REPUBLIC OF KENYA

Paper Laid By LOMP Hon. Duale, MP on 11/4/2018

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA CULTURAL CENTRE

FOR THE YEAR ENDED 30 JUNE 2017

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA CULTURAL CENTRE FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Cultural Centre set out on pages 1 to 37, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in equity, 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 that I believe was 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, 2017, 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 Act, Cap 218 of 1951 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis of Qualified Opinion section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Going Concern and Service Sustainability

Examination of the financial statements of the Kenya Cultural Centre revealed that the organization's current liabilities of Kshs.74,100,991 exceeded the current assets of Kshs.5,549,463 by Kshs.68,551,528 as at 30 June 2017. As a result, the Centre was operating with a negative working capital and was thus technically insolvent.

In the circumstances, the operations of the Centre are dependent on continued support from the Government and its creditors.

2. Fixed Assets

2.1 Incomplete Fixed Asset Register

The Centre did not maintain a proper fixed assets register for property, plant and equipment with necessary details such as; description of the asset, location, serial number, date purchased, source, cost price, additions, depreciation and disposals as required. Documents availed for audit indicated that only an inventory listing of assets in the various offices was maintained.

In the absence of a proper fixed assets register, it has not been possible to confirm the accuracy of the property, plant and equipment balance of Kshs.353,867,505 reflected in the statement of financial position as at 30 June 2017.

2.2 Understated Value of Land

The statement of financial position reflect Kshs.120,000,000 in respect of land and buildings as at 30 June 2017. However, this figure excludes a plot Ref. L.R. No. 209/14477 measuring approximately 0.8737 hectares with an estimated value of Kshs.500 million which was allocated to the Centre by the National Land Commission through letter Ref. No. 114075/182 dated 19 May 2016 for a term of 99 years.

In the circumstances, the carrying value of land reflected in the statement of financial position as at 30 June 2017 is understated by the unvalued plot estimated at Kshs.500 million.

Prior Years Unresolved Issues

3. Unaccounted for Government Grants

As previously reported, an amount of Kshs.91,954,999was indicated as having been transferred by the Parent Ministry but only Kshs.56,702,023was recorded at the Kenya Cultural Centre's statement of financial performance for the year ended 30 June 2016. The resultant difference of Kshs.35,252,976 had not been accounted for by 30 June 2017.

4. Long Outstanding Trade and Other Payables

As previously reported, the financial statements as at 30 June 2017 still reflect under trade and other payables a balance of Kshs.63,184,432 in respect of land rates due to the defunct Nairobi City Council. This balance has been outstanding for a long time.

Consequently, the accuracy of the trade and other payables balance of Kshs.65,496,402 as at 30 June 2017 could not be confirmed.

5. Misappropriation of Funds

As previously reported, an amount of Kshs.1,320,196 said to have been misappropriated by an officer was under unclear circumstances converted into a loan. A review of the matter in the year under review disclosed that the funds had not been recovered and the issue was still in court awaiting determination.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Cultural Centre in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements.

Except for the matter described in the Basis for Qualified Opinion section or Material Uncertainty Related to Going Concern paragraph, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1.0 Budget and Budgetary Performance

1.1 Revenue

The Kenya Cultural Centre had budgeted for receipts totalling Kshs.140,344,716 but received only Kshs.82,847,965 as follows:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Excess/(Shortfall) %
Government Grants	68,000,000	34,000,000	(34,000,000)	(50)
AIA	20,000,000	20,192,993	192,993	100
Donations	12,500,000	12,500,000	-	-
Fund Raising & Income Generating Activities	39,844,716	16,154,972	(23,689,744)	(59)
TOTAL	**140,344,716**	**82,847,965**	**(57,496,751)**	**(41)**

The failure to receive Kshs.57,496,751 or 41% of the budget implies that the Centre's goals and objectives could not be achieved as planned.

1.2 Expenditure

Actual expenditure amounted to Kshs.85,604,538 against the approved budget of Kshs.140,344,716 occasioning an under expenditure of Kshs.57,279,682 or 41% as follows:

Expenditure Head	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Over/(Under) %
Personnel Salaries & Emoluments	21,834,716	14.646,880	(7,187,836)	(33)
Operational Costs	37,400,000	36,661,495	(738,505)	(2)
Governing Council Expenses	10,810,000	10,308,357	(501,643)	(5)
Insurance Expenses	5,500,000	2,414,164	(546,332)	(56)
Capital Expenditure	64,800,000	19,034,138	(45,765,862)	(71)
Total Expenditure	**140,344,716**	**83,065,034**	**(57,279,682)**	**(41)**

The resultant under expenditure Kshs.57,279,682 or 41% was attributed to failure to receive Kshs.34,000,000 or 50% of the approved Government grants and failure to raise Kshs.23,689,744 or 59% of the budgeted revenue from fund raising and income generating activities.

Under the circumstances, the Centre's goals and objectives were not achieved as planned.

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

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

In preparing the financial statements, management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Centre's or to cease operations, or have no realistic alternative but to do so.

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

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

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

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.

As part of an audit 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Centre's 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 management's use of the going concern 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 Centre's ability to continue as a going concern or 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 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 Corporation's 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.

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

Nairobi

12 March 2018

THE
KENYA
CULTURAL CENTRE
INCORPORATING THE KENYA NATIONAL THEATRE

KENYA CULTURAL CENTRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017

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

I. TABLE OF CONTENTS

I. *KEY KENYA CULTURAL CENTRE 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.):

- **G**ood Governance, including professionalism
- **U**prightness, including transparency and accountability
- **I**nclusiveness
- **D**iversity
- **E**quity

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 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Executive Director	Edwin Gichangi
2.	Financial Accountant	Grace Kamau
3.	Human Resource & Administration	Benson Kimoni Silas
4.	Supplies Chain management	Helen Ntabo

e) Fiduciary Oversight Arrangements

- **Audit and Risk committee:** This committee undertakes the audit oversight functions over all the finances and operations of KCC and ensure compliance to all statutory and regulatory requirements. It is also involved in risk assessment of operations.
- **Finance Administration & Human Resource Committee**: It also has an oversight function over all matters touching on finance, accounts, human resource, administration, procurement and ICT concerning the centre.

- **Programmes Committee:** This committee has an oversight function over matters of development, promotion and marketing of the Cultural Programmes of the Centre. It ensures the centre carries out its core function and mandate as per the KCC Act Cap 218 of 1951.

f) Kenya Cultural Centre Headquarters

Kenya Cultural Centre incorporating Kenya National Theatre
Harry Thuku Road
P.O.BOX 43031-00100
Nairobi, Kenya

g) Kenya Cultural Centre Contacts

Telephone: (254) 20 2672843, 0726008677
E-mail: info@kenyaculturalcentre.go.ke
Website: www.kenyaculturalcentre.go.ke

h) Kenya Cultural Centre Bankers

KCB Bank
University Way Branch
Nairobi.
Barclays Bank of Kenya
Market Branch Nairobi

i) Independent Auditors

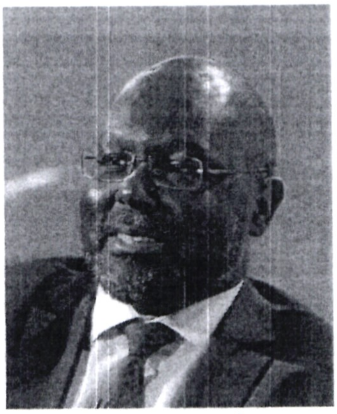
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O.Box 30084
GOP 00100
Nairobi, Kenya

j) Principal Legal Adviser

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

II. THE GOVERNING COUNCIL

 **Ole Moipei Nicholas HSC**	**Nicholas Ole Moipei** **Chairman** He is a holder of Bachelor of Education (Music) degree from Kenyatta University and a Career Music Teacher/Lecturer He is a Member of the Kenya Music Festivals Foundation National Executive Committee and Chairman of Kenya Music and Cultural Festivals since 2012
 **Baridi Manyasi**	**Baridi Manyasi** **Vice Chairman** A holder of M.A. Sociology (Rural Sociology and Community Development), the University of Nairobi.BA Sociology; The University of Nairobi, (Second Class Honours, Upper Division). Advanced Project Management; OTE academy, Greece (Credit) and Diploma; Social Work and Social Development, The University of Nairobi (credit). He has served as aLecturer at the Mount Kenya University, Thika Campus; Course title, Development Studies. He has also been working as a Consultant/Monitoring and Evaluation Expert, with SIPU International, to assist the National Integrated Monitoring and Evaluation System (NIMES) Capacity Development Project under the Monitoring and Evaluation Department of the Ministry of Devolution and Planning, Kenya. He has been a visiting/part time Lecturer at the Kenya School of Government, specialized in Result Based Management/Monitoring and Evaluation. He also worked as Consultant in a GoK Programme, Office of the Prime Minister, Ministry of State for Planning, National Development and Vision 2030, and an Monitoring and Evaluation Specialist for the same programme.
 **Edwin Gichangi**	**Edwin Gichangi** **Executive Director & Secretary to the Governing Council** Edwin is a graduate of Communications from Daystar University. He has attained specialized post graduate qualifications in leadership and Community Development from Eastern and Southern Africa Management Institute (ESAMI) and MBA from Switzerland. Edwin has over 15 years' of extensive work experience gained working for multinational blue chip corporations, government agencies and international organisations. His areas of expertise include: design and implementation of change; governance, political and institutional analysis; public sector governance and institutional reforms; marketing communications and strategic management.

 Isaac Awuondo	Isaac Awuondo **Governing Council Member** He graduated from Nairobi University in 1980 with a Bachelor of Commerce degree in accounting and finance. He trained in London as a chartered accountant qualifying in 1984. He has worked as an Audit Manager, Financial Controller and Company Secretary in the private sector. He has also worked as part of the senior management team of Commercial Bank of Africa Ltd. (CBA – 20 years) and Standard Chartered Bank Kenya Ltd (SCBK – over 8 years). He was General Manager and Executive Director of CBA prior to being appointed Managing Director in December 1998. He was the Chief Financial Officer and director of the SCBK's operations in Kenya up to September 1995. Isaac sits on the Board of several public and private organisations, including Africa Trade Insurance, Bata Shoes Company Kenya Limited, Nairobi Hospital and Riara University Council. Through his involvement in charitable and philanthropic activities, he is Chairman of the Kenya Conservatoire of Music and trustee of The Rhino Trust, and the Zawadi Africa Education Fund He is a keen golfer and enjoys music and reading n his free time.
 **Eric Kiniti**	**Eric Kiniti** **Governing Council Member** He is a holder ofBachelor of Arts Degree in Economics and a Leadership Development certificate from the Gordon Institute of Business Science, University of Pretoria (South Africa). He is currently pursuing a Masters of Science Degree in Public Policy from the University of London and an Advanced Leadership Programme from Strathmore Business School. He currently serves as the Corporate Relations Director for Kenya Breweries Limited where he is a member of the top executive team. He is a member of the Public Relations Society of Kenya (PRSK).
 **Wachira Waruru**	**Wachira Waruru** **Governing Council Member** He is a holder of Bachelor of Education Degree from Kenyatta University extensive work experience in Media Industry as Journalist, News Editor, and Editorial Director. He has also worked as Managing Director KBC, Managing Director Kenya Film Commission and he is Currently the Managing Director Royal Media Services Ltd

 **Saima Ondimu**	**Saima Ondimu** **Alternate Director** **PS, Ministry for Sports. Culture and the Arts** Strategic Leadership Development Course No. 65/2013 University of Nairobi - Post Graduate Diploma in Diplomacy & International Relations University of Strathclyde MSc. in International Hospitality Management Dissertation on Conference Tourism Marketing the case of Nairobi. Kenya Utalii College - Diploma in Hotel Management
 **Alison Ngibuini**	**Alison Ngibuini** **Governing Council Member** Alison is a holder of MBA in entrepreneurship. Currently serving on the board of UN Global compact Kenya. She has an outstanding track record in the communication/media industry for excellence and monetization the content business. Alison is an award winning film/television entrepreneur with over ten years' experience. Recognized two years running as a Top 40 under 40 female entrepreneurs in East Africa. She has a strong background in advertising she has an unmatched track record in using television as a vehicle for entertainment and education. Alison has a great in-depth understanding of Africa having worked in East, West & Southern Africa and distributed content across the continent. As CEO of Al Is On Production Ltd, Alison has been involved in Public education, sensitization and awareness raising campaigns such as Siri and Shuga (*staring Oscar winning Lupita Nyongo)*. As well pioneering shows such as Africa Challenge (*A Pan-African household intellectual game show)* and Mali the First East African Daily Soap.
 **Muthoni Garland**	**Muthoni Garland** **Governing Council Member** Muthoni is a founder member of Storymoja, a writer's collective based in Nairobi, Kenya. She is an African author and storyteller who regularly presents in schools and at events. She has performed in both Kenya and the UK. Her stories have been published in literary journals in Kenya, S Africa, UK and USA. She is the author of two novellas published by Storymoja – Halfway Between Nairobi and Dundori, and Tracking the Scent of My Mother, which was short-listed for the Caine Prize. Muthoni has also written six children books, published by Storymoja. Her story, Kamau's Finish is used as a world literature text in UK and American schools. In the latter, it is published in a critically acclaimed anthology compiled by Jane Kurtz - Memories of Sun.

 Millicent Ogutu	Millicent Ogutu Governing Council Member A holder of Diploma in Law from Kenya School of Law and Bachelor of Legal Laws Moi University. She is also a member of Law Society of Kenya Advocate of the High Court of Kenya, Founding Secretary of Kenya Actors Guild. She is a lawyer by profession and Managing Partner at Kishagha&Ogutu Advocates, also worked as associate at KN Associates LLP and S. Musalia Mwenesi Advocates Nairobi. Millicent served a memorable term as the Managing Director of Phoenix Players Theatre, the biggest repertory theatre in East and Central Africa. She is the current Chair of the Kenya Copyright Board. She co-owns a film production company with three other very talented Thespians.
 **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, Ministry for Finance** 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.

III. MANAGEMENT TEAM

 **Edwin Gichangi**	**Edwin Gichangi** **Executive Director/CEO** Edwin has more than 15 years' of extensive work experience gained working for multinational blue chip businesses, government agencies and international organisations across a diverse range of sectors and geographies. Over the years, Edwin has been very fortunate to have had relationships with visionary organisations, both small and large, which have extended their trust at critical milestones in their evolution. Areas of expertise include: design and implementation of change; governance, political and institutional analysis; public sector governance and institutional reforms; marketing communications and strategic management. Edwin is a graduate of Communications from Daystar University. He has attained specialised post graduate qualifications in leadership in Community Development from Eastern and Southern Africa Management Institute (ESAMI) and MBA from Switzerland
 **Grace Kamau**	**Grace Kamau** **Accountant** Oversees prudent management of the Centre's financial resources by ensuring compliance with the laid down government policies and procedures. She has over ten years working experience in finance and accounting in both public and Private sectors. She is a Certified Public Accountant (CPA K), Holds a bachelor degree in Business Administration from Kenya Methodist University.
 **Khadija Suleiman Buke (Left in February 2017)**	**Khadija Suleiman Buke** **Programmes Coordinator** Oversees implementation of Programmatic activities of the Centre as per the KCC mandate. She has worked with various NGOs as programmes officer. Khadija is a holder of Bachelor's Degree in Economics second class honours from Maseno University and is currently undertaking a Masters Degree program in Project Management at Kenyatta University.
 **Benson Kimoni**	**Benson Kimoni** **HR and Administration** 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.

 Hellen Ntabo	Hellen Ntabo **Procurement** She is a holder of O-Level Division III and Diploma in Supplies Management. She has over 39 years' experience in Procurement.

IV. CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts of The Kenya Cultural Centre (KCC) for the period July 2016 to June 2017. 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 2016/17, 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 productions were:

- Three Fold Cord Play,
- Jesus Christ Superstar – The Musical,
- Monthly Book Clubs facilitated by Text Book Centre,
- Somali Cultural Festival
- Poetry After Lunch

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

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 specially thank the Vice chairman, Mr. Baridi Manyasi for his support and willingness to step in for me whenever the circumstances call for it.

I would like to thank the Executive Director, Mr. Edwin Gichangi, the Management Team and the KCC staff for their continued dedication and hard work during the year.

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 the Arts, the Government of Kenya and all our stakeholders for the support provided to the Centre. May God bless you all.

Sign:

2/1/2018

NICHOLAS OLE MOIPEI
CHAIRMAN GOVERNING COUNCIL

V. REPORT OF THE EXECUTIVE DIRECTOR/CEO

I am pleased for this annual opportunity to share the brief summary of the financial performance of the Kenya Cultural Centre. The Kenya Cultural Centre is a body corporate which was established 66 years ago through CAP 218 of March, 1951 Laws of Kenya. KCC was able to raise A.I.A from the Centre's Commercial car parking area, Hire of Theatre auditoriums, Audition rooms and other Creative activities facilities and office rentals.

Strict financial discipline and accountability has remained a key factor in managing the resources of The Centre. The Centre has acquired two official vehicles, renovated Ukumbi Mdogo and its reception area to give it a brand new look. Other Renovations included

- The Landscaping of Mugumo Courtyard and surroundings
- The Grand Piano
- The KCC Kitchen
- The rooftop Igiza Lounge
- Kona ya Wasanii

KCC was able to undertake various programs that contributed to the development of cultural and artistic expressions during the year. These included the more than 150 theartre productions, 4 Gallery exhibitions, 50 Poetry after lunch event which natured more than 200 youth and upcoming artists. The Centre also produced the Jesus Christ Superstar Musical during the Financial Year under review.

We expect to engage in additional resource mobilization this year to raise additional financing to help complete renovation of the Main Auditorium, Cultural Centre building, landscaping the area outside the perimeter wall along Harry Thuku Road and other creative artistic spaces. Further, we look forward to constructing the Ultra-modern International Arts and Culture Centre on the newly acquired land.

In line with enhancing policies, a taskforce has already been appointed and the review of the current Kenya Cultural Centre Act Cap 218 is underway, to align it with the 2010 Constitution and sectoral trends. In addition, The Centres Strategic Plan is in its final stages as well.

The Centre has been operating with a shortage of Human Resources during the Financial Year. In addressing this challenge, vacancies were advertised but the process of hiring was put on hold due to financial and space constraints.

I am grateful to the Kenya Cultural Centre Governing Council (KCC-GC) for their support and good stewardship of the Centre. I also wish to thank the staff of the Kenya Cultural Centre for their dedication to their work. May the Lord in His time bless each one as only He can. I look forward to continued growth of the Kenya Cultural Centre as we strive to serve our clients and stakeholders in the years ahead. Thank you.

Sign:

2/1/2018

Edwin Gichangi
EXECUTIVE DIRECTOR/CEO

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 Culture and the Arts.

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 Management through the Executive Director/Chief Executive Officer. The Council nonetheless is responsible for the stewardship of the Centre and assumes responsibilities for the effective control over the Centre. The Executive Director/Chief Executive Officer also serves as the secretary to the Governing Council.

Committees of the Governing Council

The Council delegates to the Executive Director, powers for the day-to-day management of the Centre and to assist him in fulfilling his responsibilities, the Council has constituted the following committees:

1. Business Development Committee
2. Finance Administration and Human Resource.
3. Audit and Risk Committee

Other ad hoc committees are set up as and when need arises.

Details of the three main committees are given below:

Business Development Committee

The GC Committee comprises three governing council members and is chaired by Mr. Edward Muthusi. In addition, the Executive Director and Programmes Coordinator fulfil attendance of the committee's deliberations.

The committee meets quarterly to review all areas of business development activities as proposed and administered by the management.

The membership of the Business Development Committee is as follows:

1.	Mr. Edward Muthusi	Council Member (Chairperson)
2.	Ms. Alison Ngibuini	Council Member
3.	Mr. Wachira Waruru	Council Member

The Committee fulfilled its corporate governance responsibilities and in particular to provide strategic oversight to the core functions of the Centre, being developing, promoting and marketing the Cultural Programmes. The Committee held regular meetings and special meetings in the year under review.

Finance Administration and Human Resource Committee

This GC Committee comprises four governing council members and is chaired by Mr. Eric Kiniti. The Executive Director and the Accountant also participate in its deliberations.

The membership of the Finance Administration and Human Resource Committee is comprised as follows:

1.	Mr. Eric Kiniti	Council Member (Chairman)
2.	Ms. Millicent Ogutu	Council Member
3.	Charles Mwikya	Alternate to Principal Secretary, The National Treasury
4.	Mr. Isaac Awuondo	Council Member

The responsibilities of this Committee include providing general oversight in matters of finance, human resource and the overall operations and administration of the Centre. The committee held regular and special meetings in the year under review.

Audit and Risk Committee

This GC Committee comprises four governing council members and is chaired by Mr. Baridi Manyasi. The Internal Auditor and the Accountant also participate in its deliberations.

The membership of the Audit and Risk Committee is comprised as follows:

1.	Mr. Baridi Manyasi	Council Member (Chairman)
2.	Ms. Muthoni Garland	Council Member
3.	Ms. Saima Ondimu	Alternate to PS MoSCA
4.	Mr. Charles Mwikya	Alternate to PS National Treasury

The responsibilities of this Committee are to undertake the audit oversight functions over all the finances and operations of KCC and ensure compliance to all statutory and regulatory requirements.

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Council takes into account the results of work carried out to audit and review the activities of the Centre.

The Council also considers the management accounts for each quarter, reports from each Council Committee, annual budgetary proposals, major issues and strategic opportunities for the Centre. As an integral strategy in achieving its corporate goals, the Council ensures the future sustainability of the Centre.

Signed on this 2|1|2018

Edwin Gichangi
Executive Director/CEO/Secretary to the Governing Council

Nicholas Ole Moipei
Chairman of the KCC Governing Council.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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 Centres mandate to provide space for performance, we provided subsidised rates for more than 20 productions during the period among them was Riverwood Awards which recognises and promotes merit among the Performing industry and Kipawa Talent show aired on KTN TV every Tuesday.

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 and Lunch) happening 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.

Environment

We also take responsibility for ensuring that we take care of our environment since we have an obligation to our community, investors and customers. The management actively encourages our staff to recognize those responsibilities and behave in a responsible manner toward the society in which we function.

In conserving the environment and making it conducive for the society at large, the centre has taken the following in consideration;

- The transformation of the Central Courtyard into an attractive green zone symbolizing the Centre's commitment in environmental conservation has come to be a major inspiration to the visiting clients.
- Regular garbage collection: The centre ensures that the environment is kept clean by a weekly collection of waste and also encourages staff to recycle whenever possible.

- Drug Free zone: The centre has managed to eradicate drug and substance abuse from the premises and restored its status as a family friendly environment.

VIII. REPORT OF THE GORVERNING COUNCIL

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2016 which show the state of the Kenya Cultural Centre's.

Principal activities

The principal activities of Kenya Cultural Centre are:

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.

Results

The results of the Kenya Cultural Centre for the year ended June 30, 2017 are set out on page 21-25 below.

Governing Councils

The members of the Governing Council who served during the year are shown on page (5-8) above.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Cultural Centre.

IX. STATEMENT OF COUNCILS' 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 Councils are also required to ensure that the Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the Centre. The Councils are also responsible for safeguarding the assets of the Centre.

The Councils are 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, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Councils 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, 2017, and of the Centre's financial position as at that date. The Councils 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 Councils 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 2/1/2018 and signed on its behalf by:

Chairman Governing Council

Executive Director/CEO

X. *REPORT OF THE INDIPENDENT AUDITORS*

Auditor General

Date

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2017

	Note	2016-2017 Kshs.	2015-2016 Kshs
Revenue from non-exchange transactions			
Transfers from other governments	3	34,000,000	58,702,023
		34,000,000	**58,702,023**
Revenue from exchange transactions			
Rendering of services	4	36,347,965	10,952,681
Total revenue		**70,347,965**	**69,654,704**
Expenses			
Administration Cost	5	51,308,375	36,979,069
Insurance Expense	6	2,414,164	-
Remuneration of Board	7	10,308,357	4,262,733
Depreciation and amortization expense	8	2,590,581	1,733,711
Total expenses		**66,621,477**	**42,975,513**
Other gains/(losses)			-
Gain on sale of assets		-	-
Surplus before tax		**3,726,488**	**26,679,191**
Taxation		-	-
Surplus for the period		**3,726,488**	**26,679,191**

XII. *STATEMENT OF FINANCIAL POSITION*

As at 30 June 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Assets			
Current assets			
Cash and cash equivalents	9	1,251,477	20,267,165
Receivables from exchange transactions	10	4,297,986	7,906,056
		5,549,463	**28,173,221**
Non-current assets			
Property, plant and equipment	11	353,867,505	340,801,046
Total assets		**359,416,968**	**368,974,268**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	12	65,496,404.00	75,718,547
Employee benefit obligation	13	8,604,589.00	8,011,773
		74,100,991	**83,730,320**
Non-current liabilities		-	-
Total liabilities		**74,100,991.00**	**83,730,320**
Net assets			
Revaluation Reserve		2,517,112	2,517,112
Accumulated surplus		187,872,336	187,800,309
Capital Fund		94,926,527	94,926,527
		285,315,975	**285,243,948**
Total net assets and liabilities		**359,416,968**	**368,974,268**

Chairman Governing Council

Executive Director/CEO

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2017

Reserves

	Revaluation Reserve	Accumulated surplus	Capital Fund	Total
Balance as at 1st July 2015	**(744,182)**	**165,001,987**	**94,926,527**	**259,184,332**
PPA retained Earnings (Reversed)	-	(619,575)	-	**(619,575)**
Deficit for the FY 2014/15 period reversed	3,261,294	(3,261,294)	-	-
Surplus for the period	-	26,679,191	-	**26,679,191**
Balance as at 30 JUNE 2016	**2,517,112**	**187,800,309**	**94,926,527**	**285,243,948**
Balance as at 1st July 2016	**2,517,112**	**187,800,309**	**94,926,527**	**285,243,948**
Bad debts rewritten off		(6,496,710)		
Unverifiable payables written off		2,842,249		
Surplus for the period	-	3,726,488	-	**3,726,488**
Balance as at 30 June 2017	**2,517,112**	**187,872,336**	**94,926,527**	**288,970,436**

* Deficit for the period FY 2014/15 of Kshs. 3,261,294 was erroneously captured under Revaluation Reserve instead of Accumulated Surplus

XIV. STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Cash flows from operating activities			
Receipts			
Surplus/(Deficit)for the year		3,726,488	26,679,191
Adjustment for Annual Depreciation	8	2,590,581	1,733,711
Net cash flows from operating activities		**6,317,069**	**28,412,902**
Cash flows from investing activities			
Increase/Decrease in current Liabilities	12	(9,906,689)	10,353,377
Increase/Decrease in receivables	10	3,608,070	(125,202)
Net cash flows used in investing activities		**(6,298,619)**	**10,228,175**
Cash flows from Finanacing Activities			
Increase in Building and Civil works	11	(2,521,100)	(33,665,130)
Increase in Plant and Equipment	11	(891,724)	(7,593,000)
Increase in EDP Equipment	11	(916,560)	(558,356)
Increase in Furniture and Fittings	11	(2,037,754)	(328,877)
Increase in Motor Vehicles	11	(12,667,000)	-
Net Cash flows from financing activities		**(19,034,138)**	**(42,145,363)**
Net cash flows used in financing activities			1,672,959
Net increase/(decrease) in cash and cash equivalents		**(19,015,688)**	**(1,831,327)**
Cash and cash equivalents at 1 JULY		20,267,165	22,098,492
Cash and cash equivalents at 30 JUNE		**1,251,477**	**20,267,165**

XV. *STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS*

	Original budget	1st Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage difference	Notes
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017		
evenue	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**		
overnment grants ıd subsidies	68,000,000.00	-	68,000,000	34,000,000	-34,000,000	-50	1
ternally enerated Funds ıIA)	20,000,000.00	-	20,000,000	20,192,993	192,993	1	
onations	12,500,000.00	-	12,500,000	12,500,000	-	-	
ındraising & come Generating ctivities	39,844,716.00	-	39,844,716	16,154,972	-23,689,744	-59	2
otal Income	**140,344,716.00**	**-**	**140,344,716**	**82,847,965**	**-57,496,751**	**-41**	
xpenditure							
ersonnel Salaries Emoluments	23,884,716	(2,050,000)	21,834,716	14,646,880	7,187,836	33	3
perational Costs	33,200,000	4,200,000	37,400,000	36,661,495	738,505	2	
overning Council noluments & xpenses	16,260,000	(5,450,000)	10,810,000	10,308,357	501,643	5	
surance expense	6,000,000	(500,000)	5,500,000	2,414,164	3,085,836	56	4
apital Expenditure	61,000,000	3,800,000	64,800,000	19,034,138	45,765,862	71	5
otal Expenditure	**140,344,716**	-	**140,344,716**	**83,065,034**	**57,279,682**	**41**	

lotes to the Statement of Budget and Actual omparison

. Government Grant and Subsidies- The negative variance of 50% is due to development grant of Kshs 49Million which was not eleased to the Centre by the Parent Ministry

. KCC had a shortfall of Kshs, 23,689,744 in fundraising. This was because most fundraising efforts didn't materialise as xpected.

. Personnel salaries & Emoluments- There was a positive variance of 33%. This was because KCC was not able to fill vacant ositions as budgetted for due to delay in approval of its Salary structure by requisite authorities

. Insurance Expense- KCC annual insurance policies were bought in the last quarter of the year, the cost apportioned to FY 016/17 is Kshs 2,414,164 and a Prepayment of Kshs. 2,539,504 for FY 2017/18

.Capital Expendure- The variance of 71% was due to cost cutting measures and postponement of International Arts and Culture entre project take off due to failure by MoSCA to release capital budget of Kshs 49million

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

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.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The Centre 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 Centre 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 Centre and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Centre 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 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.

b) Budget information – IPSAS 24

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 – IAS 12

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.

d) Property, plant and equipment – IPSAS 17

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:

a. Furniture and Fittings 12.5%

b. Plant & Equipment 12.5%

c. Electronic Data Processing Equipment 30%

d. Motor Vehicles 25%

e) Intangible assets – IPSAS 31

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.

f) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Centre determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of financial assets

The Centre assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

i) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Centre determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

ii) Research and development costs

The Centre expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Centre 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.

g) Provisions – IPSAS 19

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 Centre 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.

h) Nature and purpose of reserves

The Centre creates and maintains reserves in terms of specific requirements.

i) Changes in accounting policies and estimates – IPSAS 3

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

j) Foreign currency transactions – IPSAS 4

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.

k) Borrowing costs – IPSAS 5

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.

l) Related parties – IPSAS 20

The Centre 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 Centre, or vice versa. Related parties comprise of the Governing Council members individually and The ED/Chief Executive Officer.

i) Key management compensation

The remuneration of Centre's Governing Council Members and other members of key management during the year were as follows:

	2016/17 KShs	2015/16 KShs
Key management salaries and other benefits	12,945,304	3,480,000
Remuneration of the Governing Council	10,308,357	4,262,733

ii) Kenya Cultural Centre is a State Corporation. Funds received from the Government of Kenya are disclosed under note 3.

m) Service concession arrangements – IPSAS 32

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.

n) 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.

	2016/2017	2015/2016
	Shs	Shs
Bank	2,597,406	20,262,360
Cash-on-hand and in transit	474,530	4,805
Short-term deposits	-	-
Total cash and cash equivalents	3,071,936	20,267,165

Detailed analysis of the cash and cash equivalents

(a) Banks

Name of the Bank	Bank Account Number	Currency	2016/2017 Shs 000	2015/2016 Shs 000
Barclays Bank of Kenya	0948215349	KSH	115,280	27,078,919
KCB Operations Account	1207350184	KSH	2,468,371	-
KCB Capital Account	1207348503	KSH	13,755	-
Total			2,597,406	27,078,919

(b) Cash on hand

Form of cash holding & in Transit	2016/2017 Shs 000	2015/2016 Shs 000
Mpesa Paybill No 829789	474,530	4,805
Total	474,530	4,805

o) Comparative figures

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

p) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Centre 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 circumstances arising beyond the control of the Centre. 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 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

q) Financial Risk Management Objectives and Policies

The Centre's financial risk management objectives and policies are detailed below:

i. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

ii. Financial risk management objectives

The Centre's activities expose it to a variety of financial risks including credit and liquidity risks. The Centre's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

iii. Credit risk

The Centre's credit risk is primarily attributable to its liquid funds with the financial institutions and the staff receivables. The credit risk on the liquid funds with financial institutions is low because the counter parties are banks with high credit-ratings. The financial assets are fully performing as the Centre continues to enjoy the services secured by these balances. The default rate on staff receivables is low since the same is recovered through the payroll.

The amount that best represents the Centre's maximum exposure to credit as at 30 June is made up as follows:

	Fully Performing	Past due	Impaired	Total
	KShs	KShs	KShs	KShs
At 30 June 2017				
Cash at bank	2,597,406	-	-	2,597,406
Staff receivables	197,786	-	-	197,786
	2,795,192	-		2,795,192

At 30 June 2016				
Cash at bank	27,078,919	-	-	27,078,919
Staff receivables	79,150	-	-	79,150
	27,180,819	-	-	27,180,819

iv Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Centre's Governing Counci members who have built an appropriate liquidity risk management framework for the management of the Centre's short, medium and long-term funding and liquidity management requirements. The Centre manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

v Market risk management

The Centre does not take on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Centre's surplus or the value of its holdings of financial instruments.

Vi Currency Risk

The Centre is not exposed to the currency risk since it operates it current bank accounts in Kenya shillings thus no exchange rate fluctuations.

Vii Interest rate risk

The Centre is not exposed to interest rate risk due to fluctuations in interest rates on the bank balances that it holds in the current accounts.

Notes

3	**Revenue from non-exchange transactions**	**30-Jun-17**	**30-Jun-16**
	Government Grant-Ministry of Sport, Culture and the Arts	34,000,000	56,702,023
	Gifts and Sponsorship	-	2,000,000
	Total	**34,000,000**	**58,702,023**

4	**Revenue from exchange transactions**		
	Parking fees	21,387,787	3,848,391
	Rental Income	2,686,333	834,000
	Theatre Hiring	10,934,335	6,212,490
	Poster & Ticketed Events	1,339,510	57,800
	Total Revenue Exchange transactions	**36,347,965**	**10,952,681**

5	**Administration Costs**	**30-Jun-17**	**30-Jun-16**
	Staff Cost	14,646,880	15,751,288
	Water & Electricity	2,003,569	1,621,528
	Professional Subscription & Newspaper	196,610	51,040
	Telephone, Internet and Postage	715,766	438,657
	Cleaning & Sanitation Services	2,569,733	1,774,908
	Printing & General Office Supply	1,476,742	529,068
	Security	4,657,799	3,747,919
	Finance Charges	143,967	73,171
	Professional Fees		305,000
	Repair & Maintenance	4,003,910	999,683
	Local travelling and accommodation	7,238,294	2,027,629
	Cultural & Artistic Programs	3,107,729	5,025,869
	Subsistence & Evaluation Committee Allowance	2,014,650	1,463,757.00
	Snack Shop Supplies	-	32,060.00
	Rent and Rates	-	6,792.00
	Hospitality Supplies and Services	3,081,424	562,064.00
	International travelling and accommodation	3,360,555	562,150.00
	Fuel & Lubricant	906,300	294,089.00

Provision for staff Gratuity	1,074,447	1,602,397.00
Audit fees	110,000	110,000.00
	51,308,375	**36,979,069**

6	**Insurance Costs**	**30-Jun-17**	**30-Jun-16**
	Property Insurance	325,282	-
	Motor Vehicles Insurance	216,972	-
	Staff Medical Insurance	1,871,910	-
		2,414,164	-

7	**Remuneration of Governing Council**	**30-Jun-17**	**30-Jun-16**
	Council Allowance	4,076,000	2,567,796
	Council Expenses	114,829	1,694,937
	Council Retreat & Conferences	4,730,431	-
	Council Chairman Honoraria	960,000	-
	Council Mileage Allowance	427,097	-
		10,308,357	**4,262,733**

8	**Depreciation and amortization expense**	**30-Jun-17**	**30-Jun-16**
	Free Land	-	-
	Building & Civil Works	-	-
	Motor Vehicles	791,687	-
	Electronic Data Processing Equipment	442,475	307,797
	Plant and Equipment	1,060,591	949,125
	Furniture & Fittings	295,829	476,789
		2,590,581	**1,733,711**

9	**Cash and cash equivalents**	**30-Jun-17**	**30-Jun-16**
	Cash in hand	-	4,805
	Cash in Mpesa Paybill Number	474,530	-
	Barclays Bank	188,698	20,262,360
	KCB- Capital Account	13,755	-
	KCB-Operations Account	574,494	-
	Total	**1,251,477**	**20,267,165**

10	**Receivables from exchange transactions**	**30-Jun-17**	**30-Jun-16**
	Receivables	230,500	6,496,710
	Bin Nairobi Service Deposit	5,000	5,000
	Total KPLC Deposit	5,000	5,000
	Staff Advances	197,786	79,150
	Prepayments	2,539,504	-
	Contingency: Francis Luchiri	1,320,196	1,320,196
		4,297,986	**7,906,056**

11 Property, plant and equipment

	Freehold Land	Building & Civil Work	Motor Vehicles	Plant and Equipment	Electronic Data Processing Equipment	Furniture & Fittings	Total
	Kshs.	Kshs.		Kshs.	Kshs.	Kshs.	Kshs.
COST VALUATION							
As at 1 st July 2015	120,000,000	176,436,327	-	-	467,634	3,485,434	296,820,914
Additions	-	33,665,130		7,593,000	558,355	328,877	42,145,362
As at 30th June 2016	**120,000,000**	**210,101,457**	-	**7,593,000**	**1,025,990**	**3,814,311**	**342,534,757**
ACCUMULATED DEPRECIATION							
As at 1 st July 2015	-	-	-	-	640,306	3,626,509	4,266,815
Charge for the year	-	-	-	949,125	195,250	397,954	1,542,328
As at 30th June 2016	-	-		**949,125**	**835,556**	**4,024,463**	**5,809,143**
NET BOOK VALUE							
As at 30th June 2015	120,000,000	176,436,327	-	-	27,743	356,844	296,820,914
As at 30th June 2016	**120,000,000**	**210,101,457**	-	**6,643,875**	**390,849**	**287,767**	**337,423,948**
COST VALUATION							
As at 1st July 2016	120,000,000	210,101,457	-	7,593,000	1,226,404	4,312,230	343,233,091
Additions	-	2,521,100	12,667,000	891,724	916,560	2,037,754	19,034,138
As at 30th June 2017	**120,000,000**	**212,622,557**	**12,667,000**	**8,484,724**	**2,142,964**	**6,349,984**	**362,267,229**
ACCUMULATED DEPRECIATION							
As at 1 st July 2016	-	-	-	949,125	835,556	4,024,463	**5,809,144**
Charge for the year	-	-	791,687	1,060,591	442,475	295,829	**2,590,582**
As at 30th June 2017	-	-	**791,687**	**2,009,716**	**1,278,031**	**4,320,292**	**8,399,726**
NET BOOK VALUE							
As at 30th June 2016	120,000,000	210,101,457	-	6,643,875	390,849	287,757	337,423,948
As at 30th June 2017	**120,000,000**	**212,622,557**	**11,875,313**	**6,475,009**	**864,933**	**2,029,692**	**353,867,504**

		30-Jun-17	30-Jun-16
12	**Trade and other payables from exchange transactions**		
	Accounts Payables	**30-Jun-17**	**30-Jun-16**
	Trade Payables	64,311,955	74,006,150
	Provision for Staff Gratuity	1,074,447	1,602,397
	Provision for Audit Fees	110,000	110,000
	Total	**65,496,402**	**75,718,547**

13	**Employee benefit obligation**	**30-Jun-17**	**30-Jun-16**
	PAYE	240,596	380,118
	NHIF	-	16,000
	Staff CBA Dues	1,034,852	2,178,605
	Payroll Liabilities-Staff Gratuity-	7,329,143	5,431,200
	UNION	-	5,850
		8,604,591	**8,011,773**

	Provisions	**30-Jun-17**	**30-Jun-16**
14	Provision for staff gratuity	1,074,447	1,602,397
15	Provision for Audit fees	110,000	110,000
16	Bad debts rewritten off	6,496,710	-
17	Unverifiable payables written off	2,842,249	-

14. Subsequent events-IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timefram *(Put a dat when you expect th issue to b resolved,*
Property Plant and Equipment	The auditor noted, "The statement of Financial Position reflects property plant and equipment balance of Kshs.340, 801,046. Although provisional titles have now been obtained, management need to acquire the actual titles to secure the properties.	The GC Chairman is in the process of following up for copies of the title documents with the National Treasury.	Governing Council/Management	Not resolvec	
Receivables from Exchange Transactions	The auditor noted, "The statement of financial position reflects receivables from exchange transactions balance of Ksh.7, 906,056/- as at 30 June 2016 Most of which relate to earlier years for which supporting documents were not made available for audit review."	The Governing Council resolved to write off the irrecoverable debts of Kshs.6 496,710/- from the past transaction appearing on the financial statement.	Governing Council/Management	Resolved	
Unsupported Trade and Other Payables from Exchange Transactions	The auditor noted. The Kenya Cultural Centre had trade and other payables totalling Kshs.75, 791,952/- Amount of Kshs. 68,704,376 has been outstanding for a long period of time especially Kshs.63,184,432,in respect of land rates to defunct Nairobi City Council which the management states is in the process of negotiating a write-off	The Nairobi City Council pending bill of Kshs.63, 184,432 relates to erroneously charged land rates accumulated since 1963.The Commissioner of lands advised that KCC is a public land and should not be subjected to land rates. Communication with Nairobi County Government is on-going for waiver to be effected. The rest of long outstanding Pending Bills are in relation to the Fair 1995 payables and with not verifiable documents or active demands. The Governing Council resolved to write them off	Governing Council/Management	Not fully Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
Employee Benefit Obligation	The auditor noted. "Financial statements reflect outstanding employee benefit obligation balance of Kshs. 8,011,773 out of which Kshs. 2,178,605 in respect of CBA outstanding since 2009 while Kshs. 5,431,200 in respect of gratuity to staff outstanding since 2011. No satisfactory reason(s) has been given for the failure to settle the amounts."	KCC requested a supplementary budget to cater for all staff obligations during the financial year but the budget was not given. Centre will continue to look for funds to pay the obligations. However KCC managed to pay Kshs. 986,298 for CBA and Kshs. 1,700,000 during current FY	Governing Council/Management	Not Resolved	
Unsupported Governing Council Allowances	The Auditor noted." The Governing Council was paid Kshs. 2,567,796 in council allowances for FY ended 30 June 2016. However, Council Meetings were not properly supported by minutes; and attendance register availed showed anomalies in gaps at the beginning and end of list, dates and place of meeting were missing in the register."	The anomalies to be rectified going forward.	Governing Council/Management	Resolved	

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Signature............................

Date....2/1/2018....

Executive Director

Signature............................

Date....2/1/2018....

Chairman of the Governing Council