

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY	
DATE: 01 SEP 2021	DAY: WED
TABLED BY: LOMP	
CLERK AT THE TABLE: S. Kalama	

THE AUDITOR-GENERAL

ON

SPORTS KENYA

**FOR THE YEAR ENDED
30 JUNE, 2019**



Page 1 of 1



SPORTS KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

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

***SPORTS KENYA REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2019***

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a). Background information

Sports Kenya is a body corporate established under the Sports Act No. 25 of 2013

b). Sports Kenya Mandate

The mandate of Sports Kenya as stipulated in the Sports Act 2013 is as follows:

- i). Promote, coordinate and implement grassroots, national and internal sports programs for Kenyans, in liaison with the relevant sports organizations and facilitate the active participation of Kenyans in regional, continental and international sports, including in sports administration.
- ii). Manage and maintain the sports facilities specified in the First Schedule and any other facilities which the Cabinet Secretary may, by notice in the Gazette, declare to be sports facilities for the purpose of this Act.
- iii). Establish, manage, develop, plan and maintain the sports facilities, including convention centres, indoor sporting and recreational facilities for the purpose of this Act.
- iv). Adopt, develop, plan, set stadia standards and license and regularly inspect stadia for sporting and recreational use.
- v). Establish and maintain a sports museum.
- vi). Participate in the promotion of sports tourism.
- vii). Provide the necessary amenities or facilities for persons using the services or facilities provided by Sports Kenya.
- viii). Operate sports facilities on public grounds in such a manner as it may deem necessary.
- ix). Collaborate with county governments, learning institutions and other stakeholders concerned with sports and recreation, in the search, identification and development of sporting talent, provision of sports equipment, facilities and technical training.
- x). Identify and recommend talents in sports to national sports organizations.
- xi). Inculcate the sense of patriotism and national pride through sports and recreation, create awareness on matters of national interest through sporting events, create awareness on the benefits of regular participation in sports for healthy living and provide advisory and counseling services to athletes.
- xii). Determine the national colours to be used in national and international competitions, in consultation with the relevant national sports organizations.
- xiii). Facilitate the preparation and participation of Kenyan teams in various international events and the hosting of similar events in the country and recommend members of steering committees for international sports competitions, in consultation with the relevant national sports organizations.
- xiv). Recommend to the relevant authorities' issuance of work permits and visas to foreign athletes and technical sports personnel, in consultation with the relevant national sports organization.

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- xv). Approve, at the request of the respective national sports organization, the clearance of foreign sports technical personnel before engagement by national sports organization and other sporting bodies.
- xvi). Organize and coordinate training, conduct research, maintain a resource Centre and provide and engage consultancy services for sports development programmes, in consultation with the respective national sports organizations.
- xvii). With the approval of the Cabinet Secretary, prescribe: -
 - 1). Access to, or use of any of the resources or facilities of Sports Kenya.
 - 2). The provision of programs, services, information or advice by Sports Kenya, and
 - 3). The admission of persons to events and activities organized by Sports Kenya.
- xviii). Recommend, in liaison with the relevant sports organization, tax exemption for Sportspersons; and
- xix). Performs such other functions related to the implementation of this Act as may be directed by the Cabinet Secretary.

c). Key Management

The Sports Kenya day-today Management is under the following key organs: -

- | | | | |
|-------|--|---|----------------|
| i). | Director General | - | Pius Metto |
| ii). | Deputy Director Technical Services | - | Gabriel Komora |
| iii). | Ag. Deputy Director Corporate Services | - | Julius Mbii |
| iv). | Ag. Deputy Director Property Services | - | Alex Kataka |
| v). | Assistant Director Finance | - | Japhet Kaunyu |
| vi). | Assistant Director Human Resource | - | Munase Mulama |

d). Fiduciary Responsibility is charged to the following Board Members

- | | | | |
|--------|---------------------|---|---|
| i). | Mr. Fred Muteti | - | Chairman |
| ii). | Dr. Pius Metto | - | Director General/Board Secretary |
| iii). | Dr. Pius Mutisya | - | Rep. PS Ministry of Education |
| iv). | Mrs. Margaret Muiru | - | Rep. PS National Treasury |
| v). | Mr. Samuel Kaumba | - | Rep. Office of the Attorney General
Board Member/Chairman Technical,
Development and Safety Committee |
| vi). | Mr. Gordon Oluoch | - | Ag. CEO, Sports Academy |
| vii). | Mr. Luke Luseno | - | Ag. Secretary, Office of Sports Disputes |
| viii). | Mark Wambugu | - | Ag. CEO, National Sports Fund |

e). Fiduciary Oversight Arrangements

These are subcommittees that provide a high-level description of the key fiduciary oversight arrangements covering: -

- i). Corporate Services Committee
- ii). Sports facilities and Infrastructure Committee

iii). Business Development, Resource Mobilizations and Sports Programmes Committee

iv). Audit Committee

v). Full Board Committee

f). Address

Sports Kenya Headquarters
P.O. Box, Private Bag
Kasarani,
Thika Road,
Nairobi, KENYA

g). Entity Contacts

Telephone: (020) 2390500/2390501

E-mail: info@stadiumskenya.co.ke

Website: www.stadiumskenya.co.ke

h). Entity Bankers

Standard Chartered Bank,
Ruaraka
P.O. Box 60000
City Square 00200
Nairobi, Kenya

i). Independent Auditors

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




j). Principal Legal Adviser

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



**SPORTS KENYA REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR
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II. THE BOARD OF DIRECTORS


a). Board of Directors

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
1. Mr. Fred Muteti 	Designation: Chairman, Sports Kenya Board D.O.B: 1976 Qualification: University Graduate Experience: Over 20 years
2. Mr. James Wang'ombe 	Designation: Inspector General Inspectorate, State Corporations DOB: 1963 Qualification: MBA, BA (Econs) Experience: 25 years in Public Service Board Member
3. Mr. Luke Luseno 	Designation: Ag. Secretary, Office of the Sports Disputes Tribunal D.O.B: Qualification: Experience: Over 21 years' experience in public service Board Member

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<p>4. Mr. Mark Wambugu</p> 	<p>Designation: Ag CEO, National Sports Art & Development Fund</p> <p>D.O.B:</p> <p>Qualification: CPA (K), CPS (K), Bcom, MBA</p> <p>Experience: Vast experience in financial analysis and Management</p> <p>Board Member:</p>
<p>5. Mr. Samuel Kaumba</p>	<p>Designation:</p> <p>D.O.B:</p> <p>Qualification:</p> <p>Experience:</p> <p>Board Member: Rep. Office of the Attorney General</p>
<p>6. Dr Pius Mutisya</p>	<p>Designation:</p> <p>D.O.B:</p> <p>Qualification:</p> <p>Experience:</p> <p>Board Member: Rep. PS, Ministry of Education</p>
<p>7. Amb. Peter Kirimi Kaberia</p>	<p>Designation:</p> <p>D.O.B:</p> <p>Qualification:</p> <p>Experience:</p> <p>Board Member: PS Ministry of Sports and Heritage</p>
<p>8. Mr Gordon Oluoch</p> 	<p>Designation: Ag CEO Kenya Academy of Sports</p> <p>D.O.B:</p> <p>Qualification: Bachelor of Education (PE and Sports) MBA (Ongoing)</p> <p>Experience: Over 30 Years' experience in Public Services and Sports</p>
<p>9. Mrs Margaret Muiru</p>	<p>Designation:</p> <p>D.O.B:</p> <p>Qualification:</p> <p>Experience:</p> <p>Board Member: Rep. National Treasury</p>

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10. Mr Benson Mwangi	Designation: D.O.B Qualification: Experience: Board Member:
11. Mr Mwangi Muthee	Designation: D.O.B Qualification: Experience: Board Member:
12. Eng. Afred Baariu	Designation: D.O.B Qualification: Experience: Board Member:
13. Mr Pius Metto 	Designation: Director General Sports Kenya /Secretary to the Board Responsibility; Secretary to the Board; Developing and recommending to the board the long-term strategy business plans and annual operating budgets and establishing proper internal monitoring and control system and procedures; Administration of all the resources and activities of the board; Formulating, implementing and monitoring board development policy legislation and regulations; among others Qualification: MBA-University of Plymouth (UK), BED (Arts)-KU, Membership KIM

b). Board Committees



Name of the Committee	Members
Corporate Services Committee	1. Mr. Mwangi Muthee - Ag. Chairman 2. Amb. Peter Kirimi Kaberia – PS, State Department for Sports Development 3. Dr. Pius Mutisya – Rep. Ministry of Education 4. Mrs. Margaret Muiru – Rep. National Treasury 5. Mr. Luke Luseno – Ag. CEO, Sports Dispute Tribunal 6. Mr. Benson Mwangi – Member 7. Mr. Mark Wambugu – Ag. CEO, National Sports,




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	Arts & Development fund
Audit Committee	<ol style="list-style-type: none"> 1. Mr. Benson Mwangi – Chairman 2. Amb. Peter Kiriimi Kaberia – PS, State Department for Sports Development 3. Mrs. Margaret Muiru – Rep. National Treasury 4. Mr. Samwel Kaumba – Rep. Office of the Attorney General 5. Mr. James Wang’ombe – Rep. Inspectorate of State Corporations
Sports facilities and Infrastructure Committee	<ol style="list-style-type: none"> 1. Eng. Alfred Baariu - Chairman 2. Amb. Peter Kiriimi Kaberia – PS, State Department for Sports Development 3. Mr. Gordon Oluoch - Member 4. Dr. Pius Mutisya - Rep. Ministry of Education 5. Mr. Mwangi Muthee - Member 6. Mr. Mark Wambugu - Ag. CEO, National Sports, Arts & Development Fund
Business Development, Resource Mobilizations and Sports Programmes Committee	<ol style="list-style-type: none"> 1. Mr. Mwangi Muthee - Chairman 2. Amb. Peter Kiriimi Kaberia – PS, State Department for Sports Development 3. Mr. Gordon Oluoch - Ag. CEO, Kenya Academy of Sports 4. Eng. Alfred Baariu - Member 5. Mr. Samwel Kaumba - Rep. Office of the Attorney General 6. Mr. Benson Mwangi - Member

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III. MANAGEMENT TEAM

Name of the Staff	Responsibility
<p>Mr. Pius Metto</p> 	<p>Qualifications: MBA-University of Plymouth (UK) BED (Arts)- KU, Membership KIM Designation: Director General Sports Kenya Responsibility; Secretary to the Board; Developin and recommending to the board the long-term strategy business plans and annual operating budgets and establishing proper internal monitoring and control system and procedures; Administration of all the resources and activities of the board; Formulating, implementing and monitoring board development policy legislation and regulations, among others Experience: Public Service Operations & Management/Leadership and Senior manager over 10yrs in policy & business strategy formulation and implementing.</p>
<p>Gabriel Komora</p> 	<p>Qualifications: MBA, Corporate management Designation: Deputy Director Technical Services Responsibility; Responsible to the Board to Formulate policies regarding utilization of the Board's facilities; Ensure that the Board's facilities are well maintained; Formulate policies for technical maintenance of mechanical and electrical works among other duties. Experience: 25years in public service of which 5 years as a CEO SSMB Board</p>
<p>Mr. Julius Mbii</p>	<p>Qualifications: MBA – University of Nairobi Diploma in Business Management, B.Sc.</p>

	<p>Designation: Ag Deputy Director Corporate Services</p> <p>Responsibility; Responsible to the Board to formulate policies, procedures for Marketing all the Boards facilities; Develop and implement short- and long-range goals, objectives, policies, and operating procedures of the division; Develop and identifying new revenue generation opportunities for the Board</p> <p>Experience: 20 years in Public Service of which 10 years as Assistant Director SSMB Board</p>
<p>Mr. Munase Mulama</p> 	<p>Qualifications: M.A HRM – Madurai Kamraj University, B.A Public Administration & Political Science.</p> <p>Designation: Assistant Director Human Resource & Administration</p> <p>Responsibility; Responsible to the Board to formulate Human Resources Policies and Procedures relevant to Recruitment, Remuneration, Development and Retention of Employees; Formulate Policies on Employees Relations, Reward Systems, Welfare, and Administrative Support</p> <p>Experience: 28 years in public service of which 8 years as Assist. Director HRA Sports Kenya</p>
<p>ADF - CPA Japhet Kaunyu</p> 	<p>Qualifications: MBA Finance from UON, BBA (Accounting option), Dip: Forensic Accounting, CPAK, CPSK, Member of ICPAK and ICIFA</p> <p>Designation: Assistant Director Finance</p> <p>Responsibility; Responsible to the Board to develop and implement accounting systems, procedures that will enhance the quality, timeliness and availability of financial information and overseeing administrative related issues of the Board.</p> <p>Experience: Over 20yrs experience in the public sector and joined the board in May 2019</p>

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IV. CHAIRMAN'S STATEMENT

It is with pleasure that we represent the financial results for Sports Kenya for the year ended 30th June 2019. The year's performance has been impressive despite challenges encountered within the year.

Highlights

The rehabilitation and upgrade of seven (7) regional stadia (**Karatu -Kiambu, Makueni, Kamariny - Elgeyo – Marakwet, Kipchoge Keino - Uasin – Gishu, Ruringu -Nyeri, Marsabit and Chuka**) to international standards is on-going. Other Stadia under renovation include Nyayo National Stadium, Kinoru in Meru County and Phase 2 of Kipchoge Keino in Uasin Gishu County. These are priority projects within the Jubilee Government Manifesto. The progress of completion of the stadiums has however been hampered by under-funding and slow release of funds from The National Treasury leading to stalling of most of the projects. The Government has however, intervened in this matter and is in the process of establishing the Sports, Arts and Social Development Fund which is expected to fund sports infrastructure projects.

Operating Environment

During the year under review, key facilities mainly the Main Stadium and the Hotel within the Moi International Sports Complex and Nyayo National Stadium were closed down for renovation works.

The closures put an enormous strain on cash flows for the organization. However, it is expected that once the upgrade is complete and the facilities are re-opened, the organization will be able to increase the revenue generation opportunities and the issue of the negative cash flows will be resolved. The main stadium has since been opened for use by the general public and Stadion renovations works were completed but it was not handed over by the contractor to the Board for operations.

The Board is pleased to present the financial statements which reflect the challenges and opportunities mentioned above. I am optimistic that the commitment of the Government of Kenya strengthening the funding mechanisms for sports infrastructure, Sports Kenya is poised for a brighter future through emerging opportunities that will be occasioned by the upgrades.



**Mr. Fred Muteti
B.O.D Chairman,
Sports Kenya.**

V. REPORT OF THE DIRECTOR GENERAL

FINANCIAL RESULTS

Revenue

Sports Kenya revenue from exchange transaction increased from **Ksh94, 179, 916** to **Ksh 103,292,099.36** from the previous year. This was attributed to re-opening of facilities in Moi International Stadium Center Kasarani and the Stadion Hotel after renovations.

Rental income is still low due to closure of commercial entities at Nyayo National Stadium which is under renovations.

The board is however putting measures to ensure aggressive rent collections at Kasarani Estate through evictions of rent defaulters and rent income is expected to increase in the subsequent years.

On sponsorship and partnerships, Sports Kenya is continuing to pursue strategic partners so as to position herself as a strategic partner with the corporate world once the renovations are complete.

Sports Kenya and the Kenya Golf Union are pursuing the development of an 18- hole Golf Course. This will be a public Golf course making the sport popular and widely played. Other prospective partners include Safari Rally and Tennis Federations.

Debt Collection has remained a challenge with major federations owing Sports Kenya huge amounts of money. Sports Kenya is putting in measures including strict adherence to credit policies and partnership with other stakeholders for debt recovery in order to reduce the debt level.

Expenditure

Despite Prudent financial management practices being applied Sports Kenya continues to face challenges in effectively carrying out its mandate. Having assumed the added responsibility of undertaking sports programs at the grassroots, national and international level as specified in Sports Act 2013, the responsibility comes with increases resource requirements. As such, Sports Kenya will seek to expand its resource mobilization framework, including negotiating for a bigger budgetary allocation from treasury.

Operational areas where Sports Kenya experienced high levels of expenditures included wages, water and electricity.

Service Delivery

Service delivery innovations realized which is customer focused include pay bill numbers for all our cash collection points. Social media platforms are also available for marketing and awareness creation.

Future Outlook

Sports Kenya will endeavor to ensure effectiveness in contributing towards national aspirations under the Kenya Vision 2030(KV2030) and the Big 4 Agenda, which have provided for sports primarily in its social pillar and secondarily in its economic pillar.

In line with Kenya's Vision 2030, Sports Kenya will pursue completion and equipping of the seven regional stadia.

Other areas of future focus will include provision of adequate sports and recreational facilities, Mass sports, Competitive sports, Traditional sports, and promotion of Sports Tourism.



**Mr Pius Metto
Director General,
Sports Kenya.**

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

Sports Kenya is established by the Sports Act No. 25 of 2013 as a successor to the Sports Stadia Management Board (SSMB). Sports Kenya embraces all the principles of governance as enunciated under the Constitution of Kenya, 2010, the State Corporations Act, Cap 446 as well as Mwongozo. These principles include integrity, accountability, transparency and good governance.

Sports Kenya just like all other state corporations, is governed by a Board of Directors whose responsibility is to manage, control and administer the assets of Sports Kenya in such manner and for such purposes as best promotes the purposes for which Sports Kenya is established among other roles envisaged in the Sports Act. The Sports Kenya Board of Directors through its committees oversee the corporate governance of the organization, advises management in developing financial plans, determines the strategic direction of the corporation, goals and objectives as well as evaluation of the management's performance in pursuing and achieving the set goals.

Composition of the Board of Directors

The current Board of Sports Kenya is made up of thirteen members as provided by the Sports Act and during the period of review, it was properly constituted at all times. The membership of the Board as provided by the Sports Act is as follows: -

- a). A non-executive chairperson, appointed by the President
- b). The Principal Secretary, Ministry of Sports, Culture and the Arts
- c). The Principal Secretary, Finance
- d). The Attorney General
- e). The Principal Secretary, Education
- f). The Chief Executive Officer, Academy of Sports
- g). The Chief Executive Officer, National Sports Fund
- h). The Secretary, Sports Disputes Tribunal
- i). Four nominees of Sports Organization's/Federations appointed by the Cabinet Secretary, Ministry of Sports, Culture and the Arts
- j). The Director General, Sports Kenya who is a secretary to the Board.

Statement of Policy on Corporate Governance

Sports Kenya adheres to and has adopted the required standards of governance and applies the best corporate practice rules. It is guided by the following principles: -

- a). Ensure that systems are established to ensure equality of all of public services is achieved.
- b). Ensure impartiality and fairness in the process of delivery of public services.

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- c). Ensure promotion of National Cohesion and National Values.
- d). Ensure continuity of the institution under all circumstances.
- e). Establish systems to enable innovativeness and adaptability of institution to the needs of users.
- f). Ensure professionalism and ethics in the institution is achieved maintained.
- g). Establish systems to ensuring promotion and protection of users of public services and public servants as enshrined in the Bill of Rights.
- h). Institutionalizing a culture of accountability, integrity, transparency and promote values and principles of the public service;
- i). Ensure a corruption free institution
- j). Ensuring effective, efficient and responsible use of public resources, and
- k). Ensuring responsiveness by public servants in delivery of public services.

Role and Functions of the Board

- a). To manage, control and administer the assets of Sports Kenya
- b). To receive any gifts, grants, donations or endowments on behalf of Sports Kenya
- c). Set the strategic plan outlining the organization's vision, mission, purpose and core values.
- d). Set and approve policy decisions of the organization
- e). Approve the procurement plan of the organization
- f). Approve the annual budget and final accounts of the organization
- g). Approve the organizational structure
- h). Enhance the corporate image of the organization
- i). Competitively recruit the Director General of the organization and approve the recruitment of senior staff of the organization
- j). Monitor the organization's performance and ensure sustainability
- k). Approve the opening of accounts for the funds of Sports Kenya

Fiduciary Oversight Arrangements

Sports Kenya Board has a functional organizational structure that has been responsible for the dynamic growth and progress made during the period under review. The Board operates through four Committees responsible for deliberations and recommendations on various issues which are then forwarded to the full Board for adoption. The Committees in consultation with management prepare Board papers for discussion and adoption by the full Board of Directors whenever they meet. The Committees of the Board are: -

- i). Corporate Services Committee
- ii). Sports facilities and Infrastructure Committee
- iii). Business Development, Resource Mobilizations and Sports Programmes Committee
- iv). Audit Committee.

Board Committee Meetings Held in the Year

Sports Kenya Board was properly constituted during the period in review and met regularly and achieved the threshold of number of meetings as required under the State Corporations Act, Cap 446 Laws of Kenya.

End of Term

During the year under review some of the board members were appointed to the board to replace the ones whose terms had ended.

Summary of Board Evaluation

The Board evaluation was undertaken during the period of review but SCAC have not released the results.

Conflict of Interest

Sports Kenya has opened a Conflict of Interest Register for its Board as required by Mwongozo and by the Code of Ethics established pursuant to the Leadership and Integrity Act. Similarly, in all its meetings, declaration of interest forms part of the agenda of the meetings and Board members and staff alike are required to disclose any potential conflict of interest at the start of the meeting.

Induction and Training

A few members of the Board attended the Mwongozo induction training conducted by SCAC.

Whistle Blowing Policy

Sports Kenya has a whistle Blowing Policy as required under the law. This is also in tandem with a draft Anti – Corruption Policy of the Organization. The Policy highlights that all information received by the Board touching on corruption or crimes committed by Board members, employees and associates of Sports Kenya shall be treated as highly confidential and shall not be disclosed without the consent of the whistle blower.

Performance Appraisal of the Board

Sports Kenya did perform once appraisal of the Board's performance in the year under review and is awaiting feedback on the results from SCAC.

VII. REPORT OF THE DIRECTORS

The Directors have the pleasure to submit this annual report with the Un-audited financial statements for the year ended 30th June 2019 which shows the state of Sports Kenya's affairs.

Principal activities

The principal activity of the Board is to manage all Government-owned sports facilities effectively and efficiently, and to institute sports programs at the grassroots, national and international levels for Kenyans.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 20.

Directors

The members of the Board of Directors who served during the year are shown on pages 6 to 8.

Auditors

The Auditor General is responsible for the statutory audit of the Sports Kenya in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2019.

By Order of the Board



Mr. Pius Metto
Director General
Sports Kenya

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VIII). STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Directors are responsible for the preparation and presentation of the Sports Kenya'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, 2019. This responsibility includes:

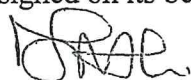
- i). maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- ii). maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
- iii). designing, implementing 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 Sports Kenya.
- v). selecting and applying appropriate accounting policies; and
- vi). Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for Sports Kenya's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that Sports Kenya's financial statements give a true and fair view of the state of Sports Kenya's transactions during the financial year ended June 30, 2019, and of Sports Kenya's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Sports Kenya, which have been relied upon in the preparation of the entity'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 Sports Kenya will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Sports Kenya's financial statements were approved by the Board on 19th Sept, 2019 and signed on its behalf by:

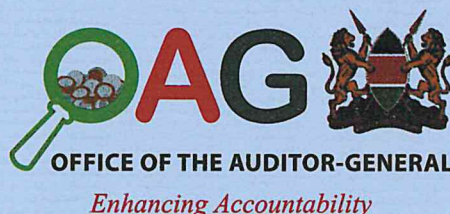

Assistant Director Finance
CPA Japhet Kaunyu
Sports Kenya
ICPAK M/NO. 15721
Date: 30th Sept. 2019


Director General
Mr. Pius Metto
Sports Kenya
Date 30th Sept. 2019


Chairman of the Board
Mr. Fred Muteti
Sports Kenya
Date 30th Sept. 2019

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SPORTS KENYA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Sports Kenya set out on pages 20 to 59, which comprise the statement of financial performance, the statement of financial position as at 30 June, 2019, the statement of changes in Net Assets, the statement of cash flows, the statement of comparison of budget and actual amounts and the notes to the financial statements, and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Sports Kenya as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Sports Act, 2013.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.132,431,455 which excludes undetermined values of land on which the International Sports Centre, Kasarani and the Nyayo National Stadium are built as Sports Kenya does not have ownership documents. Information available indicates that Sports Kenya wrote a letter Ref: SK/CON/LA/15 (217) dated 14 February, 2019 through the Cabinet Secretary Sports, Culture & Heritage to the Cabinet Secretary Ministry of Lands and Physical Planning requesting the office to issue title deeds for the Kasarani and the Nyayo National Stadiums in the name of Sports Kenya. However, as at the time of audit, no response had been received from the Ministry of Lands and Physical Planning.

In addition, the assets register provided for audit revealed that it was last posted in the year 2014.

In view of the foregoing, the ownership, completeness, security and carrying values of the property, plant and equipment balance of Kshs.132,431,455 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

2.0 Accounts Receivables

2.1 Trade Debtors

The statement of financial position reflects accounts receivables from exchange transactions balance of Kshs.200,697,515 and as disclosed under Note 14 to the financial statements. Included in this balance is Kshs.159,090,220 in respect of trade debtors. A review of the schedule provided in support of trade debtors revealed long outstanding balances amounting to Kshs.72,767,466 relating to Kenya Football Federation - Kshs.42,338,852, Kenya Rugby Football - Kshs.12,637,616, National Olympic Committee - Kshs.5,136,700 and Kenya Volleyball Federation - Kshs.12,654,298.

Further, trade debtors balance of Kshs.159,090,220 also includes debts totaling Kshs.30,559,000 owed by two (2) media firms in respect of fees due from advertising contracts which have been outstanding since 2012.

In addition, no provision was made for doubtful debts as per IPSAS 15 which requires reasonable provision to be made for doubtful debts based on Management's assessment of their collectability so as to reflect debtors at their fair value.

Consequently, the accuracy and completeness of the trade debtors could not be confirmed.

2.2 Rent Receivable

The statement of financial position reflects accounts receivables from exchange transactions balance of Kshs.200,697,515 and as disclosed under Note 14 to the financial statements. Included in this balance is Kshs.41,607,295 in respect of rent receivables. This further includes Kshs.41,583,507 in respect of amounts due from tenants who vacated the rental houses between 1 July, 2006 and 30 June, 2019. However, no legal action had been made to recover these amounts.

Consequently, the accuracy and completeness of the rent receivables could not be confirmed and the recoverability is in doubt.

2.3 Outstanding Loan Advances

The statement of financial position as at 30 June, 2019 reflects accounts receivables from non-exchange transactions balance of Kshs.144,289,387 and as disclosed under Note 15 to the financial statements. Included in the account receivables from non-exchange transaction is Kshs.139,328,016 being loan advances made to the Deaf Olympics -

Kshs.500,000, Ministry of Youth - Kshs.107,390,843, Kenya Academy of Sports - Kshs.1,364,288, National Youth Talent Academy - Kshs.15,590,653, FC Talanta - Kshs.4,482,232 and Kenya football Federation - Kshs.10,000,000. However, no documentary evidence was provided to confirm how the stated amounts were transferred to the bank accounts of the respective entities in order to qualify as debt. Further, the terms and purpose for the loan advances were not provided and no effort appears to have been made to pursue these debts.

In the circumstances, the validity of the stated debts totaling Kshs.139,328,016 as at 30 June, 2019 could not be confirmed.

3.0 Outstanding Trade and Other Payables

The statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transaction amounting to Kshs.208,017,719. A review of the aging analysis in support of trade and other payables balance revealed that creditors with a total amount of Kshs.178,880,552 or 86% of the total balance had been outstanding for periods between two (2) years and ten (10) years as at 30 June, 2019. Further it was noted that Sports Kenya did not accrue the outstanding certified Works despite having received certificates of part completion amounting to Kshs.2,392,909,269.

No satisfactory reason was given for the failure to settle the above stated long outstanding payables.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Sports Kenya Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

Other Matter

1.0 Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the report on financial statements, report on lawfulness and effectiveness in use of public resources, and report on effectiveness of internal controls, risk management and governance. However, the Management has not resolved the issues.

2.0 Budget and Budgetary control

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,191,519,978 and Kshs.798,293,924 respectively resulting to an under-funding of Kshs.393,226,054 or 33% of the budget. Similarly, the Board expended Kshs.795,432,384 against an approved budget of Kshs.1,191,519,978 resulting to an under-expenditure of Kshs.396,087,594 or 33% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Failure to generate revenue as projected implies that the goals and objectives of Sports Kenya may not have been achieved as planned. Further, the under expenditure of Kshs.396,087,594 implies that the goals and objectives of the Board were not achieved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Delayed Completion of Major Stadiums and Expiry of Performance Bonds

2.1 Construction Works - Nyayo National Stadium

Sports Kenya on 18 August, 2017 entered into two (2) contracts in respect of civil works and builder's works in preparation for the CHAN football tournament at a contract cost of Kshs.206,690,139 for civil works and Kshs.325,829,431 for builder's works. Further, the Board entered into nine (9) other minor tenders of Kshs.623,851,572 which were awarded through a competitive process for works expected to be completed within a period of 14 weeks.

The works were to commence on 24 August, 2017 with an expected completion date of 24 January, 2018. As at the time of audit in January, 2020 the Contractor's equipment was still on site despite the expiry of the project performance period by over 22 months. The Board had made payments of Kshs.276,455,214 or 24% of the total contract sum as at 30 June, 2019. Management did not provide explanations on the delay in completion of the works.

2.2 Moi Stadium – Kisumu County

Sports Kenya entered into partnership with the County Government of Kisumu for the installation of floodlights and connection to power of the Moi Stadium in Kisumu during the financial year 2015/2016. The Project Management had paid Kshs.15,000,000 for the works as at the time of the audit in September, 2019 by which time the project had stalled.

Consequently, value for money has not been realised on the works and the delays in completion of the contractual works within the stipulated period is likely to lead to escalation of the total cost of the project.

2.0 Lack of Tender Documents on Construction of Six (6) County Stadia

As previously reported, Sports Kenya awarded tenders for construction of eight County Stadia at a combined cost of Kshs.2,450,611,652 as follows:

Tender	Contract Sum (Kshs.)	Amount Paid as at 30 June, 2019 (Kshs.)
Kamariny Stadium - Elgeyo Marakwet County	287,837,775	160,729,949
Ruringu Stadium - Nyeri County	288,045,530	71,191,675
Kipchoge Keino - Uasin Gishu County	304,204,413	117,380,994
Karatu Ndarugu - Kiambu County	259,604,780	61,215,942
Wote Stadium - Makueni County	299,309,554	104,655,419
Marsabit Stadium - Marsabit County	295,263,215	132,341,445
Kirubia Stadium - Tharaka Nithi County	274,208,855	92,637,118
Kinoru Stadium - Meru County	442,137,530	90,617,704
Total	2,450,611,652	830,770,246

However, tender documents relating to the procurement of contractors for the six (6) County Stadia Projects which include original tender documents, tender opening minutes, evaluation committee reports and procurement professional opinions were not provided for audit verification. The documents were reported to have been taken by the Ethics and Anti-Corruption Commission (EACC) Officers to assist in investigations of alleged irregularities in the award of the tenders. A review of the matter during the 2017/2018 audit in April, 2019 revealed that the documents were still not available for audit review.

Under the circumstances, it has not been possible to confirm whether the tenders were awarded competitively, and whether the public will obtain value for money on the amount already paid totaling Kshs.830,770,246 as at 30 June, 2019.

3.0 Project Implementation Status

A Review of project implementation status during the 2018/2019 audit revealed that there was delay in completion of various stadia while some contractors had abandoned sites as follows:

3.1 Kamariny Stadium in Elgeyo Marakwet County

The Board awarded the contract at the cost of Kshs.287,837,775. The works commenced on 5 January, 2017 and were expected to have been completed by 31 May, 2018. The scope of works involved construction of Kerio Valley View Point, VIP Pavilion, changing rooms, reference rooms, medical rooms, anti-doping room, office for stadium management, pitch works, and track lanes.

Audit inspection of the project on 9 March, 2019 revealed that the pitch and track works had not been started, and the contractor had abandoned the site. Further, the Board had paid the Contractor a total of Kshs.160,729,949 or 56% of the total contract cost as at 30 June 2019. The contract performance period had expired and had not been renewed at the time of the audit. Management did not provide satisfactory explanation why the contractor had abandoned the site before completing the works or evidence of measures put in place to ensure the works are completed.

3.2 Ruringu Stadium- Nyeri County

The Board awarded the contract at the cost of Kshs.288,045,530. Audit inspection of the project on 14 March, 2019 revealed that the Contractor had abandoned the site and no works seemed to have been undertaken despite payments of Kshs.71,191,675. The initial contract period expired on 5 September, 2017 and had not been renewed at the time of audit verification.

3.3 Kinoru Stadium- Meru County

The Board awarded the contract at the cost of Kshs.442,137,530. The works commenced on 5 January, 2017 and were expected to be completed on 24 August, 2017. The scope involved pitch works, sub base for tartan track, VIP pavilion, water system, ablution blocks, terraces, parking and perimeter wall.

An audit inspection of the Stadium in September, 2019 revealed that substantial work had been done with an overall progress of 90% realized. However, the contractor had issued a notice to stop works due to non-payments of certified works totaling Kshs.244,842,180 for certificate No.3 and 4 of Kshs.139,590,571.60 and Kshs.105,251,608.80 respectively.

3.4 Kirubia Stadium - Tharaka Nithi County

The Board awarded the contract at the cost of Kshs.274,300,000. The works commenced on 5 January, 2017 and were expected to be completed on 5 September, 2017(31 May 2018 rev.). The scope involved pitch works, 6 lack track, VIP pavilion, water system and ablution blocks. An audit inspection of the Stadium in September, 2019 revealed that substantial progress had been made with an overall progress of 85% realized. It is not clear why the remaining works had not been completed by the end of contract extension period in May, 2018.

3.5 Wote Stadium - Makueni County

The Board awarded the contract at the cost of Kshs.299,309,554. The works commenced on 5 January, 2017 and were expected to have been completed on 31 May, 2018. The scope of works involved pitch works, 8 lane track, VIP Pavilion, Water System which included borehole drilling, 2 tank installation and electrical installation and construction of ablution blocks and perimeter wall.

An audit inspection in September, 2019 revealed that there was no noticeable pitch and track works, the underground excavation was partially done and the perimeter wall had not been constructed. The construction site was looking disorganized with building materials including sand, ballast and stones scattered all over and the contractor had abandoned the site. It was noted that as at 30 June, 2019 the contractor had been paid a total of Kshs.104,655,419 or 35% of the total contract cost and while the contract performance period had expired. No explanation was given why the contractor had abandoned the site before completing the works, casting doubt on the value for money of the already incurred expenditure.

3.6 Karatu Ndarugu Stadium – Gatundu

The Board awarded the contract at the cost of Kshs.259,604,780. The works commenced on 3 February, 2017 and were expected to have been completed on 31 May, 2018. The scope of works involved pitch works, 6 lane track, VIP pavilion, parking, construction of ablution blocks and a perimeter wall.

An audit inspection of the Stadium on 9 May, 2019 revealed that the contractor had abandoned the site due to failure by the Board to pay for certificates of completed works. The works already done included excavation of the pitch, the installation of drainage pipes and backfilling of the main football pitch. The VIP pavilion was still at foundation level and works on the six-lane athletic track, ablution blocks and parking were yet to start. The perimeter wall had been constructed even though the gate had not been done. As at 30 June, 2018 the contractor had been paid a total of Kshs.69,580,372 or 27% of the total contract sum while the contract performance period had expired. No progress was reported in the 2018/2019 audit.

Consequently, the delays in completion of the contractual works within the stipulated period was likely to lead to escalation of the total cost of the project. Also, value for money has not been realised on the projects.

4.0 Consultancy Services for Construction of Three Stadiums

4.1 Legal Consultancy for Public Private Partnership (PPP)

The Board entered into a contract under Request for Proposals for Public Private Partnership legal advisory services for construction of three (3) stadiums at a contract sum of Kshs.47 million to be undertaken on the basis of Public Private Partnership (PPP).

According to the contract document, the consultant was to perform the services commencing on 9 September, 2015 and through to 30 June, 2016.

During the year under review, the consultant had been paid Kshs.54,520,000 an amount above the initial contract sum but no public - private partnership had so far been entered into and no stadium has been developed or initiated using Public Private Partnership. Approval of the excess contract sum of Kshs.7.5 Million was not availed for audit verification.

In the circumstances, Sports Kenya and the Kenyan Public have so far not obtained value for money from the legal consultancy payments made so far totalling to Kshs.54,520,000 as at 30 June, 2019.

4.2 Consultancy Services for Feasibility Study and Development of Detailed Designs for Three (3) International Stadia

The Board entered into a contract with a consortium of local and international firms to offer consultancy services for feasibility study and development of detailed designs for three (3) international stadiums in Nairobi, Mombasa and Eldoret Counties at a total contract price of US\$1,071,105.43 or Kshs.110,323,860. Further, the entire project including feasibility study was estimated at a cost of US\$320,000,000 which was used as a basis for payment to the other consultants in the consortium.

A review of the position in the year under review, indicates that the feasibility studies were completed in 2016 while the project was stated to be at the detailed design stage. As at 30 June, 2019, the consortium had received payments totalling to Kshs.537,297,227. However, there was no evidence of the feasibility study and designs being put into use four and a half (4½) years later.

In addition, although the sites for the construction of three (3) stadiums had been identified in Nairobi, Mombasa and Eldoret Counties, according to the management, only one formal agreement in form of Memorandum Of Understanding (MOU) had been signed to initiate the process of acquiring the land.

It is therefore not clear if and when the construction of the stadiums would be started and the feasibility study put into use.

In view of the foregoing, Sports Kenya and the Kenyan public have not received value for money from the Kshs.537,297,227 expenditure on feasibility study as at 30 June, 2019.

5.0 Supply and Installation of Three Tracks at Kasarani Stadium and Kenyatta University Sports Field

As previously reported the Local Organizing Committee (LOC) for the IAAF World Under 18 Championships on 1 March, 2017 entered into a contract through direct procurement for the supply and installation of three running tracks at Kasarani stadium and Kenyatta

University sports field at a contract sum of Euro 3,018,739.89 (Kshs.344,037,488.76). The works were to commence on 1 March, 2017 with a completion period of 18 weeks.

The contractor was paid an advance payment of Euro 1,509,369.94 (Kshs.169,200,370) being 50% of the contract sum. The advance payment was not secured with a bank guarantee. The advance payment exceeded the 20% allowable limit. This was contrary to Section 147(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that under exceptional circumstances, advance payment may be granted and shall not exceed twenty per cent (20 %) of the price of the tender. The Act also provides that the advance payment shall be paid upon submission by the successful tenderer, an advance payment security equivalent to the advance itself and that security shall be given by a reputable bank or any authorized financial institution issued by a corresponding bank in Kenya recognized by the Central Bank of Kenya, in case the successful tenderer is a foreigner.

Available records indicated that the contractor had so far been paid a total amount of Euro 3,117,344.13 (approximately Kshs.355,275,143). This was Euro 98,604.24 (Kshs.11,237,654.24) in excess of the contract sum. In addition, an audit inspection of the installation of the tartan track at Kenyatta University revealed that the works had not been completed by 10 July, 2017 or by 54 weeks after signing the contract.

The Bills of Quantities (BQs) and completion certificates were not provided for audit verification. Further, the retention fee of 5% was not deducted from the contractor's payments in accordance with Clause 26 of the contract to cover for defects liability period. In addition, Clause 27.1 of the contract requires the contractor to pay the Local Organizing Committee liquidated damages of Euro 136 (approximately Kshs.15,499.50) per week for delays in completing of the works. Management did not provide evidence that the board lodged a claim against the contractor in accordance with the contract agreement.

A review of the matter in the year ending 30 June, 2019 revealed that the works were still incomplete while the contractor had abandoned the site.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for conclusion

The audit was conducted in accordance with ISSAI's 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Management's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Board or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Board's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi.

13 August, 2021

**SPORTS KENYA REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2019**

**IX). STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	Restated 2017- 2018
Revenue from Non-Exchange Transactions		Kshs	Kshs
GOK Grants Sports Kenya	1.1	295,001,825	273,253,468
GOK Grants (IAAF CHAMPIONSHIP)	1.2	-	245,963,225
Total Grants		295,001,825	519,216,692
Revenue from exchange transactions			
Hire of facilities	2.1	46,042,321	39,408,816
Rental revenue	2.2	32,285,400	31,440,000
Hotel Income	2.3	18,182,471	17,479,547
Branding	2.4	348,534	-
Advertising	2.5	6,366,667	4,240,474
Other income	2.6	66,707	1,611,079
Total Revenue from exchange transactions		103,292,099	94,179,916
Total revenue		398,293,924	613,396,608
Expenditures			
Employee costs	3.0	182,742,799	169,684,881
Remuneration of Board	4.0	16,730,145	7,519,287
General Expenses	5.0	102,326,117	89,702,871
Contracted and professional services	6.0	11,165,770	35,369,770
Bulk Purchases of water and electricity	7.0	51,872,504	52,787,517
Repairs and Maintenance	8.0	7,975,462	2,441,240
Depreciation and amortization expense	9.0	11,397,516	14,941,782
Rehabilitation works	10.0	-	9,228,797
WYC 2017 Expenses	11.0	-	230,594,378
Finance Cost	12.0	627,768	376,173
Total Expenditure		384,838,081	612,646,697
Surplus for the period		13,455,843	749,911

*The notes set out on pages 31 to 49 form an integral part of these Financial Statements

**SPORTS KENYA REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2019**

X). STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

Assets	Notes	2018-2019	Restated 2017-2018
Current Assets		Kshs	Kshs
Cash and Cash Equivalents	13.0	9,592,855	2,135,704
Accounts receivables from Exchange transactions	14.0	200,697,515	237,753,763
Accounts receivables from Non Exchange Transactions	15.0	144,289,387	144,851,508
Inventories	16.0	3,934,217	1,736,508
Total Current Assets		358,513,974	386,477,483
Non-Current Assets			
Property and equipment	17.0	132,431,455	137,685,808
Wip	18.1	973,727,099	569,275,960
Total Non-Current Assets		1,106,158,554	706,961,768
Total Assets		1,464,672,528	1,093,439,25
Liabilities			
Current liabilities			
Trade and other payable from exchange transactions	19.0	208,017,719	178,880,552
Refundable deposits from Customers -Rent	20.0	1,126,000	755,700
Prepayments	21.0	-	
Provision for audit fee	22.0	522,000	522,000
Employee benefit Obligation -pension	23.0	-	2,081,897
Provision for PAYE Assessment	24.0	-	11,712,082
Provision for KRA tax Assessment	25.0	4,995,897	62,931,951
Total Liabilities		214,661,616	256,884,182
Equity			
Retained Earnings	26.0	280,734,952	267,279,109

**SPORTS KENYA REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2019**

Capital Grants	27.0	969,275,960	569,275,960
Total Equity		1,250,010,912	836,555,061
Total Equity & Liabilities		<u>1,464,672,528</u>	<u>1,093,439,251</u>



Assistant Director Finance
CPA Japhet Kaunyu
Sports Kenya
ICPAK M/NO. 15721
Date: 30th Sept. 2019



Director General
Mr. Pius Metto
Sports Kenya

Date 30th Sept. 2019



Chairman of the Board
Mr. Fred Muteti
Sports Kenya

Date 30th Sept. 2019

**SPORTS KENYA REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2019**

**XI). STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR
ENDED 30TH JUNE 2019**

	Retained Earnings	Capital Reserve	Total
	Kshs	Kshs	Kshs
As at 1/7/2017	266,529,198	560,456,994	826,986,192
Surplus /Loss for the year	749,911		749,911
Additions for the year		8,818,966	8,818,966
Deferred Income	-	-	-
Prior year Adjustments			-
As at 30 /06/2018	267,279,109	569,275,960	836,555,069
			-
As at 1/7/2018	267,279,109	569,275,960	836,555,069
Transfer to KAS Building			-
Surplus /Loss for the year	13,455,843		13,455,843
Additions for the year	-	400,000,000	400,000,000
As at 30/06/2019	280,734,952	969,275,960	1,250,010,912

**SPORTS KENYA REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2019**

XII). STATEMENT OF CASH FLOWS AS AT 30 JUNE 2019

	Note s	2018-2019	2017-2018
Cash flows from operating		Kshs	Kshs
Surplus for the year		13,455,843	749,911
Adjustments for			
Depreciation for the Year	9.0	11,397,516	14,941,782
Operating surplus /Deficit before		24,853,359	15,691,693
Working Capital Changes			
Increase/decrease in receivables exchange transactions	14.0	37,056,249	(6,229,369)
Increase/decrease in receivables non - exchange transactions	15.0	562,121	2,228,039
Increase /Decrease in inventories	16.0	(2,197,710)	1,270,409
Increase/decrease in payables	19.0	29,137,167	23,459,659
Increase/decrease in Prepayments	21.0	-	(1,022,167)
Increase/decrease in Pension Obligation	23.0	(2,081,897)	(2,776,666)
Increase/decrease in Rent Deposit		370,300	-
Increase/decrease in PAYE Obligation	24.0	(11,712,082)	(5,228,524)
Increase/decrease in KRA assessment	25.0	(57,936,054)	(66,712,082)
Net cash flow from operating Activities		18,051,453	(39,319,008)
Cash flow from investing activities			
Purchase of Fixed Assets	17.0	(6,143,164)	-
Payment of Capital	18.1	(404,451,138)	(8,818,966)
Cash flow from Financing activities			
Capital Grants Received	27.0	400,000,000	8,818,966
Net increase in cash and cash Equivalents		7,457,151	(39,319,008)
Cash and Cash equivalents At the start of the year		2,135,704	41,454,713
Cash and Cash equivalents at the end of the year	13.0	9,592,855	2,135,704

**XIII). STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2019**

BUDGET 2018/2019 Kshs.						
Budget 2018/2019 Kshs.	Budget FY 18/19 Kshs.	Adjust ments Kshs.	Final Budget FY2018/19 Kshs.	Actual FY 2018/19 Kshs.	Excess/ (Shortfall) Kshs.	Excess/ (Shortfall) %
Income						
Grants	728,439,978	-	728,439,978	695,001,825	(33,438,153)	(5)
						The amount was not released to us the Ministry paid on our behalf to service providers (Water & Electricity) (32,577,722) – Utilities (860,431) – Recurrent
Rent	35,000,000	-	35,000,000	32,285,400	(2,714,600)	(8)
						Delayed opening of closed facilities led to reduced patronage of the facilities thus we didn't achieve the targeted revenue.
Hire of Facilities	137,000,000	-	137,000,000	39,996,77	(97,003,223)	(71)
						Delayed opening of closed facilities led to reduced patronage of the facilities thus we didn't achieve the targeted revenue.
Hotel Fees	150,000,000	-	150,000,000	18,182,471	(131,817,529)	(88)
						Delayed opening of closed facilities led to reduced patronage of the facilities thus we didn't achieve the targeted revenue.
Gate Takings	10,000,000	-	10,000,000	2,909,625	(7,090,375)	(71)
						Delayed opening of closed facilities led to reduced

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Hospitality Suites	8,500,000	-	8,500,000	903,414	(7,596,586)	(89)	patronage of the facilities thus we didn't achieve the targeted revenue.
Advertising	15,180,000	-	15,180,000	6,366,667	(8,813,333)	(58)	Delayed opening of closed facilities led to reduced patronage of the facilities thus we didn't achieve the targeted revenue.
Fitness Gym	600,000	-	600,000	-	(600,000)	(100)	Closure of Facilities, did not attract advertising opportunities.
Sale of Tenders	-	-	-	-	-	-	-
Partnership – Naming Rights	50,000,000	-	50,000,000	-	(50,000,000)	(100)	Closure of Facilities, did not attract naming rights opportunities.
Partnership – Branding Rights	50,000,000	-	50,000,000	348,534,	(49,651,466)	(99)	Closure of facilities did not attract branding income.
TV Rights	6,000,000	-	6,000,000	2,232,505	(3,767,495)	(63)	Reduced matches in the stadium led to low income from live coverage.
Disposal of Assets	400,000	-	400,000	-	(400,000)	(100)	
Miscellaneous	400,000	-	400,000	66,707	(333,293)	(83)	
Total Income	1,191,519,978	-	1,191,519,979	798,293,924	(393,226,054)	(33)	
Expenses							
Programmes							
Regulations of Stadia, Inspection & Licensing	10,000,000	-	10,000,000	-	10,000,000	100	
Establishment of Sports Heritage	6,000,000	-	6,000,000	-	6,000,000	100	
Policy and Information	6,000,000	-	6,000,000	-	6,000,000	100	

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Personnel and Administration													
Salaries and Wages	212,684,978	-	212,684,978	182,742,799	29,942,179	14							
Staff Subscription	150,000	-	150,000	138,384	11,616	8							
Pension	99,000,000	-	99,000,000	-	99,000,000	100							
Staff Gratuity Arrears	89,000,000	-	89,000,000	-	89,000,000	100							
Pension	99,000,000	-	99,000,000	-	99,000,000	100							
Medical	16,000,000	-	16,000,000	8,776,000	7,224,000	45							An enhanced NHIF Cover option was explored which was affordable
Meetings and Board Allowances	12,000,000	-	12,000,000	16,730,145	(4,730,145)	(39)							Increased Board Activities to meet demands of the infrastructure briefing
Official Entertainment	2,000,000	-	2,000,000	1,720,000	280,000	14							
Casual Workers	15,000,000	-	15,000,000	21,084,466	(6,084,466)	(41)							Lack of security firm necessitated the organization to have the security guards on casual basis this led to an increase in the expenditure
Operations													
Transport Operating	3,000,000	-	3,000,000	4,068,877	(1,068,877)	(36)							
Local Travel	12,000,000	-	12,000,000	18,584,015	(6,584,015)	(55)							
Travel Abroad	2,500,000	-	2,500,000	166,780	2,333,220	93							Low revenues generated could not accommodate international travel during the year.
Postage	185,000	-	185,000	-	185,000	100							
Telephone & Internet	2,000,000	-	2,000,000	3,309,581	(1,309,581)	(65)							
Marketing/Branding/	25,000,000	-	25,000,000	2,850,100	22,149,900	89							Low marketing activities due to

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PR									the closure of the facilities thus return on the investment not guaranteed.
Stationery, Photocopying & Printing	5,000,000	-	5,000,000	4,108,903	891,097		18		
Advertising	7,500,000	-	7,500,000	572,508	6,927,492		92		
Contracted Services	7,500,000	-	7,500,000	9,519,750	(2,019,750)		(27)		
Motor Vehicle Insurance	1,000,000	-	1,000,000	150,675	849,325		85		
General Insurance	5,000,000	-	5,000,000	-	5,000,000		100		Other utilities bills were being paid by the Ministry on behalf of the Board
Electricity	46,200,000	-	46,200,000	28,339,829	17,860,171		39		Other utilities bills were being paid by the Ministry on behalf of the Board.
Water and Conservancy	53,400,000	-	53,400,000	23,532,675	29,867,325		56		-
Office Cleaning & Materials	6,000,000	-	6,000,000	3,242,104	2,757,896		46		Closure of some parts of the facility like Nyayo National Stadium and the Stadion Hotel reduced the expenditure.
Fungicides, Insecticides & Sprays Chemicals	4,000,000	-	4,000,000	2,843,180	1,156,820		29		
Security Services	25,000,000	-	25,000,000	1,646,020	23,353,980		93		Lack of a contracted security firm forced the Board to hire the guards on Casual Basis.
Uniforms	6,000,000	-	6,000,000	185,520	5,814,480		97		Closure of the Hotel led to a reduction in the expenditure.
Food Purchases	20,000,000	-	20,000,000	13,318,900	6,681,100		33		This relates to the hotel which was under renovations

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Gas & Fuel	4,000,000	-	4,000,000	737,523	3,262,477	82	The boiler at the hotel was not in use since the hotel was not operational.
Stadion Expenses	10,000,000	-	10,000,000	2,846,212	7,153,788	72	This was due to the closure of the Hotel for the better part of the Financial Year.
Staff Welfare	-	-	=	8,019,844	(8,019,844)	(100)	
Training Expenses	-	-	-	802,180	(802,180)	(100)	
CSR Expenses	-	-	-	1,193,500	(1,193,500)	(100)	
Audit Fee	-	-	-	522,000	(522,000)	(100)	
Maintenance							
Computer Expenses	2,500,000	-	2,500,000	2,360,093	139,907	6	
Office Refurbishment	4,800,000	-	4,800,000	724,773	4,075,227	85	NNS still remains Closed and it holds some of the offices
Plant & Equipment	5,500,000	-	5,500,000	-	5,500,000	100	
Building & Stadia Facilities	25,000,000	-	25,000,000	7,975,462	17,024,538	68	
Miscellaneous and other Charges and Bank Charges	1,000,000	-	1,000,000	627,768	372,232	37	
Provision of Depreciation and Amortization	-	-	-	11,397,516	(11,397,516)	(100)	
Total Recurrent Expenditure	751,919,978	-	751,919,978	384,838,081	367,081,897	49	
Capital							
Purchase of Motor Vehicle	11,000,000	-	11,000,000	-	11,000,000	100	
Plant & Equipment	6,400,000	-	6,400,000	-	6,400,000	100	
CCTV	15,000,000	-	15,000,000	-	15,000,000	100	
Office Equipment &	3,700,000	-	3,700,000	752,500	2,947,500	80	

XIV). NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sports Kenya is established by and derives its authority and accountability from Sports Act 2013 and given the mandate to carry out functions formally performed by Sports Stadia Management board and the Department of Sports. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to promote co –ordinate and implement national and international sports programs, establish, manage, develop and maintain the sports facilities including convention centers, indoor sporting and recreational facilities in the country and participate in the promotion of sports tourism among others. Sports Kenya is expected to develop modern sports facilities as well as improve the existing ones.

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). Early adoption of standards

The entity did not early – adopt any new or amended standards I year 2018/19

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Rental income

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

b). Budget information

The original budget for FY 2018-2019 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.

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 21 to 23 of these financial statements.

c). Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

d). Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e). Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on reducing balance basis to write down the cost of each asset to their reducing balance over their estimated useful life as follows:

Motor vehicle	-	25%
Plant & Equipment	-	37.5%
Office Equipment	-	30%
Computers	-	30%
Furniture	-	12.5%
Building	-	2%

Equipment, furniture and fittings are periodically reviewed for impairment where the carrying amount of an asset is greater than estimated recoverable amount it is written down immediately to its carrying amount.

Gain and losses on disposal of equipment furniture and fittings are determined by reference to their carrying amount and are taken into account in determining the surplus or deficit for the year.

f). Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g). Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

h). Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate: -

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
-

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i). Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows: -

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j). Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Sports Kenya has an outstanding staff gratuity and pension arrears of Kshs 89M and Kshs 99M respectively.

Contingent assets

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

k). 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.

l). Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays

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fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

l). Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

m). Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

n). 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 Director General and senior managers.

o). Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure

requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p). 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q). Comparative figures

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

r). Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

s). Disclosure

Some comparative figures in FY 2017/18 were reported inaccurately thus warranting restatement in FY 2018/19 to correct the anomaly.

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 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 or funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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NO	NOTES FOR THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019	2018-2019	2017-2018
1.0	Income from Non-Exchange Transactions	Kshs	Kshs
	GOK GRANTS	295,001,825	273,253,468
	World Youth Championship 2017 Grant	-	245,963,225
	Total	295,001,825	519,216,692
		2018-2019	2017-2018
1.1	GOK GRANTS	Kshs	Kshs
	Recurrent	295,001,825	123,263,840
	Development	-	121,181,034
	Water and electricity	-	28,808,594
	Project Funds	-	-
	Total	295,001,825	273,253,468
		2018-2019	2017-2018
1.2	IAAFWU18 World Youth Championship 2017 Grant	Kshs	Kshs
	Deferred income	-	-
	Received during the year	-	245,963,225
	Total	-	245,963,225
		2018-2019	2017-2018
1.3	Services paid on behalf of Sports Kenya by Ministry of Sports	Kshs	Kshs
		-	-
		2018-2019	2017-2018
2.0	Income from the Exchange Transactions	Kshs	Kshs
	Hire of Facilities	46,042,321	39,408,816
	Rent income	32,285,400	31,440,000
	Hotel income	18,182,471	17,479,547
	Other Income	66,707	1,611,079
	Branding	348,534	-
	Advertising Income	6,366,667	4,240,474
	Total	103,292,099	94,179,916
		2018-2019	2017-2018
2.1	Hire of Facilities	Kshs	Kshs
	Hire of Hospitality	903,414	1,463,400
	Hire of main stadium & Equipment	17,407,530	11,468,420

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	Hire of Aquatic Stadium	11,003,340	12,400,624
	Gate Takings	2,909,625	859,465
	Hire of flood light	521,552	450,000
	Live coverage income	2,232,505	840,000
	Hire of indoor Courts	10,941,355	11,726,907
	Hire of fitness gym	-	140,000
	Hire of Barriers	123,000	60,000
	Total	46,042,321	39,408,816
		2018-2019	2017-2018
2.2	Rental Income	Kshs	Kshs
	Residential Housing	29,880,000	31,440,000
	Commercial Space	2,405,400	-
	Total	32,285,400	31,440,000
		2018-2019	2017-2018
2.3	Hotel Income	Kshs	Kshs
	Hotel income , Cyber café, Bar sales	18,182,471	17,479,547
	Total	18,182,471	17,479,547
		2018-2019	2017-2018
2.4	Branding Rights	Kshs	Kshs
	Nyayo stadium	-	-
	Moi International Sports Centre	348,534	-
	Total	348,534	-
		2018-2019	2017-2018
2.5	Advertising Income	Kshs	Kshs
	Nyayo National Stadium/ MISC	6,366,667	4,240,474
	Total	6,366,667	4,240,474
		2018-2019	2017-2018
2.6	Other Income	Kshs	Kshs
	Miscellaneous	66,707	103,119
	Sale of Tenders	-	354,060
	Disposal of Assets	-	1,153,900
	Total other Income	66,707	1,611,079
		2018-2019	2017-2018
3.0	Employee Costs	Kshs	Kshs
	Employee related Costs Salaries and Wages	123,295,089	111,112,541
	Employee Related cost contribution to pension	13,178,442	12,947,496
	Gratuity	5,025,187	4,217,539

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	NSSF	319,400	398,400
	Acting allowance	903,329	671,328
	Special Duty Allowance	756,960	940,111
	Residential Telephone line	831,000	915,000
	Housing Allowance	35,571,336	35,724,984
	Leave Allowance	2,862,056	2,757,482
	Total Employee Cost	182,742,799	169,684,881
		2018-2019	2017-2018
4.0	Board of Directors Allowances	Kshs	Kshs
	Chairman's Honoraria	960,000	960,000
	Board of Directors Allowances	8,669,656	5,434,033
	International Perdiem	392,496	-
	International travel	233,500	-
	Local Perdiem	2,970,393	511,374
	Local Travel	1,456,000	613,881
	Training	2,048,100	-
	Total Cost	16,730,145	7,519,288
		2018-2019	2017-2018
5.0	General Expenses	Kshs	Kshs
	Marketing and Advertisement	3,422,608	2,761,036
	Transport Operating	4,068,877	1,436,963
	Local travel	18,584,015	14,864,600
	Travel Abroad	166,780	1,558,110
	Stationery	4,108,903	3,479,223
	Computer Expenses	2,360,093	2,163,287
	Telephone and internet	3,309,581	2,639,435
	Gas and fuel	737,523	937,275
	Official Entertainment	1,720,000	1,920,000
	Food Purchase	13,318,900	7,160,755
	Medical Insurance	8,776,000	22,538,778
	Subscriptions	138,384	109,600
	Office Refurbishment	724,773	6,725,642
	Audit Fee	522,000	522,000
	Office Cleaning Materials	3,242,104	6,013,253
	Insecticides Sprays and Chemicals	2,843,180	1,424,290
	Motor vehicle insurance	150,675	161,453
	General insurance	-	3,195,830

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	Hotel expenses	2,846,212	636,510
	Casuals	21,084,466	9,190,732
	Uniforms	185,520	64,100
	Training Expenses	802,180	-
	Staff Welfare	8,019,844	-
	CSR Activities	1,193,500	200,000
	Total Cost	102,326,117	89,702,871
		2018-2019	2017-2018
5.1	Marketing and Advertising Cost	Kshs	Kshs
	Marketing	2,850,100	1,717,528
	Advertising	572,508	1,043,508
	Total Cost	3,422,608	2,761,036
		2018-2019	2017-2018
5.2	Transport Operating	Kshs	Kshs
	Transport Taxi	247,970	6,400
	Transport Fare	153,990	101,450
	Mileage Claims	675,882	197,221
	Motor Vehicle Fuel	1,359,107	786,274
	Motor Vehicle Repair	1,631,927	345,618
	Total Cost	4,068,877	1,436,963
		2018-2019	2017-2018
5.3	Local Travel	Kshs	Kshs
	Local travelling Expenses	3,364,741	2,196,750
	Local perdiem	15,219,274	12,667,850
	Total Cost	18,584,015	14,864,600
		2018-2019	2017-2018
5.4	Travel Abroad	Kshs	Kshs
	International Travel	-	369,665
	International Perdiem	166,780	1,188,445
	Total Cost	166,780	1,558,110
		2018-2019	2017-2018
5.5	Stationery	Kshs	Kshs
	Photocopy	293,247	305,520
	Printing	3,580,136	2,923,863
	Local Dailies and Publication	235,520	249,840
	Total Cost	4,108,903	3,479,223
		2018-2019	2017-2018

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		Kshs	Kshs
5.6	Computer Expenses	2,360,093	2,163,287
		2018-2019	2017-2018
5.7	Telephone & Internet	Kshs	Kshs
	Internet	783,283	729,334
	Telephone -Mobile	2,514,377	1,895,040
	Telephone -Landline	11,920	15,062
	Total Cost	3,309,581	2,639,435
		2018-2019	2017-2018
5.8	Gas & Fuel	Kshs	Kshs
	Gas	737,523	937,275
	Diesel	-	-
	Total Cost	737,523	937,275
		2018-2019	2017-2018
		Kshs	Kshs
5.9	Official Entertainment	1,720,000	1,920,000
	Total Cost	1,720,000	1,920,000
		2018-2019	2017-2018
6.0	Contracted And Professional Services	Kshs	Kshs
	Cleaning Services	-	4,991,640
	Consultancy Services	5,939,200	-
	Security services	1,646,020	19,752,240
	Legal Fees	3,580,550	10,625,890
	Total Cost	11,165,770	35,369,770
		2018-2019	2017-2018
7.0	Total Bulk Purchases	Kshs	Kshs
	Electricity	28,339,829	33,738,417
	Water	23,532,675	19,049,100
	Total Cost	51,872,504	52,787,517
		2018-2019	2017-2018
8.0	Repair and Maintenance	Kshs	Kshs
	Repair and Maintenance of Stadia	7,975,462	2,441,240
	Total Cost	7,975,462	2,441,240
		2018-2019	2017-2018
9.0	Depreciation & Amortization	Kshs	Kshs
	Depreciation & Amortization for the yr	11,397,516	14,941,782
	Total	11,397,516	14,941,782

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		2018-2019	2017-2018
		Kshs	Kshs
10.0	Rehabilitation works - Regional Stadia		
	Nyayo National Stadium	-	9,228,797
	Total	-	9,228,797
		2018-2019	2017-2018
		Kshs	Kshs
11.0	World youth championship Expenses	-	230,594,378
	Total	-	230,594,378
		2018-2019	2017-2018
		Kshs	Kshs
12.0	Finance Cost		
	Bank charges	627,768	376,173
	Total	627,768	376,173
		2018-2019	2017-2018
		Kshs	Kshs
13.0	Cash and Cash Equivalents		
	Standard Chartered main bank	1,264,499	776,902
	Fund Account	7,278,863	876,693
	Project Account	37,351	11,502
	Rent Account	1,012,141	455,487
	Cash in Hand	-	15,120
	Total	9,592,855	2,135,704
		2018-2019	2017-2018
		Kshs	Kshs
14.0	Accounts Receivables from -Exchange transactions		
	Rent	41,607,295	74,186,863
	Trade Debtors	159,090,220	163,566,900
	Total	200,697,515	237,753,763
		2018-2019	2017-2018
		Kshs	Kshs
15.0	Accounts Receivables from Non -Exchange transactions Outstanding Grants		
	Deaflympics	500,000	500,000
	Ministry of youth	107,390,843	107,390,843
	KAS	1,364,288	1,364,288
	NYTA	15,590,653	15,590,653
	Fc Talanta	4,482,232	4,482,232
	Kenya Foot Ball Federation -Loan	10,000,000	10,000,000

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	Salary Advance	2,539,380	91,432
	Imprest Outstanding	2,421,991	5,432,060
	Total	144,289,387	144,851,508
		2018-2019	2017-2018
16.0	Inventory	Kshs	Kshs
	Moi international Sports Centre main stores	3,563,522	1,549,038
	Food Stores	158,019	-
	Nyayo National stadium stores	212,677	187,470
	Total	3,934,217	1,736,508
		2018-2019	2017-2018
		Kshs	Kshs
17.0	Property plant and Equipment	132,431,455	137,685,808
	Total	132,431,455	137,685,808
18.0	Work In Progress	2018-2019	2017-2018
18.1	International Sports Academy (WIP)	Kshs	Kshs
	Opening bal	34,585,249	34,585,249
	Expenditure	-	-
	Total	34,585,249	34,585,249
		2018-2019	2017-2018
18.2	Rehabilitation Works (WIP)	Kshs	Kshs
	Kipchoge keino	19,337,237	-
	Ruringu Stadium	2,837,836	-
	Marsabit Stadium	2,837,836	-
	Nyayo National Stadium	276,455,214	
	Kinoru Stadium	6,518,836	
	Stadion Hotel	84,227,137	
	Public Service Club	2,000,000	
	Total	394,214,095	-
		2018-2019	2017-2018
18.3	Indoor Court Complex (WIP)	Kshs	Kshs
	Opening bal	27,073,673	18,254,707
	Expenditure	10,237,044	8,818,966
	Total	37,310,717	27,073,673
18.4	National Stadia	2018-2019	2017-2018
	Feasibility Works -PKF	Kshs	Kshs
	Opening bal	507,617,038	507,617,038
	Expenditure	-	-

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	Total	507,617,038	507,617,038
	TOTAL WIP	973,727,099	569,275,960
		2018-2019	2017-2018
19.0	Trade and other payables from Exchange transactions	Kshs	Kshs
	Trade and other payables from Exchange transactions	208,017,719	178,880,552
		2018-2019	2017-2018
		Kshs	Kshs
20.0	Rent Deposits	1,126,000	755,700
		2018-2019	2017-2018
21.0	Prepayments	Kshs	Kshs
	Safaricom Kenya	-	-
	Magnet ventures	-	-
	BRITAM	-	-
	GOK Grants (WYC 2017) Deferred income	-	-
	Total	-	-
		2018-2019	2017-2018
		Kshs	Kshs
22.0	Provision for Audit fees	522,000	522,000
	Total	522,000	522,000
		2018-2019	2017-2018
		Kshs	Kshs
23.0	Employee benefit obligation & pension	-	2,081,897
	Total	-	2,081,897
		2018-2019	2017-2018
	Tax Obligation	Kshs	Kshs
24.0	Taxation Liabilities PAYE	-	11,712,082
		2018-2019	2017-2018
		Kshs	Kshs
25.0	KRA Provisional assessment	4,995,897	275,981,793
		2018-2019	2017-2018
26.0	Retained Earnings	Kshs	Kshs
	Restated		213,049,842
	Ope Bal	267,279,109	53,479,356
	Surplus for the year	13,455,843	749,911
	Total	280,734,952	267,279,109

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		2018-2019	2017-2018
27.0	Capital Grants Reserve	Kshs	Kshs
	Opening bal	569,275,960	560,456,994
	Grants for the year	400,000,000	8,818,966
	Total	969,275,960	569,275,960

28.0 PROPERTY, PLANT AND EQUIPMENTS MOVEMENT SCHEDULE:

	Land	Buildings	Motor Vehicles	Plant & Machinery	Office Equipment	Furniture	Total
	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)
Cost/Valuation							
At 1st July 2017		105,726,790.00	11,011,934.00	48,022,399.00	32,085,009.00	40,140,277.00	236,986,409.00
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
At 30 June 2018		105,726,790.00	11,011,934.00	48,022,399.00	32,085,009.00	40,140,277.00	236,986,409.00
Depreciation and impairment							
At 1 July 2017		5,920,484.00	10,753,360.00	31,040,196.00	20,284,306.03	16,360,474.00	84,358,820.03
Depreciation (Charge for the yr)		1,996,126.12	64,643.50	6,368,326.13	3,540,210.89	2,972,475.38	14,941,782.01
Impairment	-	-	-	-	-	-	-
At 30 June 2018		7,916,610.12	10,818,003.50	37,408,522.13	23,824,516.92	19,332,949.38	99,300,602.04
Cost/Valuation							
At 1st July 2018		105,726,790.00	11,011,934.00	48,022,399.00	32,085,009.00	40,140,277.00	236,986,409.00
Additions		5,390,664.00	-	-	752,500.00	-	6,143,164.00
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
At 30 June 2019		111,117,454.00	11,011,934.00	48,022,399.00	32,837,509.00	40,140,277.00	243,129,573.00
Depreciation and impairment							
At 1 July 2018		7,916,610.12	10,818,003.50	37,408,522.13	23,824,516.92	19,332,949.38	99,300,602.04
Depreciation (Charge for the yr)		2,064,016.88	48,482.63	3,980,203.83	2,703,897.62	2,600,914.95	11,397,515.91
Impairment	-	-	-	-	-	-	-
At 30 June 2019		9,980,627.00	10,866,486.13	41,388,725.95	26,528,414.54	21,933,864.33	110,698,117.95
Net book values							
At 30 June 2019		101,136,827.00	145,447.88	6,633,673.05	6,309,094.46	18,206,412.67	132,431,455.05
At 30 June 2018		97,810,179.88	193,930.50	10,613,876.88	8,260,492.08	20,807,327.63	137,685,806.96

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Audit Query	Management Response	Status of implementation
<p>1. Going Concern /Sustainability of Services The statement of financial position as at 30 June 2018 reflects current liabilities of Kshs.469,934,024 which exceeded the current assets balance of Kshs.386,477,483 by Kshs.83,456,541 implying that Sports Kenya was operating with a negative working capital hence its ability to sustain services is dependent on continuing support from the Government/ and creditors.</p>		Not Resolved
<p>2. Property, Plant and Equipment (PPE) The statement of Financial Position as at 30 June 2018 reflects property, plant and equipment balance of Kshs.137, 685,808 which excludes undetermined values of land on which the International Sports Centre Kasarani and Nyayo National Stadium are built as Sports Kenya does not have the ownership documents. As previously reported the PPE balance also excludes grounded motor vehicles registration numbers GK. 710Q, GK. 703X and a tractor registration No. GK. O581 which have been lying in the yard without logbooks since 2002 when they were taken over from the former parent Ministry. Information available indicate that Sports Kenya wrote a letter Ref: SK/CON/LA/15 (217) dated 14 February 2019 through the Cabinet Secretary Sports, Culture & Heritage to the Cabinet Secretary of Lands and Physical Planning requesting the office to issue title deeds for LR. No. 22596 at Kasarani and LR No. 209/16884 at Nyayo National Stadium in the name of Sports Kenya. However, as at the time of audit, no response had been from the Ministry. in view of the foregoing, the ownership, completeness, security and carrying values of the property, plant and equipment balance of Kshs.137,685,808 reflected in the statement of financial position as at 30 June 2018 could not be confirmed.</p>		Not Resolved
<p>3. Cash and Cash Equivalents The statement of financial position as at 30 June 2018 reflects a balance of Kshs.2, 135,704 in respect of cash and cash equivalents which includes an amount of Kshs.776, 902 held in Standard Chartered Main Bank Account No.0108095632600. A review of the supporting bank</p>		

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<p>reconciliation statement for June 2018 disclosed that there were bounced cheques totaling Kshs.789, 674 issued on various dates between July and November 2017. No explanation was given as to why the said cheques were issued without adequate funds in bank account or for the failure to reverse the same in the cashbook. In addition, the bank reconciliation statement reflects unbanked revenue amounting to Kshs.740,758 relating to the period between July and December 2011 for which no analysis was provided for audit verification.</p>		
<p>Trade Debtors</p> <p>The statement of financial position as at 30 June 2018 reflects receivables from exchange transactions balance of Kshs.237, 753, 763. Included in this balance is Kshs.163, 566,900 in respect of trade debtors as disclosed under Note 16 to the financial statements. A review of the schedule provided in support of trade debtors revealed some long outstanding balances totaling Kshs.72,767,466 relating to Kenya Football Federation - Kshs.42,338,852, Kenya Rugby Football - Kshs.12,637,616, National Olympic Committee - Kshs.5,136,700 and Kenya Volleyball Federation - Kshs.12,654,298.</p> <p>Further, as previously reported, Trade Debtors balance of Kshs. 163,556,900 also includes debts totaling Kshs.30,559,000 owed by two (2) media firms namely M/s Alliance Media - Kshs.11,850,000 and M/s Page signs and Graphics - Kshs.18,709,000 in respect of fees due from advertising contracts which have been outstanding since 2012. Although one of the advertising firm M/s Alliance Media has since taken the matter to court, the issue is yet to be resolved.</p> <p>In addition, no provision made for doubtful debts based on management's assessment of their collectability so as to reflect debtors at their fair value.</p>		<p>Not Resolved</p>

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3.1 Outstanding Imprests Included in the receivables from non - exchange transactions balance of Kshs.144, 851,508 are outstanding imp rests totaling Kshs.5, 432,060 out of Kshs 2,341,047 had been as at the time of the audit in March 2019 .The recoverability of the balance of Kshs 3,091,013 remains doubtful.		Not Resolved
3.2 Rent Receivable The receivables from exchange transactions balance of Kshs.243,277,255 also includes rent receivables totaling Kshs.74,186,863 which includes Kshs.11,221,833 in respect of amounts due from tenants who vacated the rental houses between 1st July 2006 and 30th June 2017 but no legal action has been made to recover this amounts. In the circumstances, the accuracy and completeness of the account's receivables from exchange transactions balance of Kshs.237, 753,763 as at 30 June 2018 could not be confirmed		Not Resolved
Long outstanding loan Advances Note 17 to the financial statement of the year ended 30th June 2018 reflects the accounts receivable from non-exchange transactions balance of kshs 144,851,508 included in the account receivables from non - exchange. Included in the account receivables from non-exchange transaction is Kshs.139,328,016 being loan advances made to Deaflympics kshs 500,000 Ministry of youth Kshs 107,390,843.Kenya Academy of sports kshs 1,364, 288.NYTA kshs 15,590,653 FC Talanta 4,482,232, Kenya for ball federation KSHS 10,000,000 respectively. However, no evidence has been presented to confirm that the stated amounts were transferred to the respective entities in order to qualify as debt. Further, the terms and purpose for the loan advances have not been provided and no effort appears to have been made to pursue these debts for the last five (5) years. In the circumstances the validity of the Kshs 139,328,016 could be confirmed as at 30 th June 2018.		Not Resolved
4. Current Liabilities 5.1 Long outstanding trade and other payables		Not Resolved
4.1 Unremitted Statutory Deductions The current liabilities balance of Kshs.469,934,024 also includes provisions for assessed unremitted PAYE and VAT taxes of Kshs.11,712,082 and Kshs.275,981,793 respectively representing KRA assessment of unpaid taxes for previous years as well interest and penalties charged thereon. Although the management has explained that Sports Kenya is currently paying PAYE and VAT taxes as they fall due, no satisfactory reason was given for failure to remit taxes in previous		Partially resolved

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years. Further, Sports Kenya has indicated that the assessment of Kshs.275,981,793 was disputed and the management is working with KRA to review the assessment. However, it was not clear why this amount has been accrued in the financial statements instead of disclosing it as a contingent liability in line with IPSAS 19.

In the circumstances, it has not been possible to confirm the accuracy of current liabilities balance of Kshs.469,934,024 as at 30 June 2018

5. Construction of Seven County Stadia

As previously reported, Sports Kenya awarded tenders for the construction of seven county stadia at a combined cost of Kshs.2,008,474,122 as follows:

Tender	Tender No.	Contractor	Contract Sum Kshs.
Kamariny Stadium -Iten Elgeyo Marakwet County	SK/RT/003/2 016-2017	M/s Funan Construction Co. Ltd.	287,837,775
Ruringu Stadium- Nyeri County	SK/RT/008/2 016-2017	M/s Funan Construction Co. Ltd	288,045,530
Kipchoge Keino – Eldoret Uasin Gishu County	SK/RT/004/2 016-2017	M/s Weihai International Economic & Technology	304,204,413
Karatu Ndarugu- Gatundu Kiambu County	SK/RT/005/2 016-2017	M/s Smith and Gold Productions Co. Ltd.	259,604,780
Wote Stadium- Wote Makueni County	SK/RT/006/2 016-2017	M/s Taphes & Nitram Enterprise Ltd	299,309,554
Marsabit Stadium- Marsabit County	SK/RT/007/2 016-2017	M/s Benisa Ltd	295,263,215
Chuka Stadium - Tharaka Nithi County	SK/RT/003/2 016-2017	M/s Toddy Civil Engineering Co. Ltd	274,208,855
Kinoru stadium - Meru	D113 EN/MRU/16 02	Ms. Toddy Civil engineering Co.ltd	442,137,530
Total			2,450,611,652

However, tender documents relating to the procurement of contractors for the seven (7) County Stadia Projects which include original tender documents, tender opening minutes, evaluation committee reports and professional opinions were not provided for audit verification. The documents were reported to have been taken away by the Ethics and Anti-Corruption Commission (EACC) officers to assist them in their

Not
Resolved

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<p>investigations of alleged irregularities in the award of the tenders. A review of the matter during the 2017/2018 audit in April, 2019 revealed that the documents were still not available for audit verification.</p> <p>In the circumstances, it has not been possible to confirm the efficiency, competition, fairness with which the contracts were entered into or whether value for money spent was obtained from the amount already paid totaling Kshs.699, 293,255.</p> <p>Further, a review of implementation status during the year under audit revealed that there was delay in completion of various stadia while some contractors had abandoned sites as follows:</p>		
<p>5.1 Kamariny Stadium in Elgeyo Marakwet County Sports Kenya awarded contract No. SK/RT/003/2016-2017 for the construction of Kamariny Stadium to M/s Funan construction Co. Ltd at a contract sum of Kshs.287, 837, 775. The works commenced on 5 January 2017 and was expected to have been completed by 31 May 2018. The scope of works involved construction of Kerio Valley View Point, VIP Pavilion, changing rooms, reference rooms, medical rooms, anti-doping room, office for stadium management, pitch works, and track lanes.</p> <p>An audit inspection at the stadium on 9 March, 2019 revealed that there was no noticeable pitch and track works and the site had been abandoned. It was noted that as at 30 June 2018 the contractor had been paid a total of Kshs.34,805,400 or 11% of the total contract cost and the contract performance period had expired. No proper explanation was given as to why the contractor had abandoned the site before completing the contract works.</p> <p>In the circumstances, no value for money was obtained from the payment of Kshs.34,805,400 to the contractor</p>		Not Resolved
<p>5.2 Ruringu Stadium- Nyeri County Contract No.SK/RT/008/2016-2017 for the construction of Ruringu Stadium was awarded to M/s Funan Construction Co Ltd at a cost of Kshs.288,045,530. The works commenced on 05 January, 2017 and were expected to be completed on 05 September, 2017. The scope of works involved pitch works, six (6) lanes track, VIP pavilion phase 1 and parking.</p> <p>An audit inspection of the Stadium on 14 March, 2019 revealed that the contractor was not on site and no works seemed to have been undertaken despite payments totalling Kshs.71,191,675.35 or 25% of the contract sum. It was noted that the initial contract period expired on 5 September, 2017 and no evidence of extension of time was availed for audit verification.</p> <p>In the circumstances, no value for money was obtained from the</p>		Not Resolved

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payment of Kshs.71,191,675.35 to the contractor.		
<p>Wote Stadium in Makueni County</p> <p>Sports Kenya awarded contract No. SK/RT/006/2016-2017 for the construction of Wote Stadium to Taphes and Nitram at a cost of Kshs.299,309,554. The works commenced on 5 January 2017 and were expected to have been completed on 31 May 2018. The scope of works involved pitch works, 8 lanes track, VIP pavilion, water system which included borehole drilling, 2 tank installation and electrical installation and construction of ablution blocks and perimeter wall.</p> <p>An audit inspection at Wote Stadium on 8 March 2019 revealed that there was no noticeable pitch and track works, the underground excavation was partially done and the perimeter wall had not been constructed. The construction site was looking so disorganized with building materials including sand, ballast and stones scattered all over and the contractor had abandoned the site. It was noted that as at 30 June 2018 the contractor had been paid a total of Kshs.99,102,977 or 33% of the total contract cost and the contract performance period had expired. No explanation was given as to why the contractor had abandoned the site before completing the works.</p>		Not Resolved
<p>Indoor Sports Facility at Moi International Sport Centre- Kasarani</p> <p>As previously reported, Sports Kenya on 27 May 2016 entered into a contract (Tender No. SK/005/2015-2016) with M/s Nitram and Taphes Enterprises Ltd for the construction of an indoor sports facility at the Moi International Sports Centre, Kasarani at a contract sum of Kshs.31,020,776. The works commenced on 27 May 2016 with a completion period of 32 weeks within which the contractor was expected to have executed the works and carried out remedies for any defects therein.</p> <p>The indoor games facilities to be constructed included a Tennis and Badminton Court. A site inspection of the project carried out on 9 April 2019 revealed that the works had not been completed despite expiry of the contract period and the contractor was no longer on site. As at 30 June 2018 the contractor had received payments totalling to Kshs.27, 073,673 or 87.3% of the total contract sum.</p> <p>The delayed completion of the construction works implies that the expected benefits from the project have not been realized and additional resources over and above the awarded contract sum may be required to complete the project.</p>		Not Resolved
<p>5.3 Construction Works at Nyayo National Stadium</p> <p>The works were to commence on 24 August 2017 with an expected completion date of 24 January 2018. As at 30 June 2018, amount paid for the civil works was Kshs.110, 757,243 or 53.6% while the amount paid for the builder's works amounted to Kshs.135, 961,100 or 41%. As</p>		Not Resolved

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<p>at the time of the audit in April, 2019 the contractor was still on site despite the expiry of the project performance period by over 14 months.</p> <p>No proper explanation was given as to why the builders and civil works at the Nyayo National Stadium had not been completed and the delays are likely to lead to escalation of costs.</p>		
<p>5.4 Supply, Delivery and Installation of Synthetic Track Surface Mombasa County Stadium.</p> <p>As previously reported, Sports Kenya entered into a contract on 9 April 2015 with a local construction company for the supply, delivery and installation of a synthetic track surface at the Mombasa County Stadium at a contract price of Kshs.48,852,056. However, the specific duration of the contract was not given. During the financial year 2015/2016, Kshs.69,752,994 was paid to the contractor while Kshs.10,666,934 was paid in the financial year 2016/2017 leading to a total amount paid to Kshs.80,419,928 resulting in an excess payment of Kshs.31,567,872.</p> <p>No justification has been made for the excess payment which was beyond the threshold of contract value variation of 25% allowed by Section 139 (4) (c) of the Public Procurement and Asset Disposal Regulations, 2015. An audit inspection at the Mombasa Municipal Stadium on 6 March 2019 revealed that, almost four (4) years after signing the contract, the tartan track has not been installed and was still stored in containers located in Shimanzi area. Only partial work has been done on the sub-base despite the overpayment of the contract sum.</p> <p>Although the management of Sports Kenya has continued to state that part of the works remaining was to be undertaken by the County Government of Mombasa, no status report on the progress made was availed for audit review. In addition, no Memorandum of understanding (MoU) between the County Government of Mombasa and the Sports Kenya detailing responsibilities and ownership of the project was presented for audit verification. In the circumstances, the propriety and value for money for the expenditure of Kshs.80, 419,928 cannot be ascertained.</p>		Not Resolved
<p>6. Unsecured Advance payment and Un-vouched expenditure to M/s Gregori International for contract MOSCA/CHAN/002/2017</p> <p>The Ministry of Sports, Culture & Arts (MOSCA) on 14 September 2017 signed a contract with Gregori International SA for design, mobilization, grass removal, irrigation, levelling, soil preparation and fertilization and installation of Bermuda/Paspalum grass and installation of sporting equipment for five main pitches and ten training grounds that were earmarked for use during the CHAN 2018 Championship. Sport Kenya was to supervise and certify works the works done for payment. The contract sum was Euros 8,117,869 (eight million one hundred and seventeen thousand, eight hundred and sixty-nine euros) which was equivalent to Kshs.971,457,265 at an exchange rate of Kshs.119.669 to 1</p>		Not Resolved

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<p>Euro. The contract was for the renovation of 5 (five) premium pitches namely Moi International Stadium, Kasarani, Nyayo National Stadium, Kinoru Stadium in Meru County, Kipchoge Keino Stadium in Uasin Gishu County and Kenyatta Stadium in Machakos County and ten (10) Training grounds. The contract performance period was 4 (four) months. The SState Department of Sports Development made an advance payment on 2 November 2017 of Kshs.158,247,100 to Gregori International against a bank guarantee No: 03102-1255234TLS dated 12 October 2017 from Societe Generale SA – 29 Boulevard Haussmann 75009 Paris (France) of EURO 1,290,128 (one million two hundred and ninety thousand one hundred and twenty-eight Euros) with an expiry date of February 5, 2018.</p> <p>Information available indicate another payment of Kshs.327,502,848 was made to the contractor by the State Department vide payment voucher No.1072 which was never produced for audit verification bringing the total payment to Kshs.485,749,948 or 50% of the total contract price. A review of the progress of works by Gregori International as at 12 April 2019 revealed the following;</p> <p>i. Out of the ten (10) training pitches which were to be renovated at a cost of Euros 3,301,042 or Kshs.395,032,395 only one (1) namely Utalii grounds had been renovated at a cost of 327,500 Euros or Kshs.39,191,597. No renovation works had commenced on the other nine (9) training pitches.</p> <p>ii. According to work progress report from the contractor dated 1 February, 2018 renovation works at Jomo Kenyatta – Machakos Stadium at a cost of Euros 59,688 or Kshs.66,977,303 had not started and the situation remained the same as at the time of audit inspection on 9 March 2019.</p> <p>iii. An audit inspection carried out in Meru and Eldoret on 12 March, 2019 revealed that Gregori International carried out minimal works at Kinoru Stadium-Meru and never did any works at Kipchoge Keino Stadium or any of the 4 (four) training grounds in the two towns.</p> <p>In view of the foregoing, value for money has not been obtained and the delays to project completion will lead to further unacceptable projects costs. Further with the slow pace of contract works and the expiry of the period of guarantee on 5 February 2018, the advance payment of Kshs.158,247,100 remains unsecured and likely to be loss.</p>		
<p>Unsupported Expenditure on Supply, Delivery and Installation of Security, Access Control, Communications, Audiovisual and Pitch Lighting Systems in Various Stadiums by M/s Auditel Kenya Ltd</p> <p>The State Department of Sports Development (SDSD) on 14 September 2017 awarded a contract to M/s Auditel Kenya Ltd trading as Auditel Ingenieria Services in Spain at contract sum of USD 15,892,980.63 (Kshs.1,609,037,145). The contract was for the design, supply, testing, commissioning and supervision of security, access control,</p>		<p>Not Resolved</p>

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communications, audiovisual and pitch lighting systems. Sport Kenya were to supervise and certify work done for payment.

The works were to be completed within a period of four (4) months and involved remodeling of 5 No. Stadiums which included Jomo Kenyatta Stadium in Machakoes, Moi Kinoru Stadium in Meru, Kipchoge Keino Stadium in Eldoret, Nyayo Stadium in Nairobi, Kasarani Stadium in Nairobi and 10 No. training pitches that were earmarked for use during the CHAN 2018 Championships. The event was however relocated to Morocco due to slow progress of the works.

A review of the State Department's payment records for the year ended 30 June 2018 disclosed that M/s Auditel Kenya Ltd was paid a 20% advance payment of USD 3,178,596.13 (Kshs.330,537,997) vide P.V. No.0618 dated 30 January 2018. The advance payment was based on a security guarantee issued by Bankinter SA Bank in Madrid-Spain dated 30 October 2017. It was however noted that the security guarantee was valid up to 28 February 2018 and had therefore expired by the time of the audit carried out in April 2019. No evidence was presented to confirm re-validation of the guarantee.

A review of the contract position as at 12 April 2019 revealed that M/S Auditel had only presented the designs for the contracted works to Sports Kenya but no activities related to the contract had begun on the ground on both the premium pitches and the training grounds.

In view of the foregoing, value for money has not been obtained and the delays to project completion may lead to further unacceptable projects costs. Further with the slow pace of contract works and the expiry of the period of guarantee on 28 February 2018, the advance payment of Kshs.330,537,997 remains unsecured and likely to be lost

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APPENDIX II: INTER-ENTITY TRANSFERS

Name of the Entity sending the grant	Description	Amount recognized to Statement of Comprehensive Income	Amount deferred under / deferred income	Amount recognized in capital fund.	Total grant income during the year
		KShs	KShs	KShs	KShs
Ministry of Sports Culture and Heritage/State Department sports development	Recurrent Grant -SK	295,001,825.00	-	-	295,001,825.00
	Water & Electricity - SK		-		-
	Regional Stadiums/ Development Grants		-	400,000,000.00	400,000,000.00
TOTAL	GRANTS RECEIVED	295,001,825.00	-	400,000,000.00	695,001,825.00

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



Assist Director Finance
CPA Japhet Kaunyu
Sports Kenya
ICPAK M/N0:15721

Head of Accounting Unit
Ministry of Sports, Culture & Heritage
State Department of Sports

Date: 30th Sep 2019

Date:

