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REPORT

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THE AUDITOR-GENERAL

ON

KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC)

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

NATIONAL ASSEMBLY
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**The Kenyatta International
Convention Centre**

Africa's Premier Meeting Venue



Kenyatta International Convention Centre

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Financial Reporting Standards (IFRS)**

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

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KEY ENTITY INFORMATION & MANAGEMENT

Background information

The Corporation was established under the Tourism Act of 2011 that came into operation on 1st September 2012.

Principal Activities

The principal activities of the Corporation are to:

- a) Organize and host meetings and provide incentives for conferences and exhibitions at the Convention Centre;
- b) Develop and implement the national meetings, incentives for conferences and exhibitions strategy, in collaboration with the Tourism Board upon consultation with the relevant stakeholders;
- c) Market the Convention Centre, in collaboration with the Tourism Board; and
- d) Perform any other functions that are ancillary to the object and purpose for which the Convention Centre is established.

Directors

The Board of Directors are shown on page 4.

Corporate Headquarters

Kenyatta International Convention Centre,
P.O. Box 30746 - 00100
KICC Building
Harambee Avenue
Nairobi, KENYA

Corporate Contacts

Telephone: (254)-20-2247277, 3620000
Fax: (254)-20-310223
E-mail: info@kicc.co.ke.
Website: www.kicc.co.ke

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Corporate Bankers

Kenya Commercial Bank
KICC Branch, Harambee Avenue
P.O. Box 46950-00100
City Square 00200
Nairobi, Kenya

Co-operative Bank of Kenya
City Hall Branch
P.O Box 44805-00100
Nairobi
Kenya

Independent Auditors






Auditor General
Office of the Auditor General (OAG)
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

Principal legal advisor






The Attorney General,
State law Office,
P.O BOX 40112-00200
Harambee Avenue
Nairobi, Kenya

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THE BOARD OF DIRECTORS

Mr. Immanuel Imana Ichor		Chairman		<ul style="list-style-type: none"> • Bachelor of Science degree in Business Administration from USIU, Nairobi, Kenya. • Certificates in Human Resource Development (ESAMI-Arusha Tanzania), Senior Management (KIA) Kabete, Cooperative Management. Certificate in Co-operative management (Russia), Certificate in Cooperative Development (KIA), Certificate in Fishery Administration, Oslo-Norway), Certificate in Book Keeping and Management.
Mr. Joe Okudo		Principal Secretary – of Ministry of Tourism		<ul style="list-style-type: none"> • Master’s in Business Administration (MBA) from Copenhagen Business School/Inoorero University. • Bachelor of Arts degree from the University of Nairobi
Ms.Nana Gecaga		Chief Executive Officer and Secretary to the Board		<ul style="list-style-type: none"> • MBA Roehampton University(Online) • BA(AIU) UK • Over 17 years’ experience in Public Relations and Marketing • Y.O.B: 1978
Mr.Jackson Kinyanjui		Alternate to Principal Secretary – The National Treasury		<ul style="list-style-type: none"> • Master’s Degree in Development Economics • B(ED) Economics & Business Education • 36 years’ experience in the public service and currently Director of External Resources, National Treasury. • Y.O.B 1955
Ms.Lucy Macridis		Director		<ul style="list-style-type: none"> • Certificate from CIM. • Wide experience in Tourism Industry • Y.O.B: 1967

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Mrs. Jane Adam		Director		<ul style="list-style-type: none"> • Bsc in Tourism and Hospitality Management. • Over 30 years' experience in Tourism Industry • Y.O.B: 1961
Capt.(Rtd) Kenneth Boit		Director		<ul style="list-style-type: none"> • BA, International Relations & Strategic Studies • 14 years' experience in military and over 20 Years' experience in consultancy on security matters. • Y.O.B: 1964
Dr.Lillian Apadet		Director		<ul style="list-style-type: none"> • Msc Public health • Bachelor of Dental Surgery • 12 Years of experience as a Dental Surgeon • Y.O.B: 1980 • Served as a Director up to May 2019.
Dr. Betty Radier		Chief Executive Officer KTB		<ul style="list-style-type: none"> • PhD Entrepreneurship and Small Business Development, University of Cape Town • MBA, Strategy and Finance • Bachelor's Degree in Design • 20 years' experience in Management and currently Chief Executive Officer, KTB • Y.O.B 1968
Ms.Kavi Mwendwa		Director		<ul style="list-style-type: none"> • Certificate in Food and Beverage • Over 24 years' experience in Hospitality Industry • Y.O.B: 1965

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BOARD COMMITTEES

Name of the Committee	Members
Finance , HR and Administration Committee	Mr. Joe Okudo, CBS
	Mrs. Jane Adam
	Dr. Lillian Apadet
	Dr. Betty Radier
Marketing, PR and Operations committee	Mr. Joe Okudo, CBS
	Ms. Lucy Macridis
	Mrs. Jane Adam
	Capt. (Rtd) Kenneth Boit
	Dr. Lillian Apadet
	Dr. Betty Radier
Audit Committee	Mr. Joe Okudo, CBS
	Mr. Jackson Kinyanjui
	Ms. Lucy Macridis
	Capt. (Rtd) Kenneth Boit

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SENIOR MANAGEMENT TEAM

Ms.Nana Gecaga	Chief Executive Officer		<ul style="list-style-type: none"> • MBA Roehampton University(Online) • BA(AIU) UK • Over 17 years' experience in Public Relations and Marketing • Y.O.B: 1978
Mr.Gerald Kirimi	Director Corporate Services		<ul style="list-style-type: none"> • B Com (Finance), CPA (K) and a member of ICPAK with more than 12 years' experience. • Y.O.B: 1978
Mr. Geoffrey Thande	Director, Business Development		<ul style="list-style-type: none"> • MBA, International Business • BA, Economics • Over 17 Years' experience in Marketing, Strategy, Stakeholder Management, Product Development, Competitive Analysis and Customer Service • Y.O.B 1977
Mr. Gomeri Kombo	Director, Operations		<ul style="list-style-type: none"> • BA Hospitality Management • Diploma in hotel management (Switzerland) • Over 20 years' experience in hospitality industry • Y.O.B 1970
Ms. JaneFrances Mutio Mutisya	Corporation Secretary- Director Legal Services		<ul style="list-style-type: none"> • LLM (Corporate Governance), • LLB, PGD(KSL), • CPS (K), • Proficiency Cert. German, • Accredited. Governance Auditor • Over 18 years' experience in legal practice and corporate Law • YOB 1974
Mr.Hashim Hamed	Director Corporate Planning		<ul style="list-style-type: none"> • MBA Strategic Management • Bachelor of Commerce(Finance) • Dip(French) • Over 11 years' experience in Marketing and Strategy • YOB 1983

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Kenyatta International Convention Centre (KICC), I am pleased to present to you the Annual Report and Financial Statements of the Corporation for the year ended 30th, June 2019. During the year 2018//2019, the Kenyan destination faced challenging business environment, which affected the operations of the venue-KICC. Factors such as the increase in maintenance and operating costs, did affect our operations.

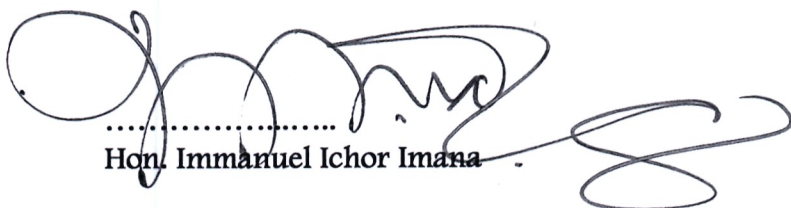
Despite the above challenges, the Corporation took necessary measures in compliance with austerity measures that the Government has put in place and also to safeguard Governments' shareholding value, meet its financial commitments-short and long term, renovate/maintain the facility in good condition to international standards/service and also took deliberate efforts in implementing efficiency measures to reduce procurement and general operating costs without compromising our operating standards. The Corporation continues to be a significant contributor to the Meetings, Incentives, Conferences and Exhibitions (MICE) Tourism growth in Kenya.

The Conference business outlook for the year 2018/2019 was positive with increased efforts to ensure that all operational and tactical strategies geared towards securing higher business levels and protecting top and bottom lines have been put in place. The Corporation continues to implement appropriate Human Resources Management (HRM) practices and sound Corporate Social Investments (CSI) programs that complement its long-term business strategy, just as it continues to pursue new MICE business opportunities in the Counties in line with its diversification policy and strategy.

As has been the case, the Board and Management remain confident that, notwithstanding the challenging business environment, the Corporation has the inherent strength and business resilience to continue to focus on its long-term growth prospects, thus maintaining its market share and its leading position in the MICE industry.

I would like to express my sincere appreciation to my fellow Board members, the Management team and the KICC staff and all our stakeholders for their support and request for the same into the future.

Thank you.



.....
Hon. Immanuel Ichor Imana

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE CHIEF EXECUTIVE OFFICER

Whereas the Kenyatta International Convention Centre is known as a meeting venue in Nairobi, its core mandate is precise and distinct and that is to promote Kenya as a destination for Business Events also known as *business and conference tourism*.

The key functions that the Corporation embarks on to articulate its mandate is to organise and host meeting whilst providing incentives for Conferences and Exhibition at the Centre. Additionally, it is also tasked with a leading role of marketing the Convention Centre and the destination at large as preferred venue for Meeting, Incentives Conferences and Exhibitions

Realisation of this core mandate is highly dependent on the destination's social, economic and political environment. It is worth noting that the period under review; the Corporation performed favourably as compared to last financial year which was affected by prolonged electioneering period.

BUSINESS PERFORMANCE

During the year under review, Conference revenue increased by 45% while revenue from hire of equipment, catering e.t.c recorded 39% increase from the previous period occasioned by favourable business environment and holding a major event i.e. Blue Economy.

The Corporation achieved a turnover of Ksh.1.028Billion compared to Ksh.0.621Billion from the previous financial year posting a profit Ksh.32.8Million after tax.

The Administrative costs increased by 32%, while the selling and distribution costs increased by 55%. The increase in costs attributed to major preparations towards holding a major event i.e. Blue economy.

EMPLOYEE PRODUCTIVITY

The Corporation has continued and will continue recognizing the need for Training and development. This is to ensure enhance both staff and organizational performance, assist employee gain competences and skills for current and future responsibilities. The corporation also ensures there is availability of sufficient trained human resource base to meet the current and future requirements. Exposing staff to the best international standards continue to remain at the core of our Human Resource Management strategy. In this financial year, training and exposures both local and international have been carried out across all cadres of staffs to develop the relevant skill gaps. Budgetary allocations are prioritised in Human capital development initiatives.

In the coming Financial year we undertake to continue offering the following trainings; Mentoring and Talent Management trainings, Management level development trainings, Corporate culture change training, Integrity awareness training, Corporate Governance training to mention but a few.

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

We continue to invest in recruitment and development of human capital. As we diversify our business, we strive to attract and retain the best talent that will enhance the Corporation's performance.

INTERNATIONAL STANDARDS

Our commitment to quality in our services and processes remain steadfast. Complying to the requirements of ISO 9001: 2015 ensures that the Corporation not only retains its status as ISO 9001: 2015 certified institution but that continuous improvement, research and development and on-going review of processes is systematically done to ensure that our processes and strategies remain current and relevant in the ever dynamic business environment. In the long run there is positive impact on revenue, quality, costs, and customer satisfaction.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The ICT department in the financial year under review undertook to play its supportive role to the Corporation's core mandate by providing support to the marketing of the Centre as a MICE destination. Key among them include; the termination of a new Internet Service Provider (ISP) and reconfiguration of the Corporation's Local Area Network (LAN) to stabilize the provision of network services including Internet to both the internal and external clients; the quarterly maintenance of ICT related equipment; the securing of ICT services, equipment and facilities including the data centre; the recovery of the Corporation's Email services; the initiation and facilitation of the ERP upgrade project; the provision of Audio Visual support as and when needed in support of business events at the Centre; and the provision of Telecommunications and IT related support as and when needed. Further, the Corporation made strides towards the fulfilment of the demands related to the safety of the Corporation's information as the department led the initiative of rolling out the Information Security Management System framework (ISO 27001). Subsequently, the appointed project champions were successfully trained examined and met the examining board's requirements for Lead Implementers critical for the subsequent stages of the process.

FUTURE OUTLOOK

In the Financial Year 2019/2020, the Corporation endeavours to generate to surpass the target revenue. Having development of a new five-year Strategic Plan which was carefully aligned with the changing needs in the environment, the Corporation has earmarked key strategies to promote the Centre as a venue for MICE. The Corporation also looks forward to holding major events that will boost its revenue.

Our priority in 2019/20

- To improve KICC Business Events Performance and enhance its market share
- To Enhance Brand Visibility for Increased Awareness

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- To undertake Refurbishment and modernization the of the indoor and outdoor facilities
- To Facilitate Upgrade and Expansion of KICC for Leading Edge Service Delivery
- To Enhance Governance Systems and Structures for Effective and Efficient Governance
- Undertake Research and Development on Products and Services for Continuous Improvement.
- Enhance Capacity Development for Effective Service Delivery.
- Ensure Continuous Performance Management for Improved Productivity

Whilst we have fallen short of our revenue target, we have promising projections and confirmation businesses thus are optimistic that we shall return to target levels in the Financial Year 2019/2020.

Finally, I would like to thank all the KICC staff for their immersed contribution, handwork, dedication and focus on driving the Corporation's core mandate.



Nana W. Gecaga
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

Corporate Governance relates to internal means by which Corporations are directed, controlled and held to account. This is done with a view to ensuring that the Corporation attain the long term value of shareholders while taking into consideration the interests of other stakeholders. The Governance structures of Corporations stipulates rules and procedures of a certain organization and at the same time identifies the manner of distribution of rights amongst different stakeholders such as Board of Directors, Managers, Shareholders, Creditors and Auditors. The Board of Directors of Kenyatta International Convention Centre is responsible for Governance of the Corporation. While discharging its functions, it is accountable to shareholders and stakeholders in ensuring that it complies with all set regulations and business ethics. Similarly, the Board adheres to the generally accepted Corporate Governance procedures as stipulated in the existing Governances' Codes ad also embraces the internationally accepted principles and best practices of Corporate Governance.

Board of Directors

The Board comprises nine (9) Directors, six of which are independent non-executive Directors including the Chairman.

The Board of Directors directs the Corporation generally. Its basic role in directing the Corporation entails the formulation of the Corporation's Strategic Objectives, Policy Making, Supervision of Executive Management and Accountability to Stakeholders. The Directors entrench a wealth of experience and relevant expertise, knowledge, while deliberating on major issues pertaining to the organization. Except for direction and guidance in general Policy, the Board of Directors delegates authority of day to day business operations of the organization to the Management through the Chief Executive Officer.

In discharging its onerous functions the Board of Directors is assisted by a Corporation Secretary who attends all Board meetings except the Audit Committee Meetings. The Corporation Secretary advises the Board in respect of Corporate Governance issues as well as legal and regulatory requirements pertaining to the Corporation.

Board Meetings

The Board holds regular meetings as provided in the Corporation's Board Calendar and as stipulated under the relevant statutes. Special meetings may however be convened when the Corporation deems it necessary to do so.

During the year under review, the Board held five (5) regular meetings and five (5) special meetings. In light of the fact that the Corporation is a State Corporation, the Inspector General, and State Corporations is invited to attend the Corporation's Board meetings both Committees and Full Board Meetings from time to time. The Inspector General exercises an oversight and advisory role in such meetings in accordance with the provisions of the State Corporations Act.

The Members, attendance per Board member for the Board meetings for the year was as follows:-

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No.	Board Member	Scheduled Meetings	Special Meetings	Total
1.	Mrs. Jane W. Adam	2	4	6
2.	Capt. (Rtd) Kenneth Boit	4	5	9
3.	Mrs. Kavi Mwendwa	1	3	4
4.	Dr. Lillian A. Osamong	4	5	9
5.	Dr. Betty Radier	2	4	6
6.	Ms. Lucy Macridis	3	5	8
7.	Mr. Jackson Kinyanjui (<i>Alternate to Principal Secretary, National Treasury</i>)	4	3	7
9.	Ms. Nana W. Gecaga	2	4	6
10.	Inspector General – State Corporations	4	5	9

Committees of the Board

The Board discharges its functions through Committees which, have well defined terms of reference set by the Board. The operations of the Board, through various Committees, purposes to facilitate efficient and effective decision making process in discharge its duties and responsibilities.

The Board Committees and membership comprises of the following-

I) Finance, Human Resources and Administration

- i) Mrs. Jane W. Adam
- ii) Dr. Betty Radier
- iii) Dr. Lillian A. Osamong
- iv) Mr. Joe Okudo
- v) Ms. Nana W. Gecaga
- vi) *Inspector General – State Corporations*

The Committee assists the Board in fulfilling its oversight responsibilities in Financial, Staff and general Administrative matters pertaining to the Corporation.

The Committee held seven (7) regular meetings and three (3) special meetings in the year under review. The attendance is as follows:-

No.	Board Member	Scheduled Meetings	Special Meetings	Total
1.	Mrs. Jane W. Adam	3	3	6
2.	Dr. Betty Radier	3	3	6
3.	Dr. Lillian A. Osamong	3	3	6
4.	Mr. Joe Okudo			
5.	Ms. Nana W. Gecaga	3	3	6
6.	Inspector General – State Corporations	3	3	6

II) Marketing, Public Relations and Operations Committee

- i) Dr. Lillian A. Osamong
- ii) Capt. (Rtd) Kenneth Boit
- iii) Mr. Joe Okudo
- iv) Mrs. Jane W. Adam
- v) Ms. Lucy Macridis
- vi) Dr. Betty Radier
- vii) Ms. Nana W. Gecaga
- viii) *Inspector General – State Corporations*

The Committee is tasked with the responsibility of overseeing the Corporation's activities relating to Marketing, Business Development and Projects.

The Committee held four (4) regular meetings and One (1) special meeting in the year under review. The attendance is as follows:-

No.	Board Member	Scheduled Meetings	Special Meetings	Total
1.	Dr. Lillian A. Osamong	4	1	5
2.	Capt. (Rtd) Kenneth Boit	3	1	4
3.	Mrs. Jane W. Adam	2		2
4.	Dr. Betty Radier	2	1	3
5.	Ms. Lucy Macridis	2		2
6.	Mr. Joe Okudo			
7.	Ms. Nana W. Gecaga	4	1	5
8.	Inspector General – State Corporations	2	1	3

III) Audit Committee

- i) Capt. (Rtd) Kenneth Boit
- ii) Ms. Lucy Macridis
- iii) Ms. Kavi Mwendwa
- iv) Mr. Jackson Kinyanjui (*Alternate to P.S. National Treasury*)
- v) Mrs. Fatuma Hirsi, *CBS(P.S. Ministry of Tourism)*
- vi) Inspector General – State Corporations

The Committee assists the Board in fulfilling its Corporate Governance responsibilities and in particular enhancing internal checks and balances while fostering effective internal audit functions.

The Committee held four (4) regular meetings and one (1) special meeting in the year under review. The attendance is as follows:-

No.	Board Member	Scheduled Meetings	Special Meetings	Total
1.	Capt. (Rtd) Kenneth Boit	4	1	5
2.	Ms. Lucy Macridis	4	1	5
3.	Mr. Jackson Kinyanjui (<i>Alternate to Principal Secretary, National Treasury</i>)	1	1	2
5.	Mr. Joe Okudo			
6.	Inspector General – State Corporations	4	1	5

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Succession Plan

The members of the Board of the Convention Centre are approved at different times so that the respective expiry dates of their terms of office shall fall at different times.

Board Remuneration

The aggregate amount paid to directors in terms of sitting allowances for services rendered during the financial year 2018/2019 are disclosed in the Financial Statements under Note 9. Non-Executive Directors are paid sitting allowances for any meeting attended.

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure its accounting information is complete and accurate. These include systems for obtaining approvals for all transactions and strict adherence to laws and regulations that have significant financial implications.

The Board takes into consideration the results of work carried out to Audit and review the activities of the Corporation in reviewing the effectiveness of internal control systems.

Board also considers the Management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Corporation.

Information and Board Developments

The Board is supplied with detailed Board Papers and Reports on business to be conducted at each meeting in advance.

All Directors have access and advice of the Corporation services where necessary the Directors may access external legal advice.

To update their skills and expertise in discharging board functions, directors are required to receive induction training on appointment. In addition, they are also required to attend trainings suited to their needs and expertise required to perform their duties regularly.

**MANAGEMENT DISCUSSION AND ANALYSIS
SECTION A**

The entity's operational and financial performance

Performance of KICC's Core mandates

- ❖ To facilitate the Modernization and Expansion of KICC; the Corporation is carrying out a review of its modernization master plan for the KICC facility which outlines projects to be implemented. During the period under review, KICC is undertaking a refurbishment of the Courtyard and driveway as well as installation of Solar Panels at KICC
- ❖ MICE destination Marketing; In terms of participating in international exhibitions the Corporation participated in one IMEX in Frankfurt during the year and is working on five bids to host international Conferences namely;
 - ✓ Word Federation of the Deaf 2021
 - ✓ International Astronautically Federation 2021
 - ✓ World Environmental Education Congress 2021
 - ✓ International Union for Food Science and Technology 2022
 - ✓ World Cleft Congress 2020
- ❖ The KICC at the same time has developed a bidding strategy which will be used to guide the bidding for international conferences and events. The Corporation also undertook research on international marketing trends
- ❖ Visibility and Promote Positive Corporate Image of KICC; the KICC is developing an integrated brand communication strategy to guide its re-branding and public relations campaign and a brand strategist has been procured to undertake the same. A corporate investment strategy has also been developed ready for approval and implementation.

Revenues

The Corporation's main revenue streams include; Conference/Exhibitions & events, Rental income, Parking fees, Tower viewing and Third-Party revenues. In total, the Corporation's revenue for the year was KShs.1.028 Billion against a target of Kshs 1.348 Billion leading to unfavourable variance of Ksh.320M.

- During the year under review, the centre did not achieve its revenue target on conference, Catering, Hire of Equipment and Daily Parking. During the current financial year, the marketing team will put in more efforts towards aggressive marketing and excellent customer service to fight competition and also give good customer experience that will make clients be repeat customers.
- During the year under review, the Corporation surpassed its revenue target on rental income, Leased Parking revenue and Tower viewing.

Expenses

The Corporation endeavoured to spend within the budget limits. Total expenditure for the year was Kshs.981M inclusive of depreciation amounting to Kshs.72M. The Management embarked on cost cutting measures on some vote lines in compliance with the National Treasury guidelines on Cost rationalization.

Profit/Loss for the Period

Reported net Profit for the year (after depreciation but before tax) was Ksh.46.9M.

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SECTION B

Entity's compliance with statutory requirements

INTERNATIONAL STANDARDS

Our commitment to quality in our services and processes remain steadfast. Complying to the requirements of ISO 9001:2008 ensures that the Corporation not only retains its status as an ISO 9001:2008 certified institution but that continuous improvement, research and development and on-going review of processes is systematically done to ensure that our processes and strategies remain current and relevant in the ever-dynamic business environment. In the long run there is positive impact on revenue, quality, costs, and customer satisfaction.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The ICT Department continued to collaborate with our business systems users in order to identify and exploit opportunities for utilizing technology solutions to solve business problems. Among the projects completed in the period under review include: Enterprise Resource Planning (ERP) integrating Finance, Stores and Marketing departments, installation of the internal audit software, and completion of the Convention Management Systems phase 2 and Data Storage offsite backup. The Corporation is also using the Integrated Financial Management Information System (IFMIS) for its procurement functions as per the Government requirement to all Government agencies.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The outlook for the Meetings, Incentives, Conferences and Exhibitions (MICE) Industry remains robust and resilient. M.I.C.E is the fastest growing subsector of tourism. KICC has the right strategy, brand, resilience and people to take it to the next phase of growth. Some of the projects under implementation are:

- Refurbishment of court yard at a cost of Kshs.71M (Phase I)
- Installation of solar panels at a cost 46M.
- Automation of KICC gates

SECTION D

Major risks facing the entity

The Corporation will continue to recognize risk Management as an integral part of the internal control systems. We will therefore continue to logically and systematically engage in the process of establishing, identifying, analysing, evaluating and communicating risks associated with any activities, functions or processes in a way that enables the Corporation to minimize losses and maximize opportunities while getting value for money committed.

Operational Risk

This is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation as well as lead to financial loss. The controls that the Corporation has put in place to minimize the potential risks include:

- a) Effective duty segregation,
- b) Staff sensitization, training and capacity building

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- c) Definition of authorization levels,
- d) Periodic risk assessment,
- e) Compliance and conformity with laid down policies and procedures and Acts governing operations
- f) Use of internal audit; and
- g) Adherence to systems of internal controls.

Credit and Liquidity risks

The corporation continues to put measures in place to minimize risk of non-recovery of debts owed by defunct Government Ministries and Departments that were merged.

In compliance with accounting principles, the management will continue to recognise provisions for bad and doubtful debts in its financial statements.

The current trade payables as at 30th June 2019 is Ksh.871Million which includes provision for pending bills amounting to Ksh.255M. Tax liability is Kshs 450 Million made up of Corporate tax of Kshs.144 Million and VAT liability of Kshs 306 Million. Kshs 437 Million of the tax liability relates to back taxes. During the year under review the Corporation has settled WTO pending bills amounting to Ksh.175M as verified by the Office of the Auditor General and recommended for payment.

Trade receivables as at end of the year amounted to Ksh.674M.

Legal risks

Due to pending litigations in court, the corporation is likely to incur more cost with regard to legal costs, penalties and interests on outstanding amounts.

SECTION E

Arrears in statutory/financial obligations

	KShs.
Trade payables	616M
Pending Bills	255M

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

SECTION F

The entity's financial probity and serious governance issues

Corporate Governance is the process by which Corporations are directed, controlled and held to account. The Board of Directors are responsible for the long-term strategic goals of the Corporation while being accountable to the shareholders for legal compliance and maintenance of the highest Corporate Governance and business ethics.

An independent Board manages the business of the Corporation. The Board is keen on reviewing the overall framework of the internal controls and the assessment of Management process and the adoption of the appropriate codes of ethics. It is also responsible for ensuring that the Corporation complies with the law and highest standards of Corporate and business ethics. The Board currently comprises members drawn from public and private sectors.

The Corporation is committed to fighting corruption and other social vices in the work place. The corporation has adopted the government's zero tolerance approach to corruption and it has put in place mechanisms to control corruption. In this regard a corruption prevention committee has already been put in place and integrity assurance officers trained.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

The Corporation uphold the Corporate Social Investment activities as fundamental part of the way it does business. It aims to making a positive contribution to the environment, financial and social well-being of its customers, employees and the community in which it operates. To guide the way the Corporation undertakes its social investment initiatives, a Corporate Social Investment Policy was developed.

During the financial year under review, the Corporation partnered with Homes Kenya Limited in an initiative to develop, renovate and build classrooms, ICT Centre and a library at the Gatina Primary School-a public primary school in Nairobi County. The school is situated in the settlements of Kawangware slum and serves the less fortunate.

Other partnerships were with organizers of Roya Wanyama under 18 Tournament that aims at as nurturing young talent through sports where KICC received commendable publicity during this CSI event. It also partnered with various stakeholders to set up a World Cup viewing village at the KICC grounds. The event gave the people of Nairobi city a platform to watch the entire World cup matches free-of-charge.

Over the coming years we intend to commit even more time and resources to support social initiatives based on our business performance as we seek to build good corporate citizenship.

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Corporation's affairs.

Principal activities

The principal activities of the Corporation are to:

- a) Organize and host meetings and provide incentives for conferences and exhibitions at the Convention Centre;
- b) Develop and implement the national meetings, incentives for conferences and exhibitions strategy, in collaboration with the Tourism Board upon consultation with the relevant stakeholders;
- c) Market the Convention Centre, in collaboration with the Tourism Board; and
- d) Perform any other functions that are ancillary to the object and purpose for which the Convention Centre is established.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 1 to 22.

Dividends

The corporation does not pay dividend, all the surpluses are reinvested back into refurbishment and modernization of the facility.

Board of Directors

The Board of Directors who served within the Financial Year are shown on page iii & iv.

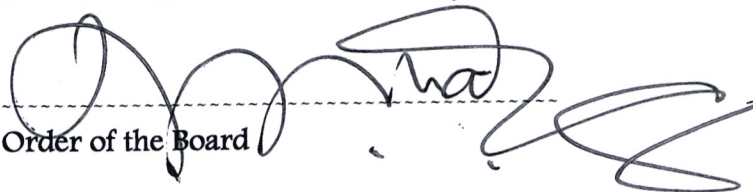
Appointment of Chairman of the Board

Hon. Immanuel Ichor Imana was appointed the chairman of the Board of Directors on 12th July 2018.

Auditors

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

By Order of the Board



THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 83 of the Public Finance Management (PFM) Act, 2012, Section 14 of the State Corporation's Act requires the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and the operating results of the corporation for the year. As the Directors of KICC we have ensured that the corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the corporation and of the results of its operations. We are also responsible for safeguarding the assets of the Corporation and preparation of the corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year ending 30th June 2019 and of the result of its operations for the year then ended.

Our responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Corporation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

As Directors of KICC we accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Section 83 of the PFM Act, 2012 and the State Corporations Act.

We the Directors are of the opinion that KICC's financial statements give a true and fair view of the Corporation's transactions during the financial year ended 30th June, 2019, and of the Corporation's financial position as at that date. We further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

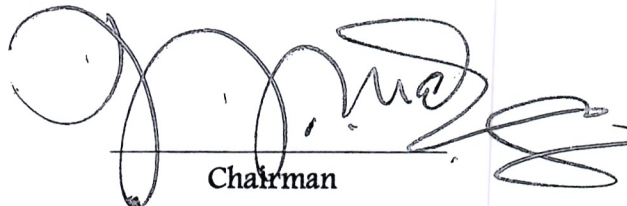
Nothing has come to the attention as Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenyatta International Convention Centre's financial statements were approved by the Board on 2019 and signed on its behalf by:



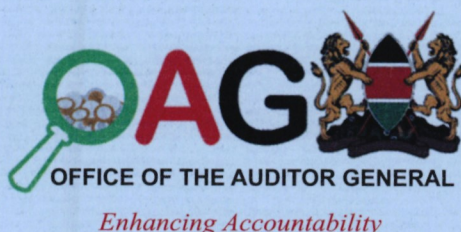
Chief Executive Office



Chairman

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta International Convention Centre set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2019, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations 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 Kenyatta International Convention Centre as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Tourism Act, No.28 of 2011.

Basis for Qualified Opinion

1. Unsupported Prior Year Adjustment

The statement of changes in equity reflects a debit balance of Kshs.354,779,836 recorded as a prior a year adjustment whose details were not disclosed. In the absence of the proper details and the related supporting documentation, the authenticity of Kshs.354,779,836 could not be confirmed.

2. Unsupported Trade and Other Payables

The statement of financial position reflects a balance of Kshs.871,172,899 under trade and other payables. The supporting schedules to the balance did not have adequate supporting information including payment voucher numbers as well as dates.

In addition, supporting documents availed for audit during the current year 2018/2019 revealed that vendors amounting to Kshs.55,784,840 relating to WTO projects were not provided for in the financial statements yet the Centre is yet to resolve issues relating to WTO expenditure.

In absence off such critical information, the validity and accuracy of the trade and other payables balance of Kshs.871,172,899 as at 30 June, 2019 could not be ascertained.

3. Trade and Other Receivables

3.1 Long Outstanding Debts

As previously reported, the statement of financial position reflects a balance of Kshs.667,521,953 under trade and other receivables which includes an amount of Kshs.623,348,470, which has been outstanding for over three (3) years and the bulk of which is owed by various Government Ministries and Departments. In particular, the National Assembly owes an amount of Kshs.47,311,344 which has been outstanding for a considerably long period of time.

Further, a balance of Kshs.60,646,813 of the debts were for the defunct Government Ministries/Departments. However, an inquiry and comparison with financial statements of the reported debtors showed that the said debts were not recognized as payables or pending bills in those institutions. In addition, a substantial portion of the Corporations' assets relate to accounts receivables that mostly arise when credit sales are extended to the conference clients, Government and private tenants and leased parking. The Management efforts to recover these debts have not been fruitful.

3.2 Failure to Honour Tenancy Agreement

Available information indicates that the 18th floor of Kenyatta International Convention Centre was occupied by the private secretary to the third President for the period; 1 July, 2013 to 1 July, 2016 accruing a total debt of Kshs.36,096,972 though no lease agreement was availed for audit review. Recoverability of the debts remain doubtful despite there being a provision for bad and doubtful debts of Kshs.23,618,851, which appears inadequate

In the circumstances, the fair statement of the trade and other receivables balance of Kshs.667,521,953 as at 30 June, 2019 could not be confirmed

4. Property, Plant and Equipment

4.1 Land

As previously reported, the property, plant and equipment balance of Kshs.4,044,860,041 as at 30 June, 2019 includes the value of land estimated at Kshs.1billion. However, the latter balance of Kshs.1billion excludes land commonly referred to as COMESA parking area and Courtyard on which the first Kenya President's monument stands. Further, the land on which the Garden Square Restaurant stands is under dispute between the Corporation and the County Government of Nairobi. However, a letter from the Chief-of-Staff and Head of Public Service to the Cabinet Secretary, Ministry of Lands, Housing and Urban Development clarified that the land in dispute has since been gazetted as a national monument and a part of the Corporation.

In addition, the Cabinet Secretary was directed to urgently issue ownership documents to the Corporation. The above notwithstanding, Management has not availed any proof that such title documents have been acquired. It has also been noted that the land on which the Kenyatta International Convention Centre building stands is not registered in the name of the Corporation although its value has been included in the financial statements.

4.2 Management of Assets

The statement of financial position reflects a balance of Kshs.4,044,860,041 under property, plant and equipment as at 30 June, 2019. Valuation of assets was conducted in the year under review. However, the valuation figures as detailed in the valuation report / assets register have not been incorporated in the financial statements. Further, the amounts reflected in the financial statements for four (4) categories of assets differ with the amounts in the valuation report by Kshs.1,280,037,322 as detailed below;

	Item	Figure as per Valuation Report (Kshs.)	Figure as per Financial Statements (Kshs.)	Variance (Kshs.)
1.	Freehold Land	2,296,000,000	1,000,000,000	1,296,000,000
2.	Buildings	1,664,800,000	1,662,052,000	2,748,000
3.	Furniture	21,464,270	81,260,000	(59,795,730)
4.	Office Equipment	55,250,052	14,165,000	41,085,052
	Total	4,037,514,322	2,757,477,000	1,280,037,322

In addition, the valuer who had been paid a total of Kshs.7.6million did not give a detailed report on how the valuation was undertaken and why the valuation particularly the freehold land and buildings seem to be undervalued compared to the current market values.

4.3 Registration of Motor Vehicles

As previously reported, the Corporation bought three (3) motor vehicles in the year 2016/2017 for Kshs.20,875,000. However, a scrutiny of the logbooks showed that the three (3) vehicles were registered in the name of Kenyatta International Conference Centre Management Limited and not in the name of the Corporation. Although it was explained that the problem arose as a result of Personal Identification Number (PIN) mix up at the Kenya Revenue Authority, the issue has not been resolved with a view of having the logbooks issued in the name of Kenyatta International Convention Centre.

In view of the foregoing, it has not been possible to confirm that property, plant and equipment balance of Kshs.4,044,860,041 as at 30 June, 2019 is fairly stated.

5. Tax Payable

As disclosed in Note 17 to the financial statements, the statement of financial position reflects a balance of Kshs.450,584,782 under non-current liabilities tax payable. The balance includes a tax brought forward of Kshs.22,992,595, reconciled tax by the Kenya Revenue Authority demand letter of Kshs.413,534,596 and tax due in 2018/2019 of Kshs.14,057,591. However, the amounts were not broken down and tax return documents were not availed for audit review.

Failure to pay tax when due could attract penalties and interest. There is also a likelihood of the Corporation's assets been attached.

6. Pending Bills

The Centre had pending bills totalling to Kshs.928,927,659 as at 30 June, 2019 as per the schedule/pending bills list submitted for audit. Out of the balance of Kshs.928,927,659, an amount of Kshs.430,929,299 recognized as potential liability for World Trade Organization (WTO) and a further provision of Kshs.255,395,308 on

WTO all totalling to Kshs.686,324,607 has been disclosed in the financial statements, leaving an amount of Kshs.242,603,052 undisclosed in the financial statements.

Further, the pending bills were not approved by the Pending Bills Committee. The Corporation has further disclosed in the pending bills schedule a figure of Kshs.5,728,504 as provisions for future expenses. The nature of such future expenses was not indicated nor explained and it was not clear how provisions are being recognized as pending bills. Additionally, it is not clear how WTO expenditures credit of Kshs.686,324,607 became a pending bill yet this had its own allocation.

Consequently, the accuracy and authenticity of the pending bills of Kshs.928,927,659 as at 30 June, 2019 could not be ascertained.

7. Staff Receivables

The statement of financial position reflects a balance of Kshs.6,541,134 under staff receivables - car loans and advances. However, and as previously reported, some of the staff resigned or had their services terminated but did not clear debts owed to the Corporation. Further, the outstanding staff receivables balance does not include an amount of Kshs.952,722 due from two (2) staff members who had exited employment without any evidence of having cleared their loans.

Consequently, it has not been possible to confirm the accuracy and collectability of the ex-staff receivables balance of Kshs.6,541,134 as at 30 June, 2019.

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

Key Audit Matters

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

Other Matter

1. Under Collection of Revenue

During the year under review, the Centre collected local revenue amounting to Kshs.1,027,602,875 compared to the budgeted amount of Kshs.1,347,718,951 resulting to a shortfall of Kshs.320,116,076 or 24% of budgeted amounts.

2. Failure to Implement IFMIS in Procurement


The Corporation has failed to implement IFMIS System and or to link its Enterprise Resource Planning (ERP) with the IFMIS system and is therefore, not conforming to the Presidential directive of August, 2014 and a repeated call in 2015, which required that all State Corporations employ full use of e-procurement. This is in addition to The National Treasury Circular No.19/15, dated December 18th August, 2015, Ref.DGIPE/A/1/10 Category 4-Other Projects which states that "State Corporations

are required to ensure that capital projects are captured in the Plan-to-Budget in IFMIS and e-ProMIS as appropriate.

3. Flawed Procurement Process-World Trade Organization (WTO) Conference

As previously reported, during the 10th WTO Ministerial Conference held between 13th-19th December, 2015 at the Kenyatta International Convention Centre, the Corporation made tender awards for goods and services and works to various firms. A review of the procurement processes however revealed that it was executed in total disregard of the then Public Procurement and Disposal Act, 2005 and Public Procurement and Disposal Regulations, 2006 as enumerated hereunder: -

- (i) Key procurement records including minutes of Tender Committee meetings that deliberated on some of the procurements, contract documents and local purchase orders/local service orders were not provided for audit verification. No supervision reports and completion certificates were provided for the completed works which were carried out to ascertain whether the works were carried out as per the specifications.
- (ii) The Tender Committee was not procedurally constituted in compliance with the Second Schedule of the then Public Procurement and Disposal Regulations, 2006 and in most cases was not involved in the procurement process for projects which were directly procured. The Corporation made several procurements for goods and services worth Kshs.70,823,765 without going through competitive bidding as required by the Public Procurement laws and regulations. Further, there was no evidence of any report submitted to the Public Procurement Oversight Authority for direct procurements contrary to Section 62(3) of the then Public Procurement and Disposal Regulations, 2006 which stipulated that any direct procurement of value exceeding Kshs.500,000 has to be reported to the Authority within 14 days after notification of award.
- (iii) Seventeen (17) projects were implemented during the period. However, only five (5) projects had invitation for bids to participate in tenders through the restricted tendering method. Out of the five, only two (2) were considered by the Tender Committee. Available information indicated that the awards for fifteen (15) tenders was done singly by the then Chief Executive Officer through single sourcing while making references to non-existent bids for tenders by fictitious companies in total disregard of the Tender Committee. The awards to the fifteen (15) different companies was done on diverse dates between 13 July, 2015 and 30 September, 2015 for a total sum of Kshs.1,432,333,345.
- (iv) Available information further revealed that six (6) of the above tenders were cancelled due to delay in release of funds. In some instances, award letters were terminated but the signed contracts were not terminated hence exposing the Corporation to litigations and resultant costs. Only five of the fifteen companies had signed contracts, which amounted to Kshs.894,976,341.
- (v) Further examination of records revealed that a local company, had signed a contract worth Kshs.64,976,341 even though it had not been issued with an award letter for a tender. Another company undertook some partial works and submitted a claim of Kshs.9,946,420 despite the fact that there was no letter of award of tender, no signed contract and the company was not registered with the Registrar of Companies.

- 
- (vi) The Board of Directors was also directly involved in the flawed procurement process whereby they participated in the revision of cost of the design, supply and installation of computerized conference management system tender. Although the Board had constituted an ad-hoc committee to oversee the implementation of the WTO projects, no report was prepared for consideration by the full board despite the many meetings held. Thus, the Committee may not have carried out its oversight role as expected given the haphazard manner in which the projects were initiated and implemented or not implemented at all.
 - (vii) The Corporation has so far received claims amounting to Kshs.701,031,000 from various suppliers for the works which have not been paid for due to lack of or inadequate documentation.
 - (viii) In addition, supporting documents availed for audit review revealed that vendors amounting to Kshs.55,784,840 relating to WTO projects were not provided for in the financial statements for 2017/2018 yet the Centre is yet to resolve issues relating to WTO expenditure.
 - (ix) Further review of the letter from the Office of the Attorney General and Department of Justice dated 8 March, 2018, Reference AG/CIV/MLG/20/18 addressed to the Chief Executive Officer-KICC in relation to an arbitration between Dimensions Data Solutions, one of the firms contracted to provide services during the WTO conference and Kenyatta International Conference Centre, found the matter to be lacking in merit and ignored the issue raised by the Chief Executive Officer, KICC touching on the illegality, validity and irregularity in the award and possibility of a collusion during procurement award process.
 - (x) It is important to note that the Board did approve for restricted tendering which was not adhered to and instead the Management chose single sourcing which was not approved thus rendering the whole process a violation of the provision Section 73 of the then Public Procurement and Disposal Act, 2005 on restrictive tendering.
 - (xi) The arbitrator did not confirm whether such firm(s) were in the list of prequalified suppliers.
 - (xii) They did not also confirm whether the process was legal and enforceable.
 - (xiii) The interests of the taxpayers was not taken into consideration.
 - (xiv) The arbitrator further stated “the procurement process was in the purview of the procuring entity (KICC) and it was up to the Respondent (Dimension Data) to adhere to the provisions of the Act and not the claimant’s responsibility to investigate whether the process was in line with the then Public Procurement and Disposal Act, 2005. This sets a bad precedent which may not be sustainable as the law is binding to both the contractor/vendor and the procuring entity.

From the foregoing, the Corporation was clearly in breach of the Public Procurement and Disposal Act, 2005 and Regulations, 2006 and may not have received value for money from WTO projects due to the flawed procurement process.

4. Grants from the Ministry of Tourism (2015/2016)

As previously reported, a review of the documents and correspondence between the Ministry of Tourism and the Corporation revealed the following;

- (i) In a letter Ref. MOT/1/97 dated 24 February, 2016 from the Principal Secretary, Ministry of Tourism and addressed to Ag. Managing Director, the Ministry requested transfer of Kshs.480,000,000 meant for the World Trade Organization Conference from KICC to the Ministry. It is not clear why the Ministry had to request the transfer of the same money transferred to the Corporation for the furtherance of the conference activities.
- (ii) Further, details of the actual amount received from the conferences, total expenditure incurred and bank balance were not provided for audit review.

In view of the above, the transactions relating to transfer of Kshs.480,000,000 and the related expenditure at the Ministry for the year 2015/2016 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Retreat to Mauritius

It was observed that some Board members and staff of the Corporation went to Mauritius to attend the World Travel Award. However, the following anomalies were noted: -

- a) Through payment voucher No.721 dated 20 May, 2019, the Corporation made irregular payment of USD 14,816 equivalent of Kshs.1,506,639 to an accountant and it was noted that the said person is not a Board Member nor was he among the staff nominated to represent the Corporation in the award ceremony.
- b) It was also noted that the Board members were paid their per diem in cash instead of making payments through their respective bank accounts and no evidence was availed to show that indeed the members acknowledged the receipts of the money.
- c) It was further, noted that all the per diem requisition forms supporting the payment voucher were not signed and dated by the head of the relevant department but were only signed by the Financial Controller and Chief Executive Officer and no explanation was provided as to why the user department did not approve the per diem.
- d) No invitation from the host supporting the payment voucher was provided for audit review.

- e) Further, it was noted that twelve (12) members of staff and eight (8) Board members were paid per diem allowances totalling Kshs.6,805,650 to represent the Corporation to attend the award ceremony in Mauritius. It is not clear why the Corporation incurred such high expenses in sending a huge delegation of staff members in a single award ceremony when less members could have represented the Corporation adequately and reduce such expenses.

The Management therefore breached Section 68(1) of the Public Finance Management Act, 2012 that requires an Accounting Officer for a national government entity to ensure that resources are used in a lawful and authorised manner which is also effective, efficient, economical and transparent.

2. Staff Imprests

The statement of financial position reflects a balance of Kshs.5,262,245 in respect of staff imprests as at 30 June, 2019. However, the imprests register was not updated to reflect the due dates making it difficult to establish how long the imprests had been outstanding and whether the Corporation is in conformity with Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which requires a holder of a temporary imprest to account or surrender the imprest within 7 working days after returning to duty station. In some instances, the Corporation paid imprests to officers who were already holding multiple imprests at the same time.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Financial Reporting Standards (IFRS) 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 controls, risk management and governance.

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

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

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

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

Further, in planning and performing the audit of the financial statements and the audit of compliance, I consider internal control in order to give an assurance on 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 the 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 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Centre to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Centre to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

21 June, 2021

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**


**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 30TH JUNE 2019**


	Note	AS AT 30 TH JUNE 2019	Actual Audited 2017/2018
		SHS	Prior year SHS
REVENUES			
Sales	5	1,007,372,246	517,228,024
Other Income	6	20,230,629	103,644,434
Total Revenues		1,027,602,875	620,872,458
OPERATING EXPENSES			
Administration Costs	7	387,095,247	262,002,347
Staff Costs	8	205,154,680	153,402,866
Board Emoluments & Other expenses	9	20,821,663	15,624,442
Selling and Distribution Costs	10	295,515,531	132,837,093
Depreciation and amortization	13/14	72,157,116	73,344,253
Total Operating Expenses		980,744,240	637,211,001
Operating profit		46,858,635	(16,338,543)
Finance Income	11		5,077,191
Profit/ Loss before Taxation		46,858,635	(11,261,352)
Income Tax (Expense)/Credit	12a	(14,057,591)	3,378,405
Profit/ (Loss) after Taxation		32,801,044	(7,882,947)

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2019

		KSHS	KSHS
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	4,044,860,041	4,031,930,133
Intangible assets	14	4,364,884	6,353,651
Staff receivables due after one year	16	6,541,134	10,350,382
Total Non-Current Assets		<u>4,055,766,059</u>	<u>4,048,634,166</u>
Current Assets			
Trade and other receivables	15	667,521,953	908,062,014
Cash and bank balances	18	490,812,686	517,624,051
Staff Imprests	16	5,262,245	786,774
Total Current Assets		<u>1,163,596,884</u>	<u>1,426,472,839</u>
Total Assets		<u>5,219,362,943</u>	<u>5,475,107,005</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Fund	21	3,933,446,000	3,933,446,000
Retained earnings/(Accumulated Deficit)	23	(35,840,738)	286,138,054
Capital and Reserves		<u>3,897,605,262</u>	<u>4,219,584,054</u>
Non-Current Liabilities			
Tax Payable	17	450,584,782	22,992,497
Total Non-Current Liabilities		<u>450,584,782</u>	<u>22,992,497</u>
Current Liabilities			
Trade and other payables	20	871,172,899	1,232,530,454
Total Current Liabilities		<u>871,172,899</u>	<u>1,232,530,454</u>
TOTAL EQUITY AND LIABILITIES		<u>5,219,362,943</u>	<u>5,475,107,005</u>


 Director Corporate Services
 ICPAK Reg No 8725


 Chief Executive Office

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

**STATEMENT OF CHANGES IN EQUITY & RESERVES FOR THE YEAR ENDED 30TH
JUNE, 2019**

	Note	Shareholders' Equity KSHS	Revenue Reserves Restated, KSHS	Total Restated KSHS
At 1 July, 2018	21	3,933,446,000	286,138,054	4,219,584,054
Prior year adjustment		-	(354,779,836)	(354,779,836)
Net profit for the year			32,801,044	32,801,044
At 30 th June 2019	21	3,933,446,000	(35,840,738)	3,897,605,283

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2019

	Note	As at June 30th 2019 Kshs.	As at June 30th 2018 Kshs.
OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	19	61,549,040	(123,477,006)
Net cash generated from/(used in) operating activities		61,549,040	(123,477,006)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13/14	(88,360,507)	(113,528,037)
Net cash generated from/(used in) investing activities		(88,360,507)	(113,528,037)
FINANCING ACTIVITIES			
Interest income	11	-	5,077,191
Net cash generated from/(used in) financing activities		-	5,077,191
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(26,811,467)	(231,927,852)
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER		517,624,153	749,552,005
CASH AND CASH EQUIVALENTS AT END OF THE QUARTER		490,812,686 =====	517,624,153 =====

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

DESCRIPTION	CURRENT YEAR ACTUAL 2018/2019	FINAL APPROVED BUDGET 2018/2019	VARIANCE BUDGET TO ACTUAL	% Variance	REMARKS F - (FAVORABLE) U(UNFAVORABLE)	EXPLANATION
	KSHS	KSHS	KSHS			
Rent Revenue	286,473,024	258,677,479	27,795,545.38	11%	F	
Leased Parking Revenue	197,162,680	196,425,120	737,560.00	0%	F	
Conference Revenue	205,245,998	374,500,000	(169,254,001.78)	(45%)	U	Less revenue realised due to spill over effect as a result of prolonged elections which led to event cancellation.
Catering	143,320,745	220,297,120	(76,976,375.31)	(35%)	U	
Equipment	175,169,799	275,719,232	(100,549,432.94)	(36%)	U	
Casual Parking Revenue	1,532,900	3,600,000	(2,067,100.00)	(57%)	U	Less revenue collected as a result of interruptions while holding events in that require parking space.
Tower Viewing Revenue	17,988,675	15,000,000	2,988,675.00	20%	F	More revenue collected due to more visitors recorded and also automation of mode of revenue collection ie use of M-pesa and POS machines.
Other sources of revenue	709,054	3,500,000	(2,790,946.00)	(80%)	U	
Total Revenue	1,027,602,875	1,347,718,951	(320,116,075.65)	(24%)		
ADMINISTRATION COSTS						
Electricity	61,523,488	60,000,000	(1,523,488.49)	(3%)	U	
Water & Conservancy	7,514,985	12,600,000	5,085,015.07	40%	F	Less spent due to austerity measures being put in place.
Postage and Courier	47,700	250,000	202,300.00	81%	F	

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

Telephone Expenses	3,503,577	1,647,996	(1,855,580.81)	(113%)	U	More consumption as a result of use of more airtin during major events eg from Telkom ie increase of bandwidth.
E-Mail & Internet	1,102,840	3,340,000	2,237,160.04	67%	F	
Transport Operating Expenses	4,890,817	5,100,000	209,183.00	4%	F	
Travelling & Accommodation	4,370,377	6,000,000	1,629,623.00	27%	F	
Printing, stationery and photocopying	5,552,310	5,451,591	(100,719.24)	(2%)	U	
Staff training expenses	40,006,882	36,953,000	(3,053,882.45)	(8%)	U	More training carried out as per the TNAs and calendar during the financial year and also recruitment of additional staf who had to undergo training.
Staff welfare & Uniform expenses	36,537,375	49,315,000	12,777,625.38	26%	F	
Entertainment Expenses	2,971,696	4,450,000	1,478,304.06	33%	F	
General Insurance	30,000,000	32,383,247	2,383,247.00	7%	F	
Bank charges and commissions	1,163,369	1,420,800	257,430.51	18%	F	
Membership to professional bodies	2,522,100	886,400	(1,635,700.18)	(185%)	U	This includes increase in subscription fees to both Corporate and staff professional membership.
Consultancy fees	8,345,707	25,315,000	16,969,292.89	67%	F	
Legal fees, Licences & rates	15,565,088	20,840,000	5,274,911.88	25%		
Repairs and maintenance	24,391,924	58,977,928	34,586,004.38	59%	F	
Board Expenses	20,821,664	25,282,000	4,460,336.31	18%	F	
			-			
OTHER OPERATING EXPENSES			-			
Contracted Services	74,445,338	92,828,732	18,383,394.00	20%	F	
Consumable Stores	1,939,399	5,500,000	3,560,601.42	65%	F	
Research and development	2,248,000	21,300,000	19,052,000.00	89%	F	
45th Birthday		5,000,000		78%	F	

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
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	1,081,681		3,918,318.96			
Corporate Social Responsibility/Investment	465,607	3,000,000	2,534,393.10	84%	F	
			-			
STAFF COSTS(PERSONNEL EMOLUMENTS)			-			
Salaries Wages & Leave Allowance	203,439,837	200,329,241	(3,110,595.97)	(2%)	U	Increase in costs due to implementation of approved Organisation structure by SCAC ie additional staff recruited.
Medical Insurance	32,793,033	30,600,000	(2,193,033.19)	(7%)	U	
Gratuity & Pension	1,714,843	33,985,236	32,270,392.70	95%	F	
			-			
SELLING & DISTRIBUTION COST			-			
Third party costs	220,339,548	252,178,122	31,838,574.18	13%	F	
MICE & Participation in Exhibition	45,247,012	55,000,000	9,752,987.57	18%	F	
Production of Promotion Materials	7,515,546	21,640,000	14,124,453.79	65%	F	
Advertising & Publicity	22,413,425	59,500,000	37,086,575.00	62%	F	
Provision for Depreciation	72,157,116	95,633,000	23,475,884.00	25%	F	
Provision for Bad Debts	23,618,851					
Provision for Audit fees	493,103					
Replacement & Renewal Items	-	113,215,000	113,215,000.00	100%	F	
Total Expenses	980,744,240	1,339,922,293	383,290,007.91	29%		
Surplus/deficit	46,858,636	7,796,658		0%		

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KICC is a State Corporation established under the Tourism Act, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Company will be as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the company until 1 January 2014.

IFRS 12, 'Disclosure of interest in other entities' – includes the disclosure requirements for all forms of interest in other entities, including interest in subsidiaries, associates, joint arrangements, special purpose entities and other off balance sheet vehicles.

a) Standards, amendments and interpretations to existing standards that are not yet effective and not early adopted by the Corporation.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities, IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurements categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the Standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue recognition' (effective annual periods beginning on or after 1 January 2018 and early adoption is permitted). Final standard issued on 28th May 2014 proposed a five step approach;

1. Identity contract – new definitions and additional guidance on contract combination and modification.
2. Separate performance obligation – Performance obligation is accounted for separately if it is 'distinct'; a good/ service is distinct if the customer can benefit from the good/ service on its own and it is not highly dependent on or interrelated with other promised goods/ services in the contract.

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Determine transaction price – variable consideration based on probability weighted or most likely amount but is constrained up to the amount that is probable of no significant reversal in the future; reflect time value when significant; credit risk as an expense in separate line on face and measured based on IFRS 9/IAS 39;
4. Allocate transaction price – Based on a relative selling price basis; “residual approach” only used when there is performance obligation with stand-alone price which is highly variable or uncertain.
5. Recognize revenue – Model now based on control, but risk and rewards remains an indicator; criteria for satisfied over time introduced.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Corporation’s activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Corporation’s activities as described below.

- i) **Revenue from the sale of goods and services** are recognised in the year in which the *entity* delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured. The key revenue streams include conference activities, rent income, leased and casual parking, tower viewing and third party revenue.
- ii) **Grants from National Government** are recognised in the year in which the Corporation actually receives such grants and its respective expenditure done.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in Fixed Deposit Reserves (FDRs), and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- v) **Other income** is recognised as it accrues.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-evaluation less any subsequent accumulated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Class of Asset

Freehold Land	0.0%
Buildings and civil works	2.5 %
Furniture	12.5 %
Others (<i>Tools, Fire extinguishers, Laptop chains</i>)	12.5 %
Carpets	12.5 %
Office equipment	30.0 %
Motor Vehicles	25.0 %
CCTV Cameras	30.0 %
Software's	33.3 %
Plant and Equipment	12.5 %
Communication Equipment	12.5 %

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

e) Depreciation and impairment of property, plant and equipment

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

g) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

h) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. In the year under review a 3% general provision has been made on conference debtors. Bad debts are written off after all efforts at recovery have been exhausted.

i) Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

j) 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

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the corporation or not, less any payments made to the suppliers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2013. The scheme is administered by Jubilee Insurance and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

m) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

n) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Corporation operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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.

q) Provision for employee entitlement-Staff leave pay

Employee entitlement to annual leave are recognised and paid immediately within the financial year when they accrue.

THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain employees of the Corporation are entitled to service gratuity based on resignation or termination of employment based on 31% of their basic pay for the period of time worked for. The service gratuity is provided for in the financial statements as it accrues to each employee.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Corporation makes estimates and assumption concerning the future. The resulting accounting estimates will by definition, seldom equal to related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

The Corporation is subject to various income taxes. Significant judgement is required in determining the Corporation's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities or anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially record, such differences will impact the income tax provisions in the period in which such determination is made.

Gratuity scheme obligations

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Corporation relies on an independent actuary to determine the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimate future cash outflows expected to be required to settle the pension obligations.

4. FINANCIAL RISK MANAGEMENT

The corporation's activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency rates. The corporation's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

i) Foreign exchange risk

The corporation receives payments from clients and makes payments in US Dollars. The corporation is therefore exposed to foreign exchange risk arising primarily with respect to the US dollar transactions. Foreign exchange risk arises from future commercial transactions, recognized income, assets and liabilities.

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) **Interest rate risk**

The corporation is exposed to interest rate risk as it holds short term bank deposits at fixed interest rates.

iii) **Price risk**

The corporation does not hold investments that would be subject to price risk hence this risk is not relevant

iv) **Credit risk**

The corporation's credit risk is primarily attributable to its trade receivables.

v) **Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors through the senior management of the corporation. Management has built an appropriate liquidity risk management framework for the management of the corporation's short, medium and long-term funding and liquidity management requirements. The corporation manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

	30 th JUNE 2019	Audited 2017/2018
	KSHS	KSHS
5 SALES		
Conference	205,245,998	112,046,538
Rent	286,473,024	228,946,243
Leased Parking	197,162,680	155,280,000
Catering	143,320,745	55,005,633
Equipment	175,169,799	48,638,800
	1,007,372,246	599,917,215
	=====	=====
6 OTHER INCOME		
Casual Parking	1,532,900	2,366,912
Tower viewing	17,988,675	18,588,330
Miscellaneous	709,054	-
	20,230,629	20,955,242
	=====	=====
7 ADMINISTRATION COSTS		
Electricity and water	69,038,473	58,379,549
Communication services and supplies	4,654,117	3,725,356
Transportation, travelling and subsistence	9,261,194	6,815,802
Printing, stationery and photocopying	5,552,310	3,732,847
Staff training expenses	40,006,882	23,300,047
Hospitality supplies and services	39,509,071	21,359,283
Insurance costs(General & Medical)	62,793,033	52,961,110

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Bank charges and commissions	1,163,369	1,436,603
Auditors' remuneration	493,103	500,000
Consultancy fees	8,345,707	7,761,590
Legal fees, licence & rates	15,565,088	4,765,787
Repairs and maintenance	24,391,924	23,016,663
Other operating expenses	82,702,125	57,992,873
	<u>387,095,247</u>	<u>262,002,347</u>
	=====	=====
8 STAFF COSTS		
	30th JUNE 2019	Audited 2017/2018
	KSHS	KSHS
Salaries and allowances of permanent employees		
Gratuity, Pension and Retirement Benefits	205,154,680	153,402,866
	<u>205,154,680</u>	<u>153,402,866</u>
	=====	=====
The average number of employees at the end of the year was:		
Permanent employees – Management	140	134
	<u>140</u>	<u>134</u>
	=====	=====
9 DIRECTORS EMOLUMENTS & OTHER EXPENSES	20,821,663	15,624,442
	=====	=====
10 SELLING AND DISTRIBUTION COSTS		
Third party outsourcing	220,339,548	62,925,294
Advertising and publicity	22,413,425	27,619,281
Participation in exhibitions	45,247,012	33,431,173
Production of promotional materials	7,515,546	8,861,345
	<u>295,515,531</u>	<u>132,837,093</u>
	=====	=====
11 FINANCE INCOME		
Interest income on short-term bank deposits		5,077,191
	<u>-</u>	<u>5,077,191</u>
	=====	=====

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12	INCOME TAX EXPENSE/(CREDIT)	As at 30 th June Kshs	Audited 2017/2018 Kshs
	(a) Current taxation		
	Current taxation based on the adjusted profit for the year at 30%	(14,057,591)	(3,378,405)
		<u>(14,057,591)</u>	<u>(3,378,405)</u>
		=====	=====
	Profit before taxation	46,858,635	(11,261,352)
	Loss before Taxation B/F	-	
		<u>46,858,635</u>	<u>(11,261,352)</u>
		=====	=====
	Tax at the applicable tax rate of 30%	14,057,591	(3,378,405)
		<u>14,057,591</u>	<u>(3,378,405)</u>
		=====	=====
14	INTANGIBLE ASSETS COST		
	At July 1	44,180,000	44,180,000
	Additions		-
	Transfers		
	As at 30 th June	<u>44,180,000</u>	<u>44,180,000</u>
		=====	=====
	AMORTISATION		
	At July 1	37,826,000	34,650,000
	Charge for the year	1,989,116	3,176,349
	Disposals		-
	Impairment loss		-
	As at 30 th June	<u>39,815,116</u>	<u>37,826,349</u>
		=====	=====
	NET BOOK VALUE		
	As at June 30	<u>4,364,884</u>	<u>6,353,651</u>
		=====	=====
15	TRADE AND OTHER RECEIVABLES		
	Trade receivables	674,824,324	920,327,889
	Deposits and prepayments	15,954,609	16,302,609
	Receipt Control Account	361,871	388,271
	General provision for Bad Debts	(23,618,851)	(28,956,755)
	Gross trade and other receivables	<u>667,521,953</u>	<u>908,062,014</u>
		=====	=====
16	STAFF RECEIVABLES	30th JUNE 2019	Audited 2017/2018
		KSHS	KSHS
	Gross car loans & advance	6,541,134	10,350,382
	Staff Imprest	5,262,245	786,774
			<u>11,103,156</u>
			=====
17	TAX LIABILITY		
	At beginning of the year	22,992,595	26,371,000
	Reconciled Tax By KRA demand letter	413,534,596	
	Deferred Tax	14,057,591	(3,378,405)
	At end of the year	<u>450,584,782</u>	<u>22,992,595</u>
		=====	=====

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
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18	CASH AND CASH EQUIVALENTS BANK AND CASH BALANCES	30TH JUNE 2019	Audited 2017/2018
	BANK & BRANCH	AMOUNT	AMOUNT
		Kshs	Kshs
	Kenya Commercial Bank - KICC-Operations	38,097,760	141,837,000
	Kenya Commercial Bank - KICC-Development	34,354,057	32,822,237
	Kenya Commercial Bank - KICC-USD	49,857,465	46,784,677
	Co-operative Bank - CITYHALL-Operations	367,766,582	296,048,000
	Petty Cash	2,822	132,137
	MPESA Control ACC	734,000	
	TOTAL CASH AND CASH EQUIVALENTS	490,812,686	517,624,051
	<i>[The bulk of the cash at bank was held at Cooperative Bank of Kenya and Kenya Commercial Bank, the Corporation's main bankers.]</i>		
19	Notes to the Statement of Cashflows	As at 30th June	Audited 2017/2018
(a)	Reconciliation of operating profit/ (loss) to Cash generated from/ (used in) operations	AMOUNT	Kshs
		Kshs	Kshs
	Profit/Loss before tax	46,858,635	(11,261,352)
	Depreciation and amortization	72,157,116	73,344,253
	Interest Income		(5,077,191)
		119,015,751	57,005,710
	Working Capital changes		
	(Increase)/decrease in trade and other receivables	240,540,062	(87,181,014)
	Increase/ (decrease) in trade and other payables	(302,602,795)	(97,362,546)
	Increase/ (decrease) in staff advances and loans	4,596,021	4,060,844
	Increase/ (decrease) in Tax paid	-	-
	Cash generated from/ (used in) operations	61,549,040	(123,477,006)
		=====	=====
	(b) Analysis of cash and cash equivalents		
	Cash at bank	490,812,686	517,624,051
	Balance at end of the year	490,812,686	517,624,051
		=====	=====
20	TRADE AND OTHER PAYABLES	As at 30th June 2019	Audited 2017/2018
		Kshs	Kshs
	Trade payables	589,452,648	494,398,706
	Provisions for contingency	5,728,504	8,482,476
	Provisions for other pending bills	255,395,308	507,522,526
	-Other Payables	20,596,439	102,648,926
	Receipts in Advance		119,477,820
		871,172,899	1,232,530,454
		=====	=====
21	CAPITAL FUND	As at 30th June	
	Shareholder's Equity	3,933,446,000	3,933,446,000
		3,933,446,000	3,933,446,000

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) ANNUAL REPORTS
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22 RELATED PARTY TRANSACTIONS DISCLOSURES

i) Key management compensation	As at 30th June	Audited 2017/2018
Salaries and other short-term employment benefits	205,154,680	153,402,866
ii) Directors' remuneration		
The Board of Directors remuneration for last twelve (12) months 22,195	20,821,664	15,624,442
(iii) Employees	140	134

23 RETAINED EARNINGS/(ACCUMULATED DEFICIT)

The retained earnings represent amounts utilised to finance the Corporation's business activities.

	As at 30th June 2019	Audited 2017/2018
Retained Income	286,138,054	294,021,000
Restatement	(107,922,284)	
Prior Year adjustment (Corporate Tax liability)	(246,857,552)	
Prior Year adjustment (VAT liability)	32,801,044	
Net Profit for the year	(7,882,946)	(7,882,946)
Retained Earnings (Accumulated Deficit)	(35,840,738)	286,138,054

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STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENTS (PPE)

	Freehold land Kshs. '000'	Buildings & civil works Kshs. '000'	Furniture Kshs. '000'	Others Kshs. '000'	Carpets Kshs. '000'	Office equipment Kshs. '000'	Motor vehicle Kshs. '000'	CCTV/security enhancement Kshs. '000'	Plant & equipment Kshs. '000'	Communication Equipment Kshs. '000'	Capital work in progress Kshs. '000'	Total Kshs. '000'
COST OR VALUATION												
At July 1, 2017	1,000,000	1,901,087	214,852	17,115	56,074	66,374	37,210	108,638	83,324	318,336	903,261	4,706,271
Additions		21,918				5,581			445		88,365	116,309
Transfers												
Reversals												
At 30th June 2018	1,000,000	1,923,005	214,852	17,115	56,074	71,955	37,210	108,638	83,324	318,781	991,626	4,822,580
At July 1, 2018	1,000,000	1,923,005	214,852	17,115	56,074	71,955	37,210	108,638	83,324	318,781	991,626	4,822,580
Additions											46,112	46,112
Transfers												
Reversals												
At 30th June 2019	1,000,000	1,923,005	214,852	17,115	56,074	71,955	37,210	108,638	83,324	318,781	1,037,738	4,868,692
DEPRECIATION												
At July 1, 2018	-	260,953	121,983	7,168	24,876	52,911	19,857	56,636	44,489	164,791	-	753,664
Charge for the Year	-	-	11,609	1,243	3,900	4,879	4,338	15,601	4,854	23,744	-	70,168
At 30th June 2019	-	260,953	133,592	8,411	28,776	57,790	24,195	72,237	49,343	188,535	-	823,832
NET BOOK VALUE												
As at July 1, 2018	1,000,000	1,662,052	71,103	7,616	23,886	7,969	9,761	25,481	29,733	156,591	1,037,738	4,031,930
As at 30 th June 2019	1,000,000	1,662,052	81,260	8,704	27,298	14,165	13,015	36,401	33,981	130,246	1,037,738	4,044,860

CONTIGENCIES

i) World Trade Organization Conference (2015)

Kenya won the bid to host the 10th World Trade Organization (WTO) Ministerial Conference held from 15th to 18th December 2015. An Inter-Ministerial Organization Committee was established to coordinate all the activities geared towards successful hosting of the Conference. Several WTO related projects were initiated and procured without following laid out procurement procedures and regulations. The Corporation had recognized a provision of Kshs.430, 925,299 as potential liabilities in its books. After verification of accruing pending bills by office of Auditor General, Kshs.175, 529,991 has been settled based on the recommendation by Office of the Auditor General.

The Corporation continues to carry a further provision of Kshs.255, 395,308 on WTO related pending bills in its books.

ii) Tax Liability

The Corporation embarked on reconciliation of its tax account with Kenya Revenue Authority due to existence of two active Personal Identification Numbers - PIN associated with the Corporation.

Kshs.436,527,191 composed of corporate tax of Kshs.130,914,879 and VAT liability of Kshs.305,612,312 has been agreed upon as back taxes and incorporated in the financial statements. However, the corporation may be required to pay the penalties and interests on the back taxes in the event that the request for waiver of the same is declined by the Kenya Revenue Authority.

AUDIT RECOMMENDATIONS

Reference No on the external audit report	Issue/Observations from Auditor FY 2017/2018	Management Comments	Focal Point Person to resolve the issue	Status(Resolved/Not resolved)	Time frame
1.1	Lack of title to COMESA, courtyard Land, Garden square restaurant	The Corporation is in talk with the relevant Government agencies with an aim of getting title for the said pieces of land.	CEO	Not resolved	On going
1.2	Valuation of Assets should be done after every 5 years	The asset valuation exercise has been undertaken. The asset register was uploaded into the ERP as at 01 st July 2019.	CEO	Resolved	Done
1.3	Motor Vehicle Registration	The matter was followed up by relevant authorities and anomaly corrected	CEO	Resolved	Done
1.4	Asset Register	The asset tagging exercise was undertaken in the financial year 2017/2018 There is an updated asset register in place	CEO	Resolved	Done
2.1	Long outstanding debts	Given that most of the KICC sales are on credit, the debt portfolio has increased in tandem with the increase in sales. However management has made substantial efforts in pursuing the outstanding debts. In addition, the existing procedures for issuance of debt have been enhanced to ensure that clients, private clients pay before the event is held while for government institutions an LSO ought to be provided before an event	CEO	Not resolved	On going
2.2	Tenancy Agreement	The issue is being followed up by management	CEO	Not resolved	On going
3.0	Outstanding debts for staff who left the organization	Demand notices to former members of staff to clear outstanding debts. So far 2 former members of staff have fully paid up their debts	CEO	Not resolved	On going
4.0	Flawed procurement process-World Trade Organization (WTO) Conference	Special audit for WTO projects was undertaken by KENAO and resultant bills recommended for payment settled.	CEO	Resolved	Done
5.0	Grant from the Ministry (2015/2016)	The corporation did not remit any money to the Ministry of Tourism as requested in a letter ref MOT/1/97 dated 24 February 2016	CEO	Resolved	Done