

NATIONAL MUSEUMS OF KENYA

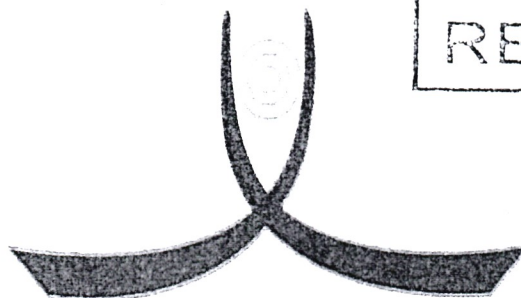


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NATIONAL MUSEUMS OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

NATIONAL MUSEUMS OF KENYA

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Museums of Kenya is a State Corporation established by an Act of Parliament National Museums and Heritage Act (2006), domiciled and incorporated in Kenya.

(b) Principal Activities

The principal activities of National Museums of Kenya are:

- i. Identify, interpret, protect and promote the cultural and natural heritage of Kenya;
- ii. Expand and maintain the collection base in flora and fauna and cultural objects and
- iii. Develop efficient and effective conservation strategies.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Board Sub committees
1.	Audit Committee
2.	Finance and Establishment
3.	Research Committee
4.	Adhoc committee

(d) Fiduciary Oversight Arrangements

BOARD COMMITTEES

The Board has three standing committees, which meet regularly under the terms of reference set by the Board. In addition there are two ad hoc committees; one for conducting interviews of senior staff and the other is on Rules and Regulations of the Heritage Act.

Audit Committee

The Board has constituted an Audit Committee which meets as necessary. Its responsibilities include review of the integrity of financial statements and financial performance, compliance with accounting standards and maintaining of oversight on internal control systems. The Director General, Director Administration and Human Resources and Financial Controller may attend meetings of the committee on invitation.

Finance and Establishment committee

There is a Finance and Establishment Committee of the Board. The committee meets regularly as required. The committee is responsible for Monitoring and appraising the performance of senior management, review of all human resources policies, finances, budget and institutional (physical and infrastructural development)

Research Committee

This is a research committee of the Board. The committee meets when necessary. This committee deliberates on all matters pertaining to Research policy and Management.

Adhoc Committees

There is an Adhoc committee which is the interview panel. This committee deals with interviews of the senior staff being recruited.

(e) Entity Headquarters

National Museums of Kenya Headquarters
Museums Hill Road
P.O. Box 40658-00100
Nairobi, KENYA

(f) Entity Contacts

Telephone: (254) 3742161/4
E-mail: .info@museums.or.ke
Website: www.museums.or.ke

Entity Bankers

1. Kenya Commercial Bank
Sarit Centre
P.O. Box 14959
Nairobi, Kenya
2. Standard Chartered Bank of Kenya
Westland
P.O. Box 14438
Nairobi, Kenya.

(g) Independent Auditors

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

THE BOARD OF DIRECTORS



Dr. Louise Leakey

21st March, 1972
Research Professor University of Stony Brook
Director Turkana Basin Institute
Palaeontologist







Prof. Hussein Golicha

19th May, 1959.
A Professor of Garissa University College
Author.



Prof. Jack Nandi

19th March, 1965
A Professor, Masinde Muliro University of Science and
Technology
Ag. Principal, Kaimosi Friends University College

 <p>Dr. Ephraim Wahome</p>	<p>9th October, 1959 University of Nairobi- Senior Lecturer PhD. Australia National University</p>
 <p>Dr. Moses Rugut</p>	<p>22nd August, 1956 Research Scientist Ag. Chief Executive Officer NACOSTI PhD, over 30years in Research and Policy Development.</p>
 <p>Prof. Thomas Akuja</p>	<p>July, 1962 B.Sc. Agriculture M.Sc. Agronomy PhD Associate Professor</p>
 <p>Ms Fleur Ng'weno</p>	<p>3rd June, 1938 B.Sc. Conservation Editor, Author, Naturalist Rep. Nature Kenya- Founder of Museum</p>



Mr. Elisa Kibacia Gatu

27th November, 1951
 B.Ed. Fine Art
 Teacher, Kenya/Zimbabwe/Artists Cafeteria
 PAA-YA-PAA Arts/ambitions working with Beads



M/s Jane Lanoi

3rd August, 1974
 B. Ed Arts, UON
 Master in Gender and Development Studies
 Project Director and Consultant for ENAI- Africa

Ps Ministry of Sports,
 Culture and the Arts.



Mr. Mureithi Ndegwa

15th December, 1962
 MBA Marketing
 PHD Marketing On going at University of Nairobi



Mrs. Alice Mwololo




6th January, 1966
 MA Economics
 Economic Policy Analysis







Dr. Ahmed Yassin

Chief Research Scientist, PhD
34years Experience in Public Service
Ag. Director General

II. MANAGEMENT TEAM

 <p>Dr. Ahmed Yassin – PhD. (Anthropology)Swahili Studies, Msc.Development and Admin, CPS (part II)</p>	<p>Ag. Director General</p>
 <p>Mr. Anthony Njogu Mathenge- BA Designer, LLB, Advocate of High Court, Commissioner of Oaths, Msc HRM, High Diploma HRM, Advanced Theology, PhD HRM ongoing.</p>	<p>Ag. Director Administration and Human Resource.</p>
 <p>Dr. Geoffrey Mwachala- B.Sc. (K.U), M.Sc. Plant and Fungal Taxonomy (Reading, UK), Dr. Rer. Nat., Systematic Botany (Koblenz-Landau, German.</p>	<p>Director Research and Collections</p>

NATIONAL MUSEUMS OF KENYA

 <p>Dr. Purity Kiura. Phd (Anthropology)</p>	<p>Ag. Director Museums Sites and Monuments</p>
 <p>Dr. Jillani Ngalla Phd (Neuroscience)</p>	<p>Ag. Director Institute of Primate Research</p>
 <p>M/s. Metrine Wakhungu- LLB, Dip. KSL, LLM/Advocate of High Court, Member of LSK, Dip. HRM.</p>	<p>Legal officer</p>
 <p>Mr. Geoffrey Namachanja- CPA (K), BBM (Accounting), MBM (Finance)</p>	<p>Ag. Financial Controller</p>

III. CHAIRMAN'S STATEMENT

The National Museums of Kenya (NMK) is a State Corporation established by the National Museums and Heritage Act, No. 6 of 2006. Its mandate includes identification, protection, conservation and transmission of the cultural and natural heritage of Kenya and serving as a national repository for things of scientific, cultural, technological and human interest.

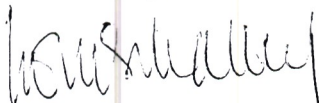
The current board of directors was fully constituted on the 11th July 2014 and inaugurated on the 20th August 2014. We are therefore reporting the financial statements for the financial year 2013/2014, before our term.

As a state agency, NMK receives a grant from the Government of Kenya as recurrent and development budgets through the parent ministry (for the time being - Ministry of Sports Culture and The Arts). This statement reflects the accounts of NMK financial situation ending 2013/14 FY, which inherited historical financial challenges from previous financial years mainly associated with austerity measures effected by the National Treasury and new recurrent expenditures. For instance in 2008/09 FY, NMK received Ksh. 60 million less than it had requested. In 2012/13 FY a further shortfall was recorded, reducing NMK recurrent budget from 560 million in 2011/12 FY to 535 million in 2012/13.

During those years, the unionisable staff took NMK to court for salary review. This resulted in the signing of two Collective Bargaining Agreements (CBA), notably CBA 2009/11 and CBA 2012/13. These CBAs added a bill amounting to Ksh. 16,297,139, further worsening the NMK financial situation. At the same time, the government of Kenya offered public servants competitive commuter allowances which translated into an added expense of Ksh. 60 million per annum. In addition to these budget cuts, NMK revenue went down drastically owing to the construction of the Thika Road, making access to the Nairobi National Museum extremely difficult, leading to fewer visitors and event bookings. This was followed by a drop in tourist arrivals as a result of travel advisories. The internal revenue generation cannot make up the shortfall in the recurrent budget requirements. This has put into jeopardy the care of collections and the maintenance of monuments.

Following these challenges, NMK has been plunged into a serious financial crisis as reflected in the FY 2013/14 financial statement.

This year the NMK is working on new revenue streams through the newly formed Museum Enterprise Development Unit (MEDU). However the deficit from the past remains a major hindrance. As NMK strives to address these financial woes, my special appeal, through the parent ministry, is for financial assistance to offset the huge deficit.



Dr. Louise Leakey
Chairperson
Nairobi

Date: 6th January, 2015.

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

The National Museums of Kenya (NMK) receives a grant from the Government of Kenya as recurrent and development budgets for supporting the institution operations and development programs. NMK also generates revenue mainly from entry fees to national monuments, museums and historical sites. Following austerity measures from the National Treasury in the last five years, NMK has faced budgetary constraints affecting the recurrent and development programs. For example, in the 2008/09 FY, there was a shortfall of Ksh.60 million in the recurrent budget. A further reduction was recorded on the recurrent and development budgets in 2012/13 FY and 2013/14 FY. In addition Collective Bargaining Agreements and commuter allowances put further strains on the budget.

As the budget cuts were happening, NMK revenue was further impacted by the drop in visitor numbers due to disruption caused by the construction of the Thika Super Highway, and by continued travel advisories.

This financial situation has created major financial deficits in NMK budgets, which have been accumulating, making it very difficult for NMK to operate optimally. In addition a change in the pension scheme from defined benefits to defined contribution aggravated the financial situation at NMK. The deficit in the pension scheme situation has worsened over the years.

Following these challenges, NMK has been plunged into a serious financial crisis as reflected in the FY 2013/14 financial statement. For example, it has become very difficult for NMK to pay many of its suppliers/contractors and meet its statutory obligations, particularly Pension contributions. The 2013/14 FY therefore reflects huge pending bills.

As the NMK strives to develop new strategies to raise additional funds going forward, I make this special appeal, through the parent ministry, for financial assistance to settle the huge arrears.



Dr. Ahmed Yassin
Ag. Director General
Nairobi
Date: 6th January, 2015.

V. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which institutions are directed, controlled and held to account.

BOARD OF DIRECTORS

National Museums of Kenya Board of Directors is responsible for overall management and is accountable to the Minister in charge of the Ministry of Sports, Culture and the Arts for ensuring that the institution complies with the law and the highest standards of best practice in corporate governance and ethics. The Directors are committed to the need to conduct the operations of the museum with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of corporate governance.

All the Board members are non-executive including the Chairman of the Board except the Director General who is the chief executive officer. The Directors are appointed by the Minister in charge of the Ministry of Sports, Culture and the Arts for a period of three years in accordance with the National Museums and Heritage Act (2006) which specifies the institutions where the Directors are appointed from and other criteria.

BOARD MEETINGS

The full Board meets at least four times a year. The Directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. The Board has delegated some of its powers to Director General whose is the Chief executive officer for conduct of day to day operations. The Board nonetheless retains responsibility for establishing and maintaining the institutions internal control of financial, operational and compliance issues as well as implementing strategies for the long term success of the institution.

BOARD COMMITTEES

The Board has three standing committees, which meet regularly under the terms of reference set by the Board. In addition there are two ad hoc committees; one for conducting interviews of senior staff and the other is on Rules and Regulations of the Heritage Act.

Audit Committee

The Board has constituted an Audit Committee which meets as necessary. Its membership comprises Dr. Thomas Akuja (Chairperson), Mrs. Alice Mwololo, Rep. Principal Secretary, National Treasury, Principal Secretary, Ministry of Sports, Culture and the Arts

Finance and Establishment committee

There is a Finance and Establishment Committee of the Board. Its membership comprises of Mrs. Fleur Ng'weno- (Chairperson), Dr. Ephraim Wahome, (Alternate Chair) Mr. Muriithi Ndegwa, Mrs. Alice Mwololo (Rep. Principal Secretary, National Treasury and Rep. Principal Secretary, Ministry of Sports, Culture and the Arts.

The committee meets regularly as required. The committee is responsible for Monitoring and appraising the performance of senior management, review of all human resources policies, finances, budget and institutional (physical and infrastructural development)

NATIONAL MUSEUMS OF KENYA

Research Committee

This is a research committee of the Board. Its membership comprises Prof. Nandi O. M. J (Chairman), Dr. Moses Rugutt, Ms Lanoi Parmuat, Mr. Elisha K. Gatu and Prof. Hussein S.A Golicha

Adhoc Committees

The Adhoc committee will be constituted as and when required to handle interviews for senior Staff and other specific assignments as the Board may deem necessary.

INTERNAL CONTROLS

National museums of Kenya have defined procedures and financial controls to ensure the reporting of complete and accurate and accounting information. These covers systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial information. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the internal controls, the Board takes into account the audit and reviews the activities of the institution. A comprehensive management accounting system is in place providing financial and operational performance indicators. Monthly meetings are held by the Directors Executive Committee to monitor performance and agree on measures for improvement.

CUSTOMER SERVICE CHARTER

The Service Charter puts in place service standards that guide the National Museums of Kenya management and staff, in provision of high services to its clients. This is keeping in line with existing laws, rules, regulations, norms, professional ethics and mostly important-customer expectations.

The service Charter thus identifies areas in which the NMK operates, defines the responsibilities of the management and staff, describes the rights of clients and identifies key quality control indicators that will enable delivery of high quality services by NMK to all stakeholders/clients and the general public at large.

DIRECTORS' ALLOWANCES AND LOANS

The aggregate amount paid to Directors allowances for services rendered during 2013/14 financial year are disclosed in the notes to the financial statements. There were no Directors loans at any time during the year

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Organizations affairs.

Results

The results of the Organizations for the year ended June 30, 2014 are set out on page 17 to 21.

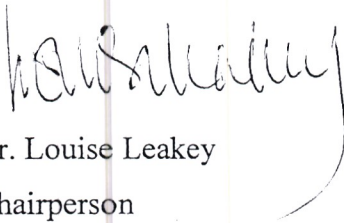
Board of Directors

The members of the Board of Directors who served during the year are shown on page 5 to 7.

Auditors

The Auditor General is responsible for the statutory audit of the organization in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Dr. Louise Leakey

Chairperson

Nairobi

Date: 6th January, 2015.

VI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 23 of the National Museums and Heritage Act of 2006, requires the Directors to prepare financial statements, which give a true and fair view of the state of affairs of the National Museums of Kenya at the end of the financial year/period and the operating results of the Organization for that year/period. The Directors are also required to ensure that the Organization keeps proper accounting records which disclose with reasonable accuracy the financial position of the organization. The Directors are also responsible for safeguarding the assets of the National Museums of Kenya.


The Directors are responsible for the preparation and presentation of the organization's financial statements, which give a true and fair view of the state of affairs of the organization for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the organization; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the organizations financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the organization's financial statements give a true and fair view of the state of organization's transactions during the financial year ended June 30, 2014, and of the organization's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the organization, which have been relied upon in the preparation of the organization financial statements as well as the adequacy of the systems of internal financial control.

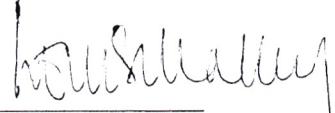
Nothing has come to the attention of the Directors to indicate that the organization will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Organization's financial statements were approved by the Board on 29Th September, 2014 and signed on its behalf by:



Ag. Director General
Director



Chairperson of the Board

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL MUSEUMS OF KENYA FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Museums of Kenya set out on pages 17 to 40, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provision of Article 229 of the Constitution of Kenya, and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003. The audit was conducted in accordance with the International Standards on Auditing. 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

(ii) Kitale Museum

Land reserved for Kitale Museum was according to correspondences available Ref.No.149086/11/86 dated 19 January 1991 between the management of the Museums and the Commissioner of Lands subsequently allocated to undisclosed individuals and efforts to recover the land through the Commissioner of Lands have not been successful.

(iii) Ras Bofu – Parcel No.1589

The Ras Bofu parcel of land was allocated to the Museums vide letter of allotment No.91294/58 of 12 October 1976. However, information available indicates that the land was later allocated to undisclosed third parties.

(iv) Mama Ngina Drive – Mombasa

The entire park commonly known as Mama Ngina Drive on Mombasa Island was allocated to the Museums. However, information available indicates that the land was later on allocated to undisclosed third parties. Details of the allottees and dates were not made available for audit scrutiny. The matter is pending in court.

(v) Fort St. Joseph- Gazetted Monument Site

Similarly, a portion of the Mama Ngina Drive measuring 0.2852 HA on Mombasa Island was allocated to the Museums vide letter of allotment Ref.149086/33 of 16 May 1996 with a promise to issue another letter of allotment for the rest of the area in due course. However, information available indicates that the land had earlier, in or about 1995, been allocated to five (5) individuals.

(vi) Hyrax Hill Prehistoric Site

According to a correspondence letter dated 11 April 1997 between the management of the Museums and the Commissioner of Lands, the Museums complained that a third party (M/s Nakuru Blankets) was trying to subdivide part of the above parcel of land. However, no action appears to have been taken by the Commissioner of Lands to secure the prehistoric site.

(vii) Karbarnet Museum

Despite the Museums carrying out a survey Ref. No.CT/77/KAB/VOL.IV/19/20 of 21 April 1998 and forwarding the same to the Director of Survey on 14 May 1998, no communication has been received indicating measures taken to secure the property.

In view of the foregoing, the completeness, accuracy and ownership of the properties as at 30 June 2014 could not be confirmed.

6. Cash and Cash Equivalents

Included in the cash and cash equivalents balance of Kshs.66,984,081.00 is a total of Kshs.2,456,017.10 in respect of two (2) bank accounts namely Narok Maa and Nakuru Hyrax with balances of Kshs.2,405,653.70 and Kshs.50,363.40 respectively which were not supported with bank confirmation certificates as at 30 June 2014. Further, the figure of Kshs.10,359,005.50 in respect of bank account referred to as 'Project – General' differs from the reconciled balance of Kshs.13,825,666.50 by Kshs.3,466,661.00. In addition, a figure of Kshs.2,016,352.25 in respect of a bank account referred to as 'Commercial' differs from the reconciled balance of Kshs.1,890,525.90 by Kshs.125,826.35.

Consequently, it has not been possible to confirm the accuracy of the cash and cash equivalents balance of Kshs.66,984,081.00 as at 30 June 2014.

7. Short -Term Deposits

Included in the statement of financial position current assets balance of Kshs.118,518,714.00 as at 30 June 2014 are short-term deposits of Kshs.24,120,102.00 invested in a commercial bank. According to Note 11 to the financial statements the short-term deposits earn a fluctuating interest rate on a monthly basis. During 2013/2014 only an interest of Kshs.95,038.00 is shown as having been earned for the investments. However, the terms and conditions of the investments have not been made available for audit review.

In the circumstances, the short-term investments/deposits does not appear to have been properly invested and the interest earned thereof accounted for properly as at 30 June 2014.

8. Projects' Deposits

The projects' deposits balance of Kshs.132,260,415.00 as reflected in the statement of financial position as at 30 June 2014 differs with the projects' cash book balance of Kshs.21,930,541.05 as at 30 June 2014. The resultant difference of Kshs.110,329,873.95 has not been explained or reconciled. Further, projects' deposits accounts with cashbook balances totalling Kshs.12,191,636.95 were not supported with bank balances confirmation certificates as follows:

Unsupported bank balances

Account No.	Cashbook Balance - Kshs.
8708035107900	1,311,195.60
0108035107800	10,359,005.50
0108035107802	521,435.85
Total	12,191,636.95

Under the circumstances, the accuracy of the projects' deposits balance of Kshs.132,260,415.00 as at 30 June 2014 could not be confirmed.

11. Trade and Other Payables from Exchange Transactions

Pending Bills

Incorporated in the statement of financial position trade and other payables from exchange transactions balance of Kshs.287,288,452.00 as at 30 June 2014 is Kshs.104,044,241.35 mainly due to contractors and various suppliers of goods and services which continue to attract interest factored in their respective contract agreements. Further, the the pending bills aging analyses provided indicated that some of the bills date as far back as 2006.

No satisfactory reason has been given for failure to settle the bills as a first charge in the subsequent year further increasing the financial burden through interest charges.

12. Irregular Use of Development Grants

The statement of financial position as at 30 June 2014 reflect deferred development grants balance of Kshs.228,861,411.00 as shown under note 17 (a) to the financial statements which included a balance brought forward from 2012/2013 of Kshs.277,532,795.00 described as grants received that have been committed but not spent yet. Information available revealed that the development grants were used to cater for what was described by management as shortfall in salaries. It is evident that the development funds were not used for the intended purpose as salaries were fully budgeted for under the recurrent budget.

As earlier stated, development projects were affected as suppliers and contractors pending bills amounting to Kshs.104,044,241.35 remained unpaid as at 30 June 2014.

Consequently, the public was denied service delivery due to the unimplemented projects as at 30 June 2014.

13. Unsupported Project Funds (Judiciary Museum)

The Museums entered into a Memorandum of Understanding (MOU) with the Judiciary of Kenya in November 2012 to offer consultancy services for the restoration of the basement of the Supreme Court and development of the Judiciary Museum for two (2) years renewable upon mutual agreement at a projected cost of Kshs.70,000,000.00. By 14 February 2014 a total of Kshs.66,500,000.00 had been disbursed from the Judiciary to the Museums to cater for the project.

However, the total funds received were not deposited in a distinct separate account for the purpose for which they were meant, but were instead pooled with other funds of the Museums and Kshs.46,672,000.00 utilized for unsupported recurrent expenditures.

14. Construction of Mashujaa Square at Uhuru Gardens

On 26 April 2013 the Museums entered into a contract with a local company for the construction of Mashujaa Square at Uhuru Gardens at a contract price of

NATIONAL MUSEUMS OF KENYA

VII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Transfers from other governments – Recurrent	3(a)	605,000,000	531,208,000
- Development	3(b)	40,571,584	12,563,197
- Project Income	4	186,829,546	140,011,515
Total revenue from non-exchange transactions		832,401,130	683,782,712
Revenue from exchange transactions			
Other income	5	283,881,720	250,357,139
Total revenue from exchange transactions		283,888,720	250,357,139
Total revenue		1,116,282,850	934,139,851
Expenses			
Employee costs	6	774,779,405	761,506,002
Depreciation	7	27,681,865	25,652,581
Repairs and maintenance	8	18,487,488	20,790,611
Remuneration to Board of Directors	9	1,460,078	2,042,870
General expenses	10	366,559,600	306,107,944
Total expenses		1,188,968,436	1,116,100,008
Deficit before tax		(72,685,586)	(181,960,157)
Deficit for the period		(72,685,586)	(181,960,157)

The notes set out on pages 23 to 45 form an integral part of the Financial Statements

NATIONAL MUSEUMS OF KENYA

XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

	Note	2014 Kshs	2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	11	66,984,081	52,450,175
Investments- Short Term	11	24,120,102	24,025,172
Receivables from exchange transactions	12	26,769,141	79,670,455
Inventories	13	645,390	714,586
		118,518,714	156,860,388
Non-current assets			
Property, plant and equipment	14	2,795,948,446	2,662,526,079
Total assets		2,914,467,160	2,819,386,467
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	287,288,452	205,031,845
Bank overdraft	16	364,820	15,979,243
Total current liabilities		287,653,272	221,011,088
Non-current liabilities			
Deferred Development Grant	17	228,861,411	277,532,795
Project Deposits	18	132,260,415	125,782,108
Total non-current liabilities		361,121,826	403,314,903
Total liabilities		648,775,098	624,325,991
Net assets		2,265,692,062	2,195,060,476
Reserves		2,338,377,648	2,377,020,634
Accumulated surplus		(72,685,586)	(181,960,157)
Total net assets and liabilities		2,265,692,062	2,195,060,477

The Financial Statements set out on pages 17 to 21 were signed on behalf of the Board of Directors by:



Director General
Date: 6th January, 2015



Chairperson of the Board
Date: 6th January, 2015

NATIONAL MUSEUMS OF KENYA

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2014

	Capital reserve Kshs '000	Revenue reserve Kshs '000	Revaluation reserve Kshs '000	Total Kshs '000
Balance as at 1 July 2012	2,455,428,312	(171,193,260)	14,635,150	2,298,870,202
Capitalized Government grant	78,150,432	-	-	78,150,432
Total comprehensive income for the year		(181,960,158)		(181,960,158)
Total spent on development works	-	-	-	
Balance as at 30 June 2013	2,533,578,744	(353,153,418)	14,635,150	2,195,060,476
Balance as at 1st July 2013	2,533,578,744	(353,153,418)	14,635,150	2,195,060,476
Capitalized Government grant	143,317,172	0	0	143,317,172
Total comprehensive income for the year	0	(72,685,586)	0	(72,685,586)
Total spent on development works	0	0	0	
Balance as at 30th June 2014	2,676,895,916	425,839,004	14,635,150	2,265,692,000

NATIONAL MUSEUMS OF KENYA

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2014

	2014 KSHS	2013 KSHS
Cash flows from operating activities		
Net income from Museums operations	(72,685,586)	(181,960,158)
Before interest earned	(95,038)	(307,255)
Adjustments for		
Depreciation	27,681,865	25,652,581
OI before working capital changes	<u>(45,098,759)</u>	<u>(156,614,832)</u>
Increase/Decrease in receivables	52,901,314	(47,771,771)
inventories		
Increase/Decrease in inventories	69,196	213,608
Increase in payables	82,256,607	148,513,376
Development expenditure	(40,571,584)	(12,563,197)
Net cash from operating activities	49,556,774	(68,222,817)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	95,038	307,255
Proceeds from disposal of property, plant and equipment	-	-
Proceeds from sale of motor vehicle	-	-
	(161,104,232)	(124,099,783)
Purchase of property, plant and equipment	-	-
Net Cash from Investing Activities	(161,009,194)	(123,792,528)
Cash flow from financing activities		
Development grant from GoK	135,217,370	138,600,000
Project Deposits	6,478,310	35,768,087
Net cash generated from financing activities	141,695,680	174,368,087
Net Decrease in Cash and cash equivalents	30,243,260	(17,647,258)
Cash and cash equivalents as at 1st July 2013	60,496,103	78,143,361
Cash and cash equivalents as at 30th June 2012	90,739,363	60,496,103

I. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	2013-2014 Kshs	Adjustments 2013-2014 Kshs	Final budget 2013-2014 Kshs	Actual on comparable basis 2013-2014 Kshs	Performance difference 2013-2014 Kshs
Revenue						
Government grants and subsidies						
Recurrent grant	690,000,000	(55,500,000)	634,500,000	605,000,000	(29,500,000)	
Development Grant	543,000,000	(407,782,630)	135,217,370	40,571,584	(94,645,786)	
Other incomes:						
Internally Revenue	254,000,000	6,000,000	260,000,000	283,881,720	23,881,720	
Project Revenue	122,325,334	(110,325,334)	12,000,000	186,829,546	174,829,546	
Total income	1,609,325,334	(567,607,964)	1,041,717,370	1,116,282,850	74,565,480	
Expenses						
Employees Costs	711,904,423		711,904,423	774,779,405	62,874,982	
Depreciation	27,681,865	(0)	27,681,865	27,681,865	0	
Repairs & Maintenance	24,078,013	(0)	24,078,013	18,487,488	(5,590,525)	
Remuneration to Board of Directors	8,102,722	(0)	8,102,722	1,460,078	(6,642,644)	
General Expenses	340,000,000	(0)	340,000,000	366,559,600	26,559,600	
Total expenditure	1,111,767,023	(0)	1,111,767,023	1,188,968,436	77,201,413	
Surplus for the period	497,558,311	(567,607,964)	(70,049,653)	(72,685,586)	(2,635,933)	

NATIONAL MUSEUMS OF KENYA

1. The financial statements reflect material difference between the budget and actual amounts. Thus recurrent grant deficit of **Kshs. 29.5Million** was as a result of failure by Treasury to release full allocation of the supplementary budget during the year which the organization was allocated **Kshs.49.5Million** but only received **Kshs.20Million** through the parent Ministry of Sports, Culture and the Arts.

In addition development grant has variance due to revenue recognition for revenue from non-exchange transactions where National Museums of Kenya defers unspent amount until spent.

There was increase in internal revenue during year of **Kshs.23.8Million**

During the year under review, NMK paid two Collective Bargaining Agreements (CBA) and implemented commuter allowances which translated into an added expense hence over expenditure of **Ksh.62.8 million**.

In relation to Board Expenses, there was a saving of **Kshs6.6Million** since there was no full Board during this financial year.

2. Changes from original budget are a consequence of government variations through supplementary budgets and at the same time budgetary cuts during normal budgetary process for both the recurrent and development grants. Subsequently, a number of other factors that affect our internal revenue generation also results to alterations in budget to enable the organization to continue with its operations with minimal interruptions.
3. The National Museums of Kenya budget was approved on 16th April, 2013 by the Ministry of National Treasury before implementation. Failure by Treasury to release full allocation through the parent Ministry of Sports, Culture and the Arts results to differences due to lapse of time..

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

(a) Statement of compliance and basis of preparation – IPSAS 1

The 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 National Museums of Kenya and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented. This is the first time for the organization to adopt IPSAS.

1. ACCOUNTING POLICIES

The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

a) Revenue Recognition

i) Revenue from non-exchange transactions

Transfers from 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.

Government Grants

- i. Recurrent government grant credited to the Statement of Financial Performance on the basis of the payment made by the government of Kenya.
- ii. Development grant is credited to the Statement of Financial Performance on the basis of the amount spent. The unspent amount is deferred until spent.

Project income

These are funds earmarked for specific projects mostly dealing with Research in particular areas. The projects funds are credited to a deposit Account when received and only transfer the amount spent each month to income. In this case income and expenditure are always the same. The balance remains in the respective deposit account.

b) Taxation

The National Museums of Kenya is exempted from income tax. VAT and excise duty are exempted on case by case on application to the National Treasury and Kenya Revenue Authority.

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

c) Property, Plant and Equipment

Property, Plant and Equipment is stated at historical cost less accumulated depreciation. The assets are not depreciated in the year of purchase. Depreciation is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life using the following rates:

- Motor Vehicles 25%
- Equipment and furniture 12.5%
- Computers 25%
- Buildings 1%

d) Exhibits and Collections

As a policy, no value has been placed on exhibits, study collection and fixtures. Museum Exhibits have no commercial value, and the study collection is priceless.

e) Purchase of Animals

Purchase of primates is charged to the financial performance statement at the time of purchase.

f) Financial Instruments

(i) 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 and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The organization determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the organization commits to purchase or sell the asset.

The National Museums of Kenya financial assets include: cash and short-term deposits; trade and other receivables.

Derecognition

The organization derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when; The rights to receive cash flows from the asset have expired or is waived, the organization has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the organization has transferred substantially all the risks and rewards of the asset; or (b) the organization has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) 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 as appropriate. The National Museums of Kenya determines the classification of its financial liabilities at initial recognition.

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

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

The organization's financial liabilities include trade and other payables, bank overdrafts, financial guarantee contracts.

g) Employee Benefits

(i) Short term

NMK has employees who carries out day to day operations and are entitled to salaries and allowance. The organization recognises these salaries and allowances as expenses which are charged to financial performance statement.

(ii) Retirement Benefits

NMK operates a defined contribution staff Retirement Benefit Scheme for its employees. The Scheme is administered by Insurance Company of East Africa and is funded by contribution from both NMK and the employees. It also pays gratuity to staff on contract. NMK's contribution is charged to the financial performance statement in the year to which they relate. NMK also contributes to a statutory defined scheme; the National Social Security Fund (NSSF) contributions are determined by local statute and are currently limited to Kshs.200 per employee per month.

h) Nature and Purpose of Reserves

(a) Capital Reserve

The organization creates and maintains reserves in terms of specific requirements. National Museums of Kenya has capital reserves and revaluation reserves. Reserves are monies budgeted, collected and set aside for replacement or deferred maintenance to the capital improvements. Boards establish reserve accounts for the future replacement or deferred maintenance of the common areas.

Reserve funds enable the organization to maintain the common areas with a reduced risk of special assessments and minimize the impact of financial challenges. The fund establishes and preserves reserves for a strong financial position to meet future expenditures and reduce the potential for reduction in property values.

(b) Revenue Reserve

A reserve which is created out of the revenue profit is called revenue reserve. Revenue profit is earned in the normal course of the business. Revenue reserve refers to the undistributed revenue profit. It is created for strengthening the financial position, replacing depreciable assets, redeeming liabilities, declaring uniform rate of dividend and conducting research and development functions.

(c) Revaluation Reserve

A revaluation reserve is an increase in the value of fixed assets. Asset revaluation reserve is an accounting concept and represents a reassessment of the value of a capital asset as at a particular date. The reserve is considered a category of the equity of the entity. An asset is originally recorded in the accounts at its cost and depreciated periodically over its estimated useful life as a measure of the amount of the assets value consumed in that period. In practice,

NATIONAL MUSEUMS OF KENYA .
Notes to Financial Statements

the actual useful life of an asset can be miscalculated or an event can cause a change to the useful life. Consequently, assets occasionally need to be revalued in order to reflect a more close approximation to their "worth" in the accounts. When the asset is revalued, the offsetting entry (in a double entry accounting system) would be either made to the profit or loss accounts or to the equity of the entity.

i) Branches

The segment reports are incorporated in these financial statements.

j) Translation of Foreign Currency

Translations in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities which are expressed in foreign currency are translated into "Kenya Shillings at rates ruling at the date in the financial position statement. The resulting difference from the conversion and translation are dealt with in the financial performance statement in year which they arise.

k) Research and Development

Research and Development expenses are expensed through Financial Performance statement in the year are incurred.

l) Budget Information

The annual budget for the period 2013/2014 was prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity 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.

m) Related Parties

The National Museums of Kenya 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 organization, or vice versa. Members of key management are regarded as related parties and comprise the Directors Executive Team.

n) Comparative figures

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

o) Provisions

Provisions are recognized when the organization 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.

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

Where the organization 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.

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 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 officers which were not surrendered or accounted for at the end of the financial year.

2. Significant Judgement

The Organization did not have any significant judgement made during the year under review.

3(a) Recurrent grant of kshs605,000,000 was received from government of Kenya and is credited to statement of financial performance

3(b) Development grant of Kshs 135,217,370 was received during the year of which Kshs.40,571,584 and kshs143,317,172 was incurred in respect of revenue and capital expenditure. This is credited to the Financial performance and capital reserve respectively.

4) Project income

Project income HQS	81,891,051	45,000,598
Project Admin income	-	78,383
Project income IPR	104,938,495	94,932,534
TOTAL	186,829,546	140,011,515

5. OTHER INCOMES

Admission fee	185,531,756	152,334,867
Rental income	42,123,956	38,784,752
Interest earned	95,038	307,255
Sale of publication and artifacts	10,159,012	8,530,914
Sale of soft drinks	2,630,051	1,248,952
Sale of casts	2,254,286	3,803,542
Sundry income	41,087,621	45,346,854
TOTAL	283,881,720	250,357,136

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

6. EMPLOYEE COSTS

	2014	2013
	AMOUNT	AMOUNT
Salaries	683,310,977	641,106,104
Gratuity and pensions	51,521,152	79,951,712
Medical	23,859,057	25,368,623
Training	7,905,150	6,963,590
staff welfare and uniforms	8,183,069	8,115,973
TOTAL	774,779,405	761,506,002

7. DEPRECIATION EXPENSE

Property, plant and equipment (NOTE 14)	27,681,865	25,652,581
Total Depreciation	27,681,865	25,652,581

8. REPAIR & MAINTENANCE

Vehicle expenses -Maintenance/spares	8,087,268	11,752,050
Equipment repair & maintenance	4,906,194	3,813,281
Maintenance of building	2,821,602	2,498,363
Maintenance of monument	2,396,384	2,404,417
Cage maintenance	276,040	11,700
Cage Construction	-	310,800
TOTAL	18,487,488	20,790,611

9. BOARD OF DIRECTORS EXPENSES

Lunch/phone expenses	42,000	193,780
Sitting allowance	595,500	765,000
Accommodation / Perdiem	440,094	420,830
Air fare	65,817	28,620
Honoraria for Chairman	316,667	500,000
Mileage	-	134,640
TOTAL	1,460,078	2,042,870

10. GENERAL EXPENSES

Administrative costs	15,920,355	12,606,874
Transport and travel expenses	101,839,681	80,441,101
Contracted professional services	19,145,358	10,283,872
office and other expenses	86,571,311	82,617,790
Advertising and publicity	3,256,566	3,101,395
Telephone and postage	11,224,769	12,116,953
Electricity and water	26,776,664	22,002,564
Purchases and other direct inputs	101,824,896	82,937,395
TOTAL	366,559,600	306,107,944

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

11. Cash and cash equivalents

	2014	2013
	Shs	Shs
Bank	66,533,437	50,435,283
Cash-on-hand and in transit	450,644	2,014,892
Short-term deposits	24,120,210	24,025,172
Total cash and cash equivalents	91,104,291	76,475,347

The short term deposits are with Standard Chartered Bank at interest rate fluctuating on monthly basis.

12. Receivables from exchange transactions

CURRENT RECEIVABLES

Trade Receivables	3,822,220	42,309,197
other trade receivables	21,043,425	29,509,567
Prepayments	443,128	6,553,323
Deposits	1,460,368	1,298,368
TOTAL RECEIVABLES	26,769,141	79,670,455

13. INVENTORIES

Publications	424,518	501,379
Crafts	167,125	156,775
Soft Drinks	53,747	56,432
TOTAL	645,390	714,586

NATIONAL MUSEUMS OF KENYA

Notes to Financial Statements

14. Property, plant and equipment

Notes to the Financial Statements for the year ended 30th June 2014

	PROPERTY LAND		BUILDINGS		WORK IN PROGRESS		PLANT AND EQUIPMENT			TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	FURNITURE KSHS	COMPUTERS KSHS	VEHICLE KSHS	
<u>COST/ VALUATION</u>										
As at 1st July 2012	1,575,127,445	941,093,078	35,477,815	191,714,167	55,493,619	72,790,084	2,871,696,208			
Additions during the year	-	890,379	95,300,584	13,169,165	3,374,000	11,365,655	124,099,783			
completed works during the year	-	-	-	-	-	-	-	-	-	-
As at 30th June 2013	1,575,127,445	941,983,457	130,778,399	204,883,332	58,867,619	84,155,739	2,995,795,991			
<u>DEPRECIATION</u>										
As at 1st July 2012	-	90,114,390	-	123,866,658	40,249,847	53,386,436	307,617,331			
Charge for the year	-	8,509,787	-	8,480,939	3,810,943	4,850,912	25,652,581			
As at 30th June 2013	-	98,624,177	-	132,347,597	44,060,790	58,237,348	333,269,912			
<u>DEPRECIATION</u>										
As at 1st July 2013	-	98,624,177	-	132,347,597	44,060,790	58,237,348	333,269,912			
Charge for the Year	-	8,433,593	-	9,066,967	3,701,707	6,479,598	27,681,865			
Additions during the year	-	107,057,770	-	141,414,564	47,762,497	64,716,946	360,951,777			
<u>COST/ VALUATION</u>										
As at 1st July, 2013	1,575,127,445	941,983,457	130,778,399	204,883,332	58,867,619	84,155,739	2,995,795,991			
Additions during the year	-	84,510	151,592,946	4,288,344	5,138,432	-	161,104,232			
Completed works during the year	-	-	-	-	-	-	-	-	-	-
As at 30th June 2014	1,575,127,445	942,067,967	282,371,345	209,171,676	64,006,051	84,155,739	3,156,900,223			
<u>NET BOOK VALUES</u>										
As at 30th June, 2014	1,575,127,445	835,010,197	282,371,345	67,757,112	16,243,553	19,438,793	2,795,948,446			
<u>NET BOOK VALUES</u>										
As at 30th June, 2013	1,575,127,445	843,359,280	130,778,399	72,535,735	14,806,829	25,918,391	2,662,562,079			

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

15. Trade and other payables from exchange transactions	2014	2013
Trade payables	107,614,847	68,086,640
Payments received in advance	1,068,000	918,000
		14,015,799
third party payments	11,419,460	
Other payables	167,186,145	122,011,406
Total trade and other payables	287,288,452	205,031,845

Third party payments relate to Staff deductions made and have not yet been submitted to respective Sacco's, welfares, insurance companies, bank loans and hire purchase as at 30th June, 2014

16. FINANCE COSTS

	2014	2013
	Shs	Shs
Bank overdrafts	364,820	15,979,243
Total finance costs	364,820	15,979,243

17a. Deferred Government development Grant Income

	2014	2013
Balance B/f	277,532,795	229,646,424
GoK Development Grant Received	135,217,370	138,600,000
Total	412,750,165	368,246,424
Less amount spent (17b)	183,888,756	90,713,629
Balance C/f	228,861,409	277,532,795

17b. Capital Expenditure	143,317,172	78,150,432
Revenue Expenditure	40,571,584	12,563,197
Total Spent	183,888,756	90,713,629
This related to development grant received which has been committed but not spent yet		

18. Project Deposits	2,014	2013
Opening balance	125,782,109	90,014,022
Add receipts during the year	193,307,852	175,777,589
	319,089,961	265,793,624
		(140,011,515)
less expenditure (4)	(186,829,546)	
Balance c/f	132,260,415	125,782,109

Project revenue is funds from various donors used for research activities carried out by NMK scientists.

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

19. Related party disclosures

These financial statements include the financial statements of the organization

Key management personnel

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, are the members of Director's Executive Team. The total remuneration of members of Director's Executive Team, on a full-time basis, receiving remuneration from the Organization is:

Total remuneration **Kshs.24,170,381**

Number of persons **8** persons

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

The organization in this financial year has no capital commitments

Operating lease rentals

The National Museums of Kenya has no operating lease rentals for the financial year 2014/2015

21. FINANCIAL RISK MANAGEMENT POLICIES

The National Museums of Kenya's financial risk management objectives and policies are detailed below:

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 recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Financial risk management objectives

The organizations activities expose it to a variety of financial risks including credit risk, liquidity risks, interest rate and the effects of changes in foreign currency rates. The National Museums of Kenya's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the company's cash balances.

At 30 June 2014, if the interest rates on the bank balances had decreased/increased by 5 percentage points with all other variables held constant, the impact on surplus for the year would have been Sh 3,326,672 (2013: Sh 2,521,764) higher/lower.

There has been no change to the company's exposure to interest rate or the manner in which it manages and measures the risk.

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

Credit risk management

The organization's credit risk is primarily attributable to its other receivables and bank balances.

The amounts of receivables presented in the statement of financial position, estimated by the organization's management based on prior experience and their assessment of the current economic environment.

The credit risk on receivables is limited because the organization does not rely on them.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

The amount that best represents the organization's maximum exposure to credit risk as at 30 June 2014 is made up as follows:

	Fully performing	Past due	Total Shs
	Shs	Shs	
Bank balances	66,533,437	0	66,533,437
Trade Receivables	3,822,220	0	3,822,220
Short term deposit	24,120,102	0	24,120,102
	<u>94,475,759</u>	<u>0</u>	<u>94,475,759</u>

The amount that best represents the Centre's maximum exposure to credit risk as at 30 June 2013 is made up as follows:

	Fully performing	Past due	Total Shs
	Shs	Shs	
Bank balances	50,435,283	0	50,435,283
Trade Receivable	42,309,197	0	42,309,197
Staff Debtors	21,043,425	0	21,043,425
Short term deposit	24,025,172	0	24,025,172
	<u>137,813,077</u>	<u>0</u>	<u>137,813,077</u>

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management, who have built an appropriate liquidity risk management framework. The organization manages liquidity risk by maintaining enough required funds for its operations through continuous monitoring of forecast and actual cash flows

The table below shows the maturity analysis of the financial liabilities that affect liquidity:

As at 30 June 2014

	Less than 1 year Shs	Over 1 year Shs	Impaired Shs	Total Shs
Payables	287,288,452	0	0	287,288,452
	<u>287,288,452</u>	<u>0</u>	<u>0</u>	<u>287,288,452</u>

As at 30 June 2013

	Less than 1 year Shs	Over 1 year Shs		Total Shs
Payables	205,031,845	0	0	205,031,845
	<u>205,031,845</u>	<u>205,031,845</u>	<u>0</u>	<u>205,031,845</u>

Exchange risk

The National Museums of Kenya holds some of its bank balances in foreign currency. The fluctuations in currency exchange rates result in changes in the value of the monetary assets denominated in foreign currency hence expose the Centre to the risk of incurring exchange losses. The monetary assets held in foreign currency are closely monitored to ensure that they are not materially affected by adverse foreign currency fluctuations. There are no other foreign currencies denominated financial assets or liabilities.

At year end, the foreign currency bank account had the following balance:

	Amount In foreign currency	Amount Shs
At 30 June 2014		
US dollar bank account HQs	14,930.49	1,311,196
US dollar bank account IPR	100,716.17	8,675,691
	<u>115,646.66</u>	<u>10,000,000</u>

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At 30 June 2013

US dollar bank account HQs	26,296.76	2,250,893.10
US dollar Bank account IPR	5,489.80	472,279.05

As at 30 June 2014, an increase/decrease of 10% in the Dollar exchange rates to the Kenya Shilling would have resulted in an increase/decrease in the deficit for the year of Kshs.998,689 (2013 Kshs.272,317.30).

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XV. 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)
2012/2013	<p>1) GOING CONCERN</p> <p>The corporation realized a deficit Of Kshs181,960,158 (2011/2012 Kshs104,610,085) which brought the cumulative revenue reserve balance to negative Kshs353,153,418 ((2010/2011 negative Kshs171,193,260). The statement of financial position also reflects a negative working capital of Kshs64,150,700 as at 30th June, 2013. As pointed out in the previous year's report, the financial statements have been prepared on a going concern basis which assumes continued financial support from the</p>	<p>1) GOING CONCERN</p> <p>The financial position shows the continued deficit trend as a result of major budget cuts that NMK suffered in 2012 following the implementation of the austerity measures by the National Treasury. Drop in tourist arrivals seriously affected NMK gate collections which NMK was to rely on following the austerity measures. In addition to the persistent under funding by the Government of Kenya has made the organization not to remain a strong going concern. The NMK management is exploring various ways and means</p>		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)
	Government and creditors.	to ensure that the trend does not continue.			
	<p style="text-align: center;">2) <u>PROPERTY PLANT AND EQUIPMENT</u></p> <p>As similarly reported in the Audit report of the financial year ended 30th June, 2012, the property, plant and equipment balance of KShs. 2,662,526,079 as at 30th June 2013 includes KShs. 1,575,127,445 relating to the value of one hundred and ten (110) parcels of land spread across the country, out of which only thirty six (37) have title deeds, twenty six (26) though surveyed, have not been registered in the name of National Museums of Kenya, twelve(12) are un-surveyed but have letters of allotment, thirty three (33) are un-surveyed and have no ownership documents. While the remaining two (2) are in dispute. In circumstances, the ownership of the</p>	<p style="text-align: center;">2) <u>PROPERTY PLANT AND EQUIPMENT</u></p> <p>This has been outstanding over the years due to cost implications which the organization could not afford. It is our sincere request to the Government of Kenya through our parent Ministry to consider allocation of more development funds sufficient to carry out the exercise.</p> <p>National Museums of Kenya management is in agreement with the observation on confirmation of ownership and accuracy of the Property plant and equipment. It is true that NMMK has no title deeds for some parcels of land. However, the process is ongoing and costly while in</p>			

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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)
	property, plant and equipment as at 30 th June, 2013 could not be confirmed.	some areas where NMK is allocated land, no land adjudication has taken place making it not possible to ascertain the accuracy and ownership of property. Land with title deeds acquired as at to date, 37 parcels of land. Awaiting title deeds, 7 Surveyed are 18, surveyed with letters of allotment-11, Land without documents-11, 7 proposed sites for Museum development and 55 gazetted Heritage sites to be allocated to NMK.			
/	<u>3) DEFERRED DEVELOPMENT GRANT</u> The deferred development grants balance of Kshs277,532,795 reflected in the statement of financial position and under note 16(a) to the financial statements includes balance brought forward of Kshs229,646,424 described as grants received that have been committed but not spent	<u>3) DEFERRED DEVELOPMENT GRANT</u> The Deferred development grant as at 30 th June, 2013 as per the Auditors observation of Kshs229,646,424 being accumulation of grants for development for the previous years used to cater for salary short fall due to reasons beyond National Museums. However, management has informed			

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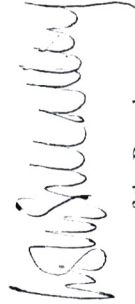
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>yet. The Management has, however, confirmed that these deferred grants have been used over the years to cater for shortfall in salaries. It therefore appears that the grants have not been used for the intended purpose.</p>	<p>the Board about the issue and now seeking post facto authority to regularize the issue raised.</p>			
	<p>4) PAYABLES The payables balance of Kshs.205,031,845 as at 30th June, 2013 under current liabilities includes unremitted statutory deductions comprising Pay As You Earn (PAYE) and pensions totalling Kshs.25,899,000 and Kshs53,237,040 respectively. The corporation has therefore not complied with the requirement of Income Tax and Retirement Benefit Act. Unremitted statutory deductions attract penalties which have not been incorporated in the financial statements.</p>	<p>4) PAYABLES The Auditors observations are true as at that time. Management has managed to address the issue of PAYE and is up to date as now. On the other hand, management is trying to address pending bills in relation to pension through our parent Ministry. Finally, as regards the penalties, NMK has been in communication with Kenya Revenue Authority appealing for waivers which we hope KRA are in agreement with our requests.</p>			
/	<p>5) PROJECT DEPOSITS The project deposits balance of Kshs125,782,108 as reflected in the statement of Financial Position differs</p>	<p>5) PROJECT DEPOSITS This is a historical issue that the current management is working on modalities to address it.</p>			

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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)
1	with project cashbook balance of Kshs.25,656,412 as at 30 th June, 2013. The resultant difference of Kshs100,125,696 has not been reconciled or explained. Under the circumstances, the accuracy of the projects deposits balance of Kshs125,782,108 as at 30 th June, 2013 could not be confirmed.				



Director General



Chairperson of the Board

Date: 29th September, 2014.

Date: 29th September, 2014.