
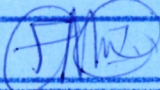


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
FC TALANTA**

**FOR THE YEAR ENDED
30 JUNE 2018**

KENYA ACADEMY OF SPORTS



**KENYA ACADEMY OF SPORTS
SPORTS INCUBATOR PROJECT**



FC TALANTA

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
ENDED JUNE 30, 2018**

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

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

23 MAY 2019

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FC Talanta
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For the year ended June 30, 2018

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

1.1 The National Youth Talent Academy

The NYTA was established in the year 2010 as a programme to identify, nurture and develop sports talent among youth with a view of eventually making a livelihood therefrom. NYTA was born out of a situation analysis carried out by both United Nations International Children's Emergency Fund (UNICEF) and the former Ministry of Youth Affairs and Sports (MoYAS) to find out why most victims of the 2007/8 post-election violence were youth. NYTA was mandated to;

- Oversee and manage operations with relevant stakeholders
- Identify and develop talented youth in diverse disciplines
- Register and license all youth talent development institutions
- Collaborate with similar institutions regionally, nationally, and internationally, to promote youth talent development
- Co-ordinate youth talent development institutions in the country to ensure talented youth develop through structured organizations
- Safe guard and protect talented youth from any form of exploitation
- Provide advocacy and resource mobilization in talent development

The first one hundred (100) students were admitted on 19th March, 2010 at Karen in four disciplines including music and dance, football, volleyball as well as film and theatre. Admission to NYTA was through competitive trials and auditions carried out at county level in collaboration with respective sports federations and other stakeholders. Selected cohorts underwent six months intensive training carried out in Karen and then later the Moi International Sports Centre (MISC), Kasarani. After which an exit strategy was developed for each team. The last cohort graduated on 24th May, 2014. It is during this graduation ceremony that the UNICEF, the sponsors of the programme, handed over the programme to the Ministry of Sports, Culture and the Arts (MoSCA) but with a commitment that they will continue to offer technical support and also pledged Ksh.15 Million to support the ongoing construction of phase one of the Sports Academy. The first group of

FC Talanta
Annual Reports and Financial Statements
For the year ended June 30, 2018

football graduates formed FC Talanta which is being sponsored by Communication Authority of Kenya (CA). The team is currently playing in National Super League.



FC Talanta team

1.2 Transition Model to KAS

KAS is indeed a state corporation established by the Sports Act 2013 and purposed to carry out general sports talent development through a coordinated and centralized approach made up of three themes (*See figure 1 below*). The first theme focusing on the sports competitor (the athlete) having transited from DoS and NYTA programmes, the second theme focusing on the sports technician (the personnel) having transited from KNSI programmes and the third theme focusing on sports research and records (the knowledge) originating from the essence of continuous improvement relative to the first two themes. Resulting from this arrangement and acknowledging the international stature associated with sports, the construction of the international academy of sports is not only a priority of KAS but a flagship project under the Kenya Vision 2030 (KV2030).

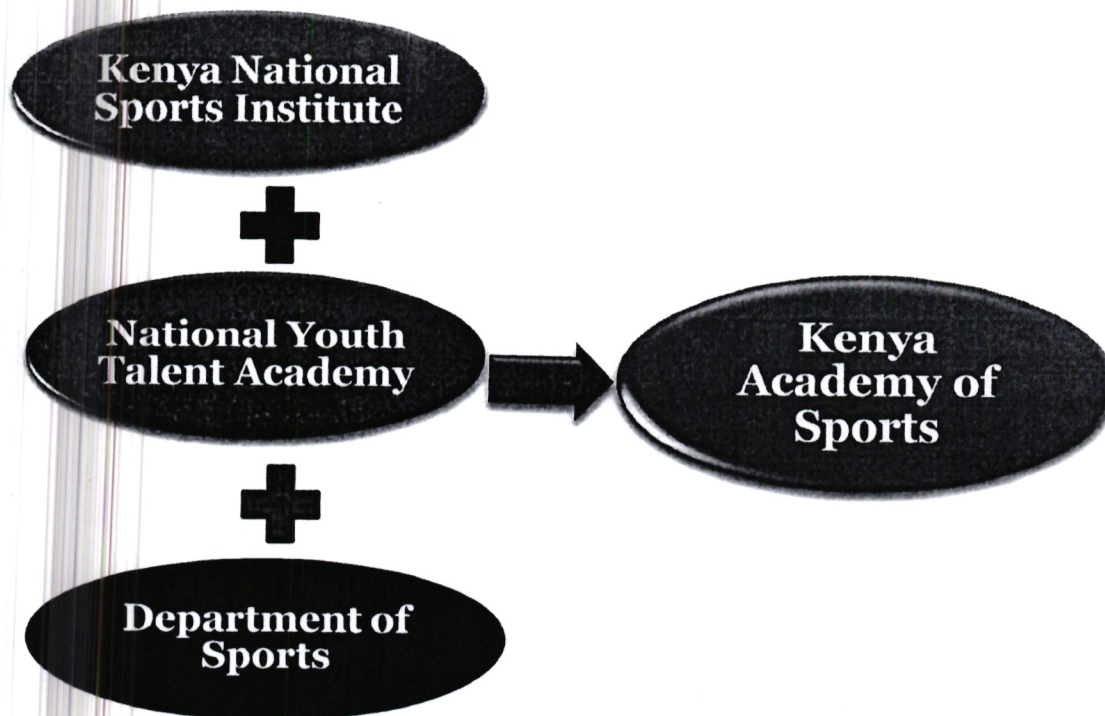


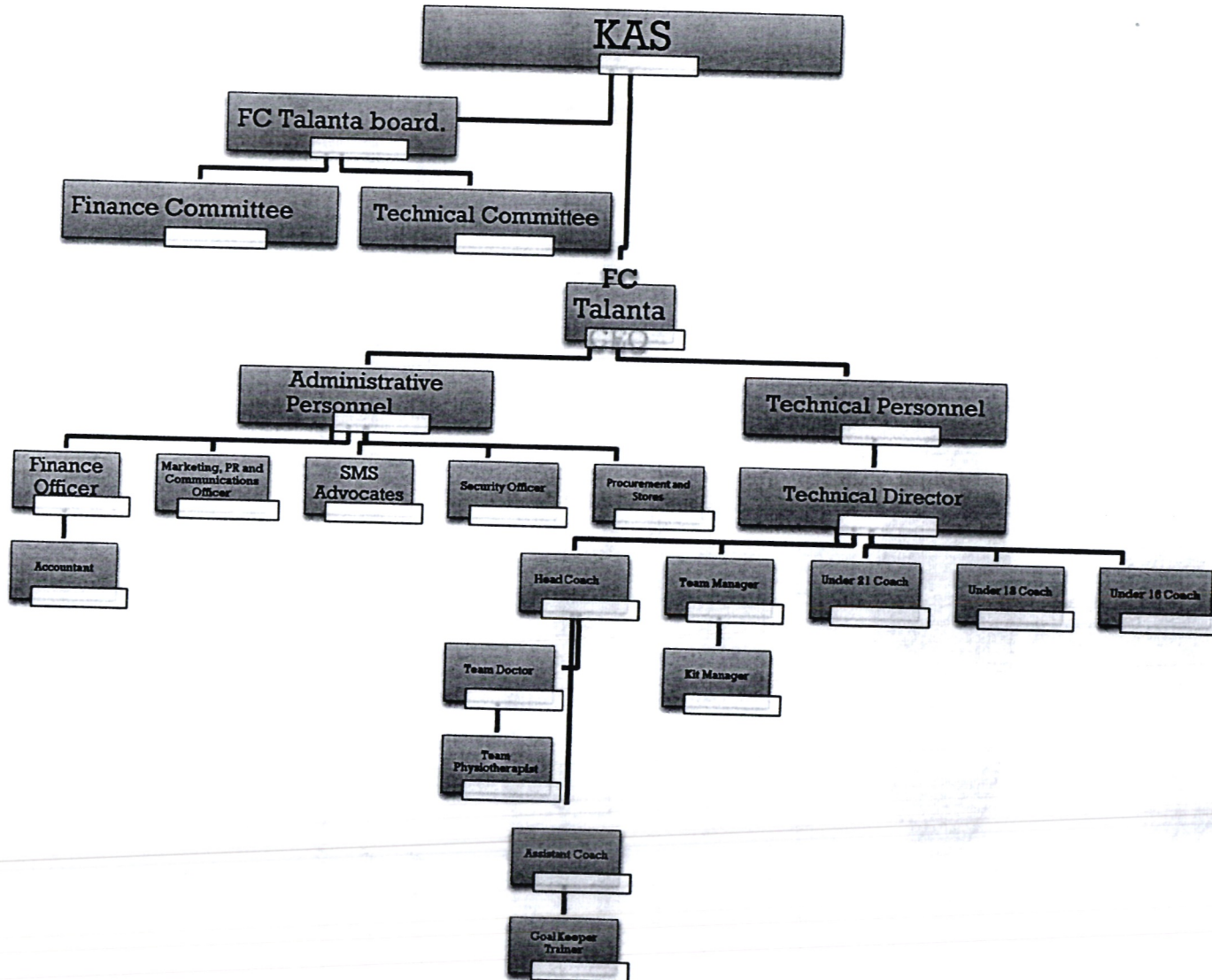
Figure 1: Transition model into KAS

The goal of the project is among other things to contribute to diversification of sports, boosting of the country's economy by transforming sports into a mega industry, creation of job opportunities for Kenyans, promote healthy habits and high living standards, stimulate national cohesion and unity, combat vicious habits amongst the youth and enhance the fight against non-communicable and communicable diseases.

The NYTA has henceforth been absorbed into the KAS where by in the initial arrangements, its activities have been integrated within the talent search and development directorate which then plays an oversight role in the management of FC Talanta.

(b) Management

The Fc Talanta day-to-day management is under the following key organs:



(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairperson	Ann Wanjiru Mahihu
2.	Club treasurer	Nicodemus Bore
3.	Head of Procurement	Charles Kamau
4.	Byron Juma	Operations officer
5.	Daisy Kipkech	Accountant

(d) Fiduciary Oversight Arrangements

Audit and Compliance Committee (Finance Committee)

The members include

- Ann Wanjiru Mahihu -Club treasurer
- John Okwemba -KAS
- Nicodemus Bore -Member

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Entity Headquarters

P.O. Box 9056 - 00200
Moi International Sports Centre,
Kasarani
Nairobi, KENYA

(f) Entity Contacts

Telephone: (254) -020-2211460
P.O. Box 9056 - 00200
E-mail: talanta**fc**@gmail.com
Website: www.fctalanta.co.ke

(g) Entity Bankers

Jamii Bora bank
Koinange Street
P.O Box 22741
Mobile No.0722201112

Equity Bank
Moi Avenue
Nairobi



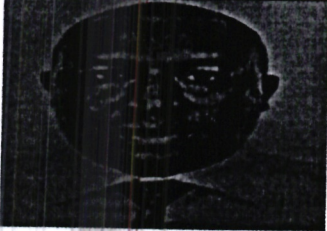

(h) Independent Auditors

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




(i) Principal Legal Adviser

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

KEY MANAGEMENT COMMITTEE

 1. Ann Wanjirui Mahihu	<p>Chair Person Bachelor of Arts, International Business administration</p>
 2. Douglas Ratemo	<p>Ag. Director Talent Development Kenya Academy of Sports Club secretary</p>
 Nicodemus Bore	<p>MBA(Education),Business Leadership CEO,KSSHA(Kenya Secondary Schools Heads Association) Board Member</p>
 4 James Theuri	<p>Principal Sports officer (Kirinyaga County) BA(Anthropology)</p>

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		CA(K) Representative
		Technical Director (FC Talanta) Radoo Jambo presenter
		Linkages and Partnerships Board Member Kenya Academy of Sports

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

The Kenya Academy of Sports (KAS) is a State Corporation within the Ministry of Sports, Culture and Heritage. It is currently in its fourth year since inception. KAS mandate is to identify and nurture sports talent to professional levels.

The Academy is making strides towards realizing the dream for which it was created rather slowly due to inadequate funding from the National Treasury. However, through Strategic partnerships with Unicef and Communications Authority of Kenya (CA), KAS is making contributions in sports talent development by running several programs around the country e.g. Mukuru Kwa Njenga and Korogocho slums, Ngaaka Primary School in Makueni County, Kisumu Day Secondary School in Kisumu County, FC Talanta sports incubator playing in the Super League, etc.

The Academy is currently in the process of developing sports curricula in Football, Golf, Athletics, Basketball, Volleyball and Cricket. The Standards and Regulations for sports academies are ready and will soon be presented before stakeholders for validation. The Strategic Plan 2016-2022 has been revised (2018-2022) to take into consideration MTPIII and the Big 4 agenda. Other tools of management have been developed, or are in the process of being developed and KAS is on the way to fulfilling its mandate.

Phase I of the project comprising the Hostel Block and five play fields is underway albeit with occasional challenges due to delayed Exchequer releases. The current outstanding amounts owed to the Contractor are Ksh.157,070,859.00. It is our estimate that the Phase would require a further Ksh.218,657,695.00 to complete. We shall, thereafter, embark on Phase II of the project.

I am, however, satisfied that the Academy is able to continue to work towards the achievement of its mandate of training athletes through satellite academies and holiday sports programmes, and hosting an international sports conference, among other things. When fully operational, the Academy will play its part in producing quality elite athletes who will keep this county at the top of world sport.



DR. PAUL K. TERGAT, MBS
COUNCIL CHAIRMAN

FC Talanta
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For the year ended June 30, 2018

REPORT OF THE CHIEF EXECUTIVE OFFICER

The year 2017/2018 has been an exciting one for Fc Talanta I cannot be happier than I am, bearing in mind the strides the young talented players have extended in overcoming themselves by consistently putting up a formidable force throughout their matches. With a strong relationship with Kenya Academy of Sports, the pathway to success is clear, the threshold set, more and more young men believe in themselves.

With the present results we are hopeful, that the next league will come with even better result considering the cohesive relationship borne out of this year's dynamics. Special appreciation goes to the Communication Authority of Kenya for the unwavering support for over six years.

The club has transitioned into a formidable force to contend with because of the enormous support we receive from our partners who believe in the values, ideals and the vision of the club. To our esteemed partners; Communications Authority, Kenya Academy of Sports, Sports Kenya, and Jamii Bora Bank, we honour you and value your unwavering support.

CORPORATE GOVERNANCE STATEMENT

The Academy of Sports undertook several activities that were aimed at promoting the co-operate image of the organization as well as contributing to the social capital of the society.

The African youth chess Championships 2018 was held in conjunction with the Kenya academy of sports where the academy donated 200 chess boards. This international tournament was a culmination of the initiatives the academy has been running in partnership with the Kenya Chess federation of facilitating distribution of chess boards to schools and training alike. This program has seen children completely and fully utilizes their free time gaining meaningful sport specific technical skill and life-long skills. The chess training programs are school based where children and students access the programs during their normal school days. This has encouraged school attendance and consequently reduced absenteeism and truancy.

The Academy of Sports through its incubator program (FC Talanta) has benefited over 30 youth who are engaged fully engaged and gaining a steady income while developing their talents. The players get an opportunity to play in a competitive league (Football Kenya Federation, National Super League). The players are exposed to several trainings that purpose to develop them into all round citizen who can meaningfully contribute to nation building. They are trained on Sports Nutrition, Financial Management, and Anti-Doping Education among many other. The organization is purposing to introduce vocational training where the players can access technical skills that are important and vital when their playing years are over.

In September 2018, together with the Ministry of Sports, the International Baseball Federation and Meru Technical University, a one week baseball residential coaching course that benefited 30 youth with a passion in coaching. The training was organized in such a way that the coaches had first-hand experience of coaching children and teenagers as each day, a team of young players joined the team for practical session in the afternoon.

The Kenya academy of sports has also supported the roller skating holiday camp that was held for 10 days at the St. Georges primary school, Upper hill. The holiday camp was residential, mixed both boys and girls and the training was spearheaded by the Kenya roller skating federation, its coaches and the national team who assisted in the training sessions and also acted as role models. The Kenya Academy of sports also assisted the Kenya basketball federation and its officials with guest scouts from the United states in the selection of young U 117 male football players who would later be awarded with a sports scholarship in the US.

MANAGEMENT DISCUSSION AND ANALYSIS

The management at the FC Talanta Football club consists of the CEO ,the operations manager,the Club accountant and the technical management director talent development. There have been key performances operationally,the department of talent development is working on a draft for norms and standards for talent identification and selection in partnership with institutions of higher learning, and the ongoing construction of the international sports academy which is at its final stages of phase 1.

There have also been several coaching and career progression courses offered to technical and administration personnel like the courses by the Kenya School of Government, International Baseball Coaching levels, and life skills courses offered to sports incubus and administrative personnel under the Kenya academy of sports and FC Talanta. Director talent development has also seen the conduction of holiday sports camps for school going children in seven sports disciplines during school holidays at different locations around Kenya. Underway is the final development and implementation of curricula in sports talent academies in conjunction with Kenyatta university, the criteria for employment in the talent academies and also in its final stages is the standards and regulations for setting up a sports academy in Kenya, soon to be gazetted in one of the dailies.

Major risks facing the youths joining the academy and exiting through FC Talanta include drug abuse, unsafe sexual practices, and destructive leisure practices due to unemployment that they are countered with, political instabilities and influences that distort the time specific plans for academy's operations. Additionally, inadequate financial support hinders the efficient operations of the academy through running of sports academies, provision of technical courses and life skills for the youth. There is also the improper implementation of sports programs across Kenyan institutions that strain the performance and development of sports disciplines in the country.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

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REPORT OF THE MANAGEMENT COMMITTEE

The members of the management committee who served during the year are shown on page 9-10.
During the year/period ended June 30, 2018 no member has retired or resigned.

Auditors

The Auditor General is responsible for the statutory audit of the KAS incubator project (FC Talanta) in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Chairperson



Ms. Ann Wanjiru Mahihu
Chairperson, FC Talanta Management Committee.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Management Committee are responsible for the preparation and presentation of the Kenya Academy of Sports' financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of Kenya Academy of Sports;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Management Committee accept responsibility for Kenya Academy of Sports' 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 Management Committee are of the opinion that Kenya Academy of Sports' financial statements give a true and fair view of the state of Kenya Academy of Sports' transactions during the financial year ended June 30, 2017, and of Kenya Academy of Sports' financial position as at that date. The Management Committee further confirm the completeness of the accounting records maintained for

FC Talanta
Annual Reports and Financial Statements
For the year ended June 30, 2018

Kenya Academy of Sports, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The FC Talanta financial statements were approved by the Board on 16th April, 2019 and signed on its behalf by:

Director, Talent Development KAS Head of Finance

#Chairman of the Council

Name: Douglas Ratomo

Name: David Kipkoo

Name: Gordon Oluoch

ICPAK Member Number:

Sign: 

Sign: 

Sign: 

Date.....

Date..... 16 April 2019

Date..... 16 April 2019

REPUBLIC OF KENYA



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Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON FC TALANTA FOR THE YEAR ENDED 30 JUNE 2018 – KENYA ACADEMY OF SPORTS

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of FC Talanta - Kenya Academy of Sports set out on pages 20 to 36, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of FC Talanta - Kenya Academy of Sports as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Sports Act No. 25 of 2013.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of FC Talanta – Kenya Academy of Sports in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

Report of the Auditor-General on the Financial Statements of FC Talanta for the year ended 30 June 2018 – Kenya Academy of Sports

Other Matter

Budget and Budgetary Performance

1. Revenue

FC Talanta had budgeted for grants from the Communications Authority of Kenya (CAK) totalling Kshs.23,000,000 which was received in full as tabulated below:

Receipts	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Variance %
Grants from CAK	23,000,000	23,000,000	0	0
Interest income		686,792	686,792	100
Total	23,000,000	23,686,792	686,792	3

2. Expenditure

FC Talanta had budgeted to spend Kshs.23,000,000 but actual expenditure totalled Kshs.22,936,704 resulting to an under expenditure of Kshs.63,296 as follows:

Payments	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Compensation of Employees	12,753,600	14,555,159	1,801,559	14
Goods and Services	9,646,400	7,431,358	(2,215,042)	23
Finance Costs	-	710,887	710,887	100
Other Payments	600,000	239,300	(360,700)	60
Total	23,000,000	22,936,704	(63,296)	-

No explanation was given for over expenditure of Kshs.1,801,559 or 14% under compensation of employees and for the under expenditure of Kshs.2,215,042 or 23% under goods and services.

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the FC Talanta's ability to continue to sustain services, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management intends to liquidate the FC Talanta or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the FC Talanta's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

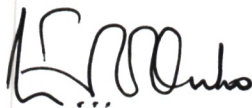
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the FC Talanta'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 FC Talanta 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 FC Talanta – Kenya Academy of Sports to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

24 April 2019

Report of the Auditor-General on the Financial Statements of FC Talanta for the year ended 30 June 2018 – Kenya Academy of Sports

FC Talanta
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

		2017	2018
Revenue from non-exchange transactions			
Grants	1	23,000,000	34,500,000
Revenue from exchange transactions			
Other income		686,792	689,511
Total revenue		23,686,792	35,189,511
Expenses			
Employee costs	2	14,555,159	20,961,347
Remuneration of directors	3	239,300	1,064,450
General expenses	4	7,431,358	13,105,431
Finance costs	5	710,887	103,427
Total expenses		22,936,704	35,234,655
Surplus/(deficit) for the period/year		750,088	(45,144)

The notes set out on pages 20 to 24 form an integral part of these Financial Statements

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	2017-2018	2016-2017
	K18	K17
Assets		
Current assets		
Cash and Cash Equivalents	6 17,035,889	12,080,517
Non-current assets		
Property, Plant and Equipment	7 1,405,644	1,874,721
Total assets	18,441,533	13,955,238
Liabilities		
Current liabilities		
Accounts payables from Non -exchange transactions	8 2,559,553	-
Borrowings	9 1,176,655	-
Deferred Income	10 11,500,000	11,500,000
Total liabilities	15,236,208	11,500,000
Net assets	3,205,325	2,455,238
Surplus / (Deficit) for the year	750,088	(45,144)
Accumulated fund	2,500,382	2,500,382
Total net assets and liabilities	18,441,533	13,955,238

The Financial Statements set out on pages 20 to 24 were signed on behalf of the Board of Directors by:

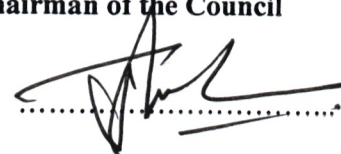
Director, Talent Development KAS

Head of Finance

Chairman of the Council

.....
 DOUGLAS RATHMO

.....
 Gust. Kipkech

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.....


.....
 ICPAK Member Number

Date.....16 APRIL 2019

Date.....16 APRIL 2019

Date.....16 APRIL 2019

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

At July 1, 2016	-	-	-	-
Surplus(deficit) for the period			(45,144)	(45,144)
Total comprehensive income	11,500,000	-	-	11,500,000
Transfer to/from accumulated fund	2,500,382	-	-	2,500,382
At June 30, 2017				
	14,000,382	-	(45,144)	13,955,238
At July 1, 2017				
	14,000,382	-	(45,144)	13,955,238
Surplus(deficit) for the period			750,088	
Total comprehensive income	(11,500,000)	-	-	(11,500,000)
Transfer to/from accumulated fund	-	-	-	-
Differed income received during the year	-	11,500,000	-	11,500,000
At June 30, 2018				
	2,500,382	11,500,000	704,944	14,705,326

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		2017-2018	2016-2017
Cash flows from operating activities			
Receipts			
Government grants and subsidies		23,000,000	34,500,000
Finance income		686,792	689,511
Total Receipts		23,686,792	35,189,511
Payments			
Compensation of employees		14,555,159	20,961,347
Goods and services		7,239,995	13,105,431
Finance cost		902,250	103,427
Rent paid		-	-
Taxation paid		-	-
Other payments		239,300	1,064,450
Grants and subsidies paid		-	-
Total Payments		22,936,704.00	(45,144.00)
Net cash flows from operating activities		750,088	(45,144.00)
Cash flows from investing activities			
Depreciation for the year	10	469,076	625,661
Increase/decrease in accounts payable		2,559,553	-
Increase/decrease in in prepayment income		1,176,655	-
Increase/decrease in deferred income		-	11,500,000
Net cash flows used in investing activities		4,955,372	12,080,517
Plant, property and equipment			
Cash flows from financing activities			
Capital (accumulated fund)		2,500,382	2,500,382
Repayment of borrowings			
Increase in deposits			
Net cash flows used in financing activities		2,500,382	2,500,382
Net increase/(decrease) in cash and cash equivalents		4,955,372	12,080,517
Cash and cash equivalents at 1 JULY		12,080,517	-
Cash and cash equivalents at 30 JUNE		17,035,889	12,080,517

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	23,000,000	-	23,000,000	23,000,000	25,300,000
Rendering of services	-	-	-	-	-
Sale of goods	-	-	-	-	-
Finance Income	-	-	-	686,792	686,792
Gains on disposal, rental income and agency fees	-	-	-	-	-
Total income	23,000,000	-	23,000,000	23,686,792	
Expenses					
Compensation of employees	12,753,600	-	12,753,600	14,555,159	1,801,559
Goods and services	9,646,400	-	9,646,400	7,431,358	(2,215,042)
Finance cost	-	-	710,887	710,887	-
Other payments	600,000	-	600,000	239,300	(360,700)
Total expenditure	23,000,000	-	23,000,000	22,936,704	(63,296)
Surplus for the period	-	-	-	750,088	-

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Academy of sports (FC Talanta) entity is established by and derives its authority and accountability from sports Act (2013). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is playing Football.

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 *Fc Talanta* accounting policies.

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

I. Revenue from non-exchange transactions-IPSAS 23

Fees, taxes and fines

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

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

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conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. 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.

ii) Revenue from exchange transactions

Rendering of services

The Kenya Academy of Sports (FC Talanta) recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Budget information

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

c) Taxes

Current income tax

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

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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.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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Investment property

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

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

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

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

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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) 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 Entity 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.

Impairment of financial assets

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

g) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

h) Cash and cash equivalents

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

i) Budget information

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

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comparable amounts presented as a separate additional financial statement in the statement of budget and actual amount.

1. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity (during the year)	Amount recognized in Statement of Comprehensive Income (KSh)	Amount received from transferor (KSh)	Amount recognized in Statement of Comprehensive Income (KSh)	Amount received from transferor (KSh)	2017-2018 (KSh)	2016-2017 (KSh)
Sponsorship from Communications Authority(Kenya)	11,500,000	11,500,000	-	23,000,000	23,000,000	34,500,000
Other income				686,792	686,792	689,511
Total	11,500,000	11,500,000	-	23,686,792	23,686,792	35,189,511

2 EMPLOYEE COSTS

	2017-2018 (KSh)	2016-2017 (KSh)
Salaries and wages	12,755,380	20,961,347
Payments made to KAS	1,799,779	-
Employee costs	14,555,159	20,961,347

3 REMUNERATION OF DIRECTORS

	2017-2018 (KSh)	2016-2017 (KSh)
Directors emoluments	239,300	1,064,450
Other allowances	-	-
Total director emoluments	239,300	1,064,450

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4 GENERAL EXPENSES

General Expenses	2017-2018	2016-2017
Audit fee	94,000	94,000.00
Games operations/Expenses	2,824,112	5,333,795.00
Players int, Trials	-	141,100.00
Travel & Accommodations	245,200	629,400.00
Legal fees	-	250,000.00
KECOSO Match	257,000	2,903,255.00
Sports gear	206,300	1,596,023.00
Corporate social responsibility	-	68,050.00
Winning allowance	81,000	327,500.00
Motor vehicle repairs	351,460	263,800.00
Strategic Plan	1,284,140	455,250.00
Depreciation	469,076	625,661.00
Bank charges	184,190	119,216.00
Stationaries	72,490	48,400.00
M.V Insurance	208,929	218,981.00
Health Insurance	530,000	31,000.00
NAV System	70,000	-
Recruitment	75,000	-
Capacity Building	-	-
Consultancy	132,500	-
Internet & Airtime	20,000	-
Players Awards	80,000	-
Hospitality	98,961	-
Sports Marketing/Luncheon	147,000	-
	7,431,358	13,105,431.00

5 FINANCE COSTS

Interest on Bank overdrafts	710,887	103,427
Total finance costs	710,887	103,427

6(a) CASH AND CASH EQUIVALENTS

Description	2017-2018		2016-2017	
	KShs		KShs	
Cash book equity a/c		-		320,760
Cashbook Jamii a/c		17,035,889		11,759,757
Total cash and cash equivalents		17,035,889		12,080,517

(b). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Description	2017-2018		2016-2017	
	KShs		KShs	
a) Current account				
Jamii bora bank	1001823633002	17,035,889		11,759,757
Equity Bank	0470260500859	-		320,760
Grand total		17,035,889		12,080,517

7 DEPRECIATION AND AMORTIZATION EXPENSE

PROPERTY, PLANT AND EQUIPMENTS MOVEMENT SCHEDULE:

	Building WIP	Motor Vehicles	Plant & Machinery	Office Equipment	Furniture	Total
	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)
Cost/Valuation						
NBV- 1 July 2013		-	-	-	-	-
Additions	-	5,900,000	-	33,000	-	5,933,000
Disposals	-	-	-	-	-	-
Depreciation (Charge for the yr)	-	(1,475,000)	-	(9,900)	-	(1,484,900)
Transfer/adjustments	-	-	-	-	-	-
At 30 June 2014	-	4,425,000	-	23,100	-	4,448,100
NBV at 1 July 2014	-	4,425,000	-	23,100	-	4,448,100
Additions	-	-	-	-	-	-

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Disposals	-	-	-	-
Depreciation(Charge for the yr)	-	-	-	-
Impairment	-	(1,106,250)	-	(6,930)
	-	-	-	(1,113,180)
At 30 June 2015				
	-	3,318,750	-	16,170
				3,334,920
NBV at 1 July 2015				
Additions	-	3,318,750	-	16,170
Disposals	-	-	-	-
Depreciation(Charge for the yr)	-	-	-	-
Impairment	-	(829,688)	-	(4,851)
	-	-	-	(834,539)
At 30 June 2016				
	-	2,489,063	-	11,319
				2,500,382
NBV at 1 July 2016				
Additions	-	2,489,063	-	11,319
Disposals	-	-	-	-
Depreciation(Charge for the yr)	-	-	-	-
Impairment	-	(622,266)	-	(3,396)
	-	-	-	(625,661)
At 30 June 2017				
	-	1,866,797	-	7,923
				1,874,720
NBV at 1 July 2017				
Additions	-	1,866,797	-	7,923
Disposals	-	-	-	-
Depreciation(Charge for the year)	-	-	-	-
Impairment	-	(466,699)	-	(2,377)
	-	-	-	(469,076)
At 30 June 2018				
	-	1,400,098	-	5,546
				1,405,644

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8 ACCOUNTS PAYABLES FROM NON –EXCHANGE TRANSACTIONS

Description	2017-2018		2016-2017	
	KSh		KSh	
FC Talanta payables	2,559,553			-
Grand Total	2,559,553			-

9 BORROWINGS

Description	2017-2018		2016-2017	
	KSh		KSh	
Borrowings from KAS	1,176,655			-
Total deferred income				

10 DEFERRED INCOME

Description	2017-2018		2016-2017	
	KSh		KSh	
Income received in advance	11,500,000		11,500,000	
Total deferred income	11,500,000		11,500,000	

Currency

The financial statements are presented in Kenya Shillings (Kshs)

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There were no issues to be resolved from the previous Audit.

Chairperson of the Board (FC Talanta)

Date..... 16 April 2019