

REPUBLIC OF KENYA



*Paper laid by
Leader of
Majority Party
Tuesday 3/7/2018
Ayer*

OFFICE OF THE AUDITOR-GENERAL

09 JUL 2017

REPORT

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STATE DEPARTMENT OF
CULTURE AND ARTS**

**FOR THE YEAR ENDED
30 JUNE 2017**

**MINISTRY OF SPORTS
CULTURE AND ARTS**



**MINISTRY OF SPORTS AND HERITAGE
STATE DEPARTMENT FOR HERITAGE**

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

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**MINISTRY OF SPORTS AND HERITAGE
STATE DEPARTMENT FOR HERITAGE
Reports and Financial Statements
For the year ended June 30, 2017**

STATE DEPARTMENT FOR HERITAGE
Reports and Financial Statements
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I.

(a) Background Information

Ministry of Sports and Heritage

The Ministry of Sports and Heritage was established through the Executive order No. 2 dated May 2013 as part of organization of the Government. The Ministry comprises of departments and Semi-Autonomous Government Agencies (SAGAs) hived off from the former Ministries of National Heritage and Culture, Youth Affairs and Sports and Information and Communication. The departments and SAGAs are clustered into five directorates namely The Directorate of Sports, Directorate of Cultural Services, Directorate of National Documentary Services, Directorate of Arts and Film and the Directorate of General Administration.

The Ministry's departments include Sports, Office of the Sports Registrar, Sports Disputes Tribunal, Department of Culture, Music, Kenya National Archives and Documentation Services, Library Services, Records Management, The Arts and the Department of Film Services. There are eight Semi-Autonomous Government Agencies (SAGAs) namely Sports Kenya, National Sports Academy, National Sports Fund, National Museums of Kenya, Kenya Cultural Centre, Kenya Film Commission, the Kenya Film Classification Board and the Kenya National Library Service

The Ministry is headed by the Cabinet Secretary for Sports, Culture and the Arts, Dr. Hassan Wario Arero, (PhD), EGH who is responsible for the general policy and strategic direction of the entity.

The Ministry further consists of two State Departments each administered by a Principal Secretary.

The State Departments under Ministry of Sports and Heritage are outlined below;

- (i) The State Department for Sports Development administered by Amb. Kirimi P. Kaberia, CBS
- (ii) The State Department for Heritage administered by Mr. Joseph Robert Okudo, CBS.

The accompanying financial statements constitute the financial statements for the State Department for Heritage.

The vision, mission, core values and core functions of the State Department for Heritage under Ministry of Sports and Heritage include:

1.1 Vision

To be a global leader in the provision of arts and cultural services and promotion of the Kenyan Film Industry for sustainable growth and employment creation.

1.2 Mission

To develop, promote, preserve and disseminate Kenya's cultural and arts heritage, development of the Kenya film industry through formation and implementation of policies, programs and projects for improved livelihoods of the Kenyan people.

1.3 Core Values

- a. **Appreciation of Diversity:** We recognize and value the diversity of our cultural and national heritage.
- b. **Customer focus:** We recognize and value the diversity of our cultural and national heritage.
- c. **Integrity:** We are committed to upholding the highest standards in our service delivery to all customers.
- d. **Teamwork:** Employees' involvement and contribution at all levels shall be the hallmark of the Ministry.
- e. **Creativity and Innovation:** We are a Ministry that encourages and facilitates creativity, innovative performance and embraces change.
- f. **Professionalism:** We shall be patriotic to the cause of the Ministry and be guided by professional ethics in all our undertakings.
- g. **Participatory Approach:** We undertake to seek the views of and involve stakeholders in all our programmes and activities.

I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(a) Background Information (continued)

1.3 Core Values (continued)

- h. **Innovativeness and Creativity:** The Ministry is committed to innovativeness, inventiveness, resourcefulness and visionary planning and service delivery.
- i. **Efficiency and effectiveness:** The Ministry will promote high productivity, competence and usefulness of resources at the national and county level.
- j. **Patriotism:** The Ministry will promote nationalism and ownership of services by the public at all levels of government.
- k. **Customer Cantered service:** The Ministry is committed to uphold customer driven and focused service delivery.
- l. **Mutual respect, Participatory Approach and Inclusiveness:** The Ministry is committed to consultations, joint and comprehensive partnership in all its affairs.

1.4 Core Functions

The core functions of the State Department for Heritage include:

- a. Formulation of policies on culture and the arts industry,
- b. Promotion, preservation and maintenance of positive and diverse culture for national identify, pride, integration and cohesion,
- c. Preservation, care and promotion of access to all public records, and archives,
- d. Co-ordination, facilitation and harmonization of activities of the culture and arts sector,
- e. Research, preservation, conservation and management of Kenya's heritage and culture,
- f. Development, promotion and preservation of arts, and Kenya's cultural heritage,
- g. Production and dissemination of information,
- h. Protection and promotion of the diversity of cultural expression in Kenya
- i. Identification and safeguarding of Kenya's heritage for the promotion of the creative economy,
- j. Licensing of film production and regulate consumption of films in Kenya,
- k. Identification, nurturing, development and promotion of dance talents.

(b) Key Management

The State Department's day –to-day management is under the following key organs:

State Department Culture and Arts include:

- Department for Cultural Services
- Permanent Presidential Music Commission of Kenya (PPMC)
- Department of Film Services
- Kenya National Archives & Documentation Services (KNADS)
- Department for Library Services

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I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(c) Fiduciary Management

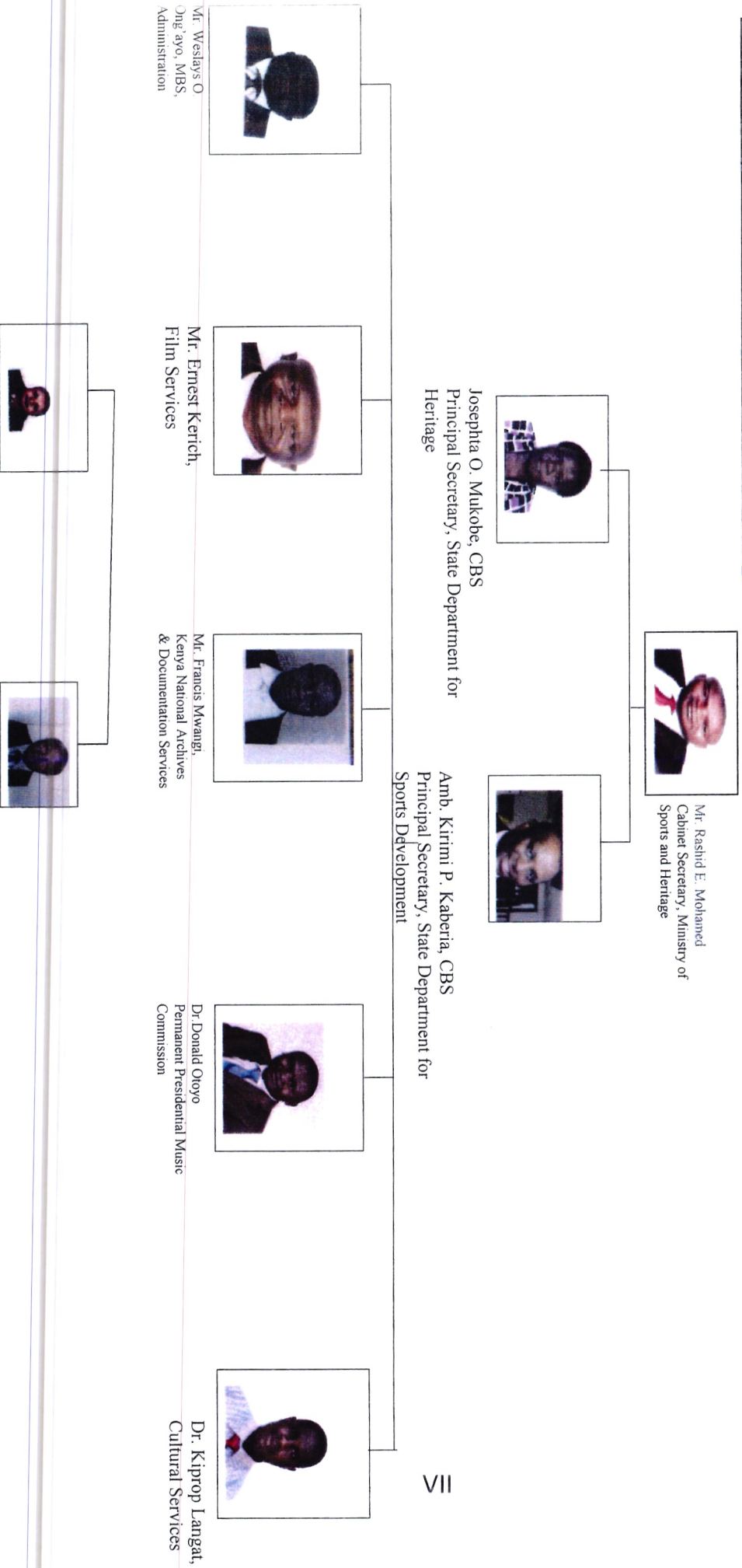
The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary, Ministry of Sports and Heritage	Mr. Rashid Echesa Mohamed
2.	Principal Secretary, State Department for Heritage	Josephtha O. Mukobe. CBS
3.	Director of Administration	Mr. Weslays O. Ong'ayo, MBS
4.	Director of Film Services	Mr. Ernest Kerich
5.	Director Kenya National Archives & Documentation	Mr. Francis Mwangi
6.	Director of Cultural Services	Dr. Kiprop Langat
7.	Director of Permanent Presidential Music Comm.	Dr. Donald Otoy
8.	Principal Accountant, Head of Accounting Unit	Margaret Nyaywera
9.	Principal Accountant, Chief Finance Officer	Stephen Karani

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I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

Senior Management – State Department for Heritage



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I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)


SENIOR MANAGEMENT – MINISTRY OF SPORTS AND HERITAGE

 <p>Mr. Rashid Echesa Mohamed, Cabinet Secretary, Ministry of Sports and Heritage</p>	<p>Mr. Rashid Echesa Mohamed assumed the position of Cabinet Secretary, Ministry of Sports and Heritage in February 2018 after formation of the new Cabinet following the re-election of President Uhuru Kenyatta. Mr. Rashid Echesa Mohamed is charged with the responsibility of formulating and ensuring implementation of policies geared towards improvement of sporting, heritage and cultural activities. Mr. Rashid has wide experience in Business Management and Entrepreneurship.</p>
 <p>Josephtha O. Mukobe, (Ms), CBS Principal Secretary, State Department for Heritage</p>	<p>Ms. Josephtha O. Mukobe, assumed office of the Principal Secretary in the State Department for Heritage in March 2018 on reappointment to serve for a second term. During the short period she has been in office, as the Accounting Officer, she has been very instrumental in coordination and implementation of the State Department's mandate. Prior to that, she worked in the same capacity in the State Departments of Coordination of National Government and Special Programmes between 2013 and 2018. She holds a Master's Degree in Human Resource Management (MBA) from Manchester University (UK) and a Bachelor's Degree in Arts from the University of Nairobi.</p>
 <p>Wenslas Ong'ayo, Director of Administration</p>	<p>Wenslas Shunyi Ambundo Ong'ayo, MBS joined the Ministry in June 2012 and is the Director in charge of Administration in State Department for Culture and Arts. His main role includes overseeing implementation of Government policies, follow up on actions on Government decisions and directives, representing the Principal Secretary in various forums, etc. Previously, he served in various capacities in the civil service including provincial administration. He is a holder of Bachelors of Arts in Political Science, 1983.</p>
 <p>Dr. Kiprop Lagat Director Culture</p>	<p>Dr. Kiprop Lagat has been the Director of Culture and the Arts from June 2016. He is responsible for the formulation and implementation of National Policies for the culture sector, ensures that resources of the Department are utilized in accordance with existing Government Financial Procurement procedures and regulations as well as Treasury Instructions. Additionally, he coordinates departmental programmes, projects and activities, including the implementation of UNESCO Conventions on culture ratified by Kenya besides negotiating and implementing bilateral agreements on culture among others. Kiprop, received both his PhD and Master's degrees in Anthropology from the University of East Anglia (UK) in 2014 and 2006 respectively. He also holds a Postgraduate Diploma in the Care and Management of Heritage and Museum Collections from the University of Nairobi and a Bachelors of Arts degree in Anthropology from the same University.</p>





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 <p>Dr. Donald Otoy Director of PPMC</p>	<p>Dr. Otoy is Director, Permanent Presidential Music Commission of Kenya (PPMC). His main role is organizing, preparing and presenting entertainment for all presidential functions, national days and state functions, documenting, conserving, preserving and disseminating music and dance heritage of Kenya.</p> <p>Donald Otoy Ondieki holds a PHD in Music Performance and Education, a Master of Music in Performance and a Bachelor of Education in Music from Kenyatta University, Nairobi, Kenya.</p>
 <p>Mr. Ernest Kerich, Film Services</p>	<p>Mr. Ernest Kerich joined the Department of Film Service in 1981 having attained a Diploma in Cinematography rising up the ranks to the current Director of Film Services. His previous experience included 10 years with Presidential Press Service as a film officer/production, 26 years with Department of film services and 17 of those years as head of the Department.</p>
 <p>Mr. Francis Mwangi, Kenya National Archives & Documentation</p>	<p>Mr. Francis Githuah Mwangi joined Kenya National Archives and Documentation Department in 1994 raising the ranks to become the current Director in 2014. He oversees the formulation and implementation of records and archives policies, strategies and programmes, overall administration and co-ordination of the Department. He holds a Master's degree in Information Science (Archives and Records Management) from Kenyatta University, Bachelor of Arts from Egerton University, postgraduate in Preservation of film material.</p>

I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)
SENIOR MANAGEMENT – STATE DEPARTMENT FOR HERITAGE (CONTINUED)

 <p>Mr. Stephen G. Mau Kimani, Director, Library Services</p>	<p>Mr. Stephen G. Mau Kimani joined this Ministry in July, 2008 and is the current Director, Library Services responsible for formulation and implementation of library service policies, programmes, guidelines and standards.</p> <p>He holds a Masters in Library and Information Science from Kenyatta University, 2011, Postgraduate Diploma in Librarianship, Makerere University, Kampala, 1998, Bachelor of Arts (Hons), University of Nairobi, 1990.</p>
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 <p>Stephen Karani Chief Finance Officer</p>	<p>Mr. Stephen Karani joined the Department on 12th April 2017 and he is the Chief Finance Officer. His major roles are Budget Planning, Budget Preparation and Budget Implementation.</p> <p>He is a holder of Master's degree in Business Administration (MBA).</p>
 <p>Margaret Nyaywera Head of Accounting Unit</p>	<p>Margaret Nyaywera joined the Department on 9th May 2016. Her main role include management, monitoring and reporting use of resources, clear up audit queries, establish effective internal controls, improve expenditure management and transfers, banking arrangements and complete financial statements on time. She is a holder of MBA specially Finance from Moi University and CPA(K).</p>
 <p>Mr Robert Tonui, Snr Asst Director/HRM&D</p>	<p>Mr. Robert Tonui is a Senior Assistant Director in charge of Human Resource Management and Development. His main duties include co-ordinating provision of human resource services, training, attachment and internship for the youth.</p> <p>He is a holder of B.Ed (Science) from Egerton University, 1996; A master's degree in MBA (HRM), Egerton University, 2001.</p>
 <p>Beatrice Okoko, Asst Director/Records Management</p>	<p>Beatrice Okoko is Assistant Director Records Management. Assumed office on 1st October 2016 in the Ministry of Sports, Culture and Arts.</p> <p>She is the head of Record Management Function in the Department of Culture & Arts as far as Policy Formulation, Guidelines and Development, review and implementation of the Integrated Records Management System.</p> <p>She holds a Bachelor of Arts Degree, Diploma in Procurement, qualified ISO auditor and several management courses.</p>

I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(d) Fiduciary Oversight Arrangements

Composition of the Committee Members

The various committee members within the State Department are drawn from various sectors of the economy and have a wide range of skills and experience and each contributes independently judgement and knowledge of the committee discussions.

On appointment each committee member is provided with a comprehensive and tailored induction processes covering the State Department's business and operations and provided with information relating to their legal and regulatory obligations.

All committee members and required to re-submit themselves for re-appointment after expiry of their term.

i. Audit and Finance Committee Activities

This committee is composed of the following members drawn from various sectors of the economy with broad business knowledge:

1. Ruto Kibiwott David (Chairman)
2. John Longacha Ejore (Member)
3. Eunic Muyoka Juma (Member)
4. Ambrose O. Agenga (Member)

The committee was responsible and instrumental in:

- Improving the quality of financial reporting by ensuring the accounts are prepared in a timely and accurate manner to facilitate prompt submission of annual financial statements to the Auditor General with a copy to the National Treasury and the Controller of Budget not later than 30th September of each subsequent year as well as submission of quarterly financial statements accounts to the Cabinet Secretary with a copy to the National Treasury and the Controller of Budget not later than fifteen (15) after the end of each quarter.
- Reviewing and making recommendations on management programs established to monitor compliance with sound public financial management, internal controls, policies, laws, regulations, procedures and the code of ethics.
- Strengthening the effectiveness of the internal audit function including regular review of its capacity, review and approval of the internal audit charter and internal audit annual work plan.

I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(d) Fiduciary Oversight Arrangements (continued)

i. Audit and Finance Committee Activities (continued)

- Reviewing and monitoring the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements. In fulfilling its duties, the committee reviews with the external auditors, the scope of their audit plan, system of internal audit reports, assistance given by management and its staff to the auditors and any findings and actions to be taken.
- Reviewing any related party transactions that may arise within the entity.
- Reviewing communication between external auditors and management including responses on audit queries on the annual financial statement raised by the Auditor General.
- Following up on recommendations of the Parliamentary Accounts Committee (PAC)

Attendance of the audit and finance committee members

The following shows the number of finance and audit committee meetings held during the year and the attendance of individual members.

Committee attendance for the year ended 30 th June 2017	Audit and finance committee meetings				Total Attendance
Ruto Kibiwott David (Chairman)	X	X	X	X	X
John Longacha Ejore (Member)	X	X	X	X	X
Eunic Muyoka Juma (Member)	X	X	X	X	X
Ambrose O. Agenga (Member)	X	X	X	X	X

Note: Since their appointment, they have not held any meeting.

ii. Budget Committee Activities

iii. This committee is composed of the following members drawn from various sectors of the economy with broad business knowledge:

1. Josephtha O. Mukobe (Chair)
2. Stephen Karani (Deputy Chairman)
3. Wenslas Maritim
4. Ernest Kerich
5. Sammy Okonji
6. Robert Tonui
7. Pamela Ongwae
8. Dr. Kipro Langat
9. Margaret Nyaywera
10. Beatrice Okoko
11. Alfred Muhindi (Secretary)

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(d) Fiduciary Oversight Arrangements (continued)

ii. Budget Committee Activities

This is the committee charged with the responsibility of implementation of the state department's budget and its prudent management. The duties of the committee include:

- To review and consider the cash flow plans
- To review the utilization of the cash limits and consider any changes as may be required;
- To review the utilization of the donor funds voted for the State Department.
- To advise the accounting officer on the challenges related to the budget implementation
- To review and recommend the reallocation of payments
- To review and approve the submission of the payment returns, payroll IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken
- To participate in sector working groups
- To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Department.

Attendance of the budget committee members

The following shows the number of budget committee meetings held during the year and the attendance of individual members.

Committee attendance for the year ended 30 th June 2017	Budget committee meetings				Total Attendance
	23/08/2016	29/09/2016	24/01/2017	18/05/2017	
B.Nyangara/S.Karani	✓	✓	✓	✓	4
Pamela Ongwae		X	✓	✓	3
Kiproop Lagat	✓	X	✓	✓	3
Ernet Kerich	✓	✓	x	✓	3
Margaret Nyaywera	✓	✓	✓	✓	4
Robert Tonui	X	X	✓	✓	2
Saima Ondimu	X	X	✓	✓	2
Sammy Okonji	✓	✓	✓	✓	4
Martha Nanga	✓	✓	✓	✓	4
Alfred Muhindi	✓	✓	✓	✓	4

✓ - Attended

X - Absent with apology

iv. Human Resources Management Advisory Committee Activities

This committee is composed of the following members drawn from various sectors of the economy with broad business knowledge:

1. Wenslas Ong'ayo (Chairman)
2. Robert Tonui (Secretary)
3. Ernest Kerich (Member)
4. Francis Mwangi (Member)
5. Dr. Kiproop Langat (Member)
6. Stephen Mau (Member)
7. Dr. Donald Otoy (Member)

(d) **Fiduciary Oversight Arrangements (continued)**

iii. Human Resources Management Advisory Committee Activities

Their duties include:

- Review of promotions of officers in Job Group A-P
- Review of confirmations in appointment
- Review of disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources.

Attendance of the human resource management advisory committee members

The following shows the number of human resource management advisory committee meetings held during the year and the attendance of individual members.

Committee attendance for the year ended 30 th June 2017	Human Resource Management Advisory committee meetings				Total Attendance
	19/12/2016	16/05/2017			
Wenslas Ong'ayo (Chairman)	✓	✓			2
Robert Tonui (Secretary)	✓	✓			2
Ernest Kerich (Member)	✓	✓			2
Francis Mwangi (Member)	✓	✓			2
Dr. Kiprop Langat (Member)	✓	✓			2
Stephen Mau (Member)	X	X			0
Dr. Donald Otoyo (Member)	✓	X			1

✓ - Attended

X - Absent with apology

v. Training Committee activities

This committee is composed of the following members drawn from various sectors of the economy with broad business knowledge:

1. Robert Tonui (Chairman)
2. Ernest Kerich
3. Francis Mwangi
4. Dr. Kiprop Langat
5. Dr. Donald Otoyo
6. Stephen Mau

This is the committee charged with the responsibilities of human resource development needs. Their duties include:

- Overall coordination of the training functions in the State Department.
- Review and implementation of the State Department training plan;
- Review of induction of newly appointed officers and activities around long term training

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(d) Fiduciary Oversight Arrangements (continued)

iv. Training Committee activities (continued)

Committee attendance for the year ended 30 th June 2017	Training committee meetings			Total Attendance
	19/12/2016	16/05/2017		
Robert Tonui	✓	✓		2
Ernest Kerich	✓	✓		2
Francis Mwangi	✓	✓		2
Dr. Kiprop Langat	✓	✓		2
Dr. Donald Otoyoy	X	X		0
Stephen Mau	✓	X		1

✓ - Attended

X - Absent with apology

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(e) State Department for Heritage, Headquarters

P.O. Box 30005-00100
Kencom House
P. O. Box 49849-00100
Nairobi, KENYA

(f) Entity Contacts

Telephone: (254) 020 – 2251164/005, 2250576
E-mail:254-020-316187
Website: www.minspoca.go.ke

(g) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

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I. COMMENT BY THE CABINET SECRETARY

Mr. Rashid Echesa Mohamed
Cabinet Secretary, Ministry Of Sports
and Heritage



Key Achievements of the State Department in the FY

2016/17 Culture and the Arts Sector plays a crucial role in overall development of the Kenyan economy and well-being of its people, through promotion and exploitation of Kenya's diverse culture and arts; enhancing Kenya's reading culture; preservation of Kenya's heritage; regulation, development and promotion of the film industry as well as development, research and preservation of music in the country.

The State department accomplished the following during FY 2016/17:

- **Establishment of Kenya Film School:** The Kenya Film School was established to promote indigenous Kenyan creative and production talent among the youth and increase Kenyan content in TV to 60%. So far 25 talented youth have graduated from the school.
- **Film Production and dissemination on Vision 2030 Flagship Projects:** The sector in collaborated with institutions implementing Vision 2030 flagship projects in developing documentaries on the extent of implementation and benefits to communities.
- **Regulation of TV content and other Media:** During the plan period, the sector enhanced film monitoring and enforcement by issuing 1,043 film regulatory licenses; conducted 5,753 random inspections, and issued 11,561 film production licenses.
- **Marketing Kenya's film industry:** the sector created public awareness through Film and Television Market (Kalasha).
- **Access to Information:** The sector through Kenya National Library Service has continued to improve access to information and knowledge sources to all communities' country wide. The construction of the Ultra-Modern National Library is now at 80% complete and the library section is already complete and in use.
- **Acquisition and Preservation of Public Records:** The sector acquired 24,669 public records for preservation and digitized 698,000 public records and archives.
- **Public Records Management:** During the period under review, the sector upgraded and operationalized the Integrated Records Management System to reform, modernize and improve records and information management for good governance in the Public Service.
- **Empowerment of Cultural Practitioners:** The sector empowered 12,847 cultural practitioners through organized capacity building workshops, festivals, exhibitions and competitions to achieve national cohesion, organized community cultural festivals both at the county and national level and coordinated cultural exchange programmes with foreign countries which Kenya has signed cultural agreements with.
- **Promotion of Talent in Music and Dance:** The Ministry of Sports, Culture and the Arts in partnership with UNICEF and county governments trained 785 talented youth in music and dance to enable them make a living out of their talents.
- **Establishment of the Music Studio:** The Ministry established a music recording studio at the Presidential Permanent Music Commission (PPMC) to set standards of quality music recording to record artistes at subsidized rates.

- **Documentation, Preservation and dissemination of music and dance heritage of Kenya.** The ministry documented 1600 music and dance heritage for reference and posterity and published one biography on Kenya musicians.
- **Conservation of National Heritage:** The sector acquired and preserved 57,071 heritage collections for posterity. It has established Kenya Heritage Research Institute in Mombasa (KEHTI) and incorporated the Lake Systems and Fort Jesus Museum into the UNESCO World Heritage Listing.
- **Honouring Kenyan Heroes and Heroines:** 400 heroes and heroines were honoured country wide.

PROJECTS/PROGRAMMES

Flagship Projects

The International Arts and Culture Centre: This facility will be established on the land adjacent to The Kenya Cultural Centre on Harry Thuku Road, Nairobi. This is in line with Jubilee Party manifesto whose plan is to strengthen the institutional framework for supporting the creative arts programmes in film, music and dance so that the industry can generate wealth to grow itself, create jobs and encourage young people to make it a career. The facility will be a centre of excellence for development of youth potential and nurture talent in music, arts and theatre and also house the international hall of fame. The theatre will provide showrooms, exhibition and performance halls for marketing and showcasing Kenya's cultural goods and services and act as a linkage with tourism and provide platform for cultural exchange and dialoguing.

Natural Product Industry (NPI) Initiative: The programme seeks to add value to our indigenous knowledge and associated technologies through scientific validation and business expertise to generate locally derived products. This industry has vast potential to contribute to national development priorities including wealth and employment creation, poverty alleviation, growth of GDP, prudent biodiversity and heritage management. Products under this initiative include nutritional, personal care, household care, pharmaceuticals, organic fertilizers and ethno-veterinary.

National Library of Kenya: The Ministry will complete construction of the Ultra-Modern National Library at Upper Hill in Nairobi. The project will increase access to information and knowledge for empowerment to all Kenyans and transform the reading culture in this country.

Other Programmes and Projects

Operationalization of the Kenya Film School: This project is geared towards promoting indigenous Kenyan creativity and production of talent and increasing local content. Therefore, the Ministry will fully operationalize and inaugurate the school.

Modernization of Filming Equipment: This project is expected to nurture talented youth in film production under the Ministry's' mentorship programmes and give them a competitive professional edge in use of latest film technology in anticipation to job creation and wealth creation to spur economic growth.

Promotion of Talent in Music and Dance: The Ministry is currently undertaking training of talented Kenyan youth in all aspects of music and dance, to upgrade their skills, facilitate them to enter the music industry and make a living out of their talents.

Documentation, Preservation and Dissemination of Music and dance Heritage of Kenya: The objective is to carry out research and document on audio visual format, collect music and dance materials and artifacts from different communities of Kenya and digitize them for reference and posterity.

Integrated Public Records and Information Management System: The system will ensure that Public service offices operate a standard registries workflow system for ease of management of Public records with cost effectiveness in terms of sustainability and running costs. The project will streamline the performance of Records Management Units (Registries) in Government Ministries, Departments, Agencies and Counties for improved service delivery. It will also enable automation and digitization of public registries and integrated information sharing across government offices.

Digitalization of Records: The national archives aims at digitizing more than a million copies of documents annually to enhance access and preservation to the archival materials.

Records Management: The Ministry will undertake audit and review records management best keeping practices in all public offices to improve service delivery. This entails visits to all the public offices in the country to undertake records survey, appraisal, monitoring and evaluation, sensitization workshops and seminars.

Retrieval of Migrated Archives: The retrieval of records taken away by Britain at the eve of independence will be undertaken.

Refurbishment of the Archives Building: The current archives building is old having been built in 1930, hence requires constant maintenance and installations.

Installation of Mobile Shelves: The Ministry is experiencing serious shortage of storage space for the records both at the headquarters and in the field offices. While most of repositories at the headquarters have been installed with mobile shelves, those at the field offices have remained static. Mobile shelves helps to save of storage space as they can hold 70% more records than static shelves. They also ensure security of the records as they are lockable and can resist mild fire. The Department intends to install mobile shelving units at the field offices in Mombasa, Kisumu and Nyeri.

Empowerment of Artists and Cultural Practitioners: The project entails building capacity for artists and cultural practitioners through workshops, exhibitions, festivals and competitions.

Coordination of cultural exchange programmes: Kenya has signed cultural agreements with foreign countries. The agreements involve exchange of cultural materials, information and personnel, the Ministry will therefore coordinate several cultural exchange programmes with foreign friendly countries and also mainstream national values, cohesion and identity through coordination of cultural festivals and arts exhibitions locally.

Implementation of UNESCO 2003 and 2005 Conventions: Kenya is a signatory to UNESCO 2003 Convention on safeguarding of Intangible Cultural Heritage and 2005 Convention on promotion and protection of the diversity of cultural expressions. This obligates the state party to implement the conventions and carry out activities which are geared towards safeguarding ICH elements present in Kenyan communities and promoting creativity among artists and cultural practitioners

The Film Resource & Archiving Centre: the Ministry will develop a modern film resource and archiving centre that will offer a one stop shop for film research, with relevant material and

information available for stakeholders. The centre will enable Kenyan film material to be consolidated and make it easily accessible.

100 Best Monuments: The NMK will partner with the 47 county governments in choosing 2 monuments per county of cultural/iconic significance in order to promote and maintain. NMK will choose the remaining 6 monuments and nominate them in the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Listing.

National Research & Repository Collection Center (NRRCC): This will act as a one-stop storage area that will serve as a reference point for researchers, visitors and students interested in the diverse range of collections captured in a catalogue and whose records are also replicated in the Registrar of Collection's Digital Database.

Fort Jesus Sea Wall: Construction of Fort Jesus Sea Wall being a top tourist attraction and more so in keeping with its status as a UNESCO World Heritage Site Monument. (Current Status – A contractor is already on site).

Emerging Issues

- Cultural and creative arts are emerging as the fastest growing industries of our economy and offering sustainable employment to youths in the country. However, there is need for a baseline survey to establish the number of actual employment opportunities created by the sector.
- The onset of digital migration is creating massive employment in the film industry and provided viewers with many alternative TV stations.

Challenges

- There is a lack/weak regulatory framework and institutions to regulate the sector.
- There is inadequate mechanism for talent identification, nurturing and promotion.
- Lack of adequate arts and culture infrastructural facilities has hindered the nurturing and enhancement of talent. The current spaces which are the Kenya National Theatre and Ukumbi Mdogo are not enough to host cultural performances due to high demand;
- There is scarce/incomplete data collection in the sector hence the economic contribution cannot be accurately quantified.
- There is a perception of the arts sector being viewed as a social entertainment and not a profession.
- Inadequate human resource and budgetary provision for affecting projects completion timelines and sometimes leads to stalling of projects;
- The creative industry is faced with the digital technology challenge necessary in order to remain competitive.
- Poor working environment for artists including low wages , rampant piracy, lack of distribution outlets and channels for artwork,, limited opportunities, inconsistent approaches to copyright and weak collecting mechanisms and draconian enforcement mechanisms, conflicting regulatory bodies.

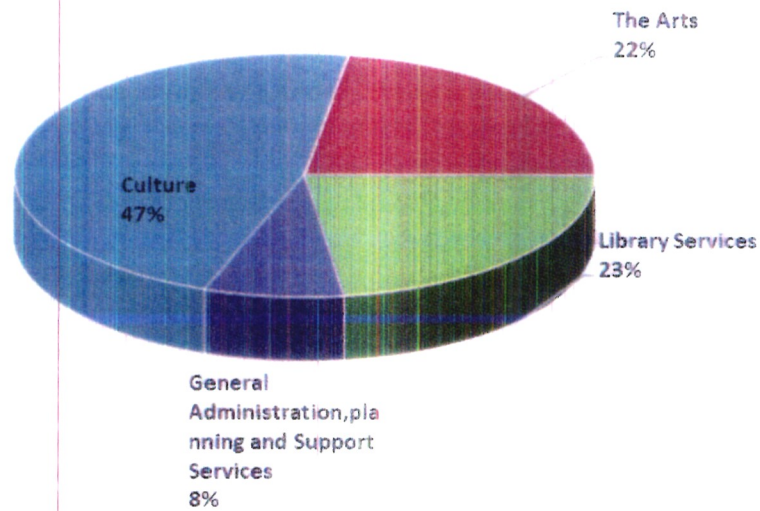
- Lack of proper publicity and the ability to do brand building by artists. lack of access to high quality production equipment, international competition from films that replicate art and sell cheaply, and lack of legal protection and information and a high disconnect with other sectors of the economy due to scarce, incomplete data and informal operations.
- Lack of modern equipment and capacity of officers in technical areas is a huge challenge in the face of the constant changes in technology;
- Existing weak records management practices and limited access to information at national level, has negatively affected delivery of services;
- Obsolete and inadequate legal, policy and institutional framework resulting to low level of devolution of library services.
- Inadequate Office Space: There is acute challenge of office accommodation and equipment, where the State Department lacks office space to accommodate its officers.

BUDGET ALLOCATION

In the financial year 2016/17 the State Department for Heritage had a gross budget of **KShs. 3,637,046,449** which was made up of **KShs. 2,651,046,449** and **KShs. 986,000,000** for recurrent and development vote respectively.

The State Department was to expend the gross budget of KShs. 3,637,046,449 under the following four programmes:

BUDGET ALLOCATION BY PROGRAMMES



II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

I. Programme 1: Culture

The objective of this programme is to promote revitalization and development of all aspects of culture. This programme was allocated **KShs 1,620,704,346** representing 47% of the budget. A total of **KShs 1,591,692,119** was spent under the following sub programmes: Conservation of Heritage, Public Records and Archives Management, Development and promotion of culture, promotion of Kenyan music and Dance.

II. Programme 2: The Arts

The objective of this programme is provision of arts policies in the country. This programme was allocated **KShs. 784,002,953** representing 22% of the budget. A total of **KShs 773,828,593** was spent under the following sub programme:

- a. Sub-programme 2.1: Film Services

III. Programme 3: Library Services

The objective of this programme is to enhance access to information through provision of library services. This programme was allocated **KShs. 781,721,839** representing 23% of the budget. A total of **KShs 780,944,297** was spent under the following sub programmes:

- a. Sub-programme 4.1: Library Services

IV. Programme 4: General Administration ,Planning and Support Services

The objective of this programme is to ensure provision of support services to other departments. This programme was allocated **Kshs.269,719,546** representing 8% of the budget. A total of **KShs 261,151,764** was spent under general Administration headquarters programme.

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2017 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

Financial Performance Summary

Financial Performance	Printed Estimates	Actual	Variance	%
	KShs	KShs	KShs	Utilisation Variance
Total Receipts	3,637,046,449	3,417,083,742	39,064,942	99%
Total Payments	3,637,046,449	3,407,616,774	48,531,910	99%
Surplus for the Year	-	9,466,968		

Budget Utilisation

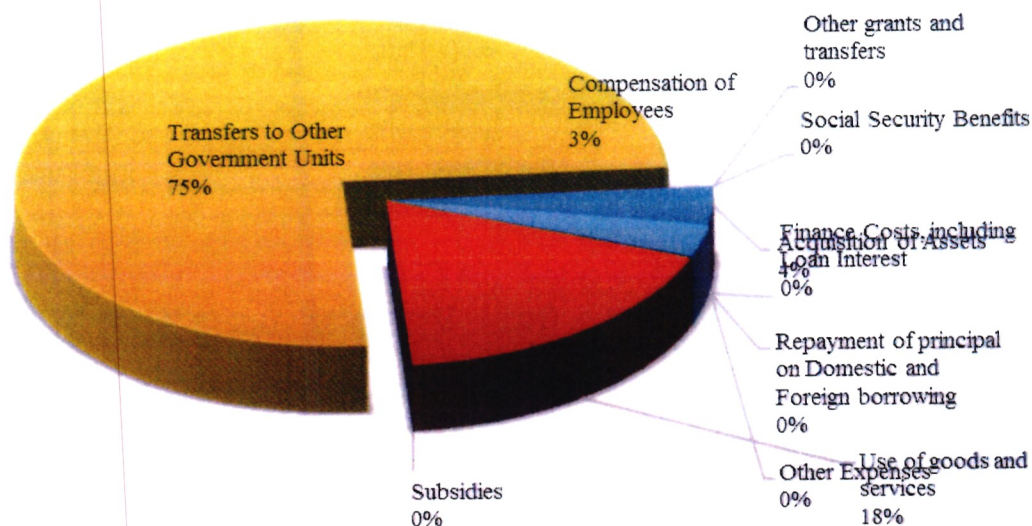
The State Department spent **KShs.3,407,616,772** against an approved budget of **KShs. 3,456,148,684** representing absorption of **93%**. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

	Approved Budget Allocation	Actual Payments	Variance
	KShs	KShs	KShs
Compensation of Employees	151,780,025	150,508,146	1,271,879
Use of goods and services	663,152,758	624,253,492	38,899,265
Transfers to Other Government Units	2,499,857,350	2,496,004,623	3,852,727
Other grants and transfers	1,045,000	1,045,000	-
Acquisition of Assets	140,313,551	135,805,512	4,508,039
Total Payments	3,456,148,684	3,407,616,772	97,830,916

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Performance Highlights (Continued)

Budget Utilisation as Per Economic Items



It is noted that 75% of the State Department's budget was used in Transfers to Other Government entities i.e. State Corporations, Semi-Autonomous Government Agencies (SAGAs) and County Governments. 3% of the budget was utilised on employee compensation while 18% was utilised in Acquisition of assets.

Current Year Performance against Prior Year

Financial Performance	Year to	Year to	Change	%
	30 th June 2017	30 th June 2016		
	KShs	KShs	KShs	Change
Total Receipts	3,417,083,742	-	3,417,083,742	0%
Total Payments	3,407,616,774	-	3,407,616,774	0%
Surplus/(Deficit) for the Year	9,466,968	-	9,446,968	0%

Receipts

The State Department's receipts mainly comprise of exchequer releases from the National Treasury. Other receipt sources include external grants, various administrative fees and charges, capital receipts from sale of public assets and transfers from Semi-Autonomous Government Agencies (SAGAs).

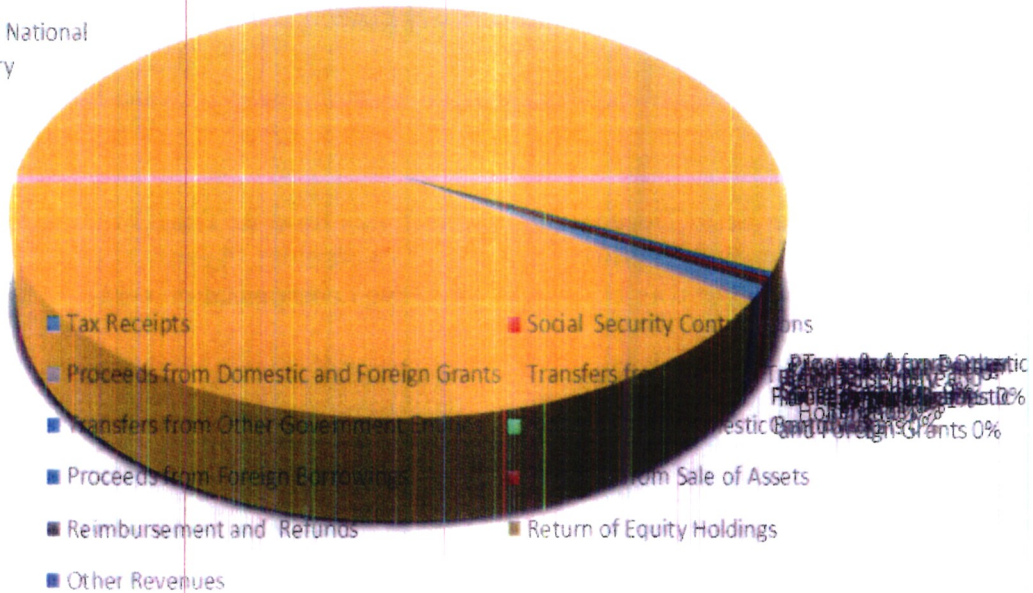
II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Total Receipts Breakdown

Receipts	Year to 30 th June 2017 KShs	Year to 30 th June 2016 KShs	Change KShs	% Change
Tax Receipts	8,600,000	-	8,600,000	0%
Transfers from National Treasury	3,626,446,449	-	3,626,446,449	0%
Other Receipts	2,000,000	-	2,000,000	0%
Total Receipts	3,637,046,449	-	3,637,046,449	0%

Total Receipts

Transfers from National Treasury
98%



II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

The diagram above depicts the share of major categories of receipts for the fiscal year ended 30th June 2017. The major source of funding for the State Department for Heritage is exchequer releases that account for 99% of the total receipts.

Payments

The State Department's payments mainly comprise of Transfers to Other Government entities i.e. Constituency Development Fund, Projects, State Corporations, Semi-Autonomous Government Agencies (SAGAs) and County Governments, employee compensation and acquisition of assets.

2016/2017.

The total payments for FY 2015/2016 stood at KShs 3,407,616,772

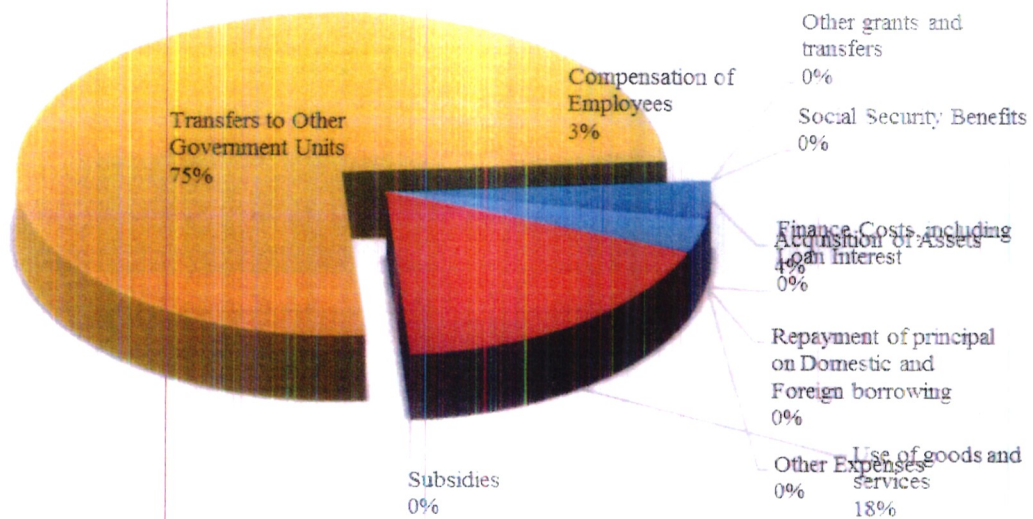
Total Payment Breakdown

	Year to 30 th June 2017	Year to 30 th June 2016	Change	%
Payment	KShs	KShs	KShs	Change
Compensation of Employees	150,508,146	-	150,508,146	0%
Use of goods and services	624,253,492	-	624,253,492	0%
Transfers to Other Government Units	2,496,004,623	-	2,496,004,623	0%
Other grants and transfers	1,045,000	-	1,045,000	0%
Acquisition of Assets	135,805,512	-	135,805,512	0%
Total Payments	3,407,616,772	-	3,407,616,772	0%

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

The diagram below depicts the share of major categories of payments for the fiscal year ended 30th June 2017

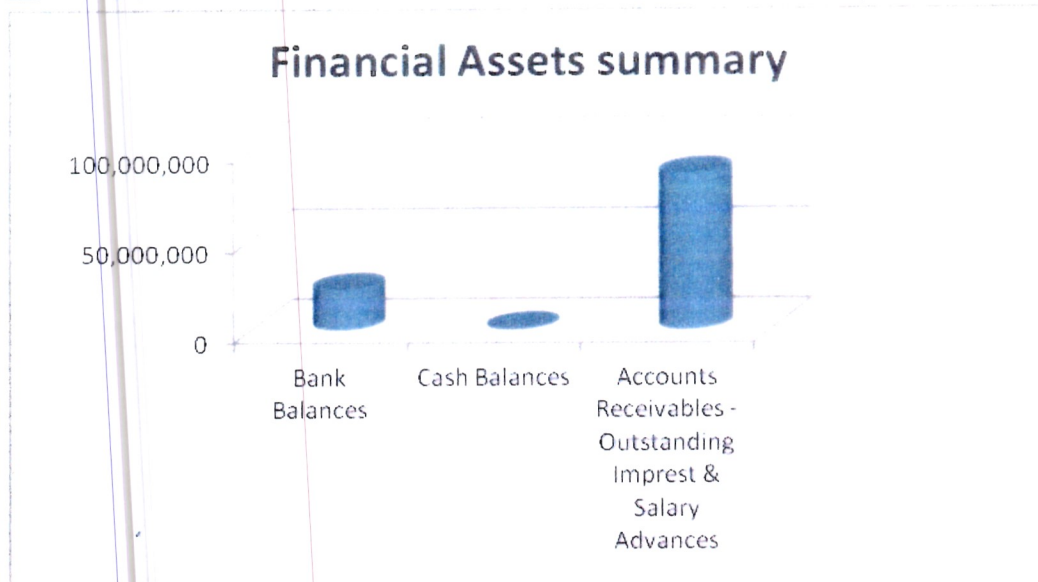
Budget Utilisation as Per Economic Items



Financial Assets Summary

Financial Assets	As at	As at	Change	%
	30 th June 2017	30 th June 2016		
	KShs	KShs	KShs	Change
Bank Balances	22,073,610	-	22,073,610	0%
Cash Balances	311,570	-	311,570	0%
Accounts Receivables - Outstanding Imprest & Salary Advances	2,056,805	-	2,056,805	0%
Total Financial Assets	24,441,986	-	24,441,986	0%

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)



Cash Flows and Cash Position

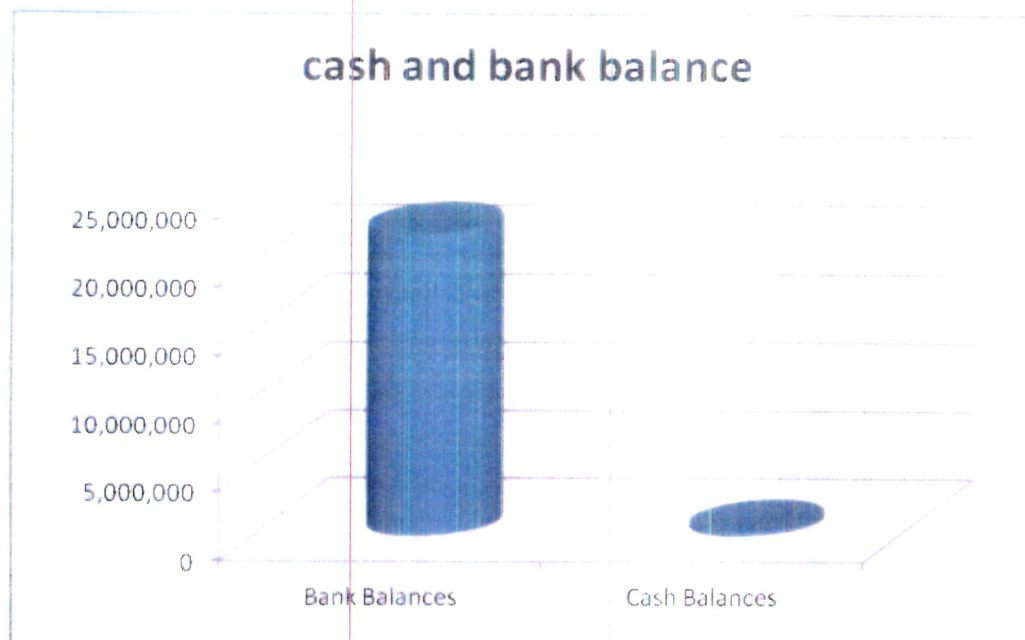
The cash and bank balances held by the State Department for Heritage as at 30th June 2017 were KShs 22 Million. The breakdown of the cash and bank balances is as summarized in the table below.

Cash and Bank Balance

Cash and Bank balances	As at 30th June 2017	As at 30th June 2016	Change	%
	KShs	KShs	KShs	Change
Bank Balances	22,073,610	-	22,073,610	0%
Cash Balances	311,570	-	311,570	0%
Total	22,385,180	-	22,385,180	0%

STATE DEPARTMENT FOR HERITAGE
 Reports and Financial Statements
 For the year ended June 30, 2017

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)



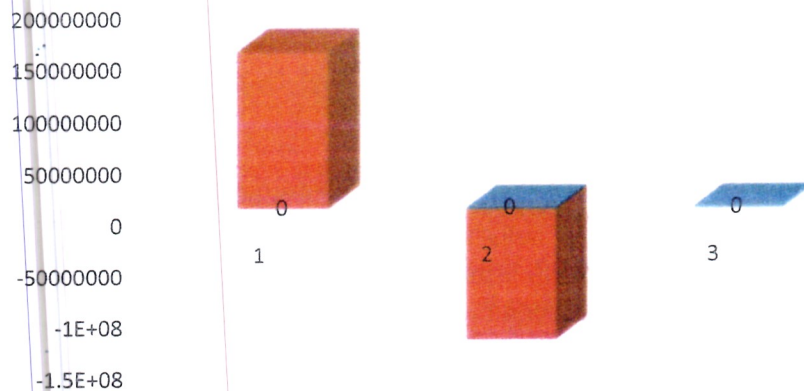
Cash Flow Activities

The table below summarizes cash flows generated and used from various activities.

Cash Flow Activities	Year to 30 th June 2017	Year to 30 th June 2016	Change	%
	KShs	KShs	KShs	Change
Net Cash Flows generated from Operating activities	158,190,693	-	158,190,693	0%
Net Cash Flows used in Investing activities	(135,805,512)	-	(135,805,512)	0%
Net Cash Flows generated in Financing activities	-	-	-	0%
Net increase in Cash and Cash Equivalents	20,561,603	-	20,561,603	0%
Cash and Cash Equivalents at 1 July	-	-	-	0%
Cash and Cash Equivalents at 30 June	22,385,180	-	22,385,180	0%

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Cashflow activities



Net cash flows utilised in investing activities decreased due to a decline in amounts utilised in the acquisition of assets by the State Department of Culture and Arts.

.....
Mr. Rashid Echesa Mohamed
CABINET SECRETARY

II. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the *State Department for Heritage* is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Accounting Officer in charge of the *State Department for Heritage* accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2016, and of the entity's financial position as at that date. The Accounting Officer charge of the *State Department for Heritage* further confirms the completeness of the accounting records maintained for the *entity*, which have *State Department for Heritage* been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *State Department for Heritage* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The *entity's* financial statements were approved and signed by the Accounting Officer on _____ 2017.


Principal Secretary
Name: Josephtha O. Mukobe, (Ms), CBS


Principal Accounts Controller
Name: Margaret Nyaywera
ICPAK Member Number: 5429

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT OF CULTURE AND ARTS - MINISTRY OF SPORTS CULTURE AND ARTS FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of ministry of Sports, Culture and Arts-State Department of Culture & Arts set out on pages 1 to 22, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of State Department of Culture and Arts as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Financial Management Act, 2012 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that public money has been applied lawfully and in an effective way

Basis for Qualified Opinion

1. Variances between the Statement of Assets and Liabilities and the Trial Balance

The financial statements as at 30 June 2017 reflect net assets balance of Kshs.9,466,970. However, a comparison of the IFMIS generated trial balance and the statement of assets and liabilities as at 30 June 2017 revealed the following variances:

Item	Trial Balance (Kshs.)	Statement of Assets & Liabilities (Kshs.)	Variance (Kshs.)
Development Bank	82,100,595	2,188,808	79,911,787
Cash on Hand	14,700,000	311,570	14,388,430
Other Debtors	-	-	-

Report of the Auditor-General on the Financial Statements of the State Department of Culture and Arts for the year ended 30 June 2017

Imprests	2,056,805	2,056,805	-
Deposits	14,975,016	14,975,016	-
Totals	113,132,416	19,532,199	94,300,217

The variances totalling Kshs.94,300,217 has not been reconciled or explained.

In the circumstances, the accuracy of the total net assets balance of Kshs. 9,466,970 reflected in the statement of assets and liabilities as at 30 June 2017 could not be confirmed.

2. Fixed Assets Acquisition

Note 8 reflects acquired fixed assets of Kshs.135,805,512 as at 30 June 2017. The assets include construction and civil works of Kshs.31,783,335; purchase of specialized plant, equipment, and machinery of Kshs.74,174,834 and purchase of vehicles, and other transport equipment – Kshs.15,990,630. However, no details of the fixed assets were provided in Annex 4 – summary fixed assets. In addition, the fixed assets register is not complete with the necessary information.

In consequence, the existence, ownership, propriety and value for money for the expenditure on fixed assets acquisition of Kshs.135,805,512 cannot be ascertained.

3. Uzalendo Festival and Renovation of Three (3) Monuments

During the year under review, an amount of Kshs.28 Million was disbursed to the National Museums of Kenya by the State Department of Culture and Arts to finance Uzalendo Festival which was to be held at Uhuru Gardens for three (3) days from 10 December, 2016 at a cost of Kshs.20 Million while the balance of Kshs.8million was to cater for the renovation of monuments. Available information revealed that National Museums of Kenya contracted M/s Moving Media Ltd as event organizers for Uzalendo Festival at a cost of Kshs.20 million. However, the respective payment vouchers totalling Kshs.20 million were not adequately supported by expenditure receipts and invoices as required under clause four (4) of the contract agreement. Further, no documents have been provided for audit review on the renovation of monuments of Kshs.8,000,000.

In the circumstances, it has not been possible to confirm the propriety and value for money of the Kshs.28 million expenditure.

Further, Kshs.8 million meant for the renovation of monuments was utilized for the rehabilitation of Ainsworth House by M/s Halmax Ltd at Kshs.1,530,711 and rehabilitation of Directors Office at Kshs.1,663,315, building of boundary wall at NMK by M/s Sim Building Contractors Ltd at Kshs.4,193,300.20 and payment for construction permit to the County Government of Mombasa at Kshs.653,131. No explanation has been given for utilization of funds meant for rehabilitation of monuments for other activities.

4. Unsupported Pending Bill

An amount of Kshs.6,782,758 was on 27 June 2017 paid to the Standard Group Ltd being balance for advertisement of the Smithsonian Kenya Mambo Poa Festival and hosting Radio Talk Shows held in May and June 2014. It was noted that the invoices worth Kshs.7,868,000 attached to the payment voucher dated back to the year 2014/2015 and had not been appearing in the list of Pending Bills under the Ministry of Sports Culture and The Arts for the subsequent years 2014/2015 and 2015/2016. Further, the payment was not supported with a local service order to show that the services were properly ordered and received by the state department of Culture and The Arts. No justification has been provided for the delay in the payment or for omission of the balance due from the list of pending bills in 2014/2015 and 2015/2016 financial years.

Consequently, the validity and propriety of the expenditure of Kshs.6,782,758 cannot be confirmed.

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

Key Audit Matters

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

Other Matter

1.0 Budget and Budgetary Performance

1.1 Revenue

The State Department had budgeted for revenue totalling Kshs.3,463,773,019 against actual receipts of Kshs.3,417,083,742 resulting in a shortfall of Kshs.46,689,277 or 1% as follows:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess (+) Shortfall (-) Kshs.	Shortfall %
Tax Receipts	8,600,000	8,600,000	-	-
Exchequer Releases	3,453,173,019	3,407,000,000	-38,064,942	-1
Other Receipts	2,000,000	1,483,742	-516,258	-26
TOTAL	3,463,773,019	3,417,083,742	- 46,689,277	-1

1.2 Expenditure

Actual expenditure amounted to Kshs.3,407,616,774 against the approved budget of Kshs.3,463,773,019 resulting in an under-expenditure of Kshs 56,156,245 or 2% as follows:

Expenditure Head	Budget Kshs.	Actual Kshs.	Shortfall Kshs.	Shortfall %
Compensation of Employees	159,404,360	150,508,146	8,896,214	6
Use of Goods and Services	663,152,758	624,253,493	38,899,265	6
Transfer to Other Government Units	2,499,857,350	2,496,004,623	3,852,727	-
Other Grants and Transfers	1,045,000	1,045,000	-	-
Acquisition of Assets	140,313,551	135,805,512	4,508,039	3
TOTAL	3,463,773,019	3,407,616,774	56,156,245	2

Failure to spend in accordance with the budget implies the organization's goals and objectives were not achieved as planned.

2.0 Prior Year's Unresolved Issue

2.1 Grounded Motor Vehicles

As previously reported, four (4) Motor vehicles of undetermined value have been lying at the parking yard of Permanent Presidential Music Commission (PPMC) for the last five years (5). The value of the four vehicles continue to depreciate with no indication of whether those vehicles would be repaired or disposed off.

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

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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.

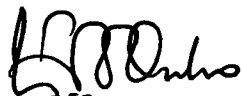
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the State Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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


Nairobi


12 June 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
RECEIPTS			
Tax Revenues	1	8,600,000	-
Transfers from National Treasury	2	3,407,000,000	-
Other Revenues	3	1,483,742	-
TOTAL REVENUES		3,417,083,742	-
PAYMENTS			
Compensation of Employees	4	150,508,146	-
Use of goods and services	5	624,253,492	-
Transfers to Other Government Units	6	2,496,004,623	-
Other grants and transfers	7	1,045,000	-
Acquisition of Assets	8	135,805,512	-
TOTAL PAYMENTS		3,407,616,772	-
SURPLUS/DEFICIT		9,466,970	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/6/ 2017 and signed by:

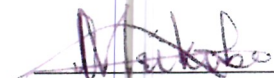

 Principal Secretary
 Name: Josephtha O. Mukobe, (Ms.), CBS



 Principal Accounts Controller
 Name: Margaret Nyaywera
 ICPAK Member Number: 5429

V. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017	2015-2016
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9A	22,073,610	
Cash Balances	9B	311,570	
Total Cash And Cash Equivalents		22,385,180	
Accounts Receivables - Outstanding Imprest and Clearance Accounts	10	2,056,805	
TOTAL FINANCIAL ASSETS		24,441,986	
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	11	14,975,016	
NET FINANCIAL ASSETS		9,466,970	
REPRESENTED BY			
Surplus/Deficit for the year		9,466,970	
NET FINANCIAL POSITION		9,466,970	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/6/2017 and signed by:


 Principal Secretary
 Name: Josephtha O. Mukobe, (Ms.), CBS



 Principal Accounts Controller
 Name: Margaret Nyaywera
 ICPAK Member Number: 5419

VI. STATEMENT OF CASH FLOWS

	Note	2016-2017	2015-2016
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Tax Revenues	1	8,600,000	
Transfers from National Treasury	2	3,407,000,000	
Other Revenues	3	1,483,742	
		3,417,083,742	-
Payments for operating expenses			
Compensation of Employees	4	150,508,146	
Use of goods and services	5	624,253,492	
Transfers to Other Government Units	6	2,496,004,623	
Other grants and transfers	7	1,045,000	
Adjusted for:			
Changes in receivables		(2,056,805)	
Changes in payables		14,975,016	
Net cash flow from operating activities		158,190,693	
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	(135,805,512)	
Net cash flows from Investing Activities		(135,805,512)	
NET INCREASE IN CASH AND CASH EQUIVALENT		22,385,181	
Cash and cash equivalent at BEGINNING of the year		-	
Cash and cash equivalent at END of the year		22,385,181	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/6/17 2017 and signed by:


 Principal Secretary
 Name: Josephtha O. Mukobe, (Ms.), CBS


 Principal Accounts Controller
 Name: Margaret Nyaywera
 ICPAK Member Number: 5429

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilizations Difference	% of utilization Difference to Final Budget
		a	b	c=a+b	d	e=c-d	f=d/c %
	RECEIPTS						
	Tax Receipts	8,600,000	0	8,600,000	8,600,000	0	100%
	Exchequer releases	3,626,446,449	(173,273,430)	3,453,173,019	3,407,000,000	46,173,019	99%
	Other Receipts	2,000,000	0	2,000,000	1,483,742	516,258	74%
	Total Receipts	3,637,046,449	(173,273,430)	3,463,773,019	3,417,083,742	46,689,277	99%
	Payments						
	Compensation of Employees	221,324,363	(61,920,003)	159,404,360	150,508,146	8,896,214	94%
	Use of goods and services	418,261,736	244,891,022	663,152,758	624,253,493	38,899,265	94%
	Transfers to Other Government Units	2,879,857,350	(380,000,000)	2,499,857,350	2,496,004,623	3,852,727	100%
	Other grants and transfers	1,045,000	0	1,045,000	1,045,000	0	100%
	Acquisition of Assets	116,558,000	23,755,551	140,313,551	135,805,512	4,508,039	97%
	Grand Total	3,637,046,449	(173,273,430)	3,463,773,019	3,407,616,774	56,156,245	98%
	Surplus/Deficit	0	0	0	9,466,968	(9,466,968)	

- i. Underutilisation of 74% in Other Receipts was as a result of under collection of AIA by the relevant department.

Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.

The entity financial statements were approved on _____ 2017 and signed by:



Principal Secretary

Name: Josephita O. Mukobe, (Ms), CBS



Principal Accounts Controller

Name: Margaret Nyaywera
ICPAK Member Number: 5429

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilizations Difference	% of Utilizations Difference to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
	RECEIPTS			0			
	Tax Receipts	8,600,000		8,600,000.00	8,600,000	0	100%
	Exchequer releases	2,640,446,449	316,905,910	2,957,352,359.00	2,923,500,000	33,852,359	99%
	Other Receipts	2,000,000		2,000,000.00	1,483,742	516,258	74%
	Total Receipts	2,651,046,449	316,905,910	2,967,952,359	2,933,583,742	34,368,617	99%
	PAYMENTS						
	Compensation of Employees	221,324,363	(61,920,003)	159,404,360	150,508,146	8,896,214	94%
	Use of goods and services	418,261,736	242,070,362	660,332,098	621,492,593	38,839,505	94%
	Transfers to Other Government Units	1,985,857,350	125,000,000	2,110,857,350	2,110,857,350	0	100%
	Other grants and transfers	1,045,000		1,045,000	1,045,000	0	100%
	Acquisition of Assets	24,558,000	11,755,551	36,313,551	32,314,091	3,999,460	89%
	Grand Total	2,651,046,449	316,905,910	2,967,952,359	2,916,217,180	51,735,179	98%
	Surplus/Deficit				17,366,562	(17,366,562)	

- i. Underutilisation on Acquisition of Assets of 89% was as a result of long procurement process.
- ii. Underutilisation in other receipts of 74% was as a result of underutilisation of collection of AIA by the relevant department.

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The totals of actual on comparable basis under the recurrent and development statements should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)

The entity financial statements were approved on 30/6/17 2017 and signed by:



Principal Secretary

Name: Josephtha O. Mukobe, (Ms.), CBS



Principal Accounts Controller

Name: Margaret Nyaywera
ICPAK Member Number: 5429

IX. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
Exchequer releases	986,000,000	(490,179,340)	495,820,660.00	483,500,000	12,320,660	98%
Total Receipts	986,000,000	(490,179,340)	495,820,660	483,500,000	12,320,660	98%
Payments						
Use of goods and services	-	2,820,660	2,820,660.00	2,760,900	59,760	98%
Transfers to Other Government Units	894,000,000	(505,000,000)	389,000,000.00	385,147,273	3,852,727	99%
Acquisition of Assets	92,000,000	12,000,000	104,000,000.00	103,491,421	508,579	100%
Grand Total	986,000,000	(490,179,340)	495,820,660	491,399,594	4,421,066	99%
Surplus/Deficit				(7,899,594)	7,899,594	

Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)

The entity financial statements were approved on 30/6/2017 and signed by:


Principal Secretary

Name: Josephita O. Mukobe, (Ms.), CBS


Principal Accounts Controller

Name: Margaret Nyaywera

ICPAK Member Number: 5429

X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programmes	Original Budget July, 2017		Adjustments		Final Budget June, 2017		Actual on comparable basis June, 2017		Budget utilization difference	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Culture										
Conservation of Heritage	1,620,704,346	1,049,545,000			1,620,704,346	1,049,545,000	1,591,692,119	1,049,545,000	29,012,227	0
Public Records and Archives Management	187,282,925	187,282,925			187,282,925	187,282,925	187,343,304	187,343,304	(60,379)	
Development and Promotion of Culture	189,435,147	189,435,147			189,435,147	189,435,147	181,472,847	181,472,847	7,962,300	
Promotion of Kenyan Music and Dance	176,282,274	176,282,274			176,282,274	176,282,274	173,330,968	173,330,968	2,951,306	
The Arts										
Film Services	784,002,953	784,002,953			784,002,953	784,002,953	773,828,593	773,828,593	10,174,360	
Library Services										
Library Services	781,721,839	781,721,839			781,721,839	781,721,839	780,944,297	780,944,297	777,542	
General Administration ,Planning and Support services										
General Administration ,Planning and Support services	269,719,546	269,719,546			269,719,546	269,719,546	261,151,764	261,151,764	8,567,782	
TOTAL	3,456,148,684	3,456,148,684			3,456,148,684	3,456,148,684	3,407,616,772	3,407,616,772	48,531,910	

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

XI. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. **Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. **Reporting entity**

The financial statements are for the *State Department of Culture and Arts*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

3. **Recognition of receipts and payments**

a) Recognition of receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

SIGNIFICANT ACCOUNTING POLICIES

Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 20XX, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

SIGNIFICANT ACCOUNTING POLICIES

Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the entity's financial statements.

4. In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

5. 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.

SIGNIFICANT ACCOUNTING POLICIES**Restriction on cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs 14,975,016 compared to Kshs - in prior period as indicated on note 24

There were no other restrictions on cash during the year

6. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

XII. NOTES TO THE FINANCIAL STATEMENTS

1 TAX REVENUES

	2016-2017	2015-2016
	Kshs	Kshs
Taxes on Income, Profits and Capital Gains	-	-
Taxes on Property	-	-
Taxes on Goods and Services	8,600,000	-
Taxes on International Trade and Transactions	-	-
Total	8,600,000	-

2 EXCHEQUER RELEASES

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	538,000,000	-
Total Exchequer Releases for quarter 2	909,200,000	-
Total Exchequer Releases for quarter 3	638,800,000	-
Total Exchequer Releases for quarter 4	1,321,000,000	-
Total	3,407,000,000	-

(budgeted exchequer was ksh.3,453,173,019 versus received exchequer of ksh.3,407,000,000 leading to a short of ksh.46,173,019)

3 OTHER REVENUES

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	1,483,742	-
Total	1,483,742	-

4 COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	86,453,525	-
Basic wages of temporary employees	2,983,128	-
Personal allowances paid as part of salary	61,071,493	-
Total	150,508,146	-

5 USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	5,273,730	-
Communication, supplies and services	18,477,562	-
Domestic travel and subsistence	59,497,062	-
Foreign travel and subsistence	13,433,750	-
Printing, advertising and information supplies & services	80,441,842	-
Rentals of produced assets	84,164,736	-
Training expenses	60,078,898	-
Hospitality supplies and services	46,351,312	-
Specialized materials and services	155,006,439	-
Office and general supplies and services	34,902,575	-
Other operating expenses	26,835,685	-
Routine maintenance – vehicles and other transport equipment	8,334,741	-
Routine maintenance – other assets	25,186,672	-
Fuel oil and Lubricants	6,268,490	-
Total	624,253,492	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
Capital grants to Government Agencies	2,110,857,350	-
Transfers to other levels of Government	385,147,273	-
TOTAL	2,496,004,623	-

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	Total	2015-2016
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Kenya Film Commission	124,422,000		124,422,000	-
National Museum of Kenya	870,000,000	150,000,000	1,020,000,000	-
Kenya National library services	627,180,000	133,000,000	760,180,000	-
Kenya Film classification Board	378,254,600	50,000,000	428,254,600	-
FEPACI	84,000,000		84,000,000	-
Institute Primate Research	18,500,000		8,500,000	-
Natural Products Industry	10,000,000		10,000,000	-
Kenya culture Centre	34,000,000		34,000,000	-
Kenya Film school	16,648,023		16,648,023	-
TOTAL	2,163,004,623	333,000,000	2,496,004,623	-

7 OTHER GRANTS AND TRANSFERS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations	1,045,000	-
Total	1,045,000	-

(Relates to transfers to an International organisation of culture and Library)

8 ACQUISITION OF ASSETS

Non Financial Assets	2016-2017	2015-2016
	Kshs	Kshs
Refurbishment of Buildings	11,992,244	-
Construction and Civil Works	31,998,304	-
Purchase of Vehicles and Other Transport Equipment	15,990,630	-
Purchase of Specialized Plant, Equipment and Machinery	74,174,834	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	1,649,500	-
Sub-total	135,805,512	-
Total	135,805,512	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Developmen t, deposit e.t.c	Exc rate (if in foreign currency)	2016-2017	2015-2016
				Kshs	Kshs
Central Bank of Kenya, 1000302558. & kshs	4,909,786	Recurrent	-	4,909,786	-
Central Bank of Kenya, 1000302569. & kshs	2,188,808	Development	-	2,188,808	-
Central Bank of Kenya, 1000302607. & kshs	14,975,016	Deposit	--	14,975,016	-
Total				22,073,610	-

9B: CASH IN HAND

	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency	311,570	-
-	311,570	-

Cash in hand should also be analysed as follows:

	2016-2017	2015-2016
	Kshs	Kshs
Headquarters,kencom House Building ,Cash Office	311,570	-
Total	311,570	-

[Find Attached cash count certificates for each as attachments to the financial statements]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2016-2017	2015-2016
	Kshs	Kshs
Government Imprests	2,018,572	--
Salary advances	38,233	-
District suspense		-
Clearance accounts		-
Total	2,056,805	-

[Find attached breakdown of the outstanding imprest below or as an annex to the notes.]

(NB: The total of the balance column agree to the total amount under note 10).

11. ACCOUNTS PAYABLE

Description	2016-2017	2015-2016
	Kshs	Kshs
Retentions	3,968,760	-
Deposits	11,006,257	-
Total	14,975,016	-

[Relates to retentions of the contractors and general deposits from other entities as per the attached annexure]

12. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the State Department for Heritage.

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2016/2017	2015/2016
	Kshs	Kshs
Key Management compensation	14,057,170 =====	=====
Transfers to the Other Ministries Departments and Agencies	42,783,335	
Transfers to other SAGAS	2,495,164,172	
Transfers to Government Development Projects		
Transfers from other Ministries Departments and Agencies		
	=====	=====

13. OTHER IMPORTANT DISCLOSURES

13.1: PENDING ACCOUNTS PAYABLE (See Annex 1)-Pending Bills

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Supply of goods	5,016,645	-
Supply of services	4,846,019	-
	9,860,264	-

13.2: PENDING STAFF RECEIVABLES (See Annex 2)-Outstanding Imprests

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Senior management	640,225	-
Middle management	620,950	-
Unionisable employees	757,397	-
		-
	2,018,572	-

13.3: OTHER PENDING PAYABLES (See Annex 3)-Retentions and General Deposits

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Amounts due to third parties	14,975,016	-
		-
	14,975,016	-

STATE DEPARTMENT FOR HERITAGE
 Reports and Financial Statements
 For the year ended June 30, 2017

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE-PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	A	B	C	d=a-c		
Supply of Goods						
1. MFI Solutions	2,169,500	22,06,017	-	2,169,500	-	Lack of exchequer
2. Eimarks Enterprises	494,175	09/06/2017	-	494,175	-	Lack of exchequer
3. Liwaru Enterprises	228,000	20/06/2017	-	228,000	-	Lack of exchequer
4. Andrada Suppliers	200,000	23/06/2017	-	200,000	-	Lack of exchequer
5. Frebrech Office Solutions	436,000	22/05/2017	-	436,000	-	Lack of exchequer
6. Cynaki Agencies & General Merchants	48,880	20/04/2017	-	48,880	-	Lack of exchequer
7. Aneda General Agencies	250,915	06/06/2017	-	250,915	-	Lack of exchequer
8. Geol Investments Ltd	191,000	16/06/2017	-	191,000	-	Lack of exchequer
9. Moffan Investments	396,000	11/05/2017	-	396,000	-	Lack of exchequer
10. Almaka Enterprises	498,100	14/05/2017	-	498,100	-	Lack of exchequer
11. Kefra Office Supplies	104,075	20/03/2017	-	104,075	-	Lack of exchequer
Sub-Total	5,016,645		-	5,016,645	-	
Supply of Services						
12. Peponi General Merchants	1,980,000	19/06/2017	-	1,980,000	-	Lack of exchequer
13. Portman Tours and Travel	50,155	23/08/2016	-	50,155	-	Lack of exchequer
14. Denga Investment	296,100	04/04/2017	-	296,100	-	Lack of exchequer
15. Saola Contractors & Traders Ltd	501,600	09/06/2017	-	501,600	-	Lack of exchequer
16. Lovington Security Limited	114,000	30/06/2017	-	114,000	-	Lack of exchequer

**MINISTRY OF SPORTS AND HERITAGE
STATE DEPARTMENT FOR HERITAGE
Reports and Financial Statements
For the year ended June 30, 2017**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
17. Lovington security Limited	171,000	01/10/2016	-	171,000	-	Lack of exchequer
18. Lovington Security Limited	171,000	05/04/2017	-	171,000	-	Lack of exchequer
19. Generation House Limited	332,822	01/10/2016	-	332,822	-	Lack of exchequer
20. Co-operative Bank of Kenya	806,942	01/04/2017	-	806,942	-	Lack of exchequer
21. Hotel Southern Blue	420,000	15/06/2017	-	420,000	-	Lack of exchequer
Sub-Total	4,843,619			4,843,619		
Others	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
Sub-Total						
Grand Total	9,860,264			9,860,264		

ANNEX 2 - ANALYSIS OF OUTSTANDING IMPREST J

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Senior Management							
1. Ernest Kerich	R	640,225	03/11/2016	-	640,225	-	Due for surrender
Sub-Total		640,225			640,225	-	
Middle Management							
2. Alex Kaveke	K	446,400	30/10/2016	-	446,400	-	Due for surrender
3. Hezron Kanyingi	k	12,600	25/10/2016	-	12,600	-	Due for surrender
4. Gabriel Musembi	k	161,950	25/10/2017	-	161,950	-	Due for surrender
Sub-Total		620,950			620,950		
Unionisable Employees							
5. Esther Nabeba	H	523,500	21/10/2016		518,997		Due for surrender
6. Grace Ngunjiri	H	78,400	15/06/2017	-	78,400		Due for surrender
7. Rashid Mwanbeyu	J	69,600	13/01/2017	-	69,600		Due for surrender
8. Joselyn Ludisi	J	40,000	20/06/2017	-	40,000		Due for surrender
9. Geoffrey Nyang'au	J	50,400	28/02/2017	-	50,400		Due for surrender
Sub-Total		761,900			757,397		
Grand Total		2,023,075			2,018,572		

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES (Full list Attached)

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to Third Parties							
1. Retentions	Tender fees	486,000	-	-	486,000	-	
2. Retentions	Contractors	3,482,760	-	-	3,482,760	-	10% retentions for contractors
3. General Deposits	General Deposits	11,006,257	-	-	11,006,257	-	
	Sub-Total	14,975,016			14,975,016		
	Grand Total	14,975,016			14,975,016		

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Buildings and structures	-	43,990,548	-	43,990,548
Office equipment, furniture and fittings	-	15,990,630	--	15,990,630
ICT Equipment, Software and Other ICT Assets	-	-	-	-
Other Machinery and Equipment	-	75,824,334	-	75,824,334
Total	-	135,805,512	-	135,805,512

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.

ANNEX 5- LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR HERITAGE

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	Kenya Film Commission	To make Kenya a centre of excellence in film production	Caroline Njoroge	124,422,000	Yes
2	National Museum of Kenya	Heritage research, protection and conservation	Dr. Mzalendo N. Kibunjia, PHD, ÉBS	1,020,000,000	Yes
3	Kenya National Library Services	Provision of library services	Richard M. Atuti, OGW	760,180,000	Yes
4	Kenya Film Classification Board	Promote Kenya's Culture morality and national aspirations	Dr. Ezekiel Mutua, MBS	428,254,600	Yes
5	FEPACI	Development of film industry in Africa through capacity building distribution	Jane Munene	84,000,000	Yes
6	Institute Primate Research	Heritage and biometric research	Dr. Hastings Ozwara	18,500,000	Yes
7	Natural Products Industry	Harnessing the natural products sub-sector in Kenya	Dr. Hassan M. Ahamed	10,000,000	Yes
8	Kenya Cultural Centre	Cultural policy and staging activities	Edwin Gichinga	34,000,000	Yes
9	Kenya Film School(Headquarters')	Film activities	Josephia O. Mukobe, (Ms), CBS	16,648,023	Yes

ANNEX 6- REPORTS GENERATED FROM IFMIS

Find financial Reports Generated from IFMIS attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes

