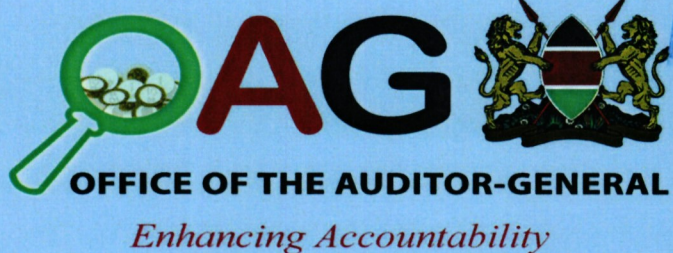


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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE KENYA CULTURAL CENTRE**

**FOR THE YEAR ENDED  
30 JUNE, 2020**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**

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THE  
**KENYA**  
CULTURAL CENTRE  
INCORPORATING THE KENYA NATIONAL THEATRE

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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

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## KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Kenya Cultural Centre (KCC) is a body corporate established by an act of Parliament Chapter 218 of 1951.

#### Vision Statement:

*“To be a world-class national centre for cultural reference, expression and industry “*

#### The Mission statement:

*“To establish the Kenya Cultural Centre as the national centre for the safeguarding, promotion and development of culture”*

#### Operation and service delivery via (G.U.I.D.E.):

- Good Governance, including professionalism
- Uprightness, including transparency and accountability
- Inclusiveness
- Diversity
- Equity

### (b) Principal Activities

The mandate of the Kenya Cultural Centre is;

- a. To provide for the performance of music, drama and dancing;
- b. To provide for the exhibition of works of art and crafts;
- c. Hold meetings for discussions on matters of literary, historical, scientific or educational interest or importance.
- d. Carry out other Purposes approved by the Council to further the forgoing functions.

### (c) Key Management

The Kenya Cultural Centre day-to-day management is under the following key organs:

- i. The office of the Executive Director
- ii. The office of the Business Development
- iii. The office of Human Resource and Administration
- iv. The office of Financial Accountant

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag.CEO/Executive Director	Michael Pundo
2.	Head of Finance	Samuel Muli
3.	Head of Procurement	David Waweru

(e) **Fiduciary Oversight Arrangements**

- 
- **Audit and Risk committee:** This committee undertakes the audit oversight functions over all the finances and operations of KCC and ensure compliance to all statutory and regulatory requirements. It is also involved in risk assessment of operations.
- **Finance Administration & Human Resource Committee:** It also has an oversight function over all matters touching on finance, accounts, human resource, administration, procurement and ICT concerning the centre.
- **Programmes Committee:** This committee has an oversight function over matters of development, promotion and marketing of the Cultural Programmes of the Centre. It ensures the centre carries out its core function and mandate as per the KCC Act Cap 218 of 1951.

## KEY ENTITY INFORMATION AND MANAGEMENT

### a) Kenya Cultural Centre Headquarters

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

### b) Kenya Cultural Centre Contacts

Telephone: (254) 20 2672843, 0742008677  
E-mail: [info@kenyaculturalcentre.go.ke](mailto:info@kenyaculturalcentre.go.ke)  
Website: [www.kenyaculturalcentre.go.ke](http://www.kenyaculturalcentre.go.ke)

### c) Kenya Cultural Centre Bankers

KCB Bank  
University Way Branch  
Nairobi.  
Absa Kenya  
Market Branch Nairobi


### d) Independent Auditors

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

### e) Principal Legal Adviser

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

## THE GOVERNING COUNCIL

 <p>Oгла Karani</p>	<p><b>Oгла Karani</b>  <b>Governing Council Chairperson</b>          Holds a Masters degree in Public governance, MSC in Marriage and Family Therapy, Degree in Human Resource and Psychological counselling. She is currently the Chairperson of Kenya Cultural Centre Governing Council. Oгла has over twenty years' experience in public leadership having served in various public institutions and boards that include Kenya Reinsurance, KIPPRA and Kenya Tea Research. She is dedicated to providing transformative leadership in society driven by integrity, efficient governance structures and inclusivity anchored on her Christian principles. She has outstanding track record in the quest for social justice as well as to empower and motivate people to be intentional in developing societal structures based on values, equity and equality.</p>
 <p>Waithaka Waihenya</p>	<p><b>Waithaka Waihenya</b>  <b>Governing Council member.</b>          He is a media professional. He has worked as a journalist in both private and public sectors. He has worked at the Standard Group of Newspapers where he rose to the position of Associate Editor in charge of magazines. He also served as the newspaper's Rewrite editor and Editorial Page writer and editor as well as a columnist.          He became the Editor in Chief of the Kenya Broadcasting Corporation in 2006, a position he held for over three years. He was appointed the Managing Director of the national broadcaster in 2010 and he held the post for seven years. He also served as the chairman of Multi-choice Kenya Ltd for seven years          He is also an author, having written more than fifteen books, both children and adult books and also sits on the boards of two schools.          Waihenya is a graduate of Kenyatta University where he graduated with a Bachelor's degree in English and Literature.          He holds a Master's degree in Communication from Leicester University in the United Kingdom.</p>
 <p>Nicholas Moipei HSC</p>	<p><b>Nicholas Moipei HSC</b>  <b>Governing Council Member</b>          He is a holder of Bachelor of Education (Music) degree from Kenyatta University. He is a career Music teacher, lecturer, trainer and performer by profession. He has taught, lectured and offered consultancy services in various institutions in Kenya. He is the father and manager to the internationally acclaimed Moipei-Quartet, a group comprising of a set of triplets and their younger sister. The group has represented Kenya Nationally and Internationally as cultural ambassadors.          Nicholas was the Chairman to the Committee that oversaw the successful refurbishment of the Kenya National Theatre between 2014 and 2015.          He was the Vice Chairman to the Kenya Music Festival Foundation's National Executive Committee, which is mandated with the responsibilities to organize the annual Ministry of Education's Kenya Schools, Colleges and Universities' Music Festivals from 2014 to 2016.          He was the Chairman of the Kenya Music and Cultural Festivals from 2012 to 2017. In 2015, he was the Director to the biannual East African fete - Jumua ya Africa Mashariki Festival (JAMAFEST) which was successfully held in Nairobi.</p>



Eric Kiniti

**Eric Kiniti**  
**Governing Council Member**

He is a holder of Bachelor of Arts Degree in Economics and a Leadership Development certificate from the Gordon Institute of Business Science, University of Pretoria (South Africa). He is currently pursuing a Master's of Science Degree in Public Policy from the University of London and an Advanced Leadership Programme from Strathmore Business School. He currently serves as the Corporate Relations Director for Kenya Breweries Limited where he is a member of the top executive team. He is a member of the Public Relations Society of Kenya (PRSK).



Fenny W.S. Mwakisha, MBS

**Fenny W.S. Mwakisha, MBS**  
**Governing Council Member**

Holder of Bachelor of Education (Hons) Degree from University of Nairobi. Earned a Master of Education Degree from McGill University in Montreal, Canada.

Worked as a graduate teacher. Later joined the Ministry of Education. In this Ministry she started working as an Education Officer and rising through the ranks to Director of Higher Education.

From July 2002 to November 2007 she served as an Education Attaché at the Kenya High Commission in New Delhi, India.



Dr. Kiprop Lagat

**Dr. Kiprop Lagat**  
**Alternate Director**  
**PS, State Department for Culture and Heritage**

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




Millicent Ogutu

**Millicent Ogutu**  
**Governing Council Member**

A holder of Diploma in Law from Kenya School of Law and Bachelor of Legal Laws Moi University. She is also a member of Law Society of Kenya Advocate of the High Court of Kenya, Founding Secretary of Kenya Actors Guild. She is a lawyer by profession and Managing Partner at Kishagha & Ogutu Advocates, also worked as associate at KN Associates LLP and S. Musalia Mwenesi Advocates Nairobi.

Millicent served a memorable term as the Managing Director of Phoenix Players Theatre, the biggest repertory theatre in East and Central Africa. She is the current Chair of the Kenya Copyright Board. She co-owns a film production company with three other very talented Thespians.

 <p>Edward Muthusi</p>	<p><b>Edward Muthusi</b>  <b>Governing Council Member</b></p> <p>Seasoned Creative Director in the advertising Industry who has spearheaded numerous campaigns for Kenya's leading Brands- Currently a creative Director with Scanad, the flagship agency of WPP Scana group PLC.</p> <p>Winner of several marketing and Advertising accolades locally and Internationally.</p> <p>Host of the celebrated business TV show KCB Lion's Den. Awarded Best Host in TV show at the Kalasha Awards.</p> <p>Radio Broadcasting experience as senior presenter and creative department Head in top rated Kenyan radio stations.</p> <p>Represented Kenya in the celebrated TV reality show, Big Brother Africa. Extensive stage performance experience as a Thespian. Holds a Bachelor of Arts- International Relations. USIU-Africa.</p>
 <p>Professor Frederick Ngala</p>	<p><b>Professor Fredrick Ngala</b>  <b>Governing council member.</b></p> <p>Holds a Doctor of Philosophy (PhD) in Education management and Leadership of Kabarak University of Kenya.</p> <p>Associate professor, Education management and leadership at Kabarak University, Dean, school of Education, Kabarak University and Director of Music performance at the university. He Served as Executive chairman in the Permanent Presidential Music Commission (2000-2002) -3 years. Excellent composer of African Music with over 30 certificates of meritorious performance from Kenya Music festival Foundation.</p>
<p>Fatuma Hassan</p>	<p><b>Governing Council Member</b></p>
 <p>William Wahome</p>	<p><b>Governing Council Member</b>  <b>Mr. William Wahome Kabera</b></p> <p>A graduate in Food Science and Technology from the University of Nairobi. Also holds a Diploma in Risk Management.</p> <p>He has over 20 years senior management experience in private sector mostly so with the Coca-Cola Company. He has relevant experience in Strategy, Governance, Operations and Environmental audits.</p> <p>He has previously held various board positions both in public and private sector.</p>



Kariuki Kagwima

**Governing Council Member**

Holds a bachelor of business administration degree, a Diploma in Labour Studies and Management, Certificate in Public Finance management. A Certified public Accountant of Kenya CPA(K).He is a Certified internal Auditor holder and a member of institute of Certified Public Accountant of Kenya ( ICPAK) and institute of internal Auditors.



Muthoni Garland

**Governing Council Member**

Muthoni is a founder member of Storymoja, a writer's collective based in Nairobi, Kenya. She is an African author and storyteller who regularly presents in schools and at events. She has performed both in Kenya and the UK. Her stories have been published in literary journals in Kenya South Africa UK and USA. She is the author of two novellas published by storymoja; Halfway between Nairobi and Dundori and tracking the scent of my mother which was shortlisted for the kaine price. Muthoni has also written six children books published by storymoja. Her story Kamau's finish is used as a world literatures text in UK and Americans schools. In the later it is published in a critically acclaimed anthropology compiled by Jane Kurtz ;Memories of the sun



Michael Pundo

**Ag .Chief Executive Director & Secretary to the Council**

He is the accounting officer of the Kenya Cultural Centre. His major role is to provide strategic leadership in the achievement of the Centre's goals objectives and agreed performance targets.

He holds a Bachelor of Education (Arts). Has long standing experience in cultural management and administration. He is a performing artist, theatre director and trainer. He holds a cultural leadership certificate from Africa Arts Institute (AFAI), South Africa. Is currently finalizing Masters of Science in Conflict Resolution and Management.

**MANAGEMENT TEAM**



Michael Pundo

**Ag. Chief Executive Director & Secretary to the Council**

He is the accounting officer of the Kenya Cultural Centre. His major role is to provide strategic leadership in the achievement of the Centre's goals, objectives and agreed performance targets.

He holds a Bachelor of Education (Arts). Has long standing experience in cultural management and administration. He is a performing artist, theatre director and trainer. He holds a cultural leadership certificate from Africa Arts Institute (AFAI), South Africa. Is currently finalizing Masters of Science in Conflict Resolution and Management.



David Waweru

**Supply Chain Management Officer**

He is a holder of Bachelor of Arts Degree in Economics and a Diploma in Purchasing and Supplies Management from Kenya Institute of Management. He is currently pursuing a Master of Business Administration (Strategic Management) at Kenyatta University.

He has over nine years' experience in supply chain management roles in various State Departments.

He is responsible for ensuring the implementation of supply chain management policies, guidelines and procedures in accordance with PPAD act 2015 and planning supply chain management activities at the Centre.



Samuel Muli

**Finance Officer**

Oversees prudent management of the Centre's financial resources by ensuring compliance with the laid down government policies and procedures. He holds a Bachelor's degree in Finance from Mount Kenya University and is currently pursuing CPA.

## CHAIRPERSON'S STATEMENT

I am pleased to present the Annual Report and Accounts of the Kenya Cultural Centre (KCC) for the period July 2019 to June 2020. The KCC's core functions remain to be provision of space for cultural reference, expression and industry. With the support and commitment of the Governing Council Members, the various committees, the management team and stakeholders, The Kenya Cultural Centre has continued to discharge its mandate.

In the financial year 2019/2020, The Kenya Cultural Centre facilitated diverse creative activities in artistic production processes comprising Rehearsals, Workshops, Trainings, live Theatre shows, Musical Concerts, Cultural Festivals and Public Discourses on matters socio-cultural.

All these were made possible by the support of GoK through financial grant during the financial period. There is a great need to intensify Fund raising efforts in order to mobilize resources to meet all of The KCC's obligations including recurrent expenditure and capital development. Technical Management of Creative Cultural processes, Communications, Public Relations, Marketing and Resource Mobilization efforts at the Centre require urgent strengthening. In this regard, processes to bolster institutional internal capacity for effective service delivery are already in progress.

I commend my fellow Governing Council members for their availability to attend meetings and provide invaluable contribution and guidance to the management in the implementation of the KCC's mandate. I urge us all to continue working as a team in order to address the numerous challenges still ahead of us.

I would like to thank the Management Team and the KCC staff for their continued dedication and hard work during the year even when we experienced various challenges.

Lastly, on behalf of the Governing Council (GC) members and on my own behalf, I take this opportunity to thank the Ministry of Sports, Culture and Heritage, the Government of Kenya and all our stakeholders for the support provided to the Centre. May God bless you all.

Sign:



**Oglia Karani**  
**Chairperson Governing Council**

Date.....21/8/2021.....

## REPORT OF THE ACTING CHIEF EXECUTIVE OFFICER/EXECUTIVE DIRECTOR

I wish to take this opportunity to share a brief summary of the financial performance of the Kenya Cultural Centre. The Kenya Cultural Centre is a body corporate which was established 67 years ago through CAP 218 of March, 1951 Laws of Kenya. KCC was able to raise A.I.A of Kshs.38, 054,311 from the Centre's Commercial car parking area, Hire of Theatre auditoriums, Audition rooms and other Creative activities facilities and office rentals.

Strict financial discipline and accountability has remained a key factor in managing the resources of The Centre. KCC was able to undertake various programs that contributed to the development of cultural and artistic expressions during the year. These included:

- 1) Hosted 24 Theatre Drama Productions
- 2) Organized 1 competition on artistic programs- Graffiti Arts Festival
- 3) Held 4 Art exhibitions in Fine Arts and Culinary Arts
- 4) Sponsored 4 presentations of artistic and cultural programs
- 5) Collaborated with 3 counties in running vibrant cultural programs
- 6) Hosted 10 Photography and Art exhibitions at the Cheche Gallery
- 7) Held 40 Poetry After Lunch (PAL) events that nurtured more than 200 youth and upcoming artists

As are aware, The Kenya Cultural Centre depends on revenue generated from hire of the Theatre and spaces within the institution. Since the theatre has been closed due to Covid-19 pandemic, similarly, most of our clients who rent parking spaces have also scaled down, withdrawn or closed shop. These have drastically affected our revenue flow. We intend to engage in more creative ways of resource mobilization this year to raise additional financing to help finance the programmes and operations of the Cultural Centre.

The Centre has been operating with a shortage of Human Resources during the Financial Year and even the in-post staff have not had any structure of engagement. In addressing this challenge, we have since implemented the SRC circular on payment of basic salaries for the Kenya Cultural Centre and the Human Resource Manual for KCC. Though there is a serious skill gap in the institution, we may not fill the position due to freeze of employment and shortage of personnel emoluments budget.

The Kenya Cultural Centre Governing Council (KCC-GC) has been very instrumental in offering valuable support and stewardship of the Centre. The staff of the Kenya Cultural Centre have also put enough effort despite the challenging circumstance to ensure that the Centre meets its mandate and achieves the targets in the performance contract. We look forward to continued growth of the Kenya Cultural Centre as we strive to serve our clients and stakeholders in the years ahead. Thank you.

Sign:

  
Michael Pundo

AG. CEO/Executive Director

Date: 2/8/2021

## REVIEW OF KENYA CULTURAL CENTRE PERFORMANCE FOR FY 2019/2020

Kenya Cultural Centre has 4(four) strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Strengthen institutional capacity for effective service delivery

Pillar 2: Harness and support the development of diversity of Kenya's cultural heritage, expressions and performance industry

Pillar 3: Establish resource sustainability for Kenya Cultural Centre

Pillar 4: Develop and implement communications plan to increase awareness and participation of key stakeholders

Kenya Cultural Centre develops its annual work plans and performance contracts based on the above four (4) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Kenya Cultural Centre achieved its performance targets set for the FY 2019/2020 period for its two strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
<b>Pillar1:Strengthen institutional capacity for effective service delivery</b>	Establish and operate requisite physical facilities master plan	-Generate at least 80% facility maintenance budget from partnership support	-Generate at least 50% maintenance budget from partnership support	<b>Not achieved</b>
	Develop and retain a competent and motivated staff team	-Staff competence rates -Number of staff on coaching program	-Incorporate staff development budget in annual budget -Design and implement on the job coaching programmes	<b>Achieved</b>
	Build institutional and program financial sustainability	-Facilities usage rate -Partnership revenue growth -Partnership cost efficiency	-Sign and operate cost effective physical facilities schemes	<b>Achieved</b>
	Develop and implement a robust system of internal controls, risk management, operational systems and processes	-Departmental revenue streams -Departmental revenue growth -Departmental efficiency -Departmental value addition	-Set aside funds to train people to do that	<b>Not achieved</b>
	Develop a dedicated leadership, governance structures and systems	-Standardized and aligned business processes % compliance with systems and processes -Increased productivity Increased management reporting	-Review weekly performance -Purchase and use ERP -Train on the use of ERP -ICT use policy	<b>Not achieved</b>

<b>Pillar 2: Harness and support the development of diversity of Kenya's cultural heritage, expressions and performance industry</b>	<p>Launch national cultural projects to deepen understanding and preservation of Kenya's culture in all its form</p>	<p>-Conventional revenue -Convention attendance -Convention report</p>	<p>-Implement convention program</p>	<p><b>Achieved</b></p>
	<p>Develop and promote annual national cultural exhibitions and performances that inspire positive dialogue among Kenya cultures</p>	<p>-No of partnership programmes -Revenue growth from partnership programmes -Advertise revenue</p>	<p>-Implement viable partnership programmes -Publish national poetry journal</p>	<p><b>Achieved</b></p>
	<p>Liase and collaboratively partner with stakeholders to commercialize and promote viable national cultures and heritage sites</p>	<p>-No of exchange Programmes MOU -No of exchange programme beneficiary</p>	<p>-Implement viable exchange Programmes</p>	<p><b>Achieved</b></p>
	<p>Monitor and influence county and national cultural program developed to ensure national wide sustainable cultural development objectives are achieved</p>	<p>-No of quarterly publications -No of heritage initiatives reviewed</p>	<p>-Identify reputable publishing houses -Budget for the publishing expenses</p>	<p><b>Achieved</b></p>
	<p>Benchmark and continuously improve organizations policies, programmes and environmental performance based on stakeholders need and expectations</p>	<p>-Framework of county cultural festival participation -No of county cultural festivals participated in. -Revenue from county cultural participation</p>	<p>-Participate in the county cultural festival</p>	<p><b>Achieved</b></p>

## CORPORATE GOVERNANCE STATEMENT

The Kenya Cultural Centre Governing Council supports best practice in corporate governance. Corporate Governance is the process and structure used to direct and manage business affairs of an institution towards enhancing prosperity and corporate accounting, with the ultimate objective of realizing stakeholders' long-term value.

### **Governing Council**

The Kenya Cultural Centre Governing Council consists of a Chairperson, Ms Oglia Karani, 13 Council members who are non-executive and one Executive Director (ED/CEO). The current Governing Council was appointed in 25<sup>th</sup> January 2019 after the previous Chairperson's term expired. The Governing Council's profiles appear on roman v-viii.

All the non-executive directors are considered to be independent of management and have an appropriate range of expertise both in business and cultural sector for proper stewardship of the Centre.

The Governing Council's appointment is for 3 years renewable once. The appointing authority is the Cabinet Secretary in the Ministry responsible for culture, currently being the Ministry of Sports and Heritage.

### **Council's Responsibilities**

The primary responsibility of the Council Members is to exercise their judgment to act in what they believe to be the best interests of the Centre and its stakeholders. In furtherance of its responsibilities, the Council:

- Ensures that appropriate systems and processes are in place so that the business of the Centre is conducted in an honest, ethical, responsible and safe manner;
- To oversee the overall conduct of the organization and ensure that it is being properly managed;
- To ensure that effective audit, risk management and compliance systems are in place to protect the Centre's assets and to minimize the possibility of the Centre operating beyond legal requirements or beyond acceptable risk parameters;
- To be actively engaged in directing and approving the strategic planning of the Centre and monitoring management's implementation of the strategies;
- To Analyze and review material acquisitions, divestments and capital expenditure;
- To set delegated financial authority levels for the Executive Director/CEO;
- To review and approve the Centre plan, financial and management policies and the operating budget and monitor financial performance and integrity of reporting;
- To appoint, remove and if necessary, review the performance of the Executive Director/CEO and oversee succession plans for senior management;
- To safeguard and enhance the image and reputation of the Centre.
- To carry out periodic peer evaluation of Council members;
- To act in such a way that Governing Council meetings and discussions promote focused debate within a supportive team atmosphere; and
- To ensure effective and timely reporting to Government of Kenya.

The Governing Council comprises of thirteen (13) Council Members, twelve (12) of whom are independent directors who represent the various key stakeholders in the industry.

The Council defines the Centre's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Council members bring a wealth of experience and exceptional knowledge to the Council's

deliberations. Except for direction and guidance on general policy, the Council delegates authority of its day-to-day business to the Management through the Executive Director/Chief Executive Officer. The Council nonetheless is responsible for the stewardship of the Centre and assumes responsibilities for the effective control over the Centre. The Executive Director/Chief Executive Officer also serves as the secretary to the Governing Council.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

- 8 Textbook centre exhibitions
- 3day Somali Cultural Festival
- Poetry After Lunch
- 10 Gallery exhibitions
- 50 Poetry after lunch events which natured more than 200 youth and upcoming artists.
- 1day Craftmatic paint and sip
- Breast cancer Kenya conference
- 1day workshop with the department of Culture.

The Centre received a Recurrent Grant of Kshs.35, 200,000 from its Parent Ministry, Ministry of Sports, Culture and Heritage. This grant was received by the Centre as follows:

DATE	BANK NAME	AMOUNT
<b>15/08/2020</b>	KCB –OPERATIONS	8,800,000
<b>07/11/2019</b>	KCB –OPERATIONS	8,800,000
<b>04/02/2020</b>	KCB –OPERATIONS	8,800,000
<b>13/05/2020</b>	KCB –OPERATIONS	8,800,000
<b>TOTAL</b>		<b>35,200,000</b>

The centre also was able to raise an A.I.A of Kshs.**38, 054,311** from the Centre’s various artistic spaces, activities and Rental Income as follows:

SOURCE	FY 2019/2020
<b>Parking fees</b>	28,986,604
<b>poster charges</b>	7,142
<b>Rental income</b>	1,564,261
<b>Theatre Hiring</b>	7,496,304
<b>TOTAL</b>	<b>38,054,311</b>

The Centre has a flagship project dubbed the International Arts and Culture Centre. During the FY 2019/2020, the centre did not receive any development grant towards the implementation of the project. The project is at its preliminary/initial stage where Geotechnical and Topographical Surveys has since been conducted to assess the condition of the soil underground.

There were no major risks reported during the financial year under review. Everything was done with due diligence and the laid down statutory requirements were fully complied.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The Centre acknowledges the need to promote socially responsible behaviour. This will help build our reputation and strengthen relationships with customers, stakeholders and the general public. In order to achieve this, The Centre focuses on building and sustaining efforts geared towards collaborations and partnerships with other industry stakeholders. Through the years, the GC has been able to partner with various institutions and will work towards enhancing its regulatory and advisory role in Cultural matters in the coming years. We regard the setting of a good example as an important practice in this regard. Below are a few examples of how The Centre have shown their commitment to practice responsible corporate behaviour and to establish and support initiatives in the community.

### **1. Sustainability strategy and profile -**

Guided by the fact that resources will always be scarce and in the wake of continued increase in the requirements to fulfil our mandate, the Centre will be endeavouring to look into creative ways of sustaining itself. The top management especially the accounting officer will make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure in this regard. The centre will be strengthening its existing partnerships and engaging new ones but also work on innovations as a sustainability strategy.

### **2. Environmental performance**

We also take responsibility for ensuring that we take care of our environment since we have an obligation to our community, investors and customers. The management actively encourages our staff to recognize those responsibilities and behave in a responsible manner towards the society in which we function. In conserving the environment and making it conducive for the society at large, the Centre has taken the following in consideration;

- Regular garbage collection: The centre ensures that the environment is kept clean by a weekly collection of waste and also encourages staff to recycle whenever possible
- Drug free zone: The centre has managed to eradicate drug and substance abuse from the premises and restored its status as a family friendly environment
- Tree planting: The centre has established a tree nursery in its parking lot and undertakes tree planting exercises whenever rainy seasons begin in various counties.

### **3. Employee welfare**

The Human Resource Policies and procedure manual was developed to support service delivery, commitments and obligations of the Kenya Cultural Centre to The target beneficiaries. The manual shall be read in conjunction with the constitution of Kenya, relevant laws guiding management of staff and government policy guidelines released from time to time. It forms the basis upon which the Centre working culture and environment will develop. The manual sets the guidelines on recruitment and selection of members of staff, management and development of human resource in the Centre. The manual will be reviewed as and when necessitated but at least every three (3) years so as to be in harmony with legislation and organization and technological changes. Such changes will require authorization of the Council and relevant government agencies were necessary and will be communicated to employees in writing by separate communication. The manual will be used in conjunction with other approved policies and procedures manuals relating to specific administrative functions of the Centre. It therefore forms an integral part of the management process of the Centre.

The grading structure, qualifications and other requirements for recruitment are laid down in the Kenya Cultural centre guideline. The career guidelines must be followed in processing appointments, and promotions of employees in their respective field of employment.

The centre engages employees on contractual terms. An employee serving under contract terms and wishing to be considered for a further term is required to notify the Executive Director/CEO in writing six (6) months before the expiry of the contract. If such notification is not made, the employee will be deemed to have completed his term on the date specified in the contract and the contract shall not be renewed. However, the Centre, upon review of the performance appraisal reports of such an employee, may request him to seek renewal of his terms if the performance has been satisfactory.

The Centre avails opportunities for internship as part of on the job training for the purpose of moulding interns to become responsible citizens who will contribute effectively to the social economic development of the country. The Centre also provides training to its employees based on training needs assessment which is conducted every year.

The Centre strives to expeditiously fill all vacancies by promotion of suitable employees. Consideration of promotion is in accordance with provisions of the career guidelines developed for each cadre. The Centre recognizes that in order to meet its operational requirements, it may be necessary to transfer/post staff member from one department to another or region within the Centre. It is therefore the policy of the Centre to provide fair and equitable guidelines in transferring or rotating an employee whether voluntarily or involuntarily in order to meet its operational requirement and for affording jobs that are well fitted to employees. The Centre has incentive scheme aim at rewarding members of staff based on the value they are adding to the Centre in relation to their performance, approved experience and professional skills and competence. The Director/CEO is responsible for the administrative of the rewards and sanction policy through the advice of HRAC. The rewards include compensation, annual bonus, incentives and awards.

The Centre has provided inter alia the following insurance covers for its employees and Governing Council: Group life assurance to include WIBA, Group Personal Accident (GPA), Travel insurance, and benevolent insurance cover. The Council has also put in place mechanisms to mitigate against technological hazards, terrorism, fire and natural disasters.

#### **Market place practices-**

The Kenya Cultural Centre undertakes the following market place practices:

- a. Responsible competition practice.  
Kenya Cultural Centre prequalifies its suppliers biannually. The prequalified supplier list is used to select vendors competitively during delivery of services and products to the Centre. The tender opening is free and fair. The Centre also offers spaces on first book & pay basis, the Centre does not hire spaces for political gatherings or events.
- b. Responsible Supply chain and supplier relations- Kenya Cultural Centre maintains good business practices, treats its own suppliers responsibly by honouring contracts and payment processes as a practice.
- c. Responsible marketing and advertisement practices-The Centre has installed a service charter that provides standard price for theatre hiring.
- d. Product stewardship- The Centre safeguards consumer rights and interests by ensuring availability of sound, light, security and technical personnel whenever a client has a production. Repair and maintenance is also done to maintain the initial status quo of the theatre following refurbishment. Client deposits are refunded on timely basis and theatre hiring contracts are honoured.

#### 4. Community Engagements

The Centre carried out the following CSR activities during FY2019/20.

- Provision of networking opportunities, guidance and counselling over choices on art as a career to the clients visiting the Centre has been on a steady growth owing to the fact that our program PAL (Poetry After Lunch) held every Thursday of the week from 1.30pm to 4.30pm at the Art Corner has been embraced by many media houses who have been broadcasting snippets of our weekly activities.
- Through PAL many youths have developed their talents and are currently engaged in different livelihood supporting activities organized by different institutions and media programs.
- Event coverage volunteers have been very key in inspiring others to learn camera handling and filming through the weekly activities.
- Waiver on Cost of hiring the auditoriums: In line with the Centre's mandate to provide space for performance, we provided subsidised rates for more than 20 productions.
- Staff sensitization and training on firefighting, disaster preparedness & disaster management and HIV/Aids training in collaboration with Red Cross Society of Kenya and NACC respectively.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Centre's affairs.

### **Principal activities**

The principal activities of Kenya Cultural Centre are:

- a) To provide for the performance of music, drama and dancing;
- b) To provide for the exhibition of works of art and crafts;
- c) Hold meetings for discussions on matters of literary, historical, scientific or educational interest or importance.
- d) Carry out other purposes approved by the Council to further the forgoing functions.

### **Results**

The results of the entity for the year ended June 30, 2020 are set out on page 1-26.

### **Directors**

The members of the Board of Directors who served during the year are shown on page iv-vii. During the year no director retired/ resigned and 3 were appointed with effect from 30<sup>th</sup> September 2019.

### **Dividends/Surplus remission**

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

### **Auditors**

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

### **By Order of the Board**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Councils is responsible for the preparation and presentation of the Kenya Cultural Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year that ended on June 30, 2020. This responsibility includes:

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

The Council accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (**IPSAS**), and in the manner required by the PFM Act and the State Corporations Act. The Councils are of the opinion that the Commission's financial statements give a true and fair view of the state of Centre's transactions during the financial year ended June 30, 2020, and of the Centre's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

There is nothing that has come to the attention of the Council to indicate that the Centre will not remain a going concern for at least the next twelve months from the date of this statement.

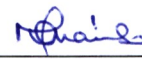
### Approval of the financial statements

The Kenya Cultural Centre's financial statements were approved by the Governing Council on \_\_\_\_\_ and signed on its behalf by:



Chairperson Governing Council

Date...21/8/2021.....

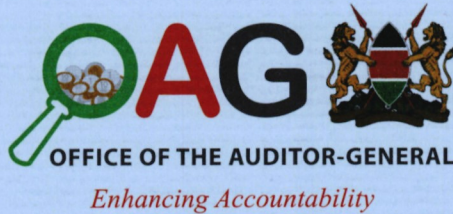


Ag. Executive Director/CEO

Date...21/8/2021.....

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON THE KENYA CULTURAL CENTRE FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Cultural Centre set out on page 1 to 27, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Cultural Centre as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Cultural Centre Act and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

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

The statement of financial position reflects Kshs.366,234,169 in respect of property, plant and equipment. However, as previously reported, the balance excludes an undetermined value of a parcel of land allocated to the Centre by the National Land Commission in May, 2016 for a term of ninety-nine (99) years.

In addition, as disclosed at Note 17 to the financial statements, the reported property, plant and equipment balance included Kshs.333,482,559 and Kshs.1,741,713 in respect of land and motor vehicles respectively. However, ownership documents for the land and the vehicles were not provided for audit.

In the circumstances, it could not be confirmed that the property, plant and equipment balance of Kshs.366,234,169 as at 30 June, 2020 was fairly stated.

## **2. Untaxed Allowances**

The statement of financial performance reflects employee costs of Kshs.22,015,905 which as disclosed at Note 6 to the financial statements, included personnel costs of Kshs.20,940,305 of which Kshs.892,801 related to secondment allowance paid to various officers seconded from the Ministry of Sports, Culture and Heritage. However, Pay As You Earn tax was not deducted from the allowances payable and remitted to Kenya Revenue Authority (KRA) as required under the rules made under Section 130 of the Income Tax Act.

## **3. Financial Performance and Sustainability of Services**

The Centre had current liabilities of Kshs.72,268,396 which exceeded the current assets balance of Kshs.17,249,196 resulting into a negative working capital of Kshs.55,019,200. Further, as reflected in the statement of financial performance, the Centre reported a net deficit of Kshs.9,705,195.

The Centre may therefore, not be able to meet its short-term financial obligations as they fall due, casting doubt on the sustainability of services without the support of the government and creditors.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Cultural Centre Management in accordance with ISSAI 130 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, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Budgetary Control and Performance**

As reflected in the statement of comparison of budget and actual amounts, the Centre's budgeted receipts totalled to Kshs.85,200,000 but actual receipts amounted to Kshs.73,254,311 resulting into a shortfall of Kshs.11,945,690 or 14%. Similarly, the Centre's budgeted expenditure totalled to Kshs.92,200,000 against actual expenditure of Kshs.82,959,505 resulting into under expenditure of Kshs.9,240,495 or 10%.

The revenue shortfall implies that goals and objectives of the Centre were not achieved as planned.

## **2. Unresolved Prior Year Audit Matters**

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, some of the prior year audit issues remained unresolved as at 30 June, 2020. Management has not provided satisfactory reasons for the delay in resolving the issues.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Irregular Sitting Allowances**

Section 10 of the State Corporations Act provides that sitting allowances are payable to the Chairman and members of the Board, other than the Chief Executive. However, during the year under review, some staff members were paid sitting allowances amounting to Kshs.268,000 while attending Governing Council meetings.

In the circumstances, the regularity of the payments could not be confirmed.

##### **2. Implementation of e-Procurement**

Executive Order No.2 of 2018 - procurement of public goods, works and services by public entities - directed all public procuring entities to maintain and continuously update and publicize complete information of all tenders awarded. However, no evidence was provided that the Centre had complied with the directives.

In the circumstances, accountability and transparency in the procurement of goods and services at the Centre could not be confirmed.

##### **3. Procurement of Partitioning Works**

The Centre incurred Kshs.353,600 and Kshs.377,920 on partitioning works of technicians' office and human resource office respectively, and Kshs.518,125 on supply of office furniture all totaling to Kshs.1,249,645. However, the procurements were not awarded to the lowest bidders as required under Section 106(3) of Public Procurement and Asset Disposal Act, 2015.

In the circumstances, it was not possible to confirm whether the Centre got value for money from the payments.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of a Risk Management Policy**

As previously reported, the Centre had not developed a risk management policy. In absence of a formal approved risk management framework, ability to identify risks and definition of strategy to eliminate or minimize the impact of the risks could be compromised.

#### **2. Disaster Recovery Strategy**

As previously reported, the Centre did not have a disaster recovery strategy and had not stored backups in a secure off-site location. A disaster recovery plan would enhance the Centre's ability to provide basic services as quickly as possible in case of data loss which would otherwise adversely affect service delivery.

#### **3. Composition of the Governing Council and Related Expenses**

Section 1.1 of The Code of Governance for State Corporations (Mwongozo) provides that the Board membership of all State Corporations shall be between seven (7) and nine (9). However, the Centre's Governing Council had a membership of thirteen (13). In addition, Section 1.5 of the Code provides that a tenure of a Board Member shall not exceed a cumulative term of six (6) years or two (2) terms of three (3) years each. However, a member of the Governing Council was appointed for a third term.

It was also observed that, during the year under review, the Centre incurred Kshs.15,036,160 relating to Governing Council expenses against a budget of Kshs.13,740,000 representing over-expenditure of Kshs.1,296,160 or 9%. The Directors remuneration also increased by Kshs.4,103,416 or 38% of the prior year's balance of Kshs.10,932,744.

In the circumstances, it could not be confirmed that good governance principles had been observed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and the Governing Council**

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

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

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

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

The Governing Council is responsible for overseeing the Centre's financial reporting process, reviewing the effectiveness of how the Centre monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Centre to cease to sustain services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Centre to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

28 March, 2022



**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments	4(i)	35,200,000	50,000,000
		<b>35,200,000</b>	<b>50,000,000</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	5	38,054,311	42,331,140
		<b>38,054,311</b>	<b>42,331,140</b>
<b>Total revenue</b>		<b>73,254,311</b>	<b>92,331,140</b>
<b>Expenses</b>			
Employee costs	6	22,015,905	16,149,557
Remuneration of Directors	7	15,036,160	10,932,744
Depreciation and Amortization Expense	8	7,551,804	6,803,269
Repairs and maintenance	9	5,103,277	6,864,510
General expenses	10	33,050,513	39,613,622
Finance costs	11	201,846	161,983
<b>Total expenses</b>		<b>82,959,505</b>	<b>80,525,685</b>
<b>Other gains/(losses)</b>			
Gains on sale of assets	12	-	-
Impairment loss		-	-
<b>Total other gains/(losses)</b>		<b>-</b>	<b>-</b>
<b>Net Surplus /deficit for the year</b>		<b>(9,705,194)</b>	<b>11,805,455</b>

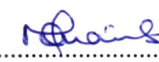


**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	12,522,292	28,488,231
Receivables from Non-Exchange Transactions	14	4,726,904	1,269,116
Prepayments from Exchange Transactions	15	-	2,546,958
<b>Total Current Assets</b>		<b>17,249,196</b>	<b>32,304,305</b>
<b>Non-current assets</b>			
Property, plant and equipment	17	366,234,169	350,425,711
<b>Total non - current assets</b>		<b>366,234,169</b>	<b>350,425,711</b>
<b>Total assets</b>		<b>383,483,365</b>	<b>382,730,016</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Employers Obligations	18	4,075,089	6,451,736
Sundry Creditors	19	68,193,308	63,959,019
<b>Total current liabilities</b>		<b>72,268,396</b>	<b>70,410,755</b>
<b>Non-current liabilities</b>			
		-	-
<b>Net Assets</b>		<b>311,214,969</b>	<b>312,319,261</b>
<b>Total liabilities</b>			
<b>Net assets</b>			
Capital Fund	20	94,926,527	94,926,527
Revaluation of equipment	20	2,517,112	2,517,112
Accumulated surplus	21	213,771,330	214,875,622
<b>Total net assets</b>		<b>311,214,969</b>	<b>312,319,261</b>
<b>Total net assets and liabilities</b>		<b>383,483,365</b>	<b>382,730,016</b>

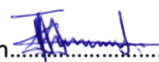
The Financial Statements set out on pages 1 to 27 were signed on behalf of the Board of Directors by:

C.E.O/Executive Director  
Name: Michael Pundo

Sign.....

Date 2/8/2021

Head of Finance  
Name: Samuel Muli

Sign.....

Date 2/8/2021

Chairperson of the Board  
Name: Ogla Karani

Sign.....

Date 2/8/2021

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Capital Fund</b>	<b>Accumulated Surplus</b>	<b>Revaluation reserve</b>	<b>Total Fund</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 1 July 2019</b>	94,926,527	203,070,167	2,517,112	300,513,806
Surplus/Deficit for the period		(9,705,194)		(9,705,194)
<b>At 30 June 2020</b>	<b><u>94,926,527</u></b>	<b><u>193,364,973</u></b>	<b><u>2,517,112</u></b>	<b><u>290,808,612</u></b>
<b>At 1 July 2018</b>	94,926,527	203,070,167	2,517,112	300,513,806
Surplus / Deficit for the period		11,805,455		11,805,455
<b>At 30 June 2019</b>	<b><u>94,926,527</u></b>	<b><u>214,875,622</u></b>	<b><u>2,517,112</u></b>	<b><u>312,319,261</u></b>

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

		<b>2019-2020</b>	<b>2018-2019</b>
		<b>Kshs.</b>	<b>Kshs</b>
<b>Cash flows from operating activities:-</b>	<b>Note</b>		
Net Surplus of the year		(9,705,194)	11,805,455
Adjusted for:			
Gain & Loss on disposal written back	12	-	-
Depreciation written back	8	7,551,804	6,803,269
		<u>(2,153,390)</u>	<u>18,608,724</u>
<b>Working capital changes</b>			
(Increase )/Decrease in receivable	14	(3,457,788)	(643,590)
(Increase )/Decrease in receivable prepayment	15	2,546,958	-
Increase / (Decrease) in payable	18&19	1,857,641	(441,334)
<b>Cash generated from operations</b>		<u>946,811</u>	<u>(1,084,924)</u>
<b>Net cash flows from operating activities</b>		<u>(1,206,579)</u>	<u>17,523,800</u>
<b>Cash flows from investing activities :-</b>			
Purchase of Property & Equipment	17	(23,360,263)	(5,470,554)
Proceeds from Sale of Assets	12	-	-
Stimulus Package Receipt	4(ii)	18,120,000	-
Stimulus Package Payments (Artists)	16	(9,519,098)	-
<b>Net cash used in investing activities</b>		<u>(14,759,361)</u>	<u>(5,470,554)</u>
<b>Cash flows from financing activities :-</b>			
Increase in deposits		-	-
<b>Net cash used in financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalent in the year</b>		<u>(15,965,940)</u>	<u>12,053,246</u>
Cash and cash equivalents as 1 JULY 2019		28,488,231	16,434,985
<b>Cash and cash equivalents as 30 June 2019 &amp; 30 June 2020</b>		<u>12,522,291</u>	<u>28,488,231</u>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>%Var</b>	<b>Notes</b>
	<b>2019-2020</b>	<b>2019-2020</b>	<b>2019-2020</b>	<b>2019-2020</b>	<b>2019-2020</b>		
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>		
Government Grants	35,200,000	-	35,200,000	35,200,000	-	0%	
A.I.A	50,000,000	-	50,000,000	38,054,311	(11,945,690)	-24%	1
<b>Total Income</b>	<b>85,200,000</b>	<b>-</b>	<b>85,200,000</b>	<b>73,254,311</b>	<b>(11,945,690)</b>	<b>-14%</b>	
<b>Gross Profit</b>	<b>85,200,000</b>	<b>-</b>	<b>85,200,000</b>	<b>73,254,311</b>	<b>(11,945,690)</b>	<b>-14%</b>	
<b>Expense</b>							
Employee Costs	22,200,000	-	22,200,000	22,015,905	184,095	1%	
Operational Costs	32,560,000	-	30,560,000	29,407,857	1,152,143	4%	
Governing council expenses	11,740,000	-	13,740,000	15,036,160	(1,296,160)	-9%	2
Contracted services	8,700,000	-	8,700,000	7,505,675	1,194,325	14%	3
Core mandate expenses	10,000,000	-	10,000,000	1,442,104	8,557,896	86%	4
Depreciation	7,000,000	-	7,000,000	7,551,804	(551,804)	-8%	5
<b>Total Expenses</b>	<b>92,200,000</b>	<b>-</b>	<b>92,200,000</b>	<b>82,959,505</b>	<b>(9,240,495)</b>		
<b>Surplus /Deficit before Tax Transferred to G/Fund</b>	<b>(7,000,000)</b>	<b>-</b>	<b>(7,000,000)</b>	<b>(9,705,194)</b>	<b>(2,705,194)</b>		

**Budget analysis**

**Notes to the Statement of Budget and Actual Comparison**

1. A.I.A-The Centre achieved unfavourable variance of -24% due to Covid-19 which lead to closure of business thus affecting cash inflow
2. Governing Council expenses-The Centre achieved unfavourable variance of -9% due to a series of meetings held by stakeholders to effect change in management
3. Contracted services-The Centre achieved a favourable variance of 14% which was attributed to change of service providers who charged less fees than expected
4. Core mandate expense-KCC did not undertake all projects that had been budgeted for because of Covid -19 leading to a favourable variance of 86%
5. Depreciation –Achieved unfavourable variance of -8%.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR STIMULUS PACKAGE FOR THE YEAR ENDED 30 JUNE 2020**

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	%Var	Notes
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020		
	Kshs	Kshs	Kshs	Kshs	Kshs		
Stimulus package grant	-	-	18,120,000	18,120,000	-	0%	
<b>Total Income</b>	-	-	<b>18,120,000</b>	<b>18,120,000</b>	-	0%	
<b>Gross Income</b>	-	-	<b>18,120,000</b>	<b>18,120,000</b>	-	0%	
<b>Expense</b>							
Artist stimulus package expense	-	-	18,120,000	9,519,098	8,600,902	47%	6
<b>Total Expenses</b>	-	-	<b>18,120,000</b>	<b>9,519,098</b>	<b>(8,600,902)</b>		
<b>Surplus before Tax Transferred to G/Fund</b>	-	-	-	<b>8,600,902</b>	<b>8,600,902</b>		

**Notes to the budget continued...**

- Artist Stimulus Package expense-The Centre achieved a favourable variance of 47% since the grant was disbursed at the end of the financial year thus there was time constraint which affected timely selection, qualification and payment of artist all over Kenya. The payments were spread over the months of June, July & August 2020.

*\*\*\*stimulus package is not one of the Centre's revenue, it is a one off payment project to artists.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Kenya Cultural Centre is established through an Act of Parliament Cap 218 of 1951 from which it derives its authority and accountability. The Centre is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to:

- a) Provide for the performance of Music, drama and dancing
- b) Provide for the exhibition of works of arts and crafts
- c) Hold Meetings for discussions on matters of literary, historical, scientific or educational interest or importance
- d) Carry out other purposes approved by the Council to further the foregoing functions

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Centre's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Centre and all values are rounded to the nearest thousand (Ksh.000). 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.

### 1. ADOPTION OF NEW AND REVISED STANDARDS

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

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

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

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

Standard	Effective date and impact:
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>The entity provides gratuity at the expiry of staff contract. The gratuities are provided for annually as provisions in the statement of financial positions as expenses, payables in the statement of financial position and as employee obligation under working capital in the statement of cash flows</p>
<p><b>Other Improvements to IPSAS</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

###### **Fees, taxes and fines**

The Centre recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Centre and the fair value of the asset can be measured reliably.

###### **Transfers from other government entities**

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

###### **Rendering of services**

The Centre recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

###### **Sale of goods**

Revenue from the sale of services is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the services and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Centre.

###### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

##### **ii) Revenue from exchange transactions**

###### **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

##### **b) Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Centre. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis or timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts 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.

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### c) Taxes

###### *Current income tax*

The Kenya Cultural Centre is exempt from income tax under the First schedule, paragraph 10 of the Kenyan Income Tax Act (cap 470)

###### *Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

##### d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The depreciation is on straight line basis. Annual depreciation rates in use are:

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

##### e) Financial instruments

###### *Financial assets*

###### *Initial recognition and measurement*

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

###### *Loans and receivables*

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Impairment of financial assets*

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

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

#### *Financial liabilities*

##### *Initial recognition and measurement*

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

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

##### *Loans and borrowing*

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

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

#### **i) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i) Inventories (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

#### j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### *Contingent liabilities*

The Centre does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

#### *Contingent assets*

The Centre does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### k) Nature and purpose of reserves

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

#### l) Changes in accounting policies and estimates

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

#### m) Employee benefits

##### Retirement benefit plans

The Centre provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

#### n) Foreign currency transactions

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

#### o) Borrowing costs

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

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p) Related parties**

The Centre regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

<b>i) Key management compensation</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Key Management salaries	3,152,868	2,342,352
Board of Directors remuneration	16,375,238	12,132,167
<b>TOTAL</b>	<b>19,528,106</b>	<b>14,474,519</b>

iii) Kenya Cultural Centre is a state corporation. Funds received from the **Government of Kenya** are disclosed under note 6.

**q) Service concession arrangements**

The Centre analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**r) 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.

	<b>2019-2020</b>	<b>2018-2019</b>
Bank	12,518,540	28,187,001
Cash on hand & in transit	3,752	301,230
Short term deposits	-	-
<b>Total cash and cash equivalents</b>	<b>12,522,292</b>	<b>28,488,231</b>

<b>a) Bank Name</b>	<b>Bank Account No.</b>	<b>Currency</b>	<b>2019-2020</b>	<b>2018-2019</b>
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Barclays Bank Of Kenya	0948215349	Kshs.	1,642,495	10,689,507
KCB Operations Account	1207350184	Kshs.	10,863,671	17,484,920
KCB Capital Account	1207345803	Kshs.	12,374	12,574
<b>Total cash and cash equivalents</b>			<b>12,518,540</b>	<b>28,187,001</b>

<b>b)Cash on hand</b>	<b>2019-2020</b>	<b>2018-2019</b>
Cash on hand & in transit	3,752	230
Mpesa pay bill No.829789	-	301,000
<b>Total cash and cash equivalents</b>	<b>3,752</b>	<b>301,230</b>

**s) Comparative figures**

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

**t) 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, 2020.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset
- 

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18 & 19.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

## 6 TRANSFERS FROM OTHER GOVERNMENTS

NOTE 4(i)	Revenue from Non Exchange Transactions	2019-2020 Kshs	2018-2019 Kshs
	Government Grants	35,200,000	50,000,000
	<b>Total</b>	<b>35,200,000</b>	<b>50,000,000</b>

NOTE 4(ii)	Revenue from Non Exchange Transactions	2019-2020	2019-2020
	Stimulus package grant	18,120,000	-
	<b>Total</b>	<b>18,120,000</b>	<b>-</b>

\*\*\*\*The stimulus package grant is not one of Kenya Cultural Centre's income, it is a one off project -payment to artists

NOTE 5	Revenue from Exchange Transactions	2019-2020	2018-2019
	Parking fees	28,986,604	28,351,830
	Rental Income	1,564,261	1,220,800
	Theatre Hire	7,496,304	12,434,710
	Poster and Ticketed events	7,142	13,300
	Car Wash	-	310,500
	<b>Total</b>	<b>38,054,311</b>	<b>42,331,140</b>

NOTE 6	Employee Costs	2019-2020	2018-2019
	Personnel Cost	20,940,305	16,149,557
	Pension contributions	71,200	-
	Provision for staff gratuity	1,004,400	-
	<b>Total</b>	<b>22,015,905</b>	<b>16,149,557</b>

NOTE 7	Remuneration of Directors	2019-2020	2018-2019
	Chairman's Honoraria	1,200,000	296,000
	Directors emoluments	8,992,000	6,720,147
	Other allowances & expenses	4,844,160	3,916,597
	<b>Total</b>	<b>15,036,160</b>	<b>10,932,744</b>

NOTE 8	Depreciation and Amortization Expense	2019-2020	2018-2019
	Motor Vehicle	3,166,750	3,166,750
	Furniture & Fittings	1,150,324	1,096,958
	Electronic Data & Processing Equipment	2,008,826	1,320,307
	Plant and equipment	1,225,904	1,219,254
	<b>Total</b>	<b>7,551,804</b>	<b>6,803,269</b>

<b>NOTE 9</b>	<b>Repairs and Maintenance</b>	<b>2019-2020</b>	<b>2018-2019</b>
	Maintenance of Motor vehicle	218,560	-
	Maintenance Building, Furniture and Equipment's	2,010,398	-
	Maintenance Computer Software and Networks	378,861	-
	Routine Maintenance	2,495,458	6,864,510
	<b>Total</b>	<b>5,103,849</b>	<b>6,864,510</b>

<b>NOTE 10</b>	<b>General Expenses</b>	<b>2019-2020</b>	<b>2018-2019</b>
	Catering services, Food and drinks	1,649,022	1,283,241
	Domestic travel cost	133,134	-
	Daily subsistence allowance-Domestic	4,334,500	8,593,688
	Electricity	1,505,927	2,533,342
	Evaluation committee allowance	238,000	3,405,770
	Foreign travel and subsistence allowance	1,648,903	978,936
	Fuel and lubricants	1,254,538	730,377
	Office general supplies	601,730	-
	Printing advert and information expenses	856,245	682,413
	Professional fees	1,218,985	1,333,600
	Staff protective clothing	199,940	-
	Subscription- Newspapers and magazines	74,894	212,680
	Supplies and accessories for computer and printer	470,020	-
	Telephone mobile service- staff	1,204,982	-
	Training expenses	443,600	1,322,940
	Water and sewerage charges	260,382	-
	Cultural and Artistic Programs	1,442,104	5,012,872
	Contracted services	7,505,675	12,104,340
	General Insurance	3,242,756	1,199,423
	Provision for Audit fees	110,000	220,000
	Withholding VAT	4,555,176	-
	Rent expense	100,000	-
	<b>Total General Expenses</b>	<b>33,050,515</b>	<b>39,613,622</b>

<b>NOTE 11</b>	<b>Finance Costs</b>	<b>2019-2020</b>	<b>2018-2019</b>
	Bank charges	201,846	161,983
	<b>Total finance costs</b>	<b>201,846</b>	<b>161,983</b>
<b>NOTE 12</b>	<b>Gain/Loss on Sale of Assets</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Property, plant and equipment</b>		
	Cost	-	-
	Less: Accumulated Depreciation	-	-
	<b>Net Book value- less from proceeds</b>	<b>-</b>	<b>-</b>
	<b>Proceeds from sales</b>	<b>-</b>	<b>-</b>
	<b>Total gain on property, plant and equipment</b>	<b>-</b>	<b>-</b>
	Intangible assets	-	-
	Other assets not capitalized	-	-
	<b>Total gain on sale of assets</b>	<b>-</b>	<b>-</b>
<b>NOTE 13</b>	<b>Cash and Cash Equivalents</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>a) Current account</b>		
	Barclays Bank	1,642,495	10,689,507
	KCB Capital Account	12,374	12,574
	KCB Operation Account	10,863,671	17,484,920
	Petty Cash(Cash on transit)	3,752	230
	Paybill 829789	-	301,000
	<b>Total</b>	<b>12,522,292</b>	<b>28,488,231</b>
<b>NOTE 14</b>	<b>Receivables from Non-Exchange Contracts</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Current receivables</b>		
	Trade receivables	4,500,904	869,995
	Non -Current deposits(Bins & KPLC)	10,000	10,000
	Staff salary advances	216,000	279,600
	Inventory	-	109,521
	<b>Total current receivables</b>	<b>4,726,904</b>	<b>1,269,116</b>
<b>NOTE 15</b>	<b>Prepayments from Exchange Transactions</b>	<b>2019-2020</b>	<b>2018-2019</b>
	Prepayments	-	2,546,958
		<b>-</b>	<b>2,546,958</b>
<b>NOTE 16</b>	<b>Artist stimulus package</b>	<b>2019-2020</b>	<b>2018-2019</b>
	Stimulus package grant	18,120,000	-
	Stimulus expense	(9,519,098)	-
	<b>Total stimulus expense</b>	<b>8,600,902</b>	<b>-</b>



DESCRIPTION	2019-2020		2018-2019		Total
	Kshs	Kshs	Kshs	Kshs	
<b>NOTE 17</b>	<b>Property, plant and equipment</b>				
<b>Cost</b>					
At 1 July 2018	332,622,559	12,667,000	2,846,075	6,349,984	366,455,801
Additions	860,000	-	-	2,425,680	5,470,554
Disposals	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-
<b>At 30th June 2019</b>	<b>333,482,559</b>	<b>12,667,000</b>	<b>2,846,075</b>	<b>8,775,664</b>	<b>371,926,355</b>
Additions	-	-	20,585,070	426,930	23,360,263
Disposals	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-
<b>At 30th June 2020</b>	<b>333,482,559</b>	<b>12,667,000</b>	<b>23,431,145</b>	<b>9,202,594</b>	<b>395,286,618</b>
<b>Depreciation and impairment</b>					
At 1 July 2018	-	4,591,787	-	4,823,350	14,697,375
Depreciation	-	3,166,750	-	1,096,958	6,803,269
Depreciation written back on disposal	-	-	-	-	-
Impairment	-	-	-	-	-
<b>At 30th June 2019</b>	<b>-</b>	<b>7,758,537</b>	<b>-</b>	<b>5,920,308</b>	<b>21,500,644</b>
Depreciation	-	3,166,750	-	1,150,324	7,551,804
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-
<b>At 30th June 2020</b>	<b>-</b>	<b>10,925,287</b>	<b>-</b>	<b>7,070,632</b>	<b>29,052,449</b>
<b>Net book values</b>					
At 30th June 2020	333,482,559	1,741,713	23,431,145	2,131,962	366,234,169
At 30th June 2019	333,482,559	4,908,463	2,846,075	2,855,356	350,425,711

<b>NOTE 18 Employer Benefit Obligations</b>	<b>2019-2020</b>	<b>2018-2019</b>
	Kshs	Kshs
Staff payroll liability	234,657	4,510,132
Staff bonus	-	-
Provision for Staff gratuity	3,738,432	1,941,604
Board liability	102,000	-
<b>Total Employer Obligations</b>	<b><u>4,075,089</u></b>	<b><u>6,451,736</u></b>

<b>NOTE 19 Creditors</b>	<b>2019-2020</b>	<b>2018-2019</b>
Trade Creditors	4,134,289	-
Other Creditors	63,849,019	63,849,019
Provision for Audit fee	110,000	110,000
Rent & rates	100,000	-
<b>Total</b>	<b><u>68,193,308</u></b>	<b><u>63,959,019</u></b>

<b>NOTE 20 Capital Fund</b>	<b>2019-2020</b>	<b>2018-2019</b>
Capital Fund (Seed Capital)	94,926,527	94,926,527
Revaluation of equipment	2,517,112	2,517,112
<b>Total</b>	<b><u>97,443,639</u></b>	<b><u>97,443,639</u></b>

<b>NOTE 21 Accumulated Surplus</b>	<b>2019-2020</b>	<b>2018-2019</b>
Accumulated surplus	214,875,622	203,070,167
Stimulus package grant	18,120,000	-
Stimulus expense	(9,519,098)	-
Net Profit/loss (current year)	(9,705,194)	11,805,455
<b>Total</b>	<b><u>213,771,330</u></b>	<b><u>214,875,622</u></b>

**NOTE 22 Contingent liability**

The Centre acknowledges the contingent liability of Kshs 8,566,821 (Eight million five hundred sixty six thousand, eight hundred twenty one only) which the former CEO claims. The Centre is awaiting for the certificate of surcharge from the inspectorate which could also be subject to court case. It is not practicable to estimate the eventual liability should the certificate of surcharge from the inspectorate be accepted, varied or quashed.

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

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

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

**(i) Credit risk**

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

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

<b>i)Credit risk</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>At 30 June 2020</b>				
Cash at bank	12,518,540	-	-	12,518,539.63
staff receivables	216,000	-	-	216,000.00
<b>Total</b>	<b>12,734,540</b>	<b>-</b>	<b>-</b>	<b>12,734,539.63</b>
<b>As at 30 June 2019</b>				
Cash at bank	28,187,001	-	-	28,187,001.00
staff receivables	279,600	-	-	279,600.00
<b>Total</b>	<b>28,466,601</b>	<b>-</b>	<b>-</b>	<b>28,466,601.00</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Governing Council's, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows as represented below.

i)Liquidity risk	Less than 1 month Kshs.	Between 1-3 months Kshs.	Over 5 months Kshs.	Total Kshs.
<b>At 30 June 2020</b>				
Trade payables	716,734	330,000	66,936,574	67,983,308
Provisions	110,000	-	1,004,400	1,114,400
Employee benefit obligation	336,657		2,734,032	3,070,688
<b>Total</b>	<b>1,163,391</b>	<b>330,000</b>	<b>70,675,006</b>	<b>72,168,396</b>
<b>As at 30 June 2019</b>				
Trade payables		-	63,849,019	63,849,019
Provisions			2,051,605	2,051,605
Employee benefit obligation	884,716		3,625,416	3,625,416
<b>Total</b>	<b>884,716</b>	<b>-</b>	<b>69,526,040</b>	<b>70,410,756</b>

### 8 EVENTS AFTER THE REPORTING PERIOD

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

### 9 ULTIMATE AND HOLDING ENTITY

The Centre is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Sports, Culture & Heritage. Its ultimate parent is the Government of Kenya.

### 10 Currency

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

## APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Understated Value of Land	The auditor noted, "The statement of Financial Position reflects Kshs. 332,622,559 in respect of land and buildings as at 30 June 2018. However, the figure excludes a plot Ref: L.R. No. 209/14477 measuring approximately 0.8737 hectares with undetermined value which was allocated to the Centre by the National Land Commission through letter Ref: No. 114075/182 dated 19 May 2016 for a term of 99 years. In this view, the carrying value of land and buildings of Kshs. 332,622,559 reflected in the statement of financial position as at 30 June 2018 is understated.	The management is in the process of following up for copies of the title documents with the National Treasury. This will enable the Centre to value its land and buildings so as to reflect the correct value	Governing Council/Management	Not resolved	
Going Concern and Service Sustainability	The auditor noted. The Kenya Cultural Centre had current liabilities of Kshs.70, 852,090 which exceeded the current assets of Kshs. 19,607,470 by Kshs. 51,244,620 as at 30 June 2018.	Kshs.63, 184,432 of the liabilities relates Nairobi City Council pending bill of erroneously charged land rates accumulated since 1963. The Commissioner of lands advised that KCC is a public land and should not be subjected to land rates. Communication with Nairobi County Government is on-going for waiver to	Governing Council/Management	Not fully Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		be effected. The rest of long outstanding Pending Bills are in relation to the Fair 1995 payables and with not verifiable documents or active demands. The Governing Council resolved to write them off.			
Unaccounted for Government Grants	There was a disagreement between the amounts that the Parent Ministry reported and that which was reported in the KCC books of Accounts by Kshs. 35,252,976 by 30 June 2017.	KCC received a total of Kshs. 56,702,203 which can be supported by bank statements showing the money flow. The Parent Ministry disburses our grants directly and therefore should be able to explain the discrepancy.	Management	Not Resolved	
Unsupported Board of Directors Payments	Audit of the Financial performance for the year ended 30 June 2018, reflects an amount of Kshs. 4,761,789 in respect of the Board of Directors Payments. There were no supporting documents such as minutes, attendance registers presented for audit verification.	The support documents used to be under the custody of Dr. Edwin Gichangi as he was the Board's secretary. When his was terminated, there was no proper handing over done and when audit commenced it was difficult to get the records.	Governing Council/Management	Not Resolved	

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Ag.Dir/CEO (Kenya Cultural Centre)

Sign.....

Date..... 21/8/2021

Chairperson of the Board

Sign.....

Date..... 21/8/2021

## APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

### Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Projects implemented by the Kenya Cultural Centre Funded by the GoK

Project title	Project Number	GoK	Period/ duration	GoK	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements
				commitment		(Yes/No)
International Arts and Culture Centre			4 Years	3B	NA	NA

### Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
International Arts and Culture Centre	3B	22.5M	0.75%	-	19.5M	GoK

**APPENDIX III: INTER-ENTITY TRANSFERS**

Kenya Cultural Centre breakdown of transfers from the state Department of Culture & Heritage for FY2019/2020.

DATE	GRANTS AND SUBSIDIES	BANK	2019-2020 KSHS.
	Development	-	-
15/08/2020	Recurrent	KCB -OPERATIONS	8,800,000
7/11/2019	Recurrent	KCB -OPERATIONS	8,800,000
4/2/2020	Recurrent	KCB -OPERATIONS	8,800,000
13/05/2020	Recurrent	KCB -OPERATIONS	8,800,000
10/5/2020	Artist stimulus package	KCB -OPERATIONS	18,120,000
		<b>TOTAL</b>	<b>53,320,000</b>

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

Samuel Muli  
Finance Officer  
Kenya Cultural Centre

Nelson M. Osioru  
Head of Accounting Unit  
Ministry of Sports Culture & Heritage  
State Department of Culture & Heritage

Sign.....

Sign.....



