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Africa Centre for Open Governance

Annual report and financial statements

For the year ended 31 December 2014



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Africa Centre for Open Governance (AfriCOG)
(A company limited by guarantee)
Annual report and financial statements
For the year ended 31 December 2014

COMPANY INFORMATION

BOARD OF DIRECTORS

: Ms. Gladwell Otieno
: Ms. Stella Chege
: Mr. Maina Kiai
: Mr. John Githongo
: Dr. Funmi Olonisakin
: Mr. Donald Deya

**REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

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

: Telephone - (254) 20 4443707
: Mobile - (254) 737 463166
: Email - admin@africog.org
: Website - 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 2014, 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.

RESULTS	2014 Shs	2013 Shs
Surplus/(deficit) for the year	<u>-</u>	<u>(111,622)</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 in accordance with Section 159(2) of the companies Act (Cap. 486).

BY ORDER OF THE BOARD



DIRECTOR
NAIROBI

16/04/ 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that 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 responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) Selecting and applying appropriate accounting policies; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.


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 2014 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act, (Cap.486).

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

Approved by the board of directors on 16/04/ 2015 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 15 which comprise the statement of financial position as at 31 December 2014 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 of financial statements that give a true and fair view in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act (Cap. 486), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 state of financial position of Africa Centre for Open Governance as at 31 December 2014 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 Companies 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 6 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

NAIROBI

April 22, _____ 2015

The engagement partner responsible for the audit resulting in this report of the independent audit is
CPA Patrick Kagiri Kuria - P/No. 2045

212/15

STATEMENT OF PROFIT OR LOSS AND GENERAL FUND

	Notes	2014 Shs	2013 Shs
Donor income	3	60,449,418	65,730,138
Programme expenses		(42,487,303)	(47,118,091)
Administrative expenses		<u>(17,962,115)</u>	<u>(18,723,669)</u>
Surplus/(deficit) before tax	4	-	(111,622)
Tax charge	6	<u>-</u>	<u>-</u>
Surplus/(deficit)for the year		-	(111,622)
General fund surplus at start of year		<u>351,512</u>	<u>463,134</u>
General fund at end of year		<u><u>351,512</u></u>	<u><u>351,512</u></u>

The notes on pages 9 to 15 form an integral part of these financial statements.



Report of the independent auditor - page 4 and 5.

Africa Centre for Open Governance (AfriCOG)
 (A company limited by guarantee)
 Annual report and financial statements
 For the year ended 31 December 2014

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2014 Shs	2013 Shs
CAPITAL EMPLOYED			
General fund		351,512	351,512
Capital fund	7	<u>2,450,408</u>	<u>2,528,486</u>
		<u>2,801,920</u>	<u>2,879,998</u>
REPRESENTED BY			
Non-current assets			
Property and equipment	8	<u>2,450,408</u>	<u>2,528,486</u>
Current assets			
Receivables	9	696,776	504,356
Cash and cash equivalents	10	<u>22,206,065</u>	<u>17,028,683</u>
		<u>22,902,841</u>	<u>17,533,039</u>
Current liabilities			
Payables	11	3,641,774	3,333,083
Deferred income	12	<u>18,909,555</u>	<u>13,848,444</u>
		<u>22,551,329</u>	<u>17,181,527</u>
Net current assets		<u>351,512</u>	<u>351,512</u>
		<u>2,801,920</u>	<u>2,879,998</u>

The financial statements on pages 6 to 15 were approved and authorised for issue by the Board of Directors on 16/04/ 2015 and were signed on its behalf by:

 DIRECTOR  DIRECTOR

The notes on pages 9 to 15 form an integral part of these financial statements.

Report of the independent auditor - page 4 and 5.

STATEMENT OF CASH FLOWS

		2014 Shs	2013 Shs
Cash from/(used in) operating activities	Notes		
Surplus/(deficit) for the year		-	(111,622)
Adjustments for:			
Changes in working capital:			
- receivables		(192,420)	52,159
- payables		308,691	1,996,742
- deferred income		5,061,111	(9,455,981)
Net cash from/(used in) operating activities		<u>5,177,382</u>	<u>(7,518,702)</u>
Increase/(decrease) in cash and cash equivalents		<u>5,177,382</u>	<u>(7,518,702)</u>
Movement in cash and cash equivalents			
At start of year		17,028,683	24,547,385
Increase/(decrease)		<u>5,177,382</u>	<u>(7,518,702)</u>
At end of year	10	<u>22,206,065</u>	<u>17,028,683</u>

The notes on pages 9 to 15 form an integral part of these financial statements.

Report of the independent auditor - page 4 and 5.

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, Off 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. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements of Africa Centre for Open Governance (AfriCOG) have been prepared in accordance with the 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs). They have been prepared under the historical cost convention.

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 estimations are significant to the financial statements, are disclosed in Note 2(b).

These financial statements comply with the requirements of the Kenyan Companies Act, (Cap. 486). The statement of profit or loss represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

The financial performance of the company is set out in the director's report and in the statement of profit or loss and general fund. The financial position of the company is set out in the statement of financial position.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

- **Useful lives of property and equipment** - management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

c) Revenue recognition

Donor 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.

Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

d) 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 statement of profit or loss in the year in which they relate.

e) Property and equipment

All property and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

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 statement of profit or loss 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 surplus/(deficit) for the year.

f) Cash and cash equivalents

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

NOTES (CONTINUED)

2. Significant accounting policies (continued)

g) Receivables

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

h) Payables

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

i) 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 statement of profit or loss on a straight line basis over the period of the lease.

j) 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.

k) 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.

l) Taxation

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

m) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTES

	2014 Shs	2013 Shs
3. Income		
Open Society International	17,816,271	8,316,748
United Nations Development Programme	2,113,174	4,225,712
Embassy of the Republic of Finland	-	14,050
Embassy of the Republic of Netherlands	36,552	12,023,429
Department for International Development	41,794,276	27,711,266
United Nations Office on Drugs and Crimes	-	5,787
Trust Africa	<u>3,134,145</u>	<u>3,721,096</u>
Total donor income	64,894,418	56,018,089
Transfer from deferred income	13,848,444	23,304,425
Transfer to donor	-	(376,305)
Transfer to deferred income	<u>(18,909,555)</u>	<u>(13,848,444)</u>
Net donor income	59,833,307	65,097,765
Transfer from capital fund	<u>616,111</u>	<u>632,373</u>
Total grant income	<u><u>60,449,418</u></u>	<u><u>65,730,138</u></u>
4. Surplus/(deficit) for the year		
The following items have been charged/(credited) in arriving at surplus/(deficit) for the year:		
Audit fees		
- current year	405,000	363,000
- underprovision in prior year	-	98,158
Operating lease rentals	2,661,339	2,419,395
Staff costs (Note 5)	<u>7,977,617</u>	<u>8,198,017</u>
5. Staff costs		
Salaries and wages	7,206,831	7,004,000
Other staff costs	648,266	1,066,537
Pension costs:		
- National Social Security Fund	50,240	12,480
- defined contribution scheme	<u>72,280</u>	<u>115,000</u>
	<u><u>7,977,617</u></u>	<u><u>8,198,017</u></u>
6. Tax		
No tax provision has been made in the financial statements, since we have not been able to determine the tax status of the company as disclosed under accounting policy (I).		

NOTES (CONTINUED)

		2014	2013	
		Shs	Shs	
7. Capital fund				
At start of year		2,528,486	1,724,087	
Additions during the year (Note 8)		538,033	1,436,772	
Depreciation charge for the year (Note 8)		<u>(616,111)</u>	<u>(632,373)</u>	
At end of year		<u>2,450,408</u>	<u>2,528,486</u>	
8. Property and equipment				
	Computers	Office	Furniture	Total
	Shs	equipment	and fittings	Shs
		Shs	Shs	
Cost				
At start of year	2,742,036	1,702,258	498,141	4,942,435
Additions	<u>381,200</u>	<u>53,940</u>	<u>102,893</u>	<u>538,033</u>
At end of year	<u>3,123,236</u>	<u>1,756,198</u>	<u>601,034</u>	<u>5,480,468</u>
Depreciation				
At start of year	1,792,971	403,678	217,300	2,413,949
Charge for the year	<u>399,080</u>	<u>169,065</u>	<u>47,967</u>	<u>616,111</u>
At end of year	<u>2,192,051</u>	<u>572,743</u>	<u>265,267</u>	<u>3,030,060</u>
As at 31 December 2014	<u>931,186</u>	<u>1,183,455</u>	<u>335,767</u>	<u>2,450,408</u>
As at 31 December 2013	<u>949,065</u>	<u>1,298,580</u>	<u>280,841</u>	<u>2,528,486</u>
9. Receivables		2014	2013	
		Shs	Shs	
Project advances		-	294,155	
Staff advances		<u>696,776</u>	<u>210,201</u>	
		<u>696,776</u>	<u>504,356</u>	
10. Cash and cash equivalents				
Cash at bank and in hand		<u>22,206,065</u>	<u>17,028,683</u>	
For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the above.				
11. Payables				
Accruals		1,575,194	576,926	
Other payables		<u>2,066,580</u>	<u>2,756,157</u>	
		<u>3,641,774</u>	<u>3,333,083</u>	

NOTES (CONTINUED)

	2014 Shs	2013 Shs
12. Deferred income		
At start of year	13,848,444	30,509,444
Prior year adjustment - transfer to income	-	(7,205,000)
At start of year	13,848,444	23,304,444
Transfer to donor	-	(376,000)
Receipts during the year	64,894,418	55,526,000
Transfer from statement of profit or loss	(59,833,307)	(64,605,000)
At end of year	<u>18,909,555</u>	<u>13,848,444</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 the Republic of Netherlands	2,235,205	36,255	(2,138,503)	132,957
State University of New York	29,641	-	(29,641)	-
United Nations Development Programme	958,286	2,113,174	(2,928,957)	142,503
Open Society International/Kenya for peace truth and justice	128,890	11,332,086	(9,107,107)	2,353,869
Open Society International/Africa Centre for Open Governance	(17,422)	6,484,185	(6,405,713)	61,050
Investigative journalism 2011	249,070	-	(249,070)	-
Department for International Development	6,512,535	41,794,573	(32,379,013)	15,928,095
United Nations Office on Drugs and Crime	32,853	-	(32,853)	-
Trust Africa	3,719,386	3,134,145	(6,562,450)	291,081
	<u>13,848,444</u>	<u>64,894,418</u>	<u>(59,833,307)</u>	<u>18,909,555</u>

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

13. Related party transactions

	2014 Shs	2013 Shs
The following transactions were carried out with related parties:		
i) Key management personnel compensation		
Salaries and wages	<u>13,144,287</u>	<u>9,523,000</u>

NOTES (CONTINUED)

14. Operating lease commitments - as a lessee

The future minimum lease payments payable under non-cancellable operating leases are as follows:	2014	2013
	Shs	Shs
Not later than 1 year	2,859,394	2,605,074
Later than 1 year and not later than 5 years	12,785,179	13,270,446
Later than 5 years	-	4,186,438
	<u>15,644,573</u>	<u>15,875,520</u>

The company has leased property under non-cancellable operating lease agreement. The lease term is five years and is generally renewable at the end of the tenure of the lease.

15. Presentation currency

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

SCHEDULE OF EXPENDITURE

	2014	2013
	Shs	Shs
1. Programme expenses		
Case studies and research	6,386,493	7,359,222
Public interest litigation consultancies and legal fees	4,672,961	9,846,158
Policy and partnership	2,658,494	1,871,695
Communications and postage	667,608	81,980
Advocacy	1,886,693	3,754,766
Printing and publication	5,563,193	2,920,688
Travelling and accommodation	3,635,683	506,085
Media engagement	1,235,140	351,800
Salaries and wages	15,781,038	20,425,697
Total programme expenses	<u>42,487,303</u>	<u>47,118,091</u>
2. Administrative expenses		
Employment costs		
Salaries and wages	7,206,831	7,004,000
Staff medical	377,206	955,307
Staff training and welfare	271,060	111,230
Employer pension contributions	72,280	115,000
Employer National Social Security Fund contributions	50,240	12,480
Total employment costs	<u>7,977,617</u>	<u>8,198,017</u>
Other administrative expenses		
Professional fees	530,022	217,608
Secretarial fees	102,840	99,335
Printing and office stationery	674,437	673,115
Telephone and postage	480,685	274,399
Travelling and accommodation	967,340	802,951
Rent	2,661,339	2,419,395
Insurance	25,744	36,704
Security	1,503,693	1,429,331
Bank charges	122,558	91,950
Audit fees		
- current year	405,000	363,000
- underprovision in prior year	-	98,158
Capital expenditure	538,033	1,436,772
Internet set up and maintenance	683,872	947,678
Office expenses	548,044	718,288
Office maintenance	74,780	284,595
Donations	50,000	-
Depreciation on property and equipment	616,111	632,373
Total other administrative expenses	<u>9,984,498</u>	<u>10,525,652</u>
Total administrative expenses	<u>17,962,115</u>	<u>18,723,669</u>



**Africa Centre
for Open Governance**