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business advisers

**AFRICA CENTRE FOR OPEN GOVERNANCE (AfricOG)  
(A COMPANY LIMITED BY GUARANTEE)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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**COMPANY INFORMATION**

**BOARD OF DIRECTORS**

: Gladwell Otieno  
: Stella Chege  
: Maina Kiai  
: John Githongo  
: Dr. Funmi Olonisakin

**REGISTERED OFFICE AND  
PRINCIPAL PLACE OF BUSINESS**

: Kabasiran Avenue,  
: James Gichuru Road  
: Lavington  
: P.O. Box 18157, 00100  
: NAIROBI

: Telephone - +254 (020) 4443707  
: Email - [www.africog.org](http://www.africog.org)

**INDEPENDENT AUDITOR**

: PKF Kenya  
: Certified Public Accountants  
: P.O. Box 47323, 00100  
: NAIROBI

**COMPANY SECRETARIES**

: Equatorial Secretaries and Registrars  
: Certified Public Secretaries  
: P.O. Box 47323, 00100  
: NAIROBI

**LEGAL ADVISOR**

: Mbugua Mureithi and Co. Advocates  
: NAIROBI

**PRINCIPAL BANKER**

: NIC Bank Limited  
: NAIROBI

**REPORT OF THE DIRECTORS**

The directors submit their report and the audited financial statements for the year ended 31 December 2013, which disclose the state of affairs of the company.

**PRINCIPAL ACTIVITY**

The principal activity of the company is that of providing cutting edge research on governance and public ethics issues and monitor governance fundamentals in both the government and private sector.

<b>RESULTS</b>	<b>2013 Shs</b>	<b>2012 Shs</b>
(Deficit)/surplus for the year	<u>(111,622)</u>	<u>3,186,347</u>

**DIRECTORS**

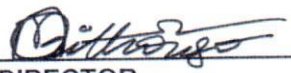
The directors who held office during the year and to the date of this report are shown on page 1.

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

**INDEPENDENT AUDITOR**

The company's auditor, PKF Kenya, has indicated willingness to continue in office

**BY ORDER OF THE BOARD**

  
\_\_\_\_\_  
DIRECTOR  
NAIROBI

 2014

*Africa Centre for Open Governance (AfriCOG)*

*(A company limited by guarantee)*

*Annual report and financial statements*

*For the year ended 31 December 2013*

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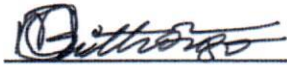
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Companies Act (Cap. 486) requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results for that year. It also requires the directors to ensure that the company maintains proper accounting records which disclose with reasonable accuracy the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

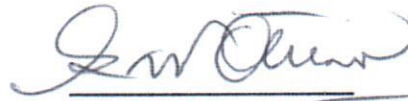
The directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous years and in conformity with International Financial Reporting standards for Small and Medium-Sized Entities and the requirements of the Companies Act (Cap 486). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31 December 2013 and of its operating results for the year then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the company which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

Approved by the board of directors on 11 JANU 2014 and signed on its behalf by:



**DIRECTOR**



**DIRECTOR**

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF AFRICA CENTRE FOR OPEN GOVERNANCE (AfriCOG) (A COMPANY  
LIMITED BY GUARANTEE)**

**Report on the financial statements**

We have audited the accompanying financial statements of Africa Centre for Open Governance (AfriCOG) set out on pages 6 to 14 which comprise the statement of financial position as at 31 December 2013 and the statement of profit or loss and general fund and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard for Small and Medium-Sized Entities and the requirements of the Companies Act (Cap. 486). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Africa Centre for Open Governance as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-Sized Entities and with the requirements of the Company's Act (Cap.486)

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF AFRICA CENTRE FOR OPEN GOVERNANCE (AfricOG) (A COMPANY  
LIMITED BY GUARANTEE) (CONTINUED)**

**Report on other legal requirements**

As required by the Companies Act (Cap. 486) we report to you, based on our audit, that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) the company's statement of financial position and statement of profit or loss and general fund are in agreement with the books of account.

**Emphasis of matter**

Without qualifying our opinion, we draw your attention to Note 8 of the financial statements which indicates that the company has not obtained a tax exemption certificate from Kenya Revenue Authority. No provision for tax has been made in the financial statements as the directors are of the opinion that the company is deemed to be exempt from tax due to the nature of its activities.

*PKF Kenya*

**Certified Public Accountants**  
PIN NO. P051130467R

**NAIROBI**

*19th June*

2014

The engagement partner responsible for the audit resulting in this independent auditor's report is  
CPA Ritesh Hareesh Mirchandani - P/No. 1631.

**STATEMENT OF PROFIT OR LOSS AND GENERAL FUND**

		2013 Shs	2012 Shs
<b>INCOME</b>	<b>Notes</b>		
Grants	4	64,605,687	40,143,148
Other operating income	5	<u>492,078</u>	<u>457,725</u>
<b>Total income</b>		65,097,764	40,600,873
Programme expenses		(26,692,394)	(11,755,814)
Administrative expenses		<u>(38,516,992)</u>	<u>(25,658,712)</u>
<b>(Deficit)/surplus before tax</b>	6	(111,622)	3,186,347
Tax charge	8	<u>-</u>	<u>-</u>
<b>(Deficit)/surplus for the year</b>		<u>(111,622)</u>	<u>3,186,347</u>
<b>General fund surplus/(deficit) at start of year</b>		<u>463,134</u>	<u>(2,723,213)</u>
<b>General fund at end of year</b>		<u><u>351,512</u></u>	<u><u>463,134</u></u>

The notes on pages 9 to 14 form an integral part of these financial statements.

Report of the independent auditor - page 4.


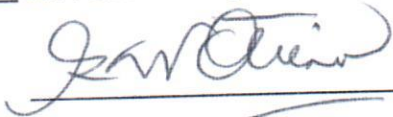


Africa Centre for Open Governance (AfriCOG)  
 (A company limited by guarantee)  
 Annual report and financial statements  
 For the year ended 31 December 2013

**STATEMENT OF FINANCIAL POSITION**

	Notes	As at 31 December	
		2013 Shs	2012 Shs
<b>CAPITAL EMPLOYED</b>			
General fund		351,512	463,134
Capital fund	9	<u>2,528,486</u>	<u>1,724,087</u>
		<u>2,879,998</u>	<u>2,187,221</u>
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Property and equipment	10	<u>2,528,486</u>	<u>1,724,087</u>
<b>Current assets</b>			
Receivables	11	504,356	556,515
Cash and cash equivalents	12	<u>17,028,683</u>	<u>24,547,385</u>
		<u>17,533,039</u>	<u>25,103,900</u>
<b>Current liabilities</b>			
Payables	13	3,333,083	1,336,341
Deferred income	14	<u>13,848,444</u>	<u>23,304,425</u>
		<u>17,181,527</u>	<u>24,640,766</u>
<b>Net current assets</b>		<u>351,512</u>	<u>463,134</u>
		<u>2,879,998</u>	<u>2,187,221</u>

The financial statements on pages 6 to 14 were approved and authorised for issue by the Board of Directors on 11 JUNE 2014 and were signed on its behalf by:

 DIRECTOR  DIRECTOR

The notes on pages 9 to 14 form an integral part of these financial statements.

Report of the independent auditor - page 4.

**STATEMENT OF CASH FLOWS**

		2013 Shs	2012 Shs
<b>Cash (used in)/from operating activities</b>	<b>Notes</b>		
Surplus for the year		(111,622)	3,186,347
<b>Adjustments for:</b>			
Changes in working capital:			
- receivables		52,159	(411,640)
- payables		1,996,742	(3,316,384)
- deferred income		<u>(9,455,981)</u>	<u>1,261,634</u>
Net cash (used in)/from operating activities		<u>(7,518,702)</u>	<u>719,957</u>
(Decrease)/increase in cash and cash equivalents		<u>(7,518,702)</u>	<u>719,957</u>
<b>Movement in cash and cash equivalents</b>			
At start of year		24,547,385	23,827,428
(Decrease)/increase		<u>(7,518,702)</u>	<u>719,957</u>
At end of year	12	<u>17,028,683</u>	<u>24,547,385</u>

The notes on pages 9 to 14 form an integral part of these financial statements.

Report of the independent auditor - page 4.

## NOTES

### 1. General Information

Africa Centre for Open Governance is incorporated in Kenya under the Kenyan Companies Act as a private company limited by guarantee, and is domiciled in Kenya. The address of its registered office and principal place of business is Kabasiran Avenue, James Gichuru Road, Lavington, Nairobi. The principal activity of the company is that of providing cutting edge research on governance and public ethics issues and monitor governance fundamentals in both the government and private sector.

### 2. Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (Shs). The measurement basis used is the historical cost basis.

The preparation of financial statements in conformity with IFRS for SMEs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3(a).

### 3. Summary of significant accounting policies

#### a) Significant judgements made by management in applying the company's accounting policies

Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- The entity applies judgement in determining whether the conditions for recognition of grants as income have been met.

#### Key sources of estimation uncertainty

In the opinion of directors there are no assumptions or other major sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within 12 months of the reporting date

#### b) Income

Grant income is recognised when the monetary value of the grant can be measured with sufficient reliability, there is reasonable assurance of receipt and conditions for receipt, if any, have been met. Donations in kind whose monetary value can not be quantified are not recognised as income.

Grant income is deferred where it has been received to fund specific future expenditure.

**NOTES (CONTINUED)**

**3. Summary of significant accounting policies (continued)**

**c) Translation of foreign currencies**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kenya shillings at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in surplus or deficit.

**d) Property and equipment**

Property and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

Depreciation on assets is calculated on a reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	<u>Rate</u>
Computers	30%
Office equipment	12.5%
Furniture and fittings	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining (deficit)/surplus for the year.

**e) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

**f) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment.

Impairment of receivables is recognised in the statement of profit or loss under administrative expenses when there is objective evidence that the organisation will not be able to collect all amounts due per the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The provision is based on the difference between the carrying amount and the present fair value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectible are written off against the impairment. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss under administrative expenses in the year of their recovery.

**NOTES (CONTINUED)**

**3. Summary of significant accounting policies (continued)**

**g) Payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

**h) The company as a lessee**

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to surplus or deficit on a straight line basis over the period of the lease.

**i) Retirement benefits**

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to statement of profit or loss in the year to which they relate.

**j) Capital fund**

Capital fund is recognised for all fixed assets acquired through donors' fund received by the company. The depreciation charge relating to these assets is charged against the capital fund.

**k) Taxation**

The company has not obtained an exemption certificate from Kenya Revenue Authority to exempt it from paying corporation tax on its income. Due to the nature of the companies activities, the directors are not of the opinion that no provision for tax is required. However, the directors are pursuing the exemption certificate.

**l) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted to account for deferred income spent in previous year but not transferred to statement of profit or loss.

**NOTES**

	2013 Shs	2012 Shs
<b>4. Income</b>		
Open Society International	7,824,670	12,869,056
United Nations Development Programme	4,225,712	19,355
Embassy of Finland	14,050	1,926,629
Embassy of Netherlands	12,023,429	39,829
Department for International Development	27,711,266	20,146,746
State University of New York	-	1,763,524
Kenya for Peace Truth and Justice	-	3,778,151
United Nations Office on Drugs and Crimes	5,787	416,208
Pooling account	-	445,284
Trust Africa	3,721,096	-
<b>Total grant income</b>	55,526,011	41,404,782
Transfer from deferred income	23,304,425	22,042,791
Transfer to donor	(376,305)	-
Transfer to deferred income	(13,848,444)	(23,304,425)
<b>Net income</b>	<u>64,605,687</u>	<u>40,143,148</u>
<b>5. Other operating income</b>		
Interest income	16,681	83,734
Sundry income	475,397	373,991
	<u>492,078</u>	<u>457,725</u>
<b>6. (Deficit)/surplus for the year</b>		
The following items have been charged in arriving at (deficit)/surplus for the year:		
Auditor's remuneration	363,000	300,000
Staff costs (Note 7)	28,623,713	16,852,359
<b>7. Staff costs</b>		
Salaries and wages	<u>28,623,713</u>	<u>16,852,359</u>
<b>8. Tax</b>		
No tax provision has been made in the financial statements, since we have not been able to determine their tax status		
<b>9. Capital fund</b>		
At start of year	1,724,087	1,306,568
Additions during the year (Note 10)	1,436,772	973,202
Depreciation charge for the year (Note 10)	(632,373)	(555,683)
At end of year	<u>2,528,486</u>	<u>1,724,087</u>

**NOTES (CONTINUED)**

**10. Plant and equipment**

	Computers Shs	Office Equipment Shs	Furniture and fittings Shs	Total Shs
<b>Cost</b>				
At start of year	2,469,076	608,658	427,929	3,505,663
Additions	<u>272,960</u>	<u>1,093,600</u>	<u>70,212</u>	<u>1,436,772</u>
At end of year	<u>2,742,036</u>	<u>1,702,258</u>	<u>498,141</u>	<u>4,942,435</u>
<b>Depreciation</b>				
At start of year	1,386,229	218,167	177,180	1,781,576
Charge for the year	<u>406,742</u>	<u>185,511</u>	<u>40,120</u>	<u>632,373</u>
At end of year	<u>1,792,971</u>	<u>403,678</u>	<u>217,300</u>	<u>2,413,949</u>
<b>Net book value</b>	<u>949,065</u>	<u>1,298,580</u>	<u>280,841</u>	<u>2,528,486</u>
As at 31 December 2013	<u>949,065</u>	<u>1,298,580</u>	<u>280,841</u>	<u>2,528,486</u>
As at 31 December 2012	<u>1,082,847</u>	<u>390,491</u>	<u>250,749</u>	<u>1,724,087</u>

**11. Receivables**

	2013 Shs	2012 Shs
Project advances	294,155	350,000
Staff advances	<u>210,201</u>	<u>206,515</u>
	<u>504,356</u>	<u>556,515</u>

**12. Cash and cash equivalents**

Cash at bank and in hand	<u>17,028,683</u>	<u>24,547,385</u>
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For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the above.

**13. Payables**

	2013 Shs	2012 Shs
Accruals	576,926	1,336,341
Other payables	<u>2,756,157</u>	<u>-</u>
	<u>3,333,083</u>	<u>1,336,341</u>

**NOTES (CONTINUED)**

	2013 Shs	2012 Shs
<b>14. Deferred income</b>		
At start of year - as previously stated	30,509,570	22,042,791
Prior year adjustment - Transfer to income	(7,205,145)	(7,205,145)
At start of year - as restated	23,304,425	14,837,646
Transfer to donor	(376,305)	-
Transfer from statement of profit or loss	(64,605,687)	(32,692,142)
Receipts during the year	55,526,011	41,158,921
At end of year	<u>13,848,444</u>	<u>23,304,425</u>

The detailed analysis of deferred income is as follows:

Project	At start of year Shs	Receipts during the year Shs	Expenditure and refund during the year Shs	At end of year Shs
Embassy of Netherlands	132,703	12,023,429	(9,920,926)	2,235,206
State University of New York	405,946	-	(376,305)	29,641
United Nations Development Programme	15,559	4,225,712	(3,282,985)	958,286
Open Society International/Kenya for Peace Truth and Justice	865,959	7,781,483	(8,518,552)	128,890
Open Society International/Africa Centre for Open Governance	6,618,340	43,187	(6,678,949)	(17,422)
Investigative Journalism 2011	1,377,020	14,050	(1,142,000)	249,070
Department for International Development	13,655,070	27,711,266	(34,853,801)	6,512,535
United Nations Office on Drugs and Crimes	233,828	5,787	(206,762)	32,853
Trust Africa	-	3,721,096	(1,710)	3,719,386
	<u>23,304,425</u>	<u>55,526,010</u>	<u>(64,981,991)</u>	<u>13,848,444</u>

Deferred income relates to unexpended portion of grants received during the year.

**15. Presentation currency**

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



Africa Centre for Open Governance (AfriCOG)  
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**SCHEDULE OF EXPENDITURE**

<b>ADMINISTRATIVE EXPENSES</b>	<b>2013 Shs</b>	<b>2012 Shs</b>
<b>Employment costs</b>		
Salaries and wages	26,409,308	14,874,000
Staff medical	1,723,175	1,485,506
Staff training and welfare	111,230	204,921
Employer pension contribution	355,000	309,500
Employer NSSF contribution	25,000	16,600
	<u>28,623,713</u>	<u>16,890,527</u>
<b>Total employment costs</b>		
<b>Other administrative expenses</b>		
Professional fees	217,608	24,940
Secretarial fees	99,335	82,134
Printing and office stationery	673,115	763,446
Communication and postage	274,399	725,999
Travelling and accomodation	802,951	804,389
Rent	2,419,395	2,199,450
Insurance	36,704	19,928
Security	1,429,331	1,009,419
DFID	-	1,134,654
Bank charges	91,950	85,197
Audit fees		
- current year	363,000	300,000
- under provision in prior year	98,158	107,280
Capital expenditure	1,436,772	973,202
Internet set up and maintenance	947,678	-
Office expenses	718,288	345,630
Office maintenance	284,595	192,517
	<u>9,893,279</u>	<u>8,768,185</u>
<b>Total other administrative expenses</b>		
<b>Total administrative expenses</b>	<u><u>38,516,992</u></u>	<u><u>25,658,712</u></u>
 <b>Programme Expenses</b>		
Case studies and research	7,359,222	5,164,076
Public interest litigation consultancies and legal fees	9,846,158	1,667,808
Policy and partnership	1,871,695	2,103,712
Communications and postage	81,980	-
Advocacy	3,754,766	2,024,711
Printing and publication	2,920,688	795,507
Travelling and accommodation	506,085	-
Media engagement	351,800	-
	<u>26,692,394</u>	<u>11,755,814</u>
<b>Total programme expenses</b>		