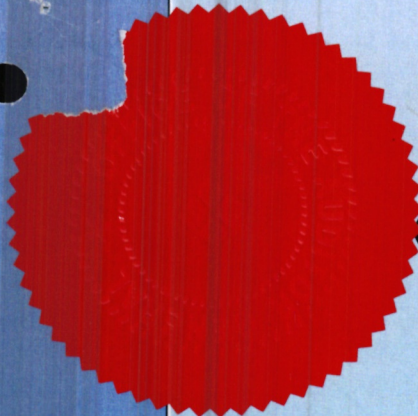


REPUBLIC OF KENYA



*Paper laid
By the hon on
Thursday 15/6/17
Afternoon sitting.
@Mwangi*



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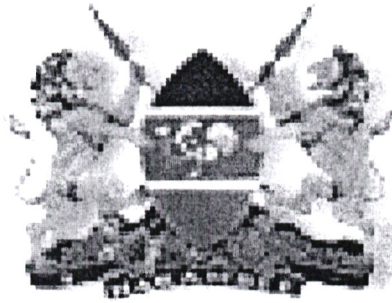
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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA CULTURAL CENTRE

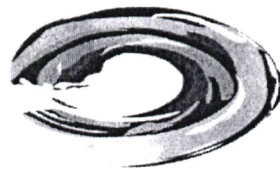
FOR THE YEAR
ENDED 30 JUNE 2016



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THE
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CULTURAL CENTRE
INCORPORATING THE KENYA NATIONAL THEATRE

KENYA CULTURAL CENTRE

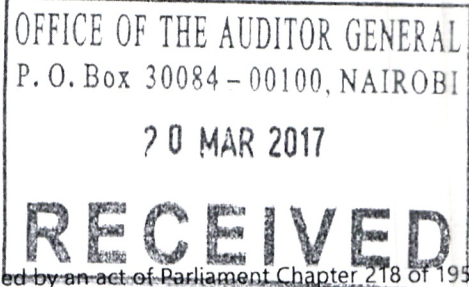
ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

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I. **KEY KCC INFORMATION AND MANAGEMENT**

(a) **Background information**

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

The Centre's Vision:

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

The Mission statement:

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

(b) **Principal Activities**

The mandate of the Kenya Cultural Centre is;

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

(c) **Key Management**

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

- a) The office of the Executive Director
- b) The office of the Programmes Coordinator
- c) The office of Human Resource and Administration
- d) The office of Financial Accountant

(d) **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	The Executive Director	Aghan Odera Agan
2.	The Programmes Coordinator.	Khadija Suleiman
3.	Financial Accountant	Grace Kamau

(e) **Fiduciary Oversight Arrangements**

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

(f) Kenya Cultural Centre Headquarters

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

(g) Kenya Cultural Centre Contacts

Telephone: (254) 20 2672843, 0726008677
E-mail: info@kenyaculturalcentre.go.ke
Website: www.kenyaculturalcentre.go.ke

(h) Kenya Cultural Centre Bankers

Barclays Bank of Kenya
Market Branch
Nairobi

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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II. THE GOVERNING COUNCIL



Ole Moipei Nicholas HSC

**Nicholas ole Moipei
Chairman**

He is a holder of Bachelor of Education (Music) degree from Kenyatta University and a Career Music Teacher/Lecturer He is a Member of the Kenya Music Festivals Foundation National Executive Committee and Chairman of Kenya Music and Cultural Festivals since 2012



Edwin Gichangi

**Edwin Gichangi
Executive Director & Secretary to the Governing Council**

Edwin has more than 15 years' of extensive work experience gained working for multinational blue chip businesses, government agencies and international organisations. Areas of expertise include: design and implementation of change; governance, political and institutional analysis; public sector governance and institutional reforms; marketing communications and strategic management. Edwin is a graduate of Communications from Daystar University. He has attained specialised post graduate qualifications in leadership in Community Development from Eastern and Southern Africa Management Institute (ESAMI) and MBA from Switzerland



Isaac Awuondo

**Isaac Awuondo
Member Governing Council**

He graduated from Nairobi University in 1980 with a Bachelor of Commerce degree in accounting and finance. He trained in London as a chartered accountant qualifying in 1984. He has worked as an Audit Manager, Financial Controller and Company Secretary in the private sector.

He has also worked as part of the senior management team of Commercial Bank of Africa Ltd. (CBA – 20 years) and Standard Chartered Bank Kenya Ltd (SCBK – over 8 years).

He was General Manager and Executive Director of CBA prior to being appointed Managing Director in December 1998. He was the Chief Financial Officer and director of the SCBK's operations in Kenya up to September 1995.

Isaac sits on the Board of several public and private organisations, including Africa Trade Insurance, Bata Shoes Company Kenya Limited, Nairobi Hospital and Riara University Council. Through his involvement in charitable and philanthropic activities, he is Chairman of the Kenya Conservatoire of Music and trustee of The Rhino Trust, and the Zawadi Africa Education Fund

He is a keen golfer and enjoys music and reading in his free time.



Eric Kiniti

Eric Kiniti

Governing Council Member

He is a holder of Bachelor of Arts Degree in Economics and a Leadership Development certificate from the Gordon Institute of Business Science, University of Pretoria (Africa). He is currently pursuing a Masters of Science Degree in Public Policy from University of London and an Advanced Leadership Programme from Strat Business School.

He currently serves as the Corporate Relations Director for Kenya Breweries Limited where he is a member of the top executive team.

He is a member of the Public Relations Society of Kenya (PRSK).



Wachira Waruru

Wachira Waruru

Governing Council Member

He is a holder of Bachelor of Education Degree from Kenyatta University extensive work experience in Media Industry as Journalist, News Editor, and Editorial Director.

He has also worked as Managing Director KBC, Managing Director Kenya Film Commission and he is Currently the Managing Director Royal Media Services.



Saima Ondimu

Saima Ondimu

Alternate Director

PS, Ministry for Sports, Culture and the Arts

Strategic Leadership Development Course No. 65/2013

University of Nairobi - Post Graduate Diploma in Diplomacy & International Relations

University of Strathclyde MSc. in International Hospitality Management Dissertation on Conference Tourism Marketing the City of Nairobi.

Kenya Utalii College - Diploma in Hotel Management





Alison Ngibuini

Alison Ngibuini

Governing Council Member

Alison is a holder of MBA in entrepreneurship. Currently serving on the board of Global compact Kenya. She has an outstanding track record in the communication/media industry for excellence and monetization of the content business. Alison is an award winning film/television entrepreneur with over 15 years' experience. Recognized two years running as a Top 40 under 40 female entrepreneur in East Africa. She has a strong background in advertising she has an unmatched track record in using television as a vehicle for entertainment and education. Alison has a great in-depth understanding of Africa having worked in East, West & Southern Africa and distributed content across the continent. As a founder of All Is On Production Ltd, Alison has been involved in public education, sensitization and awareness raising campaigns such as Siri Shuga (starring Oscar winning Lupita Nyong'o). As well pioneering shows such as Africa Challenge (A Pan-African household intellectual game show) and Mali t East African Daily Soap.

 <p>Muthoni Garland</p>	<p>Muthoni Garland Governing Council Member</p>
 <p>Millicent Ogutu</p>	<p>Millicent Ogutu Governing Council Member</p> <p>A holder of Diploma in Law from Kenya School of Law and Bachelor of Legal Laws Moi University. She is also a member of Law Society of Kenya Advocate of the High Court of Kenya, Founding Secretary of Kenya Actors Guild. She is a lawyer by profession and Managing Partner at Kishagha & Ogutu Advocates, also worked as associate at KN Associates LLP and S. Musalia Mwenesi Advocates Nairobi. Millicent served a memorable term as the Managing Director of Phoenix Players Theatre, the biggest repertory theatre in East and Central Africa. She is the current Chair of the Kenya Copyright Board. She co-owns a film production company with three other very talented Thespians.</p>
	<p>Edward Muthusi Governing Council Member</p> <p>A holder of Bachelor of Arts-International Relations USIU Nairobi Competent copywriter who has written several advertising campaigns including award winners in the Kenya Advertising Practitioners Association awards. Versatile radio broadcaster who has managed to turn around Radio Station ratings. Superior communication and interpersonal abilities. A team player with demonstrated ability to work under pressure, meet deadlines and successfully complete projects with colleagues from diverse cultural backgrounds. Highly creative and imaginative.</p>



Baridi Manyasi

Baridi Manyasi
Governing Council Member

A holder of M.A. Sociology (Rural Sociology and Community Development), the University of Nairobi. BA Sociology; The University of Nairobi, (Second Class Honours, Upper Division). Advanced Project Management; OTE academy, Greece (Credit) and Diploma; Social Work and Social Development, The University of Nairobi (credit).

He has served as a Lecturer at the Mount Kenya University, Thika Campus; Course title, Development Studies. He has also been working as a Consultant/ Monitoring and Evaluation Expert, with SIPU International, to assist the National Integrated Monitoring and Evaluation System (NIMES) Capacity Development Project under the Monitoring and Evaluation Department of the Ministry of Devolution and Planning, Kenya. He has been a visiting/part time Lecturer at the Kenya School of Government, specialized in Result Based Management/Monitoring and Evaluation. He also worked as Consultant in a GoK Programme, Office of the Prime Minister, Ministry of State for Planning, National Development and Vision 2030, and an Monitoring and Evaluation Specialist for the same programme

Charles Mwikya
Alternate Director
PS, Ministry for Finance



Edwin Gichangi

Edwin Gichangi

Executive Director/CEO

Edwin has more than 15 years' of extensive work experience gained working for multinational blue chip businesses, government agencies and international organisations across a diverse range of sectors and geographies. Over the years, Edwin has been very fortunate to have had relationships with visionary organisations, both small and large, which have extended their trust at critical milestones in their evolution. Areas of expertise include: design and implementation of change; governance, political and institutional analysis; public sector governance and institutional reforms; marketing communications and strategic management. Edwin is a graduate of Communications from Daystar University. He has attained specialised post graduate qualifications in leadership in Community Development from Eastern and Southern Africa Management Institute (ESAMI) and MBA from Switzerland



Khadija Suleiman Buke

Khadija Suleiman Buke

Programmes Coordinator

Oversees implementation of Programmatic activities of the Centre as per the KCC mandate. She has worked with various NGOs as programmes officer. Khadija is a holder of Bachelor's Degree in Economics second class honours from Maseno University and is currently undertaking a Masters Degree program in Project Management at Kenyatta University.



Grace Kamau

Grace Kamau

Accountant

Oversees prudent management of the Centre's financial resources by ensuring compliance with the laid down government policies and procedures. She has over ten years working experience in finance and accounting in both public and Private sectors. She is a Certified Public Accountant (CPA K), Holds a bachelor degree in Business Administration from Kenya Methodist University.

IV. CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts of The Kenya Cultural Centre (KCC) for the period July 2015 to June 2016. The KCC's core functions remain to be provision of space for cultural reference, expression and industry. With the support and commitment of the Governing Council Members, the various committees, the management team and stakeholders, The Kenya Cultural Centre has continued to discharge its mandate.

Creative Cultural Activities

In the financial year 2015/16, The Kenya Cultural Centre facilitated diverse creative activities in artistic production processes comprising Rehearsals, Workshops, Dance Trainings, and Auditions for Television/Film/Beauty Pageantry/Fashion and Design. Live Theatre shows, Musical Concerts, Cultural Festivals and Public Discourses on matters socio-cultural. All these have been made possible by the support of Go through financial grant during the financial period.

Finance

The Kenya Cultural Centre raised Kshs. 13.5 million in Appropriation in Aid for the year 2015/16 against Kshs. 7.6 received in the previous year. The increase was due to commissioning for use the refurbished Kenya National Theatre in October 2015 by H.E the President. The KCC was allocated Kshs. 50 Million for Development Grant, Kshs. 3,800,196 for relaunch of KNT activities and Kshs. 20 Million for recurrent grant. However only Kshs. 56,702,023 was received by end of the financial year and the bulk of it was received during the last 2 months to the closure of the FY hence exposing the Centre to absorption challenges.

Fundraising

There is a great need to intensify Fund raising efforts in order to mobilize resources to meet all of The KCC's obligations including recurrent expenditure and capital development. Technical Management of Creative Cultural processes, Communications, Public Relations, Marketing and Resource Mobilization efforts at the Centre require urgent strengthening. In this regard, processes to bolster institutional internal capacity for effective service delivery are already in progress. During the Financial Year KCC was able to raise Kshs. 2 Million in donations from Heritage Insurance for renovation of KNT and landscaping.

Appreciation

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

I specially thank the Vice chairman, Mr. Baridi Manyasi for his support and willingness to step in for me whenever the circumstances call for it.

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

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

Sign:



2013/14

NICHOLAS OLE MOIPEI
CHAIRMAN GOVERNING COUNCIL

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

Revenue

The Kenya Cultural Centre is a body corporate which was established 65 years ago through CAP 218 of March, 1951 Laws of Kenya. The Centre managed to be allocated Kshs. 50 Million Development Grant and Kshs. 20 Million recurrent grant during the Financial Year. Further, KCC was able to raise A.I.A of Kshs. 13,569,483 from the Centre's Commercial car parking area, Hire of Theatre auditorium, Audition rooms and other Creative activities facilities and office rentals.

Expenses

Strict financial discipline and accountability has remained a key factor in managing the resources of The Centre. The total expenses for the year stood at Kshs. 40.68 Million being both recurrent and development expenditure.

The phase one renovations of Kenya National Theatre was completed during the Financial Year and commissioned for use in October. The National Theatre renovation project was partially sponsored by the EABL/KBL under Kenya @50 Celebrations Legacy projects.

Performance

KCC was able to undertake programs that contributed to the development of cultural and artistic expressions during the year. Our net operating results show a surplus of 31.5 Million as reported on page 1 of the financial report. The big surplus was as a result of late release of grant which made it impossible for the Centre to fully absorb it within the financial year; however the money was committed to address the various challenges KCC is facing. Our assets have grown by about 13% over last year and Centre has been able to maintain a healthy balance sheet with strong asset position.

Target

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

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

Human Resource

The Centre operated with acute shortage of the Human Resource capacity during the Financial Year. There is need to enhance the HR capacity to ensure proper systems are in place to implement KCC's programs

Conclusion

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

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



Sign:

Edwin Gichangi

EXECUTIVE DIRECTOR/CEO

20/3/17

VI. CORPORATE GOVERNANCE STATEMENT

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

Governing Council

The Kenya Cultural Centre Governing Council consists of a Chairman, Mr. Nicholas Ole Moipei, 10 Council members who are non-executive and one Executive Director (ED/CEO). However, the current Governing Council was appointed in October 2015 after the previous one's term expired April 2015. The Governing Council's profiles appear on Page 5.

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

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

Council's Responsibilities

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

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

The Governing Council comprises of eleven (11) Council Members, ten (10) of whom are independent directors who represent the various key stakeholders in the industry.

The Council defines the Centre's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Council members bring a wealth of experience and knowledge to the Council's deliberations. Except for direction and guidance on general policy, the Council delegates authority of its day-to-day business to the Management through the Executive Director/Chief Executive Officer. The Council nonetheless is responsible for the stewardship of the Centre and assumes responsibilities for the effective control over the Centre. The Executive Director/Chief Executive Officer also serves as the secretary to the Governing Council.

Committees of the Governing Council

The Council delegates to the Executive Director, powers for the day-to-day management of the Centre and to assist him in fulfilling his responsibilities, the Council has constituted the following committees:

Programmes Committee

The Committee is chaired by a GC member Ms. Alison Ngibuini and comprises of four other GC members who are all non-executive. In addition, the Executive Director and Programmes Coordinator fulfil attendance of the committee's deliberations. The committee meets quarterly to review all areas of programming and programmatic activities as proposed and administered by the management.

The membership of the Programmes Committee is as follows:

- | | | |
|----|---------------------|------------------------|
| 1. | Ms. Alison Ngibuini | Council (Chairperson) |
| 2. | Mr. Wachira Waruru | Council Member |
| 3. | Mr. Edward Muthusi | Council Member |
| 4. | Mr. Baridi Manyasi | Council Member |

The Committee fulfilled its corporate governance responsibilities and in particular to provide strategic oversight to the core functions of the Centre, being developing, promoting and marketing the Cultural Programmes. The Committee held regular meetings and special meetings in the year under review.

Finance and Administration Committee

This GC committee comprises five governing council members and is chaired by Mr. Eric Kiniti. The Executive Director and the Accountant also participate in its deliberations.

The membership of the Finance, Administration & Human Resource Council Committee is comprised as follows:

- | | | |
|----|---------------------|--|
| 1. | Mr. Eric Kiniti | Council Member (Chairman) |
| 2. | Ms. Millicent Ogutu | Council Member |
| 3. | Charles Mwikya | Alternate Council - Principal Secretary, The National Treasury |
| 4. | Ms. Saima Ondimu | Alternate Council - PS, Ministry Sports, Culture and the Arts |
| 5. | Mr. Isaac Awuondo | Council Member |

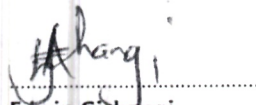
The responsibilities of this Committee include providing general oversight in matters of finance, human resource and the overall operations and administration of the Centre. The committee held regular and special meetings in the year under review.

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Council takes into account the results of work carried out to audit and review the activities of the Centre.

The Council also considers the management accounts for each quarter, reports from each Council Committee, annual budgetary proposals, major issues and strategic opportunities for the Centre. As an integral strategy in achieving its corporate goals, the Council ensures the future sustainability of the Centre.

Signed on this..... 20/3/2017



Edwin Gichangi

Executive Director/CEO/Secretary to the Governing Council



Nicholas Ole Moipei

Chairman of the KCC Governing Council.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

Environment

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

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2016 which show the state of the Kenya Cultural Centre's.

Principal activities

The principal activities of Kenya Cultural Centre are:

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

Results

The results of the Kenya Cultural Centre for the year ended June 30, 2016 are set out on page 18-22 below.

Governing Councils

The members of the Governing Council who served during the year are shown on page (5) above.

Auditors

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

IX. **STATEMENT OF COUNCILS' RESPONSIBILITIES**

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

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

The Councils accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Councils are of the opinion that the Commission's financial statements give a true and fair view of the state of Centre's transactions during the financial year ended June 30, 2016, and of the Centre's financial position as at that date. The Councils further confirm the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

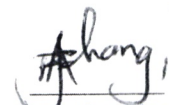
Nothing has come to the attention of the Councils to indicate that the Centre will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenya Cultural Centre's financial statements were approved by the Governing Council on 20/3/17 and signed on its behalf by:



Chairman Governing Council



Executive Director/CEO

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA CULTURAL CENTRE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Kenya Cultural Centre set out on pages 18 to 34, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cultural Centre's internal controls. An audit also includes evaluating the

Report of the Auditor-General on the Financial Statements of Kenya Cultural Centre for the year ended 30 June 2016

appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Unaccounted for Government grants

The Kenya Cultural Centre's statement of financial performance for the year ended 30 June 2016, reflects only Kshs.56,702,023 as having been transferred from the Ministry headquarters to the Centre whereas the parent Ministry reported transfers totalling to Kshs.91,954,999. The resultant difference of Kshs.35,252,976 was allegedly not received by the Centre and has therefore not been accounted for.

2. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position reflects Trade and other payables of Kshs.75,791,952 as at 30 June 2016. However, an amount of Kshs.68,704,376 of the accounts payables has been outstanding for a long period of time especially Kshs.63,184,432 in respect of land rates inherited from the defunct Nairobi City Council which the management states is in the process of negotiating a write-off with the Nairobi City County. Further, out of the Kshs.75,791,952 accounts payable balance as at 30 June 2016, only Kshs.9,566,181 had verifiable supporting documents leaving an unsupported balance of Kshs.66,225,771.

In the circumstances, the accuracy, completeness and validity of the trade payables of Kshs.75,791,952 as at 30 June 2016 could not be confirmed.

3. Employee Benefit Obligation

Note 13 to the financial statements reflect outstanding employee benefit obligation balance of Kshs.8,011,773 out of which Kshs.2,178,605 in respect of collective bargaining agreement arrears that has been outstanding since 2009 while Kshs.5,431,200 in respect of gratuity to staff has been outstanding since 2011. No satisfactory reason(s) has been given for the failure to settle the amounts.

4. Unsupported Governing Council Allowances

The Council paid Kshs.2,567,796 as Council allowances for the year ended 30 June 2016. However, Governing Council meetings were not properly supported by minutes and the attendance register made available for audit review disclosed the following anomalies:

- i) Though the attendance register was closed, it was noted that there were gaps left at the beginning/the end of the list;

- ii) Failure to clearly indicate the date and place in the register when and where each meeting was convened;
- iii) Copies of minutes for meetings proceedings were not in tandem with the attendance register.

In view of the foregoing, the accuracy and propriety of Council allowances totalling to Kshs.2,567,796 could not be confirmed as proper charge to public funds.

5. Trade and Other Receivables from Exchange Transactions

5.1 Unsupported Brought Forward Balances

The statement of financial position reflect a balance of Kshs.7,906,056 as at 30 June 2016. Included in this balance was Kshs.4,502,386 relating to 2014/2015 and earlier years for which supporting documents were not made available for audit review.

5.2 Misappropriation of Funds

Note 9 to the financial statements indicates an amount of Kshs.1,320,196 referred to as staff debt- Francis Luchiri. Information obtained indicates that the officer misappropriated the funds which were later treated as a loan. Although management has stated that the officer was dismissed and that the matter was in court, no evidence has been produced for audit review. Further, the treatment of the amount misappropriated as a loan was irregular and the funds remain unaccounted for.

In the circumstances, the accuracy, completeness and recoverability of the balance of Kshs.7,906,050 as at 30 June 2016 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Cultural Centre as at 30 June 2016, and of its financial performance and of its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Kenya Cultural Centre Act, 1951 and the Public Financial Management Act, 2012.

Other Matters

1.0 Budget and Budgetary performance

1.1 Revenue

The Kenya Cultural Centre had budgeted for revenue totalling Kshs.82,385,196 as follows:

Revenue Head	Budget	Actual	Excess/(Shortfall)	Excess/(Shortfall)
	Kshs.	Kshs.	Kshs.	%
Government Grants	72,800,196	56,702,023	(16,098,173)	(22)
A.I.A	9,585,000	10,952,681	1,367,681	14
Sponsorships	-	2,000,000	2,000,000	100
TOTAL	82,385,196	69,654,704	(12,730,492)	(15)

However, the actual revenue realised amounted to Kshs.69,654,704 resulting to a shortfall of Kshs.12,730,492 or 15%. The shortfall was mainly attributed to non-receipt of Government grants totalling to Kshs.16,098,173.00 or 22%.

1.2 Expenditure

Actual expenditure amounted to Kshs.77,526,068 against the approved budget of Kshs.83,950,196 resulting to an under expenditure of Kshs.6,424,128 or 7.52% as follows:

Expenditure Head	Budget Kshs.	Actual Kshs.	Over/(under) Kshs.	Over/(under) %
Staff costs	9,597,600	15,751,288	6,153,688	64.12
Administrative costs	19,197,921	21,227,781	2,029,860	10.57
Board expense	3,800,000	4,262,733	462,733	12.18
Capital costs	51,354,675	36,284,266	(15,070,409)	(29.35)
TOTAL	83,950,196	77,526,068	(6,424,128)	(7.52)

The under expenditure of Kshs.15,070,409 was attributed to non-release of Kshs.35,252,976.20 or 29% of the budgeted capital grant by the Ministry.

In view of the foregoing, the Centre has not been able to deliver its planned and budgeted services for the year ended 30 June 2016.

2. Property, Plant and Equipment

As previously reported, mention was made of lack of ownership documents to support the property, plant and equipment balance included in the statement of financial position of Kshs.340,801,046 as at 30 June 2016. Although provisional titles have now been obtained, management need to acquire the actual titles to secure the properties.

3. Ineffective human resource succession management

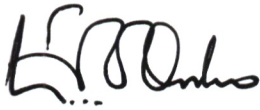
An audit review of various staff members' personal files indicate that most of the details in relation to terms of engagement are missing including the employment confirmation, extension or renewal of contract, salary progression guidelines, duties and responsibilities including the attainment of specified deliverables. The entity had an

unstructured succession plan since most of the staff are above the age of forty (40) years.

A sample of ten (10) out of the eighteen (18) members of staff on the entity's payroll revealed that they had an average of 45.1 years an indication of ineffective human resource succession management.

4. Weak Internal control

A review of internal controls at the Kenya Cultural Centre disclosed that the Centre did not have a functional internal audit unit and audit committee. Further, the Centre did not have a documented disaster recovery plan or mitigation measures in place on how to counter risks.



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

Nairobi

30 May 2017

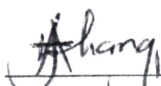
XI STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2016

Note	2015-2016 Kshs	2014-2015 Kshs
Revenue from non-exchange transactions		
Transfers from other governments	3(i) 56,702,023	20,507,140
Gifts & Sponsorships	3(ii) 2,000,000	513,900
	58,702,023	21,021,040
Revenue from exchange transactions		
Rendering of services	4 10,952,681	7,644,075
	69,654,704	28,665,115
Expenses		
Administration Cost	5 36,979,069	27,407,746
Remuneration of Council	6 4,262,733	3,820,865
Depreciation and amortization expense	7 1,733,711	697,798
	42,975,513	31,926,409
Other gains/(losses)		
Gain on sale of assets		
Gain on foreign exchange transactions		
Unrealized gain on fair value of investments		
Impairment loss		
	26,679,191	(3,261,294)
Surplus before tax		
Taxation		
	26,679,191	(3,261,294)
Surplus for the period		

	Note	2015-2016 Kshs	2014-2015 Kshs
Assets			
Current assets			
Cash and cash equivalents	8	20,267,165	22,098,492
Receivables from exchange transactions	9	7,906,056	7,780,854
Prepayments	10	-	5,861,016
		28,173,221	35,740,362
Non-current assets			
Property, plant and equipment	11	340,801,046	296,820,914
		368,974,268	332,561,276
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	12	75,718,547	73,376,943
Employee benefit obligation	13	8,011,773	-
Non-current liabilities			
		83,730,320	73,376,943
Net assets			
Revaluation Reserve		2,517,112	(744,182)
Accumulated surplus		187,800,309	165,001,987
Capital Fund		94,926,527	94,926,527
		285,243,948	259,184,332
Total net assets and liabilities			
		368,974,268	332,561,276


Chairman Governing Council


Executive Director/CEO

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

Reserves

	Revaluation Reserve Kshs '000	Accumulated surplus Kshs '000	Capital Fund	Total Kshs '000
Balance as at 1st July 2014	2,517,112	164,382,412	-	166,899,524
Deficit for the period	(3,261,294)	-	-	(3,261,294)
PYA retained Earning	-	619,575	-	619,575
EABL Sponsorship(Refurbshiment of Theater	-	-	94,926,527	94,926,527
Balance as at 30 JUNE 2015	(744,182)	165,001,987	94,926,527	259,184,332
Balance as at 1st July 2015	(744,182)	165,001,987	94,926,527	259,184,332
PYA retained Earnings (Reversed)	-	(619,575)	-	(619,575)
*Deficit for the FY 2014/15 period reversed	3,261,294	(3,261,294)	-	-
Surplus for the period	-	26,679,191	-	26,679,191
Balance as at 30 JUNE 2016	2,517,112	187,800,309	94,926,527	285,243,948

* Deficit for the period FY 2014/15 of Kshs. 3,261,294 was captured under Revaluation Reserve instead of Accumulated Surplus

XIII. STATEMENT OF CASH FLOWS

	Note	2015-2016 Kshs	2014-2015 Kshs
Cash flows from operating activities			
Receipts			
Surplus/(Deficit) for the year		26,679,191	(3,261,294)
Adjustment for Annual Depreciation	7	1,733,711	697,798
Net cash flows from operating activities		28,412,902	(2,563,496)
Cash flows from investing activities			
Increase/Decrease in current Liabilities	1 2	10,353,377	4,534,267
Increase/Decrease in receivables	9	(125,202)	410,428
Net cash flows used in investing activities		10,228,175	4,944,695
Cash flows from Financing Activities			
Increase in Building and Civil works	11	(33,665,130)	(1,509,800)
Increase in Plant and Equipment		(7,593,000)	-
Increase in EDP Equipment		(558,356)	(242,900)
Increase in Furniture and Fittings		(328,877)	(872,099)
Net Cash flows from financing activities		(42,145,363)	(2,624,799)
Net cash flows used in financing activities		1,672,959	-
Net increase/(decrease) in cash and cash equivalents		(1,831,327)	(243,600)
Cash and cash equivalents at 1 JULY 2015		22,098,492	22,953,511
Cash and cash equivalents at 30 JUNE 2016		20,267,165	22,098,492

XIV STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	1 st Adjustments	Final budget	Actual on comparable basis	Performance difference	Variance
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016	
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Revenue						
Government grant & Subsidies	72,800,196		72,800,196	56,702,023	16,098,173	
A.I.A	11,000,000	(1,415,000)	9,585,000	10,952,681	(1,367,681)	
Sponsorships				2,000,000	(2,000,000)	
TOTAL	83,800,196	(1,415,000)	82,385,196	69,654,704	12,730,492	
Expenditure						
Staff Costs	7,347,600	2,250,000	9,597,600	15,751,288	(6,153,688)	
Operational Costs	22,002,596	(2,804,675)	19,197,921	21,227,781	(2,029,860)	
Council Expenses	3,000,000	800,000	3,800,000	4,262,733	(462,733)	
Capital Expenditure	51,450,000	(95,325)	51,354,675	36,284,266	15,070,409	
TOTAL	83,800,196	150,000	83,950,196	77,526,068	6,424,128	

NOTES ON VARIANCE ANALYSIS

1. Government Grant & Subsidies - KCC expected total grants of Kshs. 72,800,196 but only Kshs. 56,702,023 leading to unfavourable variance of Kshs. 16,098,173
2. A.I.A - KCC had budgeted for Kshs. 9,585,000 but managed to raise Kshs. 10,952,681 leading to a favourable variance of Kshs. 1,367,681. Much of the income came from Theatre facilities hire due to high demand for the refurbished Kenya National Theatre which was commissioned for use during the financial year.
3. Sponsorships - KCC received Kshs. 2,000,000 sponsorship from Heritage Insurance for landscaping. This was not envisaged and hence not budgeted for.
4. Staff Costs - KCC accrued Kshs. 5,431,200 as staff Gratuity liability for expired staff contracts due for payment and a further provision for gratuity of Kshs. 1,602,397 for the year was made. This amounts were not in the budget leading to an unfavourable variance of Kshs. 6,153,688.
5. Operational Costs - The costs for water and Electricity went up because the Kenya National Theatre was under refurbishment. It was commissioned for use during the financial year and was fully booked leading to high costs for security during the events and high consumption of water & electricity.
6. Governing Council Expenses - The costs were higher than anticipation due to stakeholders meetings and review of KCC Act meetings. This were not budgeted for initially but it became paramount to engage the stakeholders and initiate the Act review processes.
7. Development Expenditure - KCC did not undertake all the projects that had been budgeted for because some money for development was not disbursed from the parent Ministry.

KCC took cost saving measures in all areas due to limited resources after non disbursement of full Government grant allocations by the Ministry

1. Statement of compliance and basis of preparation – IPSAS 1

The Centre's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Centre and all values are rounded to the nearest thousand (Ksh000). 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.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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

Sale of services

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

Interest income

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

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 – IPSAS 24

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

c) Taxes – IAS 12

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

Sales tax

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

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

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

d) Property, plant and equipment – IPSAS 17

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

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

e) Intangible assets – IPSAS 31

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.

f) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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

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

i) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

IPSAS 29.65

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

ii) Research and development costs

The Centre expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Centre 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.

g) Provisions – IPSAS 19

Provisions are recognized when the Centre 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 Centre 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. The Centre makes a provision for gratuity for its employees on contract at the rate of 31% of the basic salary. The amount is charged against income in the year in which it is earned.

Contingent liabilities

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

Contingent assets

The Centre does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Centre 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.

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates – IPSAS 3

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

j) Foreign currency transactions – IPSAS 4

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.

k) Borrowing costs – IPSAS 5

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.

l) Related parties – IPSAS 20

The Centre regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Centre, or vice versa. Related parties comprise of the Governing Council members individually and The ED/Chief Executive Officer.

The remuneration of Centre's Governing Council Members and other members of key management during the year were as follows:

	2015/16 KShs	2014/15 KShs
Key management salaries and other benefits	3,480,000	2,400,000
Remuneration of the Governing Council	4,262,733	3,820,865

ii) Kenya Cultural Centre is a State Corporation. Funds received from the Government of Kenya are disclosed under note 3.

m) Service concession arrangements – IPSAS 32

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

n) 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.

	2015/2016 Shs	2014/2015 Shs
Bank	20,262,360	22,065,049
Cash-on-hand and in transit	4,805	33,443
Short-term deposits	-	-
Total cash and cash equivalents	20,267,165	22,098,492

Detailed analysis of the cash and cash equivalents

(a) Banks

Name of the Bank	Bank Account Number	Currency	2015/2016 Shs 000	2014/2015 Shs 000
Barclays Bank of Kenya	0948215349	KSH	27,078,919	22,065,049
Total			27,078,919	22,065,049

(b) Cash on hand

Form of cash holding	2015/2016 Shs 000	2014/2015 Shs 000
liquid cash	4,805	33,443
Total	4,805	33,443

o) Comparative figures

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

p) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Centre 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 circumstances arising beyond the control of the Centre. 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 Centre
- 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

q) Financial Risk Management Objectives and Policies

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

i. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

ii. Financial risk management objectives

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

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

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

	Fully Performing KShs	Past due KShs	Impaired KShs	Total KShs
At 30 June 2016				
Cash at bank	27,078,919	-	-	27,078,919
Staff receivables	79,150	-	-	79,150
	<u>27,180,819</u>	<u>-</u>	<u>-</u>	<u>27,180,819</u>
At 30 June 2015				
Cash at bank	22,065,049	-	-	22,065,049
Staff receivables	79,700	-	-	79,700
	<u>22,144,749</u>	<u>-</u>	<u>-</u>	<u>22,144,749</u>

(d) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Centre's Governing Council members who have built an appropriate liquidity risk management framework for the management of the Centre's short, medium and long-term funding and liquidity management requirements. The Centre manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

(e) Market risk management

The Centre does not take on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Centre's surplus or the value of its holdings of financial instruments.

Currency Risk

The Centre is not exposed to the currency risk since it operates its current bank accounts in Kenya shillings thus no exchange rate fluctuations.

Interest rate risk

The Centre is not exposed to interest rate risk due to fluctuations in interest rates on the bank balances that it holds in the current accounts.

Notes

	30-Jun-16	30-Jun-17
3(i) Revenue from non-exchange transactions		
Government Grant-Ministry of Sport, Culture and the Arts	56,702,023	20,000,000
In-Kind Donation	-	507,140
Sub Total	56,702,023	20,507,140
3(ii) Gifts and Sponsorship	2,000,000	513,900
Sub Total	2,000,000	513,900.00
Total	58,702,023	21,021,040.00
4 Revenue from exchange transactions		
Parking fees	3,848,391	6,151,115
Rental Income	834,000	998,000
Theatre Hiring	6,212,490	494,960
Poster & Ticketed Events	57,800	-
Total	10,952,681	7,644,075
5. Administration Costs		
Staff Cost	15,751,288	15,516,559
Water & Electricity	1,621,528	920,831
Newspaper & Periodicals	51,040	50,175
Telephone, Internet and Postage	438,657	307,902
Cleaning	1,774,908	297,214
Printing & General Office Supply	529,068	734,851
Security	3,747,919	3,579,007
Bank Charges	73,171	50,239
Professional Fees	305,000	475,210
Repair & Maintenance	999,683	1,846,814
Local travelling and accommodation	2,027,629	1,122,550
Donation	-	30,000
Cultural & Artistic Programmes	5,025,869	2,476,394
Subsistence Allowance	1,463,757	-
Snack Shop Supplies	32,060	-
Rent and Rates	6,792	-
Staff welfare	562,064	-
International travelling and accommodation	562,150	-
Fuel & Lubricant	294,089	-
Provision for staff Gratuity	1,602,397	-
Audit fees	110,000	-
Total	36,979,069	27,407,746
6 Remuneration of Governing Council	2015/16	2014/15
Council Allowance	2,567,796	3,397,790
Council Expenses	1,694,937	423,075
	4,262,733	3,820,865

7 Depreciation and amortization expense	<u>2015/16</u>	<u>2014/15</u>
Free Land	-	-
Building & Civil Works	-	-
Electronic Data Processing Equipment	307,797	200,415
Plant and Equipment	949,125	-
Furniture & Fittings	476,789	497,919
	<u>1,733,711</u>	<u>697,798</u>
8 Cash and cash equivalents	<u>2015/16</u>	<u>2014/15</u>
Cash in hand	4,805	33,443
Cash at Bank	20,262,360	22,065,049
Total	<u>20,267,165</u>	<u>22,098,492</u>
9 Receivables from exchange transactions	<u>2015/16</u>	<u>2014/15</u>
Receivables	6,496,710	6,370,958
Bin Nairobi Service Deposit	5,000	5,000
Total KPLC Deposit	5,000	5,000
Staff Advances	79,150	79,700
Sfaff Debt: Francis Luchiri	1,320,196	1,320,196
	<u>7,906,056</u>	<u>7,780,854</u>
10 Prepayments	<u>2015/16</u>	<u>2014/15</u>
Raicon Development Services	-	5,861,016
	<u>-</u>	<u>5,861,016</u>

11 **Property, plant and equipment**

	Freehold Land	Building & Civil Work	Plant and Equipment	Electronic Data Processing Equipment	Furniture & Fittings	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST VALUATION						
As at 1 st July 2014	120,000,000	80,000,000	-	425,149	3,106,967	203,532,116
Additions	-	1,509,800	-	242,900	876,386	2,629,085
EAL Refurbishment	-	94,926,527	-	-	-	94,926,527
As at 30th June 2015	120,000,000	176,436,327		668,049	3,983,353	301,087,728
ACCUMULATED DEPRECIATION						
As at 1 st July 2014	-	-	-	439,891	3,128,590	3,568,481
Charge for the year	-	-	-	200,415	497,919	698,334
As at 30th June 2015				640,306	3,626,509	4,266,815
NET BOOK VALUE						
As at 30th June 2014	120,000,000	80,000,000	-	425,149	3,106,967	203,535,867
As at 30th June 2015	120,000,000	176,436,327		467,634	3,485,434	300,389,394
COST VALUATION						
As at 1 st July 2015	120,000,000	176,436,327	-	467,634	3,485,434	296,820,914
Additions	-	33,665,130	7,593,000	558,355	328,877	42,145,363
As at 30th June 2016	120,000,000	210,101,457	7,593,000	1,025,990	3,814,311	342,534,757
ACCUMULATED DEPRECIATION						
As at 1 st July 2015	-	-	-	640,306	3,626,509	4,266,815
Charge for the year	-	-	949,125	307,797	476,789	1,733,711
As at 30th June 2016			949,125	948,103	4,103,298	6,000,526
NET BOOK VALUE						
As at 30th June 2015	120,000,000	176,436,327	-	27,743	356,844	296,820,914
As at 30th June 2016	120,000,000	210,101,457	6,643,875	718,193	3,337,522	340,801,046

12 Trade and other payables from exchange transactions	2015/16	2014/15
	Accounts Payables	
Trade Payables	74,006,150	73,376,943
Provision for Staff Gratuity	1,602,397	-
Provision for Audit Fees	110,000	-
Total	75,718,547	73,376,943

13 Employee benefit obligation	2015/16	2014/15
PAYE	380,118	-
NHIF	16,000	-
Staff CBA Union Dues	2,178,605	-
Payroll Liabilities-Staff Gratuity-UNION	5,431,200	-
	5,850	-
Total	8,011,773	-

14. **Subsequent events-IPSAS 14**

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, 2016

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)
Property Plant and Equipment	The auditor noted, "The statement of Financial Position reflects property plant and equipment balance of Kshs.296,820,914. Included in the figure of Kshs.296,820,914 are freehold land ,buildings and civil works valued at Kshs.120,000,000,Kshs.80,000,000 and Kshs.96,436,326.50 respectively whose ownership documents were not provided for audit review".	The process of conducting a valuation of KCC Buildings and land is on-going to ensure it is reflected correctly in the Financial Statements	Governing Council/Management	Not resolved	
Receivables from Exchange Transactions	The auditor noted, "The statement of financial position reflects receivables from exchange transactions balance of Ksh.7, 780,854/- as at 30 June 2015 and debts totalling to Kshs.7, 770,854.40 have remained uncollected for over two years. The failure to collect the debts inherited from the former management has been attributed to scanty documentation to support the same".	The Governing Council is in the process of writing off the irrecoverable debts of Kshs.7,770,854.40/- from the past transaction appearing on the financial statement. The process is yet to be concluded as the Current Council assumed office later during the Financial year.	Governing Council/Management/ Accountant	Not Resolved	
Pending Bills	The auditor noted. The Kenya Cultural Centre had pending bills totalling Kshs.73,376,943.40/- out of which Kshs.66,182,898 has been outstanding since 2013/14.The defunct City Council of Nairobi was owed Kshs.63,1884,432".	The Nairobi City Council pending bill of Kshs.63, 184,432 relates to erroneously charged land rates accumulated since 1963.The Commissioner of lands advised that KCC is a public land and should not be subjected to land rates. Communication with Nairobi County Government is on-going for waiver to be effected. The rest of Pending Bills are the Fair 1995 Payables which the Council is in the process of writing off.	Governing Council/Management/Accountant	Not Resolved	

Guidance Notes:

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


Executive Director

Date: 20/3/17


Chairman of the Governing Council

Date: 20/3/17