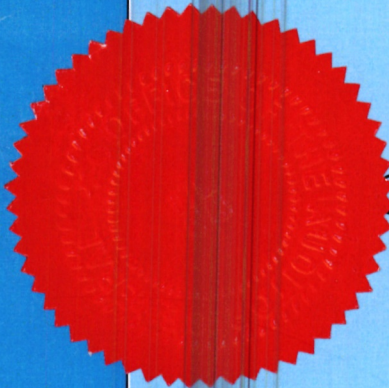
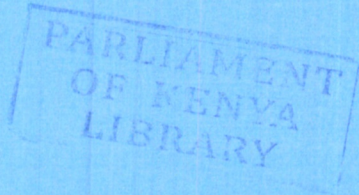


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 JUNE 2019	DAY: Wed
TABLED BY: h.o.m	
CLERK AT THE TABLE: M. Moko	

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA CULTURAL CENTRE

FOR THE YEAR
ENDED 30 JUNE 2018





THE
KENYA
CULTURAL CENTRE
INCORPORATING THE KENYA NATIONAL THEATRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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, 2018**

Page

Contents

I. KEY ENTITY INFORMATION AND MANAGEMENT	ii
II. THE GOVERNING COUNCIL	iv
III. MANAGEMENT TEAM	ix
IV. CHAIRMAN'S STATEMENT	x
V. REPORT OF THE CHIEF EXECUTIVE OFFICER	xi
VI. CORPORATE GOVERNANCE STATEMENT	xii
VII. MANAGEMENT DISCUSSION AND ANALYSIS	xiii
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	xiv
REPORTING	xiv
IX. REPORT OF THE GOVERNING COUNCIL	xv
X. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xvi
XI. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY (Office of the Auditor General)	xvii
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS	4
STATEMENT OF CASH FLOWS	5
FOR THE YEAR ENDED 30 JUNE 2018	5
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	6
NOTES TO THE FINANCIAL STATEMENTS	7
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	26
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	29
APPENDIX III: INTER-ENTITY TRANSFERS	30

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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 2018 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

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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

Office of the Auditor General (A.O.G)
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

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

II. THE GOVERNING COUNCIL



Ole Moipei Nicholas, HSC

Nicholas Ole Moipei HSC

Chairman

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.



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 a Lecturer 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.

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**



**Edwin Gichangi
(Left in June 2018)**

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 in his free time.



Eric Kiniti

Eric Kiniti

Governing Council Member

He is a holder of Bachelor 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).

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**



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



Kiprop Lagat

**Dr. Kiprop Lagat
Alternate Director
PS, Ministry for Sports and Heritage**

Dr. Lagat is the Director of Culture in the Ministry of Sports, Culture and Heritage. He previously worked as a Principal Research Scientist in the Department of Cultural Heritage at the National Museums of Kenya between 1997 and 2015. He has research interests and has written on processes of memorialisation, museum studies and pastoralism in eastern Africa. Dr. Lagat received his PhD from the University of East Anglia in 2015.



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 Nyong'o*). As well pioneering shows such as Africa Challenge (*A Pan-African household intellectual game show*) and Mali the First East African Daily Soap.

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**



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.

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**







**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

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

III. MANAGEMENT TEAM

 <p>Edwin Gichangi (Left in June 2018)</p>	<p>Edwin Gichangi Executive Director/CEO</p> <p>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</p>
 <p>Grace Kamau (Left in February 2018)</p>	<p>Grace Kamau Accountant</p> <p>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.</p>
 <p>Benson Kimoni Ag. Executive Director/CEO</p>	<p>Benson Kimoni HR and Administration</p> <p>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.</p>
 <p>Hellen Ntobo</p>	<p>Hellen Ntobo Procurement</p> <p>She is a holder of O-Level Division III and Diploma in Supplies Management. She has over 39 years' experience in Procurement.</p>



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

IV. CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts of The Kenya Cultural Centre (KCC) for the period July 2017 to June 2018. 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 2017/18, 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:

- Jesus Christ Superstar – The Musical,
- Monthly Book Clubs facilitated by Text Book Centre,
- Somali Cultural Festival
- Poetry After Lunch
- Caucasian/Kigogo/Set Books

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 called for it.

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:



**NICHOLAS OLE MOIPEI
CHAIRMAN GOVERNING COUNCIL**

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

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 of Kshs. 49,657,861 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. KCC was able to undertake various programs that contributed to the development of cultural and artistic expressions during the year. These included:

- Jesus Christ Superstar – The Musical,
- Monthly Book Clubs facilitated by Text Book Centre,
- Somali Cultural Festival
- Poetry After Lunch
- Caucasian/Kigogo/Set Books
- 150 Theatre productions
- 10 Gallery exhibitions
- 50 Poetry after lunch events which natured more than 200 youth and upcoming artists.
- The Centre also produced the Jesus Christ Superstar Musical and Grease Musical and hosted international events such as The European Film Festival, The Moth and Moving Cultures 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.

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



Benson Kimoni

AG.EXECUTIVE DIRECTOR/CEO

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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 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.

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The Kenya Cultural Centre undertook various programs that contributed to the development of cultural and artistic expressions during the year under review. These included:

- Jesus Christ Superstar – The Musical,
- Monthly Book Clubs facilitated by Text Book Centre,
- Somali Cultural Festival
- Caucasian/Kigogo/Set Books
- 150 Theatre productions
- 10 Gallery exhibitions
- 50 Poetry after lunch events which nurtured more than 200 youth and upcoming artists.
- The Centre also produced the Jesus Christ Superstar Musical and Grease Musical and hosted international events such as The European Film Festival, The Moth and Moving Cultures during the Financial Year under review.

The Centre received a Recurrent Grant of Kshs. 40,000,000 and Development Grant of Kshs. 12,500,000 from its Parent Ministry, Ministry of Sports, Culture and Heritage. This grant was received by the Centre as follows:

<u>DATE</u>	<u>BANK NAME</u>	<u>AMOUNT</u>
08/09/2017	Barclays	12,500,000
08/09/2017	Barclays	10,000,000
11/03/2017	Barclays	10,000,000
02/09/2018	Barclays	10,000,000
05/16/2018	Barclays	10,000,000
	Total	<u>52,500,000</u>

We were also able to raise an A.I.A of Kshs. 49,657,861 from the Centre's various artistic spaces, activities and Rental Income as follows:

<u>Source</u>	<u>Amount</u>
Parking fees	35,402,075
Rental Income	2,296,000
Theater Hiring	11,913,986
Poster & Ticketed Events	12,100
Car Wash	<u>33,700</u>
Total	<u>49,657,861</u>

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. 12,500,000 towards the implementation of the project. The project is at its preliminary stage where a Geotechnical Survey has since been conducted to assess the condition of the soil underground.

The Centre complied fully with the laid down statutory requirements. The Centre was able to clear the CBA dues owed to its staff members during the year under review. No major risks were reported during the financial year.

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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 Centres 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 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.

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

IX. REPORT OF THE GOVERNING COUNCIL

The Governing Council submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Centre's affairs.

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, 2018 are set out on page 1-35 below.

Directors

The members of the Governing Council who served during the year are shown on page (iv-viii) above. No Member of the Board retired or resigned during the year under review.

Dividends/Surplus remission

The Kenya Cultural Centre is a non-economic Semi-Autonomous Government Agency and therefore does not pay dividends or remit Surplus.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Cultural Centre in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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 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, 2018. 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, 2018, 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 31/01/2019 and signed on its behalf by:



Chairman Governing Council



Ag. Executive Director/CEO

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA CULTURAL CENTRE FOR THE YEAR ENDED 30 JUNE 2018

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 2018, and the statement of financial performance, statement of changes in net assets, 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 2018, 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.

Basis for Qualified Opinion

1. Going Concern and Service Sustainability

As previously reported, examination of the statement of financial position as at 30 June 2018 disclosed that the current liabilities of Kshs.70,852,090 exceeded the current assets of Kshs.19,607,470 by Kshs.51,244,620. 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 financial support from the Government and its creditors.

2. Transfers from the State Department of Culture and Heritage

2.1 Unreconciled Differences

The Centre's statement of financial performance for the year ended 30 June 2018 reflects an amount of Kshs.52,500,000 as grants from the State Department of Culture and Heritage. However, this amount differs from the Kshs.40,000,000 reflected in the audited financial statements of the State Department as transfers to the Centre for the

Report of the Auditor-General on the Financial Statements of Kenya Cultural Centre for the year ended 30 June 2018

same year. The source and mode of transmission of the excess receipts amounting to Kshs.12,500,000 has not been clarified.

2.2 Unaccounted for Government Grants

Similarly, and as previously reported, an amount of Kshs.91,954,999 was indicated as having been transferred by the Parent Ministry but only Kshs.56,702,023 was 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 has up to date not been accounted for.

In the circumstances, the accuracy and completeness of the transfers from the state department and grants received by the Centre could not be ascertained.

3. Understated Value of Land

As previously reported, the statement of financial position reflects Kshs.332,622,559 in respect of land and buildings as at 30 June 2018. However, this figure excludes a plot Ref: L.R. No. 209/14477 measuring approximately 0.8737 hectares with undetermined value 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 view of the foregoing, the carrying value of land and buildings of Kshs.332,622,559 reflected in the statement of financial position as at 30 June 2018 is understated.

4. Long Outstanding Land Rates

As previously reported, the statement of financial position as at 30 June 2018 reflects trade and other payables balance of Kshs.63,589,520 (Kshs.63,184,432 in 2017) in respect of land rates due to the County Government of Nairobi the bulk of which has been outstanding for a long time. No explanation was given for the management's failure to settle the issue with the County Government.

In consequence, the Centre risks penalties and interest charges on the long outstanding land rates.

5. Unsupported Board of Directors Payments

The statement of financial performance for the year ended 30 June 2018 reflects an amount of Kshs.4,761,789 in respect to remuneration of the board of directors. However, supporting documents such as minutes for the Board meetings and attendance registers were not availed for audit verification.

Consequently, it has not been possible to confirm the accuracy and validity of Kshs.4,761,789 payments to the board of directors.

6. Procurements through Imprests

Examination of payment records for the year under review showed that an amount of Kshs.1,517,220 was paid as imprests to staff members for refurbishment of buildings as detailed out in Appendix I. It was not clear why the works were paid for through imprests instead of subjecting the same to a competitive procurement process in accordance with the provisions of the Public Procurement and Assets Disposal Act, 2015.

7. Trade and Other Receivables

The statement of financial position as at 30 June 2018 reflects a balance of Kshs.3,020,504 in respect of trade and other receivables. However, this balance excludes receivables amounting to Kshs.6,496,710 written off as bad debts in the year ended 30 June 2017. The management did not provide details of the bad debts written off and approvals from the Board of Directors and the National Treasury for the same.

In the circumstances, the validity of Kshs.6,496,710 bad debts write off and the accuracy of trade and other receivables balance of Kshs.3,020,504 could not be confirmed.

8. Trade and Other Payables

The statement of financial position as at 30 June, 2018 reflects a balance of Kshs.63,589,520 as trade and other payables which excludes payables amounting to Kshs.2,842,249 written back in 2016/2017. The details of the payables which was said to be unverifiable and approvals for write back from the Board were not provided for audit verification.

In the circumstances, it has not been possible to confirm the validity of Kshs.2,842,249 payables write off as well as the accuracy and completeness of trade and other payables balance of Kshs.63,589,520 as at 30 June 2018.

9. Prior Years Unresolved Issues - Loss 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 audit disclosed that the amount has now been treated as a bad debt written off under note 16 to the financial statements. However, no approval for write-off from the Governing Council was availed for audit verification.

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 opinion.

Key Audit Matters

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

Other Matter

Budget and Budgetary Performance

1. Revenue

The Kenya Cultural Centre had budgeted for receipts totalling Kshs.141,500,000 but received only Kshs.102,157,861 resulting to a shortfall of Kshs.39,342,139 or 28% as follows:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Variance %
Government Grants	90,000,000	52,500,000	(37,500,000)	42
Rendering of services	51,500,000	49,657,861	(1,842,139)	4
Total	141,500,000	102,157,861	(39,342,139)	28

The failure to receive Kshs.39,342,139 or 28% of the budget revenue implies that that some budgeted activities were not achieved as planned.

2. Expenditure

The Centre had budgeted to spend a total of Kshs.141,500,000 but actual expenditure amounted to Kshs.90,234,015 occasioning an under expenditure of Kshs.51,265,985 or 36% as follows:

Expenditure Head	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Compensation of employees	32,102,000	19,086,764	(13,015,236)	41
Goods and services	2,200,000	2,227,762	27,762	1
Finance costs	200,000	137,511	(62,489)	31
Other payments	106,998,000	68,781,978	(38,216,022)	36
Total	141,500,000	90,234,015	(51,265,985)	36

The resultant under expenditure Kshs.51,265,985 or 36% of the budget was attributed to non-release of Kshs.37,500,000 or 42% of the approved Government grants and failure to raise Kshs.1,842,139 or 4% from internal sources.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis of Qualified Opinion section of my report, I confirm that public money has been applied lawfully and in an effective way.

Basis for conclusion

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for conclusion

1. Internal Control Weaknesses

A review of internal controls in place revealed weaknesses likely to expose the Centre to financial risks. Several instances were noted where the person preparing vouchers ended up approving the payments. It was also noted that the entity did not have an internal audit function as required by Section 71(1a) of the Public Finance Management Act, 2012 and had also not formulated risk management policies.

2. Lack of Human Resource Department

An audit of the human resource operations revealed that the Centre does not have a department to deal with personnel issues while majority of the employees were observed to be on a six-month contract.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 governance.

In preparing the financial statements, management is responsible for assessing the Centre's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the National Government either intends to liquidate the Centre 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.

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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and

submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

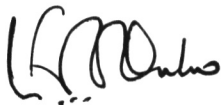
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 as a going concern or 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.



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

Nairobi

16 May 2019

Appendix I

IMPRESTS FOR REPAIR AND MAINTENANCE

P.V NO.	DATE	PAYEE	IMPREST WARRANT NO.	DESCRIPTION	AMOUNT Kshs.
55	02/08/2017	Samuel Muli	2698094	Repair of KNT/KCC perimeter wall	171,500
84	21/08/2017	Grace Wanja	2698099	Refurbishment of KCC Admin offices	1,160,720
129	09/04/2017	Samuel Muli		Replacement of KNT/KCC admin office doors	35,000
93	22/08/2017	Peninah Wanjiku	2698100	Repair of musical set for Jesus Christ superstar event	150,000
Total					1,517,220

Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018

**STATEMENT OF FINANCIAL
PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	6	52,500,000	34,000,000
Revenue from exchange transactions			
Rendering of services	7	49,657,861	36,347,965
Total revenue		102,157,861	70,347,965
Expenses			
Use of goods and services	8	2,227,762	2,003,569
Employee costs	9	19,086,764	14,646,880
Remuneration of directors	10	4,761,789	10,308,357
Depreciation and amortization expense	11	6,297,649	2,590,582
Repairs and maintenance	12	6,376,630	4,003,910
Contracted services	13	12,922,465	7,943,298
General expenses	14	34,257,174	24,980,914
Finance costs	15	137,511	143,967
Bad Debt Written off	16	1,320,196	-
Total expenses		87,387,940	66,621,477
Surplus before tax		14,769,921	3,726,488
Taxation		-	-
Surplus the year		14,769,921	3,726,488



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18	16,434,986	1,251,477
Receivables from exchange transactions	19	3,020,504	4,297,986
Inventories	20	151,980	-
		19,607,470	5,549,463
Non-current assets			
Property, plant and equipment	21	351,758,426	353,867,505
Total Non-current assets		351,758,426	353,867,505
Total assets		371,365,896	359,416,968
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	63,589,520	64,311,955
Provisions	23	1,862,447	1,184,447
Employee benefit obligation	24	5,400,123	8,604,589
Non-current liabilities		-	-
Total liabilities		70,852,090	74,100,991
Net assets		300,513,806	285,315,975
Revaluation Reserves		2,517,112	2,517,112
Accumulated surplus		203,070,167	187,872,336
Capital Fund		94,926,527	94,926,527
Total net assets and liabilities		371,365,896	359,416,966



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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

Executive Director/C.E.O

Name: Benson Kimani

Date: 31/01/2019

Accounts Officer

Name: Rutu Kelangu

Date: 31/01/2019

Chairman of the Governing Council

Name: Nicholas Mapei

Date: 31/01/2019

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Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Revaluation reserve	Accumulated Surplus	Capital/ Development Grants/Fund	Total
At July 1, 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		
Total comprehensive income	-	3,726,488	-	3,726,488
Capital/Development grants received during the year	-	-	-	-
At June 30, 2017	2,517,112	187,872,336	94,926,527	288,970,436
At July 1, 2017	2,517,112	187,872,336	94,926,527	288,970,436
Prior Year Adjustment		427,910		427,910
Surplus for the Year	-	14,769,921	-	14,769,921
At June 30, 2018	2,517,112	203,070,167	94,926,527	300,513,806

*The prior year adjustment was due to a misstatement in the previous year financial statements.



Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Surplus / (Deficit) for the year		Kshs	Kshs
Adjusted for:			
Surplus / (Deficit) for the year		14,769,921	3,726,488
Depreciation		6,297,649	2,590,582
Working Capital adjustments			
Increase in inventory		(151,980)	
Decrease in receivables		1,277,482	3,608,070
Decrease in payables		(722,435)	(9,906,689)
Employee Obligation		(3,204,466)	-
Provision of gratuity & Audit fees		1,105,908	-
Net cash flows from operating activities	25	19,372,079	18,450
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(4,188,570)	(19,034,138)
Net cash flows used in investing activities		(4,188,570)	(19,034,138)
Net increase/(decrease) in cash and cash equivalents		15,183,509	(19,015,688)
Cash and cash equivalents at 1 JULY		1,251,476	20,267,165
Cash and cash equivalents at 30 JUNE	18	16,434,985	1,251,477



Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018

	Original budget	Adjust- ments	Final budget	Actual on comparable basis	Performance difference	Notes
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants and subsidies	90,000,000	-	90,000,000	52,500,000	(37,500,000)	1
Rendering of services	51,500,000	-	51,500,000	49,657,861	(1,842,139)	2
Total income	141,500,000	-	141,500,000	102,157,861		
Expenses						
Compensation of employees	32,102,000	-	32,102,000	19,086,764	(13,015,236)	3
Goods and services	2,200,000	-	2,200,000	2,227,762	27,762	
Finance cost	200,000	-	200,000	137,511	(62,489)	
Other payments	106,998,000	-	106,998,000	65,935,903	(38,216,022)	4
Total expenditure	141,500,000	-	141,500,000	87,387,940	-	
Surplus for the period	-	-	-	14,769,921	-	

Notes to the Statement of Budget and Actual Comparison

- Government Grant and Subsidies** was less by Kshs 37,500,000 which related development grant which was not released to the Centre by the Parent Ministry.
- KCC had a shortfall of Kshs1, 842,139 in fundraising. This was because most fundraising efforts didn't materialize as expected.
- Compensation of employees'** - budget was under-utilized since KCC was not able to fill vacant positions as budgeted for due to delay in approval of its Human Resources Instruments by the relevant authorities
- Other payments** –The negative variance was necessitated by not receiving the full allocation by the Exchequer.(Kshs.37,500,000)



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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 2018

Standard	Impact
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2018</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>

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

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

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.



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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:

- a. Furniture and Fittings 12.5%



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

- b. Plant & Equipment 12.5%
- c. Electronic Data Processing Equipment 30%
- d. Motor Vehicles 25%

d) Financial instruments

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)

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.



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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 labor 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.

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Nature and purpose of reserves

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

h) Changes in accounting policies and estimates

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.

i) Foreign currency transactions

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

j) Borrowing costs

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

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

k) Related parties

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:

	2017/18	2016/17
	Kshs	Kshs
Key management salaries and other benefits	6,355,241	12,945,304
Remuneration of the Governing Council	<u>4,897,789</u>	<u>10,308,357</u>
	<u>11,253,030</u>	<u>23,253,661</u>

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

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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.

	2017/2018	2016/2017
	Kshs	Kshs
Bank	16,271,952	2,597,406
Cash-on-hand and in transit	149,280	474,530
Total cash and cash equivalents	16,434,986	3,071,936

Detailed analysis of the cash and cash equivalents

(a) Banks

Name of the Bank	Bank Account Number	Currency	2017/2018 Kshs 000	2016/2017 Kshs 000
Barclays Bank of Kenya	0948215349	KSH	8,941,060	115,280
KCB Operations Account	1207350184	KSH	7,330,892	2,468,371
KCB Capital Account	1207348503	KSH	13,754	13,755
Total			16,285,706	2,597,406

(b) Cash on hand

Form of cash holding & in Transit	2017/2018 Kshs 000	2016/2017 Kshs 000
Mpesa Paybill No 829789	149,280	474,530
Total	149,280	474,530



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

n) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly through its Parent Ministry of Sports, Culture and Heritage. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. Reduction in appropriations were done to the original budget by the Centre upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Centre recorded reduction in appropriations of Kshs. 37,500,000 on the 2017-2018 budget following the governing body's approval.

The Centre's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 of these financial statements.

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) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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

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 38.

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 2017/2018	Total grant income during the year 2016/2017
			KShs	KShs	KShs
State Department of Culture and Heritage	52,500,000	-	-	52,500,000	34,000,000
Total	52,500,000	-	-	52,500,000	34,000,000

7. RENDERING OF SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Parking Fees	35,402,075	21,387,787
Rental Income	2,296,000	2,686,333
Theatre Hiring	11,913,986	10,934,335
Poster & Ticketed Events	12,100	1,339,510
Car Wash	33,700	-
Total revenue from the rendering of services	49,657,861	36,347,965



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

8. USE OF GOODS AND SERVICES

Description	2017-2018	2016-2017
	Kshs	Kshs
Electricity & Water	2,227,762	2,003,569
Total goods and services	2,227,762	2,003,569

9 EMPLOYEE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	14,531,525	14,646,880
Travel, motor car, accommodation, subsistence and other allowances	4,555,239	-
Employee costs	19,086,764	14,646,880

10. REMUNERATION OF THE COUNCIL

Description	2017-2018	2016-2017
	Kshs	Kshs
Chairman's Honoraria	672,000	960,000
Directors emoluments	2,686,830	4,076,000
Other allowances	1,402,959	5,272,357
Total director emoluments	4,761,789	10,308,357

11. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Motor Vehicles	3,800,100	791,687
Electronic Data Processing Equipment	854,089	442,475
Plant and Equipment	1,140,402	1,060,591
Furniture & Fittings	503,058	295,829
Total depreciation and amortization	6,297,649	2,590,582



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

**12 REPAIR &
MAINTANCE**

Description	2017-2018	2016-2017
	KShs	KShs
General Repairs	6,376,630	4,003,910
Total Repairs	6,376,630	4,003,910

13 CONTRACTED SERVICES

Description	2017-2018	2016-2017
	Kshs	Kshs
Security	7,174,320	4,657,799
Cleaning & Sanitation Services	4,650,996	2,569,733
Telephone,Internet and Postage	1,097,149	715,766
Total contracted services	12,922,465	7,943,298



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

14 GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Cultural & Artistic Programmes	13,029,887	4,292,175
Foreign Travel	1,835,358	3,360,555
Local Travel	8,461,900	7,238,294
Evaluation Committee Allowance	2,660,000	2,014,650
Professional Subscription & Newspapers	2,004,116	196,610
Conferences and delegations	576,300	-
Consumables	1,097,711	3,081,424
Fuel and oil	1,072,200	906,300
Insurance	2,164,464	2,414,164
Printing and stationery	1,355,238	1,476,742
Total general expenses	34,257,174	24,980,914

15. FINANCE COSTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Bank Charges	137,511	143,967
Total finance costs	137,511	143,967

16. BAD DEBT WRITTEN OFF

Description	2017-2018	2016-2017
	Kshs	Kshs
Francis Luchiri	1,320,196	-
Total	1,320,196	-

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

17. CASH AND CASH EQUIVALENTS

	Kshs	Kshs
Mpesa Pay bill Number 829789	149,280	474,530
Barclays Bank Account Number 0948215349	8,941,060	188,698
KCB-Capital Account Number 1207348503	13,754	13,754
KCB-Operations Account Number 1207350184	7,330,892	574,494
Total cash and cash equivalents	16,434,986	1,251,476

18. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2017-2018	2016-2017
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1207350184	7,330,892	574,494
Barclays Bank	0948215349	8,941,060	188,698
Sub- total		16,271,952	763,192
b) Capital account			
Kenya Commercial bank	1207348503	13,754	13,755
Sub- total		13,754	13,755
c) M pesa Paybill			
	829789	149,280	474,530
Sub- total		149,280	474,530
Grand total		16,434,986	1,251,477

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

19. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Current receivables		
Rent	298,000	230,500
Staff Advances	173,000	197,786
Total current receivables	471,000	428,286
Non-current receivables		
Bin Nairobi Service Deposit	5,000	5,000
Total KPLC Deposit	5,000	5,000
Prepayments	2,539,504	2,539,504
Contingency: Francis Luchiri		1,320,196
Total non-current receivables	2,549,504	3,869,700
Total receivables	3,020,504	4,297,986

20. INVENTORIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Stationery Items	151,980	-
Total inventories at the lower of cost and net realizable value	151,980	-

Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018

21 PROPERTY, PLANT AND EQUIPMENT

	Land and	WIP	Motor vehicles	Furniture and fittings	Electronic Data Processing Equipment	Plant and Equipment	Total
	Buildings						
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	330,101,457	-	-	4,312,230	1,226,404	7,593,000	343,233,091
Additions	2,521,102	-	12,667,000	2,037,754	916,560	891,724	19,034,140
At 30th June 2017	332,622,559	-	12,667,000	6,349,984	2,142,964	8,484,724	362,267,231
At 1st July 2017	332,622,559	-	12,667,000	6,349,984	2,142,964	8,484,724	362,267,231
Additions	-	2,846,075	-	-	704,000	638,495	4,188,570
At 30th June 2018	332,622,559	2,846,075	12,667,000	6,349,984	2,846,964	9,123,219	366,455,801
Depreciation and impairment							
At 1 July 2016	-	-	-	4,024,463	835,556	949,125	5,809,144
Depreciation	-	-	791,687	295,829	442,475	1,060,591	2,590,582
At 30 June 2017	-	-	791,687	4,320,292	1,278,031	2,009,716	8,399,726
At 1 July 2017	-	-	791,687	4,320,292	1,278,031	2,009,716	8,399,726
Depreciation	-	-	3,800,100.00	503,058	854,089	1,140,402	6,297,649
At 30th June 2018			4,591,787	4,823,350	2,132,120	3,150,118	14,697,375
Net book values							
At 30th June 2018	332,622,559	2,846,075	8,075,213	1,526,634	714,844	5,973,101	351,758,426
At 30th June 2017	332,622,559	2,846,075	11,875,313	2,029,692	1,568,933	7,113,503	353,867,505



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

21. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Trade payables	63,589,520	64,311,955
Total trade and other payables	63,589,520	64,311,955

22. PROVISIONS

Description	Provision for staff Gratuity	Provision for Audit Fees	Total FY 2017/2018	Total FY 2016/2017
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	1,074,447	110,000	1,184,447	1,184,447
Additional Provisions	568,000	110,000	678,000	-
Total provisions	1,642,447	220,000	1,862,447	1,184,447

23. EMPLOYEE BENEFIT OBLIGATION

Description	2017-2018	2016-2017
	Kshs	Kshs
P.A.Y.E	381,961	240,596
CBA Dues	-	1,034,850
Staff Gratuity	5,018,162	7,329,143
Total employee benefits obligation	5,400,123	8,604,589

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

25 CASH GENERATED FROM OPERATIONS

	2017-2018		2016-2017
Surplus for the year before tax	KShs		KShs
Adjusted for:			
Surplus/(Deficit) for the year	14,769,921		3,726,488
Depreciation	6,297,649		2,590,581
Working Capital adjustments			
Increase in inventory	(151,980)		
Decrease in receivables	1,277,482		3,608,070
Decrease in payables	(722,435)		(9,906,689)
Employee Obligation	(3,204,466)		
Provision gratuity & Audit fees	1,105,908		
Net cash flow from operating activities	19,372,079		18,450



Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018

3 FINANCIAL RISK MANAGEMENT

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.

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

(i) 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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	3,020,504	3,020,504	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	16,434,986	16,434,986	-	-
Total	19,455,490	19,455,490	-	-
At 30 June 2017				
Receivables from exchange transactions	4,297,986	4,297,986	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	3,071,936	3,071,936	-	-
Total	7,369,922	7,369,922	-	-



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

(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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
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
Total	-	1,059,961	69,682,129	70,852,090
At 30 June 2017				
Trade payables	-	-	64,311,955	64,311,955
Provisions	-	-	1,184,447	1,184,447
Employee benefit obligation	-	240,596	8,363,993	8,604,589
Total	-	240,596	73,860,395	74,100,991

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).



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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)
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 resolved	
Going Concern and Service Sustainability	The auditor noted. The Kenya Cultural Centre had current liabilities of Kshs.74, 100,991 which exceeded the current assets of Kshs. 5,549,463 by Kshs. 68,551,528 as at 30 June 2017.	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	



**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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)
Incomplete Fixed Asset Register	The Auditors noted that KCC did not maintain an updated Asset Register which made it difficult to ascertain the true value of the property, plant and equipment	The Asset Register has since been updated as per the Auditors' recommendations.	Management	Resolved	
Understated Value of Land	The Auditors noted that the KCC Land was understated in the books of accounts. The Centre needs to Value the Land to get the true picture.	The management has not been able to value the land due to financial constraints. However, plans to get a Valuer are underway.	Management	Not Resolved	
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 is still in Court pending a ruling.	Management	Not Solved	

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;

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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

Ag. Executive Director/C.E.O

Signature.....

Date.....31/01/2019

Chairman of the Governing Council

Signature.....

Date.....31/01/2019

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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 Million	NA	NA

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Quarter 2	International Arts and Culture Centre	1,250 Million	Kshs. 3,000,024	0.5%	50M	12.5 M	GoK

**Kenya Cultural Centre
Annual Reports and Financial Statements
For the year ended June 30, 2018**

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department for Culture and Heritage				
FY 17/18				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08/09/2017	10,000,000	FY 2017/2018
		11/03/2017	10,000,000	FY 2017/2018
		02/09/2018	10,000,000	FY 2017/2018
		05/16/2018	10,000,000	FY 2017/2018
		Total	40,000,000	
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08/09/2017	12,500,000	2017/2018
		Total	12,500,000	

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

Accounts Officer
Kenya Cultural Centre

Sign

Head of Accounting Unit
Ministry of Sports, Culture and Heritage

Sign

