

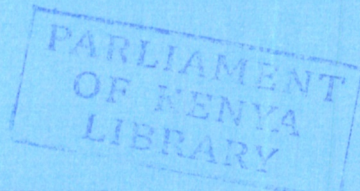
REPUBLIC OF KENYA



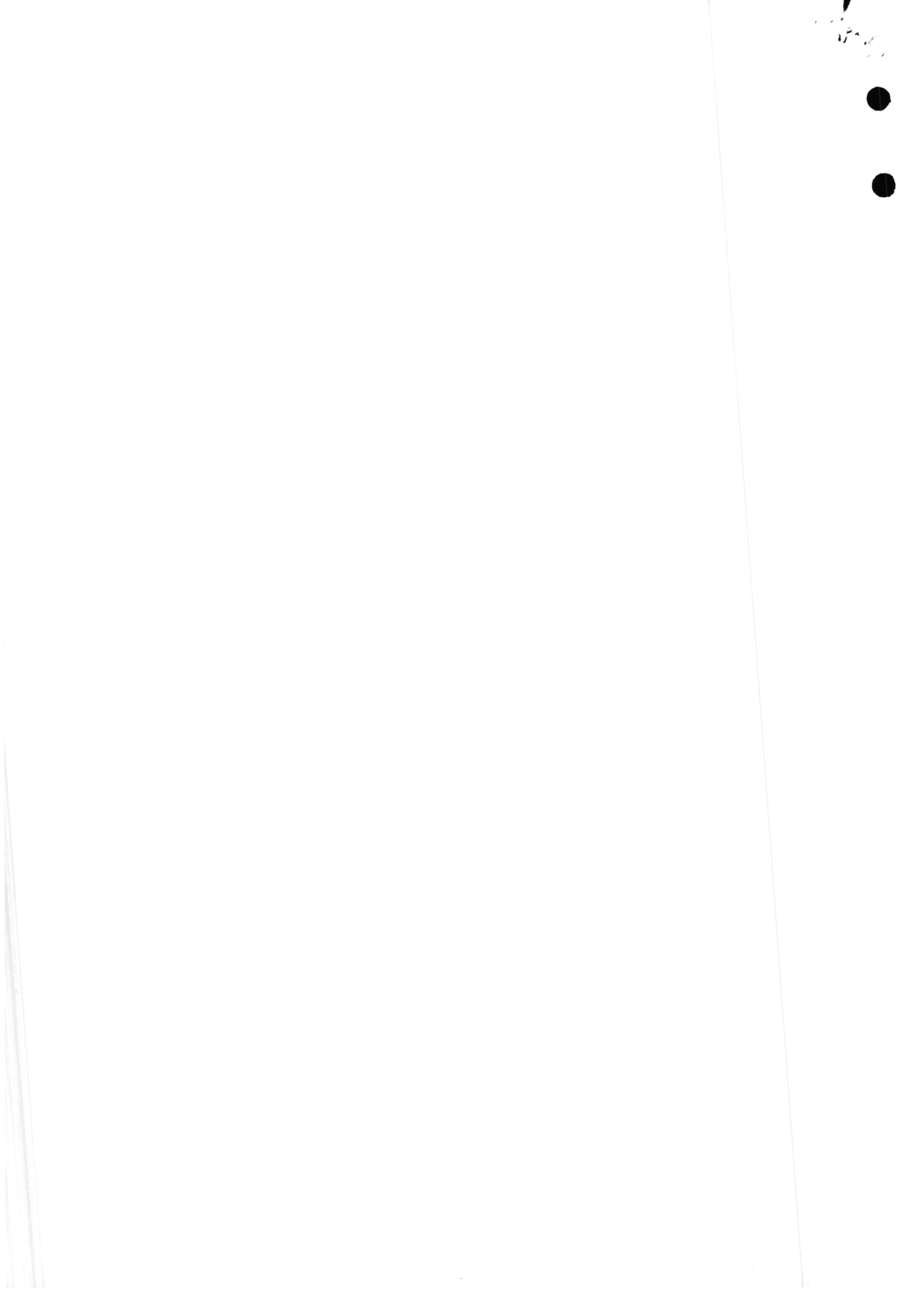
OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 31 JUL 2019	DAY: Wednesday
TABLED BY: Hon Benjamin Wanjau (Majority Whip)	OF
CLASS OF PAPER: Hon Benjamin Wanjau	THE AUDITOR-GENERAL



REPORT
ON
THE FINANCIAL STATEMENTS OF
SPORTS KENYA
FOR THE YEAR ENDED
30 JUNE 2018



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

REGISTRY

24 MAY 2019

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SPORTS KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

**Sports Kenya
Reports and Financial Statements
For the year ended June 30, 2018**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Sports Kenya is a body corporate established under the Sports Act No. 25 of 2013.

(b) Sports Kenya Mandate

The mandate of Sports Kenya as stipulated in the Sports Act 2013 is as follows: -

a.) Promote, coordinate and implement grassroots, national and international sports programs for Kenyans, in liaison with the relevant sports organizations and facilitate the active participation of Kenyans in regional, continental and international sports, including in sports administration;

b.) Manage and maintain the sports facilities specified in the First Schedule and any other facilities which the Cabinet Secretary may, by notice in the Gazette, declare to be sports facilities for the purpose of this Act;

c.) Establish, manage, develop, plan and maintain the sports facilities, including convention centres, indoor sporting and recreational facilities for the purpose of this Act;

d.) Adopt, develop, plan, set stadia standards and license and regularly inspect stadia for sporting and recreational use;

e.) Establish and maintain a sports museum;

f.) Participate in the promotion of sports tourism;

g.) Provide the necessary amenities or facilities for persons using the services or facilities provided by Sports Kenya;

h.) Operate sports facilities on public grounds in such a manner as it may deem necessary;

i.) Collaborate with county governments, learning institutions and other stakeholders concerned with sports and recreation, in the search, identification and development of sporting talent, provision of sports equipment, facilities and technical training,

j.) Identify and recommend talents in sports to national sports organizations;

k.) Inculcate the sense of patriotism and national pride through sports and recreation, create awareness on matters of national interest through sporting events, create awareness on the benefits of regular participation in sports for healthy living and provide advisory and counselling services to athletes;

l.) Determine the national colours to be used in national and international competitions, in consultation with the relevant national sports organisations;

m.) Facilitate the preparation and participation of Kenyan teams in various international events and the hosting of similar events in the country and recommend members of steering committees for international sports competitions, in consultation with the relevant national sports organizations;

Sports Kenya
Reports and Financial Statements
For the year ended June 30, 2018

- n.) Recommend to the relevant authorities' issuance of work permits and visas to foreign athletes and technical sports personnel, in consultation with the relevant national sports organization;
- o.) Approve, at the request of the respective national sports organization, the clearance of foreign sports technical personnel before engagement by national sports organization and other sporting bodies;
- p.) Organize and coordinate training, conduct research, maintain a resource centre and provide and engage consultancy services for sports development programmes, in consultation with the respective national sports organizations
- q) With the approval of the Cabinet Secretary, prescribe; -
- i. access to, or use of any of the resources or facilities of Sports Kenya;
 - ii. the provision of programs, services, information or advice by Sports Kenya; and
 - iii. the admission of persons to events and activities organized by Sports Kenya:
- r.) Recommend, in liaison with the relevant sports organization, tax exemption for sportspersons; and
- s.) Performs such other functions related to the implementation of this Act as may be directed by the Cabinet Secretary.

(c) Key Management

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

- i. Acting Director General – Saima Ondimu
- ii. Deputy Director Technical Services - Gabriel Komora
- iii. Ag. Deputy Director Corporate Services –Julius Mbii
- iv. Ag. Assistant Director Property Services – Alex Kataka
- v. Ag. Assistant Director Finance – Loise Nderi
- vi. Assistant Director Human Resource - Munase Mulama

(d) Fiduciary Responsibility is charged to the following board members: -

Mr. Fred Muteti	Chairman, Sports Kenya
Ms Saima Ondimu	Ag Director General/Board Secretary
Mr. Chacha Mwita	Rep.PS Ministry of Education
Mrs Margret Muiru	Rep. PS National Treasury
Mr. Samuel Kaumba	Rep. Office of the Attorney General Board Member/Chairman Technical, Development and Safety Committee
Mr. Gordon Oluoch	Ag CEO, Sports Academy
Mr. Luke Luseno	Ag. Secretary, Office of the Sports Disputes Tribunal
Mr. Mark Wambugu	Ag. CEO, National Sports Fund
Mr. James Wang'ombe	Rep. Inspector General (State Corporations) Office of the Deputy President.

(e) Fiduciary Oversight Arrangements

These are subcommittees that provide a high-level description of the key fiduciary oversight arrangements covering: -

- i. Corporate Services Committee
- ii. Sports facilities and Infrastructure Committee
- iii. Business Development, Resource Mobilizations and Sports Programmes Committee
- iv. Audit Committee
- v. Full Board Committee

I) Sports Kenya Headquarters

P.O. Box, Private Bag
Kasarani,
Thika Road,
Nairobi, KENYA

II) Entity Contacts

Telephone: (020) 2390500/2390501
E-mail: info@stadiumskenya.co.ke
Website: www.stadiumskenya.co.ke

III) Entity Bankers

1. Standard Chartered Bank,
Ruaraka
P.O. Box 60000
City Square 00200
Nairobi, Kenya

IV) Independent Auditors

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



V) Principal Legal Adviser

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




II. THE BOARD OF DIRECTORS

S/N	Director passport Size photo & Name	Date of Birth, Key Professional/Academic Qualifications, Work Experience
1	<p>Mr. Fred Muteti</p> 	<p>Chairman Sports Kenya Board</p> <p>D.O.B 1976</p> <p>University Graduate</p>
2	<p>Ms. Saima Ondimu,SS</p> 	<p>Sports Kenya Board</p> <p>Designation: Acting Director General from 13th May, 2017.</p> <p>D.O.B –</p> <p>Qualification: Master’s Degree in International Hospitality Management & Tourism from StrathClyde University(UK) and Postgraduate Diploma in Diplomacy & International Relations from University of Nairobi</p> <p>Experience: Over 32 Years’ experience in Public Services in different capacities as an administrator and a career diplomat. She has previously also worked as a Senior Deputy Secretary at the Ministry of Sports, Culture & the Arts.</p>
3	<p>Mr. Gordon Oluoch MBS, HSC</p> 	<p>Ag CEO, Kenya Academy of Sports</p> <p>Qualification: Bachelor of Education (PE and Sports) MBA (Ongoing)</p> <p>Experience: Over 30 Years’ experience in Public Services and Sports</p>
4	<p>Mr. Mark Wambugu</p> 	<p>D.O.B</p> <p>Designation: Ag CEO, National Sports Fund</p> <p>Qualification: CPA (K), CPS (K),Bcom, MBA Board Member</p> <p>Experience: Vast experience in financial analysis and management</p>

**Sports Kenya
Reports and Financial Statements
For the year ended June 30, 2018**

5	Mr Samuel Kaumba	<p>Board Member Rep. Office of the Attorney General</p> <p>D.O.B Designation:</p> <p>Qualification: Board Member Experience:</p>
6	<p>Mr Chacha Mwita</p> 	<p>Board Member Rep. PS, Ministry of Education D.O.B 1964 Designation: Director Education Qualification: Masters in Education Experience: 29 years in Public Sector</p>
7	Kassim M. Farrah	<p>Board Member Rep. PS Ministry of Sports and Heritage</p> <p>D.O.B</p> <p>Designation: Qualification:</p>
8	<p>Mr. Luke Luseno</p> 	<p>Sports Kenya Board Member</p> <p>Designation: Ag. Secretary, Office of the Sports Disputes Tribunal</p> <p>D.O.B</p> <p>Experience: Over 21 years' experience in public service</p>

III. MANAGEMENT TEAM

S/NO	Passport size photo & Name	Key Professional/Academic Qualifications, Main area of Responsibility
	<p>Ms. Saima Ondimu, SS</p> 	<p>Sports Kenya Board Designation: Acting Director General from 13th May, 2017. D.O.B -</p> <p>Qualification: Master's Degree in International Hospitality Management & Tourism from StrathClyde University (UK) and Postgraduate Diploma in Diplomacy & International Relations from University of Nairobi</p> <p>Experience: Over 32 Years' experience in Public Services in different capacities as an administrator and a career diplomat. She has previously also worked as a Senior Deputy Secretary at the Ministry of Sports, Culture & the Arts.</p>
	<p>Mr. Gabriel Komora</p> 	<p>Qualifications: MBA, Corporate Management</p> <p>Designation: Deputy Director Technical Services</p> <p>Responsibility; Responsible to the Board to Formulate policies regarding utilization of the Board's facilities; Ensure that the Board's facilities are well maintained; Formulate policies for technical maintenance of mechanical and electrical works;</p> <p>Experience: 24 years in Public Service of which 5 years as CEO SSMB Board</p>
	<p>Mr. Munase Mulama</p> 	<p>Qualifications: M.A. HRM -Madurai Kamraj University, B.A Public Administration and Political Science.</p> <p>Designation: Deputy Director Human Resource & Administration</p> <p>Responsibility; Responsible to the Board to formulate Human Resources Policies and Procedures relevant to Recruitment, Remuneration, Development and Retention of Employees; Formulate Policies on Employees Relations, Reward Systems, Welfare, and Administrative Support</p> <p>Experience: 27 years in Public Service of which 7 years as Assistant Director HRA in SSMB</p>

**Sports Kenya
Reports and Financial Statements
For the year ended June 30, 2018**

Mr. Julius Mbii



Qualifications: MBA - University of Nairobi, Diploma in Business Management, B.Sc.

Designation: Ag. Deputy Director Corporate Services.

Responsibility; Responsible to the Board to formulate policies, procedures for Marketing all the Boards facilities; Develop and implement short- and long-range goals, objectives, policies, and operating procedures of the division; Develop and identifying new revenue generation opportunities for the Board

Experience: 19 years in Public Service of which 9years as Assistant Director at Sports Kenya

IV. CHAIRMAN'S STATEMENT

It is with pleasure that we represent the financial results for Sports Kenya for the year ended 30th June 2018. The year's performance has been impressive despite challenges encountered within the year.

Highlights

Sports Kenya received support from the Government of Kenya for infrastructure upgrade in readiness for the World under 18 Championships which were held in Kasarani Stadium between 12th – 17th July 2017. The upgrade has placed Sports Kenya facilities in a strategic position to attract other international championships in the future.

The rehabilitation and upgrade of seven (7) regional stadia (**Karatu -Kiambu, Makueni, Kamariny - Elgeyo – Marakwet, Kipchoge Keino - Uasin – Gishu, Ruringu -Nyeri, Marsabit and Chuka**) to international standards is also on-going. Other Stadia under renovation include Nyayo National Stadium, Kinoru in Meru County and Phase 2 of Kipchoge Keino in Uasin Gishu County. These are priority projects within the Jubilee Government Manifesto. The progress of completion of the stadiums has however been hampered by under-funding and slow release of funds from The National Treasury leading to stalling of most of the projects. The Government has however, intervened in this matter and is in the process of establishing the Sports, Arts and Social Development Fund which is expected to fund sports infrastructure projects.

Operating Environment

During the year under review, key facilities mainly the Main Stadium and the Hotel within the Moi International Sports Complex were closed down for renovation works in preparation for the World Under 18 championships that was hosted in Kasarani Stadium between 12th – 17th July 2017.

The event was closely followed by the proposed hosting of the 2018 African Nations Championships (CHAN), which required that other facilities including Nyayo National Stadium be closed down for upgrade. The closures put an enormous strain on cash flows for the organization. However, it is expected that once the upgrade is complete and facilities are re-opened, the organization will be able to increase the revenue generation opportunities and the issue of negative cash flows will be resolved.

The Board is pleased to present the financial statements which reflect the challenges and opportunities mentioned above. I am optimistic that the commitment of the Government of Kenya in by strengthening the funding mechanisms for sports infrastructure, Sports Kenya is poised for a brighter future through emerging opportunities that will be occasioned by the upgrades.

**Mr. Fred Muteti
B.O.D Chairman,
Sports Kenya.**



V. REPORT OF THE DIRECTOR GENERAL

FINANCIAL RESULTS

Revenue

Sports Kenya revenue from exchange transaction decreased from **Ksh243,781,272** to **Ksh94,179,916** from the previous year. This was attributed to closure of facilities in both Moi International Stadium Center Kasarani and Nyayo National Stadium for renovations

Rental income decreased from the previous year due to closure of commercial entities at Nyayo National Stadium which was under renovations.

The board is however putting measures to ensure aggressive rent collections at Kasarani Estate through evictions of rent defaulters and rent income is expected to increase in the subsequent years

On sponsorship and partnerships, Sports Kenya is continuing to pursue strategic partners so as to position herself as a strategic partner with the corporate world once the renovations are complete.

Sports Kenya and the Kenya Golf Union are pursuing the development of an 18- hole Golf Course. This will be a public Golf course making the sport popular and widely played. Other prospective partners include Safari Rally and Tennis Federations.

Debt Collection has remained a challenge with major federations owing Sports Kenya huge amounts of money. Sports Kenya is putting in measures including strict adherence to credit policies and partnership with other stakeholders for debt recovery in order to reduce the debt level.

Expenditure

Despite Prudent financial management practices being applied Sports Kenya continues to face challenges in effectively carrying out its mandate. Having assumed the added responsibility of undertaking sports programs at the grassroots, national and international level as specified in Sports Act 2013, the responsibility comes with increases resource requirements. As such, Sports Kenya will seek to expand its resource mobilization framework, including negotiating for a bigger budgetary allocation from treasury.

Operational areas where Sports Kenya experienced high levels of expenditures included wages, water, electricity, security and cleaning services.

Service Delivery

Service delivery innovations realized which is customer focused include pay bill numbers for all our cash collection points. Social media platforms are also available for marketing and awareness creation.

Future Outlook

Sports Kenya will endeavour to ensure effectiveness in contributing towards national aspirations under the Kenya Vision 2030(KV2030) and the Big 4 Agenda, which have provided for sports primarily in its social pillar and secondarily in its economic pillar.

In line with Kenya's Vision 2030, Sports Kenya will pursue completion and equipping of the seven regional stadia.

Other areas of future focus will include provision of adequate sports and recreational facilities, Mass sports, Competitive sports, Traditional sports, and promotion of Sports Tourism.



Mr Julius Mbii
Ag. Director General,
Sports Kenya.

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

Sports Kenya is established by the Sports Act No. 25 of 2013 as a successor to the Sports Stadia Management Board (SSMB). Sports Kenya embraces all the principles of governance as enunciated under the Constitution of Kenya, 2010, the State Corporations Act, Cap 446 as well as Mwongozo. These principles include integrity, accountability, transparency and good governance.

Sports Kenya just like all other state corporations, is governed by a Board of Directors whose responsibility is to manage, control and administer the assets of Sports Kenya in such manner and for such purposes as best promotes the purposes for which Sports Kenya is established among other roles envisaged in the Sports Act. The Sports Kenya Board of Directors through its committees oversee the corporate governance of the organisation, advises management in developing financial plans, determines the strategic direction of the corporation, goals and objectives as well as evaluation of the management's performance in pursuing and achieving the set goals.

Composition of the Board of Directors

The current Board of Sports Kenya is made up of thirteen members as provided by the Sports Act and during the period of review, it was properly constituted at all times. The membership of the Board as provided by the Sports Act is as follows;

- a. A non-executive chairperson, appointed by the President
- b. The Principal Secretary, Ministry of Sports, Culture and the Arts
- c. The Principal Secretary, Finance
- d. The Attorney General
- e. The Principal Secretary, Education
- f. The Chief Executive Officer, Academy of Sports
- g. The Chief Executive Officer, National Sports Fund
- h. The Secretary, Sports Disputes Tribunal
- i. Four nominees of Sports Organisations/Federations appointed by the Cabinet Secretary, Ministry of Sports, Culture and the Arts
- j. The Director General, Sports Kenya who is a secretary to the Board.

Statement of Policy on Corporate Governance

Sports Kenya adheres to and has adopted the required standards of governance and applies the best corporate practice rules. It is guided by the following principles;

- a. Ensure that systems are established to ensure equality of all users of public services is achieved;
- b. Ensure impartiality and fairness in the process of delivery of public services;
- c. Ensure promotion of National Cohesion and National Values;
- d. Ensure continuity of the institution under all circumstances;
- e. Establish systems to enable innovativeness and adaptability of institution to the needs of users;
- f. Ensure professionalism and ethics in the institution is achieved and maintained;
- g. Establish systems to ensuring promotion and protection of rights of users of public services and public servants as enshrined in the Bill of Rights;
- h. Institutionalizing a culture of accountability, integrity, transparency and promote values and principles of the public service;
- i. Ensure a corruption free institution
- j. Ensuring effective, efficient and responsible use of public resources, and
- k. Ensuring responsiveness by public servants in delivery of public services.

Role and Functions of the Board

- a. To manage, control and administer the assets of Sports Kenya
- b. To receive any gifts, grants, donations or endowments on behalf of Sports Kenya
- c. Set the strategic plan outlining the organisation's vision, mission, purpose and core values.
- d. Set and approve policy decisions of the organisation
- e. Approve the procurement plan of the organisation
- f. Approve the annual budget and final accounts of the organisation
- g. Approve the organisational structure
- h. Enhance the corporate image of the organisation
- i. Competitively recruit the Director General of the organisation and approve the recruitment of senior staff of the organisation
- j. Monitor the organisation's performance and ensure sustainability
- k. Approve the opening of accounts for the funds of Sports Kenya

Fiduciary Oversight Arrangements

Sports Kenya Board has a functional organisational structure that has been responsible for the dynamic growth and progress made during the period under review. The Board operates through four Committees responsible for deliberations and recommendations on various issues which are then forwarded to the full Board for adoption. The Committees in consultation with management prepare Board papers for discussion and adoption by the full Board of Directors whenever they meet. The Committees of the Board are:

- i. Corporate Services Committee
- ii. Sports facilities and Infrastructure Committee
- iii. Business Development, Resource Mobilizations and Sports Programmes Committee
- iv. Audit Committee

Board Committee Meetings Held in the Year

The Sports Kenya Board was properly constituted during the period in review and met regularly and achieved the threshold of number of meetings as required under the State Corporations Act, Cap 446 Laws of Kenya.

End of Term

During the year under review some of the board members term came to an end and have not been replaced to date.

Summary of Board Evaluation

The Board evaluation was undertaken during the period of review but SCAC have not released the results.

Conflict of Interest

Sports Kenya has opened a Conflict of Interest Register for its Board as required by Mwongozo and by the Code of Ethics established pursuant to the Leadership and Integrity Act. Similarly, in all its meetings, declaration of interest forms part of the agenda of the meetings and Board members and staff alike are required to disclose any potential conflict of interest at the start of the meeting.

Induction and Training

A few members of the Board attended the Mwongozo induction training conducted by SCAC in February, 2016.

Whistle Blowing Policy

Sports Kenya has a whistle Blowing Policy as required under the law. This is also in tandem with a draft Anti – Corruption Policy of the Organisation. The Policy highlights that all information received by the Board touching on corruption or crimes committed by Board members, employees and associates of Sports Kenya shall be treated as highly confidential and shall not be disclosed without the consent of the whistle blower.

Performance Appraisal of the Board

Sports Kenya did perform once appraisal of the Board’s performance in the year under review and is awaiting feedback on the results from SCAC.

VII. REPORT OF THE DIRECTORS

The Directors have the pleasure to submit this annual report with the Un-audited financial statements for the year ended 30th June 2018 which shows the state of Sports Kenya's affairs.

Principal activities

The principal activity of the Board is to manage all Government-owned sports facilities effectively and efficiently, and to institute sports programs at the grassroots, national and international levels for Kenyans.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 16.

Directors

The members of the Board of Directors who served during the year are shown on pages 4 to 5.

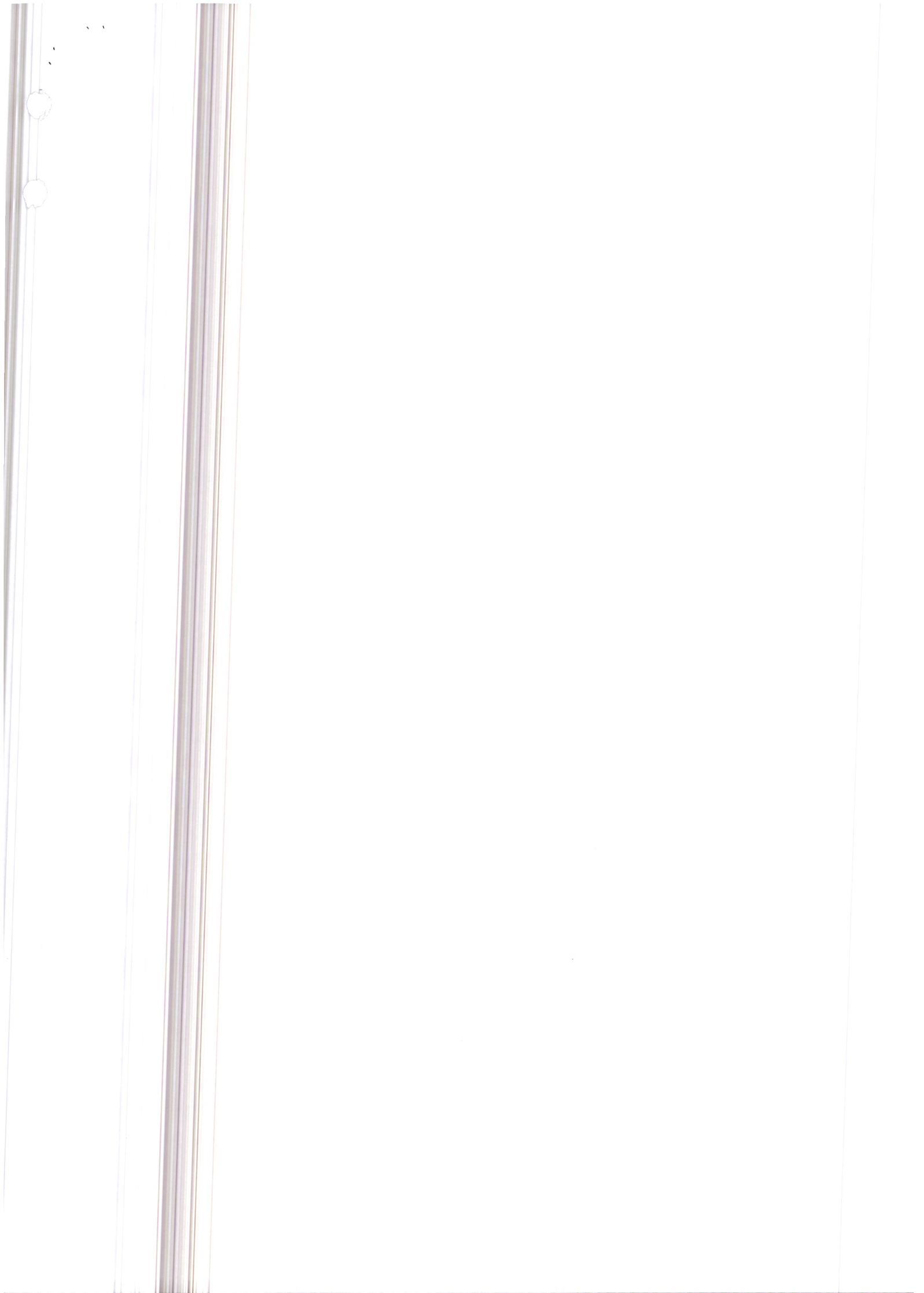
Auditors

The Auditor General is responsible for the statutory audit of the Sports Kenya in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2018.

By Order of the Board



**Mr. Julius Mbii
Ag. Director General,
Sports Kenya**



VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Sports Kenya'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 ended on June 30, 2018. 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 Sports Kenya;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Sports Kenya'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, 2012 and the State Corporations Act. The Directors are of the opinion that Sports Kenya's financial statements give a true and fair view of the state of Sports Kenya's transactions during the financial year ended June 30, 2018, and of Sports Kenya's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Sports Kenya, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

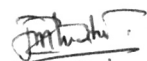
Nothing has come to the attention of the Directors to indicate that Sports Kenya will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Sports Kenya's financial statements were approved by the Board on 28th Sept, 2018 and signed on its behalf by:



Mr. Fred Muteti
Board Chairman
Sports Kenya
Date 28th Sept, 2018



Mr. Julius Mbii
Ag. Director General
Sports Kenya
Date 28th Sept 2018

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SPORTS KENYA FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Sports Kenya set out on pages 16 to 51, which comprise the statement of financial position as at 30 June 2018, statement of financial performance, statement of changes in net assets, 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, in my opinion 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 Sports Kenya as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Sports Act No.25 of 2013.

Basis for Qualified Opinion

1. Going Concern and Sustainability of Services

The statement of financial position as at 30 June 2018 reflects current liabilities of Kshs.469,934,024 which exceeds the current assets balance of Kshs.386,477,483 by Kshs.83,456,541. Sports Kenya was operating with a negative working capital. In consequence, its ability to sustain services is dependent on the continued financial support from the Government, its bankers and its creditors.

2. Property, Plant and Equipment

The statement of financial position as at 30 June 2018 reflects property, plant and equipment (PPE) balance of Kshs.137,685,808 which excludes undetermined values of land on which the International Sports Centre Kasarani and Nyayo National Stadium are built as Sports Kenya does not have ownership documents. As previously reported, the PPE balance also excludes grounded motor vehicles

Report of the Auditor General on the Financial Statements of Sports Kenya for the year ended 30 June 2018

registration numbers GK.710Q, GK.703X and a tractor registration No.GK.O581 which have been lying in the yard without logbooks since 2002 when they were taken over from the former parent Ministry.

Information available indicates that Sports Kenya wrote a letter Ref: SK/CON/LA/15 (217) dated 14 February 2019 through the Cabinet Secretary Sports, Culture & Heritage to the Cabinet Secretary of Lands and Physical Planning requesting the office to issue title deeds for LR. No. 22596 at Kasarani and LR No. 209/16884 at Nyayo National Stadium in the name of Sports Kenya. However, as at the time of audit, no response had been received from the Ministry.

In view of the foregoing, the ownership, completeness, security and carrying values of the property, plant and equipment balance of Kshs.137,685,808 reflected in the statement of financial position as at 30 June 2018 could not be ascertained.

3. Cash and Cash Equivalents

The statement of financial position as at 30 June 2018 reflects a balance of Kshs.2,135,704 in respect of cash and cash equivalents which includes an amount of Kshs.776,902 held in Standard Chartered Main Bank Account No.0108095632600. A review of the supporting bank reconciliation statement for June 2018 disclosed bounced cheques totalling Kshs.789,674 issued on various dates between July and November 2017. No explanation was given as to why the cheques were issued without sufficient funds in the account or for the failure to reverse the same in the cashbook. Further, the bank reconciliation statement reflects unbanked revenue amounting to Kshs.740,758 relating to the period between July and December 2011 for which no analysis was provided for audit verification.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,135,704 as at 30 June 2018 could not be confirmed.

4. Accounts Receivables

4.1 Trade Debtors

The statement of financial position as at 30 June 2018 reflects receivables from exchange transactions balance of Kshs.237,753,763. Included in this balance is Kshs.163,566,900 in respect of trade debtors as disclosed under Note 16 to the financial statements. A review of the schedule provided in support of trade debtors revealed some long outstanding balances totalling Kshs.72,767,466 relating to Kenya Football Federation-Kshs.42,338,852, Kenya Rugby Football-Kshs.12,637,616, National Olympic Committee - Kshs.5,136,700 and Kenya Volleyball Federation - Kshs.12,654,298.

Further, as previously reported, trade debtors balance of Kshs.163,556,900 also includes debts totalling Kshs.30,559,000 owed by two (2) media firms namely M/s

Alliance Media - Kshs.11,850,000 and M/s Page signs and Graphics - Kshs.18,709,000 in respect of fees due from advertising contracts which have been outstanding since 2012. Although one of the advertising firm M/s Alliance Media took the matter to court, the issue is yet to be resolved.

In addition, no provision was made for doubtful debts as per IPSAS 15 which requires reasonable provision to be made for doubtful debts based on management's assessment of their collectability so as to reflect debtors at their fair value.

4.2 Outstanding Imprests

Included in the receivables from non-exchange transactions balance of Kshs.144,851,508 are outstanding imprests totalling Kshs.5,432,060 out of Kshs.2,341,047 had been surrendered as at the time of audit in March 2019. The recoverability of the balance of Kshs.3,091,013 remains doubtful.

4.3 Rent Receivable

The receivables from exchange transactions balance of Kshs.237,753,763 also includes rent receivables totalling Kshs.74,186,863 which includes Kshs.11,221,833 in respect of amounts due from tenants who vacated the rental houses between 1 July 2006 and 30 June 2017 but no legal action had been made to recover these amounts.

In the circumstances, the accuracy and completeness of the accounts receivables from exchange transactions balance of Kshs.237,753,763 as at 30 June 2018 could not be confirmed .

4.4 Long Outstanding Loan Advances

Note 17 to the financial statements for the year ended 30 June 2018 reflects accounts receivables from non-exchange transactions balance of Kshs.144,851,508. Included in the account receivables from non-exchange transaction is Kshs.139,328,016 being loan advances made to the Deaflympics Kshs 500,000, Ministry of youth Kshs.107,390,843, Kenya Academy of Sports Kshs 1,364,288, NYTA Kshs.15,590,653, FC Talanta Kshs.4,482,232, Kenya football Federation Kshs.10,000,000 respectively. However, no evidence has been presented to confirm that the stated amounts were transferred to the accounts of the respective entities in order to qualify as debt. Further, the terms and purpose for the loan advances have not been provided and no effort appears to have been made to pursue these debts for the last five (5) years.

In the circumstances, the validity of the debts totaling Kshs.139,328,016 could be confirmed as at 30 June 2018.

5. Current Liabilities

5.1 Long Outstanding Trade and Other Payables

The statement of financial position as at 30 June 2018 reflects current liabilities balance of Kshs.469,934,024 which includes trade and other payables from exchange transaction amounting to Kshs.178,880,552. A review of the aging analysis in support of trade and other payables balance revealed that creditors totalling Kshs.144,551,666 or 80.2% of the total balance had been outstanding for over 180 days as at 30 June 2018.

No satisfactory reason was given for the failure to settle the long outstanding creditors.

5.2 Unremitted Statutory Deductions

The current liabilities balance of Kshs.469,934,024 also includes provisions for assessed unremitted PAYE and VAT taxes of Kshs.11,712,082 and Kshs.275,981,793 respectively representing Kenya Revenue Authority (KRA) assessment of unpaid taxes for previous years as well as interest and penalties charged thereon. Sports Kenya has indicated that the assessment of Kshs.275,981,793 was disputed and the management was working with KRA to review the assessment. However, it was not clear why this amount has been accrued in the financial statements instead of disclosing it as a contingent liability in line with IPSAS 19.

In the circumstances, it has not been possible to confirm the accuracy and validity of the current liabilities balance of Kshs.469,934,024 as at 30 June 2018.

6. Construction of Eight (8) County Stadia

As previously reported, Sports Kenya awarded tenders for the construction of seven county stadia at a combined cost of Kshs.2,008,474,122 as follows:

Tender	Tender No.	Contractor	Contract Sum Kshs.	Amount Paid Kshs.
Kamariny Stadium – Iten Elgeyo Marakwet County	SK/RT/003/2016-2017	M/s Funan Construction Co. Ltd.	287,837,775	34,805,400
Ruringu Stadium- Nyeri County	SK/RT/008/2016-2017	M/s Funan Construction Co. Ltd	288,045,530	71,191,675
Kipchoge Keino – Eldoret Uasin Gishu County	SK/RT/004/2016-2017	M/s Weihai International Economic & Technology	304,204,413	117,380,994
Karatu Ndarugu-Gatundu Kiambu County	SK/RT/005/2016-2017	M/s Smith and Gold Productions Co. Ltd.	259,604,780	61,215,942

Tender	Tender No.	Contractor	Contract Sum Kshs.	Amount Paid Kshs.
Wote Stadium- Wote Makueni County	SK/RT/006/2016- 2017	M/s Taphes & Nitram Enterprise Ltd	299,309,554	99,102,977
Marsabit Stadium- Marsabit County	SK/RT/007/2016- 2017	M/s Benisa Ltd	295,263,215	132,341,445
Kirubia Stadium - Tharaka Nithi County	SK/RT/003/2016- 2017	M/s Toddy Civil Engineering Co. Ltd	274,208,855	92,637,118
Kinoru Stadium- Meru	D113 EN/MRU/1602	M/s Toddy Civil Engineering Co. Ltd	442,137,530	90,617,704
Total			2,450,611,652	699,293,255

However, tender documents relating to the procurement of contractors for the eight (8) County Stadia Projects which include original tender documents, tender opening minutes, evaluation committee reports and procurement professional opinions were not provided for audit verification. The documents were reported to have been taken away by the Ethics and Anti-Corruption Commission (EACC) officers to assist them in their investigations of alleged irregularities in the award of the tenders. A review of the matter during the 2017/2018 audit in April 2019 revealed that the documents were still not available for audit review.

Under the circumstances, it has not been possible to confirm the efficiency, competition, fairness with which the contracts were entered into and the propriety or whether value for money spent was obtained from the amount already paid totaling Kshs.699,293,255 as at 30 June 2018.

Further, a review of implementation status during the year under audit revealed that there was delay in completion of various stadia while some contractors had abandoned sites as follows:

6.1 Kamariny Stadium in Elgeyo Marakwet County

Sports Kenya awarded contract No. SK/RT/003/2016-2017 for the construction of Kamariny Stadium to M/s Funan construction Company Limited at a contract sum of Kshs.287,837,775. The works commenced on 5 January 2017 and was expected to have been completed by 31 May 2018. The scope of works involved construction of Kerio Valley View Point, VIP Pavilion, changing rooms, reference rooms, medical rooms, anti-doping room, office for stadium management, pitch works, and track lanes.

An audit inspection at the stadium on 9 March 2019 revealed that there was no noticeable pitch and track works and the site had been abandoned. It was noted that as at 30 June 2018 the contractor had been paid a total of Kshs.34,805,400 or 11% of the total contract cost while the contract performance period had expired.

No proper explanation was given as to why the contractor had abandoned the site before completing the works.

6.2 Ruringu Stadium- Nyeri County

Contract No.SK/RT/008/2016-2017 for the construction of Ruringu Stadium was awarded to M/s Funan Construction Company Limited at a cost of Kshs.288,045,530. The works commenced on 5 January 2017 and were expected to be completed on 5 September 2017. The scope of works involved pitch works, six (6) lanes track, VIP pavilion phase 1 and parking.

An audit inspection of the Stadium on 14 March 2019 revealed that the contractor was not on site and no works seemed to have been undertaken despite payments totalling Kshs.71,191,675.35. It was also noted that the initial contract period expired on 5 September 2017 and no evidence of extension of time was availed for audit verification.

In the circumstances, the propriety of the payment of Kshs.71,191,675.35 or 25% of the contract sum could not be ascertained.

6.3 Kinoru Stadium- Meru County

Contract No.D113/EN/1602 for the construction of Kinoru Stadium was awarded to M/s Toddy Construction Company Limited at contract sum of Kshs.442,137,530. The works commenced on 5 January 2017 and were expected to be completed on 24 August 2017. The scope involved pitch works, sub base for tartan track, VIP pavilion, water system, ablution blocks, terraces, parking and perimeter wall.

An audit inspection of the Stadium on 14 March 2019 revealed that substantial work had been done with an overall progress of 87% realized. However, the contractor had issued a notice to stop works due to non payments of certified works totalling Kshs.244,842,180 for certificate No.3 and 4 of Kshs.139,590,571.60 and Kshs.105,251,608.80 respectively.

The failure to settle certified works is likely to lead to delay in completion and escalation of the total cost of the project.

6.4 Kirubia Stadium - Tharaka Nthi County

Contract No.SK/RT/009/2016-2017 for the construction of Kirubia Stadium was awarded to M/s Toddy Construction Co Ltd at a cost of Kshs.274,300,000. The works commenced on 5 January, 2017 and were expected to be completed on 5 September 2017(31 May 2018 rev.). The scope involved pitch works, 6 lack track, VIP pavilion, water system and ablution blocks.

An audit inspection of the Stadium on 14 March 2019 revealed that substantial progress had been made with an overall progress of 82% realized. It is not clear why the remaining works had not been completed by the end of contract extension in May 2018.

6.5 Wote Stadium - Makueni County

Sports Kenya awarded contract No. SK/RT/006/2016-2017 for the construction of Wote Stadium to M/s Taphes and Nitram Enterprise Ltd at a cost of Kshs.299,309,554. The works commenced on 5 January 2017 and were expected to have been completed on 31 May 2018. The scope of works involved pitch works, 8 lanes track, VIP pavilion, water system which included borehole drilling, 2 tank installation and electrical installation and construction of ablution blocks and perimeter wall.

An audit inspection of Wote Stadium on 8 March 2019 revealed that there were no noticeable pitch and track works, underground excavation was partially done while the perimeter wall had not been constructed and the site had been abandoned. As at 30 June 2018 the contractor had been paid a total of Kshs.99,102,977 or 33% of the total contract sum. Further, the contract performance period had expired and had not been replaced or extended.

No explanation was given as to why the contractor had abandoned the site before completing the works casting doubt on the value of the already incurred expenditure of Kshs.99,102,977.

6.6 Karatu Ndarugu Stadium – Gatundu

Contract No.SK/RT/005/2016-2017 for the construction of Karatu Ndarugu Stadium in Kiambu County was awarded to M/s Smith and Gold Productions Ltd at a contract sum of Kshs.259,604,780. The works commenced on 3 February 2017 and was expected to have been completed on 31 May 2018. The scope of works involved pitch works, 6 lane track, VIP pavilion, parking, construction of ablution blocks and a perimeter wall.

An audit inspection at Karatu Ndarugu Stadium on 9 May 2019 revealed that the contractor had abandoned the site due to failure by Sports Kenya to pay for certificates of completed works. The works already done included excavation of the pitch, the installation of drainage pipes and backfilling of the main football pitch. The VIP pavilion was still at foundation level and works on the six lane athletic track, ablution blocks and parking was yet to start. The perimeter wall had been constructed even though the gate had not been done. As at 30 June 2018 the contractor had been paid a total of Kshs.69,580,372 or 27% of the total contract sum while the contract performance period had expired.

Consequently, the delays in completion of the contractual works within the stipulated period is likely to lead to escalation of the total cost of the project.

7. Delayed Completion of Major Stadiums and Expiry of Performance Bonds

7.1 Indoor Sports Facility at Moi International Sport Centre- Kasarani

As previously reported, Sports Kenya on 27 May 2016 entered into a contract (Tender No. SK/005/2015-2016) with M/s Nitram and Taphes Enterprises Ltd for the construction of an indoor sports facility at the Moi International Sports Centre, Kasarani at a contract sum of Kshs.31,020,776. The works commenced on 27 May 2016 with a completion period of 32 weeks within which the contractor was expected to have executed the works and carried out remedies for any defects therein.

The indoor games facilities to be constructed included a Tennis and Badminton Court. A site inspection of the project carried out on 9 April 2019 revealed that the works had not been completed despite expiry of the contract period and the contractor was no longer on site. As at 30 June 2018 the contractor had received payments totalling to Kshs.27,073,673 or 87.3% of the total contract sum. The delayed completion of the construction works implies that the expected benefits from the project have not been realized and additional resources over and above the awarded contract sum may be required to complete the project.

Sports Kenya risks contract escalation costs and contract non-performance due to expired performance bond.

7.2 Construction Works - Nyayo National Stadium

Sports Kenya on 18 August 2017 signed two (2) contracts with M/s Lexis International Ltd in respect to civil works and builder's works in preparation for the CHAN football tournament that was to be held in Kenya in January 2018. The Tenders No.SK/004B/2017-2018 for civil works of Kshs.206,690,139 and Tender No.SK/004A/2017-2018 for builder's works of Kshs.325,829,431 were awarded through a competitive process and works were expected to be completed within a period of 14 weeks.

The works were to commence on 24 August 2017 with an expected completion date of 24 January 2018. As at 30 June 2018, amount paid for the civil works was Kshs.110,757,243 or 53.6% while the amount paid for the builder's works amounted to Kshs.135,961,100 or 41%. As at the time of the audit in April 2019 the contractor was still on site despite the expiry of the project performance period by over 14 months.

No proper explanation was given as to why the building and civil works at the Nyayo National Stadium had not been completed and the delays are likely to lead to escalation of costs.

7.3 Supply, Delivery and Installation of Synthetic Track Surface Mombasa County Stadium

As previously reported, Sports Kenya entered into a contract on 9 April 2015 with a local construction company for the supply, delivery and installation of a synthetic track surface at the Mombasa County Stadium at a contract price of Kshs.48,852,056. However, the specific duration of the contract was not given. During the financial year 2015/2016, Kshs.69,752,994 was paid to the contractor while Kshs.10,666,934 was paid in the financial year 2016/2017 leading to a total amount paid to Kshs.80,419,928 resulting in an excess payment of Kshs.31,567,872.

No justification has been made for the excess payment which was beyond the threshold of contract value variation of 25% allowed by Section 139(4)(c) of the Public Procurement and Asset Disposal Regulations, 2015. An audit inspection at the Stadium on 6 March 2019 almost four (4) years after signing the contract revealed that, the tartan track had not been installed and was still stored in containers located in Shimanzi area. Only partial work has been done on the sub-base despite the overpayment of the contract sum.

Although the management of Sports Kenya has continued to state that part of the works remaining was to be undertaken by the County Government of Mombasa, no status report on the progress made was availed for audit review. In addition, no Memorandum of Understanding (MoU) between the County Government of Mombasa and Sports Kenya specifying responsibilities and ownership of the project was presented for audit verification.

In the circumstances, the validity and value for money for the total expenditure of Kshs.80,419,928 including an excess payment of Kshs.31,567.872 could not be confirmed as at 30 June 2018.

8. Contract No. MOSCA/CHAN/002/2017- Gregori International SA

The former Ministry of Sports, Culture and Arts (MOSCA) on 14 September 2017 signed a contract with M/s Gregori International SA for design, mobilization, grass removal, irrigation, levelling, soil preparation and fertilization and installation of bermuda/paspalum grass and installation of sporting equipment for five main pitches and ten training grounds that were earmarked for use during the CHAN 2018 Championships. Sport Kenya was to supervise and certify the works done for payment. The contract sum was Euros 8,117,869 (eight million one hundred and seventeen thousand, eight hundred and sixty-nine euros) which was equivalent to Kshs.971,457,265 at an exchange rate of Kshs.119.669 to 1 Euro. The contract was for the renovation of 5 (five) premium pitches namely Moi International Stadium, Kasarani, Nyayo National Stadium, Kinoru Stadium in Meru County, Kipchoge Keino Stadium in Uasin Gishu County and Kenyatta Stadium in

Machakos County and ten other (10) Training grounds. The contract performance period was for 4 (four) months.

The State Department of Sports Development made an advance payment on 2 November 2017 of Kshs.158,247,100 to Gregori International against a bank guarantee No: 03102-1255234TLS dated 12 October 2017 from Societe Generale SA – 29 Boulevard Haussmann 75009 Paris (France) of EURO 1,290,128 (one million two hundred and ninety thousand one hundred and twenty eight Euros) with an expiry date of February 5 2018.

Information available indicate another payment of Kshs.327,502,848 was made to the contractor by the State Department vide payment voucher No.1072 which was never produced for audit verification bringing the total payment to Kshs.485,749,948 or 50% of the total contract price. A review of the progress of works by Gregori International as at 12 April 2019 revealed the following:

- i. Out of the ten (10) training pitches which were to be renovated at a cost of Euros 3,301,042 or Kshs.395,032,395 only one (1) namely Utalii grounds had been renovated at a cost of 327,500 Euros or Kshs.39,191,597. No renovation works had commenced on the other nine (9) training pitches.
- ii. According to work progress report from the contractor dated 1 February 2018 renovation works at Jomo Kenyatta – Machakos Stadium at a cost of Euros 59,688 or Kshs.66,977,303 had not started and the situation remained the same as at the time of audit inspection on 9 March 2019.
- iii. An audit inspection carried out in Meru and Eldoret on 12 March 2019 revealed that Gregori International carried out minimal works at Kinoru Stadium-Meru and never did any works at Kipchoge Keino Stadium or any of the 4 (four) training grounds in the two towns (Meru and Eldoret).

In view of the foregoing, value for money has not been obtained for the Kshs.485,749,948 paid to M/s Gregori International SA. Further with the slow pace of contract works and the expiry of the bank guarantee on 5 February 2018, the advance payment of Kshs.158,247,100 remains unsecured and likely to be lost.

9. Contract No. MOSCA/CHAN/001/2017 - M/s Auditel Kenya Ltd

Supply, Delivery and Installation of Security, Access Control, Communications, Audiovisual and Pitch Lighting Systems in Various Stadiums

The State Department of Sports Development (SDSD) on 14 September 2017 awarded a contract to M/s Auditel Kenya Ltd trading as Auditel Ingenieria Services in Spain at contract sum of USD 15,892,980.63 (Kshs.1,609,037,145). The contract was for the design, supply, testing, commissioning and supervision of

security, access control, communications, audiovisual and pitch lighting systems. Sport Kenya were to supervise and certify work done for payment.

The works were to be completed within a period of four (4) months and involved remodeling of 5 No. Stadiums which included Jomo Kenyatta Stadium in Machakos, Moi Kinoru Stadium in Meru, Kipchoge Keino Stadium in Eldoret, Nyayo Stadium in Nairobi, Kasarani Stadium in Nairobi and 10 No. training pitches that were earmarked for use during the CHAN 2018 Championships. The event was however relocated to Morocco due to slow progress of the works.

A review of the State Department's payment records for the year ended 30 June 2018 disclosed that M/s Auditel Kenya Ltd was paid a 20% advance payment of USD 3,178,596.13 (Kshs.330,537,997) vide P.V. No.0618 dated 30 January 2018. The advance payment was based on a security guarantee issued by Bankinter SA Bank in Madrid-Spain dated 30 October 2017. It was however noted that the security guarantee was valid up to 28 February 2018 and had therefore expired by the time of the audit carried out in April 2019. No evidence was presented to confirm re-validation of the guarantee.

A review of the position as at 12 April 2019 revealed that M/s Auditel had only presented the designs for the contracted works to Sports Kenya but no activities related to the contract had begun on the ground on both the premium pitches and the training grounds.

In view of the foregoing, value for money has not been obtained and the delays to project completion may lead to unacceptable projects costs and with the slow pace of contract works and the expiry of the bank guarantee on 28 February 2018, the advance payment of Kshs.330,537,997 remains unsecured.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Sports Kenya 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. I have determined that there are no key audit matters to communicate in my report.

Emphasis of Matter

Budget and budgetary performance

1. Revenue

Sports Kenya had budgeted for revenue totalling Kshs.6,165,444,096 but actual realised amounted to Kshs.622,215,574 resulting to a shortfall of Kshs.5,543,228,522 or 90% as follows:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Variance %
Government grants	5,634,044,096	528,035,658	(5,106,008,438)	91
Other sources	531,400,000	94,179,916	(437,220,084)	82
Total	6,165,444,096	622,215,574	(5,543,228,522)	90

The revenue shortfall of Kshs.5,543,228,522 was mainly attributed to failure to receive government grants with a budget of Kshs.5,634,044,096 while actual receipts totalled to Kshs.528,035,658 resulting to a shortfall of Kshs.5,106,008,438 or 91%.

2. Expenditure

The Sports Kenya had budgeted to spend Kshs.6,165,444,096 but actual expenditure amounted to Kshs.621,465,663 resulting to an under expenditure of Kshs.5,543,978,433 or 90% as follows:

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Programmes	989,770,000	-	(989,770,000)	100
Employee Costs	560,111,574	169,684,881	(390,426,693)	70
Remuneration of the Board	15,000,000	7,519,288	(7,480,712)	50
General Expenses	327,694,052	89,702,871	(237,991,181)	73
Contracted and Professional Services	36,000,000	35,369,770	(1,400,230)	4
Rehabilitation Works	35,000,000	9,228,797	(25,771,203)	74
WYC 2017 Expenses	-	230,594,378	230,594,378	100
Bulk Purchase of water & Electricity	88,800,000	52,787,517	(36,012,483)	41
Repairs & Maintenance	81,543,400	2,441,240	(79,102,160)	97
Depreciation and amortization expense	-	14,941,782	14,941,782	100
Finance Cost	1,000,000	376,173	(623,827)	62
Capital expenditure	4,030,525,070	8,818,966	(4,021,706,104)	100
Total	6,165,444,096	621,465,663	(5,543,978,433)	90

The under expenditure of Kshs.5,543,978,433 implies that the goals and objectives of Sports Kenya were not achieved as planned.

Unresolved Prior Year's Matters

3 Consultancy Services for Construction of Three Stadiums

3.1 Legal Consultancy for Public Private Partnership (PPP)

As previously reported, Sports Kenya on 9 September 2015 entered into a contract with M/s S.S Malonza and Co. Advocates Ref: RFP/SK/001/20115-2016 under Request for Proposals for Public Private Partnership legal advisory services for construction of three (3) stadiums at a contract sum of Kshs.47 million to be undertaken on the basis of PPP. According to the contract document, the consultant was to perform the services commencing on 9 September 2015 through to 30 June 2015.

In 2016/2017 financial year, the consultant was paid Kshs.30,936,000 but it was noted that, no private partnership had been entered into and no stadium had been developed or initiated using Public Private Partnership.

In the circumstances, Sports Kenya and the Kenyan Public have not obtained value for money from the legal consultancy payments made so far totalling Kshs.30,936,000.

3.2 Consultancy Services for Feasibility Study and Development of Detailed Designs for Three (3) Stadia

As previously reported, Sports Kenya on 8 January 2015 entered into a contract with a consortium of local and international firms to offer consultancy services for feasibility study and development of detailed designs for three (3) national/international stadiums in Nairobi, Mombasa and Eldoret Counties at a contract price of US\$1,071,105.43 or approximately Kshs.110,323,860. Further, the entire project including feasibility study was estimated at a cost of US\$320,000,000 which was used as a basis for payment to the other consultants in the consortium.

A review of the position in the year under review, indicates that the feasibility studies were completed in 2016 but the detailed designs have not provided for audit review. As at 30 June 2016, the consortium had received payments totalling to Kshs.537,297,227. However, there was no evidence of the feasibility study and designs being put into use four (4) years later.

In addition, although the sites for the construction of three (3) stadiums had been identified in Nairobi, Mombasa and Eldoret Counties, according to the management,

no formal agreements in form of Memorandum of Understanding (MoU) had been signed to initiate the process of acquiring the Land.

It is therefore not clear if and when the construction of the stadiums would be started and the feasibility study put into use.

4. Supply and Installation of Three Tracks at Kasarani Stadium and Kenyatta University Sports Field

As previously reported the Local Organizing Committee (LOC) for the IAAF World Under 18 Championships on 1st March 2017 entered into a contract with M/S Mondo Iberica S.A through direct procurement for the supply and installation of three running tracks at Kasarani stadium and Kenyatta University sports field at a contract sum of Euros 3,018,739.89 (approximately Kshs.344,037,488.76). The works were to be commence on 1 March 2017 with a completion period of 18 weeks. Further examination of records availed for audit revealed:

- a) M/s Mondo Iberica SA was paid an advance payment of 50% of the contract sum which amounted to Euros 1,509,369.94 (approximately Kshs.169,200,370). This payment was not secured with a bank guarantee and exceeded the 20% allowable limit contrary to Section 147(1) of the Public Procurement and Asset Disposal Act, 2015.
- b) Available records indicated M/s Mondo Iberica S.A has so far been paid a total of Euros 3,117,344.13 (approximately Kshs.355,275,143) which was Euros 98,604.24 (approximately Kshs.11,237,654.24) in excess of the contract sum. In addition, an audit inspection of the installation of the tartan track at Kenyatta University revealed that the works had not been completed by the 10th of July 2017 or by 54 weeks after signing the contract.
- c) Bills of Quantities and completion certificates were also not availed for audit verification to confirm that works were done to specifications. In addition, retention fee of 5% was not deducted from the contractor's payments in accordance with clause 26 of the contract to cover for defects liability period.
- d) Clause 27.1 of the contract requires the contractor to pay the Local Organizing Committee liquidated damages of Euros 136 (approximately Kshs.15,499.50) per week for delays in completing of the works. No evidence has been produced to show that a claim had been lodged against the contractor.

A review of the matter in the year under review revealed that the works were still in complete while the contractor had abandoned the site.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion

section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing Sports Kenya's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless

the management either intends to liquidate Sports Kenya 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.

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the 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 Sports Kenya'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 Sports Kenya to cease to continue as a going concern or 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 Sports Kenya 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

24 May 2019

**Sports Kenya
Reports and Financial Statements
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**IX. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017-2018	Restatement 2016-2017
		<u>Kshs</u>	<u>Kshs</u>
Revenue from Non-Exchange Transactions			
GOK Grants Sports Kenya	1.1	273,253,468	826,380,340
GOK Grants (IAAF WU18)	1.2	245,963,225	852,702,170
		<u>519,216,692</u>	<u>1,679,082,511</u>
Revenue from exchange transactions			
Rendering of services -Hire of facilities	2.1	39,408,816	66,855,134
Rental revenue from facilities and equipment	2.2	31,440,000	48,964,544
Naming Rights	2.4	-	6,875,000
Other income	2.5	1,611,079	2,025,746
Hotel Income	2.3	17,479,547	100,091,682
Branding	2.6	-	14,073,333
Advertising	2.7	4,240,474	4,895,833
		<u>94,179,916</u>	<u>243,781,272</u>
			-
Total revenue		<u>613,396,608</u>	<u>1,922,863,783</u>
Expenditures			
Employee costs	3.0	169,684,881	190,586,451
Remuneration of Board	4.0	7,519,288	15,485,012
General Expenses	5.0	89,702,871	137,482,940
contracted and professional services	6.0	35,369,770	73,264,472
Bulk Purchases of water and electricity	7.0	52,787,517	55,543,376
Repairs and Maintenance	8.0	2,441,240	11,953,748
Depreciation and amortization expense	9.0	14,941,782	20,766,936
Rehabilitation works	10.0	9,228,797	343,532,123
Federations Expenses	11.0	-	95,303,900
RIO Expenses	12.0	-	286,941,698
WYC 2017 Expenses	13.0	230,594,378	679,815,635
Finance Cost	14.0	376,173	505,454
		<u>612,646,698</u>	<u>1,911,181,745</u>
Surplus for the period		<u>749,911</u>	<u>11,682,038</u>

The notes set out on pages 24 to 41 form an integral part of these Financial Statements

Sports Kenya
Reports and Financial Statements
For the year ended June 30, 2018

XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

Assets	Notes	2017-2018	Restatement
Current Assets		<u>Kshs</u>	<u>Kshs</u>
Cash and Cash Equivalents	15.0	2,135,704	41,454,713
Accounts receivables from Exchange transactions	16.0	237,753,763	231,524,394
Accounts receivables from Non-Exchange Transactions	17.0	144,851,508	147,079,547
Inventories	18.0	1,736,508	3,006,917
Total Current Assets		<u>386,477,483</u>	<u>423,065,570</u>
Non-Current Assets			
Property and equipment	19.0	137,685,808	152,627,591
Wip	20.0	569,275,960	560,456,994
Total Non-Current Assets		<u>706,961,769</u>	<u>713,084,585</u>
Total Assets		<u>1,093,439,251</u>	<u>1,136,150,155</u>
Liabilities			
Current liabilities			
Trade and other payable from exchange transactions	21.0	178,880,552	155,420,893
Refundable deposits from Customers -Rent	22.0	755,700	755,700
Prepayments	23.0	-	1,022,167
Provision for audit fee	24.0	522,000	522,000
Employee benefit Obligation -pension	25.0	2,081,897	4,858,563
Provision for PAYE Assessment	26.0	11,712,082	16,940,607
Provision for Tax Assessment	27.0	275,981,793	342,693,875
Total Liabilities		<u>469,934,024</u>	<u>522,213,805</u>
Equity			
Retained Earnings	28.0	54,229,266	53,479,356

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Capital Grants	29.0	569,275,960	560,456,994
Total Equity		623,505,227	613,936,350
Total Equity & Liabilities		1,093,439,251	1,136,150,155

The Financial Statements set out on pages 16 to 20 were signed on behalf of the Board of Directors by:

Ag. Director General
Name: Mr Julius Mbii

Date 28th Sept 2018

Chairman of the Board
Name: Mr. Fred Muteti

Date 28th Sept, 2018

**XIII. STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2018**

	<u>Retained Earnings</u>	<u>Restatement Capital Reserve</u>	<u>Total</u>
	Kshs	Kshs	Kshs
As at 1/7/2016	41,797,318	1,620,091,636	1,661,888,954
Surplus / Loss for the year	11,682,038		11,682,038
Additions for the year		52,839,956	52,839,956
Transfer to KAS Building		(712,474,598)	(712,474,598)
Deferred Income	-	(400,000,000)	(400,000,000)
Prior year Adjustments			-
As at 30 /06/2017	53,479,356	560,456,994	613,936,350
As at 1/7/2017	53,479,356	560,456,994	613,936,350
Transfer to KAS Building			-
Surplus / Loss for the year	749,911		749,911
Additions for the year		8,818,966	8,818,966
As at 30/06/2018	54,229,267	569,275,960	623,505,227

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XIV. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2018

	<u>Notes</u>	<u>2017-2018</u> <u>Kshs</u>	<u>Restatement</u> <u>2016-2017</u> <u>Kshs</u>
Cashflows from operating			
Surplus for the year		749,911	11,682,038
Adjustments for			
Depreciation for the Year	9.0	14,941,782	20,766,936
Operating surplus /Deficit before			
Working Capital Changes		<u>15,691,693</u>	<u>32,448,974</u>
Increase/decrease in receivables exchange transactions	16.0	(6,229,369)	20,069,689
Increase/decrease in receivables non -exchange transactions	17.0	2,228,039	(82,965,843)
Increase /Decrease in inventories	18.0	1,270,409	915,405
Increase/decrease in payables	21.0	23,459,659	53,846,163
Increase/decrease in Prepayments	23.0	(1,022,167)	(19,186,167)
Increase/decrease in Pension Obligation	25.0	(2,776,666)	3,261,461
Increase/decrease in deferred income		-	(400,000,000)
Increase/decrease in PAYE Obligation	26.0	(5,228,524)	4,162,680
Increase/decrease in Tax assessment	27.0	(66,712,082)	115,895,053
Net cashflow from operating Activities		<u>(39,319,007)</u>	<u>(271,552,584)</u>
Cashflow from investing activities			
Purchase of Fixed Assets	19.0	-	(87,965,028)
Payment of Capital	20.0	(8,818,966)	(52,839,956)
Cashflow from Financing activities			
Capital Grants Received	29.0	8,818,966	52,839,956
Net increase in cash and cash Equivalents		(39,319,007)	(359,517,612)
Cash and Cash equivalents at the start of the year		41,454,713	400,972,325
Cash and Cash equivalents at the end of the year	15.0	<u>2,135,704</u>	<u>41,454,713</u>

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR FY 2017/2018						
ITEM DESCRIPTION	Original Budget FY2017/2018	Adjustments	Final Budget FY2017/2018	Actual FY2017/2018	Excess/ (Shortfall)	Excess/ (Shortfall)
	KSH	KSH	KSH	KSH	KSH	%
INCOME						
GRANTS	5,634,044,096		5,634,044,096	528,035,658.00	(5,106,008,438.00)	(90.63)
RENT	70,000,000		70,000,000	31,440,000.00	(38,560,000.00)	(55.09)
HIRE OF FACILITIES	100,000,000		100,000,000	36,105,951.00	(63,894,049.00)	(63.89)
HOTEL FEES	250,000,000		250,000,000	17,479,547.00	(232,520,453.00)	(93.01)
GATE TAKINGS	10,000,000		10,000,000	859,465.00	(9,140,535.00)	(91.41)
HOSPITALITY SUITES	8,500,000		8,500,000	1,463,400.00	(7,036,600.00)	(82.78)
ADVERTISING	11,000,000		11,000,000	4,240,474.00	(6,759,526.00)	(61.45)
FITNESS GYM	5,000,000		5,000,000	140,000.00	(4,860,000.00)	(97.20)
SALE OF TENDERS	500,000		500,000	354,060.00	(145,940.00)	(29.19)
PARTNERSHIPS & SPONSORSHIPS	67,500,000		67,500,000	-	(67,500,000.00)	(100.00)
TV RIGHTS	6,000,000		6,000,000	840,000.00	(5,160,000.00)	(86.00)
DISPOSAL OF ASSETS	2,500,000		2,500,000	1,153,900.00	(1,346,100.00)	(53.84)
MISCELLANEOUS	400,000		400,000	103,119.00	(296,881.00)	(74.22)
TOTAL INCOME	6,165,444,096	-	6,165,444,096	622,215,574.00	(5,543,228,522)	(89.91)
EXPENSES						
PROGRAMMES						
Regulation, Inspection & Licensing	6,500,000		6,500,000	-	(6,500,000.00)	(100.00)
National Team Preparation	910,270,000		910,270,000	-	(910,270,000.00)	(100.00)
Establishment of Sports Heritage	45,000,000		45,000,000	-	(45,000,000.00)	(100.00)
Regulation, Guidelines & Information	28,000,000		28,000,000	-	(28,000,000.00)	(100.00)
SUB- TOTAL	989,770,000		989,770,000	-	(989,770,000)	(100.00)

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PERSONEL&ADMINSTRATION						
Salaries & Wages	336,029,309		336,029,309	150,071,964.00	(185,957,345.00)	(55.34)
Pension	101,789,117		101,789,117	12,947,496.00	(88,841,621.00)	(87.28)
Medical	18,000,000		18,000,000	22,538,778.00		
Gratuity	103,636,730		103,636,730	4,217,539.00	(99,419,191.00)	(95.93)
Leave Allowance	8,336,418		8,336,418	2,757,482.00	(5,578,936.00)	(66.92)
Meetings and Board Allowances	15,000,000		15,000,000	7,519,288.00	(7,480,712.00)	(49.87)
Training	10,320,000		10,320,000	-	(10,320,000.00)	(100.00)
Official Entertainment	6,520,000		6,520,000	1,920,000.00	(4,600,000.00)	(70.55)
Casual Worker	20,800,000		20,800,000	9,190,731.75	(11,609,268.25)	(55.81)
SUB-TOTAL	620,431,574		620,431,574	211,163,278.75	(409,268,295)	(65.97)
OPERATIONS						
Transport Operating	12,000,000		12,000,000	1,436,962.50	(10,563,037.50)	(88.03)
Local Travel	5,500,000		5,500,000	14,864,600.00	9,364,600.00	170.27
Travel Abroad	12,800,000		12,800,000	1,558,110.00	(11,241,890.00)	(87.83)
Postage	170,000		170,000	-	(170,000.00)	(100.00)
Telephone & Internet	5,600,000		5,600,000	2,639,435.00	(2,960,565.00)	(52.87)
Marketing/Branding/PR	44,656,065		44,656,065	1,717,528.00	(42,938,537.00)	(96.15)
Stationery, Photocopying & Printing	8,600,000		8,600,000	3,479,223.00	(5,120,777.00)	(59.54)
Advertising	15,000,000		15,000,000	1,043,508.00	(13,956,492.00)	(93.04)
Contracted Services	16,000,000		16,000,000	15,617,530.00	(382,470.00)	(2.39)
Motor Vehicle Insurance	7,000,000		7,000,000	161,452.93	(6,838,547.07)	(97.69)
General Insurance	25,000,000		25,000,000	3,195,830.07	(21,804,169.93)	(87.22)
Electricity	40,800,000		40,800,000	33,738,417.00	(7,061,583.00)	(17.31)
Water & conservancy	48,000,000		48,000,000	19,049,100.00	(28,950,900.00)	(60.31)
Office Cleaning & Materials	8,799,660		8,799,660	6,013,253.00	(2,786,407.00)	(31.66)
Fungicides, Insecticides & Sprays, Chemicals	6,000,000		6,000,000	1,424,290.00	(4,575,710.00)	(76.26)
Security Services	20,000,000		20,000,000	19,752,240.00	(247,760.00)	(1.24)
Uniforms	8,000,000		8,000,000	64,100.00	(7,935,900.00)	(99.20)
Food Purchases	55,000,000		55,000,000	7,160,755.00	(47,839,245.00)	(86.98)
Gas & fuel	6,500,000		6,500,000	937,275.00	(5,562,725.00)	(85.58)
Stadion Expenses	41,248,327		41,248,327	636,510.00	(40,611,817.00)	(98.46)
IAAF WU 18 Championship	0		0	230,594,378.00	230,594,377.90	100%
Provision of Audit	0		0	522,000.00	521,999.90	100%
SUB-TOTAL	386,674,052		386,674,052	365,606,497.50	(21,067,555)	(5.45)

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MAINTENANCE						
Computer Expenses	9,000,000		9,000,000	2,163,287.00	(6,836,713.00)	(75.96)
Office Refurbishment	11,500,000		11,500,000	6,725,642.00	(4,774,358.00)	(41.52)
Plant & Equipment	23,013,400		23,013,400		(23,013,400.00)	(100.00)
Building & Stadia Facilities	58,530,000		58,530,000	2,441,240.00	(56,088,760.00)	(95.83)
Miscellaneous and other Charges, Bank Charges	1,000,000		1,000,000	376,173.00	(623,827.00)	(62.38)
Depreciation and Amortization	-		-	14,941,782.00	14,941,782.00	100%
Nyayo Stadium -Renovation Works	35,000,000		35,000,000	9,228,797.00	(25,771,203.00)	(73.63)
SUB-TOTAL	138,043,400		138,043,400	35,876,921.00	(102,166,479)	(74.01)
TOTAL RECURRENT EXPENDITURE	2,134,919,026	-	2,134,919,026	612,646,697.25	- 1,522,272,329	(71.30)
CAPITAL						
Purchase of Motor Vehicle	28,000,000		28,000,000		(28,000,000.00)	(100.00)
Plant & equipment	14,500,000		14,500,000		(14,500,000.00)	(100.00)
CCTV	100,000,000		100,000,000	-	(100,000,000.00)	(100.00)
Ticketing System	150,000,000		150,000,000		(150,000,000.00)	(100.00)
Office Equipment & Computers	10,175,070		10,175,070		(10,175,070.00)	(100.00)
Furniture	2,850,000		2,850,000		(2,850,000.00)	(100.00)
Generator	50,000,000		50,000,000	-	(50,000,000.00)	(100.00)
Stadion	100,000,000		100,000,000	-	(100,000,000.00)	(100.00)
Rehabilitation of Estate	300,000,000		300,000,000			
MISC	100,000,000		100,000,000	8,818,966.00	(91,181,034.00)	(91.18)
Kisumu Stadium	15,000,000		15,000,000		(15,000,000.00)	-
Regional County Stadia	1,000,000,000		1,000,000,000		(1,000,000,000.00)	(100.00)
Sports Academy	360,000,000		360,000,000		(360,000,000.00)	(100.00)
National Stadia	1,800,000,000		1,800,000,000	-	(1,800,000,000.00)	(100.00)
SUB-TOTAL	4,030,525,070	-	4,030,525,070	8,818,966.00	(4,021,706,104)	(99.78)
TOTAL EXPENDITURE	6,165,444,096	-	6,165,444,096	621,465,663	(5,543,978,433)	(89.92)
SURPLUS/(DEFICIT)	(0)	-	(0)	749,911	749,911	

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sports Kenya is established by and derives its authority and accountability from Sports Act 2013 and given the mandate to carry out functions formally performed by Sports Stadia Management board and the Department of Sports. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to promote co-ordinate and implement national and international sports programmes, establish, manage, develop and maintain the sports facilities including convention centres, indoor sporting and recreational facilities in the country and participate in the promotion of sports tourism among others. Sports Kenya is expected to develop modern sports facilities as well as improve the existing ones.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

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Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Rental income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 21 to 23 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

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Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Rental income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 21 to 23 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

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Depreciation is calculated on reducing balance basis to write down the cost of each asset to their reducing balance over their estimated useful life as follows:

Motor vehicle	25%
Plant & Equipment	37.5%
Office Equipment	30%
Computers	30%
Furniture	12.5%
Building	2%

Equipment, furniture and fittings are periodically reviewed for impairment where the carrying amount of an asset is greater than estimated recoverable amount it is written down immediately to its carrying amount.

Gain and losses on disposal of equipment furniture and fittings are determined by reference to their carrying amount and are taken into account in determining the surplus or deficit for the year.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Inventories

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

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

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

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

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

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

p) Related parties

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

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise

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– any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

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

s) Comparative figures

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions

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

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

u) 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, 2018.

v) Disclosure

Some figures in FY 2016/17 were reported inaccurately thus warranting restatement in FY 2017/18 to correct the anomaly. Inaccuracies were noted in Working in progress and Retain earnings.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017-2018	Restatement 2016-2017
	<u>Kshs</u>	<u>Kshs</u>
1.0 Income from Non-Exchange Transactions		
Government Subsidies for Sports Club	-	-
GOK GRANTS	273,253,468	826,380,340
World Youth Championship 2017 Grant	245,963,225	852,702,170
	<u>519,216,692</u>	<u>1,679,082,510</u>
1.1 GOK GRANTS		
Recurrent	123,263,840	147,177,020
Development	121,181,034	124,973,565
Water and electricity	28,808,594	30,000,000
Project Funds	-	524,229,755
	<u>273,253,468</u>	<u>826,380,340</u>
1.2 IAAFWU18 World Youth Championship 2017 Grant		
Deferred income	-	400,000,000
Received during the year	245,963,225	452,702,170
	<u>245,963,225</u>	<u>852,702,170</u>
2.0 Income from the Exchange Transactions Details		
Hire of Facilities	39,408,816	66,855,134
Rent income	31,440,000	48,964,544
Hotel income	17,479,547	100,091,682
Naming rights income (Safaricom)	-	6,875,000
Other Income	1,611,079	2,025,746
Branding (Britam)	-	14,073,333
Advertising Income	4,240,474	4,895,833
	<u>94,179,916</u>	<u>243,781,272</u>
2.1 Hire of Facilities		
Hire of Hospitality	1,463,400	1,357,810

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	Hire of main stadium & Equipment's	11,468,420	18,793,555
	Hire of Aquatic Stadium	12,400,624	13,859,215
	Gate Takings	859,465	1,156,080
	Hire of flood light	450,000	1,865,984
	Live coverage income	840,000	1,650,000
	Hire of indoor Courts	11,726,907	28,000,490
	Hire of fitness gym	140,000	52,000
	Hire of Barriers	60,000	120,000
		39,408,816	66,855,134
			-
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
2.2	Rental Income		
	Residential Housing	31,440,000	31,725,000
	Commercial Space	-	17,239,544
		31,440,000	48,964,544
			-
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
2.3	Hotel Income		
	Hotel income, Cybercafé, Bar sales	17,479,547	100,091,682
		-	-
		17,479,547	100,091,682
			-
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
2.4	Naming Rights		
	Moi International Sports	-	6,875,000
		-	-
		6,875,000	6,875,000
			-
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
2.5	Other Income		
	Miscellaneous	103,119	587,244
	Sale of Tenders	354,060	662,000
	Disposal of Assets	1,153,900	776,502
	Total other Income	1,611,079	2,025,746
			-
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
2.6	Branding Rights		
	Nyayo stadium	-	13,813,333
	Moi International Sports Center	-	260,000
		-	-
		14,073,333	14,073,333

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	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
2.7 Advertising Income		
Nyayo National Stadium/ MISC	4,240,474	4,895,833
	<u>4,240,474</u>	<u>4,895,833</u>
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
3.0 Employees Costs		
Employee related Costs Salaries and Wages	111,112,541	128,209,138
Employees Related cost contribution to pension	12,947,496	12,974,676
Gratuity	4,217,539	5,865,822
NSSF	398,400	490,400
Acting allowance	671,328	628,168
Special Duty Allowance	940,111	3,531,403
Residential Telephone line	915,000	925,900
Housing Allowance	35,724,984	33,857,832
Leave Allowance	2,757,482	2,728,229
Sales Commissions	-	1,374,884
Total Employee Cost	<u>169,684,881</u>	<u>190,586,451</u>
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
4.0 Board of Directors Allowances		
Chairman Honoraria	960,000	960,000
Board of Directors Allowances	5,434,033	6,449,084
International Perdiem	-	2,436,584
International travel	-	3,690,293
Local Perdiem	511,374	526,467
Local Travel	613,881	1,422,585
	<u>7,519,288</u>	<u>15,485,012</u>
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
5.0 General Expenses		
Marketing and Advertisement	2,761,036	4,362,830
Transport Operating	1,436,963	2,063,869
Local travel	14,864,600	10,867,499
Travel Abroad	1,558,110	985,124
Stationery	3,479,223	3,533,667
Computer Expenses	2,163,287	1,376,536
Telephone and internet	2,639,435	2,654,982

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Gas and fuel	937,275	2,576,810
Official Entertainment	1,920,000	1,920,000
Food Purchase	7,160,755	34,498,847
Medical Insurance	22,538,778	18,305,439
Subscriptions	109,600	88,600
Office Refurbishments	6,725,642	3,949,075
Audit Fee	522,000	522,000
Office Cleaning Materials	6,013,253	3,331,862
Insecticides Sprays and Chemicals	1,424,290	2,548,657
Motor vehicle insurance	161,453	161,453
General insurance	3,195,830	3,357,283
Hotel expenses	636,510	14,510,181
Casuals	9,190,732	19,215,651
Uniforms	64,100	3,246,103
KAS expenses	-	3,406,471
Sponsorship fees	200,000	-
	89,702,871	137,482,940
	2017-2018	2016-2017
5.1 Marketing and Advertising Cost	<u>Kshs</u>	<u>Kshs</u>
Marketing	1,717,528	2,020,001
Advertising	1,043,508	2,342,829
	2,761,036	4,362,830
	2017-2018	2016-2017
5.2 Transport Operating	<u>Kshs</u>	<u>Kshs</u>
Transport Taxi	6,400	49,800
Transport Fare	101,450	149,610
Mileage Claims	197,221	235,551
Motor Vehicle Fuel	786,274	882,646
Motor Vehicle Repair	345,618	746,262
	1,436,963	2,063,869
	2017-2018	2016-2017
5.3 Local Travel	<u>Kshs</u>	<u>Kshs</u>
Local travelling Expenses	2,196,750	934,620
Local perdiem	12,667,850	9,932,879
	14,864,600	10,867,499
	2017-2018	2016-2017
5.4 Travel Abroad	<u>Kshs</u>	<u>Kshs</u>
International Travel	369,665	234,000

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International Perdiem	1,188,445	751,124
	1,558,110	985,124
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
5.5 Stationery		
Photocopy	305,520	591,269
Printing	2,923,863	2,524,798
Local Dailies and Publication	249,840	417,600
	3,479,223	3,533,667
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
5.6 Computer Expenses	<u>2,163,287</u>	<u>1,376,536</u>
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
5.7 Telephone & Internet		
Internet	729,334	730,809
Telephone -Mobile	1,895,040	1,895,040
Telephone -Landline	15,062	29,133
	2,639,435	2,654,982
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
5.8 Gas & Fuel		
Gas	937,275	870,085
Diesel	-	1,706,725
	937,275	2,576,810
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
5.9 Official Entertainments	1,920,000	1,920,000
	1,920,000	1,920,000
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
6.0 Contracted and Professional Services		
Cleaning Services	4,991,640	9,675,552
Security services	19,752,240	22,598,920
Legal Fees	10,625,890	40,990,000
	35,369,770	73,264,472

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	2017-2018	2016-2017
7.0 Total Bulk Purchases	<u>Kshs</u>	<u>Kshs</u>
Electricity	33,738,417	34,220,036
Water	19,049,100	21,323,340
	-	-
	<u>52,787,517</u>	<u>55,543,376</u>
8.0 Repair and Maintenance	<u>Kshs</u>	<u>Kshs</u>
Repair and Maintenance of Stadia	2,441,240	11,953,748
	<u>2,441,240</u>	<u>11,953,748</u>
9.0 Depreciation & Amortization	<u>Kshs</u>	<u>Kshs</u>
Depreciation & Amortization for the yr	14,941,782	20,766,936
	<u>14,941,782</u>	<u>20,766,936</u>
10.0 Rehabilitation works - Regional Stadia	<u>Kshs</u>	<u>Kshs</u>
Kipchoge keino	-	36,278,397
Kamariny Stadium	-	34,805,400
Wote Stadium	-	49,131,006
Chuka stadium	-	31,174,719
Karatu Ndarugu Stadium	-	45,367,170
Ruringu Stadium	-	26,836,393
Marsabit Stadium	-	33,551,063
Mombasa stadium	-	10,666,934
Nyayo National Stadium	9,228,797	75,721,041
	<u>9,228,797</u>	<u>343,532,123</u>
11.0 Federations Expenses	<u>Kshs</u>	<u>Kshs</u>
	-	95,303,900
	<u>-</u>	<u>95,303,900</u>
12.0 RIO Expenses	<u>Kshs</u>	<u>Kshs</u>
	-	286,941,698
	<u>-</u>	<u>286,941,698</u>
	2017-2018	2016-2017

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	<u>Kshs</u>	<u>Kshs</u>
13.0 World youth championship Expenses	230,594,378	679,815,635
	<u>230,594,378</u>	<u>679,815,635</u>
	2017-2018	2016-2017
14.0 Finance Cost	<u>Kshs</u>	<u>Kshs</u>
Bank charges	376,173	505,454
	<u>376,173</u>	<u>505,454</u>
	2017-2018	2016-2017
15.0 Cash and Cash Equivalents	<u>Kshs</u>	<u>Kshs</u>
Standard Chartered Main bank	776,902	40,281,279
Fund Account	876,693	450,256
Project Account	11,502	246,082
Rent Account	455,487	477,096
Cash in Hand	15,120	-
	<u>2,135,704</u>	<u>41,454,713</u>
	2017-2018	2016-2017
16.0 Accounts Receivables from -Exchange transactions	<u>Kshs</u>	<u>Kshs</u>
Rent	74,186,863	100,977,714
Trade Debtors	163,566,900	130,546,680
	<u>237,753,763</u>	<u>231,524,394</u>
	2017-2018	2016-2017
17.0 Accounts Receivables from Non -Exchange transactions	<u>Kshs</u>	<u>Kshs</u>
Outstanding Grant		
Deaflympics	500,000	500,000
Ministry of youth	107,390,843	107,390,843
KAS	1,364,288	1,364,288
NYTA	15,590,653	15,590,653
Fc Talanta	4,482,232	4,482,232
Kenya Foot Ball Federation -Loan	10,000,000	10,000,000
Salary Advance	91,432	348,179
Imprest (Sports Kenya, FC Talanta & KAS)	5,432,060	7,403,352
	<u>144,851,508</u>	<u>147,079,547</u>
	2017-2018	2016-2017
18.0 Inventory	<u>Kshs</u>	<u>Kshs</u>
Moi International Sports Centre main stores	1,549,038	2,172,288

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	Food Stores	-	457,653
	Nyayo National stadium stores	187,470	376,976
		1,736,508	3,006,917
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
19.0	Property plant and Equipment	137,685,808	152,627,591
		-	-
		137,685,808	152,627,591
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
20.0	International Sports Academy (wip)		
	Opening bal	34,585,249	712,474,598
	Expenditure	-	34,585,249
	WIP Transfer of ISA to KAS		(712,474,598)
		34,585,249	34,585,249
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
	Indoor Court Complex (WIP)		
	Opening bal	18,254,707	-
	Expenditure	8,818,966	18,254,707
		27,073,673	18,254,707
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
	National Stadia		
	Feasibility Works -PKF		
	Opening bal	507,617,038	507,617,038
	Expenditure	-	-
		507,617,038	507,617,038
	TOTAL WIP	569,275,960	560,456,994
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
21.0	Trade and other payables from Exchange transactions		
	Trade and other payables from Exchange transactions	178,880,552	155,420,893
		2017-2018	2016-2017
		<u>Kshs</u>	<u>Kshs</u>
22.0	Rent Deposits	755,700	755,700

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	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
23.0 Prepayments		
Safaricom Kenya	-	-
Magnet ventures	-	1,022,167
Britam	-	-
GOK Grants (WYC 2017) Deferred income	-	-
	-	1,022,167
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
24.0 Provision for Audit fees	522,000	522,000
	522,000	522,000
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
25.0 Employee benefit obligation & pension	2,081,897	4,858,563
	2,081,897	4,858,563
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
Tax Obligation		
26.0 Taxation Liabilities PAYE Assessment	11,712,082	16,940,606
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
27.0 Tax arrears Provisional assessment	275,981,793	342,693,875
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
28.0 Retained Earnings	53,479,356	41,797,318
Surplus for the year	749,911	11,682,038
	54,229,266	53,479,356
	2017-2018	2016-2017
	<u>Kshs</u>	<u>Kshs</u>
29.0 Capital Grants Reserve		
Opening bal	560,456,994	1,220,091,636
Grants for the year	8,818,966	52,839,956
National Stadia	-	-
Reserve Transfer of ISA to KAS	-	(712,474,598)
	569,275,960	560,456,994

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30.0 PROPERTY, PLANT AND EQUIPMENTS MOVEMENT SCHEDULE:

	Land	Buildings	Motor Vehicles	Plant & Machinery	Office Equipment	Furniture	Total
Cost/Valuation	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)
At 1st July 2016		62,469,839	11,011,934	25,901,163	17,638,168	32,000,277	149,021,381
Additions		43,256,951	-	22,121,236	14,446,841	8,140,000	87,965,028
Disposals		-	-	-	-	-	-
Transfer/adjustments		-	-	-	-	-	-
At 30 June 2017		105,726,790	11,011,934	48,022,399	32,085,009	40,140,277	236,986,409
Depreciation and impairment							
At 1 July 2016		3,883,620	10,667,168	20,850,874	15,226,862	12,963,359	63,591,883
Depreciation (Charge for the yr.)		2,036,863	86,192	10,189,322	5,057,444	3,397,115	20,766,936
Impairment		-	-	-	-	-	-
At 30 June 2017		5,920,484	10,753,360	31,040,196	20,284,306	16,360,474	84,358,818
Cost/Valuation							
At 1st July 2017		105,726,790	11,011,934	48,022,399	32,085,009	40,140,277	236,986,409
Additions		-	-	-	-	-	-
Disposals		-	-	-	-	-	-
Transfer/adjustments		-	-	-	-	-	-
At 30 June 2018		105,726,790	11,011,934	48,022,399	32,085,009	40,140,277	236,986,409
Depreciation and impairment							
At 1 July 2017		5,920,484	10,753,360	31,040,196	20,284,306	16,360,474	84,358,820
Depreciation (Charge for the yr.)		1,996,126	64,644	6,368,326	3,540,211	2,972,475	14,941,782
Impairment		-	-	-	-	-	-
At 30 June 2018		7,916,610	10,818,004	37,408,522	23,824,516	19,332,949	99,300,602
Net book values							
At 30 June 2018		97,810,180	193,931	10,613,877	8,260,493	20,807,328	137,685,808
At 30 June 2017		99,806,306	258,575	16,982,203	11,800,703	23,779,803	152,627,591

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Accuracy and Completeness of the Financial Statements- Capital Work-in-Progress	Sports Kenya had not incorporated the previous accumulated Work In Progress Reserve thus Resulting to the difference in changes in Net Assets	ADF	Resolved	
2.0	Property, Plant and Equipment	Sports Kenya assets excludes assets which have not been transferred to Sports Kenya. This Corporation does not have title ownership and as such we were not able to include them as part of the assets in the accounts. Cabinet memos transferring the assets is being pursued in a bid to have the assets duly transferred to the Board. Valuation of the assets has not been done and shall be factored in the 2016/2017 budget. Kisumu stadium would not form part of our property as it is owned by the County Government of Kisumu. The contract was a collaboration between Sports Kenya and the County Government.	Director General	Not Resolved	
3.0	Construction of Seven	Sports Kenya are undertaking construction	Director General	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	County Stadia	of seven (7) Regional Stadia which were contracted to the tune of Kshs. Two Billion Eight Million Four Hundred and Seventy-Four Thousand One Hundred and Twenty-Two Only (Ksh. 2,008,474.122.00). The Matter is with the Anti-corruption body and required that the Corporation submit the original documentation to satisfy the anti-Graft Body.			
4.1	Excess Vote-Rio Games Expenditure	During the year in review there was an expenditure of Kshs Three Hundred Eighty-Two Million Two Forty-Five Thousand Five Hundred Ninety-Seven Only (Kshs. 382,245,597) in respect of Rio Expenses and allowances. This expenditure was based on the understanding the Ministry requested to utilize the funds for the World under 18 Championships that was held at Sports Kenya and would undertake to refund immediately the National Treasury opened the IFMIS system for the year under review.	Director General	Not Resolved	
4.2	UnSurrendered Rio-Olympic Imprests	Sports Kenya issued the Ministry of Sports officials some money in	Director General	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>the understanding that the Ministry would refund the funds once the IFMIS System was opened. The funds have not been refunded to Sports Kenya.</p> <p>As to whether the imprests were surrendered to the Ministry, the accountant at our Parent Ministry would be best suited to clarify the matter to the Kenya National Audit Office.</p>			
5.0	Lack of Substantive Director General for Sports Kenya	<p>The Sports Act 2013 provides for the Appointment of the Director General as per section 8(1). The Board conducted interviews in 2016 for the position of the Director General and the results were communicated to the appointing Authority and are awaiting communication from the said Authority.</p>	Board	Resolved	
6.0	Going Concern/Sustainability of Services	<p>The Financial statement of Sports Kenya has been prepared based on the generally accepted Accounting Principles and Systems (GAAPS), in particular the going concern assumption since nothing has come to the attention of the Management that the Corporation shall cease from continuing in the</p>	Director General	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>near future. The Corporation during the year under review had cash flow challenges due to the fact that all its facilities had been closed for preparation of the World Under 18 Championships 2017 which were held in July, 2017. The facilities had never undergone any major repairs since its construction in 1987 and therefore, to meet the International Association of Athletics Federation Standards a lot of work was required to achieve them in order to host the International championships.</p> <p>Once renovations are completed, there will be expected income from the hire of facilities and also the sale of the Naming and Advertising Rights. This will enable the Corporation to pay outstanding bills and working capital will greatly improve.</p>			
7.1	Legal Consultancy for Public Private Partnership (PPP)	Sports Kenya engaged legal consultancy to assist in exploring the financing models that would work for the proposed construction of the three (3) National Stadia. This was because the construction	Director General	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		would not have been accommodated within the exchequer allocation but through Public Private Partnership. The possible financing models were provided to the Board for eventual consideration and approval.			
7.2	Consultancy Services for Feasibility Study and Development of Detailed Designs for Three(3) Stadia	Sports Kenya contracted a consortium to conduct feasibility study and develop concept designs for three (3) National Stadia at Nairobi, Mombasa and Eldoret. This was in line with the National Vision 2030 and Government Manifesto. Elaborate designs have been provided to the Auditor before showing the designs that the consortium came up with. The Government therefore received value for money based on terms of reference for the contract.			
8.1	Delayed Construction and Completion of a Hostel and Football/Rugby Pitches and Associated Civil Works	It is true that former Sports Stadia Management Board (now Sports Kenya) on 21 st March, 2013 entered into a contract with Ms. Landmark Holdings Limited for the construction of a Hostel and a football/rugby pitches and associated	Director General	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		civil works at Kasarani Sports Complex at a Contract Sum of Kshs. Eight Hundred Fifty-Nine Million Eight Hundred Fifty-Nine Thousand Seven Hundred Seventy Only (Kshs. 859,859,770). The above projects have so far been handed over officially to Kenya Academy of Sports which is a separate entity and are best placed to give further briefings on the issues observed in the report.			
8.2	Delayed Construction Works for Indoor Sports Facility at Moi International Sports Centre-Kasarani	The Project was not completed in the stipulated 32 weeks due to delayed payment to the Contractor. Sports Kenya has experienced challenges owing to the closure of the facilities; however, this shall be completed within the year 2018/2019 after the facilities are fully reopened	Director General	Not Resolved	
9.0	Unremitted Statutory Deduction	The Corporation has been struggling with cash inflows in meeting its statutory obligation. However, during the year under review, Kshs One Hundred Eighty-Four Million (Kshs. 184,000,000.00) has been requested through the supplementary allocation but was allocated in the printed	ADF	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		estimates of the year 2018/2019. This will cater for the principal taxes.			
10.0	Accounts Receivables from Non-Exchange Transactions	Sports Kenya transferred Kshs Ten Million (Kshs.10m) to the Football Kenya Federation account, to assist them host the match between Harambee Stars and Inter Milan Football Club. The amount of Kshs. 107,390,842 was an exchequer allocation that had not been received from the Parent Ministry but upon communication this has been adjusted in the account as a restatement. Attached is communication to the confirmation of Kshs 10m transferred to Football federation	Director General	Not Resolved	
11.1	Trade Debtors	It is true in the year under review there was outstanding debts from Federations to which the Board had been following up payment from the Parent Ministry. The same has not been honoured to date due to lack of sufficient exchequer allocation in support of teams. Similarly advertising contract with Alliance Media and Page Signs is still being handled in court.	Director General	Not Resolved	


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		The Management is waiting outcome of the Court process to arrive at a decision whether the amount shall be recoverable.			
11.2	Outstanding Imprests	The imprests have since been surrendered and the Management has put arrangements in place to meet the imprest administration requirement forthwith. The laid down requirements are therefore being followed.	ADF	Resolved	
11.3	Rent Receivables	The deposits reported in the accounts have been reconciled to the respective house numbers. This is an exercise that was carried out towards the end of the year where tenants were required to provide banking slips for the rent paid during the period, they have been occupying the houses. This helped the Corporation reconcile the said deposits	ADF	Resolved	
16.0	Supply, Delivery and Installation of Synthetic Track Surface-Mombasa County Stadium	During the procurement of the tartan track for Mombasa County Stadium in 2015, VAT and Duty had not been factored because it was assumed it would be waived as had been the case in the past where Tax on Sports equipment was	ADF	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>exempted. When the request for VAT and DUTY waiver was declined, the Board authorized payment of Duty and VAT. There were also additional costs incurred due to demurrage and container charges. The track is yet to be installed and is at the County Government warehouse. The County Government has achieved about 90% completion of the sub-base preparation. Upon the full completion of the sub-base, the supplier is under obligation to complete installation of the track</p>			
17.0	<p>Supply, Delivery and Installation of Synthetic Track Surface- Nyayo National Stadium</p>	<p>The Corporation contracted for the laying of a tartan track at the Nyayo National Stadium. The amounts the Corporation has paid to the contractor so far is Kshs 75,721,041.00 as provided to the Auditor. The figure of Kshs 111,596,640 is not the amount of payment done.</p>	ADF	Resolved	

Mr. Julius Mbii
Act. Director General

Date.....

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APPENDIX III: INTER-ENTITY TRANSFERS

Name of the Entity sending the grant	Description	Amount recognized to Statement of Comprehensive Income	Amount deferred under / deferred income	Amount recognized in capital fund.	Total grant income during the year
		KShs	KShs	KShs	KShs
Ministry of Sports Culture and Heritage/State Department sports development	Recurrent Grant -SK	123,263,840.00	-	-	123,263,840.00
	Water & Electricity - SK	28,808,594.00	-	-	28,808,594.00
Ministry of Sports Culture and Heritage/State Department sports development	Development Grant - SK	121,181,034.00	-	8,818,966.00	130,000,000.00
	Regional Stadium	-	-	-	-
Ministry of Sports Culture and Heritage/State Department sports development	RIO	-	-	-	-
	WU18	245,963,225.00	-	-	245,963,225.00
Ministry of Sports Culture Heritage/State Department sports development	Kenya Academy of Sports	-	-	-	-
TOTAL	GRANTS RECEIVED	519,216,693.00	-	8,818,966.00	528,035,659.00

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

