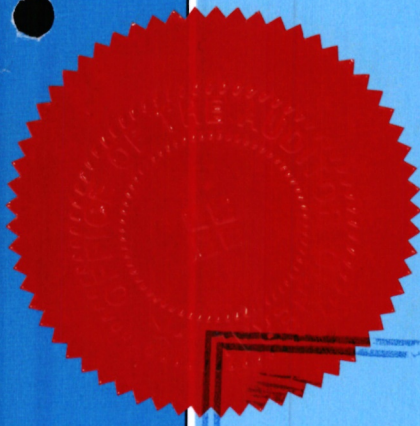


REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE NATIONAL SPORTS FUND

**FOR THE YEAR ENDED
30 JUNE, 2019**





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

31 AUG 2020

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**International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Regulatory and Other Non – Commercial Government Owned Entities**
*(Semi - Autonomous Government Agencies and Public Funds Established by an Act of
Parliament or a Legal Notice)*

**NATIONAL
SPORTS FUND**



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

**National Sports Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019**

Table of Contents	Page No.
KEY ENTITY INFORMATION AND MANAGEMENT	1
KEY ENTITY INFORMATION AND MANAGEMENT (Continued).....	4
THE BOARD OF TRUSTEES.....	5
MANAGEMENT TEAM.....	7
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	11
CORPORATE GOVERNANCE STATEMENT	11
STATEMENT OF TRUSTEES' RESPONSIBILITIES	13
STATEMENT OF FINANCIAL PERFORMANCE.....	15
STATEMENT OF FINANCIAL POSITION	16
STATEMENT OF CHANGES IN NET ASSETS.....	17
STATEMENT OF CASH FLOWS.....	18
FOR THE YEAR ENDED 30 JUNE 2019.....	18
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	19
NOTES TO THE FINANCIAL STATEMENTS	21
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	40
APPENDIX II: INTER-FUND TRANSFERS	41
APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	42

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Sports Fund is a State Corporation established by the Sports Act no 25 of 2013 on 12th August 2013. The entity is domiciled in Kenya and has its Head office in Flamingo Towers 7th Floor.

(b) Principal Activities

The principal Mandate of the Fund is to raise funds through sports lottery, investments or any other means and disburse the funds to support sports persons and sports organizations for the development of sports and recreation in the country.

The functions of the Fund as outlined in the Sports Act, 2013 are as follows:

- i. Increase and diversify resource mobilization opportunities for sports and recreational development.
- ii. Support sports and recreation development for social and economic empowerment
- iii. Provide support to nurture and reward talent in sports and recreational activities
- iv. Diversification of sports disciplines and recreation opportunities
- v. Develop and implement a partnership framework with other stakeholders including sports organizations, federations and sports persons
- vi. Support the enhancement of sports management and training skills
- vii. Support the development of sports and recreation infrastructure
- viii. Undertake CSR in sports and recreation related activities

Vision, Mission and Core Values

Vision

To be a globally competitive sports and recreation funding agency

Mission

“To promote sports and recreation development through mobilization, management and disbursement of resources”

Core values

- Customer Focus
- Efficiency
- Integrity
- Impartial
- Accountability
- Teamwork

National Sports Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019

(c) Key Management

The Fund is managed by a Board of Trustees appointed by the Cabinet Secretary responsible for the general policy and strategic direction. The Chairman of the Board is a presidential appointee.

On 12th July 2018 through Gazette Notice No. 7050 the President and Commander in Chief of the Kenya Defence Forces appointed Mr., Patrick Wohoro Ndohho as the Chairperson of the National Sports Fund Board of Trustees for a period of 3 years with effect from 12th July 2018. His appointment was however revoked by Gazette Notice dated 18th January 2019. The Fund operated without a chairperson from 18th January 2019 till end of the Financial year. It is imperative to note that during this period the Board of Trustees did not hold any meeting. As a result, this Financial Statement for the FY 2018/2019 did not get the approval of the Board. The Board of Trustees of the National Sports Fund ceased to exist when the Sports Amendment Act 2018 came into force on 2nd July 2019.

The National Sports Fund day to day management was run under the following four key directorates that worked under the guidance of the Chief executive officer:

- i. Directorate of Resource Mobilization
- ii. Directorate of Sports Funding and Compliance
- iii. Directorate of Corporate Services
- iv. Directorate of Strategy, Policy and Research

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	A.G Chief Executive Officer	Jaxon Indakwa
2.	Director Corporate Strategy Policy and Research	Hassan Boru
3.	Director, Corporate Services	John Mark Wambugu
4.	Director, Resource Mobilization	Roseline Tumpeyo
5.	Corporation Secretary	Martin Machira
6	A.g Director, Sports Funding, Standards & Compliance	Mr Festus Njera
7.	Manager Finance	Job Aiyabei
8.	Manager Strategy, Policy and Research	Dr.Njogu Kimando
9	Manager, Corporate Communication	Naanyu Karbolo
10	Manager Human Resources & Administration	Doreen Diki
11	Assistant Manager Supply Chain Management	Joseph Wakahia
12	Senior Internal Auditor	Quin Mwongera

(e) Fiduciary Oversight Arrangements

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

- i. Finance and Investment Committee
- ii. Audit Committee
- iii. Sports Funding & Evaluation Committee
- iv. Human Resource and Training Committee

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

ii. Entity Headquarters

P.O. Box 4644-00200
Flamingo Towers Building 7th Floor
Mara Road, Upper hill
Nairobi, KENYA

iii. Entity Contacts

Telephone: (254) 791801225
(254) 780801225
E-mail: info@nationalsportsfund.org
Website: www.nationalsportsfund.org

iv. Entity Bankers

1. Co-operative Bank of Kenya
Upper hill Branch
P.O. Box 30415-00100
Nairobi, Kenya
2. Kenya Commercial Bank
Milimani Branch
P.O. Box 48400-00100
Nairobi, Kenya

v. Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya



vi. Principal Legal Adviser

The Attorney General
Office of the Attorney General & Department of Justice
Sheria House
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

THE BOARD OF TRUSTEES

 <p>Amb. Kiriimi P. Kaberia, CBS Trustee</p>	<p>Amb. Kiriimi P. Kaberia, CBS is the current Principal Secretary in the State Department for Sports. Prior to this, he was the Principal Secretary in the Ministry of Defence. Amb. Kaberia holds a Masters of Arts in communication and Masters in International law. He has been a career diplomat with experience spanning over twenty years representing the government in different countries.</p>
 <p>Gordon Oluoch Onyango Trustee</p>	<p>Mr. Gordon Oluoch, currently the Ag. Chief Executive Officer (CEO) of the Kenya Academy of Sports also served as the Ag. Director General (DG) at Sports Kenya as well as Sports Commissioner at the State Department for Sports, Ministry of Sports, Culture and the Arts.</p> <p>Mr. Oluoch holds a Bachelors Degree of Education (PE & Sports) from Kenyatta University, a Diploma in PE Education from the University of Nairobi and is currently pursuing an Executive Master of Business Administration from Jomo Kenyatta University of Agriculture.</p>
 <p>Luke Luseno Trustee</p>	<p>Mr. Luke Luseno, currently the Chief Executive Officer (CEO) of the Sports Disputes Tribunal holds a Master's in Business Administration (Human Resource) from Kenyatta University, a Bachelors of Education (B.Ed), Geography from Kenyatta University and a Higher National Diploma in Human Resources Management. Luke has twenty (20) years of experience in the Civil Service.</p> <p>Prior to his current position he served in the Civil service as; Principal Human Resource and Administration Management Officer at the Judiciary, Principal Human Resource Development Officer at the Ministry of State for Public Service, Ministry of Youth and Sports as well as Senior Quality Assurance Officer, Ministry of Education</p>
<p>Noah Peter Ngumi Trustee</p>	<p>Mr. Noah Peter Ngumi is an Advocate of the High Court of Kenya. Peter holds a Postgraduate Diploma in law (KSL) and</p>

**National Sports Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019**

	<p>a Bachelors of Law Degree from the University of Nairobi. Peter is currently a Senior State Counsel at the Office of the Attorney General. Previously, he served as Legal Counsel at the Ministry of Foreign Affairs having come from private legal practice years earlier.</p>
 <p>Margaret Wamuyu Trustee</p>	<p>Margaret Wamuyu is a Certified Public Accountant, (CPA-K) she is pursuing PhD – Finance and a holds a Masters Degree in Business Administration from the University of Nairobi and a Bachelors Degree in Commerce from Kenya School of Accountancy University in Nairobi. Margaret is currently a Chief Accountant in the National Treasury, Government Investment and Public Enterprises Department. Previously she served as the Deputy District Accountant in Kericho under the National Treasury.</p>
 <p>Jaxon Daudio Indakwa A.g Chief Executive Officer</p>	<p>Jaxon Indakwa is currently pursuing a MSC (Leisure and Recreation) at Kenyatta University, he holds a BA (Government and Linguistics) from the University of Nairobi, and a Post Graduate Diploma (Sports Administration) from Kenyatta University. He is the current A.g Chief Executive Officer of the Fund.</p>

MANAGEMENT TEAM



Jackson Daudio Indakwa

MSC (Leisure and Recreation), BA
(Government and Linguistics), Post
Graduate Diploma (Sports
Administration)

Ag. Chief Executive Officer



Hassan Abdi Boru

MA (Environment Planning & Mgt), BSc
Wildlife Mgt and Conservation)

DIRECTOR

Strategy policy and Research






John Mark Nyaga Wambugu



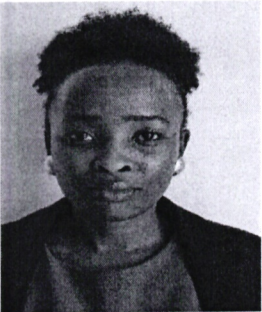
MBA (Finance), BBA (Accounts) CPA (K) CPS
(K)

DIRECTOR Corporate Services

**National Sports Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019**

 <p>Roseline Tumpeyo Baari MBA (Strategic Management), BA (Social Studies)</p>	<p>DIRECTOR Resource Mobilisation</p>
 <p>Martin Machira Ngati LLB Law, CPS(K), Post Graduate Diploma (Kenya School of Law)</p>	<p>DIRECTOR Legal Services and Corporation Secretary</p>
 <p>Job Aiyabei MBA(Finance) BBA. (Finance & Accounts), CPA (K)</p>	<p>Finance Manager</p>

**National Sports Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019**

 <p>Doreen Mukiri Diki MBA HRM, Degree (HRM), Higher Dip. HRM</p>	<p>Human Resource & Administration Manager</p>
 <p>Joseph Wakahia BSc. (Business Administration), Dip. (Purchasing & Supplies)</p>	<p>Assistant Manager, Supply Chain Management</p>
 <p>Quin Mwendwa Mwongera Bachelor of Commerce (Finance Option), CPA (K)</p>	<p>SNR. Internal Auditor</p>

CHAIRMAN'S STATEMENT

The mandate of the Fund is to raise funds through sports lottery, investments and any other legal means and disburse the funds for the development of sports and recreation in Kenya. Therefore, the National Sports Fund is one of the institutions tasked with delivering one of the key flagship projects contained in Vision 2030, namely, the National Lottery.

Establishment of the sports lottery will provide National sports Fund with a revenue generating avenue hence aid in the development of sports and sports infrastructure in the country, an aspect that will ensure Kenya's competitiveness in the global arena.

The Sports industry continues to have a positive impact in the society. More young talents are accessing education support based on their sporting prowess. Further, sports has become a preferred source of income with elite sports men and women raking in millions of shillings in the form of prize monies, bonuses, salaries and corporate endorsements among others.

Apart from being a source of entertainment, sports and recreational activities play various roles in the society including unifying communities where all Kenyans come together irrespective of their gender, age, status, political inclination or even tribe. This is an indicator of the kind of positive effects that sports has in our country.

Kenya sits top of the world due to its immense sporting talent with its citizens breaking records at almost all the world events. This has resulted in global recognition of the country as a sporting power house which has been a sense of pride and joy for the country. Such victories have been variously touted as a great avenue for marketing Kenya.

The National Sports Fund therefore seeks to build on to all these successes which have been mentioned herein to propel the country to higher levels of prosperity and achievement by providing the required resources for the sports and recreation sector.



**Board Chairman
National Sports Fund Board of Trustees**

REPORT OF THE CHIEF EXECUTIVE OFFICER

Barely two years into our existence, the National Sports Fund has made great strides in the achievement of its mandate. Key among them has been the drafting of the funding guidelines and regulations for approval, review and gazettelement by the AG. To this end, the Fund has also reviewed its HR instruments in line with the requirement from State Advisory Committee (SCAC) and developed its strategic plan (2017-2022) which spells out the desired future for NSF as well as the implementation framework.

In regard to diversity management, the Fund has been able to achieve and surpass the required thresholds as is exhibited in the following attributes. Out of its current staff population of 34 employees, 31% are women, 42% are the youth and 3% are PLWD.

During the year under review the fund disbursed Kes 21 Million to Support the Kenya National Rugby Federation, Kes 1.5 Million to the World Rally Championship and Kes 28.84 Million towards International Championship in Asaba Nigeria, Brazil and USA.

In terms of performance management, the Fund signed the Performance Contract for 2018/19 and the respective directorates assumed ownership of their thematic areas and cascaded it to all the staff members.

Given that the core mandate of the Fund is to provide resources for sports and recreation, the Fund seeks to operationalize the National Lottery whereby the lottery name "MICHEZO NATIONAL LOTTERY" was published in the KIPi Journal and trademarking is ongoing. Also, Expression of Interest (EOI) document was developed to facilitate the procurement of an operator to operationalize the lottery and ensure that the revenue raised ploughed back to the community through financial support to sporting activities, recreation and good causes.

CORPORATE GOVERNANCE STATEMENT

The Board of Trustee and the management of the National Sports Fund is committed to maintaining the highest standards of corporate governance. The Board is responsible for ensuring that the activities of the Fund are conducted in compliance with the law, regulatory requirements and rules, good practices, ethically and with appropriate and proper governance and standards as outlined in the Mwongozo Code of Conduct. This includes reviewing internal controls and ensuring that there is an appropriate balance of skills and experience represented on the Board and management.

The competence, diversity and experience of the Board of Trustees has made it effective in providing leadership to the Fund. The Board has been fully facilitated to ensure its autonomy, authority and independence. The Fund has also taken steps to ensure that the role of the Board is separated from that of Management. The Board has fully executed its

National Sports Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019

role of ensuring that adequate systems and processes of accountability, risk management and internal controls are in place by constantly reviewing the performance of the various directorates tasked with these important responsibilities.

Subsequently, the Board recognizes the importance of good corporate governance in creating a sustainable, successful and effective institution. A fundamental aspect of the Fund's corporate governance has been the adoption of best practice in the Fund's operations and to this end, the Board of Trustees has always consistently worked with management to set corporate values and to develop strategies and policies that will enable the National Sports Fund achieve its mandate.

The Board has delegated some of its responsibilities to Committees of the Board while ensuring that the administrative responsibility of the Fund lies with the Chief Executive and the senior management team. The Board regularly receives reports at its meetings from the chairmen of each of the Committees and also management on their current activities.

Through the separation of roles and responsibilities, the Fund has institutionalized ethical and best practices that are also aimed at enhancing its good corporate citizenship. This has resulted in the support of activities that have had a positive impact in society.

The Fund has also met its obligations with regard to submitting reports to oversight agencies and institutions in full compliance of applicable laws, rules and regulations. The Fund has received immense support from the Government, as well as its partners and stakeholders. It is as a result of this that the Fund is well on course to achieve its mandate and change the status of sports in the country for the better.

However, the main challenge has been lack of appointment of Independent board members as most of their terms had expired and hence the independent board committees have been dormant as they are meant to be chaired by independent Trustees. During the second half of the year under review, the appointment of the Chairman of the Fund was revoked, and the organization was left without a Chair till the end of the Financial year.

It is also worthwhile noting that in October 2018 the Government gazzetted a new FUND namely Sports, Arts and Social Development Fund to replace the National Sports Fund and thereafter initiated Sports Ammendment Bill 2018 to regularise the changes.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Fund recognizes the impact of Corporate Social Responsibility on both its immediate stakeholders and the society within which it operates in. To this end, the Fund is committed to giving back to society, building relationships with the public and enhancing its reputation. The National Sports Fund has therefore been involving itself in CSR activities are aimed at:

- I. Creating awareness on the Fund's Mandate and activities.
- II. Enhancing the Fund's public image and reputation among its stakeholders
- III. Brand marketing and visibility for the Fund
- IV. Building relationships with key stakeholders and maintaining a good rapport with the Funds stakeholders'
- V. Create public goodwill from Kenyans and partners

The Fund has given Sports equipment's/ kits/ uniform support to Federations /teams/youth Centre's/ tournaments in Kakamega County, as well as supporting the devolution conference friendly football matches by providing kits..

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Sports Act 2013 require the Trustees to prepare financial statements in respect of National Sports Fund, which give a true and fair view of the state of affairs of National Sports Fund at the end of the financial year/period and the operating results of National Sports Fund for that year/period. The Trustees are also required to ensure that National Sports Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of National Sports Fund. The Trustees are also responsible for safeguarding the assets of National Sports Fund

The Trustees are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2019. 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 Fund;

- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Trustees are of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2019, and of the Funds financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

With the Publishing of regulation 3, Legal Notice No. 194 of the Public Finance Management Act dated 25th October 2018 which created the Sports, Arts and Social Development Fund (SASDF) and signing of Sports Amendment Act 2019 into law on 2nd July 2019. The National Sports Fund therefore ceases to exist as from 2nd of July 2019.

Approval of the financial statements

The Fund operated without a chairperson from 18th January, 2019 till end of the financial year. It is imperative to note that during the period the board of trustees did not hold any meeting. As a result, this financial statement for FY 2018/2019 did not get approval of the board. The board of trustees of the National Sports Fund ceased to exist when the Sports amendment act 2018 came into force on 2nd July, 2019.

signed on its behalf by:

**Board Chairman
National Sports Fund Board of Trustees**



Date: 20th September 2019.

**Mr. Jaxon Daudio Indakwa
Ag. Chief Executive Officer
National Sports Fund**



Date: 20th September 2019

REPUBLIC OF KENYA

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Enhancing Accountability

HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL SPORTS FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Sports Fund set out on pages 15 to 42, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except of the effects of the matters described in Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the National Sports Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with Public Sector Accounting Standards (Accrual Basis) and comply with the Sports Act, 2013.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Payable

Note 21 to the financial statements reflects Kshs.71,243,793 in relation to outstanding trade and other payables as at 30 June, 2019. The age analysis provided showed that bills amounting to Kshs.61,710,457 had remained unpaid for over 90 days contrary to the provisions of the Fund's Service Charter which states that payments to Suppliers shall be within sixty (60) days after receipt of invoices.

The Fund is in breach of its own Service Charter despite the fact that the unpaid pending bills may attract penalties and interest which is a nugatory expense.

2. Payment for Un-Occupied Office Space

Included in the general expenses balance of Kshs.34,982,929 (Note 16) for the year ended 30 June, 2019 is Kshs.19,817,302 relating to office rent. Records supporting this expenditure revealed that National Sports Fund leased additional office space on the seventh floor Wing A at Flamingo Towers from 1 November, 2017. It has however been observed that this office space has never been utilized since the lease date. A review of

the matter during the year ending 30 June, 2019 revealed that National Sports Fund (NSF) became defunct upon establishment of the Sports Amendment Act, 2018 that created a new fund, the Sports, Arts and Social Development Fund (SADF). The new fund was operationalized through the PFM (Sports, Arts and Social Development Fund) Regulation, 2018. It was, however, noted that the defunct Fund continued to keep unoccupied rented offices at Flamingo Towers at an annual cost of Kshs.19,817,302. As at the time of audit during the month of December 2019, a vacate notice had not been issued to the landlord as per the terms of the Lease.

In view of the foregoing, the Fund has not obtained value for money from the cumulative expenditure of Kshs.30,471,113 (inclusive of Kshs.10,653,811 paid in 2017/2018) for the unoccupied space up to 30 June, 2019.

3. Transition of Fund Assets

Note 22 to the financial statements of the Fund has disclosed Property, Plant and Equipment balance of kshs.48,870,046 as at 30 June, 2019. Included in this figure is Kshs.4,802,438 being value for motor vehicles belonging to the Fund that had irregularly been taken over and were being used by the State Department for Sports Development. This is contrary to the provisions of the PFM Regulations, 2015 which require that only after successful transition and subsequent handing over and receipt by respective Accounting Officer, can the assets be taken over. All the other assets remain domiciled at the National Sports Fund offices. The security/conditions of assets left behind in the unoccupied offices could not be ascertained.

4. Unsupported Expenditure

Note 15 to the financial statements reflect Kshs.51,883,365 as grants and subsidies made up of disbursements as listed below, to Sports Organizations by the Fund during the year under review.

Codes	Details	Type	Amount Kshs.
7250	Funds Disbursed to Sports Organization	Expense	21,000,000
7251	Sports Disbursement-Commonwealth	Expense	541,947
7252	Sports Disbursement-World Rally Championship	Expense	1,497,356
7253	Sports Disbursement-International Competitions	Expense	28,844,062
	Total Expensed		51,883,365

The basis for the above disbursements could not be confirmed as no supporting documents were availed for audit verification.

In the circumstances, the grants and subsidies amounting to Kshs.51,883,365 expended on financing the above various organizations could not be ascertained as a proper charge to public funds.

5.0 Unresolved Prior Year Audit Matters

The following matters reported in the previous year were still outstanding as at 30 June, 2019:

5.1. Special Project Fund - Grants and Subsidies

As previously reported, the State Department for Sports Development made transfers totalling Kshs.404,444,538 to the National Sports Fund, stated as special grants for the purpose of payment of various activities on behalf of the Department. A review of supporting records for the grants revealed the following anomalies:

(i) Commonwealth Games (2018) - Gold Coast

The statement of financial performance for the year ended 30 June, 2018 reflected a grants figure of Kshs.351,276,792 which included Kshs.130,553,340 for the Commonwealth Games. However, only Kshs.63,390,000 was received by the Fund from the State Department for this event, resulting to a deficit of Kshs.67,163,340, which was financed through reallocation of funds meant for the World Rally Championships without approval from The National Treasury as required.

(ii) World Rally Championship Expenditure

The Fund received Kshs.225,800,000 from the State Department for the World Rally Championships (WRC) out of which Kshs.144,996,500 was spent on the African Rally Championship held at Naivasha from 14 to 18 March, 2018 in preparation for the World Rally Championship, 2020. A review of the supporting documents in respect of the expenditure incurred, disclosed that the procurement process was carried out by the State Department without involvement of the Fund. Further, procurement of goods and services totalling Kshs.3,708,176 was done through direct procurement contrary to Section 103 of the Public Procurement and Asset Disposal Act, 2015.

(iii) Un-Budgeted for Expenditure

On 7 June, 2018 the Fund contracted an individual to provide events management services during a ministerial team building event held in Nyeri from 11 to 16 June, 2018 at a fee of Kshs.3,374,000. Part payment of Kshs.1,687,000 was made on 14 June, 2018 vide P.V. No. NSF/0623/18. It was however, noted that this event related to the State Department for Sports Development which has a separate budget for such activities.

In the circumstances, the propriety of the payment amounting to Kshs.3,374,000 could not be confirmed. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Sports Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

1.0 Budget and Budgetary Control

1.1 Receipts

The actual receipts amounted to Kshs.221,586,936 against an approved budget of Kshs.1,697,750,500 resulting to an under collection of Kshs.1,476,163,436 or 90% as shown below:

Receipts	Final Budget Kshs.	Actual Kshs.	Variance Kshs.	%
Government grants & subsidies	156,075,500	220,024,883	(63,949,383)	41
Proceeds from lottery & tax	1,532,175,000	0	1,532,175,000	100
Other income	9,500,000	1,562,053	7,937,947	84
Total	1,697,750,500	221,586,936	1,476,163,564	87

The budget shortfall in revenue of Kshs.1,476,163,564 was due to anticipated betting and lottery tax revenue that was transferred to the newly established Sport, Arts and Social Development Fund.

1.2 Expenditure

The Fund underspent its approved budget of Kshs.1,668,868,650 by Kshs.1,495,839,436 or 90% as shown below:

Payments	Final Budget Kshs.	Actual Kshs.	Variance Kshs.	%
Compensation of employees	77,161,280	64,958,405	12,202,875	16
Operating/Administrative expenses	87,719,740	40,182,731	47,537,009	54
Remuneration of the Board of Trustees	6,200,000	1,765,768	4,434,232	72
Repair & Maintenance costs	2,070,000	401,666	1,668,334	81
Depreciation	40,717,630	13,837,279	26,880,351	66
Disbursement to Sports Organizations	1,455,000,000	51,883,365	1,403,116,635	96
Total	1,668,868,650	173,029,214	1,495,839,436	90

The under expenditure of Kshs.1,495,839,436 or 90% of the budgeted expenditure implies that the Fund may not have achieved its goals as planned and this may have

hindered Kenyan citizens from accessing critical services from the Fund during the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis of Qualified Opinion section of my report, I confirm that public resources have been applied lawfully and in an effective way.

Basis for conclusion

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

REPORT ON EFFECTIVENESS, INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance and Qualified Opinion sections of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for conclusion

1. Lack of Board of Trustees

The Fund operated without a Board from 12 June, 2017 after expiry of the term of previous Board Members. Under the circumstances, the Fund was unable to constitute Board Committees such as the Audit Committee, Finance Committee, Human Resource Committee, and Sports Evaluation Committee to provide oversight to the Management's activities in line with good corporate governance practices.

2. Lack of Substantive Chief Executive Officer (CEO)

The Fund has not had a substantive CEO since inception contrary to the provisions of the Sports Act, 2013. All the Officers who have occupied the position of CEO have been on an acting capacity. It was noted that the current CEO has been acting since April, 2017.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

16 February, 2021

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Public contributions and donations	6	-	3,500,000
Transfers from other governments – gifts and services-in-kind	7	220,024,883	339,245,061
Revenue from exchange transactions			
Finance income - external investments	8	1,562,053	4,247,568
Other income	9	-	21,193
Total revenue		221,586,936	347,013,821
Expenses			
Use of goods and services	10	5,199,802	11,113,094
Employee costs	11	64,958,405	64,946,825
Remuneration of directors	12	1,765,768	3,024,491
Depreciation and amortization expense	13	13,837,279	13,462,279
Repairs and maintenance	14	401,666	692,927
Grants and subsidies	15	51,883,365	351,276,792
General expenses	16	34,982,929	58,093,119
Total expenses		173,029,214	502,609,527
Surplus (Deficit) before tax		48,557,722	(155,595,706)
Taxation	17	-	(637,135)
Surplus/(deficit) for the period/year		48,557,722	(156,232,841)
Remission to National Treasury	26	-	-
Net Surplus for the year		48,557,722	(156,232,841)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling Fund		48,557,722	(156,232,841)
		48,557,722	(156,232,841)

National Sports Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Notes	2018/2019	2017/2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18	75,711,128	9,972,328
Receivables from non-exchange transactions	19	6,825,566	9,167,217
Inventories	20	927,264	1,179,474
		83,463,958	20,319,019
Non-current assets			
Property, plant and equipment	22	48,870,046	61,457,325
Total assets		132,334,004	81,776,344
Liabilities			
Current liabilities			
Trade and other payables from non-exchange transactions	21	71,243,793	69,243,855
Taxation		-	-
		71,243,793	69,243,855
Non-current liabilities			
Total liabilities		71,243,793	69,243,855
Net assets		61,090,211	12,532,489
Reserves		12,532,489	167,407,290
Accumulated surplus		48,557,722	(156,232,840)
Capital Fund		-	1,358,040
Total net assets and liabilities		61,090,211	12,532,489

The Financial Statements set out were signed on behalf of the Board of Directors by:

Mr. Jaxon Indakwa
AG Chief Executive Officer



20th September 2019

Job Aiyabei
Finance Manager
ICPAK Member Number:8208



20th September 2019

Chairman Board of Trustees
National Sports Fund



20th September 2019

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019**

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
At July 1, 2017	-	-	-	167,407,290	-	-	167,407,290
Prior Year Adjustments	-	-	-	1,940,057	-	-	1,940,057
Prior year Adjustments	-	-	-	(582,017)	-	-	(582,017)
Deficit for the year				(156,232,841)			(156,232,841)
At June 30, 2018	-	-	-	12,532,489	-	-	12,532,489
At July 1, 2018	-	-	-	12,532,489	-	-	12,532,489
Surplus for the year	-	-	-	48,557,722	-	-	48,557,722
At June 30, 2019	-	-	-	61,090,211	-	-	61,090,211

Note:

1. Prior year Adjustments relates to Computers and Electronic Equipment paid by parent Ministry of Kes 1,940,057 and Depreciation for prior year amounting to Kes 582,017 not Captured in 2016/2017 Financial Statements

National Sports Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

		2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	6	-	3,500,000
Government grants and subsidies	7	220,024,883	339,245,061
Finance income	8	1,562,053	4,247,568
Other income, rentals and agency fees	9	-	21,193
Total Receipts		221,586,936	347,013,821
Payments			
Compensation of employees	11	64,958,405	64,946,825
Goods and services	10	5,199,802	11,113,094
Taxation paid	17	-	637,135
Remuneration to Board of Trustees	12	1,765,768	3,024,491
Repairs and Maintenance Costs	14	401,666	692,927
General Expenses	16	34,982,929	58,093,119
Grants and subsidies paid	15	51,883,365	351,276,792
Total Payments		159,191,935	489,784,384
Net cash flows from operating activities		62,395,001	(142,770,562)
Cash flows from investing activities			
Purchase of property, equipment and intangible assets	22	(1,250,000)	(37,476,680)
(Increase)/Decrease in Current receivables	19	2,341,651	(2,271,870)
Increase(Decrease) in Trade Payables)	21	1,999,938	63,112,008
Increase in Work in Progress	22	-	(8,552,620)
(Increase) /Decrease in inventories	20	252,210	(1,179,474)
Net cash flows used in investing activities		3,343,799	13,661,364
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Cash and Cash Equivalents at the beginning of the year	18	9,972,328	139,081,526
Net increase/(decrease) in cash and cash equivalents		65,738,800	(129,109,108)
Cash and cash equivalents at the end of the year	18	75,711,128	9,972,328

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Public contributions and donations	-	-	-	-	-
Government Grants & Subsidies	156,075,500	-	156,075,500	220,024,883	(63,949,383)
Proceeds from Lottery & Betting Tax	1,532,175,000	-	1,532,175,000	-	1,532,175,000
Finance Income	-	-	-	-	-
Other Income	9,500,000	-	9,500,000	1,562,053	7,937,947
Total income	1,697,750,500	-	1,697,750,500	221,586,936	1,476,163,564
Expenses					
Compensation of employees	77,161,280	-	77,161,280	64,958,405	12,202,875
Operating/Administrative Expenses	87,719,740	-	87,719,740	40,182,731	47,537,009
Finance cost	-	-	-	-	-
Taxation paid	-	-	-	-	-
Remuneration to Board of Trustees	6,200,000	-	6,200,000	1,765,768	4,434,232
Repairs & Maintenance costs	2,070,000	-	2,070,000	401,666	1,668,334
Depreciation	40,717,630	-	40,717,630	13,837,279	26,880,351
Disbursement to Sports Organizations	1,455,000,000	-	1,455,000,000	51,883,365	1,403,116,635
Total expenditure	1,668,868,650		1,668,868,650	173,029,214	1,495,839,436
Surplus for the period	28,881,850	-	28,881,850	48,557,722	(19,675,872)

Budget Notes

1 .The Fund had anticipated to receive proceeds from Betting and Lottery Tax which was introduced in the Finance Bill of 2018 however Regulations 3 of the Public Finance Management (Sports, Arts and Social Development Fund) regulations 2018 Established the Sports Arts and Social Development Fund .The new Fund was supposed to take over the functions of National Sports Fund and hence National Sports Fund did not receive the anticipated proceeds from lottery and betting taxes. This explains the variance of Kes 1,532,175,000 Proceeds from Lottery and betting Tax

2. The Fund received grants of Kes 84,746,970 for Operations and Administrative Expenditure, Kes 49,600,000 for development Expenditure and Kes 85,677,913 Transferred by the State Department of Sports for disbursement to Sporting organizations. The Total Grants received from the National Government was Kes 220,024,883 which was higher than the budgeted grants amount of Kes 156,075,500 resulting to a favourable variance of Kes 63,949,843
3. As part of prudent Financial Management the fund had planned to place funds that were not in immediate use in a call deposit account and earn interest income. Total interest income was projected to be 9.5 Million per year however the fund only managed to realise Kes 1.5 Million Resulting to a variance of Kes 7.9 Million.
4. The Fund had projected to disburse Ksh. 1.455 Billion to various sporting activities in the financial year under review. However, it only managed to disburse Ksh. 51.8 Million resulting to a Variance of Kes 1.403 Billion. This can be attributed to nonreceipt of the anticipated income stated in note 1 above.
5. The Fund had planned to recruit additional Staff to carry out the Lottery Function. This was not achieved resulting to a net expenditure of Kes 64.9 Million against a budgeted amount of kes 77.1 Million
6. One of the main mandate of the Fund was to raise funds through a National Lottery. In order to achieve this the Fund had budgeted to Purchase new equipment and a Lottery Software. Depreciation of New Equipment and Computer Software was anticipated to be 40.7 Million however the actual Depreciation expense was Kes 13.8 Million which was actual depreciation of old assets resulting to a variance of Kes 26.9 Million

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The National Sports Fund is established by and derives its authority and accountability from the Sports Act 2013. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to raise funds through Sports Lottery investments and other means and disburse the funds to Sports persons and Sports organizations for development of sport and recreation.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Fund's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2019 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The Fund did not early – adopt any new or amended standards in year 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Fund 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 Fund 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 Fund and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

a) Revenue recognition (Continued)

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.

Property, plant and equipment

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

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

Motor vehicle	25.0%
Plant & Equipment	12.5%
Office Equipment	12.5%
Computers	30.0%
Furniture	12.5%
Building	2.0%

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

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

Intangible assets

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

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget.

National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019

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

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

c) Taxes

Current income tax

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

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

d) Property, plant and equipment

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

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Fund. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Fund also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Fund. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

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

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

g) Research and development costs

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

National Sports Fund

Annual Reports and Financial Statements for the year ended June 30, 2019

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.

h) Financial instruments

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 Fund 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.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or an Fund of financial assets is impaired. A financial asset or a Fund of financial assets 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 or the Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Fund of 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) Inventories

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

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

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

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

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

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

j) Provisions

Provisions are recognized when the Fund 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 Fund 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.

National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019
Contingent liabilities

The Fund 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 Fund 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 Fund 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.

k) Employee benefits

Retirement benefit plans

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

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

l) Related parties

The Fund 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 Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

m) 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

National Sports Fund

Annual Reports and Financial Statements for the year ended June 30, 2019

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.

n) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in these financial statements.

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) Subsequent events

The Sports amendment Act 2019 was signed into law on 2nd July 2019 effectively The National Sports Fund ceases to exist from the above-mentioned date.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Fund'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. State all judgements, estimates and assumptions made:

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 Fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

National Sports Fund

Annual Reports and Financial Statements for the year ended June 30, 2019

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. 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 Fund
- 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

6 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2018-2019	2017-2018
	KShs	KShs
State House Nairobi Public Donation to Roller Skating	-	3,500,000
Other	-	-
Total transfers and sponsorships	-	3,500,000
Reconciliation of public contributions and donations	-	-
Balance unspent at beginning of the year	-	-
Current year receipts	-	3,500,000
Conditions met - transferred to revenue	-	3,500,000
Conditions to be met - remain liabilities	-	-

7 TRANSFERS FROM OTHER GOVERNMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Operational grant	170,424,883	328,273,047
Development Grant	49,600,000	10,972,014
Conditional grants		
Other organizational grants	-	-
Total government grants and subsidies	220,024,883	339,245,061

National Sports Fund

Annual Reports and Financial Statements for the year ended June 30, 2019

7b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2017-2018
Kshs.	Kshs.	Kshs.	KShs	KShs	KShs
State Department of Sport Development	220,024,883	-	-	220,024,883	339,245,061
Total	220,024,883	-	-	220,024,883	339,245,061

8 FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Cash investments and fixed deposits	1,562,053	4,247,568
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income – external investments	1,562,053	4,247,568

The Fund operated a call account at the Co-operative Bank of Kenya upper hill branch.

9 OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Insurance recoveries	-	21,193
Bulk infrastructure levies	-	-
Income from disposal of assets	-	-
Total other income	-	21,193

This was a claim under the Work Injury benefit Act whereby the Fund was compensated

10 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Electricity & Other Utilities	355,880	75,102
Cleaning Services	490,979	1,087,349
Security	582,140	-
Professional services	3,588,260	7,431,240
Professional Subscriptions	182,443	231,403
Legal Services	100	2,288,000
Total good and services	5,199,802	11,113,094

National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019

11 EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	58,691,673	61,015,133
Employee related costs - contributions to pensions and medical aids	6,266,732	3,931,692
Travel, motor car, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Expenditure recharged to capital projects	-	-
Employee costs	64,958,405	64,946,825

12 REMUNERATION OF DIRECTORS

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	497,032	-
Directors emoluments	1,040,000	2,883,400
Other allowances	228,736	141,091
Total director emoluments	1,765,768	3,024,491

13 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	13,837,279	13,462,279
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	13,837,279	13,462,279

14 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Property	-	-
Equipment and machinery	22,000	5,000
Motor Vehicles	363,138	512,906
Furniture and fittings	400	21,521
Computers Repairs	-	-
Office repairs	16,128	153,500
Total repairs and maintenance	401,666	692,927

15 GRANTS AND SUBSIDIES

Description	2018-2019 KShs	2017-2018 KShs
Community development	-	-
Education initiatives and programs	-	-
Sporting bodies and organizations	51,883,365	351,276,792
Total grants and subsidies	51,883,365	351,276,792

16 GENERAL EXPENSES

Description	2018-2019 KShs	2017-2018 KShs
Advertising	-	208,800
Travelling ,Accommodations, Subsistence and other Allowances	1,184,830	10,637,415
Telephone & Internet Costs	518,720	662,319
Conferences and delegations	-	4,948,925
Office Consumables	494,593	1,866,750
Fuel and oil & Lubricants	111,963	1,023,107
Motor Vehicle Insurance	549,295	582,843
Newspapers & Periodicals	89,620	352,118
Stationery, Printing & Publishing	432,434	1,126,164
Corporate Social Responsibility	559,150	2,501,698
Hospitality & Entertainment	77,740	572,708
Audit Fees	1,000,000	600,000
Office Rental Costs	19,817,302	20,356,329
Staff Training Costs	204,540	161,751
Staff Medical	8,997,648	8,988,668
Staff Uniforms	-	152,000
Postage & Courier	9,670	12,070
Fines & Penalties	-	15,552
Bank Charges	336,524	327,065
Computer Accessories	598,900	2,996,836
Total general expenses	34,982,929	58,093,119

17 TAXATION

Description	2018-2019 KShs	2017-2018 KShs
Current income tax charge	-	637,135
Deferred tax: [Note 53]		

National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019

Relating to original and reversal of temporary differences	-	-
Income tax expense reported in the statement of financial performance	-	637,135

18 CASH AND CASH EQUIVALENTS

Description	2018-2019 KShs	2017-2018 KShs
Current accounts	40,021,533	9,880,268
On - call deposits	35,689,595	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Petty Cash	-	92,060
Total cash and cash equivalents	75,711,128	9,972,328

18 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019 KShs	2017-2018 KShs
a) Current accounts			
Kenya Commercial Bank Milimani Branch	1164424009	7,670,351	7,675,928
Co-Operative Bank of Kenya Upper hill Branch .	01141173848100	32,351,182	2,204,340
Sub- total		40,021,533	9,880,268
b) On - call deposits			
Co-Operative Bank of Kenya Upper Hill Branch Account no.	01150173848106	35,689,595	-
Sub- total		75,711,128	9,880,268
c) Cash in Hand & in Transit			
Cash in Hand		-	92,060
Sub- total			92,060
Grand total		75,711,128	9,972,328

19 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Description	2018-2019 KShs	2017-2018 KShs
Current receivables		
Rent Security Deposit	-	4,744,440
Staff Imprests	466,601	1,631,604
Salary Advances		
	411,440	600,839

National Sports Fund

Annual Reports and Financial Statements for the year ended June 30, 2019

Receivable from Ministry of Sports	933,145	933,145
Prepaid Staff Medical	2,278,549	
Prepaid Motor Vehicle Insurance	450,532	93,145
Prepaid Motor Vehicle Fuel	790,000	1,097,044
Receivable from Staff Welfare	-	67,000
Interest Income Receivable	1,495,299	-
Total current receivables	6,825,566	9,167,217
Non-current receivables		
Total non-current receivables	-	-
Total receivables	6,825,566	9,167,217

20 INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores	927,264	1,179,474
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	927,264	1,179,474

21 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	71,243,793	69,243,855
Payments received in advance		
Employee advances		
Third-party payments		
Other payables		
Total trade and other payables	71,243,793	69,243,855

National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2017	-	19,209,749	11,194,621	-	-	3,839,610	17,796,082	52,040,062
Additions	-	-	24,610,882	8,672,637	-	4,163,161	-	37,476,680
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	1,940,000	-	-	(9,243,462)	(7,303,405)
At 30th June 2018	-	19,209,749	35,805,503	10,612,694	-	8,002,771	8,552,620	82,183,337
Additions	-	-	-	1,250,000	-	-	-	1,250,000
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th June 2019	-	19,209,749	35,805,503	11,862,694	-	8,002,771	8,552,620	83,433,337
Depreciation and impairment								
At 1 July 2017	-	4,802,437	1,399,328	-	-	479,951	-	6,681,716
Depreciation	-	4,802,437	4,475,688	3,183,808	-	1,000,346	-	13,462,279
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	582,017	-	-	-	582,017
At 30 June 2018	-	9,604,874	5,875,016	3,765,825	-	1,480,297	-	20,726,012
Depreciation	-	4,802,437	4,475,688	3,558,808	-	1,000,346	-	13,837,279
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2019	-	14,407,311	10,350,704	7,324,633	-	2,480,643	-	34,563,291
Net book values								
At 30th June 2019	-	4,802,438	25,454,799	4,538,061	-	5,522,128	8,552,620	48,870,046
At 30th June 2018	-	9,604,875	29,930,487	6,846,869	-	6,522,474	8,552,620	61,457,325

23 CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
	Kshs	Kshs
Surplus for the year before tax		
Surplus for the year before tax	48,557,722	(155,595,706)
Adjusted for:		
Depreciation	13,837,279	13,462,279
Taxation paid	-	(637,135)
Finance cost	-	-
Working Capital adjustments		
Net cash flow from operating activities	62,395,001	(142,770,562)

24 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund's directors, who have built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	2,239,458	4,501,844	50,584,381	57,325,683
Current portion of borrowings				
Provisions				
Deferred income	-	-	-	
Employee benefit obligation	660,255	2,131,779	11,126,076	13,918,110
Total	2,899,713	6,633,623	61,710,457	71,243,793
At 30 June 2018				
Trade payables	6,598,961	58,879,174	3,765,720	69,243,855
Current portion of borrowings	-	-	-	-

National Sports Fund

Annual Reports and Financial Statements for the year ended June 30, 2019

Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	6,598,961	58,879,174	3,765,720	69,243,855

ii) Capital Risk Management

The objective of the Fund's capital risk management is to safeguard the Board's ability to continue as a going concern. The Fund capital structure comprises of the following funds:

	2018-2019	2017-2019
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	42,049,234	10,204,676
Capital reserve	-	1,940,057
Total funds	42,049,234	12,144,733
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

25 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Fund*, holding 100% of the *Funds* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Fund, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Sports & Heritage
- iii) Sports Kenya
- iv) Anti-Doping Agency of Kenya
- v) Kenya Academy of Sports
- vi) World Rally Project
- vii) Key management;
- viii) Board of directors;

**National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019**

	2018	2017
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	220,024,883	339,245,061
Grants from County Government	-	-
Donations in kind	-	-
Total	220,024,883	339,245,061
b) Key management compensation		
Directors' emoluments	1,765,768	3,024,491
Compensation to the CEO	3,648,741	5,226,080
Compensation to key management	28,125,192	29,818,785
Total	33,539,701	38,069,356

26 TAXATION

	2017-2018	2016-2017
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 27)	-	637,135
Under/(over) provision in prior year/s (note 27)	-	-
Income tax paid during the year	-	(637,135)
At end of the year	-	-
	=====	=====

Income tax Paid Relates to Withholding Tax on Interest income which was deducted at source

27 EVENTS AFTER THE REPORTING PERIOD

a) The Sports (Amendment) Act No. 7 of 2019 repealed part III of the Sports Act No. 25 of 2013 which established the National Sports Fund. The bill was ascended on 2nd July 2019

(b) Outstanding Rent & Electricity Bill of Kes 25,369,775 was paid after the balance sheet date by the State Department of Sports Development.

28 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Sports Culture & Heritage Its ultimate parent is the Government of Kenya.

29 Currency

The financial statements are presented in Kenya Shillings (Kshs).

National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
NSF /2017/2018 (4)	Irregular Rent Deposit of Kes 4,744,440	The Fund had Paid a rent Security Deposit to the Landlord. The fund recovered the deposit which was used to offset part of the outstanding rent	Human Resource & Administration Manager	Resolved	
NSF /2017/18 (4)	Payment of Un-Occupied Space Wing A Flamingo Towers	National Sports Fund Issued a Notice to the Landlord Terminate Wing A of Flamingo Towers.	Human Resource & Administration Manager	Resolved	
NSF /2017/2018 (1)	Delayed Completion of Office Partitioning Works	Contractual Works for office Partitioning Was supposed to be completed in December 2017.	A.g CEO	Not Resolved	
NSF /2017/18 (2)	Special purpose Reserve Account	The Board of Trustees Approved opening of funding reserve account.	A.g CEO	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.

Mr. Jaxon Daudio Indakwa

Ag. Chief Executive Officer

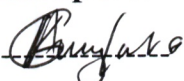
National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019

APPENDIX II: INTER-FUND TRANSFERS

ENTITY NAME:		NATIONAL SPORTS FUND		
Break down of Transfers from the State Department of Sport Development				
FY 2018-2019				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		02/07/2018	6,588,000	2018/2019
		02/07/2018	3,000,000	2018/2019
		02/07/2018	21,000,000	2018/2019
		02/07/2018	38,300,000	2018/2019
		09/07/2018	860,580	2018/2019
		09/07/2018	1,600,000	2018/2019
		09/07/2018	9,600,900	2018/2019
		20/08/2018	21,619,125	2018/2019
		22/08/2018	787,136	2018/2019
		24/08/2018	1,230,000	2018/2019
		09/10/2018	1,098,981	2018/2019
		09/10/2018	680,134	2018/2019
		23/10/2018	19,889,595	2018/2019
		13/11/2018	442,582	2018/2019
		13/11/2018	489,600	2018/2019
		13/02/2019	22,051,508	2018/2019
		02/05/2019	21,186,742	2018/2019
		Total	170,424,883	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		23/10/2018	34,800,000	2018/2019
		30/05/2019	14,800,000	2018/2019
		Total	49,600,000	
	Direct Payments			
c.		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	
	Donor Receipts			
d.		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	

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

Finance Manager
National Sports Fund

Sign 

Head of Accounting Unit
Ministry of Sports & Heritage

Sign-----

National Sports Fund
Annual Reports and Financial Statements for the year ended June 30, 2019

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others must be specific	
State Department of Sport Development	20/08/2018	Recurrent	21,619,125	Statement of Financial Position	-	-	-	-	21,619,125
State Department of Sport Development	23/10/2018	Recurrent	19,889,595	Statement of Financial Position	-	-	-	-	19,889,595
State Department of Sport Development	23/10/2018	Development	34,800,000	Statement of Financial Position	-	-	-	-	34,800,000
State Department of Sport Development	13/02/2019	Recurrent	22,051,508	Statement of Financial Position	-	-	-	-	22,051,508
State Department of Sport Development	02/05/2019	Recurrent	21,186,742	Statement of Financial Position	-	-	-	-	21,186,742
State Department of Sport Development	30/05/2019	Development	14,800,000	Statement of Financial Position	-	-	-	-	-
Total	-	-	134,346,970	-	-	-	-	-	134,346,970