u>10,669,564</u>	<u>7,558,266</u>

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2016

	BUDGET ALLOCATION	BUDGET ADJUSTMENT	TOTAL BUDGET	ACTUAL EXPENDITURE AS AT 30.06.2016	BALANCE
	2015- 2016 Kshs	2015- 2016 Kshs	2015- 2016 Kshs	30.06.2016 Kshs	Kshs
Communication	5,384,090	3,246	5,387,336	4,635,515	751,821
Domestic Travel	3,336,173	-	3,336,173	3,867,618	(531,445)
Printing, Adverts, Magazines	1,440,931	-	1,440,931	1,169,964	270,967
Premises Rent	10,702,571	-	10,702,571	10,702,571	0
Training	1,000,000	-	1,000,000	944,660	55,340
Hospitality Supplies & Services	4,428,427	1,484,590	5,913,017	5,705,085	207,932
Boards	9,133,448		9,133,448	7,052,442	2,081,006
Chairman Honoraria	1,080,000		1,080,000	1,080,000	0
Specialized Material	-	16,753	16,753	-	16,753
General Office Supplies	628,550	-	628,550	480,619	147,931
Other Operating Exp.	994,893	-	994,893	863,756	131,137
Routine Maintenance	987,890	-	987,890	1,140,311	(152,421)
Fuel, Oil & Lubricants	600,000	-	600,000	566,985	33,015
Personnel Emoluments	33,299,290	3,790,175	37,089,465	32,947,470	4,141,995
Research	3,644,600	2,263,501	5,908,101	3,738,600	2,169,501
Assets	<u>345,000</u>	-	<u>345,000</u>	<u>226,979</u>	<u>118,021</u>
TOTALS	<u>77,005,863</u>	<u>7,558,266</u>	<u>84,564,128</u>	<u>75,402,086</u>	<u>9,441,553</u>

2.2.1 Explanatory notes on the statement of comparison of budget and actuals

- Communication amounts was not utilized as the internet connectivity was not fully paid, the balance was a committed to be paid in the next financial year.
- The personnel Emoluments balance is the gratuity provisions for the current year and prior periods that will fall due during the next financial year.
- Research vote was underutilized due to the delays on approval from the committee concerned and the changes that the organization was experiencing during the year . Most challenging was that all staff on contract and on secondment terms of employment came to an end at the same time.
- Much of the unutilized funds was occasioned by the transition that the Centre was undergoing hence no projects would be commenced until after the recruitment process was finalized.
- The Council expenses increased when compared to previous year due to the number of meetings held during the recruitment process by the Governing council members.

XVI. NOTES TO THE FINANCIAL STATEMENTS

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

NOTE NO. 1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on accrual Basis Financial Reporting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the indirect method.

NOTE NO. 2 SUMMARY OF SIGNIFICANT POLICIES**2.1 Revenue recognition****i) Revenue from non-exchange transactions**

The entity receives Government grants through the ministry of Attorney General and Department of Justice. Revenue is recognized once received.

2.2 Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single line statement to determine the needs of the entity. As a result of the adoption of the accrual basis there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts presented as a separate additional financial statement of comparison of budget and actual amounts. Difference will only be caused by those expenses that are provided for in excess of one financial year.

2.3 Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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. The Centre has no intangible assets now.

Depreciation rates are as below;

The assets are depreciated annually on straight-line basis and charged to the statement of comprehensive income at the rates shown below;

Furniture and Fittings 12.5%

Office Equipment's 12.5%

Computers 33.3%

Motor Vehicles 25%

Full depreciation is charged in the year of acquisition and none in the year of disposal.

2.4 Provisions – IPSAS 19

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

2.5 Changes in accounting policies and estimates – IPSAS 3

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

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and cash at bank.

2.7 Comparative figures

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

2.8 Contingent liabilities

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

2.8.1 Contingent assets

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

2.9 Employee benefits – IPSAS 25**Retirement benefit plans**

The Entity provides retirement benefits for its seconded staff and gratuity for the contracted staff. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

2.10 Related parties – IPSAS 20

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

2.11 Significant judgments and sources of estimation uncertainty – IPSAS 1

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

2.12 Accounts Receivables

All revenue is invoiced and recorded when service has been provided. When circumstances dictate, that repayment will not be received it is treated as an accounts receivable for reporting purposes. In case the account will not be collected, the receivable is written off from the books.

2.13 Accounts Payables

This are expenses paid that do not represent the costs incurred from which a service is expected to be derived in the future. The future write off period of the incurred cost will normally be determined by the period of benefit. When the period arrives to which the prepaid cost relates the costs are expensed.

NOTE NO. 3.0	Revenue from Non-Exchange Transactions include;	2015-2016	2014-2015
		Kshs	Kshs
	Transfer from Government	77,005,863	69,600,000
	Other Income	-	1,530,928
		<u>77,005,863</u>	<u>71,130,928</u>

NOTE NO. 3.0

Employee costs comprises of

	<u>Kshs</u>	<u>Kshs</u>
Basic Salaries – Permanent Employees	12,118,071	12,499,050
House Allowance	5,061,897	5,160,000
Entertainment Allowance	1,560,000	1,440,000
Responsibility Allowance	3,683,793	5,400,000
Transport Allowance	488,298	495,600
NSSF	13,600	9,600
Government Pension	2,218,295	391,628
Leave Allowance	1,565,668	1,446,660
Non-Practice Allowance	280,000	480,000
Other allowances	770,000	720,000
Club Allowance	-	42,960
Medical Expense	2,420,994	2,637,942
Extraneous Allowance	168,000	168,000
Gratuity	2,598,854	2,390,390
Domestic Travel	<u>3,867,618</u>	<u>6,358,533</u>
Total	<u>36,815,088</u>	<u>39,640,363</u>

Prior year Government pension and NSSF were disclosed differently; NSSF 9,600/- and Government pension kshs 391,628/- totaling to kshs 401,228/- Extraneous allowance of kshs 168,000/- was omitted from the list of employee costs but included in the totals of Kshs 39,640,363 as was in the statement of income.

NOTE NO. 5.0

Governing Council Expenses

	<u>2015-2016</u>	<u>2014-2015</u>
	<u>Kshs</u>	<u>Kshs</u>
Boards, Committees and conferences	7,052,442	4,742,044
Chairman Honoraria	<u>1,080,000</u>	<u>1,080,000</u>
Total	<u>8,132,442</u>	<u>5,822,044</u>

Comparative figures for the previous financial year have been amended to read 4,742,044 as the amount that was captured in the final statements for the year ended 30th June, 2015 belongs to the financial year 2013 – 2014 amounting to Kshs 3,865,607/- The error did not affect the previous year's statements as the right figures were used in the statement of financial performance.

NOTE NO. 6.0 Repairs and Maintenance

	2015-2016	2014-2015
	<u>Kshs</u>	<u>Kshs</u>
Routine Maintenance of Motor vehicles	944,120	761,383
Maintenance of other assets	<u>196,191</u>	0
Total	<u>1,140,311</u>	<u>761,383</u>

NOTE NO. 7.0 General Expenses

The following are included in general expenses

	2015-2016	2014-2015
	<u>Kshs</u>	<u>Kshs</u>
Communication	4,635,515	1,126,538
Printing, Advertising, Subscriptions	1,169,964	1,707,741
Training expenses	944,660	3,035,365
Office and General Supplies & Services	480,619	1,473,900
Fuels Oils & Lubricants	566,985	717,556
Other Operating Expenses	626,590	1,544,474
Rentals	10,702,571	8,690,907
Hospitality Supplies and Services	5,705,085	3,836,656
Research, Feasibility studies	3,738,600	5,659,709
Aligning of the ACT	0	1,272,074
Audit Fee	<u>232,000</u>	<u>232,000</u>
Total	<u>28,802,589</u>	<u>29,296,920</u>

Other Operating expenses for the prior year reduced by the amount of audit fees of kshs 232,000/-now disclosed separately on the face of general expenses note to bring it to Kshs 1,544,474/-

NOTE NO. 8.0 Cash and cash equivalents

	2015-2016 <u>Kshs</u>	2014-2015 <u>Kshs</u>
Cash at Bank	10,473,262	7,353,380
Cash at Hand	<u>196,302</u>	<u>204,885</u>
Total	<u>10,669,564</u>	<u>7,558,265</u>

NOTE NO. 9.0 Receivables

	2015-2016 <u>Kshs</u>	2014-2015 <u>Kshs</u>
Rental Deposits	1,949,026	1,949,026
Staff Debtors	7,700	7,700
Lyoid Masika	108,000	108,000
Resolution Health	<u>2,329,570</u>	<u>1,357,613</u>
Total	<u>4,394,296</u>	<u>3,422,339</u>

NOTE NO. 10.0 Payables

	2015-2016 <u>Kshs</u>	2014-2015 <u>Kshs</u>
KENAO	232,000	232,000
Govt. Pension	2,218,295	391,428
JKUAT Enterprises	1,812,100	-
Gratuity	<u>2,057,656</u>	<u>3,501,822</u>
Total	<u>6,320,051</u>	<u>4,125,250</u>

NOTE NO. 11.0 PRORERTY PLANT & EQUIPMENT

Rate Class	12.50% Furniture & Fittings Kshs	12.50% Equipment Kshs	33.3% Computers Kshs	25% Motor Vehicles Kshs	Total Kshs
Costs 1/7/2014 Balance b/f	18,093,093	1,862,450	7,815,354	12,738,266	40,509,163
Adjustments	748,864	-	-	-	748,864
Additions 2014/15	21,807,255	-	-	-	21,807,255
Disposal	-	-	-	-	-
As at 30/06/2015	39,151,484	1,862,450	7,815,354	12,738,266	61,567,554
Costs 1/7/2015 Balance b/f	39,151,484	1,862,450	7,815,354	12,738,266	61,567,554
Adjustments	-	-	-	-	-
Additions 2015/16	934,000	207,000	201,000	326,979	1,668,979
Disposal	-	-	-	-	-
As at 30/06/2016	40,085,484	2,069,450	8,016,354	13,065,245	63,236,533
Depreciation					
As at 01.07.14	2,841,951	601,841	5,336,268	7,364,310	16,144,370
Depreciation	4,538,693	157,576	818,098	1,343,489	6,857,856
Disposal	-	-	-	-	-
AS AT 30.06.15	7,380,644	759,417	6,154,366	8,707,799	23,002,226
As at 01.07.15	7,380,644	759,417	6,154,366	8,707,799	23,002,226
Depreciation for the year	4,088,105	163,754	620,042	1,089,362	5,961,263
Disposal	-	-	-	-	-
AS AT 30.06.16	11,468,749	923,171	6,774,408	9,797,161	28,963,489
Net Book Value					
AS AT 30.06.16	<u>28,616,735</u>	<u>1,146,279</u>	<u>1,241,946</u>	<u>3,268,085</u>	<u>34,273,044</u>
AS AT 30.06.15	<u>31,770,840</u>	<u>1,103,033</u>	<u>1,660,988</u>	<u>4,030,467</u>	<u>38,565,328</u>

NOTE NO. 12.0 Additional Assets

The value of additional assets during the year includes assets that were inherited from State Law Office and Department of Justice amounting to Kshs 1,442,000. These assets were distributed to different depreciation classes as indicated in the Property Plant and Equipment depreciation schedule. The asset that was acquired during the year was a motorcycle at a cost of Kshs 226,979/-.

NOTE NO. 13.0 Bank Balance

The Centre had a bank balance brought forward Kshs 7,558,265 of which was included in the budget of the current year.

NOTE NO. 14.0 Subsequent events – IPSAS 14

The term of the Centre Governing Council expired in March 2016 and a new one was nominated as per the NCRC Act. The membership is sixteen including the Chief Executive Officer. The profiles in this year's financial statements are for the current Governing Council members who were gazetted in May 2016.


XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. On the external audit, Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe
1.0	NCRC inherited assets of unknown value from SLO&DOG'S office that have not been charged to date	Letter and follow-ups done to the office of AG& DOG to surrender the said Assets	Director	This matter was finalized and the assets taken to charge in the financial statements 2015-16.	Finalized
2.0	The Centre operated without a registered premises lease agreement	The matter was followed up with the landlord and Ministry of Lands and the lease is at an advanced level of registration. Currently in the ministry of lands for stamping	Director	In progress	28 th Feb 2017

Director: Mr. Gerard E. Wandera

Chairman: Prof. Githu Muigai, EGH, SC.


 Sign.


 Sign.

Date..... 27. 3. 2017

Date..... 27. 3. 2017



The reason for cancellation of the cashbook at the close of the Financial Year

Due to the changes by Kenya Revenue authority from manual to *itax* the Centre took some time to be *itax* compliant. This happened because it was a requirement for the Director of the Centre to be compliant in order to be able to register the organization. The director then was not *itax* compliant and his employment contract was coming to an end. This occasioned tax deductions made from staff and Governing Council members not to be remitted. These payments were captured at net values in the cashbook and gross on the payment voucher. It is therefore the sum total of the unremitted tax that was adjusted at the close of the financial year that caused the cancellation on the cashbook. List containing this amount was submitted.

Note 5: Governing council prior year expenses

Comparative figures for the previous financial year have been amended to read 4,742,044 as the amount that was captured in the final statements for the year ended 30th June, 2015 belongs to the financial year 2013 – 2014 amounting to Kshs 3,865,607/- The error did not affect the previous year's statements as the right figures were used in the statement of financial performance. The Voucher number Fifty Two (52) which was understated by Kshs 179,591/- has been rectified.

Note 12: Cash flow statement

Changes in working capital have been amended to Kshs 2,194,801 from 2,166,701. This error was occasioned by wrong transfer of figures as this is the movement in creditors from the year 2014-15 and 2015-16. Being Increase in creditors/ payables

<u>2015-16</u>	<u>2014-15</u>	<u>Change in payables</u>
Kshs	Kshs	Kshs
6,320,051	4,125,250	2,194,801

