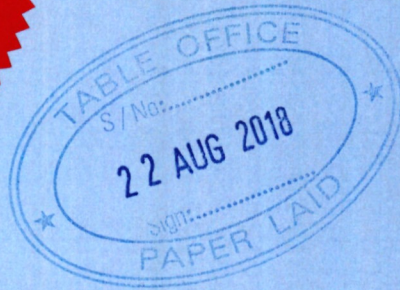




OFFICE OF THE AUDITOR-GENERAL



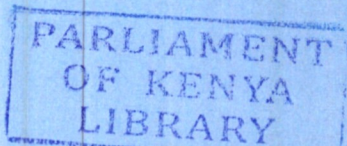
*Paper laid on the  
Table of the House  
by the Leader of the  
Majority Party on  
Wednesday  
22<sup>nd</sup> August 2018*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**



**THE FINANCIAL STATEMENTS OF  
KENYATTA INTERNATIONAL  
CONVENTION CENTRE**

**FOR THE YEAR ENDED  
30 JUNE 2017**

*Afternoon*



**The Kenyatta International  
Convention Centre**

*Africa's Premier Meeting Venue*

[www.kicc.co.ke](http://www.kicc.co.ke)

# **Kenyatta International Convention Centre**

**THE FINANCIAL STATEMENTS FOR  
THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

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

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## **KEY ENTITY INFORMATION**

### **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 iii.

### **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](mailto:info@kicc.co.ke).

Website: [www.kicc.co.ke](http://www.kicc.co.ke)

**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





**THE BOARD OF DIRECTORS**

<p>Mrs. Fatuma Hirsi Mohamed, CBS</p>	<p>Principal Secretary – Ministry of Tourism</p>		<ul style="list-style-type: none"> <li>• MBA in strategy and Marketing</li> <li>• BA (Hons) in Language and Post Graduate Diploma in Public Relations</li> <li>• Pursuing PhD in Communication Studies</li> <li>• Over 30 years integrated strategic management working experience in various sectors including Telecom, media, banking and international civil service working for the United Nations.</li> <li>• Y.O.B: 1963</li> </ul>
<p>Ms. Nana Gecaga</p>	<p>Chief Executive Officer and Secretary to the Board</p>		<ul style="list-style-type: none"> <li>• MBA Roehampton University(Online)</li> <li>• BA(AIU) UK</li> <li>• Over 17 years experience in Public Relations and Marketing</li> <li>• Y.O.B: 1978</li> </ul>
<p>Mr. Jackson Kinyanjui</p>	<p>Alternate to Principal Secretary – The National Treasury</p>		<ul style="list-style-type: none"> <li>• Masters Degree in Development Economics</li> <li>• B(ED) Economics &amp; Business Education</li> <li>• 36 years experience in the public service and currently Director of External Resources, National Treasury.</li> <li>• Y.O.B 1955</li> </ul>
<p>Ms. Kavi Mwendwa</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• Certificate in Food and Beverage</li> <li>• Over 24 years experience in Hospitality Industry</li> <li>• Y.O.B: 1965</li> </ul>
<p>Ms. Lucy Macridis</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• Certificate from CIM.</li> <li>• Wide experience in Tourism Industry</li> <li>• Y.O.B: 1967</li> </ul>
<p>Mrs. Jane Adam</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• Bsc in Tourism and Hospitality Management.</li> <li>• Over 30 years experience in Tourism Industry</li> <li>• Y.O.B: 1961</li> </ul>

**The Kenyatta International Convention Centre – Financial Statements Year Ended June 30, 2017**

<p>Capt. (Rtd) Kenneth Boit</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• BA, International Relations &amp; Strategic Studies</li> <li>• 14 years experience in military and over 20 Years experience in consultancy on security matters.</li> <li>• Y.O.B: 1964</li> </ul>
<p>Dr. Lillian Apadet</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• Msc Public health</li> <li>• Bachelor of Dental Surgery</li> <li>• 12 Years of experience as a Dental Surgeon</li> <li>• Y.O.B: 1980</li> </ul>
<p>Dr. Betty Radier</p>	<p>Chief Executive Officer KTB</p>		<ul style="list-style-type: none"> <li>• PhD Entrepreneurship and Small Business Development, University of Cape Town</li> <li>• MBA, Strategy and Finance</li> <li>• Bachelors Degree in Design</li> <li>• 20 years experience in Management and currently Chief Executive Officer, KTB</li> <li>• Y.O.B 1968</li> </ul>

**SENIOR MANAGEMENT TEAM**

<p>Ms. Nana Gecaga</p>	<p>Chief Executive Officer</p>		<ul style="list-style-type: none"> <li>• MBA Roehampton University(Online)</li> <li>• BA(AIU) UK</li> <li>• Over 17 years experience in Public Relations and Marketing</li> <li>• Y.O.B: 1978</li> </ul>
<p>Mr. Gerald Kirimi</p>	<p>General Manager, Finance &amp; Administration</p>		<ul style="list-style-type: none"> <li>• BCom (Finance), CPA(K) and a member of ICPAK with more than 12 years experience.</li> <li>• Y.O.B: 1978</li> </ul>
<p>Ms. Janet Mueni</p>	<p>Ag. General Manager, Sales &amp; Marketing</p>		<ul style="list-style-type: none"> <li>• BA Business Administration</li> <li>• Over 17 Years experience in administration and marketing</li> <li>• Y.O.B 1973</li> </ul>
<p>Mr. Gomeri Kombo</p>	<p>Ag. General Manager, Operations</p>		<ul style="list-style-type: none"> <li>• BA Hospitality Management</li> <li>• Certificate in hotel management (Switzerland)</li> <li>• Over 20 years experience in hospitality industry</li> <li>• Y.O.B 1970</li> </ul>

## **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 30<sup>th</sup>, June 2017.

During the year 2017, the Kenyan destination faced challenging business environment, which did affect the operations of the venue-KICC. Factors such as the general subdued global economic and business conditions, increase in maintenance and operating costs, did affect our operations.

Despite the above challenges, the Corporation took necessary measures 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.

During the year under review, the Corporation achieved a turnover of KShs. 1.308 billion against turnover of KShs. 1.097 billion in 2016 and profit after Tax of KShs.130.993 million against a Loss of KShs. 117.292 million in 2016.

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 2017 was positive with more high profile conferences taking place namely; the Tokyo International Conference On African Development (TICAD), the United Nations Conference on Trade and Development (UNCTAD), Global Partnership for Effective Development Cooperation (GPEDC) while Management is hopeful for a recovery during the year, 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.

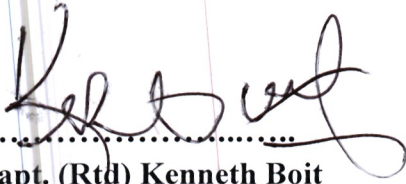
The Corporation continues to implement appropriate Human Resources Management (HRM) practices and sound Corporate Social Investments (CSI) programs that complement its long-term business strategy, just as it continues to pursue new MICE business opportunities in the Counties in line with its diversification 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.



.....  
**Capt. (Rtd) Kenneth Boit**  
**Board Director**

## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

This is the third year in a row that the Corporation achieved a milestone in exceeding the Kshs. 1 Billion mark turnover.

Revenue increased from Kshs. 1.097 Billion to Kshs. 1.308 Billion driven by increased conference activities.

### **BUSINESS PERFORMANCE**

During the year under review, the Corporation achieved a turnover of Kshs 1.308 billion compared to Kshs 1.097 billion in 2015/2016, an increase of 19% and made of a profit after tax of Kshs. 112.345 Million.

Conference revenue went up by 45% to Kshs.298.16 million, leased parking registered an increase of 17% to Kshs.148.03 million, Tower viewing was up by 43% to Kshs. 12.39 million, rent income was up by 7% to Kshs.189.68 and other revenues (Hire of equipment, catering etc) recorded a 13% increase to Kshs.648.138 million from Kshs.574.157 million in 2015/16.

The Administrative and selling costs decreased by 9%, while the Selling and distribution costs decreased by 7%. There was improvement in staff motivation due to culture change programmes and incentives that resulted to increase in productivity and efficiency.

Profit after tax for the year was Kshs.112.345 million, mainly attributable to the hosting of the high profile Tokyo International Conference on African Development (TICAD), the United Nations Conference on Trade and Development (UNCTAD), Global partnership for effective development cooperation (GPEDC)

### **EMPLOYEE PRODUCTIVITY**

Training and exposure of 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; Talent Management trainings, Management level development trainings, Corporate culture change training, Integrity awareness training, Corporate Governance training to mention but a few.

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 9001:2008 ensures that the Corporation not only retains its status as an ISO 9001:2008 certified institution but that continuous improvement, research and development and ongoing 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

### **FUTURE OUTLOOK**

The outlook for the Meetings, Incentives, Conferences and Exhibitions (MICE) Industry remains robust and resilient. MICE is the fastest growing subsector of tourism.

I believe that KICC has the right strategy, brand, resilience and people to take it to the next phase of growth.

#### **Priority**

Our priority in 2017/18

- Facilitate the modernization and expansion of the MICE services in Nairobi, Coast and Western Kenya Region.
- Operationalize a MICE Destination Marketing in Kenya
- Create Partnerships and Strategic Alliances for improved service delivery to clients

- Enhance environmental sustainability with a view of achieving green conference destination.
- Build capacity of KICC to facilitate quality, efficient and effective services to the stakeholders.
- Improve service delivery to KICC's stakeholders.
- Enhance Resource Mobilization
- Enhance the visibility and promote positive corporate image of KICC.
- Aggressive risk management and value addition initiatives.

I would like to thank the Board of Directors, the entire management and staff for their distinctive culture of delivering value to our shareholders. Our accomplishments would not have been possible without the dedication and expertise of our employees at the Centre.

Lastly, I anticipate that year 2017/18 will bring its own unique blend of successes and challenges. We are poised to face these challenges the best way we can, and to celebrate our successes.

**Ms. Nana Gecaga**  
**Chief Executive Officer**

## **CORPORATE GOVERNANCE STATEMENT**

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 of 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.

### **Committees of the Board of Directors**

There are three committees of the Board:

1. Finance, Human Resource and Administration Committee
2. Marketing, Public Relations and Projects Committee
3. Audit Committee

## **RISK MANAGEMENT**

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, analyzing, 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 Corporation cannot expect to eliminate all operational risks, but can manage them through a control framework and by monitoring and responding to

potential risks. The controls that the Corporation has put in place to minimize the potential risks include:

- a) Effective duty segregation,
- b) Staff education,
- c) Definition of authorization levels,
- d) Periodic risk assessment,
- e) Use of internal audit; and
- f) Implementation of access controls.

## **CORPORATE SOCIAL INVESTMENT STATEMENT**

The Corporation Views Corporate Social Investment as being a fundamental part of the way it does business. The Corporation aims to make a positive contribution to the environment, financial and social well-being of its customers, employees and the community in which it operates.

In 2016/17 the Corporation developed its Corporate Social Investment policy that will guide the way the corporation will undertake its social investment initiatives.

During the financial year, the Corporation continued to support various initiatives including the following charitable causes:

- Visiting and supporting children's homes
- Supporting the best MICE student in Kenya Utalii College
- Co-sponsored the Kenya Open Golf -a sports tourism event that attracted local and international sports participation.

This year the Corporation has committed more funds to the Social investment initiatives as we seek to be a good corporate citizen.

The Corporation will build a successful and sustainable business in the long term by acting responsibly in our business practices and integrating the interests of our employees, stakeholders, community and the environment in all our operations with the aim of uplifting communities in such a way that the quality of life is generally improved and safeguarded.

Over the coming years we intend to commit even more time and resources to support social initiatives based on our business performance.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 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, 2017 are set out on page 1 to 22.

### **Dividends**

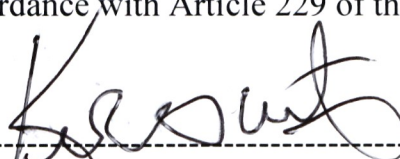
The corporation does not pay dividend, all the surpluses are reinvested back into refurbishment and modernization of the facility.

### **Directors**

The Board of Directors shown are on page iii & iv.

### **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.

  
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**By Order of the Board**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management 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. The Directors are also required to ensure that the corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the corporation. The Directors are also responsible for safeguarding the assets of the Corporation. The Directors are responsible for the preparation of the corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2017.

This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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.


The Directors 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 PFM Act and the State Corporations Act. The Directors are of the opinion that KICC's financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2017, and of the Corporation's financial position as at that date. The Directors 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 of the 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 24 September 2017 and signed on its behalf by:

  
**Board Director**

  
**Chief Executive Officer**

**REPORT OF THE AUDITOR GENERAL**

# REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYATTA INTERNATIONAL CONVENTION CENTRE FOR THE YEAR ENDED 30 JUNE 2017

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#### 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 23, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and reserves, 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 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Tourism Act, No.28 of 2011.

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

#### Basis for Qualified Opinion

##### 1. Property, Plant and Equipment

##### 1.1. Land

As previously reported, the property, plant and equipment balance of Kshs.3,997,900,000 as at 30 June 2017 includes the value of land estimated at Kshs.1billion disclosed under Note 14 but excludes land commonly referred to as COMESA parking area and Court yard on which the first Kenya President's monument stands. Further, the land on which Garden Square Restaurant stands is under dispute between the Corporation and the Nairobi City County. However, a letter from the Chief-of-Staff and Head of Public Service to the Cabinet Secretary, Ministry of Lands, Housing

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*Report of the Auditor-General on the Financial Statements of Kenyatta International Convention Centre for the year ended 30 June 2017*

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, the 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 is included in the financial statements.

## **1.2. Valuation of Assets**

The statement of financial position reflects a figure of Kshs.3,997,900,000 under property, plant and equipment as at 30 June 2017. However, it is noted that the last valuation for assets was conducted in 2006, over eleven (11) years ago thereby contravening the International Public Sector Accounting Standard No.17 which stipulates that property, plant and equipment should be revalued after every five years.

## **1.3. Motor vehicles not Registered in the Name of the Corporation**

During the year under review the Corporation bought three motor vehicles for Kshs.20,875,000. However, a scrutiny of the log books showed that the three 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 log books issued in the name of Kenyatta International Convention Centre.

## **1.4. Lack of Assets Register**

The Corporation did not maintain asset register in place hence control over the assets could not be adequately achieved.

In the foregoing, it has not been possible to confirm that property, plant and equipment balance of Kshs.3,997,900,000 as at 30 June 2017 is fairly stated.

## **2. Trade and Other Receivables**

### **2.1. Long outstanding debts**

As similarly reported in the previous years, trade and other receivables balance of Kshs.847,810,000 as at 30 June 2017 includes an amount of Kshs.696,789,911 which has been outstanding for over one year, the bulk of which is owed by various Government Ministries and Departments. In particular, the National Assembly owes Kshs.47,311,344 and which has been outstanding for considerably long period of time. In addition, Kshs.60,646,813 of the debtors were for defunct Government Ministries/Departments and an inquiry and comparison with financial statements of reported debtors showed that the said debts were not recognized as payables or

pending bills in those institutions. Apparently, the management efforts to recover these debts have not been fruitful.

## **2.2. Failure to Honour Tenancy Agreement**

Available information indicate that the Corporation's 18th floor 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. The likelihood that the debts will be recovered remain doubtful.

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

As previously reported, during the 10th WTO Ministerial conference held 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 process however revealed that the procurement process was executed in total disregard of the 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 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 Public Procurement Oversight Authority for direct procurements contrary to section 62(3) of Public Procurement and Disposal Regulations, 2006 which stipulates 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) Of the seventeen (17) projects that were implemented during the period, only five (5) projects had invitation for bids to participate in tenders through restricted tendering method. Of these five, only two 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, 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 due to the lack of or inadequate documentation.

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 through the flawed procurement process. In addition, supporting documents availed for audit 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.

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

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, there were no Other Key Audit Matters to report in the year under review.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to have the Corporation 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.

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

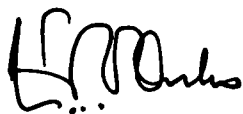
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation'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 Corporation 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 of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**11 July 2018**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017

	Note	2017 Kshs'000	2016 Kshs'000
<b>REVENUES</b>			
Sales	5	659,733	522,613
Other Income	7	648,138	574,157
<b>Total Revenues</b>		<b>1,307,870</b>	<b>1,096,770</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	8	326,585	324,392
Staff Costs	9	148,825	164,074
Board Emoluments	10	22,195	22,200
Selling and Distribution Costs	11a	564,086	578,966
WTO Recurrent Contingency	11b	-	117,233
Depreciation and amortization	14/15	90,371	69,184
<b>Total Operating Expenses</b>		<b>1,152,061</b>	<b>1,276,049</b>
<b>Operating profit</b>		<b>155,809</b>	<b>(179,279)</b>
Finance Income	12	4,396	11,719
<b>Profit before Taxation</b>		<b>160,205</b>	<b>(167,560)</b>
Income Tax Credit	13a	48,148	(50,268)
<b>Profit after Taxation</b>		<b>112,143</b>	<b>(117,292)</b>

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

## The Kenyatta International Convention Centre – Financial Statements Year Ended June 30, 2017

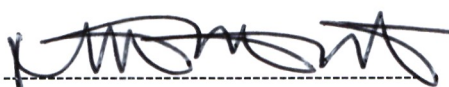
### STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE, 2017

	Note	2017 Kshs'000	2016 Kshs'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	3,988,571	4,032,762
Intangible assets	15	9,531	9,636
Staff receivables due after one year	17	14,352	18,386
<b>Total Non-Current Assets</b>		<b>4,012,454</b>	<b>4,060,784</b>
<b>Current Assets</b>			
Trade and other receivables	16	820,881	573,795
Short-term deposits	19 (a)	100,000	100,000
Cash and bank balances	19 (b)	649,550	666,203
Staff Imprests	17	846	
<b>Total Current Assets</b>		<b>1,571,277</b>	<b>1,339,998</b>
<b>Total Assets</b>		<b><u>5,583,731</u></b>	<b><u>5,400,782</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital Fund	22	3,933,446	3,053,446
Retained earnings	24	294,021	181,878
Capital Grant	6	-	880,000
<b>Capital and Reserves</b>		<b><u>4,227,467</u></b>	<b><u>4,115,324</u></b>
<b>Non-Current Liabilities</b>			
Tax Payable	18	26,371	59,725
<b>Total Non-Current Liabilities</b>		<b><u>26,371</u></b>	<b><u>59,725</u></b>
<b>Current Liabilities</b>			
Trade and other payables	21	1,329,893	1,225,733
<b>Total Current Liabilities</b>		<b><u>1,329,893</u></b>	<b><u>1,225,733</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>5,583,731</u></b>	<b><u>5,400,782</u></b>

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

The Corporation financial statements were approved by the Board on 24 September 2017 and were signed on its behalf by;

  
 -----  
 Capt. (Rtd) Kenneth Boit  
 For: Board of Directors

  
 -----  
 Ms. Nana Gecaga  
 Chief Executive Officer

**STATEMENT OF CHANGES IN EQUITY AND RESERVES**

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017.

	Note	Shareholders Equity Kshs. '000	Capital Grants, Kshs. '000	Revenue Reserves Restated, Kshs. '000	Total Restated, Kshs. '000
At 1 July, 2015	23	2,902,346	151,100	349,401	3,402,847
Prior year adjustment		151,100	(151,100)	37	37
Net profit/ Loss for the year		-	-	(167,560)	(167,560)
Grants	6	-	880,000	-	880,000
<b>At 30 June 2016</b>	<b>23</b>	<b>3,053,446</b>	<b>880,000</b>	<b>181,878</b>	<b>4,115,324</b>
At 1 July, 2016		3,053,446	880,000	181,878	4,115,324
Prior year adjustment					-
Net profit/ Loss for the year				112,143	112,143
Grants	6	-	-		-
<b>At 30 June 2017</b>		<b>3,053,446</b>	<b>880,000</b>	<b>294,021</b>	<b>4,227,467</b>

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

**The Kenyatta International Convention Centre – Financial Statements Year Ended June 30, 2017**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017.**

	Note	2017 Kshs. '000	2016 Kshs. '000
<b>OPERATING ACTIVITIES</b>			
Cash generated from/ (used in) operations	20	25,026	679,751
<b>Net cash generated from/(used in) operating activities</b>		<b>25,026</b>	<b>679,751</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	14/15	(46,076)	(609,578)
Work In Progress WTO Projects	15	-	(583,798)
<b>Net cash generated from/(used in) investing activities</b>		<b>(46,076)</b>	<b>(1,193,376)</b>
<b>FINANCING ACTIVITIES</b>			
Receipts - Grants	6	-	880,000
Interest income	12	4,396	11,719
<b>Net cash generated from/(used in) financing activities</b>		<b>4,396</b>	<b>891,719</b>
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(16,654)</b>	<b>378,094</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>766,203</b>	<b>388,109</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>749,550</b>	<b>766,203</b>

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

**STATEMENT OF COMPARISON OF BUDGET AND ACTUALS**

DESCRIPTION	2016/17 Final Approved Budget	Current Year 2016/17 Actuals	Variance Budget to Actual	Remarks F(Favorable) U(Unfavorable )	Explanations
	“000”	“000”	“000”		
Conference Revenue	806,636	946,032	139,396	F	High profile events (UNCTAD, TICAD & GPDEC) and various exhibitions
Rent Revenue	323,559	198,692	(124,867)	U	Most floors in the first and second vacated by tenants to create room for the high profile events held, i.e. UNCTAD & TICAD
Leased Parking Revenue	129,348	148,034	18,686	F	Due to increase leased parking charges and increase in demand for parking
Casual Parking Revenue	4,500	2,721	(1,779)	U	The corporation hosted more functions at the lower comesa which is normally used by leased parkers.
Tower Viewing Revenue	9,200	12,391	3,191	F	There was aggressive marketing of the view tower from the front office team.
<b>Total Revenue</b>	<b>1,273,243</b>	<b>1,307,870</b>	<b>34,627</b>		
<b>FINANCE INCOME</b>					
Interest Received	3,600	4,396	796	F	
<b>ADMINISRTATION COSTS</b>					
Electricity	60,000	55,183	4,817	F	
Water & Conservancy	14,400	11,716	2,684	F	
Communication Services & supplies	5,389	2,853	2,536	F	
Travelling and Accommodation	3,500	3,325	175	F	
Transport operation	8,000	6,826	1,174	F	
Printing & Stationary -	4,500	4,181	319	F	
Staff Training and Exposure	25,250	22,970	2,280	F	
Staff welfare	28,456	20,635	7,820	F	
Insurance Costs	50,748	36,643	14,105	F	
Bank Charges	720	846	(126)	U	
Legal, Land rates and license fees	14,825	19,906	(5,081)	U	Due to the WTO related procurement issues, the corporation faced arbitration and legal cases.
Consultancy Fees	10,735	8,289	2,446	F	

**The Kenyatta International Convention Centre – Financial Statements Year Ended June 30, 2017**

DESCRIPTION	2016/17 Final Approved Budget	Current Year 2016/17 Actuals	Variance Budget to Actual	Remarks F(Favorable) U(Unfavorable )	Explanations
	“000”	“000”	“000”		
Provision for audit fees	500	500	-		
Repair maintenance	42,653	27,153	15,500	F	
Board Expenses	20,813	22,195	1,382	F	
<b>OTHER OPERATING EXPENSES</b>					
Contracted Services	54,662	53,653	1,009	F	
Consumable Stores	7,100	7,186	86	F	
Research n development	6,250	11,134	4,884	F	
Corporate Social Responsibility	1,000	885	115	F	
<b>STAFF COSTS</b>					
Salaries Wages & Leave Allowance	182,669	148,825	33,845	F	
<b>SELLING &amp; DISTRIBUTION COST</b>					
Cost of Sales / Purchases	326,076	457,665	(131,589)	U	Cost of sales increased as a result of increase in number and volume of conferences held during the year
MICE & Participation in Exhibition	42,788	40,662	2,127	F	
Production of Promotion Materials	15,300	10,548	4,752	F	
Advertising & Publicity	55,000	55,211	(211)	U	
Provision for Depreciation	47,000	90,371	(43,371)	U	Amortization of additional non-current assets acquired during the year
<b>Total Expenses</b>	<b>1,028,332</b>	<b>1,119,359</b>	<b>(91,027)</b>		
<b>Surplus/deficit</b>	<b>248,511</b>	<b>192,906</b>	<b>55,604</b>		

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2017.

### 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 2017 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.

## 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	00.0%
Buildings and civil works	00.0 %
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 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 5% 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 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.

The balance of the defined contribution scheme is as analysed below.

<b>Kshs.'000</b>	<b>Kshs.'000</b>	
Balance at beginning of the year	65,737	31,647
Company contributions during the year	6,309	4,747
Employee's contributions during the year	4,385	3,166
Interest earned on investment of contributions	5,990	4,206
Paid out during the year	(525)	(1485)
 Balance at end of the year	 <u>81,896</u>	 <u>42,281</u>

**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, 2017.

**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.

## 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.

**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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2017 Kshs'000	2016 Kshs'000
<b>5 SALES</b>		
Conference	297,896	205,684
Rent	198,692	178,296
Leased Parking	148,034	126,993
Casual Parking	2,721	2,979
Tower viewing	12,391	8,661
	<u>659,733</u>	<u>522,613</u>
	=====	=====
<b>6 GRANTS FROM NATIONAL GOVERNMENT</b>		
Recurrent grants received	-	-
Capital grants received	-	880,000
	<u>-</u>	<u>880,000</u>
	=====	=====
<b>7 OTHER INCOME</b>		
Catering	132,269	180,424
Equipment	515,869	393,733
	<u>648,138</u>	<u>574,157</u>
	=====	=====
<b>8 ADMINISTRATION COSTS</b>		
Electricity and water	66,900	74,334
Communication services and supplies	2,853	4,287
Transportation, travelling and subsistence	10,151	10,296
Printing, stationery and photocopying	4,181	7,484
Staff training expenses	22,970	22,486
Hospitality supplies and services	20,635	28,321
Insurance costs	36,643	38,341
Bank charges and commissions	846	731
Auditors' remuneration	500	500
Consultancy fees	8,289	6,081
Legal fees, licence & rates	19,906	10,881
Repairs and maintenance	27,153	62,069
Other operating expenses	72,858	58,581
Provision for bad debts	32,702	
	<u>326,585</u>	<u>324,392</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017 Kshs'000	2016 Kshs'000
<b>9 STAFF COSTS</b>		
Salaries and allowances of permanent employees	142,219	154,105
Gratuity, Pension and Retirement Benefits	6,605	9,969
	<u>148,825</u>	<u>169,429</u>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	146	134
	<u>146</u>	<u>134</u>
	=====	=====
<b>10 DIRECTORS EMOLUMENTS</b>	<u>22,195</u>	<u>22,200</u>
	-----	-----
<b>11 a. SELLING AND DISTRIBUTION COSTS</b>		
Third party outsourcing	457,665	457,538
Advertising and publicity	55,211	35,805
Participation in exhibitions	40,662	67,975
Production of promotional materials	10,548	17,648
	<u>564,086</u>	<u>578,966</u>
	=====	=====
<b>b. Provision for WTO Expenses</b>		
WTO Related third party expenses	-	117,323
	=====	-----
<b>12 FINANCE INCOME</b>		
Interest income on short-term bank deposits	4,396	11,719
	<u>4,396</u>	<u>11,719</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 INCOME TAX EXPENSE/(CREDIT)	2017	2016
<b>(a) Current taxation</b>		
<b>Kshs'000      Kshs'000</b>		
Current taxation based on the adjusted profit for the year at 30%	48,061	(50,268)
	<u>48,061</u>	<u>(50,268)</u>
	=====	=====
 <b>(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit</b>		
Profit before taxation	160,205	(167,560)
Loss before Taxation B/F	(167,560)	-
	-----	-----
	<b>(7,355)</b>	<b>(167,560)</b>
 Tax at the applicable tax rate of 30%	(2,207)	(50,268)
	<u>(2,207)</u>	<u>(50,268)</u>
	=====	=====

**14 PROPERTY, PLANT AND EQUIPMENT**

	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'
<b>COST OR VALUATION</b>												
At July 1, 2015	1,000,000	1,689,161	185,277	11,904	52,078	55,016	16,335	37,045	72,858	294,777	57,027	3,471,478
Additions	-	40,304	25,572	4,741	3,996	6,241	-	-	10,466	17,171	501,087	609,578
WTO Projects	-	-	-	-	-	-	-	-	-	-	583,798	583,798
Disposals/VAT a/c	-	-	-	-	-	-	-	-	-	-	-	-
<b>At June 30, 2016</b>	<b>1,000,000</b>	<b>1,729,465</b>	<b>210,849</b>	<b>16,645</b>	<b>56,074</b>	<b>61,257</b>	<b>16,335</b>	<b>37,045</b>	<b>83,324</b>	<b>311,948</b>	<b>1,141,912</b>	<b>4,664,854</b>
At July 1, 2016	1,000,000	1,729,465	210,849	16,645	56,074	61,257	16,335	37,045	83,324	311,948	1,141,912	4,664,854
Additions	-	4,564	4,003	470	-	5,117	20,875	-	6,388	-	-	41,416
Transfers	-	167,058	-	-	-	-	-	71,593	-	-	(238,651)	-
Reversals	-	-	-	-	-	-	-	-	-	-	-	-
<b>At June 30, 2017</b>	<b>1,000,000</b>	<b>1,901,087</b>	<b>214,852</b>	<b>17,115</b>	<b>56,074</b>	<b>66,374</b>	<b>37,210</b>	<b>108,638</b>	<b>83,324</b>	<b>318,336</b>	<b>903,261</b>	<b>4,706,270</b>
<b>DEPRECIATION</b>												
At July 1, 2015	0	260,953	94,126	4,190	15,325	41,091	13,749	33,964	32,600	71,727	-	567,725
Charge for the year	0	0	14,590	1,557	5,094	6,050	323	385	6,341	30,028	-	64,368
<b>At June 30, 2016</b>	<b>0</b>	<b>260,953</b>	<b>108,716</b>	<b>5,747</b>	<b>20,419</b>	<b>47,141</b>	<b>14,072</b>	<b>34,349</b>	<b>38,941</b>	<b>101,755</b>	<b>-</b>	<b>632,093</b>
At July 1, 2016	-	260,953	108,716	5,747	20,419	47,141	14,072	34,349	38,941	101,755	-	632,093
Charge for the year	-	-	13,267	1,421	4,457	5,770	5,785	22,287	5,548	27,073	-	85,606
<b>At June 30, 2017</b>	<b>-</b>	<b>260,953</b>	<b>121,983</b>	<b>7,168</b>	<b>24,876</b>	<b>52,911</b>	<b>19,857</b>	<b>56,636</b>	<b>44,489</b>	<b>128,828</b>	<b>-</b>	<b>717,699</b>
<b>NET BOOK VALUE</b>												
At June 30, 2017	1,000,000	1,640,134	92,869	9,947	31,198	13,463	17,354	52,002	38,835	189,508	903,261	3,988,571
At June 30, 2016	1,000,000	1,468,512	102,133	10,898	35,655	14,116	2,263	2,696	44,383	210,193	1,141,912	4,032,761

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

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

	2017 Kshs'000	2016 Kshs'000
<b>15 INTANGIBLE ASSETS</b>		
<b>COST</b>		
At July 1	39,521	38,628
Additions	4,659	893
Transfers		
As at 30 <sup>th</sup> June	<u>44,180</u>	<u>39,521</u>
<b>AMORTISATION</b>		
At July 1	29,885	25,068
Charge for the year	4,765	4,817
Disposals	-	-
Impairment loss	-	-
As at 30 <sup>th</sup> June	<u>34,650</u>	<u>29,885</u>
<b>NET BOOK VALUE</b>		
As at June 30	<u>9,531</u>	<u>9,636</u>
<b>16 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	826,963	554,593
Deposits and prepayments	16,303	15,398
Receipt Control Account	6,817	3,804
Special Receivables	3,500	-
General provision for Bad Debts	(32,702)	-
Gross trade and other receivables	<u>820,881</u>	<u>573,795</u>
<b>17 STAFF RECEIVABLES</b>		
Gross car loans advance	14,352	18,386
Staff Imprest	846	
	<u>15,198</u>	<u>18,386</u>
<b>18 TAX LIABILITY</b>		
At beginning of the year	59,725	59,725
Income tax charge for the year	(2,207)	-
Income tax paid during the year	(31,147)	-
At end of the year	<u>26,371</u>	<u>59,725</u>

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

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

	2017 Kshs'000	2016 Kshs'000
<b>19 CASH AND CASH EQUIVALENTS</b>		
<b>a) SHORT TERM DEPOSITS</b>		
Kenya Commercial Bank	100,000	100,100
	<u>100,000</u>	<u>164,100</u>

**b) BANK AND CASH BALANCES**

BANK	BRANCH	TYPE	AMOUNT	AMOUNT
Kenya Commercial Bank	KICC	Operations	27,353	7,895
Kenya Commercial Bank	KICC	Development	28,205	22,953
Kenya Commercial Bank	KICC	USD	39,376	7,863
Co-operative Bank	CITYHALL	Operations	554,537	627,366
Cash in Hand			80	127

**TOTAL CASH AND CASH EQUIVALENTS** **749,550**    **766,203**  
*[The bulk of the cash at bank was held at Cooperative Bank of Kenya and Kenya Commercial Bank, the Corporation's main bankers.]*

**20 Notes to the Statement of Cashflows**

**(a) Reconciliation of operating profit/ (loss) to Cash generated from/ (used in) operations**

Operating profit/ (loss)	160,205	(167,560)
Depreciation and amortization	90,371	69,184
Interest Income	(4,396)	(11,719)
Prior year Adjustment	-	(37)
Operating profit/ (loss) before working capital changes	<u>246,180</u>	<u>(110,132)</u>
(Increase)/decrease in trade and other receivables	(247,086)	(49,236)
Increase/ (decrease) in trade and other payables	104,160	835,814
Increase/ (decrease) in staff advances and loans	3,188	3,305
Increase/ (decrease) in Tax paid	(81,415)	-
<b>Cash generated from/ (used in) operations</b>	<u>25,026</u>	<u>679,751</u>

**(b) Analysis of cash and cash equivalents**

Short term deposits	100,000	100,000
Cash at bank	649,550	666,203
<b>Balance at end of the year</b>	<u>749,550</u>	<u>766,203</u>

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

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

		2017 Kshs'000	2016 Kshs'000
<b>21</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade payables	486,518	448,016
	Provisions	4,320	500
	Provisions for contingency		
	-WTO and related projects	608,631	701,031
	-Other Payables	160,804	76,187
	Relief Fund Payable	3,300	
	Receipts in Advance	66,319	
		<b>1,329,893</b>	<b>1,225,733</b>
<b>22</b>	<b>CAPITAL FUND</b>		
	Shareholder's Equity	3,933,446	3,053,446
	G.o.K Development Grant		880,000
		<b>3,933,446</b>	<b>3,933,446</b>
	The Corporation is a Parastatal wholly (100%) owned by the Government of Kenya, the Capital Reserve includes the original valuation of the Corporation and subsequent grants received from the Government.		
<b>23</b>	<b>RELATED PARTY TRANSACTIONS DISCLOSURES</b>		
	The Corporation is wholly owned and controlled by the Government of Kenya through the Ministry of Tourism; there are no other companies which are related to the Corporation.		
	The following transactions were carried out with related parties:		
	<b>i) Key management compensation</b>		
	Salaries and other short-term employment benefits	148,825	169,429
	<b>ii) Directors' remuneration</b>		
	The Board of Directors remuneration for last twelve (12) months	22,195	22,200
<b>(iii)</b>	<b>Employees</b>		
	The Corporation provides certain qualifying employees with car loans on terms more favourable than available in the market. The benefit obtained by staff is subjected to income tax as required under the Kenya Income Tax Act.		
<b>24</b>	<b>RETAINED EARNINGS</b>		
	The retained earnings represent amounts utilised to finance the Corporation's business activities.		
	Retained Income	181,878	349,401
	Restatement	-	37
	Net Profit for the year	112,143	(167,560)
		<b>294,223</b>	<b>181,878</b>

## THE KENYATTA INTERNATIONAL CONVENTION CENTRE

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25 CONTINGENCIES

Kenya won the bid to host the 10<sup>th</sup> World Trade Organization (*WTO*) Ministerial Conference held from 15<sup>th</sup> to 18<sup>th</sup> December 2015. An Inter-Ministerial Organizing 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 due procurement procedures and regulations. The corporation is working with relevant Government Agencies to determine validity, legality and value amounts being claimed. It is on this basis that the corporation has a provision of Kshs.608,631,352/= in the financial statements.

**AUDIT RECOMMENDATIONS**

<b>Reference No. on the external audit Report</b>	<b>Issue/Observations from Auditor for the FY 2015/16</b>	<b>Management Comments</b>	<b>Focal Point person to resolve the issue</b>	<b>Status (Resolved/Not resolved)</b>	<b>Time frame</b>
1.1.1	Lack of title to COMESA, Courtyard Land	The Corporation is in talk with the relevant Government agencies with an aim of getting title for the said piece of land.	CEO	Not resolved	On going
1.1.2	Valuation of Assets should be done after every 5 years	The asset revaluation exercise being undertaken in the financial year 2017/2018	CEO	Not resolved	On going
2.0.0	Outstanding Trade and receivables	Given that 70% of 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 or Commitment letter ought to be provided.	CEO	Not resolved	On going
3.0.0	Flawed procurement process – World Trade Organization (WTO) Conference	Management has engaged KENAO on special audit for the WTO projects and awaiting response.	CEO	Not resolved	On going
4.0.0	Over expenditure on Board Expenses	There was board approval for the budget.	CEO	Resolved	Done