

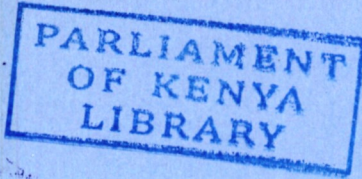
REPUBLIC OF KENYA



*Paper laid by the
Lom on 13/4/2016
One*



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA CULTURAL CENTRE**

...

**FOR THE YEAR ENDED
30 JUNE 2015**





THE KENYA CULTURAL CENTRE

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015

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

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I. KEY KENYA CULTURAL CENTRE INFORMATION

a) Background information

The Kenya Cultural Centre (KCC) was established by the Kenya Cultural Centre Act of Parliament on (20th March, 1951). At Cabinet level, the KCC is represented by the Cabinet Secretary for the Ministry of Sports, Culture and the Arts, who is responsible for the general policy and strategic direction of the Kenya Cultural Centre.

b) Principal Activities

The principal activity of the Kenya Cultural Centre is to provide a centre for the use and enjoyment of all the citizens of Kenya without distinction of race or creed, and provide for the performance of music, drama and dances, for the exhibition of works of art and craft and for the holding of meetings, for discussion on matters of literacy, historical, scientific or educational interest and importance.

c) Directors

The Governing Council Members who served the Centre during the year/period were as follows:

- | | | | |
|-----|---------------------------|-----------------------------------------------|-------------------------------------------------------------------|
| 1. | Eng. Patrick Obath | - Chairman | - Appointed March, 2013 |
| 2. | Dorothy Angote Muya | -Vice Chairman | - Appointed March 2013 |
| 3. | Kimingichi Wabende | -Chairman Programs Committee | |
| 4. | Suzanne Gachukia | - Chairman Finance & Administration committee | |
| 5. | Dr. Salome Mshai Mwangola | -Member | |
| 6. | Ole Moipei Nicholas | - Member | |
| 7. | Fred Obachi Machoka | -Member | |
| 8. | Wenslas S.A Ong'ayo | -Member | Alternate to PS Ministry of
Sports

Culture and the Arts |
| 9. | John Munge | - Member | Alternate to PS The Treasury |
| 10. | Aghan Odero Agan | - Chief Executive | - Appointed July 2010 |

d) Registered Office

Kenya Cultural Centre
Harry Thuku Road
P.O. Box 43031 00100
Nairobi, KENYA

e) Kenya Cultural Centre Headquarters

Kenya Cultural Centre
Harry Thuku Road
P.O. Box 43031 00100
Nairobi, KENYA

f) Corporate Contacts

Telephone: (254) 020 267 2843
Cell: 0726 008677
E-mail: director.culturalcentre@ymail.com
Website:

g) Corporate Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Barclays Bank of Kenya
P.O Box 30120
GPO 00100
Nairobi

h) Independent Auditors

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

i) Principal Legal Advisers

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

II. THE GOVERNING COUNCIL



Eng. Patrick Obath

Born in 1957. Holder of
 BSc. in Mechanical Engineering, Nottingham
 University
 Member of the Energy Institute (UK),
 Member of the Petroleum Institute of East Africa
 Member of the Institution of Engineers in Kenya.
 Fellow of the Aspen Global Leadership Network
 (AGLN)
 Fellow of the African Leadership Initiative (ALI).



Dorothy Angote-Muya CBS

Bachelor of Laws (LLB Hons.) University of
 Nairobi.
 Alumnus of Harvard University.
 Member of Advisory Board of the International
 Centre for Democratic Transition (ICDT)
 Member of African union Advisory Board on
 Corruption (AUABC)



Kimingichi Wabende

BA UoN, MA LIT UoN, PHD LIT UON
 Lecturer Dept of Literature, Theatre/Drama
 Performance studies



Suzanne Gachukia HSC

A graduate.
 A music educator, accomplished composer,
 musician, performer and producer.
 Pioneer of talent nurturing and discovery initiatives



Dr. Salome Mshai Mwangola

Born 1967. Holder of:
1. Doctorate in Performance Studies from Northwestern University (USA) [2008],
2. a Masters of Creative Arts, University of Melbourne (Australia) [2000]
3. a Bachelor of Education from Kenyatta University (Kenya)[1990].



Ole Moipei Nicholas HSC

Born 1961
1. Bachelor of Education (Music) degree from Kenyatta University.
2. Career Music Teacher/Lecturer
3. Member of the Kenya Music Festivals Foundation National Executive Committee
4. Chairman of Kenya Music and Cultural Festivals since 2012



Fred Obachi Machoka

Born: 09/09/1953, Holder of:
Head of State Commendation award
PROFESSIONAL QUALIFICATIONS
Kenya Police College
Signals Training School
Higher Group Diploma in Marketing & PR (London-UK)

Wenslas S.A Ong'ayo

Director of Administration II Ministry of Sports Culture and the Arts



John Munge

Born 1959.
CPA over 20yrs experience in Public Management, debt, investments and finances



Aghan Odero Agan

Born May 14, 1965. Holder of:

1. Post Graduate Certificate in Communicating Culture to Children. 2001 Maastricht University Amsterdam
2. Certificate in Project Management (CHEDA Centre for Heritage Development in Africa)
2. Post Graduate Arts & Culture Management Diploma Certificate. 1996 (University of Witwatersrand RSA)
3. Bachelor of Business Administration (Hons.) 1989. University of Nairobi.

III. MANAGEMENT TEAM



Aghan Odero Agan

Executive Director
Overall Administrative Management and Strategic Executive Leadership of the institution; Official Spokesperson and Representative



Farrah Nurani

Institutional Programmatic Management and Resource Mobilization (Left December 2014)



Grace Wanja

Financial, Accounting and Administration

IV. CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts of The Kenya Cultural Centre (KCC) for the period July 2014 to June 2015. The KCC's core functions remain to be provision of space for cultural reference, expression and industry. With the support and commitment of the Governing Council Members, the various committees, the management team and stakeholders, The Kenya Cultural Centre has continued to discharge its mandate.

Creative Cultural Activities

In the financial year 2014/15, The Kenya Cultural Centre facilitated diverse creative activities in artistic production processes comprising Rehearsals, Workshops, Dance Trainings, Auditions for Television/Film/Beauty Pageantry/Fashion and Design. Live Theatre shows, Musical Concerts, Cultural Festivals and Public Discourses on matters socio-cultural. All these has been made possible by the support of GoK through financial grant during the financial period.

Finance

The Kenya Cultural Centre raised Kshs 8.6 million in Appropriation in Aid for the year 2014/15 against Kshs 10.3 received in the previous year. The decrease was due to the closure of the Kenya National Theatre for renovations from December 2013 to the end of the financial year and beyond. Our recurrent expenditure was Kshs 31.9M therefore the end of year shows a deficit of Kshs 3.2M.

Fundraising

There is a great need to intensity Fund raising efforts in order to mobilize resources to meet all of The KCC's obligations including recurrent expenditure and capital development. Technical Management of Creative Cultural processes, Communications, Public Relations, Marketing and Resource Mobilization efforts at the Centre require urgent strengthening. In this regard, processes to bolster institutional internal capacity for effective service delivery are already in progress. During the Financial Year KCC was able to raise Kshs 1,021,040 in donations in kind for renovation of KNT and landscaping.

Appreciation

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

I specially thank the Vice chairman, Ms. Dorothy Angote-Muya for her support and her willingness to step in for me whenever the circumstances call for it.

I would like to thank the Executive Director, Mr. Aghan Odero, the Management Team and the KCC staff for their continued dedication and hard work during the year.

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

V. REPORT OF THE EXECUTIVE DIRECTOR

I am pleased for this annual opportunity to share the brief summary of the financial performance of the Kenya Cultural Centre.

Revenue

The Kenya Cultural Centre received total grant of Kshs.20, 000,000 being Current Grant. Further, KCC was able to raise A.I.A of Kshs 7,644,075 from the Centre's vehicle parking grounds, Hire of Theatre auditorium, Audition rooms, other Creative activities facilities and office rentals.

Expenses

Strict financial discipline and accountability has remained a key factor in managing the resources of The KCC. The total expenses for the year stood at Kshs. 31.9 Million being both recurrent and development expenditure.

Sponsorship

The KCC undertook the renovations of the KNT and open ground facilities comprising Cultural Centre building, National Theatre grounds and the Mugumo Courtyard creative space. The National Theatre renovation project was partially sponsored by the EABL/KBL under Kenya @ 50 Celebrations Legacy projects. The sponsorship totalled to Kshs.94, 926,527.

Performance

KCC was able to undertake programs that contributed to the development of cultural and artistic expressions during the year.

Our net operating results show a surplus of Kshs. 23.2 Million as reported on page 1 of the financial report. Our assets have grown by about 41% over last year and by on the whole we have been able to maintain a healthy balance sheet with strong asset position.

Target

We expect to engage in additional resource mobilization this year to raise additional financing to help complete renovation of National Theatre auditorium, Cultural Centre building, Mugumo creative Courtyard, Kona ya Wasanii and other creative artistic spaces. This also includes acquisition of The Kenya Cultural Centre's operational motor vehicles critical for programmatic support to achieve impactful outcome in planned cultural and artistic initiatives.

We also expect to review the Kenya Cultural Centre Act Cap 218 to align it with the 2010 Constitution besides other relevant operational policy guidelines applicable within the sector.

Human Resource Capacity-The centre operated with serious shortage of the HR capacity during the F/Y. There is need to increase the capacity to ensure proper systems are in place to implement its programmes

Conclusion

I am grateful to the Kenya Cultural Centre Governing Council (KCC-GC) for their support and good stewardship of the Centre. I also wish to thank the staff of the Kenya Cultural Centre for their dedication to their work. May the Lord in His time bless each one as only He can.

I look forward to the continued growth of the Kenya Cultural Centre as we strive to serve our clients and stakeholders in the year's ahead Thank you.

VI. CORPORATE GOVERNANCE STATEMENT

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

Governing Council

The Kenya Cultural Centre Governing Council consists of a Chairman, Eng. Patrick Obath, 11 Council members who are non-executive and one Executive Director (ED/CEO). However, during the year the council operated with a total of 9 GC members the chairman included, due to resignations without replacement. The director's profiles appear on Page v.

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

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

Responsibilities

The Governing Council meets quarterly to consider key issues pertinent to the proper running of The Kenya Cultural Centre and any matters which would have a material effect on the KCC's financial position, future strategy and reputation.

To enable the Council to function effectively and allow members of GC to discharge their responsibilities, full and timely access is given to all relevant information. In case of Governing Council meetings, this consists of regular progress reports and discussion documents regarding specific matters.

The Council delegates to the Executive Director, powers for the day-to-day management of the Centre and to assist him in fulfilling his responsibilities, the Council has constituted the following two committees namely Programmes and Finance and Administration. Other ad hoc committees are set up as and when need arises. Details of the two main committees are given below:

Programmes Committee

The Committee is chaired by a GC member Mr. Kimingichi Wabende and comprises of four other GC members who are all non-executive. In addition, the Executive Director and Programmes Coordinator fulfil attendance of the committee's deliberations.

The committee meets quarterly to review all areas of programming and programmatic activities as proposed and administered by the management.

Finance and Administration Committee

This GC committee comprises five governing council members and is chaired by Ms. Suzanne Gachukia. The Executive Director and the Head of Finance also participate in its deliberations.

The committee's responsibility is to ensure the KCC's Finance and Administration policies are in line with the best market practise. The committee meet quarterly to review the financial reports and provide guidance in administrative matters.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a Governing Council we acknowledge that we need to promote socially responsible behaviour. This will help build our reputation and strengthen relationships with customers, stakeholders and the general public. In order to achieve this, the GC focuses on building and sustaining efforts geared towards collaborations and partnerships with other industry stakeholders. Through the years, the GC has been able to partner with various institutions and will work towards enhancing its regulatory and advisory role in Cultural matters in the coming years.

We also take responsibility for ensuring that care for our environment since we have an obligation to our community, investors and customers. The GC actively encourages our staff to recognize those responsibilities and behave in a responsible manner toward the society in which we function.

We regard the setting of a good example as an important practice in this regard. Below are a few examples of how our Governing Council and staff have shown their commitment to practice responsible corporate behaviour and to establish and support initiatives in the community.

Environment

We encourage staff to work closely with companies and organizations to ensure the recycling of waste is practical for example paper, plastics etc.

VIII. REPORT OF THE GOVERNING COUNCIL

The Directors submit their report together with the audited financial statements for the year ended 30th June ,2015 which show the state of the Centre's affairs.

Principal Activities

The principal activities of the Centre continue to be development and promotion of creative cultural activities for use and enjoyment of all Kenyan citizens without discrimination or distinction whatsoever along the lines of race, creed, ethnicity, religion and status nor class among many others.

The Centre does this by providing for performance of music, drama and dances, exhibition of works of art and craft and for the holding of meetings, discussion on matters of literacy, historical, scientific or educational interest and importance.

Results

The results of the Kenya Cultural Centre for the year ended June 30, 2015 are set out on page 1

Auditors

The Auditor General is responsible for the statutory audit of the Centre.

By Order of the Governing Council

IX. STATEMENT OF GOVERNING COUNCILS' RESPONSIBILITIES

Section 84 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Governing Council to prepare financial statements in respect of the Kenya Cultural Centre, which give a true and fair view of the state of affairs of KCC at the end of the financial year/period and the operating results of the Centre for that year/period. The Governing Council Members are also required to ensure that the Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of KCC. The Governing Council is also responsible for safeguarding the assets of the Kenya Cultural Centre.

The GC is responsible for the preparation and presentation of the Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year (period) ended on June 30, 2015. 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 GC accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Governing Council is of the opinion that the Centre's financial statements give a true and fair view of the state of KCC's transactions during the financial year ended 30th June, 2015 and of the Centre's financial position as at that date. The Governing Council further confirm the completeness of the accounting records maintained for the Kenya Cultural Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

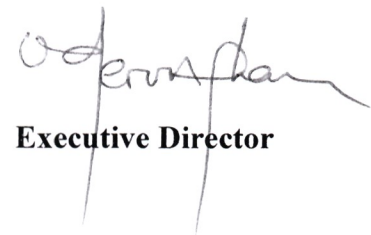
The Kenya Cultural Centre's financial statements were approved by the Governing Council on 12/09 2015 and signed on its behalf by:



Chairman



Council Member



Executive Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE KENYA CULTURAL CENTRE FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Kenya Cultural Centre set out on pages 1 to 12, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility 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.

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

The Kenya Cultural Centre – Reports and Financial Statements for the year ended 30 June 2015

In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Budget and Budgetary Control

Expenditure

A comparison between the approved budget and the actual expenditure reflected in the statement of financial performance revealed that the Kenya Cultural Centre spent in excess of the voted provision of the following sums on various expenditure heads:

Expenditure Head	Budget Kshs.	Actual Kshs.	Unfavorable Variance Kshs.	Percentage (%)
Staff Costs	8,900,000.00	15,516,559.00	(6,616,559.00)	74.34%
Printing and Stationery	170,000.00	734,851.00	(564,851.00)	332.27%
Repair and Maintenance	930,000.00	1,846,814.00	(916,814.00)	98.58%
Travel and Subsistence	624,000.00	1,122,550.00	(498,550.00)	79.90%
Donation	-	30,000.00	(30,000.00)	100%

The Centre had budgeted to spend Kshs.8,900,000.00 on staff costs but spent Kshs.15,516,559.00 resulting to over expenditure of Kshs.6,616,559.00 or by 74.34%. As previously reported in 2013/2014, where the administration costs had increased by Kshs.9,931,932.00 or by 98.61%, the statement of financial performance for the year ended 30 June 2015 shows that administration costs increased by Kshs.10,786,152.00 or 53.92% from Kshs.20,004,263.00 to Kshs.30,790,415.00. The increase was attributed to a pending payment of a court ruling that compelled the Centre to pay salary arrears to staff.

2. Property, Plant and Equipment

The statement of financial position as at 30 June 2015 reflects property, plant and equipment balance of Kshs.296,820,914.00. Included in the figure of Kshs.296,820,914.00 are freehold land, buildings and civil works valued at Kshs.120,000,000.00, Kshs.80,000,000.00 and Kshs.96,436,326.50 respectively whose ownership documents and completion certificate for the civil works were not provided for audit review.

In the circumstances, it has not been possible to confirm the ownership of land, buildings and civil works worth Kshs.296,436,326.50 as at 30 June 2015.

3. Undetermined Rent Arrears

As previously reported, the Cultural Centre signed a lease agreement with the then East African Conservatoire of Music now Kenya Conservatoire of Music on 14 December 1961 to occupy a whole wing of the building. The lease agreement required the lessee to pay two hundred and sixteen (216) monthly installments of Kshs.1,150.00 commencing on the first day of October 1960. However, the lessee did not pay rent amounting to Kshs.248,400.00 from October 1960 to October 1978, a period of 216 months (18 years) as agreed.

Further, the outstanding amount of Kshs.248,400.00 rent not paid up to October 1978, excludes an undetermined amount of rent arrears up to 30 June 2015 for which no lease agreement was provided for audit review. In addition, no action appears to have been taken on our previous report to review the lease agreement with the Kenya Conservatoire of Music. In the circumstances, it has not been possible to confirm the accuracy and completeness of the receivables balance of Kshs.6,370,958.00 reflected in Note (8) to the financial statements.

Consequently, the accuracy of debtors and receivables balance of Kshs.7,780,854.00 as at 30 June 2015 could not be ascertained.

4. Trade and Other Payables

(i) Unexplained Increase in Trade and Other Payables

The statement of financial position as at 30 June 2015 reflects trade and other payables balance of Kshs.73,376,943.40 which increased by Kshs.4,534,266.40 or 6.59% from Kshs.68,842,677.00 reported in 2013/2014. No satisfactory explanation has been provided for the increase.

(ii) Pending Bills

The Kenya Cultural Centre had pending bills totalling Kshs.73,376,943.40 out of which Kshs.7,194,045.40 relates to 2014/2015 which were not settled during the year while the Kshs.66,182,898.00 has been outstanding since 2013/2014. The defunct City Council of Nairobi was owed Kshs.63,184,432.00.

However, documents to support the amount of Kshs.63,184,432.00 were not availed for audit review.

5. Receivables

The statement of financial position as at 30 June 2015 reflects trade and other receivables balance of Kshs.7,780,854.00 which increased by Kshs.420,428.00 or 5.71% from Kshs.7,360,426.00 reported in 2013/2014. In addition, debts totalling Kshs.7,770,854.40 have remained uncollected for over two (2) years. The failure to collect the debts inherited from the former management has been attributed to scanty documentation to support the same. However circularization of debtors has not been done to establish their validity.

Qualified Opinion

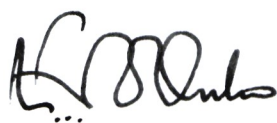
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of The Kenya Cultural Centre as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with The Kenya Cultural Centre Act of 20 March 1951.

Other Matter

I draw your attention to the following matters:

- (i) The audit revealed that the Cultural Centre does not have proper systems and structures necessary for running the Centre including internal audit, audit committee, Information Technology (IT) policy for management and control of IT functions and assure on data integrity.
- (ii) The Centre also operated with acute shortage of the Human Resource capacity during the year which contradicts the huge increase in staff costs.

My opinion is not qualified in respect to the above matters.



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

Nairobi

07 March 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

		Jun-15	Jun-14
	NOTES	KSHS	KSHS
INCOME			
Sales	3	7,644,075	8,444,555.00
GoK Grant	3	20,000,000	33,513,434
Other Income	3	1,021,040	1,888,778
Total Income		28,665,115	43,846,767
EXPENDITURE			
Administration costs	4	27,407,746	18,753,256
Governing Council Expenses	5	3,820,865	1,251,008
Depreciation	6	697,798	622,309
Total Expenditure		31,926,409	20,626,573
Surplus(Deficit) for the Year		(3,261,294)	23,220,194.0

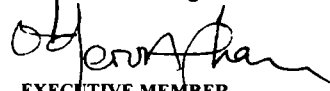
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	NOTES	Jun-15	Jun-14
ASSETS			
		KSHS	KSHS
Non-Current Assets			
Property and Equipment	6	296,820,914	203,535,867
Current Assets			
Debtors/Receivables	8	7,780,854	7,360,425
prepayments	9	5,861,016	-
Cash and Bank Balances	7	<u>22,098,492</u>	<u>24,414,157</u>
		<u>35,740,362</u>	<u>31,774,582</u>
TOTAL ASSETS		<u>332,561,276</u>	<u>235,310,450</u>
EQUITY AND LIABILITIES			
Revaluation Reserve		(744,182)	2,517,112
Retained Earnings		165,001,987	163,950,661
Capital Fund		<u>94,926,527</u>	
		<u>259,184,332</u>	<u>166,467,773</u>
Current Liabilities			
Payables	10	73,376,943	68,842,677
Accruals			
TOTAL EQUITY AND LIABILITIES		<u>332,561,276</u>	<u>235,310,450</u>

The financial statements were approved by the governing council on 12/09/2015 and signed on its behalf by


CHAIRMAN


COUNCIL MEMBER


EXECUTIVE MEMBER

STATEMENT OF CHANGES IN FUNDS & RESERVES FOR THE YEAR ENDED 30 JUNE 2015				
	Revaluation Reserve KSHS	Retained Earnings KSHS	Capital Fund KSHS	Total KSHS
Bal b/d 01.07.14	2,517,112	164,382,412		166,899,524
Surplus for the year	(3,261,294)			(3,261,294)
PPA retained earnings		619,575		619,575
EABL Sponsorship(Refurshibment of Theater)			94,926,527	94,926,527
At 30th June, 2015	(744,182)	165,001,987	94,926,527	259,184,332

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Jun-15	Jun-14
Notes	KSHS	KSHS
CASHFLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) for the year	(3,261,294)	23,220,194
Adjustments for:-		
Annual Depreciation	6 697,798	-
Prior Year Adjustment		-
Surplus before working capital changes	(2,563,496)	23,220,194
Increase/decrease in Stocks		-
Increase/decrease in Receivables	410,428	-
increase/decrease in prepayments	(5,861,016)	-
Decrease/increase in Payables	4,534,267	-
Net cash flows from operating activities	(3,479,818)	23,220,194
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	2,624,799	(2,670,342)
Net cash flows after investing activities	(855,019)	20,549,852
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cashflow after Financing Activities	(855,019)	20,549,852
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents at beginning of the period	22,953,511	2,403,658
Cash and Cash Equivalents at end of the period	22,098,492	22,953,511

xv. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						Performance Difference
	ORIGINAL BUDGET 2014-2015	ADJUSTMENTS 2014-2015	FINAL BUDGET 2014-2015	ACTUAL ON COMPARABLE BASIS 2014-2015		
REVENUE						
Recurrent government grants and subsidies	20,000,000.00		20,000,000.00	20,000,000.00		20,000,000.00
Development government grants and subsidies						
Sale of services and other income	9,795,000.00	4,622,970.00	5,172,030.00	8,665,115.00		(3,493,085.00)
TOTAL INCOME	29,795,000.00	4,622,970.00	25,172,030.00	28,665,115.00		(3,493,085.00)
EXPENSES						
Administration costs	29,795,000.00	4,622,970.00	25,172,030.00	31,228,610.80		(6,056,580.80)
TOTAL EXPENDITURE	29,795,000.00	4,622,970.00	25,172,030.00	31,228,610.80		(6,056,580.80)

1. Statement of compliance and basis of preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Centre.

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

2. Summary of significant accounting policies

a. Revenue recognition

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

Revenue from the sale of goods and services is recognised in the year in which the Centre delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Grants from National Government are recognised in the year in which the Centre actually receives such grants.

Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.

Rental income is recognised in the income statement as it accrues using the effective lease agreements.

Other income is recognised as it accrues.

b. In-kind contributions

In-kind contributions are donations that are made to the Centre 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 Centre includes such value in the statement

of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c. Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

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

d. Depreciation and impairment of property, plant and equipment

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

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

Buildings and civil works	25 years or the unexpired lease period
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e. Intangible assets

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

f. Amortisation and impairment of intangible assets

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

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

g. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the Centre, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h. Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the Centre are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

i. Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j. Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k. Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

m. Trade and other receivables

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

n. Taxation

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

o. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p. Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption and are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

q. Trade and other payables

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

r. Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

s. Provision for staff leave pay

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

t. Exchange rate differences

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

u. Comparative figures

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

v. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

	Jun-15	Jun-14
	KSHS	KSHS
3 SALES		
Parking fees	6,151,115.00	3,349,345.60
Rental income	998,000.00	995,000.00
Theatre Hiring	494,960.00	4,100,209.00
	<u>7,644,075.00</u>	<u>8,444,554.60</u>
3 GOK GRANTS		
Recurrent grant	20,000,000.00	13,513,434.00
Development grant		20,000,000.00
Total	<u>20,000,000.00</u>	<u>33,513,434.00</u>
3 OTHER INCOME		
Other income Donations	513,900.00	1,888,778.00
In-Kind Donations	507,140.00	
Total	<u>1,021,040.00</u>	<u>1,888,778.00</u>
TOTAL INCOME	<u>28,665,115.00</u>	<u>43,846,766.60</u>
4 ADMINISTRATION COSTS		
Staff costs	15,516,559.00	6,178,662.00
Water and electricity	920,831.00	649,149.00
Newspapers and periodicals	50,175.00	54,914.00
Telephone, Internet and postage	307,902.00	184,100.00
Cleaning	297,214.00	260,569.00
Printing and stationery	734,851.00	818,714.00
Security	3,579,006.80	1,239,900.00
Bank charges	50,239.00	42,435.00
Professional fees	475,210.00	110,000.00
Repair and maintenance	1,846,814.00	1,450,888.00
Travel and subsistence	1,122,550.00	688,837.00
Donation	30,000.00	25,000.00
Programmes	2,476,394.00	7,050,088.00
Total	<u>27,407,745.80</u>	<u>18,753,256.00</u>
5 Governing council expenses		
Governing council allowances	3,397,790.00	1,250,000.00
Governing council expenses	423,075.00	1,008.00
Total	<u>3,820,865.00</u>	<u>1,251,008.00</u>
7 CASH AND CASH EQUIVALENTS		
Cash and Bank Balances		
Cash in hand	33,443.00	11,607.00
Cash at Bank	22,065,049.00	24,402,550.00
Total	<u>22,098,492.00</u>	<u>24,414,157.00</u>
8 DEBTORS & RECEIVABLES		
Receivables	6,370,958.00	6,026,730.40
Bins Nairobi Services Deposit	5,000.00	5,000.00
Total KPLC Deposits	5,000.00	5,000.00
Total Salary Advance	79,700.00	13,500.00
Contingency: Francis Luchiri	1,320,196.00	1,320,196.00
Total	<u>7,780,854.00</u>	<u>7,370,426.40</u>
9 PREPAYMENT		
Racon development services	5,861,016.00	-
10 PAYABLES AND ACCRUALS		
Trade payables	73,376,943.40	68,842,676.70
Accrued expenses	-	-
Other payables	-	-
Total	<u>73,376,943.40</u>	<u>68,842,676.70</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

6. PROPERTY, PLANT & EQUIPMENT SCHEDULE

	Freehold Land	Building & Civil Work	Electronic Data Processing Equipment	Furniture & Fittings	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST VALUATION					
Balance as at 1st July, 2014	120,000,000.00	80,000,000.00	425,149.00	3,106,967.00	203,535,867.00
Additions	-	1,509,799.50	242,900.00	876,386.40	2,629,085.90
Eabi refurbishment		94,926,527.00			94,926,527.00
At 30th June 2015	120,000,000.00	176,436,326.50	668,049.00	3,983,353.40	301,091,479.90
ACCUMULATED DEPRECIATION					
			0.30	0.125	
As at 1st July, 2014	0.00	0.00	439,891.00	3,128,590.00	3,568,481.00
Charge for the year	0.00	0.00	200,414.70	497,919.18	698,333.88
As at 30th June 2015	0.00	0.00	640,305.70	3,626,509.18	4,266,814.88
NET BOOK VALUE					
As at 30th June 2015	120,000,000.00	176,436,326.50	27,743.30	356,844.23	296,820,914.0

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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


Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Focal Person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be Resolved)
1. Administration Costs	The statement of financial performance for the year ended 30 June 2014 reflects administration costs totaling Ksh.20, 00, 263 which increased by Ksh.9, 931, 932 or 98.61% from Ksh.10, 769, 693.00 reflected in 2012/2013. No satisfactory explanation has been provided for the huge increase.	The increase was attributed to: 1. To court award arising from un implemented Collective Bargaining Agreement (CBA) by the Industrial Relations Court of Kenya. 2. Outstanding gratuity to the Centre's Staff employed on specified contractual terms.	1. Mr.Aghan Odero Agan C.E.O/Executive Director	Not resolve because of budgetary constrain	Financial year 2016/17
2. Unexplained decline in	The Statement of financial performance for the year ended	Decreased sales were due to complete	Mr. Aghan Odero Agan	Resolved	End of Financial Year 2016/17

	30 June 2014 reflects sales revenue totaling Ksh.8, 444, 555.00 which decreased by Ksh.2325138.00 or 21.59% from Ksh.10, 769, 693.00 reflected in 2012/2013. No satisfactory explanation has been provided for the decreased sales.	closure of the Kenya National Theatre Building for complete Refurbishment. The facility is the Centre's primary revenue stream earner. This curtailed continued Sales of core services of rental and hire nature.	(CEO/Executive Director)		
3. Property, Plant and Equipment	The Statement of financial position as at 30 June 2014 reflects property, plant and equipment balance of Ksh.203, 535, 867.00. Included in the figure of Ksh.203, 535, 867.00 are freehold land and buildings valued at Ksh.120, 000, 000.00 and Ksh.80, 000, 000.00 respectively whose ownership documents were not provided for audit review. In the circumstances, it has not been possible to confirm the ownership of land and buildings worth Ksh.200, 000, 000.00 as at 30 June 2014.	Ownership confirmed to be The Kenya Cultural Centre via a newly issued ownership document in form of Land Title Deed issued by The Ministry of Lands and presented to the Centre personally by HE The President of Republic	Mr. Aghan Odera Agan (CEO/Executive Director)	Resolved and presented to the auditor financial year 2014/15	September 04, 2015
4. Undetermined Rent Arrears	The Cultural Centre signed a lease agreement with the then East African Conservatoire of Music now Kenya Conservatoire of Music on 14 December 1961 to occupy a whole wing of the	The Centre's Governing Council and Management have instituted dialogue with the Kenya Conservatoire	1. Chair Governing Council (yet to be appointed) 2. Mr. Aghan Odera Agan	Not Resolved	End of 2016/17 Financial Year.

	<p>building. The lease agreement required the lessee to pay two hundred and sixteen (216) monthly installments of Ksh.1, 150. 00 commencing on the first day of October 1960. However, then lessee did not pay rent amounting to Ksh.248, 400.00 from October 1960 to October 1978, a period of 216 months (18 years) as agreed.</p> <p>Further, the outstanding amount of Ksh.248, 400.00 rent not paid up to October 1978, excludes an undetermined amount of rent arrears up to 30 June 2014 for which no lease agreement was provided for audit review.</p> <p>In the circumstances, it has not been possible to confirm the accuracy and completeness of the receivables balance of Ksh.6, 026, 730.40 reflected in Note (8) of the financial statements and included in the trade and other receivables balance of Ksh.7, 370, 426.40 as at 30 June 2014.</p>	<p>of Music and through examination of historical records to ascertain Legal Status and Outstanding Obligations of the Tenancy so far with Kenya Conservatoire of Music.</p>	<p>(CEO/Executive Director)</p>		
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Guidance Notes:

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



Executive Director



Chairman of the Governing Council

Date.....12/09/2015

Date.....12/09/2015