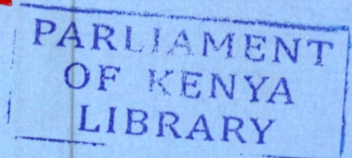
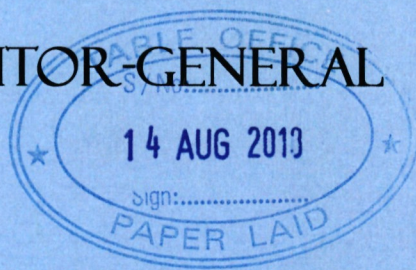


REPUBLIC OF KENYA



*Paper laid by  
Leader of Majority Party  
Tuesday 14/8/2018  
Agnes*

OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT AFFIRMATIVE  
ACTION FUND**

**FOR THE YEAR ENDED  
30 JUNE 2017**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30054 - 00100, NAIROBI  
24 APR 2018  
**RECEIVED**

B3



**MINISTRY OF PUBLIC SERVICE, YOUTH AND GENDER AFFAIRS**

**STATE DEPARTMENT FOR GENDER AFFAIRS**

**NATIONAL GOVERNMENT AFFIRMATIVE ACTION FUND**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

---

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

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

---

Table of Content	Page
I KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
II. THE BOARD OF DIRECTORS .....	vi
III. MANAGEMENT TEAM.....	viii
IV CHAIRPERSON'S STATEMENT .....	x
V. REPORT OF THE CHIEF EXECUTIVE OFFICER .....	xii
VI. CORPORATE GOVERNANCE STATEMENT .....	xiii
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	xvi
VIII. REPORT OF THE DIRECTORS .....	xix
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xx
X REPORT OF THE INDEPENDENT AUDITORS ON THE <i>ENTITY</i> .....	xxii
XI. STATEMENT OF FINANCIAL PERFORMANCE .....	1
XII. STATEMENT OF FINANCIAL POSITION .....	2
XIII. STATEMENT OF CHANGES IN NET ASSETS.....	3
XIV. STATEMENT OF CASH FLOWS.....	4
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	5
XVI. NOTES TO THE FINANCIAL STATEMENTS .....	6
XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	21
XVII. Appendix 1: INTER-ENTITY TRANSFERS .....	22
XIX Appendix 2: RECORDING OF TRNSFERS FROM OTHER GOVERNMENT ENTITIES.....	23

## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The National Government Affirmative Action Development Fund (NGAAF) initially referred to as Affirmative Action Social Development Fund (AASDF), was enacted through Legal Notice No.24 of the Public Finance Management Act, 2012 and published on 13<sup>th</sup> February 2015. The Fund is governed by the Public Finance Management Act, 2012 (National Government Affirmative Action Development Fund), Regulations 2016. The Fund is a Semi-Autonomous Agency under the Ministry of Public Service, Youth and Gender Affairs and has County offices in all the 47 counties managed by the County Coordinators.

### **(b) Principal Activities**

Provision of grant funds for socio-economic empowerment of affirmative action groups; Women, Youth and Persons with Disability, needy children at the counties in line with the Vision 2030 through the following activities;

- i. Support to women economic empowerment initiatives through provision of funds for table banking, savings and credit cooperative organizations (SACCOS);
- ii. Provision of bursary and scholarships for access of education opportunities among vulnerable groups; school going orphaned, child-headed house-holds and special needs children, out of school vulnerable youth for skill training;
- iii. Support of value addition initiatives in agribusiness, cottage industries owned by affirmative action groups
- iv. Promotion of talent development among the youth involved in arts, music and sports;
- v. Support to programmes on access to services on gender- based violence through establishment of rescue and counseling centers and support to survivors of Gender based violence
- vi. Sensitization of communities on gender-based violence including, female genital mutilation, child marriages or forced marriages
- vii. Establishment of drugs and substance abuse rehabilitation and counseling centers in conjunction with the relevant Government agencies;
- viii. Enterprise training and financial start-ups support to rehabilitated individuals;
- ix. Conducting civic education and community sensitization on National Government affirmative action programmes and policies;

**(c) Key Management**

The National Government Affirmative Action Fund is management under the following key organs:

- The Principal Secretary, State Department of Gender Affairs, Ministry of Public Service, Youth and Gender Affairs
- The Board of Directors
- A Secretariat headed by the Chief Executive Officer

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

1	Ag. Chief Executive Officer	Magdaline J. Kipkenei
2	Head of Finance	Peter G. Karogi
3	Head of Procurement	Jane N. Munguti
4	Head of Human Resource	Peter Omanga
5	Programme Officer	Virginia W. Wanjuhi
6	Monitoring and Evaluation Officer	Mercy N. Kimemia

**(e) Fiduciary Oversight Arrangements**

**1. Finance and Administration Committee**

The Finance and Administration Sub-Committee is responsible to the Board of Directors for the following:

- i. Reviewing annual budgets schedules prepared by Accounts in line with the PFM Act, 2012 (NGAAF), Regulations, 2016;
- ii. Reviewing the secretariat annual procurement plan;
- iii. To oversee preparation of financial reports and ensure that reports are accurate and timely;
- iv. Ensure compliance with PFM Act, 2012;
- v. Ensure prudent utilization of disbursed Funds;
- vi. Recommending the staff establishment/levels
- vii. Oversee staff welfare, development and motivation and make recommendations to the board as and when need.

## 2. Audit Committee

The Audit Committee's responsibilities include the following:

- i. Provide oversight of the Fund internal audit function;
- ii. Evaluate internal and external audit reports and make appropriate recommendations;
- iii. Review the levels of compliance with relevant legislative and regulatory requirements
- iv. Conducting periodic internal checks on key processes to ensure compliance with the established procedures, and report to the Board on the findings and recommendations for improvements;
- v. To analyze and address the risks that are associated with the key processes.
- vi. To report to the Board of any financial concerns and irregularities;
- vii. Overseeing response to audit queries

**(f) Entity Headquarters**

P.O. Box 48274- 00100  
Teleposta Towers 4<sup>th</sup> Floor  
Kenyatta Avenue  
Nairobi, KENYA

**(g) Entity Contacts**

Telephone:  
E-mail: ceongaaf.go.ke  
Website: ngaaf.go.ke

**(h) Entity Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya





**2 Independent Auditors**

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

**3 Principal Legal Adviser**

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

**II. THE BOARD OF DIRECTORS**

 <p>Dr. Florence Cepkemboi Murgor          Ag. Chairperson.</p>	<p><b>Experience:</b> Born in 1957, lectures in Environmental Social Scientist. Chairs Independent Director and chairs the committee on conflict resolution and member of Finance committee.  <b>Qualifications:</b> Doctor of philosophy - Human Ecology, MA in Education, Bachelor of Education.</p>
 <p>Prof. Wanjiru Kabira</p>	<p><b>Experience:</b> Born in 1954. Professor of literature at University of Nairobi. Has taught at UON for over 30 years. Was a Commissioner of CKRC. Has published extensively on Gedu and Women issues. Contributed in Constitution making in Kenya (2012). Independent Director and also Director Africa Women Studies Centre.  <b>Qualifications:</b> PHD, MA</p>
 <p>Juliet Kola</p>	<p><b>Experience:</b> Born in 1962. Over 20 years in the Public Service as a Social Development Officer.  <b>Qualifications:</b> MA Governance and Leadership</p>
 <p>Joseph Mutuma Mutwiri</p>	<p><b>Experience:</b> Born in 1972. Over 15 years' experience in the Public Service in Public Finance Management. Alternate to Principal Secretary, National Treasury.  <b>Qualifications:</b> MBA, Bcom, CPA(K)</p>



*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

 <p>Ahmed Diis Mohamed</p>	<p><b>Experience:</b> Born 1974. Nine (9) years in managing, formulating and implementing company's policies. Independent Director</p> <p><b>Qualifications:</b> MA in Public Policy and Administration. Bachelor of sociology, political science and public administration. Diploma in pharmacy</p>
 <p>Emily Amlagu Opati</p>	<p><b>Experience:</b> Born 1968. Over 23 years' experience in the Public Service in Gender and Social Development .Represents the Principal Secretary-Gender Affairs. A member of conflict resolution committee.</p> <p><b>Qualifications:</b> Masters in Sociology, Bachelors of arts, Diploma in Gender Issues in labour and diploma in counselling.</p>
 <p>Magdaline Kipkenei  Ag. Chief Executive Officer</p>	<p><b>Experience:</b> Born in 1967.Has over 23 years' experience in the Public Service in Gender and Social-Economic Empowerment of Affirmative action groups, Community Mobilization and capacity building. Currently Ag. Chief Executive Officer</p> <p><b>Qualifications':</b> M.A Sociology (Community Development and Project Management Option) BA Sociology and a certificate in Strategic Leadership Course.</p>

**III. MANAGEMENT TEAM**

	 <p>Magdaline Kipkenei          Ag. Chief Executive Officer</p>	<p><b>Experience:</b> Born in 1967.Has over 23 years' experience in the Public Service in Gender and Social-Economic Empowerment of Affirmative action groups, Community Mobilization and capacity building. Currently Ag. Chief Executive Officer</p> <p><b>Qualifications':</b> M.A Sociology Community Development and Project Management Option) BA Sociology and a certificate in Strategic Leadership Course.</p>
	 <p>Virginiah Wanjuhi          Programmes Officer</p>	<p><b>Experience:</b> Born in 1975.Has over 10 years' experience in Public Service in Youth development. Currently Head of Programmes.</p> <p><b>Qualifications:</b> MBA in Strategic Management</p>
	 <p>Mercy Kimemia          Monitoring and Evaluation Officer</p>	<p><b>Experience:</b> Born in 1974.Has over 10 experience years in Youth Development and Monitoring &amp; Evaluation.</p> <p><b>Qualification:</b> BA Social Sciences Higher Diploma in Human Resource Management and a certificate in Monitoring and Evaluation.</p>
	 <p>Peter G. Karogi          Senior Accountant</p>	<p><b>Experience:</b> Born in 1962.Has 29 years in the Public Service as an Accountant.</p> <p><b>Qualifications:</b> MBA in Accounting, Bcom in Accounting and CPA I.</p>

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

 <p>Jane Munguti Procurement Officer</p>	<p><b>Experience:</b> Born in 1973. Has over 13 years' experience in the Public Service in procurement and inventory management.</p> <p><b>Qualifications:</b> Bcom in Marketing, Professional Diploma in Purchasing and Supplies, Diploma in Business Administration.</p>
 <p>Peter Omanga Human Resource and Development Asst. I</p>	<p><b>Experience:</b> Born in 1968. Has 29 years' experience in the Public Service in Human Resource functions with vast experience in Payroll Management.</p> <p><b>Qualifications:</b> Higher Diploma in Human Resource Management and Higher Diploma in Psychology Counselling.</p>

## **IV. CHAIRPERSONS STATEMENT**

### **Introduction**

It is my pleasure to present to you 2016/2017 Financial Statements. It' is worth noting that this is the first Board of the Fund. The Board has laid down structures and put in place systems for the Fund.

### **Overall performance**

The Fund disbursed a total of Kshs. 3.8 Billion in 2016/17 FY to the counties to finance community projects and programmes which was an allocation for two financial years (2015/16 and 2016/17FYs).

### **Key Activities and Achievements**

#### **The Fund supports the following activities;**

1. Promotion of economic empowerment activities through support to Women, Youth and PWDs Groups table banking, and Women owned SACCOs;
2. Provision of Bursary/ Scholarships to vulnerable students, trainees in vocational institutions and children with special needs;
3. Civic education of community leaders and the public on Government programmes and policies;
4. Support to Gender Based Violence prevention through establishment of rescue and counselling centres and provision of legal aid and sensitization programmes;
5. Value additional initiatives; support to market shades for women in business, agribusiness, home industries, enterprise training and development, support to eco-friendly innovations in energy, housing and appropriate technology etc;
6. Nurturing of talent among the youth in music, art, sports;
7. Prevention of substance abuse through rehabilitation programmes;
8. Emergency Response -2% of the funds are set aside to support emergencies during floods, famine, disease outbreak, fire break outs and destruction of basic infrastructure.

### **Successes**

From the total of Ksh 3.8B disbursed, the Fund achieved the following;

- The first Strategic Plan 2017-2022 developed.
- 8,309 Women groups and 128 Women-owned SACCOs supported to boost their table banking and revolving funds under Women Economic Empowerment

- 8,296 groups have been financed to up-scale their Value addition income generating initiatives,
- 95,296 vulnerable students and 28,258 vocational trainees supported to access education and skills through provision of bursary and scholarships;
- 107,689 needy school girls have been supported with Sanitary Towels and mentorship programmes;
- Over 3.9 million members of the community through Civic Education which entails training of potential groups for funding.

### **Governance and Board Performance**

The Board of Management has continued to discharge its duties diligently through various Board committees. During the year, one member – Ms. Juliet Kola joined the Board as a representative of the PS Social Protection. The new Director brings to the Fund additional skills and wealth of experience of over 20 years in public sector. This will further strengthen the Board in the performance of its duties.

### **Future Prospects and Strategy**

The Fund's strategy as outlined in the 2017-2022 Strategic Plan is to ensure long term sustainability of the Fund. The Board has the right balance of skills, experience and backgrounds to support and challenge the management team.

### **Challenges**

During the reference period the Fund experienced a number of challenges;

#### **1. Inadequate funds**

Inadequate funds for administrative functions including salaries, office accommodation, motor vehicle maintenance and fuel and other office operations. For the last three (3) Financial Years, the Fund has received a fairly constant amount in **2014/15FY** the Fund received **Ksh 2.0B**, in **2015/16 Ksh 2.05B**, in **2016/17 Ksh 2,130B**, and same amount was received in **2017/2018**.

#### **2. Delay in release of funds by The National Treasury**

The funds for the first half allocation delayed. This affected implementation of projects and programmes and operational activities.

3. Inadequate staffing

The Fund has inadequate staff both at the Secretariat and in the counties due to inadequate funding.

The Board intends to address the challenges through requesting for more funding from the exchequer and seeking for support from development partners and other stakeholders. The Board to request for deployment of technical staff from line Ministries in core technical areas.

4. Inadequate office space and equipment

The National Secretariat is currently housed in two offices by the State Department of Gender at Telposta Building while, County Coordinators are currently housed at the County Commissioners offices which are also ill-equipped.

## **V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

I am delighted to present highlights of the National Government Affirmative Action Fund's performance and operations for 2016/2017 Financial Year.

The Fund received Kshs. 4.18B from the exchequer from this Kshs 3.8B was disbursed to finance community projects and programmes for affirmative action groups. From this allocation the Fund supported the following programmes;

The Board disbursed **Ksh3, 803,800,000** to support affirmative action groups (Youth, Women and PWDs) for Socio- Economic empowerment at county level, as follows:

- i. 50% for county wide projects-Ksh1,901,900,000
- ii. 20% for table banking-Ksh 760,760,000
- iii. 20% for bursaries – Ksh 760,760,000
- iv. 10% for civic education-Ksh 380,380,000

The funds were utilised in achieving the following;

- a. Development of the first Strategic Plan 2017-2022
- b. 8,309 Women groups and 128 Women-owned SACCOs supported to boost their table banking and revolving funds under Women Economic Empowerment
- c. 8,296 groups have been financed to up-scale their Value addition income generating initiatives,
- d. 95,296 vulnerable students and 28,258 vocational trainees supported to access education and skills through provision of bursary and scholarships;

- e. 107,689 needy school girls have been supported with Sanitary Towels and mentorship programmes;
- f. Over 3.9 million members of the community through Civic Education which entails training of potential groups for funding.

## **VI. CORPORATE GOVERNANCE STATEMENT**

The Board of National Government Affirmative Action Fund is committed to ensuring that the Fund operates with integrity and maintains high standards of Corporate Governance in carrying out its mandate. The Board undertakes to ensure that the Fund complies with the guidelines on Corporate Governance Practices as is the requirement for Public officers.

In the 2016-2017 FY, the Fund achieved high levels of corporate governance by ensuring adherence to the following principles:

- i) Board ensures timely preparation of accurate financial statements
- ii) Ensures that effective processes and systems of risk management and internal controls are in place
- iii) Ensures that procurement process is cost effective and delivers the value for money
- iv) Ensures that books of accounts are prepared on timely basis
- v) Delegates to management the responsibility to implement risk management plan
- vi) Board appoints committee responsible for risk management in the organization
- vii) Maintains an effective and efficient system of internal controls
- viii) Delegates to management the responsibility of designing implementing and monitoring effectiveness of internal control systems
- ix) Ensures that the chairperson of audit committee is independent
- x) Ensures that at least one member of the audit committee has relevant qualifications and expertise in audit, financial management or accounting.
- xi) Ensures that the internal audit function reports to the committee

---

### **Board of Management**

The Board is responsible for the overall management and long term strategy of the Fund ensuring compliance with statutory requirements and fulfilling its responsibilities to stakeholders. The role of the Board is to disburse funds to the county, receive, review and approve projects, oversee the management of the fund, receive, review and approve reports.

The Board of Management consists of five independent members and three alternate members representing Principal Secretaries. They are appointed as per guidelines provided in the Legal notice No.52 of 2016.

The roles of the Chairperson and the Chief Executive Officer are clearly separated. The Chairperson leads the Board in approving the agenda for the Board meetings, chairing the meetings and ensuring that a record of proceedings of all Board activities is kept. The Chairperson should act as the spokesperson for the Board and is the principle contact for the CEO.

The day to day management of the business and implementation of policy decisions approved by the Board is the responsibility of the Chief Executive Officer who is also the secretary to the Board and is in charge of the Secretariat.

The members are provided with complete and timely information to enable them to allow ample time for appropriate review and to facilitate full discussion in meetings thereby discharging their responsibilities effectively. The members are encouraged to develop their knowledge of the operations of the Fund by taking part in the various activities organized by the Fund including field visits, monitoring and evaluation and regular training.

In order to discharge its mandates and responsibilities effectively, the Board has delegated certain tasks to its committees. There are four standing committees of the Board each with clear terms of reference. These are:

1. Strategy and Programs
2. Finance And Administration
3. Conflict And Dispute Resolution
4. Audit and Risk Committee

The Board and its sub-committees meetings are as per Board calendar and as dictated by other emerging urgent agendas. During this period the Board held Twenty one meetings.

### **Communication with Stakeholders**

The Fund undertakes civic education on its programmes at the community level. It has also developed a website, [www.ngaaf.go.ke](http://www.ngaaf.go.ke) which gives general information about the Fund and various activities undertaken. The Fund has a tweeter handle **@NGAAF\_KE** and a Facebook account **ngaafkenya**. Further, requests for information are considered as they are received and appropriate disclosure provided.

### **Accountability, Audit and Stakeholder Relations**

The Fund Board ensures that financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the Public Finance Management Act- 2012.



## **Board Charter**

Good corporate governance is regarded as critical to the success of the business of the Board and the Board is unreservedly committed to applying the fundamental principles of good governance including but not limited to; Integrity, Equity and Fairness, Innovativeness, Gender Equality, Transparency and Accountability and Self-reliance.

This charter is anchored on *Mwongozo*; the code of governance for state corporations issued by the State Corporations Advisory Committee. The main objectives of the charter is to define the governance parameters within which the Board shall operate; To set out specific responsibilities to be discharged by the Board members collectively; To ascertain roles and responsibilities incumbent upon Board members as individuals; To facilitate the full and free exercise of Board members' abilities and enhance effectiveness in their contributions that is consistent with standards of independent judgement, ethics and integrity expected of them.

## **Conflict of interest**

Board members are required to maintain integrity and declare any conflict of interest on any matter as relating to the Fund.

## **Boards Induction and Skills Development**

The Board members receive a comprehensive, formal and tailored induction programme to ensure effective contribution to the Board in the early days of their appointment. The induction covers the nature of the boards' business, structure, key strategies and Board practices and procedures. Training also cover the role, duties, and responsibilities of Board members. All Board members receives continuous skills development to extend and refresh their knowledge and skills, which will add to their credibility and effectiveness in the discharge of their responsibilities.

## **Board Members' Remuneration**

Board members are paid sitting allowances, accommodation/daily subsistence and transport allowances for attending Board meeting and on official duties, per diem on both domestic/local and foreign travel and lunch allowance where it is not provided while on official duties in line with Government Circulars; The Chairperson is paid monthly honorary in line with Government Circulars.

## **Board Performance**

The Board is expected to perform an annual evaluation to appraise its performance. This evaluation is carried out in accordance with Board evaluation tools. This provides an opportunity to identify strengths collective skills gaps and individual areas of improvement. Performance of each committee is also reviewed against agreed terms of reference. The Board also evaluates the performance of the CEO.

## **Board and Management Succession**

The Board is expected to develop a succession plan for the Board and the Management

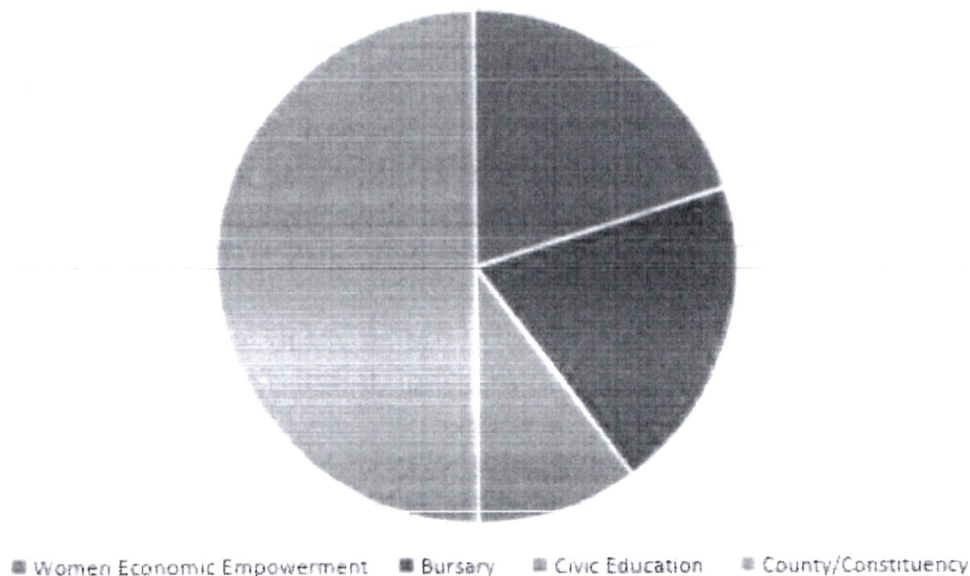
## **VII. MANAGEMENT DISCUSSION AND ANALYSIS**

The Mandate of the Fund;

- i. Enhanced access to financial facilities for women through a revolving fund for furtherance of economic empowerment initiatives such as but not limited to table banking, savings and credit cooperative organizations' and the amount allocated to this objective shall not exceed twenty (20%) of the total Fund receipts;
- ii. Support of value addition initiatives by the affirmative action groups;
- iii. Socio-cultural development and nurturing of talent for the youth which may include promotion of art, music and sports;
- iv. Enhanced access to services for survivors of gender based violence, female genital mutilation, child abuse and early and forced marriages through the provision of rescue centers, shelters, and legal aid centers amongst others;
- v. Support of affirmative action groups and in particular out-of-school youth, orphans, children in child-headed households and special needs children through bursaries and scholarships to access education opportunities. The amount allocated to this objective shall not exceed twenty (20%) of the annual total allocations of the Fund;
- vi. Establishment of rehabilitation and counseling centers for the control of drugs and substance abuse for persons affected by drug and substance abuse in conjunction with the relevant Government agencies;
- vii. Sustained civic education and community sensitization on Government programmes and policies such as the 30% procurement reservation for women, youth and persons with disabilities, existence of other social economic empowerment opportunities such as Uwezo Fund and Youth Enterprise Development Fund and Women Enterprise Development Fund. The amount allocated to this objective shall not exceed ten (10%) of the annual allocation of the Fund.

S/No	Category	%	Amount
1	Women Economic Empowerment	20	387,660,000
2	Bursary	20	387,660,000
3	Civic Education	10	193,829,998
4	County/Constituency	50	969,150,000

NGAAF Allocation of funds 2016/2017



**On Institutional Strengthening the following was achieved;**

- i. M&E timetable was approved and M & E tools adopted to streamline monitoring and evaluation.
- ii. Development of the first ever Strategic Plan (2017-2022) which is at an advanced stage. The edited document is in place awaiting launch.
- iii. Socio-Economic Impact Assessment has been done and the first report has been presented to the board.
- iv. Regular training for the coordinators and induction of the 40 drivers employed by the Board.
- v. Concluded the procurement plan for the year 2016/2017
- vi. Facilitated Training Needs Assessment for all staff for the Financial year 2017 /18

## **Major Risks Facing the Fund**

This entails organized activities to mitigate threats and involving people to follow procedures and use tools in order to ensure conformance with risk management policies. Some of the risks and mitigating strategies are:

1. Political interference that encourages deviation from the NGAAF plan.
2. The fund has developed a strategic plan and a work plan to ensure that there is proper coordination of NGAAF activities both in national and county level.
3. Negative cultural and social beliefs where the fund enhanced civic education.
4. Competition from other government departments undertaking the same mandate. The fund has established proper partnership with other departments and funds through organizing joint forums and programs to ensure that the fund compliment the other.

## VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the National Government Affirmative Action Fund affairs.

### **Principal activities**

The principal activities of the entity are as outlined under key entity information and management.

### **Results**

The results of the entity for the year ended June 30, 2017 are set out on page 1.

### **Directors**

The members of the Board of Directors who served during the year are shown on page vi and vii.

### **Auditors**

The Auditor General is responsible for the statutory audit of the National Government Affirmative Action Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Dr. Florence Murgor  
Acting Chairperson, Board of Management

Date: 7/2/18

## IX. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of Ngaaf, which give a true and fair view of the state of affairs of the *Ngaaf* at the end of the financial year and the operating results of Ngaaf for the year ending 30<sup>th</sup> June 2017.

The Directors are also required to ensure that Ngaaf keeps proper accounting records which disclose with reasonable accuracy the financial position of Ngaaf. The Directors are also responsible for safeguarding the assets of Ngaaf.

The Directors are responsible for the preparation and presentation of the Ngaaf's financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year ended on June 30, 2017.

This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Ngaaf;
- (v) Selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Ngaaf'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.

The Directors are of the opinion that the Ngaaf's financial statements give a true and fair view of the state of Ngaaf's transactions during the financial year ended June 30, 2017, and of the Ngaaf's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Ngaaf which have been relied upon in the preparation of the Ngaaf's financial statements as well as the adequacy of the systems of internal financial control.

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

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

---

**Approval of the financial statements**

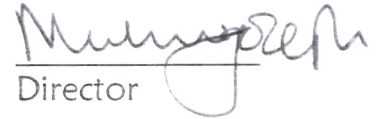
The National Government Affirmative Action Fund financial statements were approved by the Board on 7/2/18 and signed on its behalf by:



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.oagkenya.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT AFFIRMATIVE ACTION FUND FOR THE YEAR ENDED 30 JUNE 2017

---

#### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of National Government Affirmative Action Fund set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

#### Basis for Disclaimer of Opinion

##### 1. Cash and Cash Equivalents

(i). The cash and cash equivalents' balance of Kshs.127,358,483 as reflected on the statement of financial position as at 30 June 2017 represents cash held at the Central Bank as disclosed in Note 14(b) to the financial statements. Although it is evident that the Fund operated additional bank accounts in the forty-seven counties, no cashbooks, bank statements and bank reconciliations for the bank accounts were provided for audit review. In addition, the cash balances held in these bank accounts have not been included in the statement of financial position as at 30 June, 2017.

(ii). The Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 under regulation 24 (4) requires that a bank account be opened for each county committee. Although, it is evident that the county bank accounts were opened and funds transferred from the main account to these accounts, no information was provided on the specific approval by the National Treasury to opening these bank accounts. It was also not possible to verify whether the accounts operating mandates were in line with the regulations or not.

---

*Report of the Auditor-General on the Financial Statements of National Government Affirmative Action Fund for the year ended 30 June 2017*



(ii). The Public Finance Management (National Government Affirmative Action Fund) Regulations 2016, regulation 24 (8) requires that balances held at the end of the financial year be returned to the National Government Affirmative Action Fund account. However, no evidence was provided to show that the above regulation was adhered to by any of the county committees for the year ended 30 June 2017.

## **2. Presentation of Financial Statements**

(i). Although the financial statements have been prepared on accrual basis of accounting, the statement of financial performance, reflects account items for the expenses which differs from the format prescribed by the Public Sector Accounting Standards Board. No justification has been provided for this deviation from the prescribed reporting format.

(ii). In addition, an amount of Kshs.163,496,536 spent on acquisition of motor vehicles as disclosed in Note 8 to the financial statements has been expensed and presented in the statement of financial performance instead of being capitalized and presented as non-current assets under property, plant and equipment in the statement of financial position. This is contrary to the requirement of International Public Sector Accounting Standard (IPSAS) 17, Paragraph 13, which requires tangible assets that are held for use in the production or supply of goods or services for administrative purposes or otherwise and are expected to be used for more than one reporting period, to be classified and treated as part of property, plant and equipment.

(iii). Further, the financial statements for the year ended 30 June 2017 reflect comparative figures for 2015/2016 in the statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows and notes to financial statements. However, the comparative figures have not been supported with any relevant documentation to show the conversion of prior year figures from IPSAS cash basis accounting to IPSAS accrual basis of accounting.

## **3. Annual Budget for Year 2016/2017**

The financial statements include a statement of comparison of budget against actual amounts. However, the approved budget for the year 2016/2017 was not provided for audit verification. Consequently, it has not been possible to confirm whether the expenditure for various account items were within the approved budget.

## **4. Responsibility for Preparation and Submission of Financial Statements**

The Public Finance Management (National Government Affirmative Action Fund) Regulations, 2016 regulation 15 designates the accounting officer of the State Department responsible for matters relating to gender affairs as the designated administrator of the Fund with the responsibility of keeping proper books of accounts, preparing and signing the financial statements for each year and submitting to the Auditor-General for audit. However, the financial statements submitted have not been signed by the designated Fund administrator contrary to the regulations and Section 84 of the Public Finance Management Act, 2012.

## **5. Accuracy of Financial Statements**

The following has been noted with regard to the financial statements:

- (i). The brought forward balance of Kshs.2,313,420,402 in respect of revenue from non-exchange transactions reflected in the statement of financial performance does not agree with the figure of Kshs. 2,130,000,000 disclosed in Note 1 to the financial statements.
- (ii). Exchequer receipts comparative figure of Kshs.4,050,000,000 reflected in the statement of financial performance differs with the figure of Kshs.2,130,000,000 disclosed in Note 2 to the financial statements. In addition, the receipts have been described differently as “exchequer receipts” and “operational grants” in the statement of financial performance and Note 2, respectively.

## **6. Unexplained Adjustments**

An adjustment of Kshs.7,258,321 processed against the expenditure on transfer to other Government units which increased the initial reported figure of Kshs.4,006,699,872 to the final figure of Kshs.4,013,958,193 as reflected in the statement of financial performance has not been explained. Consequently, the accuracy of the figure could not be ascertained.

## **7. Transfer to Secretariat**

The statement of financial performance reflects against board expenses amounts of Kshs.192,326,620 and Kshs.40,000,000 for 2016/2017 and 2015/2016 financial years, respectively. The amounts, however, relate to transfers to the Fund’s Secretariat. The following has also been noted:

- (i). The transfer to the Fund’s Secretariat is required to be 5% of the total disbursements but in this case, there is no indication of the basis on how the amounts transferred have been derived. The total transfers to the Secretariat for the two years should have been 5% of Kshs.6,180,000,000 amounting to Kshs.309,000,000. The short fall of Kshs.76,673,371 has not been explained.
- (ii). No documentation was provided to support how the amounts have been utilized by the Fund management.
- (iii). Although 60% of these amounts were to be transferred to the county committees, no documentary evidence was provided to show that the amounts were transferred to the committees and if so, how the county committees had utilized the funds.
- (iv). Accountabilities statement for transfers to the Secretariat have not been prepared and provided for audit verification.
- (v). A separate bank account was not maintained for the Fund’s Secretariat.

## **8. Transfer to Other Government Units**

Transfer to Other Government Units amounting to Kshs.4,013,958,103 shown in the statement of financial performance relates to disbursement made by the Fund to the county committees. However, the following has been noted:

- (i). Even though there were Board minutes to support approval of transfer of funds to the county committees detailing the amounts and the period, the basis of approvals in form of approved work plans were not provided for audit verification.
- (ii). In addition, the Board's approved county committees projects' reports were not provided for audit verification.
- (iii). There were no accountability statements from the county committees and supporting documents for the payments made out of the funds from the county committees' bank accounts.
- (iv). The county committees' cash and bank balances as at 30 June 2017 were not accounted for in the financial statements but assumed to have been utilized and forming part of the expenditure which is incorrect.
- (v). Records of the county committees' bank accounts were not provided for audit examination. Consequently, it has not been possible to ascertain compliance with the Fund's regulations, receipt of funds and validity of payments out of these bank accounts by the county committees.

Under the circumstances, the propriety and accuracy of transfers to other government entities expenditure of Kshs.4,103,958,103 could not be confirmed.

## **9. Emergency Reserve**

Legal Notice No. 52 of 1 April 2016 Clause 13 stipulates that, there shall be an emergency reserve for the Fund made up of 2% of the allocations and which shall be un-allocated to cater for emergencies. The expected emergency reserve balance should have been 123,600,000 as at the 30 June 2017 less any utilization that should be in line with the regulations. However, no emergency reserve has been reflected and disclosed in the financial statements in terms of the amount. The Fund's management appeared not to have implemented or adhered to the regulations with regard to the emergency reserve.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the National Government Affirmative Action Fund ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless the management either intends to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

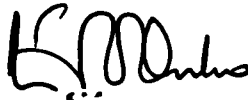
The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

My responsibility is to conduct an audit of the National Government Affirmative Action Fund financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of National Government Affirmative Action Fund 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.



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

**Nairobi**

**16 July 2018**

**National Government Affirmative Action Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

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

	Note	2016-2017	2015-2016
		Kshs	Kshs
Revenue from non-exchange transactions			
Balance b/fwd.	1	2,313,420,402	Nil
Exchequer Receipts	2	2,130,000,000	4,050,000,000
Receipts from the State Department of planning	3	53,633,394	nil
Refunds from the State Department of Planning	4	600,000	nil
Total Revenue from non-exchange transactions	5	4,497,653,796	4,050,000,000
Revenue from exchange transactions		Nil	Nil
Total revenue	6	4,497,653,796	4,050,000,000
Expenses			
Transfer to other Government unit	7	4,013,958,103	1,379,999,995
Acquisition of Assets	8	163,496,536	315,974,193
Other payments	9	514,045	605,410
Board Expenses	10	192,326,629	40,000,000
Total expenses	11	4,370,295,313	1,736,579,598
Other gains/(losses)		Nil	Nil
Surplus before tax	12	127,358,483	2,313,420,402
Taxation		Nil	Nil
Surplus	13	127,358,483	2,313,420,402

The notes set out on pages 7 to 18 form an integral part of these Financial Statements

XII. STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2017

		2016-2017	2015-2016
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	127,358,483	2,313,420,402
Non-current assets		Nil	Nil
<b>Total assets</b>	15	127,358,483	2,313,420,402
<b>Liabilities</b>			
<b>Current liabilities</b>		Nil	Nil
		Nil	Nil
Non-current liabilities		Nil	Nil
		Nil	Nil
<b>Total liabilities</b>		Nil	Nil
<b>Net assets</b>	16	127,358,483	2,313,420,402
Reserves		Nil	Nil
Accumulated surplus	17	127,358,483	2,313,420,402
Minority interest		Nil	Nil
<b>Total net assets and liabilities</b>	18	127,358,483	2,313,420,402

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

Chief Executive Officer

Name: MAGDALENE J. KIPRENEI

Date: 7.2.18

Head of Finance

Name: PETER G. KARBU

Date: 7.2.18

Chairperson of the Board

Name: DR F. MURGOL

Date: 7-12-18

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

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

	Accumulated surplus	Total
	Kshs	Kshs
Balance as at 1 July 2015	Nil	Nil
Surplus/(deficit) for the period	2,313,420,402	Nil
Transfers to/from accumulated surplus	Nil	-
Transfer of excess depreciation on revaluation	Nil	
Grants received during the year		Nil
Revaluation gain		Nil
<b>Balance as at 30 JUNE 2016</b>	<b>2,313,420,402</b>	<b>Nil</b>
Balance as at 1 July 2016	2,313,420,402	Nil
Surplus for the period	127,358,483	Nil
Transfers to/from accumulated surplus	Nil	-
Transfer of excess depreciation on revaluation	Nil	
Grants received during the year		Nil
Revaluation gain		Nil
<b>Balance as at 30 JUNE 2017</b>	<b>127,358,483</b>	<b>Nil</b>

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**XIV. STATEMENT OF CASH FLOWS**  
**AS AT 30 JUNE 2017**

		2016-2017	2015-2016
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Balance Brought forward	19	2,313,420,402	Nil
Exchequer receipts	20	2,130,000,000	4,050,000,000
Receipts from State Department of Planning	21	53,633,394	Nil
Refund from State Department of Planning	22	600,000	Nil
<b>Total Receipts</b>	<b>23</b>	<b>4,497,653,796</b>	<b>4,050,000,000</b>
<b>Payments/Expenses</b>			
Transfer to other Government units	24	4,013,958,103	1,379,999,995
Acquisition of assets	25	163,496,536	315,974,193
Other payments		514,045	605,410
Board Expenses	26	192,326,629	40,000,000
<b>Total Payments</b>	<b>27</b>	<b>4,370,295,313</b>	<b>1,736,579,598</b>
<b>Net cash flows from operating activities</b>	<b>28</b>	<b>127,358,483</b>	<b>2,313,420,402</b>
Cash and cash equivalents at 1 July, 2017	29	127,358,483	2,313,420,402
Cash and cash equivalents at 30 June, 2017	30	127,358,483	2,313,420,402



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

	Original budget	Final budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017
	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>				
Balance brought forward	2,313,420,402	2,313,420,402	2,313,420,402	Nil
Exchequer receipts	2,130,000,000	2,130,000,000	2,130,000,000	Nil
Receipts from State Department of Planning	53,633,394	53,633,394	53,633,394	Nil
Refund from State Department of Planning	600,000	600,000	600,000	Nil
<b>Total income</b>	<b>4,497,653,796</b>	<b>4,497,653,796</b>	<b>4,497,653,796</b>	<b>Nil</b>
<b>Expenses</b>				
Transfer to other Government units	4,013,958,103	4,006,699,872	4,006,699,872	Nil
Acquisition of Assets	163,496,536	171,268,812	171,268,812	Nil
Other Payments	514,045	514,045	514,045	Nil
Board Expenses	192,326,629	192,326,629	192,326,629	Nil
<b>Total expenditure</b>	<b>4,370,295,313</b>	<b>4,370,295,313</b>	<b>4,370,295,313</b>	<b>Nil</b>
<b>Surplus for the period</b>	<b>127,358,483</b>	<b>127,358,483</b>	<b>127,358,483</b>	<b>Nil</b>

**XVI. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Ngaaf is established by and derives its authority and accountability from Public Finance Management Act (No. of 2012). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity’s principal activity is financial support to the affirmative groups.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The entity adopted IPSAS in the year ended 30 June 2016 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34:	(Effective for annual periods beginning on or January 1, 2017)

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

Standard	Impact
Separate Financial Statements	<p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
<p><b>IPSAS 35:</b> Consolidated Financial Statements</p>	<p><b>Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> <li>- Its power over the other entity</li> <li>- Its exposure or rights to variable benefits from involvement with the other entity</li> <li>- Its ability to control the nature, timing and amount of benefits from the other entity.</li> </ul> <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
<p><b>IPSAS 36:</b> Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p>The entity does not have investments in associates or joint ventures.</p>
<p><b>IPSAS 37:</b> Joint Arrangements</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint</p>

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

Standard	Impact
	<p>Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p>The entity does not have an interest in a joint arrangement and therefore the standard does not apply.</p>
<p><b>IPSAS 38:</b>            Disclosure of Interests in Other Entities</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p>The entity does not have interests in other entities and therefore the standard does not apply.</p>

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:
<p><b>IPSAS 39:</b>            Employee Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>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.</p>
<p><b>IPSAS 40: Public Sector Combinations</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2019:</b></p> <p>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.</p>

iii. **Early adoption of standards**

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Revenue recognition**

i) **Revenue from non-exchange transactions**

**Transfers from other government entities**

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

b) **Budget information**

The original budget for FY 2016-2017 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. 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.

***National Government Affirmative Action Fund***  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

---

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

**c) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of accumulated surplus..

**d) Changes in accounting policies and estimates**

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

**e) Related parties**

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

**f) Cash and cash equivalents**

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

**g) Comparative figures**

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

## **5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

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

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

---

**h) 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, 2017.



**National Government Affirmative Action Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**1. Transfers from other governments**

Description	2016-2017	2015-2016
	KShs	KShs
Unconditional grants		
Operational grant	2,130,000,000	2,130,000,000
Other	53,633,394	nil
	Nil	Nil
Conditional grants		
Total government grants and subsidies	2,183,633,394	2,130,000,000

**2. Transfers from Ministries, Departments and Agencies**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2016-2017 KShs
State Department for Gender	2,130,000,000	Nil	Nil	2,130,000,000	2,130,000,000
Total	2,130,000,000	Nil	Nil	2,130,000,000	2,130,000,000

**3. Receipts from the State Department of Planning**

	Note	2016/17	2015/16
		Kshs	Kshs
Receipts from the State Department for planning	3	53,633,394	Nil

**4. Refund from State Department of Planning**

	Note	2016/17	2015/16
		Kshs	Kshs
Refund from State Department for planning	4	600,000	Nil

**5. Total Revenue from non-Exchange transactions**

	Note	2016/17	2015/16
		Kshs	Kshs

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

Total Revenue from non-Exchange transactions	5	4,497,653,796	4,050,000,000
----------------------------------------------	---	---------------	---------------

**6. Total Revenue**

	Note	2016/17	2015/16
		Kshs	Kshs
Total Revenue	6	4,497,653,796	4,050,000,000

**7. Transfers to other Government Units**

	Note	2016/17	2015/16
		Kshs	Kshs
Transfer to other Government units	7	4,013,958,103	1,379,999,995

**8. Acquisition of Assets**

	Note	2016/17	2015/16
		Kshs	Kshs
Acquisition of Assets (Purchase of motor vehicles for the Counties).	8	163,496,536	315,974,193

**9. Other payments**

	Note	2016/17	2015/16
		Kshs	Kshs
Other payments	9	514,045	605,410

**10. Board Expenses**

	Note	2016/17	2015/16
		Kshs	Kshs
Board Expenses	10	192,326,629	40,000,000

**11. Total Expenses**

	Note	2016/17	2015/16
		Kshs	Kshs
Total Expenses	11	4,370,295,313	1,736,579,598

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**12. Surplus before Tax**

	Note	2016/17	2015/16
		Kshs	Kshs
Surplus before tax	12	127,358,483	2,313,420,402

**13. Surplus**

	Note	2016/17	2015/16
		Kshs	Kshs
Surplus	13	127,358,483	2,313,420,402

**14 a). Cash and cash equivalents**

Description	Note	2016-2017	2015-2016
		KShs	KShs
Current account		127,358,483	2,313,420,402
Total cash and cash equivalents	14	127,358,483	2,313,420,402

**(b). Detailed analysis of the cash and cash equivalents**

Financial institution	Account number	2016-2017	2015-2016
		KShs	KShs
a) Current account			
Central Bank of Kenya	1000313602	127,358,483	2,313,420,402
<b>Grand total</b>		127,358,483	2,313,420,402

**15. Total Assets**

	Note	2016/17	2015/16
		Kshs	Kshs
Total Assets	15	127,358,483	2,313,420,402

**16. Net Assets**

	Note	2016/17	2015/16
		Kshs	Kshs
Net Assets	16	127,358,483	2,313,420,402

**17. Accumulated Surplus**

	Note	2016/17	2015/16
		Kshs	Kshs
Accumulated Surplus	17	127,358,483	2,313,420,402

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**18. Total Net Assets and Liabilities**

	Note	2016/17	2015/16
		Kshs	Kshs
Total Net Assets and liabilities	18	127,358,483	2,313,420,402

**19. Balance brought forward from 2015/16**

	Note	2016/17	2015/16
		Kshs	Kshs
Balance brought forward from 2015/16	19	2,313,420,402	Nil

**20. Exchequer Receipts**

	Note	2016/17	2015/16
		Kshs	Kshs
Exchequer Receipts	20	2,130,000,000	4,050,000,000

**21. Receipts from State Department of Planning**

	Note	2016/17	2015/16
		Kshs	Kshs
Receipts from State Department of Planning	21	53,633,934	Nil

**22. Refund from State Department of Planning**

	Note	2016/17	2015/16
		Kshs	Kshs
Refund from State Department of Planning	22	600,000	Nil

**23. Total Receipts**

	Note	2016/17	2015/16
		Kshs	Kshs
Total Receipts	23	4,497,653,796	4,050,000,000

**National Government Affirmative Action Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**24. Transfer to other Government Units**

	Note	2016/17	2015/16
		Kshs	Kshs
Transfer to other Government Units	24	4,013,958,103	1,379,999,995

**25. Acquisition of Assets**

	Note	2016/17	2015/16
		Kshs	Kshs
Acquisition of Assets	25	163,496,536	315,974,193

**26. Board Expenses**

	Note	2016/17	2015/16
		Kshs	Kshs
Board Expenses	26	192,326,629	40,000,000

**27. Total payments**

	Note	2016/17	2015/16
		Kshs	Kshs
Total payments	27	4,370,295,313	1,736,579,598

**28. Net cash flows from operating activities**

	Note	2016/17	2015/16
		Kshs	Kshs
Net cash flows from operating activities	28	127,358,483	2,313,420,402

**29. Cash and cash equivalents at 1 July, 2017**

	Note	2016/17	2015/16
		Kshs	Kshs
Cash and cash equivalents at 1 July, 2017	29	127,358,483	2,313,420,402

**30. Cash and Cash equivalents at 30 June, 2017**

	Note	2016/17	2015/16
		Kshs	Kshs
Cash and Cash equivalents at 30 June, 2017	30	127,358,483	2,313,420,402

## 6. Financial Risk Management

The entity's activities expose it to a variety of financial risks which is credit and risks. 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'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 carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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 entity has significant concentration of credit risk on amounts due from xxxx

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) Capital Risk Management

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

**National Government Affirmative Action Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

	2016-2017	2015-2016
	Kshs	Kshs
Retained earnings/accumulated surplus	127,358,483	2,313,420,402
<b>Total funds</b>	Nil	Nil
<b>Gearing</b>	xx%	xx%

**7. Related Party Balances**

**a) Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

**b) Related party transactions**

	2016-2017	2015-2016
	Kshs	Kshs
Transfers from related parties'	2,130,000,000	4,050,000,000
Transfers to related parties	4,006,699,872	1,379,999,995

*National Government Affirmative Action Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

---

**c) Key management remuneration**

	2016/2017	2015/2016
	Kshs	Kshs
Directors'/ Secretariat expenses	192,326,629	40,000,000

**8. Events after the reporting period**

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

**9. Ultimate and Holding Entity**

The National Government Affirmative Action Fund is a Semi- Autonomous Government Agency under the Ministry of Public Service, Youth and Gender Affairs. Its ultimate parent is the Government of Kenya.

**10. Currency**

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



**XVII. 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.

Referen ce No. on the externa l audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved / Not Resolved</i> )	Timeframe: ( <i>Put a date when you expect the issue to be resolved</i> )

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Director General/C.E.O/M.D (enter title of head of entity)  
 Chairman of the Board

Date.....

National Government Affirmative Action Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2017

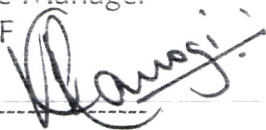
XVIII. Appendix 1: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Gender Affairs				
FY 2016/2017				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			Nil	
		<b>Total</b>	<b>Nil</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>2016/2017</u>
	State Department for Gender Affairs	13/1/2017	1,065,000,000	
	State Department for Gender Affairs	19/4/2017	532,500,000	
	State Department for Gender Affairs	10/5/2017	532,500,000	
		<b>Total</b>	<b>2,130,000,000</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager  
 NGAAF

Sign



Head of Accounting Unit  
 State Department of Gender Affairs

Sign



**National Government Affirmative Action Fund  
Reports and Financial Statements  
For the year ended June 30, 2017**

**(IX. Appendix 2: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department for Gender Affairs	as per bank statement 13/01/2017 19/04/2017 10/05/2017	Development	1,065,000,000 532,500,000 532,500,000	xxx	xxx	xxx	xxx	xxx	2,130,000,000
<b>Total</b>			<b>2,130,000,000</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>2,130,000,000</b>

