

REPUBLIC OF KENYA



*Enhancing Accountability*

 <b>REPORT</b> TIONAL ASSEMBLY PAPERS LAID	
DATE: 22 SEP 2021	
DAY: Wednesday	
TABLED BY: OF	Lom
CLERK-AT THE-TABLE:	Mainah Wayjiku

**THE AUDITOR-GENERAL**

**ON**

**KENYA CULTURAL CENTRE**

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





THE  
**KENYA**  
**CULTURAL CENTRE**  
INCORPORATING THE KENYA NATIONAL THEATRE

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**Kenya Cultural Centre**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The Kenya Cultural Centre (KCC) is a body corporate established by an act of Parliament Chapter 218 of 1951.

**Vision Statement:**

*"To be a world-class national centre for cultural reference, expression and industry "*

**The Mission statement:**

*"To establish the Kenya Cultural Centre as the national centre for the safeguarding, promotion and development of culture"*

**Operation and service delivery via (G.U.I.D.E.):**

- Good Governance, including professionalism
- Uprightness, including transparency and accountability
- Inclusiveness
- Diversity
- Equity

**b) Principal Activities**

The mandate of the Kenya Cultural Centre is;

- a. To provide for the performance of music, drama and dancing;
- b. To provide for the exhibition of works of art and crafts;
- c. Hold meetings for discussions on matters of literary, historical, scientific or educational interest or importance.
- d. Carry out other Purposes approved by the Council to further the forgoing functions.

**c) Key Management**

The Kenya Cultural Centre day-to-day management is under the following key organs:

- i. The office of the Executive Director
- ii. The office of the Business Development
- iii. The office of Human Resource and Administration
- iv. The office of Financial Accountant

**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30 June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	A.g Executive Director	Benson Kimoni
2.	Accounts Officer	Ruth Wangui
3.	Supplies Chain Management Officer	Helen Ntabo

## II. THE GOVERNING COUNCIL



**Waithaka Waihenya**

**Waithaka Waihenya**

**A.g Chairperson Governing Council**

He is a media professional. He has worked as a journalist in both private and public sectors. He has worked at the Standard Group of Newspapers where he rose to the position of Associate Editor in charge of magazines. He also served as the newspaper's Rewrite editor and Editorial Page writer and editor as well as a columnist.

He became the Editor in Chief of the Kenya Broadcasting Corporation in 2006, a position he held for over three years. He was appointed the Managing Director of the national broadcaster in 2010 and he held the post for seven years. He also served as the chairman of Multichoice Kenya Ltd for seven years.

He is also an author, having written more than fifteen books, both children and adult books and also sits on the boards of two schools.

Waihenya is a graduate of Kenyatta University where he graduated with a Bachelor's degree in English and Literature.

He holds a Master's degree in Communication from Leicester University in the United Kingdom.



**Moipei Nicholas, HSC**

**Nicholas Moipei HSC**

**Governing Council Member**

He is a holder of Bachelor of Education (Music) degree from Kenyatta University. He is a career Music teacher, lecturer, trainer and performer by profession.

He has taught, lectured and offered consultancy services in various institutions in Kenya. He is the father and manager to the internationally acclaimed Moipei- Quartet, a group comprising of a set of triplets and their younger sister. The group has represented Kenya Nationally and Internationally as cultural ambassadors.

Nicholas was the Chairman to the Committee that oversaw the successful refurbishment of the Kenya National Theatre between 2014 and 2015.

He was the Vice Chairman to the Kenya Music Festival Foundation's National Executive Committee, which is mandated with the responsibilities to organize the annual Ministry of Education's Kenya Schools, Colleges and Universities' Music Festivals from 2014 to 2016.

He was the Chairman of the Kenya Music and Cultural Festivals from 2012 to 2017.

In 2015, he was the Director to the biannual East African fete - Jumuia ya Africa Mashariki Festival (JAMAFEST) which was successfully held in Nairobi.



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**Edward Muthusi**

**Edward Muthusi**

**Governing Council Member**

A holder of Bachelor of Arts-International Relations USIU Nairobi  
 Competent copywriter who has written several advertising campaigns including award winners in the Kenya Advertising Practitioners Association awards. Versatile radio broadcaster who has managed to turn around Radio Station ratings.

Superior communication and interpersonal abilities.

A team player with demonstrated ability to work under pressure, meet deadlines and successfully complete projects with colleagues from diverse cultural backgrounds.

Highly creative and imaginative.



**Charles Mwikya**

**Charles Mwikya**

**Alternate Director**

**PS, The National Treasury and Planning**

He is a holder of Bachelor of Arts degree from University of Nairobi (1986 – 1989) and Diploma in Financial Management from KCA University (2008). He has served as an Administrator for Provincial Administration from 1990 to 2004, Ministry of Planning and Development and ministry of Industry, Trade and Co-operatives. Currently he is a Deputy Secretary at the National Treasury.

**Fatuma Hassan**

**Professor Frederick Ngala**

**Abu Chiaba**



**Benson Kimoni**

**Benson Kimoni**

**A.g Executive Director & Secretary to the Governing Council**

He is a holder of Diploma in Human Resource Management and a Degree in Records Management. He has attended short courses in Supervisory and Senior Management from Kenya School of Government. He has over 22 years' experience in Records Management, Human Resource and Administration.

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**IV. CHAIRMAN'S STATEMENT**

I am pleased to present the Annual Report and Accounts of the Kenya Cultural Centre (KCC) for the period July 2018 to June 2019. The KCC's core functions remain to be provision of space for cultural reference, expression and industry. With the support and commitment of the Governing Council Members, the various committees, the management team and stakeholders, The Kenya Cultural Centre has continued to discharge its mandate.

In the financial year 2018/19, The Kenya Cultural Centre facilitated diverse creative activities in artistic production processes comprising Rehearsals, Workshops, Dance Trainings, and Auditions for Television/Film/Beauty Pageantry/Fashion and Design. Live Theatre shows, Musical Concerts, Cultural Festivals and Public Discourses on matters socio-cultural. Among the events we hosted were:

- Sarafina – The Musical
- Tinga Tinga Tales – The Musical
- Monthly Book Clubs facilitated by Text Book Centre, Africa Kids Book Club
- Somali Cultural Festival
- Poetry After Lunch every Thursday
- Unveiling of the mural on the perimeter wall during the South African exchange programme with the Department of Culture
- World Women's Day commemoration in partnership with Kenya Conservatoire of Music
- The Centre was privileged to host the FLOTUS during the World Children's Day commemoration among many other international events.

All these were made possible by the support of GoK through financial grant during the financial period.

There is a great need to intensify Fund raising efforts in order to mobilize resources to meet all of The KCC's obligations including recurrent expenditure and capital development. Technical Management of Creative Cultural processes, Communications, Public Relations, Marketing and Resource Mobilization efforts at the Centre require urgent strengthening. In this regard, processes to bolster institutional internal capacity for effective service delivery are already in progress.

**Appreciation**

I commend my fellow Governing Council members for their availability to attend meetings and provide invaluable contribution. I urge us all to continue working as a team in order to address the numerous challenges still ahead of us.

I would like to thank the Management Team and the KCC staff for their continued dedication and hard work during the year even when we experienced various challenges.

Lastly, on behalf of the Governing Council (GC) members and on my own behalf, I take this opportunity to thank the Ministry of Sports, Culture and Heritage, the Government of Kenya and all our stakeholders for the support provided to the Centre. May God bless you all.

Sign:



**OGLA KARANI  
CHAIRMAN GOVERNING COUNCIL**



## **VI. CORPORATE GOVERNANCE STATEMENT**

The Kenya Cultural Centre Governing Council supports best practice in corporate governance. Corporate Governance is the process and structure used to direct and manage business affairs of an institution towards enhancing prosperity and corporate accounting, with the ultimate objective of realizing stakeholders' long-term value.

### **Governing Council**

The Kenya Cultural Centre Governing Council consists of a Chairman, Mr. Nicholas Ole Moipei, 10 Council members who are non-executive and one Executive Director (ED/CEO). However, the current Governing Council was appointed in October 2015 after the previous one's term expired April 2015. The Governing Council's profiles appear on Page 5.

All the non-executive directors are considered to be independent of management and have an appropriate range of expertise both in business and cultural sector for proper stewardship of the Centre.

The Governing Council's appointment is for 3 years renewable once. The appointing authority is the Cabinet Secretary in the Ministry responsible for culture, currently being the Ministry of Sports and Heritage.

### **Council's Responsibilities**

The primary responsibility of the Council Members is to exercise their judgment to act in what they believe to be the best interests of the Centre and its stakeholders. In furtherance of its responsibilities, the Council:

- Ensures that appropriate systems and processes are in place so that the business of the Centre is conducted in an honest, ethical, responsible and safe manner;
- To oversee the overall conduct of the organization and ensure that it is being properly managed;
- To ensure that effective audit, risk management and compliance systems are in place to protect the Centre's assets and to minimize the possibility of the Centre operating beyond legal requirements or beyond acceptable risk parameters;
- To be actively engaged in directing and approving the strategic planning of the Centre and monitoring management's implementation of the strategies;
- To Analyze and review material acquisitions, divestments and capital expenditure;
- To set delegated financial authority levels for the Executive Director/CEO;
- To review and approve the Centre plan, financial and management policies and the operating budget and monitor financial performance and integrity of reporting;
- To appoint, remove and if necessary, review the performance of the Executive Director/CEO and oversee succession plans for senior management;
- To carry out periodic peer evaluation of Council members;
- To act in such a way that Governing Council meetings and discussions promote focused debate within a supportive team atmosphere;
- To ensure effective and timely reporting to Government of Kenya; and
- To safeguard and enhance the image and reputation of the Centre.

The Governing Council comprises of eleven (11) Council Members, ten (10) of whom are independent directors who represent the various key stakeholders in the industry.

The Council defines the Centre's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Council members bring a wealth of experience and knowledge to the Council's deliberations. Except for direction and guidance on general policy, the Council delegates authority of its day-to-day business to the

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<b>Total revenue from the rendering of services</b>	<b>42,331,140</b>
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The Centre has a flagship project dubbed the International Arts and Culture Centre. During the year under review, the Centre received Development Grant of Kshs. 10,000,000 towards the implementation of the project. The project is at its preliminary stage where Geotechnical and Topographical Surveys has since been conducted to assess the condition of the soil underground.

The Centre complied fully with the laid down statutory requirements. No major risks were reported during the financial year.

#### **VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

As a Centre we acknowledge that we need to promote socially responsible behaviour. This will help build our reputation and strengthen relationships with customers, stakeholders and the general public. In order to achieve this, The Centre focuses on building and sustaining efforts geared towards collaborations and partnerships with other industry stakeholders. Through the years, the GC has been able to partner with various institutions and will work towards enhancing its regulatory and advisory role in Cultural matters in the coming years. We regard the setting of a good example as an important practice in this regard. Below are a few examples of how The Centre have shown their commitment to practice responsible corporate behaviour and to establish and support initiatives in the community.

1. Educating the public on their Tax Obligations: The Centre organised a sensitization workshop in collaboration with Kenya Revenue Authority (KRA).
2. In line with giving back to society we supported the Wish Foundation in providing space to act as a pick up point for collecting donations for the less fortunate.
3. The Centre has donated towards two artists medical funds.
4. Waiver on Cost of hiring the auditoriums: In line with the Centre's mandate to provide space for performance, we provided subsidised rates for more than 20 productions.

##### **Life transformation programs**

- Provision of networking opportunities, guidance and counselling over choices on art as a career to the clients visiting the Centre has been on a steady growth owing to the fact that our program PAL (Poetry After Lunch) held every Thursday of the week from 1.30pm to 4.30pm at the Art Corner has been embraced by many media houses who have been broadcasting snippets of our weekly activities.
- Through PAL many youths have developed their talents and are currently engaged in different livelihood supporting activities organized by different institutions and media programs.
- Event coverage volunteers have been very key in inspiring others to learn camera handling and filming through the weekly activities.



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**X. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Public Finance Management Act, 2012 of the State Corporations Act, require the Council to prepare financial statements in respect of the Centre, which give a true and fair view of the state of affairs of the Centre at the end of the financial year/period and the operating results of the Centre for that year/period. The Council is also required to ensure that the Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the Centre. The Council is also responsible for safeguarding the assets of the Centre.

The Councils is responsible for the preparation and presentation of the Kenya Cultural Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year that 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 Centre; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Centre; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Councils are of the opinion that the Commission's financial statements give a true and fair view of the state of Centre's transactions during the financial year ended June 30, 2019, and of the Centre's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the Centre 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 Kenya Cultural Centre's financial statements were approved by the Governing Council on 20/05/2020 and signed on its behalf by:



**Chairman Governing Council**

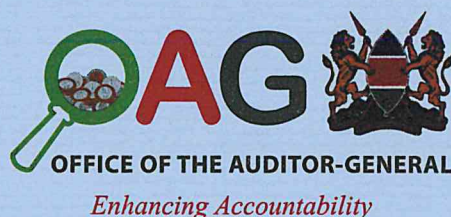


**Ag. Executive Director/CEO**



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON THE KENYA CULTURAL CENTRE FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Cultural Centre set out on page 1 to 30, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 Kenya Cultural Centre 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 Kenya Cultural Centre Order, Legal Notice No.58 of March, 2013 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Ownership of Land

The statement of financial position and as disclosed under Note 21 to the financial statements reflects respect of Property, Plant and Equipment balance of Kshs.350,425,711. However, this figure excludes a parcel of land Title No.209/14477 measuring 0.8737 hectares whose value has not been determined. The land was allocated to the Centre by the National Land Commission through letter reference number 114075/182 dated 19 May, 2016 for a term of 99 years. Further, included in this amount is Kshs.333,482,559 relating to land whose ownership documents were not provided for audit.

In view of the foregoing, the carrying value of property plant and equipment of Kshs.350,425,711 is highly understated and does not reflect a true and fair position of the Centre as at 30 June, 2019.



## **Basis for conclusion**

### **1.0 Splitting of Renovation Works**

The Centre split renovation works with one contractor being awarded two construction works on 3 and 7 May, 2019 at contract sums of Kshs.302,390 and Kshs.729,686 respectively. This was contrary to Section 54(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed. Management did not explain or support the splitting of the tenders. Further, the Contractors awarded the tender had not been prequalified under general renovation of works.

The Centre Management was in breach of the law.

### **2.0 Non-Deduction of 6% Withholding Value Added Tax**

Review of payments made to various supplies during the year under audit, revealed that the Centre did not effect VAT deductions on all the payments made to goods and service providers totaling to Kshs.939,846. This was contrary to Section 19A (2) of the Value Added Tax Act which provides that a person appointed under subsection (1) shall, on purchasing taxable goods or services, withhold the tax payable thereon and remit the same directly to the Commissioner at such times as the Commissioner may direct.

The Centre, being an appointed Tax Agent was in breach of the law.

### **3.0 Non-Deduction and Remittance of Pay As You Earn (PAYE) Tax**

The Centre paid a total of Kshs.1,043,512 comprised of secondment allowance of Kshs.460,000 to two members of staff seconded from the Ministry of Sports, Culture and Heritage; and acting allowance of Kshs.583,512 to Acting Chief Executive Officer. However, the Centre Management did not subject the allowances to tax. This was contrary to Section 3(1) and 3(2)(a)(ii) of the Income Tax Act which provides that a tax to be known as income tax shall be charged for each year of income upon all the income of a person, whether resident or non-resident, which accrued in or was derived from Kenya in respect of gains or profit from any employment or services rendered.

The Management is therefore in breach of the Act.

### **4.0 Unsupported Payments for Renovations and Works**

During the year under review, the Centre incurred expenditure of Kshs.3,452,620 on various contracted works. However, the payments were not supported by certificates of completion of works done and tender/quotation documents. Further, examination of records relating to renovation works carried out at the Centre revealed that renovation works worth Kshs.4,854,320 awarded to various suppliers were not supported by Bills of Quantities from the Ministry of Public Works as required.

The audit was conducted in accordance with ISSAI 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 control, risk management and overall 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, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Centre's ability to continue to sustain its service disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Centre or 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 Centre's financial reporting process, reviewing the effectiveness of how the 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 overall 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

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Centre 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 Centre to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate 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**

**23 August, 2021**



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

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments – gifts and services-in-kind	6	50,000,000	52,500,000
<b>Revenue from exchange transactions</b>			
Rendering of services	7	42,331,140	49,657,861
<b>Total revenue</b>		<b>92,331,140</b>	<b>102,157,861</b>
<b>Expenses</b>			
Use of goods and services	8	2,533,342	2,227,762
Employee costs	9	16,149,557	19,086,764
Remuneration of directors	10	10,932,744	4,761,789
Depreciation and amortization expense	11	6,803,269	6,297,649
Repairs and maintenance	12	6,864,510	6,376,630
Contracted services	13	12,104,340	12,922,465
General expenses	14	24,975,940	34,257,174
Finance costs	15	161,983	137,511
Bad Debt Written off	16	-	1,320,196
<b>Total expenses</b>		<b>80,525,685</b>	<b>87,387,940</b>
<b>Surplus before tax</b>		<b>11,805,455</b>	<b>14,769,921</b>
Taxation		-	-
<b>Surplus the year</b>		<b>11,805,455</b>	<b>14,769,921</b>

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The Financial Statements set out on pages 1 to 5 were signed on behalf of the Governing Council by:

Executive Director/C.E. O

Accounts Officer

Chairman of the Governing Council

Name: Michael Kunda

Name SAMUEL MUKU

Name: OGLA KARANI

Date: 20/5/2020

Date: 20/MAY 2020

Date: 20/05/2020

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

		<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>			
<b>Surplus / (Deficit) for the year</b>		<b>Kshs</b>	<b>Kshs</b>
<b>Adjusted for:</b>			
<b>Surplus / (Deficit) for the year</b>		11,805,455	14,796,921
Depreciation		6,803,269	6,297,649
<b>Working Capital adjustments</b>			
Decrease in inventory		42,459	(151,980)
Increase in receivables		(686,049)	1,277,482
Increase in payables		259,499	(722,435)
Employee Obligation		(889,991)	(3,204,466)
Provision of gratuity & Audit fees		189,158	1,105,908
<b>Net cash flows from operating activities</b>	25	<b>17,523,800</b>	<b>19,372,079</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(5,470,554)	(4,188,570)
<b>Net cash flows used in investing activities</b>		<b>(5,470,554)</b>	<b>(4,188,570)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,053,246</b>	<b>15,183,509</b>
Cash and cash equivalents at 1st July 2018		16,434,985	1,251,476
<b>Cash and cash equivalents as at 30th June 2019</b>	18	<b>28,488,231</b>	<b>16,434,985</b>



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**XII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

The Kenya Cultural Centre is established through an Act of Parliament Cap 218 of 1951 from which it derives its authority and accountability. The Centre is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to:

- a) Provide for the performance of Music, drama and dancing
- b) Provide for the exhibition of works of arts and crafts
- c) Hold Meetings for discussions on matters of literary, historical, scientific or educational interest or importance
- d) Carry out other purposes approved by the Council to further the foregoing functions.

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

The Centre'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 Centre and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 39: Employee Benefits	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>

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***Sale of services***

Revenue from the sale of services is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the services 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 Centre.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Centre. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis or timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Taxes**

The Kenya Cultural Centre is exempt from income tax under the First schedule, paragraph 10 of the Kenyan Income Tax Act (cap 470)

***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.

**c) 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. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The depreciation is on straight line basis. Annual depreciation rates in use are:

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**e) 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 labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Inventories (Continued)**

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.

**f) Provisions**

Provisions are recognized when the Centre 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 Centre 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. The Centre makes a provision for gratuity for its employees on contract at the rate of 31% of the basic salary. The amount is charged against income in the year in which it is earned.

***Contingent liabilities***

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

***Contingent assets***

The Centre 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.



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**l) Service concession arrangements**

The Centre 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 Centre 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 Centre also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**m) Cash and cash equivalents**

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank	28,187,001	16,271,952
Cash-on-hand and in transit	301,230	149,280
<b>Total cash and cash equivalents</b>	<b>28,488,231</b>	<b>16,434,986</b>

**Detailed analysis of the cash and cash equivalents**

**(a) Banks**

<b>Name of the Bank</b>	<b>Bank Account Number</b>	<b>Currency</b>	<b>2018/2019 Kshs 000</b>	<b>2017/2018 Kshs 000</b>
Barclays Bank of Kenya	0948215349	KSH	10,689,507	8,941,060
KCB Operations Account	1207350184	KSH	17,484,920	7,330,892
KCB Capital Account	1207348503	KSH	12,574	13,754
<b>Total</b>			<b>28,187,001</b>	<b>16,285,706</b>

**(b) Cash on hand**

<b>Form of cash holding &amp; in Transit</b>	<b>2018/2019 Kshs 000</b>	<b>2017/2018 Kshs 000</b>
Mpesa Paybill No 829789	301,000	149,280
Cash in Hand	230	-
<b>Total</b>	<b>301,230</b>	<b>149,280</b>

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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 Centre
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**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 23.

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.

**6 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year 2018/2019	Total grant income during the year 2017/2018
			Kshs	Kshs	Kshs
State Department of Culture and Heritage	50,000,000	-	-	50,000,000	52,500,000
<b>Total</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>	<b>50,000,000</b>	<b>52,500,000</b>

**7 RENDERING OF SERVICES**

Description	2018-2019	2017-2018
	Kshs	Kshs
Parking Fees	28,351,830	35,402,075
Rental Income	1,220,800	2,296,000
Theatre Hiring	12,434,710	11,913,986
Poster & Ticketed Events	13,300	12,100
Car Wash	310,500	33,700
<b>Total revenue from the rendering of services</b>	<b>42,331,140</b>	<b>49,657,861</b>

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**11 DEPRECIATION AND AMORTIZATION EXPENSE**

Description	2018-2019	2017-2018
	KShs	KShs
Motor Vehicles	3,166,750	3,800,100
Electronic Data Processing Equipment	1,320,307	854,089
Plant and Equipment	1,219,254	1,140,402
Furniture & Fittings	1,096,958	503,058
<b>Total depreciation and amortization</b>	<b>6,803,269</b>	<b>6,297,649</b>

**12 REPAIR & MAINTANCE**

Description	2018-2019	2017-2018
	KShs	KShs
General Repairs	6,864,510	6,376,630
<b>Total Repairs</b>	<b>6,864,510</b>	<b>6,376,630</b>

**13 CONTRACTED SERVICES**

Description	2018-2019	2017-2018
Security	5,414,740	7,174,320
KAPS fees	1,094,520	-
Cleaning & Sanitation Services	4,288,564	4,650,996
Telephone, Internet and Postage	1,306,516	1,097,149
<b>Total contracted services</b>	<b>12,104,340</b>	<b>12,922,465</b>



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**15 FINANCE COSTS**

Description	2018-2019		2017-2018
	KShs		KShs
Bank Charges	161,983		137,511
<b>Total finance costs</b>	<b>161,983</b>		<b>137,511</b>

**16 BAD DEBT WRITTEN OFF**

Description	2018-2019		2017-2018
	KShs		KShs
Francis Luchiri	-		1,320,196
<b>Total</b>	<b>-</b>		<b>1,320,196</b>

**17 CASH AND CASH EQUIVALENTS**

Description	2018-2019		2017-2018
	KShs		KShs
Mpesa Paybill Number 829789	301,000		149,280
Barclays Bank Account Number 0948215349	10,689,507		8,941,060
KCB-Capital Account Number 1207348503	12,574		13,754
KCB-Operations Account Number 1207350184	17,484,920		7,330,892
PettyCash	230		-
<b>Total cash and cash equivalents</b>	<b>28,488,231</b>		<b>16,434,986</b>

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**20 INVENTORIES**

<b>Description</b>	<b>2018-2019</b>		<b>2017-2018</b>
	<b>KShs</b>		<b>KShs</b>
Stationery Items	109,521		151,980
<b>Total inventories at the lower of cost and net realizable value</b>	<b>109,521</b>		<b>151,980</b>

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**24 EMPLOYEE BENEFIT OBLIGATION**

Description	2018-2019		2017-2018
	KShs		KShs
P.A.Y.E	846,216		381,961
N.S.S.F	11,200		-
N.H.I.F	27,300		-
Staff Gratuity	3,625,416		5,018,162
<b>Total employee benefits obligation</b>	<b>4,510,132</b>		<b>5,400,123</b>

**25 CASH GENERATED FROM OPERATIONS**

	2018-2019		2017-2018
<b>Surplus for the year before tax</b>	<b>Kshs</b>		<b>Kshs</b>
<b>Adjusted for:</b>			
Surplus/(Deficit) for the year	11,805,455		9,368,931
Depreciation	6,803,269		6,297,649
<b>Working Capital adjustments</b>			
Decrease in inventory	42,459		(109,521)
Increase in receivables	(686,049)		(218,600)
Increase in payables	259,499		(722,435)
Employee Obligation	(889,991)		(5,400,123)
Provision gratuity & Audit fees	189,158		1,105,908
<b>Net cash flow from operating activities</b>	<b>17,523,800</b>		<b>10,321,809</b>

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**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Governing Council's, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows as represented in the table below.

**Liquidity risk management**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Trade payables	-	-	63,849,019	63,849,019
Provisions			2,051,605	2,051,605
Employee benefit obligation	884,716		3,625,416	4,510,132
<b>Total</b>	-	-	<b>69,526,040</b>	<b>70,410,756</b>
<b>At 30 June 2018</b>				
Trade payables	-	-	63,589,520	63,589,520
Provisions	110,000	678,000	1,074,447	1,862,447
Employee benefit obligation	-	381,961	5,018,162	5,400,123
<b>Total</b>	<b>110,000</b>	<b>1,059,961</b>	<b>69,682,129</b>	<b>70,852,090</b>

**4 EVENTS AFTER THE REPORTING PERIOD**

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

**5 ULTIMATE AND HOLDING ENTITY**

The Centre is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Sports, Culture and Heritage. Its ultimate parent is the Government of Kenya.

**6 Currency**

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

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
		demands. The Governing Council resolved to write them off.			
Unaccounted for Government Grants	There was a disagreement between the amounts that the Parent Ministry reported and that which was reported in the KCC books of Accounts by Kshs. 35,252,976 by 30 June 2017.	KCC received a total of Kshs. 56,702,203 which can be supported by bank statements showing the money flow. The Parent Ministry disburses our grants directly and therefore should be able to explain the discrepancy.	Management	Not Resolved	
Misappropriation of Funds	It was noted that an amount of Kshs. 1,320,196 had been misappropriated by a former staff under unclear circumstances.	The case was thrown away having stayed on for over 10 years. The amount was written off	Management	Solved	
Unreconciled Differences on Transfers from the State Department for Culture and Heritage	The Auditor stated that "the Centre had received Kshs. 52,500,000 grants from the State Department for Culture and Heritage. However, the amount differed from Kshs. 40,000,000 that was audited. The source and mode of transmission of Kshs. 12,500,000 has not been clarified".	The Kshs. 12,500,000 related to Development grant. The management presented the bank statements through which the money was transferred. There was also a reconciliation of the transfers from the Head of Accounting Unit from State Department for Culture and Heritage confirming the same	Management	Solved	

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the Kenya Cultural Centre Funded by the GoK

Project title	Project Number	GoK	Period/ duration	GoK commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
International Arts and Culture Centre			4 Years	1,250 M	NA	NA

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
	International Arts and Culture Centre	1,250 M	3,000,024	0.5%	1,250 M	22,500M	GoK



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