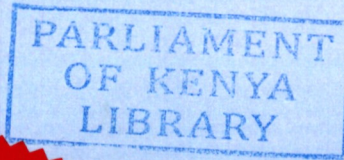


REPUBLIC OF KENYA



*Paper laid by
Law
up of
29/3/2018*



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL
SPORTS FUND

FOR THE YEAR ENDED
30 JUNE 2017



REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

NATIONAL SPORTS FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD BEGINNING FEBRUARY 19, 2016

AND ENDING JUNE 30, 2017

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

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(I) KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Sports Fund was inaugurated on 25th January, 2013 by an Act of Parliament, The Sports Act No.25 of 2013. At cabinet level, the National Sports Fund is represented by the Cabinet Secretary for Sports, Culture and the Arts who is responsible for the general policy and strategic direction. The Fund is managed by a Board of Trustees appointed by the Cabinet Secretary. The Chairman of the Board is a presidential appointee. The term of the Chairman of the Board of Trustees expired in January 2017 and since then, every meeting of the Board has been chaired by a member who is elected at the commencement of the meeting in line with the law.

(b) Key Management

The National Sports Fund day today management is under the following four key directorates that work under the guidance of the Chief executive officer:

- i. Resource Mobilization
- ii. Sports Promotion and Compliance
- iii. Corporate Services
- iv. Strategy, Policy and Research

(c) Principal Activities

The National Sports Fund (NSF) is a State Corporation established through an Act of Parliament, the Sports Act, 2013 of the Laws of Kenya. The Act specifies the function and powers of NSF, its governance structure and financial provisions.

The functions of the Fund as outlined in the Sports Act, 2013 are as follows:

1. Manage, control and administer the assets of the Fund in such manner and for such purposes as to best promote the purpose for which the Fund is established;
2. Receive any gifts, grants, donation or endowments made to the Fund or any other moneys lent in respect of the Fund and make disbursements there from in accordance with the provisions of this Act;
3. Enter into contracts on behalf of the Board of Trustees;
4. Raise funds through sports lotteries, investments and any other means and disburse the funds for the development of sports and recreation;
5. Make recommendations relating to the provision of financial grants to national sports organizations;
6. In relation to the national sports lottery, ensure that any lottery carried out for the purposes of the Fund complies with the relevant law;
7. Indicate to all the sports agencies at the beginning of its financial year;
 - i. The amount of money likely to be available to the Board for allocation in that year;
 - ii. The priorities of the Board in monies allocated in that year; and
 - iii. The criteria to be applied in making allocations;

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The mission of the National Sports Fund is to provide sufficient funding to sports agencies necessary for the diversification, enhancement of excellent performances and development of infrastructure in the sports industry. The vision of the National Sports Fund is to be the most competitive entity globally in the provision of resources for promotion and development of sports and recreation.

In pursuit of its mandate and to ensure sustainable quality of service, the Fund subscribes and is committed to the following values:-

- a. Integrity
- b. Customer Focus
- c. Efficiency
- d. Impartiality
- e. Equity

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer (Ag.)	John Mark Nyaga Wambugu
2.	Strategy Policy and Research	Hassan Abdi Boru.
3.	Sports Funding, Standards and Compliance	Jaxon Daudio Indakwa
4.	Corporate Services	Dorren Mukiri Diki
5.	Resource Mobilization	Roseline Tumpeyo Baari
6.	Accountant	Shindia Omar Enow
7.	Supply Chain Management Officer	Joseph Wakahia
8.	Human Resource Officer	Charles Maina Muriithi
9.	Internal Auditor	Quin Mwendwa Mwongera

(e) Fiduciary Oversight Arrangements

To provide oversight over the operations of the institution, the Fund has the following operational Board Committees:

1. Finance and Fundraising Committee
2. Sports Promotion and Compliance Committee
3. Human Resource and Welfare Committee
4. Audit and Compliance Committee

The work of the Committees listed above has been supplemented by ad hoc committees as and when required.

(f) Entity Headquarters

Flamingo Towers, Building, 7th Floor
Mara Road, Upper Hill
P.O BOX 4644-00200
Nairobi, Kenya

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(g) Entity Contacts

Telephone- (254)791801225

(254)780801225

E-Mail: info@nationalsportsfund.org

Website: www.nationalsportsfund.org

(h)Entity Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

(i)Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

(j)Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

(k)Entity Bankers

Co-operative Bank of Kenya

Upper Hill

P.O. Box -00100

Nairobi, Kenya

Kenya Commercial Bank

Milimani Branch




P. O. Box 48400-00100

Nairobi.

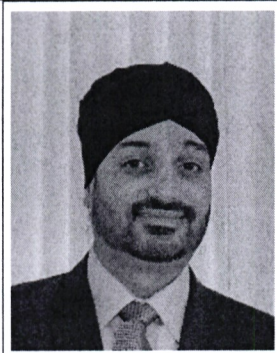
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(II) THE BOARD OF DIRECTORS

The members of the Board of Trustees who held office at the end of the financial year as at 30th June 2017 are as below.

 <p>Sam Kairu Njonde Chairman</p>	<p>Mr. Sam Kairu Njonde holds a BSc. in Mathematics and Computer Science from the University of Nairobi and he possesses a Post Graduate National Computing Certificate from UK. He has attended numerous seminars, Conferences and Courses, including Good Governance and Public Finance Management for State Corporations' Chairmen/Directors during his working Career. Mr Njonde is both a Computer Systems Analyst/Designer.</p> <p>Mr Njonde has served as an independent Director in the boards of I.C.D.C and Kenya Trade Network. He worked in Kenya Railways for eight years as a computer programmer, System's Analyst/Designer and rose to the position of Computer Network Controller, being the first to hold this position in the country.</p>
 <p>Adan Omar Enow Trustee</p>	<p>Mr. Adan Omar Enow, a leadership and strategic management professional holds a Masters of Business Administration-Strategic Management from Kenyatta University, Bachelors of Science Education, Mathematics and Physics from Kampala University and a Diploma in Science Education from Kenya Science Teachers College and is currently pursuing a PhD in Leadership and Governance from Kisii University.</p> <p>Prior to his appointment as a Trustee of National Sports Fund, he had a distinguished career in the Teachers Service Commission (TSC) as Chief Human Resource Officer, District Human Resource Officer and Head of Mathematics and Sports Department. He has also served in various Boards within the country including District Hospital Management Board. Mr. Adan is a trained volleyball referee/coach and trained physical education teacher.</p>
 <p>Frida Shiroya Trustee</p>	<p>Ms. Fridah Shiroya, a rotarian and life member of the flying Doctors' Services holds a Diploma in counselling from the University of Nairobi, Certificate in Biblical counselling, a Business Administration certificate from United States International University of Africa, a Diploma in Marketing from London Chamber of Commerce and Pitman Secretarial Certificates.</p> <p>She is currently serving as the Managing Director at ROVIO Security Ltd, Joycare Enterprises and Canafic Travel Ltd. Prior to this; she served at Air Canada in different capacities. Ms. Shiroya has led in development and participation of various international sports competitions in various capacities representing the country and the continent since 1987.</p>

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Gupreet Singh Dhanjal
Trustee

Mr. Gurupreet Sigh, African shooting Champion (2017) and Bronze medalist (2014) holds a Certificate in Business Executive, Diploma in Business Executive both from Oshwal College and Association of Chartered Certified Accountants (ACCA) – Part 3, a course he is undertaking at Strathmore University.

Mr. Gurupreet is currently serving as the Managing Director at Colortunes Kenya Limited, a position he has held for nine (9) years. Prior to this, he served as Finance Director at the same company as well as Accounts Manager at Centenary Printers Limited for (four) years.

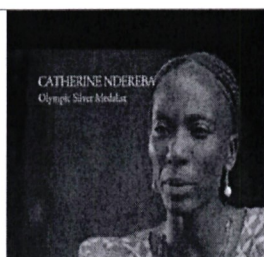
Mr. Gurupreet represented Kenya in World Cup 2016 and 2015 in Thailand and Germany as well as the Common Wealth Games (2014) in Glasgow, United Kingdom.



Ndiritu Gikaria
Trustee

Mr.Nderitu Gikaria, a Human Resources professional with over thirty (30) years of experience holds a Masters of Business Administration-Human Resources from Maastrich School of Management, Netherlands/ESAMI, a Higher National Diploma in Human Resources and a Bachelor's Degree in Education from Kenyatta University. He is currently pursuing a PhD in Sports Science and Recreation at Kenyatta University.

Mr.Gikaria is currently serving as the Head of Human Resources at Kenyatta University, a position he has held for eleven (11) years. Prior to this, he served at the National Cereals and Produce Board as the Human Resources and Administration Manager. He also served at the Kenya Defence Forces as Education Officer.







Catherine Ndereba
Trustee



Ms. Catherine Ndereba, described by Chicago Tribune Sportswriter as the greatest women's marathoner of all time is a two times marathon winner at the world championships in athletics and a silver medalist in the 2004 and 2008 Olympics. Ms. Ndereba, a four times winner of the Boston Marathon also broke the women's marathon world record in 2001, running 2.18.47 at the Chicago marathon.

Ms. Ndereba who holds a Higher Diploma in Psychosocial Counselling currently serves in Kenya Prisons as an Assistant Commissioner as well as an Executive Member of the National Olympics Committee (NOC). Prior to this, she served as a prisons Superintendent and Sports Co-coordinator.

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 <p>Gordon Oluoch Onyango Trustee</p>	<p>Mr. Gordon Oluoch, currently the Ag. Chief Executive Officer (CEO) of the Kenya Academy of Sports also served as the Ag. Director General (DG) at Sports Kenya as well as Sports Commissioner at the State Department for Sports, Ministry of Sports, Culture and the Arts.</p> <p>Mr. Oluoch holds a Bachelors Degree of Education (PE & Sports) from Kenyatta University, a Diploma in PE Education from the University of Nairobi and is currently pursuing an Executive Master of Business Administration from Jomo Kenyatta University of Agriculture.</p>
 <p>Saima Ondimu Trustee</p>	<p>Mrs. Saima Ondimu is currently the Ag. Director General (DG) at Sports Kenya. Mrs. Ondimu previously served as Senior Deputy Secretary, Ministry of Sports, Culture and the Arts, the Executive Director, Kenya at Fifty (Kenya @50), as well as a Deputy Ambassador</p> <p>Ms. Ondimu holds a Master's Degree in International Hospitality Management from University of Strathclyde, Glasgow and a Bachelor's Degree from the University of Nairobi.</p>
 <p>Luke Luseno Trustee</p>	<p>Mr. Luke Luseno, currently the Chief Executive Officer (CEO) of the Sports Disputes Tribunal holds a Master's in Business Administration (Human Resource) from Kenyatta University, a Bachelors of Education (B.Ed), Geography from Kenyatta University and a Higher National Diploma in Human Resources Management. Luke has twenty (20) years of experience in the Civil Service.</p> <p>Prior to his current position he served in the Civil service as; Principal Human Resource and Administration Management Officer at the Judiciary, Principal Human Resource Development Officer at the Ministry of State for Public Service, Ministry of Youth and Sports as well as Senior Quality Assurance Officer, Ministry of Education</p>
 <p>Haron Komen Trustee</p>	<p>Mr. Haron Komen a Certified Public Secretary (CPS K) is a career Public Administrator with over twenty (20) years of experience. Mr. Komen holds a Master Business Administration (MBA) from the University of Nairobi, a Bachelors of Arts Degree from Kenyatta University and is currently pursuing a PhD at the University of Nairobi. Mr. Komen is currently serving in the civil service as Director of Administration at the State Department of Sports Development, Ministry of Sports, Culture and the Arts. Prior to which he served as Commissioner for Refugees Affairs, Camp Manager at Daadab Refugee Camp, Under Secretary Ministry of Cooperatives as well as District Officer in various parts of the Country.</p>

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<p>Noah Peter Ngumi Trustee</p>	<p>Mr. Noah Peter Ngumi is an Advocate of the High Court of Kenya. Peter holds a Postgraduate Diploma in law (KSL) and a Bachelors of Law Degree from the University of Nairobi. Peter is currently a Senior State Counsel at the Office of the Attorney General. Previously, he served as Legal Counsel at the Ministry of Foreign Affairs having come from private legal practice years earlier.</p>
 <p>John Mark Nyaga Wambugu Ag. Chief Executive Officer</p>	<p>Mr. Wambugu has been a member of various inter-agency Committees on Policy and Legislative Frameworks and has extensive experience in financial analysis and public finance management.</p> <p>Mr. Wambugu holds a Masters in Business Administration (MBA) in Finance, a Bachelor's Degree (Accounting and Finance) and is an ISO 9001:2008 Certified QMS Auditor. He is a Certified Public Accountant (CPA-K) and a Certified Public Secretary (CPS-K) duly registered with the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya respectively.</p>
 <p>Martin Ngati Machira, Corporation Secretary</p>	<p>Mr. Martin Machira is the Corporation Secretary of the National Sports Fund. He is an Associate Arbitrator and is a Certified Public Secretary (CPS) Kenya duly registered with the Institute of Certified Public Secretaries of Kenya. He holds a Degree LLB in Law and a Post Graduate Diploma from the Kenya School of Law.</p>

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(III.) MANAGEMENT TEAM

 <p>John Mark Nyaga Wambugu MBA (Finance), BBA (Accounts), CPA(K), CPS(K)</p>	<p>Ag, Chief Executive Officer</p>
 <p>Hassan Abdi Boru MA (Envir. Planning & Mgt), BSc Wildlife Mgt and Conservation)</p>	<p>DIRECTOR Strategy policy and Research</p>
 <p>Jackson Daudio Indakwa MSC (Leisure and Recreation), BA (Government and Linguistics), Post Graduate Diploma (Sports Administration)</p>	<p>DIRECTOR Sports Funding, Standards and Compliance</p>
 <p>Doreen Mukiri Diki MBA HRM, Degree (HRM), Higher Dip. HRM</p>	<p>Ag. DIRECTOR Corporate Services</p>

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 <p>Roseline Tumpeyo Baari MBA (Strategic Management), BA (Social Studies)</p>	<p>DIRECTOR Resource Mobilization</p>
 <p>Martin Machira Ngati LLB Law, CPS(K), Post Graduate Diploma (Kenya School of Law)</p>	<p>DIRECTOR Legal Services and Corporation Secretary</p>
 <p>Charles Maina Bsc. International Business Admin., Higher Dip. HRM</p>	<p>Human Resource Officer</p>
 <p>Joseph Wakahia BSc. (Business Administration), Diploma (Purchasing & Supplies)</p>	<p>Assistant Manager, Supply Chain Management</p>
 <p>Shindia Enow Omar Degree (Accounting), CPA (Section 3)</p>	<p>Senior Accountant</p>

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(IV) CHAIRMAN'S STATEMENT

The mandate of the Fund is to raise funds through sports lottery, investments and any other legal means and disburse the funds for the development of sports and recreation in Kenya. Therefore, the National Sports Fund is one of the institutions tasked with delivering one of the key flagship projects contained in Vision 2030, namely, the National Lottery.

The Sports industry continues to have a positive impact in the society. More young talent are accessing education support based on their sporting prowess. Further, sports has become a preferred source of income with elite sports men and women raking in millions of shillings in the form of prize monies, bonuses, salaries and corporate endorsements among others.

More importantly, sports has time and again proven to be a unifying activity where all Kenyans come together irrespective of their gender, age, status, political inclination or even tribe. This is an indicator of the kind of positive effects that sports has in our country.

Kenya sits top of the world due to its immense sporting talent with its citizens breaking records at almost all the world events. This has resulted in global recognition of the country as a sporting power house which has been a sense of pride and joy for the country.

The National Sports Fund therefore seeks to build on to all these successes which have been mentioned herein to propel the country to higher levels of prosperity and achievement by providing the required resources for the sports and recreation sector.

(V) REPORT OF THE CHIEF EXECUTIVE OFFICER

Since its establishment, the National Sports Fund has made great strides in the achievement of its mandate. Key among them has been the institutionalization of high standards of professional ethics. To this end, the Fund has a comprehensive policy on staff capacity development and a customized Code of Conduct and Ethics. The Fund is also fully compliant with respect to the declaration of Income, Assets, and Liability declaration.

In regard to diversity management, the Fund has been able to achieve and surpass the required thresholds as is exhibited in the following attributes. Out of its current staff establishment of 37 employees, 31% are women, 42% are the youth and 3% are PLWD.

During the last financial year, the Fund was able to move its operations out of the Ministry of Sports Culture and the Arts Headquarters. The new offices of the Fund are situated in Upper Hill, and partitioning and refurbishment of the same is almost complete. The Fund has commenced its rebranding process which will involve redesigning of the Fund's website and social media pages in order to provide current information on the Fund and its activities which will in turn improve service delivery.

In terms of performance management, the Fund signed the Performance Contract for 2016/17 and the respective directorates assumed ownership of their thematic areas and cascaded it to all the staff members.

Given that the core mandate of the Fund is to provide resources for sports and recreation, the Fund has engaged stakeholders during the development of the guidelines to be used for the

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application and disbursement of funds. It is envisioned that this participatory approach will result in the achievement of the Fund's mandate.

(VI) CORPORATE GOVERNANCE STATEMENT

The Board of Trustee and the management of the National Sports Fund is committed to maintaining the highest standards of corporate governance. The Board is responsible for ensuring that the activities of the Fund are conducted in compliance with the law, regulatory requirements and rules, good practices, ethically and with appropriate and proper governance and standards as outlined in the Mwongozo Code of Conduct. This includes reviewing internal controls and ensuring that there is an appropriate balance of skills and experience represented on the Board and management.

The competence, diversity and experience of the Board of Trustees has made it effective in providing leadership to the Fund. The Board has been fully facilitated to ensure its autonomy, authority and independence. The Fund has also taken steps to ensure that the role of the Board is separated from that of Management. The Board has fully executed its role of ensuring that adequate systems and processes of accountability, risk management and internal controls are in place by constantly reviewing the performance of the various directorates tasked with these important responsibilities.

Subsequently, the Board recognizes the importance of good corporate governance in creating a sustainable, successful and effective institution. A fundamental aspect of the Fund's corporate governance has been the adoption of best practice in the Fund's operations and to this end, the Board of Trustees has always consistently worked with management to set corporate values and to develop strategies and policies that will enable the National Sports Fund achieve its mandate.

The Board has delegated some of its responsibilities to Committees of the Board while ensuring that the administrative responsibility of the Fund lies with the Chief Executive and the senior management team. The Board regularly receives reports at its meetings from the chairmen of each of the Committees and also management on their current activities.

Through the separation of roles and responsibilities, the Fund has institutionalized ethical and best practices that are also aimed at enhancing its good corporate citizenship. This has resulted in the support of activities that have had a positive impact in society.

The Fund has also met its obligations with regard to submitting reports to oversight agencies and institutions in full compliance of applicable laws, rules and regulations.

The entire Board of Trustees has been trained on the Mwongozo Code of Governance for State Corporations. The Fund also ensured that members of staff went for an induction workshop at Kenya School of Government in April, 2017. All these trainings were successful and certificates were issued. These trainings have enhanced the performance of the Fund and resulted in greater efficiency in its operations. The Fund is in the process of designing an interactive website and developing strategies to enhance its social media presence.

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The Fund has received immense support from the Government, as well as its partners and stakeholders. It is as a result of this that the Fund is well on course to achieve its mandate and change the status of sports in the country for the better.

(VII) CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Fund recognizes the impact of Corporate Social Responsibility on both its immediate stakeholders and the society within which it operates in. To this end, the Fund is committed to giving back to society, building relationships with the public and enhancing its reputation.

The National Sports Fund has therefore been involving itself in CSR activities are aimed at:

- i. Creating awareness on the Fund's Mandate and activities.
- ii. Enhancing the Fund's public image and reputation among its stakeholders
- iii. Brand marketing and visibility for the Fund
- iv. Building relationships with key stakeholders and maintaining a good rapport with the Funds stakeholders'
- v. Create public goodwill from Kenyans and partners

The organization has sponsored various events including: football tournament at Isiolo and Moyale and the Kenya prisons inter-regional athletics/Darts/ and Volleyball championships held on 12th -13th May 2017 at Nyayo stadium, Nairobi where more than 1,000 officers participated in various athletics disciplines such as track and field, darts and volleyball events.

(VIII) MANAGEMENT DISCUSSION AND ANALYSIS

The Fund has encountered various challenges in execution of the budget allocated to since inception since it did not have own employees and those seconded from the ministry were not sufficient. At the turn of the 2016/17 financial year there were transfers of accounts personnel at the ministry's headquarters, this was at a time when the fund was in the process of opening of new bank accounts and the acquisition of new mandates by the new officers posted to the ministry. This took a long time for our operations to be normalised. By the end of 2015/16 and 2017/17 financial years minimum expenditures had been incurred and due to failure with the IFMIS system we were at times forced to seek assistance from sister SAGA's (ADAK) in the ministry.

Most of our targets for the financial year were therefore not met.

(IX) IMPLEMENTATION CHALLENGES AND EMERGING ISSUES

First and foremost, most of our financial operations continued to be handled at the Ministry headquarters. Accessing Funds allocated to us was problematic all though to the issue for signatories to our accounts not getting their mandates in time.

Secondly, the Fund lacked the necessary technical staff to be able to carry forward our vision and mandate.

However, the fund managed to carry out recruitment interviews of staff for various offices in December, 2016. The new employees reported to work in the beginning of the third quarter of 2016/17 financial year.

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The second challenge faced by the Fund was the lack of conducive work environment as the fund was housed at the 24th floor of the NSSF building. Department of Sports which had not paid rent and for over 3 months the offices had its electricity disconnected which made office work difficult.

The fund Moved to its new offices at Flamingo Towers in February 2017. Fitting out and office partitioning started in February and the Contract had two categories. This entailed electrical, Mechanical and Structured data cabling which required to be procured fresh for award and undertaking by a qualified bidder in that field. This was a lengthy process and the contract was finally awarded in June 2017. Office partition is expected to be completed by November 2017.

Whereas the Fund has acquired approvals from SCAC and from the Chief of Staff to recruit our own staff, our request to Treasury to provide us supplementary budget for personnel emoluments and operations has not been honoured. This has forced the fund to meet expenses on compensation of employees and other operation expenses from development funds with the approval of the board of Trustees and principal secretary, State Department for Sports Development.

The first half of 2016/17 continued to encounter challenges to the Fund which hampered greatly our efforts to fully operate due to various issues as follows;

The Funds main mandate is to source for funds, through lotteries, investments and cooperates, and to fund sports activities. We have not been able to start or run any lottery due to the fact that we lacked the necessary technical staff to spearhead this activity. As a result, we have not begun to raise our own funds. The dilemma we face is that we have not received a budget to finance staff recruitment who will start raising funds for our Fund. Consequently, we have not funded major sporting activities which really need our assistance.

We can only attract support from the corporates if they see us supporting sports activities.

Once the necessary technical staff is in place we shall fully commence implementing our mandate.

(X) COMPLIANCE AND GOVERNANCE NON-COMPLIANCE WITH STATUTORY REQUIREMENTS:

The National Sports Fund carries the financial activities in accordance with Section 83 of the Public Finance Management Act, 2012 of the State Corporations Act, require the Directors to prepare financial statements in respect of National Sports Fund (NSF), which give a true and fair view of the state of affairs of the NSF at the end of the financial year/period and the operating results of the NSF for that year/period. The Directors are also required to ensure that the NSF keeps proper accounting records which disclose with reasonable accuracy the financial position of the NSF. The Directors are also responsible for safeguarding the assets of the fund.

There were no On-going or potential court cases as the national Sports Fund has been meeting obligations as the fall due.

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(XI) STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 82 of the Public Finance Management Act, 2012 requires that, at the end of each financial year that ends on 30th June, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 83 (2)(b) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the National Sports Fund (NSF) is responsible for the preparation and presentation of the National Sports Fund financial statements, which give a true and fair view of the state of affairs of the National Sports for the period ended on June 30th, 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 National Sports National Sports Fund
- iv. Selecting and applying appropriate accounting policies; and
- v. Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the National Sports Fund accepts responsibility for the National Sports Fund financial statements:

- i. Which have been prepared on the accrual based Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).
- ii. The Accounting Officer is of the opinion that the National Sports Fund financial statements give a true and fair view of the state of the National Sports Fund transactions during the period ended 30th June 2017.
- iii. The Accounting Officer in charge of the National Sports Fund further confirms the completeness of the accounting records maintained for the fund, which have been relied upon in the preparation of the National Sports Fund financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the National Sports Fund confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the entity's funds received during the period under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the

The National Sports Fund financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

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(XII) STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and require the Directors to prepare financial statements in respect of that National Sports Fund, which give a true and fair view of the state of affairs of the National Sports Fund at the end of the financial year/period and the operating results of the National Sports Fund for that year/period. The Directors are also required to ensure that the National Sports Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the National Sports Fund. The Directors are also responsible for safeguarding the assets of the National Sports Fund.


The Directors are responsible for the preparation and presentation of the National Sports Fund financial statements, which give a true and fair view of the state of affairs of the National Sports Fund for and as at the end of the financial period commencing February 19th 2016 and 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 National Sports Fund, (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 National Sports Fund, (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the National Sports Fund financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the National Sports Fund financial statements give a true and fair view of the state of National Sports Fund transactions during the financial year ended June 30, 2017, and of the National Sports Fund financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the National Sports Fund, which have been relied upon in the preparation of the National Sports Fund 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 National Sports Fund 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 National Sports Fund financial statements were approved by the Board on 30/JUNE 2017 and signed on its behalf by:


Director


Director
LUKE LUCENO


Director
GALDON OLORO

National Sports Fund
Reports and Financial Statements
For the Period ended 30th June 2017

**(XIII) REPORT OF THE INDEPENDENT AUDITORS ON THE NATIONAL
SPORTS FUND**

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL SPORTS FUND FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE CONSOLIDATED/ FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Sports Fund set out on pages 1 to 14, which comprise the statement of financial position, as at 30 June 2017, and the statement of financial performance, the statement of cash flows and statement of comparison of budget and actual amounts, statement of changes in net assets 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 National Sports Fund as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Sports Act 2013.

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

Basis for Qualified Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Sports Fund 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.

1. Delayed Completion of Office Partitioning Works

The National Sports Fund on 01 November 2016 awarded a contract for the partitioning of their new offices at Flamingo Towers to M/s Zedka Technical Services at a total contract

Report of the Auditor-General on the Financial Statements of National Sports Fund for the Year Ended 30 June 2017

sum of Kshs.19,974,881. According to the contract, the partitioning was to commence on 01 November 2016 with a completion date set on 27 December 2016 a duration of eight weeks. However, an audit inspection carried out on 9 October 2017 revealed that the project was still incomplete nine (9) months after expiry of the contract period and payment of Kshs.7,091,718 or 36% of the contract sum made to the contractor.

No reasons have been given for the delay in project completion and no approval for extension of time has been seen.

2. Failure by the State Department of Sports and Development to Refund Office Rent Paid on their Behalf by National Sports Fund

The statement of financial performance for the year ended 30 June 2017 reflects under expenses a figure of Kshs.19,121,080 in respect of office rent. Included in the figure is Kshs.11,975,480 being office rent and car park paid by the fund on behalf of the State Department of Sports and Development on the promise that the amount would be reimbursed when funds became available.

However, the State Department had as at 30 June 2017 not refunded the amount paid by the fund. It is also not clear why the amount due of Kshs.11,975,480 was expensed in the financial statements for the year ended 30 June 2017.

No reasons have been provided for the failure by the State Department to refund the amount paid on their behalf.

In the circumstances, it has not been possible to confirm the propriety of the rent payment transactions totaling Kshs.11,975,480 for the year ended 30 June 2017.

3. Improper use of Motor Vehicle

Examination of the Fund's assets register and logbooks disclosed that the Fund owns three motor vehicles as detailed below:

MAKE	REGISTRATION NO.	COST 'KSHS'
TOYOTA PRADO	KCE 902D	7,828,350.48
TOYOTA HILUX DOUBLE CABIN	KCE 855D	4,593,275.20
TOYOTA FORTUNER	KCE 903D	6,788,122.80

However, one vehicle - Toyota Prado registration number KCE 902D purchased at a cost of Kshs.7,828,350 in 2015 was reported to have been taken by the parent State Department of Sports and Development for their own use. As at the time of the audit exercise carried in October 2017, the vehicle was still being used by State Department while the Fund continued to suffer from an acute shortage of motor vehicles for their operations. The vehicle was also not made available for physical verification. Further, the National Sports Fund incurred insurance and depreciation expenses without benefiting from it's use.

In the circumstances, the motor vehicle valued at Kshs.7,828,350 has not been used for the intended purposes and the fund has not obtained value for money since purchase of the vehicle in 2015.

Key Audit Matters

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

Other Matter

Budget and Budgetary Performance

1. Revenue

An analysis of the National Sports Fund actual revenue against the budgeted amount revealed that the fund had a shortfall of Kshs. 235,213,948 or 48% as shown below:

Description	Budget Kshs.	Actual Kshs.	Excess/ (shortfall) Kshs.	Excess/ (shortfall) %
Transfer from other governments	489,500,000	254,286,052	(235,213,948)	(48%)

The failure to receive budgeted amount of Kshs.235,213,948 or 48% of the budgeted receipt implies that the Fund's goals and objectives could not be achieved as planned.

2. Expenditure

An analysis of the National Sports Fund actual expenditure against the budgeted amount revealed that the fund under spent Kshs.320,846,965 or 73% of their budget as shown below:

Description	Budget Kshs.	Actual Kshs.	(Over)/ Under Kshs.	(Over)/ Under %
Compensation of employees	97,139,025	40,697,564	56,441,461	58%
Remuneration for Board of Trustees	40,000,000	23,831,821	16,168,179	40%
General Expenses	142,730,975	38,159,555	104,571,420	81%
Goods and Services	38,800,000	3,929,863	34,870,137	90%
Acquisition of assets	113,830,000	15,034,232	98,795,768	87%
Contracted Services	10,000,000	-	10,000,000	100%
Total	442,500,000	121,653,035	320,846,965	73%

The failure to spend Kshs.320,846,965 or 73% of the budgeted expenditure implies that the Fund's goals and objectives were not achieved as planned.

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

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

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

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

Those charged with governance are responsible for overseeing the Fund'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 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 Fund'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 Fund's ability to continue as a going concern. 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 consolidated/ 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate 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.

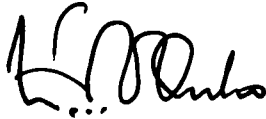
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the State Corporations Act, I report based on the audit, that:

- (i) 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;

- (ii) In my opinion, adequate accounting records have been kept by the Fund, so far as appears from the examination of those books; and
- (iii) The Fund's financial statements are in agreement with the accounting records.



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

Nairobi

7 March 2018

**(XIV) STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017	2016
		Kshs	Kshs
INCOME			
Revenue from Non-Exchange Transactions	1	281,176,869	-
Total income		281,176,869	
EXPENSES			
Employees costs	2	40,697,564	-
Remuneration for Board of Trustees	3	23,831,821	-
Repairs and Maintenance	4	469,060	-
Use of goods and services	5	3,929,863	-
General Expenses	6	38,159,555	-
Depreciation and Amortisation Expense	7	6,681,716	-
Total Expenditure		113,769,579	
Surplus for the period		167,407,290	

The notes set out on pages 9 to 14 form an integral part of these Financial Statements

*National Sports Fund
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For the Period ended 30th June 2017*

(XV) STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		2017	2016
		Kshs	
ASSETS			
Current Assets			
Cash and cash equivalents	8	139,081,526	-
Receivables from non-exchange transactions	9	6,895,347	-
Total Current Assets		145,976,873	-
Non-Current Assets			
Property, plant and equipment	10	27,562,264	-
Total Assets		<u>173,539,137</u>	-
Liabilities and Reserve			
Current Liabilities			
Trade and other payables	11	6,131,847	-
Total liabilities		6,131,847	-
Reserves			
Revenue Reserve		167,407,290	-
Total Reserves and Liabilities		<u>173,539,137</u>	-

The Financial Statements set out on pages 1 to 14 were signed on behalf of the Board of Directors by:

C.E.O
Name: **Mark Wambugu**

Date: 

Head of Finance
Name: **DAVID MUSAU**
ICPAK Member Number:

Date: **9/9/16**


Chairman of the Board
Name: **Luke Luseno**

Date: 

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XVI) STATEMENT OF CHANGES IN NET ASSETS

	Attributable to the owners of the controlling entity					Total
	Self insurance reserve	Reserves Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Minority interest	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2015	-	-	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-	-	-
Transfers to/from accumulated surplus	-		-	-	-	-
Transfer of excess depreciation on revaluation			-	-	-	-
Grants received during the year						-
Revaluation gain			-	-	-	-
Balance as at 30 June 2016	--	-	-		-	-
Balance as at 1 July 2016	-	-	-	-		
Surplus for the period	-	-	-	167,407,290		167,407,290
Transfers to/from accumulated surplus	-					
Transfer of excess depreciation on revaluation						
Grants received during the year			-		-	
Revaluation gain	-	-	-	-	-	-
Balance as at 30th June 2017	-	-	-	167,407,290	-	167,407,290

National Sports Fund
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(XVII) STATEMENT OF CASHFLOWS
AS AT 30 JUNE 2017

	Notes	2017	2016
		Kshs.	Kshs.
Cash flows from operating activities			
Net Cash Flow From Operating Activities	12	173,325,506	-
Cash Flow From Investment Activities			
Purchase of Property Plant and Equipment		(34,243,980)	-
Net Cash Used in Investment Activities		(34,243,980)	-
Net Increase in Cash and Cash Equivalents		139,081,526	-
Cash and Cash Equivalents at the beginning of the year		-	-
Cash and Cash Equivalents at the end of the year	8	139,081,526	-

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**(XVIII) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
Revenue	Kshs	Kshs	Kshs	Kshs	Percentage (%)
Government grants and subsidies	489,500,000	-	489,500,000	254,286,052	48%
Total income	489,500,000	-	489,500,000	254,286,052	48%
Expenses					
Compensation of employees	97,139,025	-	97,139,025	40,697,564	58%
Remuneration For Board of Trustees	40,000,000		40,000,000	23,831,821	40%
Repairs and Maintenance	6,000,000		6,000,000	469,060	92%
Use of Goods and Services	10,000,000		10,000,000	3,929,863	61%
General Expenses	200,530,975		200,530,975	38,159,555	81%
Transfers to other Government units	22,000,000		22,000,000	-	100%
Other Payments					
Acquisition of assets	113,830,000		113,830,000	15,034,232	87%
Total expenditure	489,500,000	-	489,500,000	122,122,095	75%
Surplus for the period		-		132,163,957	

Notes

- i. The National Sports Fund had operation budgets of Kshs. 190,000,000 and 299,500,000 and was granted Kshs, 136,911,052 and 117,375,000 during the financial years 2015/16 and 2016/17 respectively resulting to an underfunding of Kshs. 235,213,948 which is equivalent to 48%.
- ii. The expenses on employee's compensation includes payments and allowances but the under expenditure is at 58% since we have not absorbed all the necessary staff.
- iii. Remuneration for board of Trustees: Expenses for Board of Trustees had an under expenditure of 40% because the board was at initial stage and activities were not intensive.
- iv. General expense- There is an 81% under expenditure as the fund had not been operating fully.
- v. Repairs and Maintenance-Expenses on repair and maintenance had an under expenditure of 92% of the budgeted amount since the fund has not acquired all the machinery, equipments and furniture needed.

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- vi. Use of Goods and Services: Under expenditure is at 61% since the fund has been relying on security services from the land lord and engages casuals for cleaning services. We are in the process of engaging independent services.
- vii. Transfer of grants to other Government Units-Under expenditure is at 100% since no grants have been made to other organizations since we have not yet started supporting sporting activities.
- viii. Acquisition of Assets –Under expenditure on acquisition of assets was at 87% since the National Sports Fund is setting out the operating systems and structures.

Reconciliation

Reconciliation of the Surplus/Deficit of the Statement of Comparison of Budget and Actual with that of the Statement of Financial Performance is as follows

	<u>Kshs</u>
Surplus/Deficit from the Statement of Comparison of Budget and Actual	132,163,957
Add: Acquisition of Assets	15,034,232
Donations	26,890,817
Less: Depreciation and Amortization Expense	<u>(6,681,716)</u>
Surplus/Deficit from the Statement of Financial performance	<u>167,407,290</u>

(XIX) NOTES TO THE FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

1. GENERAL INFORMATION

The National Sports Fund is established by and derives its authority and accountability from Sports Act No. 25 of 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the funding of sports and recreation.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The National Sports Fund financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

b) Budget information

The original budget for FY 2016-2017 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations in the 2016-2017 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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d) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

e) Changes in accounting policies and estimates

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

f) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

g) Depreciation

Assets owned by the National Sports Fund are depreciated on straight line bases on cost at the end of the financial period at the following rates;

1. Motor Vehicles	25% per annum
2. Office equipment	12.5%per annum
3. Furniture and Fittings	12.5%per annum
4. Computers and Peripherals	30% per annum

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The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

h) Events after the reporting period

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

i) Currency

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

NOTES TO THE FINANCIAL STATEMENTS

B.NOTES

1) Revenue from Non exchange transactions

	FY 16/17			
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Related FY</u>
		19/02/2016	2,500,000	2015/16
	FT1616076	08/04/2016	2,409,128	2015/16
	FT171803KD77	30/06/2017	25,000,000	2016/17
	FT171869GFIC2	30/06/2017	2,375,000	2016/17
		Sub Total	<u>32,284,128</u>	
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Related FY</u>
	FT160959R	18/04/2016	39,043,689	2015/16
	FT161602P	08/06/2017	92,958,235	2015/16
	F170905F2LS	31/03/2017	90,000,000	2016/17
		Sub Total	<u>222,001,924</u>	
c. Donations				
	Governments motor vehicles		19,209,748	
	Others		7,681,069	
		Sub Total	<u>26,890,817</u>	
		Total	<u>281,176,869</u>	

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2) Employee Costs

	<u>2017</u> Kshs	<u>2016</u> Kshs
Salaries and Wages	40,627,364	-
Employer Pension Contribution	<u>70,200</u>	-
	<u>40,697,564</u>	-

3) Remuneration of Board of Trustees

	<u>2017</u> Kshs	<u>2016</u> Kshs
Trustee Allowances	22,348,925	-
Trustee Chairman Honoraria	400,000	-
Trustee Mileage Allowance	<u>1,082,896</u>	-
	<u>23,831,821</u>	-

4) Repairs and Maintenance Costs

	<u>2017</u> Kshs	<u>2016</u> Kshs
Motor Vehicle Service	126,860	-
Office Repairs	295,500	-
Computer repairs	<u>46,700</u>	-
	<u>469,060</u>	-

5) Use of Goods and Services

	<u>2017</u> Kshs	<u>2016</u> Kshs
Cleaning Services	129,000	-
Consultancy Services	3,687,600	-
Professional Subscriptions	<u>113,263</u>	-

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	<u>3,929,863</u>	-	6) General
Expenses			
	<u>2017</u> Kshs	<u>2016</u> Kshs	
Advertising Costs	292,500	-	
Travelling, Accommodations, Subsistence and Other Allowances	10,736,677	-	
Telephone and Postage	289,040	-	
Fuel and Lubricants	1,449,391	-	
Motor Vehicle Insurance	757,383	-	
Office Rent	19,121,080	-	
Conference Facilities	3,247,770	-	
Newspapers and Periodicals	60,420	-	
Stationery	187,219	-	
Purchase of Sports items	233,400	-	
Office Consumables	373,500	-	
Hospitality Costs	114,695	-	
Audit fees	800,000	-	
Staff Training	<u>496,480</u>	-	
	<u>38,159,555</u>		

7) Depreciation and Amortization Expense

	<u>2017</u> Kshs	<u>2016</u> Kshs
Motor Vehicles	4,802,437	-
Furniture and Fittings	1,399,328	-
Equipment	<u>479,951</u>	-

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6,681,716

-

8)
Cash
and

Cash Equivalents

	<u>2017</u> Kshs	<u>2016</u> Kshs
Central Bank Of Kenya Account	131,400,457	-
Kenya Commercial Bank	<u>7,681,069</u>	-
	<u>139,081,526</u>	-

9) Receivables from Non Exchange transactions

	<u>2017</u> Kshs	<u>2016</u> Kshs
Imprest	4,121,170	-
Rent security Deposit	1,440,000	
Prepayments;		
Motor vehicle Fuel	366,509	
Insurance	318,068	-
Office Rent	<u>649,600</u>	
	<u>6,895,347</u>	

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(10) PROPERTY PLANT & EQUIPMENT

NATIONAL SPORTS FUND PROPERTY PLANT & EQUIPMENT						
	M/VEHICLE Kshs.	LAND & BUILDING Kshs.	FURNITURE & FITTINGS Kshs.	EQUIPMENT Kshs.	COMPUTER & OTHER ACCESSORIES Kshs	TOTAL Kshs.
COST						
At 1 July 2015	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 30 June 2016	-	-	-	-	-	-
At 1 July 2016	-	-	-	-	-	-
Additions	19,209,749	-	11,194,621	3,839,610	-	34,243,980
Disposals	-	-	-	-	-	-
At 30 June 2017	19,209,749	-	11,194,621	3,839,610	-	34,243,980
DEPRECIATION						
As at 1 July 2015	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Depreciation on Disposal	-	-	-	-	-	-
At 30 June 2016	-	-	-	-	-	-
At 1 July 2016	-	-	-	-	-	-
Charge for the year	4,802,437	-	1,399,328	479,951	-	6,681,716
Depreciation on Disposal	-	-	-	-	-	-
As at 30 June 2017	4,802,437	-	1,399,328	479,951	-	6,681,716
NET BOOK VALUE						
At 30th June 2017	14,407,312	-	9,795,293	3,359,659	-	27,562,264
At 30th June 2016	-	-	-	-	-	-

	2017	2016
	Kshs	Kshs
Employees claims	342,393	-
Board of Trustees Allowance	3,017,696	-
Third Party Payments	1,971,758	-
Audit Fees	800,000	-
	<u>6,131,847</u>	-

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12) Net Cash Flow From Operating Activities

CASH GENERATED FROM OPERATIONS							
Reconciliation of Surplus for the year to Cash generated from Operations							
						2017	2016
						Kshs	Kshs
Surplus for the year						167,407,290	-
Adjusted for							
Depreciation and Amortization						6,681,716	-
Working Capital Changes							
Decrease/(Increase) in Receivables from Non Exchange Transactions						(6,895,347)	-
(Decrease)/Increase in Trade and other Payables						6,131,847	-
Net Cash generated from Operations						173,325,506	