

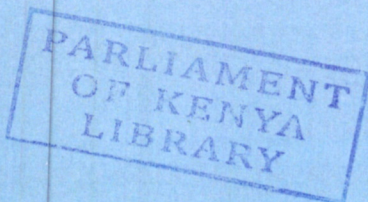
REPUBLIC OF KENYA



FA PER 2017
By the leader
of majority party
Hon. Alan Dnale
on behalf
26/9/17
[Signature]



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

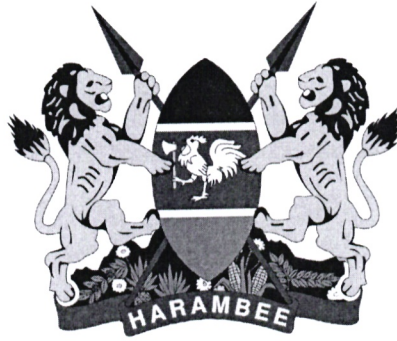
THE FINANCIAL STATEMENTS OF

NATIONAL MUSEUMS OF KENYA

FOR THE YEAR ENDED

30 JUNE 2016

NATIONAL MUSEUMS OF KENYA



NATIONAL MUSEUMS OF KENYA

WHERE HERITAGE LIVES ON

NATIONAL MUSEUMS OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

NATIONAL MUSEUMS OF KENYA

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NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Museums of Kenya is a State Corporation established by an Act of Parliament, National Museums and Heritage Act (CAP 216) domiciled and incorporated in Kenya. The establishment, functions and powers of the body corporate are stipulated in the act.

(b) Principal Activities

The principal activities of National Museums of Kenya are:

- i. Identification and documentation of national and world heritage sites, national heritage monuments including collections therein, taxonomy of plants and animals of national importance, hotspots- ecosystems, historical and ethnographical materials of national importance, archaeological and paleontological objects, ethno-biology (indigenous and traditional knowledge) of national importance and intangible heritage of national importance
- ii. Repository of reference collections of plants and animals of national, regional and international importance including DNA reference library, living collections of plants and animals, collections within national monuments, historical and ethnographical reference collections and those of national importance, archaeological and paleontological things, ethno-biology (indigenous and traditional knowledge)-Intangible Heritage of national importance
- iii. Protect and conserve heritage sites of national and world importance, national monuments including collections therein, historical and ethnographical collections of national importance, archaeological and paleontological things, indigenous and traditional knowledge, plants and animals of national importance
- iv. Transmit knowledge on taxonomy of plants and animals of national importance, hotspots- ecosystems, heritage site national and world heritage, national monuments including collections therein, historical and ethnographical collections of national importance, archaeological and paleontological things, ethno-biology (indigenous and traditional knowledge) of national importance through publications, public programmes and national exhibitions
- v. Research on taxonomy of plants and animals of national importance, hotspots- ecosystems, heritage sites national and world heritage, national monuments including collections therein, historical and ethnographical of national importance, archaeological and paleontological things, ethno-biology (indigenous and traditional knowledge) of national importance, behavioural sciences, swahili language and connection to ancient and historical

- vi. International obligations: scientific authority and focal point for biological conventions (e.g. CITES, RAMSAR, Convention on Migratory species, CBD-specific thematic areas, IPBES). Management Authority – e.g. UNESCO World Heritage Convention, 1972 and heritage management development services

(c) Key Management

The entity’s day-to-day management is under the following key organs:

- a. Director General’s Office (Chief Executive Officer)
- b. Directorate of Museums, Sites and Monuments (DMSM)
- c. Directorate of National Repository and Research (DNRR)
- d. Directorate of Administration and Human Research (DAHIR)
- e. Institute of Primate Research (IPR)

(d) Fiduciary Management

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

No.	Designation	Name
1.	Director General	Dr. Mzalendo N. Kibunjia (CEO)
2.	Director DMSM	Dr. Purity W. Kiura
3.	Director DNRR	Dr. Geoffrey Mwachala
4.	Director IPR	Dr. Hastings Ozwara
5.	Director Admin & HR	Mr. Stanvas O. Ongalo

(e) Fiduciary Oversight Arrangements

Board Committees

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

i. Audit Committee

This committee reviews the integrity of financial statements and financial performance, compliance with accounting standards and maintaining of oversight on internal control systems. The Director General, Director Administration and Human Resources and Financial Controller may attend meetings of the committee on invitation.

ii. Finance and Establishment committee

This committee is responsible for Monitoring and appraising the performance of senior management, review of all human resources policies, finances, budget and institutional (physical and infrastructural development)

iii. Research Committee

This committee deliberates on all matters pertaining to Research policy and Management.

iv. Adhoc Committees

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

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

- i. Kenya Commercial Bank
Sarit Centre, Westlands Branch
P.O. Box 14959
Nairobi, Kenya
- ii. Standard Chartered Bank of Kenya
Westlands Branch
P.O. Box 14438
Nairobi, Kenya.

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS



Chairperson Board of Directors

Dr. Paula Kahumbu, Chairperson of National Museums of Kenya Board of Directors, born on 25th June, 1966, holds a PhD degree in Ecology and Evolutionary Science from Princeton University. MSc in Wildlife and Range Science from Florida University and Bachelor of Science from Bristol University, UK. Dr. Paula is an executive with over several years' experience in the public sector and with many achievements.



Vice Chairperson Board of Directors

Professor Hussein Sheikh Adams Golicha is the Vice chairperson of the National Museums of Kenya Board of Directors, born on 19th May, 1959.

Holds Doctor of Philosophy (PhD) in Physics from Egerton University, Kenya: PhD in Physics, specializing in Chemical Physics. MSc in Physics, Specializing In Polymer Physics from Kenyatta University and B.Ed. Sc. in Physics/Maths from University of Nairobi.



Board Member

Professor Nandi Ogodo Manyasa Jacob, born on 19th March, 1965. He is a holder of MBA (Strategic Management), PhD (Religion), MA(Religion), BA(Sociology & Religion).

He is a Professor at Masinde Muliro University of Science and Technology (MMUST) and Ag. Principal, Kaimosi Friends University College, a Constituent College of MMUST.

He is also a Senior academician with over twenty (20) years of teaching, research and management at the university.



Board Member

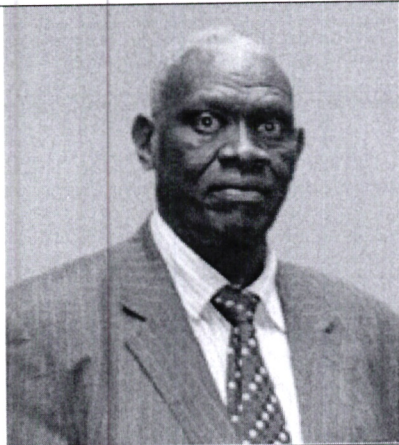
Dr. Kiprop Lagat was born on 31st July, 1970 and holds a PhD degree in Anthropology and an M.A. in Museology from the University of East Anglia, UK. He additionally holds a Postgraduate Diploma in the Care and Management of Museum and Heritage Collections and a Bachelors of Arts degree in Anthropology from the University of Nairobi. Dr. Lagat is an Executive with over 18 years of experience in the public sector with many achievements. Dr lagat is a board member of the International Council of Museums Committee for Collections (ICOM-COMCOL)



Board Member

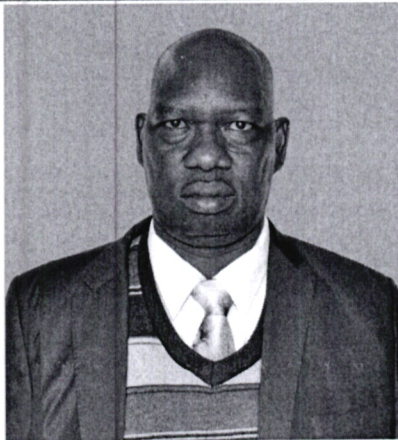
Associate Professor Ephraim Wachira Wahome, department of History and Archeology, University of Nairobi. Born on 9th October, 1959.

Doctor of Philosophy (PhD) in Archeology Heritage, Australian National University , Australia, M.A. university of Calgary, Canada and B.A. University of Nairobi



Board Member

Dr. Moses Kipngeno Rugutt, born on 22nd August, 1956 Currently, the Chief Executive of National Council of Science Technology and Innovation (NACOSTI) with over 30 years in Research and Policy Development.



Board Member

Professor Thomas Ekamais Akuja, born on 10th July, 1962. Doctor of Philosophy (PhD) Agronomy, Ben Gurion University, Israel. Master of Science (Agronomy), University of Nairobi, Bachelor of Science (Agriculture), University of Nairobi.

Prof at School of Agriculture and Veterinary Sciences, South Eastern Kenya University (SEKU).



Board Member

Ms Fleur Arabelle Ng'weno, born on 3rd June, 1938 holds a Bachelor degree in Conservation, University of Michigan Ann Arbor, Michigan, USA.

Currently, an Editor, Author and Naturalist. She has 40 years' experience in editing publications.

Present position: Hon. Secretary, Nature Kenya – the East Africa Natural History Society.



Board Member

Mr. Elisha Kibacia Gatu, born on 2nd November, 1951. Bachelor of Education in Fine Art, University Of Nairobi

Founder member of the Artists' Cafeteria, and member of the Paa Ya Paa art Centre. Has practiced art in Kenya Zimbabwe and Tanzania with keen interest in East African Art & Culture. Currently experimenting with "Painting with Beads" as a colour medium. Actively involved in community work , the Church , and is the Executive Director Schizophrenia Foundation of Kenya a community based organization helping with issues of Mental Wellness.



Board Member

Ms Jane Lanoi Parmuat, born on 3rd April, 1974. Pursuing a PhD in Religious studies at Catholic University of Eastern Africa. M.A Gender and Development Studies, University of Nairobi, Institute of African Studies. Bachelor of Education (Arts) University of Nairobi.

Global University for Action learning in California-USA
Professional Doctorate in Leadership Development.

Current position - Project Director and Consultant for ENAI-Africa.



Board Member

Mr John Nderitu Mwangi, born on 20th October, 1965. Holds an MSc in Entrepreneurship from JKUAT, Post Graduate Diploma in E.C. Competition Policy & Law, Kings College-University of London and BA (Economics and Business Studies from Kenyatta University.



Board Member

Ms Jacinta Nzioka Mbithi, Acting Chief Officer Kenya Tourism Board. She has Master's in Business Administration, Strategic Management from Moi University, Postgraduate Diploma in Strategic Partnerships and Marketing from Maastricht School of Management Netherlands and a Bachelor of Science degree in Tourism Management from Moi niversity.

She is one of the founding Executive Directors of the Kenya Association of Women in Tourism (KAWT) and member to the board of Ecotourism Kenya and has strong institutional relations.

Nzioka is responsible for the Destination's Brand development, business development, management and provision of strategic marketing focus for the KTB marketing programs.





Secretary to the Board

Dr. Mzalendo Nyaga Kibunjia, EBS holds a Ph.D. and MA in Anthropology from Rutgers, The State University, New Jersey, USA and a BA in Archaeology & History from the University of Nairobi, Kenya.

He has rich experience in heritage, anthropology, language and was external examiner in various Universities.

III. MANAGEMENT TEAM

	<p>Dr Mzalendo Nyaga Kibunjia, EBS holds a Ph.D. and MA in Anthropology from Rutgers, The State University, New Jersey, USA and a BA in Archaeology & History from the University of Nairobi, Kenya.</p> <p>He has rich experience in heritage, anthropology and language. A member Institute of Directors (IOD). Currently, Chief Executive Officer and Director General. Responsible for the operational running of the organization to ensure that the mission is achieved and efficacy of the organization is optimized. The Director General chairs and supervises the Directors Executive Team (D.E.T)</p>
	<p>Mr. Stanvas Opija Ongalo holds a Masters' degree in Business Administration from Moi university, Bachelor degree in Government Administration, a Higher National Diploma in Human Resource Management and a Senior Management Certificate in Human Resource and Management.</p> <p>Currently, Director Administration and Human Resource responsible for human capital, planning, recruitment, development, performance management, reward and wellness. Also responsible for harmonious employee relations, management of all organizations' logistics, fleet and facilities.</p>



Dr. Geoffrey Mwachala holds a PhD in Nat. Systematic Botany (Koblenz-Landau, German), Master in Science, Plant and Fungal Taxonomy (Reading, UK) and Bachelor in Science from Kenyatta University.

Director National Repository and Research.

Responsible for all research and repositories for the organization.



Dr. Purity Kiura holds a PhD in Anthropology from Rutgers University, New Jersey, MA in Anthropology and a BSc in Anthropology from Rutgers University, New Jersey.

Director of Antiquities Sites and Monuments.

Responsible for management of all Antiquities Sites and Monuments.



Dr. Hastings Ozwara holds PhD in Malaria, at Leiden University, Netherlands, MSc in Parasitology, University of Nairobi and BSc in Zoology, University of Nairobi,

Director of Institute of Primate Research

Responsible for the operational running of the institute



Ms. Metrine Wakhungu is an advocate of the High Court of Kenya and member of the Law Society of Kenya admitted to the Kenyan bar in 2004. She holds a Master of Laws Degree (LL.M), (specialty in Law Governance and Democracy) and Bachelor of Laws Degree (LL.B), both from the University of Nairobi.

She also holds a post graduate diploma in Law from the Kenya School of Law and a Diploma in Human Resources Management from the Kenya Institute of Management. She is the legal advisor to the NMK Board of Directors and management and responsible for Board secretariat services. She advises on legal and statutory compliance requirements as well as on good corporate governance practices.



Ms Ann Mwangi holds a Bachelor of Commerce (Finance option) at Catholic University of Eastern Africa, Certified Public Accountant of Kenya and a member of Institute of Certified Public Accountants of Kenya.

The Financial Controller is responsible for the organizations' finances and financial reporting. In-charge of planning, sourcing and management of financial resources to achieve corporate objectives.

IV. CHAIRMAN'S STATEMENT

I would like to record my thanks to Cabinet Secretary Ministry of Sports Culture and the Arts and the Chief Executive officer National Museums of Kenya, for overseeing a good performance throughout the 2015/16 Financial Year.

Like many any other government organization, Museums receive government grants and have not been immune from the cuts that have hit the government-funded institutions so hard, though they have generally responded to these challenges with characteristic flexibility, resourcefulness and preparedness to adjust. The management has since established a budget implementation committee to help in utilization of the very little available resources as well as coming up with new revenue streams.

Our financial performance continues to improve despite difficulties in funding and our statement of financial position continues to strengthen. One of the most remarkable achievements was the supplementary funding by the government of Kenya that has enabled National Museums of Kenya to reward its employees and for the first time have a personnel emolument grant that fully service its payroll. This is a great achievement by the Chief Executive Officer and confirms the worth of our national heritage. I look forward to working with him and the Management team over the coming years.

During the year, National Museums of Kenya participated in drafting of the new bill to help align itself to heritage management so that it can reposition and rebrand well to the changing environment to enable it remain relevant. Alongside developing the Heritage bill, it has also participated in the biosciences bill and constituted a delinking task force to help align one of its directorates Institute of Primate Research.

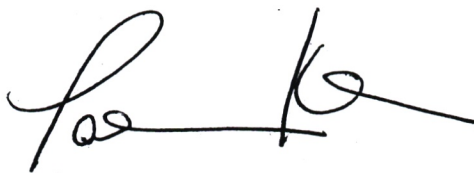
There is no doubt in my mind that the Board of Directors has made great progress and is well-positioned to face up to the challenges ahead.

Finally, I would like to thank all staff and other partners, and in particular our Board of Directors for all of their hard work and commitment.

Dr. Paula Kahumba

Chairperson

Date: 22nd September 2016



V. DIRECTOR GENERAL'S STATEMENT

The National Museums of Kenya (NMK), established in 1910 is a State Corporation governed by an Act of Parliament, the National Museums and Heritage Act No. 6 of 2006 with the broad mandate to conserve and manage national heritage and serves as the National Repository of things of scientific, cultural, technological and human interest. It holds our Collective National Memory spanning over millions of years.

While National Museums of Kenya has a long and treasured history spanning a period of over 106 years, its fortunes have recently been put to great test more so in the year of this Financial Statement. The slump in tourism, in the last five years, has greatly reduced internally generated income which now jeopardizes the National Heritage composed of Cultural and Biodiversity Collection numbering about 10 million specimens; and maintenance of National Monuments some of which are UNESCO World Heritage Sites.

. Currently, NMK annual total income – including Appropriation-In-Aid from the Government – stands at Ksh.800 million against an annual expenditure of Ksh.1.1 billion hence an annual deficit of Ksh.300 million over the last five (5) years. It is important to note that National Museums of Kenya was not included in the Tourism recovery package given to the Tourism Sector even though we suffer the same effects from the tourism slump.

This state of affairs negatively impacted on The National Heritage in the following manner:

- Disintegration of National Monuments, including sites of world importance, such as Fort Jesus World Heritage Site, Lamu World Heritage Site and the Kenyatta Houses - in Maralal, Lokitaung, Lodwar and Kapenguria,
- The Nation is in danger of losing its Collective National Memory through the deterioration of irreplaceable National collection, estimated at around 10 million objects and specimens, which represent our palaeontological, archaeological, ethnographic, historical, botanical, and zoological heritage.

- Critical staffs haemorrhage. In the last one year alone over ten PhD-level research scientists have left National Museums of Kenya for greener pastures. This poses a great risk to the quality of research being undertaken in the institution.

Our National Heritage is too important a resource to be left to disintegrate as it is what constitutes our national collective memory and defines us as a people. In order to address some of these challenges and put the institution back on track, National Museums of Kenya has made a number of changes in the way our finances are administered. Among these is the institutionalizing of a Budget Implementation Committee (BIC) for the first time in the history of the Institution. The Objectives of BIC are to smoothen and hasten implementation of budget by overseeing budget execution process in the organization and offering immediate solutions to bottlenecks that can hamper implementation. They are also required to regularly advise the accounting officer on the performance of the budget.

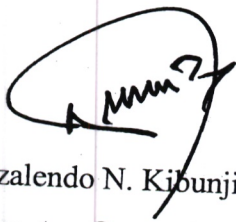
The institution also in spite of its financial woes continues to attract International collaboration with reputable partners such as China Academy of Sciences which has committed to provide National Museums of Kenya scientists, 8 scholarships every year in Natural Sciences studies. Others include the Smithsonian Institution in USA, Karatina and Masinde Muliro Universities.

Public awareness on heritage in Kenya is also one of the major objectives of the National Museums of Kenya. One way in which this is achieved is through exhibitions and public programs. Over the years, the National Museums of Kenya has strived to mount quality and informative exhibitions within many of its galleries. In the year 2015/2016, over 20 exciting exhibitions showcasing Kenya's cultural and natural heritage were developed and presented to the public. These exhibitions include a new gallery at the Supreme Court of the Judiciary which highlights the history of the judicial system in Kenya and an artistic presentation of Kenya's scenic cultural and natural beauty within the Jomo Kenyatta International Airport Terminal 1A facility. These exhibitions form an attraction to both the local and international visitors.

Moreover, the National Museums of Kenya advanced its mandate on heritage management through participating in international obligations. The institution in collaboration with UNESCO

is implementing the Heritage Impact Assessment report for the Lamu World Heritage Site. The HIA Report is now a source document to guide developments within the Lamu archipelago area including the development of Lamu Port South Sudan and Ethiopia Transport Corridor (LAPSSET). In addition, National Museums of Kenya as country's Focal Point to UNESCO World Heritage Convention was able to hold discussions with officials from the State of Ethiopia on ways to mitigate environmental issues which have so far been raised in relation to Lake Turkana National Parks World Heritage Site and the construction of Gibe III Dam.

In terms of research in the Year 2015/2016 we carried out 207 Field Expeditions which generated 15,236 scientific specimens in area of Natural and Cultural Heritage. As a result of these expeditions our Scientists published 51 Scientific Articles in peer reviewed journals. Some of the major discoveries include the oldest stone tools in the World dated at 3.3 million years. Kenya is now indeed the Cradle of Humankind. Please edit these to reflect the new information available from Directorate of Research



Mzalendo N. Kibunjia, PhD, EBS.

Director General

Date: 22nd September, 2016

VI. CORPORATE GOVERNANCE STATEMENT

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

BOARD OF DIRECTORS

National Museums of Kenya Board of Directors is responsible for overall management and is accountable to the Minister in charge of the Ministry of Sports, Culture and the Arts for ensuring that the institution complies with the law and the highest standards of best practice in corporate governance and ethics. The Directors are committed to the need to conduct the operations of the institution with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of corporate governance. All the Board members are non-executive including the Chairman of the Board except the Director General who is the chief executive officer. The Directors are appointed by the Cabinet Secretary in charge of Sports, Culture and the Arts for a period of three years in accordance with the constitution.

BOARD MEETINGS

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

BOARD COMMITTEES

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

The Audit Committee

Membership of this committee comprises; Dr. Thomas Akuja (Chairperson), Mr. John Nderitu Mwangi (Rep. Principal Secretary, National Treasury) Mr. Joe Okudo (Rep. Principal Secretary, Ministry of Sports, Culture and the Arts), Professor Hussein Sheikh Adams Golicha and Mr. Elisha K. Gatu as members

The Finance and Establishment committee

Membership of this committee comprises; Mrs. Fleur Ng'weno- (Chairperson), Dr. Ephraim Wahome, (Alternate Chair) Mr. John Nderitu Mwangi (Rep. Principal Secretary, The National Treasury) and Mr. Joe Okudo (Rep. Principal Secretary, Ministry of Sports, Culture and the Arts) , Ms. Jacinta Nzioka and Professor Nandi O.M. Jacob as members.

Research Committee

The membership of this committee comprises; Prof. Nandi O. M. J (Chairman), Dr. Moses Rugutt, Ms Lanoi Parmuat, Mr. Elisha K. Gatu Professor Ephraim Wachira Wahome and Prof. Hussein S.A Golicha as members.

Adhoc Committees

This committee is constituted as and when required to handle interviews for senior Staff and other specific assignments as the Board may deem necessary.

INTERNAL CONTROLS

These are processes for assuring achievement of the organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. This involves everything that controls the risks of the organization and relates to authorization and approval of transactions, segregation of duties, supervision and monitoring of the activities, proper record keeping, ICT controls, valuation, custody and physical

safeguards of the assets of the organization. It is the means by which the organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes.

The effectiveness of the internal controls depends on;

The Management

The responsibility of ensuring that the internal controls are in place and are duly adhered to rests with the management and the Chief Executive Officer (the top manager) has the overall responsibility of designing and implementing an effective internal control system and setting the "tone at the top" that affects integrity and ethics and other factors of a positive control environment. He fulfills this duty by providing leadership and direction to senior managers and reviews the way they are controlling the resources of the organization. Senior managers, in turn, assign responsibilities for establishment of more specific internal control policies and procedures to personnel responsible for the various departmental functions.

Board of Directors

Management is accountable to the Board of Directors, who provides governance, guidance and oversight. Effective Board members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfil their Board responsibilities. Management cannot at any one point in time override controls and ignore or stifle communications from subordinates, enabling a dishonest management which intentionally misrepresents results to cover its tracks. Existence of a strong active Board

particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions is often best able to identify and correct such a problem.

CUSTOMER SERVICE CHARTER

The Service Charter puts in place service standards that guide the National Museums of Kenya management and staff, in provision of high services to its clients. This is keeping in line with existing laws, rules, regulations, norms, professional ethics and mostly important-customer expectations. The service Charter thus identifies areas in which the NMK operates, defines the responsibilities of the management and staff, describes the rights of clients and identifies key quality control indicators that will enable delivery of high quality services by NMK to all stakeholders/clients and the general public at large.

DIRECTORS' ALLOWANCES AND LOANS

The aggregate amount paid to Directors allowances for services rendered during 2015/2016 financial year are disclosed in the notes to the financial statements. There were no Directors loans at any time during the year.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

National Museums of Kenya prides itself on being a great neighbour and a responsible corporate citizen. The department of Culture is working with the Samburu community in Alapar and Baragoi to document their intangible cultural heritage. Particularly their oral traditions including dances, songs and practices. It has worked with the Borana & Samburu, Rendile, Turkana, and Pokot on alternative methods of conflict resolutions and also with Luo community in Usenge Got Ramogi on conservation of sacred forests and of Alego Siaya on preservation and conservation of indigenous vegetables

KENRIK researcher has worked with ethnic communities living around Mt. Kulal through a CBD (Wazee wa Mazingira) by establishing Tree Nurseries and sustainable utilization of forest resources. It has documented IK of the ethnic communities in Mt Kulal including food ways which will be published and exhibited at the Desert Museum. KENRIK is working with women groups in Kakamega and Kitui to develop vegetable seed varieties of cleome gynandra (spiderplant) that is resistant to drought and palatable (not bitter). Also documenting diversity of traditional food plants and animals including preparation for publishing a cookbook for training schools, hospitals and hotels for improving healthy eating habits in Busia

National Museums of Kenya is working with communities to empower them on Mushroom cultivation and produce high quality low cost mushroom spawn (mushroom seeds). Ms. Susan Kabacia is currently working with farmers from Syokimau, Juja and Nairobi environments Magina enroute to Naivasha. Susan Kabacia recently won 2015 Fellowship of the African Women in Agricultural Research and Development. (AWARD).

Globe Wetland Project is a multidisciplinary project aimed at promoting sustainable use of the Ewaso Narok Wetlands in Rumuruti, Laikipia County. The wetland is heavily used for horticultural production and by pastoralists. So far the project has benefitted the community by creating awareness on health issues especially as it relates to sources of drinking water and pesticide use. It has also educated local communities on sustainable use of water resources so that the dwindling resources could go a long way in sustaining their future activities.

Furthermore, the project has trained and hired local youths as project assistants, who are very instrumental in spreading the wise use message to the local communities in the wetland. The rented project house in the town of Rumuruti is an added income to the local economy.

Malindi Museum in collaboration with Magharibi Development Association (M-DEA) organized the first-of-its-kind in Malindi, Luhya Cultural Expo 2016. This was the first in a series of events for all the communities. This event showcased the traditional cultures of the Abaluhya people in a three day exhibition at Malindi Museum. This enabled other communities to learn and appreciate Luhya Culture, facilitated continued intercultural co-existence, fostered peace and harnessed tourism attractions for economic development in the region.

Malindi Museum hosted several community groups including Italian at the Malindi Heritage Complex. On the 16th June, 2016, the station hosted KUFUNGUA MUADHINI (for Malindi Muslim Community) at same venue Ramadhan Kareem. The members of the Malindi Museum Society were invited to join the local Muslim community at the Malindi Heritage Complex to iftar/breakfast on Sunday 26 June at around 6.15pm this was the second of three iftars that are being held by the Museum during Ramadhan.

During the Holy Month of Ramadhan, starting 9th June to 5th July 2016, Malindi Museum invited the Malindi Community to be part of, and, reconnect with the Museum. Throughout the Ramadhan Season, Malindi Museum offered the Malindi Muslim community free entry to Malindi Heritage Center (Former DCs Office) where they visited our exhibitions. The Museum also showed films on educational, motivational, cultural heritage and environmental conservation documentaries. Documentaries such as the impact of Drug Abuse and HIV Aids were available. Varied books for the public to read and pastime activities such as listening to Qaswidas and Mawaidha were availed.



This initiative is geared towards ensuring that the Malindi community while observing Ramadhan can also learn and appreciate the role of Museums.

NMK gives free entry to the museum during the International Museum Day celebration. To be a good corporate citizen, we must first be good neighbors. Through Elimu Asilia NMK librarians and researchers including IT experts work with local communities to collect, prepare, preserve (digital), share, exchange and disseminate indigenous knowledge on culture, environment, health and history for the memory of our nation for sustainability and eco-social development. The project has recently completed documenting the first Abasuba Pictorial History which culminated into an Exhibition. A copy of the exhibition was mounted at the Tom Mboya Mausoleum in Rusinga as a way of giving back to the community what they helped the team document. The virtual exhibition is online at the newly re-designed Elimu Asilia website (www.elimuasilia.com); together with a video or YouTube link of the Omugambi Thomas Atsango Okanga giving a history of the Abasuba and Mr. Boniface Msaswa of the Bible Literacy Translation Centre talking on the revitalization of the language. This enhances community visibility and online presence as it encourages online communities while availing local content on the internet thus contributing to knowledge economy.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Organizations affairs.

Results

The results of the Organizations for the year ended June 30, 2016 are set out on page 30 to33

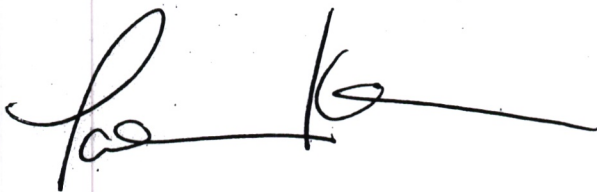
Board of Directors

The members of the Board of Directors who served during the year are shown on page 7 to 10

Auditors

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

By Order of the Board

A handwritten signature in black ink, appearing to be 'Jas K', with a long horizontal line extending to the right.

Chairperson

Date: 22nd September, 2016

IX.STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the organization's financial statements, which give a true and fair view of the state of affairs of the organization for and as at the end of the financial year ended on June 30, 2016.

This responsibility includes:

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

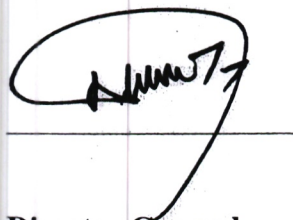
The Directors accept responsibility for the organizations financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the organization's financial statements give a true and fair view of the state of

organization's transactions during the financial year ended June 30, 2016 and of the organization's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the organization, which have been relied upon in the preparation of the organization financial statements as well as the adequacy of the systems of internal financial control.

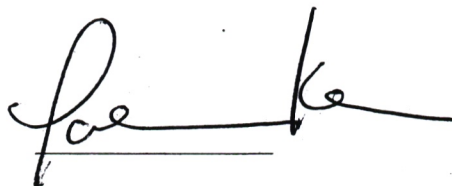
Nothing has come to the attention of the Directors to indicate that the organization will not remain a going concern for at least the next twelve months from the date of this statement.

APPROVAL OF THE FINANCIAL STATEMENTS

The Organization's financial statements were approved by the Board on 22nd September, 2016 and signed on its behalf by:



Director General



Chairperson of the Board



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL MUSEUMS OF KENYA FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Museums of Kenya set out on pages 30 to 66, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

effectiveness of the Museum's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Budget and Budgetary Performance

1.1 Revenue

The National Museums of Kenya had budgeted to collect revenue of Kshs.1,266,000,000 from the following sources:

Revenue head	Budget Kshs.	Actual Kshs.	Excess/(shortfall) Kshs.	Excess/(shortfall) %
Recurrent Government grants	870,000,000	869,904,900	(95,100)	(1.01)
Development Government grants	116,000,000	4,494,220	(111,505,780)	(96.13)
Internal revenue	280,000,000	282,962,152	2,962,152	1.05
Project revenue	-	188,977,924	188,977,924	100%
TOTAL	1,266,000,000	1,346,339,196	80,339,196	6.35

The statement of financial performance reflects actual receipts of Kshs.1,346,339,196 as at 30 June 2016 representing an excess collection of Kshs.80,339,196 or 6.35%.

However, the parent Ministry's statement of receipts and payments reflect Kshs.985,904,900 as having been transferred to the National Museums of Kenya for both development and recurrent while the Museum's financial statements reflect a total of Kshs.874,399,120. The resultant difference of Kshs.111,505,780 was occasioned by the following:

1.1.1 Government Development Grants

Despite the National Museum of Kenya having received development grants totalling Kshs.116,000,000 only Kshs.4,494,220 is reflected in the statement of financial performance as having been disbursed from the Ministry. The difference of Kshs.111,505,780 has been described in Note 17 to the financial statements as deferred development grants received. In the circumstances, receipts totalling Kshs.111,505,780 have been omitted from the financial statements.

1.1.2 Deferred Government Development – Grant Income

Note 17 (a) to the financial statements reflect balance of Kshs.219,821,471 referred to as deferred development grants income. No schedules or explanation were given to support this balance.

1.1.3. Failure to Budget for Project Revenue

Despite the National Museum of Kenya having received project revenue totalling Kshs.155,363,114 in 2014/2015, no provision was made in 2015/2016 budget where they received and spent Kshs.188,977,924. Further, no provision was made for depreciation where Kshs.23,781,742 was incurred in the financial year 2015/2016.

No plausible reasons were provided for the failure to factor project revenue in the financial year 2015/2016 budget and for failure to make provision for depreciation.

1.2. Expenditure

A comparison between the approved budget and the actual expenditure reflected in the statement of financial performance for the year ended 30 June 2016 revealed that the Museums underspent in all the voted provisions except on general expenses which went beyond its provision by Kshs.31,890,887 or 11.89% as follows:

Expenditure head	Budget Kshs.	Actual Kshs.	Over/(under) Kshs.	Over/(under) %
Employees costs	870,000,000	819,426,145	(50,573,855)	(5.81)
Depreciation	-	23,781,742	23,781,742	100%
Repairs & maintenance	17,220,000	11,654,765	(5,565,235)	(32.32)
Board of Directors remuneration	10,074,524	7,842,129	(2,228,395)	(22.12)
General expenses	268,169,476	300,060,063	31,890,887	11.89
Total	1,165,464,000	1,162,764,844	(2,694,856)	(0.23)

No reasons were provided for the over expenditure of Kshs.31,890,887 under general expenses or by 11.89% and for the failure to provide for depreciation which amounted to Kshs.23,781,742 for the financial year ended 30 June 2016.

2. Going Concern

In spite of the National Museums of Kenya realizing a surplus of Kshs.183,574,052 in 2015/2016 financial year compared to Kshs.11,944,556.00 realized in 2014/2015, the cumulative revenue reserves still stands at a negative of Kshs.230,320,396.

In addition, the statement of financial position reflects a negative working capital of Kshs.22,667,825. as at 30 June 2016 making the going concern of National Museums of Kenya doubtful.

As a result and as previously reported, the financial statements have been prepared on a going concern basis which assumes continued financial support from the Government and its creditors.

3.0. Property, Plant and Equipment

As reported in the previous year, the property, plant and equipment balance of Kshs.2,869,478,852 as at 30 June 2016 reflected in the statement of financial position includes an amount of Kshs.1,575,127,445 relating to the value of one hundred and ten (110) parcels of land spread across the Country out of which, 46 had title deeds, others though surveyed have not been registered in the name of the National Museums of Kenya, some not surveyed while others are in dispute.

In consequence, ownership and valuation of property, plant and equipment balance of Kshs.2,869,478,852 could not be confirmed as at 30 June 2016.

4.0. Project Deposits

The statement of financial position as at 30 June 2016 reflect projects' deposits balance of Kshs.45,298,526 that is arrived at by deducting Kshs.188,977,924 expenditure from total deposits of Kshs.234,276,450. However, the schedules provided for audit did not have the primary documents to support the balances reflected in the schedules.

In the circumstances, it has not been possible to confirm the accuracy of the projects' deposits balance of Kshs.45,298,526 as at 30 June 2016.

5.0 Cash and Cash Equivalents

i) Fort Jesus Museum Recurrent Account

The bank reconciliation statement for the Fort Jesus Museum recurrent account reflects a bank statement balance of Kshs.650,326 as at 30 June 2016 while the certificate of balance from Kenya Commercial Bank (KCB) as at 1 July 2016 indicated Kshs.701,326. The resultant variance of Kshs.51,000 was explained as relating to unpresented cheque dated 20 June 2016. No evidence was provided to explain the anomaly.

ii) Fort Jesus Project Account

The Fort Jesus Project account reflect a reconciliation balance of Kshs.20,637,726 as at 30 June 2016 while the financial statement indicates a figure of Kshs.31,470,370.55 as at 30 June 2016 resulting in unexplained difference of Kshs.10,832,643.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.31,470,370 could not be confirmed as at 30 June 2016.

6.0. Revenues

i) Gate Charges

It was observed that all headquarters Museum gate charges revenues were banked in account No.1106829379 at KCB Bank Westlands Branch. However, the cash book maintained in respect of the gate charges was posted directly from the bank statements, instead of daily posting of respective receipts to the cash book and bank reconciliations done at the end of the month. In the circumstances the accuracy of the cash book balances could not be authenticated as at 30 June 2016.

ii) Rent Income

A number of the commercial tenants in Mombasa Station had outstanding rent arrears as follows:

Particulars	Details	Station	Rent per month	Period in months	Amount Kshs.
Fort Jesus Gift Shop	Shop Rent	Fort Jesus	29,282	3	87,846
Jahazi Marine	Shop Rent	Fort Jesus	7,000	38	266,000
Excloosive Ltd	Shop Rent	J. K. P. Beach	43,923	17	751,591
Fun Kids Park Ltd	Ground Rent	Mama Ngina	50,000	25	1,250,000
Lime Juice Shop	Shop Rent	Fort Jesus	6,600	2	14,460
Level Thirty Six Co. Ltd (Seacom)	Lease Rent	Rissea Ground	55,125	10	551,250
Petro Oil Co. Ltd	Lease Rent	Mama Ngina	30,000	6	180,000
Total					3,101,147

No evidence was made available indicating the efforts made to collect the Kshs.3,101,147 arrears despite some having been outstanding for over three (3) years.

7.0. Payables

The statement of financial position reflect total current liabilities balance of Kshs.214,252,728 out of which, trade and other payables from exchange transactions were Kshs.192,815,822 as at June 2016. The trade and other payables from exchange transactions balance of Kshs.192,815,822 comprised of unremitted statutory deductions and other third party payments as tabulated below:

Other payables 2015/16	Amount Kshs.	Third party payments 2015/2016	Amount Kshs.
PAYE	8,781,961	Bank loans	364,371
Pension	62,507,535	Other co-operatives	122,507
Union dues	73,839	Hire purchase	21,733
Misc. deductions (others)	1,913,089	Rent deposit received	1,068,000
Contra account	23,753,014	Trade payables	80,859,513

VAT control account	12,293,904	
Provision for royalties	1,056,356	
Total	110,379,698	82,436,124

No reason has been provided for failure to pay statutory deductions deducted from employee emoluments.

8.0. Bank Overdrafts

The financial statements reflects an overdraft of Kshs.21,436,906 in respect of various accounts held. However, the cash book and the bank balances confirmation certificates reflect different amounts as at 30 June 2016 as tabulated below:

Account Name	Account No.	Amount in Financial Statements Kshs.	Balances as per Cash book Kshs.	Balances as per Bank Certificate Kshs.
Recurrent HQs	01080-351079-00	19,421,106.15	(9,742,978.47)	3,243,231
Commercial	01080-354365-00	394,695.27	-	6,983,161
IPR Project	01020-447000-00	106,427.20	(106,427.00)	943,318
Development HQS KCB	1106829379	1,514,676.95	7,629,466.00	7,505,366
Total		21,436,906.00	-2,219,939.47	18,675,076

Consequently, the source and accuracy of the bank overdraft figure Kshs.21,436,906 reflected in the financial statement could not be established as at 30 June 2016.

9.0. Receivables from Exchange Transactions

The statement of financial position as at 30 June 2016 reflect receivables from exchange transactions balance of Kshs.35,147,671 which includes Kshs.17,864,378 in respect of unsurrendered imprests. The imprest held by the staff had exceeded the period for which it should have been held contrary to paragraph 3.1.2.1 of the Museums' Quality Systems Procedure Manual. Further, the receivables from exchange transactions increased from Kshs.17,223,546 as at 30 June 2015 to Kshs.35,147,671 as at 30 June 2016. However, the respective Note 12 did not provide reasons for the Kshs.17,924,125 or 104.06% increase.

In addition, the balance of imprests shown in the notes to the financial statements of Kshs.17,864,378 differed from schedules provided in support of the total figure of Kshs.15,738,866 by Kshs.2,125,512 which has not been reconciled or explained.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.35,147,671 could not be ascertained.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Museums of Kenya as at 30 June 2016, 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 Public Finance Management Act, 2012.

Other Matter

1.0. Delayed Completion and Hand-over of Mashujaa Square Project at Uhuru Gardens

As previously reported, on 26 April 2013 the National Museums of Kenya entered into a contract with a local company for the construction of Mashujaa Square at Uhuru Gardens at a contract price of Kshs.74,855,473. Originally, the contract price was estimated at Kshs.300,000,000 but was scaled down to Kshs.74,855,473 due to lack of funds. The project commenced on 17 June 2013 and was expected to be completed within twenty six weeks (26) or by 31 December 2013.

However, and as previously reported, the project had by 2 August 2014 not been completed and handed over due to unpaid certificates by the contractor of Kshs.13,343,311 and Kshs.25,113,396 by the project manager. Similarly, as at 30 June 2016, the project was still incomplete and had not been handed over for public use.

In view of the foregoing, value for money to the public has not been realized in this Kenyan hero's project.

Further, the management should ensure that the project is completed and handed over to avoid further deterioration which has already been observed and escalation of project costs.

2.0. National Museums of Kenya - Malindi Station

(i) Vasco da Gamma Pillar

The pillar is situated on a parcel of land measuring 0.2 hectares reference number L.A 149086/13 and is awaiting issuance of title deed. A site visit on 14 October 2016 revealed that the ground on which the pillar stands has deteriorated with the huge cracks having developed overtime and the effects of the high sea tides were evident after part of the walls bordering the sea were washed away.

(ii) Portuguese Chapel

A site visit on 14 October 2016 revealed that the Chapel was under refurbishment by an individual who owns a property in the adjacent plot through a mutual arrangement with the management. Further, ownership documents were not provided for audit review.

Under the circumstance, it has not been possible to evaluate the works in progress or confirm the security of the heritage asset.

(iii) Malindi Ethnographic Museums

This building was formerly occupied by District Officer Malindi and was in 1991 gazetted as a national monument under G.N.3650 CONFIRM 13-4-95 and renamed Malindi Ethnographic Museums. A site visit on 14 October 2016 revealed that part of the land on which the building stands was under occupation by illegal inhabitants who are now laying claim to the land. No efforts appear to have been made to secure the historical monument.

3.0. Lamu Station Museum

A visit to National Museums of Kenya Lamu Station on 17 October, 2016 disclosed that the land had been encroached by private developers and the local community. Further, the land is not secured and no personnel is stationed to take care of the land. Consequently, the security and custody of the land is doubtful.

4.0. Shimoni Station - Fort Jesus Museum

A site visit to the Fort Jesus Museum Shimoni Station on 10 October 2016 disclosed that the museum had been neglected and various activities and permanent developments by a community based organization dealing with fishing matters were taking place without any written consent of the Museum. Further, the museum boundaries at the site had not been secured hence allowing uncontrolled access. In addition, the neighboring department of fisheries had encroached on the site and erected a permanent wall at the historical site ignoring constant protestations by the Museums officers on the ground.

The historical building and grave site have therefore been left to decay and are at the risk of being washed into the ocean by the high tides. Management has not put in place urgent measures to protect and secure this historical site.

5.0. Mtwapa Station - Jumba La Mtwana Museum

Jumba La Mtwana is located on land measuring twelve acres with houses, mosques, walls among others depicting early settlement by Swahili community in the 13th century.

A site visit on 19 October 2016 revealed that the ruins are fast deteriorating with some of the walls crumbling to the ground after having minimal restorative efforts which was attributed to the low funds allocated to the site.

The side bordering the ocean is fast being washed away as the tides rises and wears away the walls and vegetation along the shore line. Encroachments were also witnessed with some of the ruins under private occupation.

Under the circumstances, the security of these historical assets is under threat of extinction.

6.0 Meru Museums

A site visit to the Meru Museums on 20 October 2016 revealed that the main building which houses most of the historical artifacts was crumbling down due to poor maintenance and invasion of ants that have destroyed most of the wood works. No efforts have been made to restore the structure to its original historical status.

6.1 Njuri Ncheke building – Meru

Similarly, the Njuri Ncheke building in Meru was visited on 20 October 2016 and found to be fast deteriorating and with imminent danger of collapse under the weight of its roof. Several huge cracks were observed all over the building thus weakening the walls and hence the danger of eventual collapse. No efforts have been made to restore the structure to its original historical status.

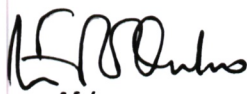
7.0. Kenyatta Houses – Lodwar

Kenyatta Houses in Lodwar were according to an allotment letter dated 21 February, 2001 issued to the Board of Governors of the National Museums of Kenya declared as a national museum.

Although efforts to secure that land measuring 1.006 Ha. were said to be at Geometer Surveys (R.I.M amended) level, a physical inspection of the site on 26 October 2016 revealed that the museum was not properly secured with a fence for the purpose of demarcation between the Museum's property and other parcels in the neighborhood. A Government department dealing in livestock has put up permanent premises on museum land without any documentation or lawful authority. The County Government of Turkana has also put up a permanent library building plus an ablution block on Museum land with the staff on site not providing documents or mutual agreements entered into by the two parties. Other carved plots from National Museum of Kenya land have been invaded by private developers who have put up permanent buildings. The total area under illegal occupation is estimated at Kshs.10 Million at the prevailing market rates.

It is a matter of grave concern that the historical buildings that were occupied by the freedom fighters have dilapidated over the years while some are occupied by intruders.

Management efforts appear minimal or non-existent partly due to limited financial allocation to the corporation.



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

Nairobi

14 June 2017

**XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2016**

	Note	2015-2016 KSH	2014-2015 KSH
Revenue from non-exchange transactions			
Transfers from governments-			
Recurrent	3(a)	869,904,900	577,300,845
Development	3(b)	4,494,220	65,360
Project income	4	188,977,924	155,363,114
Total revenue from non-exchange transactions		1,063,377,044	732,729,319
Revenue from exchange transactions			
Other incomes	5	282,962,152	390,582,206
Total revenue from exchange transactions		282,962,152	390,582,206
Total revenue		1,346,339,196	1,123,311,525
EXPENSES			
Employee costs	6	819,426,145	806,113,815
Depreciation	7	23,781,742	25,740,327
Repairs and maintenance	8	11,654,765	19,171,091
Remuneration to Board of Directors	9	7,842,129	7,172,499
General expenses	10	300,060,363	253,169,237
Total expenses		1,162,765,144	1,111,366,969
Surplus before tax		183,574,052	11,944,556
Surplus for the year		183,574,052	11,944,556

NB: Explanatory notes on the surplus is provided in page 50 item no.4

XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

	Note	2016 KSH	2015 KSH
Assets			
Current assets			
Cash and cash equivalents	11	132,972,509	34,926,282
Investments-Short term	11	21,144,452	21,144,452
Receivables from exchange transactions	12	35,147,671	17,223,546
Inventories	13	2,320,270	569,338
		<u>191,584,903</u>	<u>73,863,618</u>
Non-current assets			
Property, plant and equipment	14	2,869,478,852	2,791,316,618
Total assets		<u>3,061,063,755</u>	<u>2,865,180,236</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange Transactions			
	15	192,815,822	268,574,854
Bank overdraft	16	21,436,906	15,364,086
Total current liabilities		<u>214,252,728</u>	<u>283,938,940</u>
Non-current liabilities			
Deferred Development Grant	17	257,236,076	219,821,471
Project Deposits	18	45,298,526	74,808,627
Total non-current liabilities		<u>302,534,602</u>	<u>294,630,098</u>
Total liabilities		<u>516,787,330</u>	<u>578,569,038</u>
Net assets		<u>2,544,276,425</u>	<u>2,286,611,198</u>
Reserves		2,360,702,373	2,274,666,642
Accumulated surplus		183,574,052	11,944,556
Total assets and liabilities		<u>2,544,276,425</u>	<u>2,286,611,198</u>

**XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH
JUNE 2016**

	Capital Reserve KSH	Revenue Reserves KSH	Revaluation Reserve KSH	Total Kshs.
Balance at 1 July 2014	2,676,895,916	(425,839,004)	14,635,150	2,265,692,062
Capitalized government grant (17b)	8,974,580	-	-	8,974,580
Total comprehensive income for the year	-	11,944,556	-	11,944,556
Balance as at 30th June 2015	2,685,870,496	(413,894,448)	14,635,150	2,286,611,198
Balance as at 1st July 2015	2,685,870,496	(413,894,448)	14,635,150	2,286,611,198
Capitalized government grant (17b)	74,091,175	-	-	74,091,175
Total comprehensive income for the year	-	183,574,052	-	183,574,052
Balance as at 30th June 2016	2,759,961,671	(230,320,396)	14,635,150	2,544,276,425

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	2016 Kshs	2015 Kshs
Cash flow from operating activities			
Net income from Museum operations		183,574,052	11,944,556
Before interest earned	Note 5	(60,473)	(92,457)
Adjustments for the year			
Depreciation	Note 7	23,781,742	25,740,327
Operating Income before working capital changes		207,295,321	37,592,426
Increase/decrease in receivables		(17,924,125)	9,545,595
Increase/decrease in inventories		(1,750,932)	76,052
increase/decrease in payables		(75,759,032)	(18,713,598)
Development expenditure	Note 17(b)	(4,494,220)	(65,360)
Net cash from operating activities		107,367,011	28,435,115
Cash flow from investing activities			
Interest received	Note 5	60,473	92,457
Purchase of property, plant & equipment	Note 14	(101,943,976)	(21,108,499)
Net cash from investing Activities		(101,883,503)	(21,016,042)
Cash flow from financing activities			
Development grant from GOK	Note 17 (a)	116,000,000	-
Project deposits		(29,510,101)	(57,451,788)
Net cash generated from financing activities		86,489,899	(57,451,788)
Net (decrease)/increase in cash and cash equivalents		91,973,408	(50,032,715)
Cash and cash equivalent as at 30th June 2015		40,706,648	90,739,363
Cash and cash equivalent as at 30th June 2016		132,680,056	40,706,648

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XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs
Revenue					
Government grants and subsidies					
Recurrent grant	732,540,000	137,460,000	870,000,000	869,904,900	(95,100)
Development Grant	543,200,000	-	116000000	78,585,395	(37,414,605)
Other incomes:					
Internally Revenue	280,000,000	-	280,000,000	282,962,152	(2,962,152)
Project Revenue	-	-	-	188,977,924	188,977,924
Total income	1,555,740,000	137,460,000	1,266,000,000	1,420,430,371	154,430,371
Expenses					
Employees Costs	732,540,000	137,640,000	870,000,000	819,426,145	(50,573,855)
Depreciation	-	-	-	23,781,742	23,781,742
Repairs & Maintenance	17,220,000	-	17,220,000	11,654,765	(5,565,235)
Remuneration to Board of Directors	7,800,000	2,270,524	10,074,524	7,842,129	(2,228,395)
General Expenses	270,440,000	(2,270,524)	268,169,476	300,060,063	31,890,887
Total expenditure	1,028,000,000	137,460,000	1,165,460,000	1,162,765,144	(2,694,856)
Surplus for the period	527,740,000	-	100,540,000	257,665,227	157,125,227

NB: Notes to variance explanations are set out on page 50

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Notes to Financial Statements

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

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

ACCOUNTING POLICIES

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

2. Summary of significant accounting policies

a) Revenue Recognition

b) Revenue from non-exchange transactions

Transfers from government entities

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

Government Grants

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

Project income

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

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

c) Taxation

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

d) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services to the public through gate admissions.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably.

Interest income

Interest income is accrued using the negotiated rate.

Rental income

Rental income arising from operating leases on investment properties is accounted for upon realization.

e) Property, Plant and Equipment

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

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

f) Exhibits and Collections

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

g) Purchase of Animals

Purchase of primates is expensed in the financial performance statement at the time of purchase.

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Notes to Financial Statements

h) Financial Instruments

(i) Financial Assets

Initial recognition and measurement

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

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

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

Derecognition

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

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit as appropriate. The National Museums of Kenya determines the classification of its financial liabilities at initial recognition.

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

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

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

i) Employee Benefits

(i) Short term

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

(ii) Retirement Benefits

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

j) Nature and Purpose of Reserves

(a) Capital Reserve

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

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

(b) Revenue Reserve

A reserve which is created out of the revenue profit is called revenue reserve. Revenue profit is earned in the normal course of the business. Revenue reserve refers to the undistributed revenue profit. It is created for strengthening the financial position, replacing depreciable

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assets, redeeming liabilities, declaring uniform rate of dividend and conducting research and development functions.

(c) Revaluation Reserve

A revaluation reserve is an increase in the value of fixed assets. Asset revaluation reserve is an accounting concept and represents a reassessment of the value of a capital asset as at a particular date. The reserve is considered a category of the equity of the entity. An asset is originally recorded in the accounts at its cost and depreciated periodically over its estimated useful life as a measure of the amount of the assets value consumed in that period. In practice, the actual useful life of an asset can be miscalculated or an event can cause a change to the useful life. Consequently, assets occasionally need to be revalued in order to reflect a more close approximation to their "worth" in the accounts. When the asset is revalued, the offsetting entry (in a double entry accounting system) would be either made to the profit or loss accounts or to the equity of the entity.

k) Branches

The regional stations reports are incorporated in these financial statements.

l) Translation of Foreign Currency

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

m) Research and Development

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

n) Budget Information

The annual budget for the period 2015/2016 was prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or

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Notes to Financial Statements

entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

o) Related Parties

The National Museums of Kenya regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the organization, or vice versa. Members of key management are regarded as related parties and comprise the Directors Executive Team.

p) Comparative figures

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

q) Provisions

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

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

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the

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Notes to Financial Statements

financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised officers which were not surrendered or accounted for at the end of the financial year.

s) Inventories

Inventory is measured at the lower of cost and net realizable value.

t) Significant Judgement

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

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3(a) Recurrent grant of **kshs.869,904,900** was received from government of Kenya and is credited to statement of financial performance

3(b) Development grant was received during the year was **Kshs.116million** out of which **Kshs.4,494,220** was incurred in respect of revenue expenditure.

4 PROJECT INCOME	2016 KSH	2015 KSH
Project Income HQ	109,442,240	82,746,706
Project Admin income (12.5% overhead)	7,081,365	4,356,878
Project income IPR	72,454,318	68,259,530
Total	188,977,924	155,363,114
 5 OTHER INCOMES		
Admission fee	172,275,254	157,852,826
Rental income	47,002,086	41,044,193
Interest earned	60,473	92,457
Sale of publications and artifacts	9,590,214	8,164,432
Sale of soft drinks	981,775	1,350,265
Sale of casts	1,561,446	104,280
Sundry income	51,490,904	181,973,753
Total	282,962,152	390,582,206
 6 EMPLOYEE COSTS		
Salaries	741,860,633	656,133,918
Gratuity and pensions	34,051,734	109,704,101
Medical	27,269,249	24,109,388
Training	9,104,265	10,329,374
Staff welfare and uniforms	7,140,264	5,837,034
Total	819,426,145	806,113,815
 7 DEPRECIATION EXPENSE		
Property , plant and equipment(note 14)	23,781,742	25,740,327
Total	23,781,742	25,740,327
 8 REPAIRS AND MAINTENANCE		
Vehicle expenses- Maintenance/spares	6,107,940	3,371,204
Equipment repairs and maintenance	2,436,317	4,441,580
Maintenance of buildings	894,291	3,009,368
Maintenance of monuments	1,621,917	1,574,987
Cage maintenance	558,275	21,400
Cage construction	36,025	6,752,552
Total	11,654,765	19,171,091

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

	2016	2015
	KSH	KSH
9 BOARD OF DIRECTORS EXPENSES		
Lunch/phone expenses	267,320	400,730
Insurance	447,077	116,924
Sitting allowance	2,655,000	3,724,500
Accommodation/per diem	3,137,600	1,689,950
Air fare	640,820	113,740
Board meeting Exp.	55,860	7,062
Mileage	638,452	586,260
Honoraria for Chairman	0	533,333
Total	7,842,129	7,172,499
10 GENERAL EXPENSES		
Administrative costs	13,179,752	12,305,599
Transport and travel expenses	98,114,684	59,153,796
Contracted professional services	19,553,002	26,138,527
Office and other expenses	90,098,081	70,016,086
Advertising and publicity	2,612,773	2,896,730
Telephone and postage	9,040,560	10,198,140
Electricity and water	22,800,965	26,358,218
Purchases and other direct inputs	44,660,546	46,102,141
Total	300,060,363	253,169,237
11 CASH AND CASH EQUIVALENTS		
Bank	131,760,779	34,501,526
Cash -on- hand and in transit	1,211,730	424,756
Short term deposits	21,144,452	21,144,452
Total	154,116,961	56,070,734
12 Receivables from exchange Transactions		
Current Receivables		
Trade Receivables	11,786,343	89,626
Staff Debtors	18,918,881	15,183,424
Prepayments	2,935,079	443,128
Deposits	1,507,368	1,507,368
Total	35,147,671	17,223,546
13 INVENTORIES		
Publications	2,026,971	59,510
Crafts	231,722	484,897
Soft drinks	61,577	24,931
Total	2,320,270	569,338

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14 WORK IN PROGRESS, PROPERTY, PLANT AND EQUIPMENT

	PROPERTY		PLANT AND EQUIPMENT				TOTAL
	LAND	BUILDINGS	WORK IN PROGRESS	FURNITURE	COMPUTERS	VEHICLES	
	KSH	KSHS		KSHS	KSHS	KSHS	
<u>COST/VALUATION</u>							
As at 1st July, 2014	1,575,127,445	942,067,967	282,371,345	209,171,676	64,006,051	84,155,739	3,156,900,223
Additions during the year	-	-	13,254,990	4,396,882	3,456,627	-	21,108,499
Completed works during the year	-	-	-	-	-	-	-
As at 30th June 2015	1,575,127,445	942,067,967	295,626,335	213,568,558	67,462,678	84,155,739	3,178,008,722
<u>DEPRECIATION</u>							
As at 1st July 2014	-	107,057,770	-	141,414,564	47,762,497	64,716,946	360,951,777
Charge for the Year	-	8,350,102	-	8,469,639	4,060,888	4,859,698	25,740,327
As at 30th June, 2015	-	115,407,872	-	149,884,203	51,823,385	69,576,644	386,692,104
<u>COST/VALUATION</u>							
As at 1st July, 2015	1,575,127,445	942,067,967	295,626,335	213,568,558	67,462,678	84,155,739	3,178,008,722
Additions during the year	-	1,484,434	77,418,344	6,852,138	3,573,612	12,615,448	101,943,976
Completed works during the year	-	4,759,896	(4,759,896)	-	-	-	-
As at 30th June 2016	1,575,127,445	948,312,297	368,284,783	220,420,696	71,036,290	96,771,187	3,279,952,698
<u>DEPRECIATION</u>							
As at 1st July 2015	-	115,407,872	-	149,884,203	51,823,385	69,576,644	386,692,104
Charge for the Year	-	8,266,601	-	7,960,544	3,909,823	3,644,774	23,781,742
As at 30th June, 2016	-	123,674,473	-	157,844,747	55,733,208	73,221,418	410,473,846
<u>NET BOOK VALUES</u>							
As at 30th June, 2015	1,575,127,445	826,660,095	295,626,335	63,684,355	15,639,293	14,579,095	2,791,316,618
<u>NET BOOK VALUES</u>							
As at 30th June, 2016	1,575,127,445	824,637,824	368,284,783	62,575,949	15,303,082	23,549,769	2,869,478,852

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Notes to Financial Statements

15	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	2016 KSH	2015 KSH
	Trade payables	80,859,513	114,729,736
	Payments received in advance	1,068,000	1,068,000
	Third party payments	508,611	18,267,627
	Other payables	110,379,698	134,509,491
	Total	192,815,822	268,574,854
	Third party payments relate to deductions made and have not yet been submitted to respective other Co-operatives, bank loans and hire purchases as at 30th June, 2016.		
16	BANK OVERDRAFT		
	Bank overdrafts	21,436,906	15,364,086
	Total	21,436,906	15,364,086
17a	DEFERRED GOVERNMENT DEVELOPMENT GRANT INCOME		
	Balance b/f	219,821,471	228,861,411
	G.o.K Development Grant received	116,000,000	-
	Less amount spent (17b)	(78,585,395)	(9,039,940)
	Total	257,236,076	219,821,471
17b			
	Capital expenditure	74,091,175	8,974,580
	Revenue expenditure	4,494,220	65,360
	Total	78,585,395	9,039,940
18	PROJECT DEPOSITS		
	Opening balance	74,808,627	132,260,415
	Add receipts during the year	159,467,823	97,911,326
	Total Deposits	234,276,450	230,171,741
	Less expenditure (4)	188,977,924	155,363,114
	Balance c/f	45,298,526	74,808,627

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

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Notes to Financial Statements

19. RELATED PARTY DISCLOSURES

These financial statements include the financial statements of the organization

Key management personnel

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

Total remuneration Ksh.24, 140,782

Number of persons 7 persons

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

The organization in this financial year has no capital commitments

Operating lease rentals

The National Museums of Kenya has no operating lease rentals for the financial year 2015/2016

21. FINANCIAL RISK MANAGEMENT POLICIES

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

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Financial risk management objectives

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

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Notes to Financial Statements

Interest rate risk

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

At 30 June 2016, if the interest rates on the bank balances had decreased/increased by 5 percentage points with all other variables held constant, the impact on surplus for the year would have been Shs.6,573,416 (2015: Sh.2,035,332) higher/lower.

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

Credit risk management

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

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

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

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

The amount that best represents the organization's maximum exposure to credit risk as at 30 June 2016 is made up as follows:

	Fully Performing	Past Due	Total
	Shs	Shs	Shs
Bank Balances	110,323,874	-	110,323,874
Trade Receivables	35,141,671	-	35,141,671
Short term Deposits	21,144,452	-	21,144,452
Staff Debtors	18,918,881		18,918,881
Total	185,528,878		185,528,878

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The amount that best represents the Centre's maximum exposure to credit risk as at 30 June 2015 is made up as follows:

	Fully Performing	Past Due	Total
	Shs	Shs	Shs
Bank Balances	34,605,664	-	34,605,664
Trade Receivables	89,626	-	89,626
Staff Debtors	15,183,424	-	15,183,424
Short term Deposits	24,120,210	-	24,120,210
Total	109,659,291		109,659,291

Liquidity Risk Management

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

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

As at 30 June 2016

	Less than	Over	Impaired	
	1 Year	1 Year		Total
	Shs	Shs	Shs	Shs
Payables	192,815,822	-	-	192,815,822
Total	192,815,822	-	-	192,815,822

As at 30 June 2015

	Less than	Over	Impaired	
	1 Year	1 Year		Total
	Shs	Shs	Shs	Shs
Payables	153,962,118	-	-	153,962,118
Total	153,962,118	-	-	153,962,118

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Exchange risk

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

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

	AMOUNT	AMOUNT
	In foreign Currency \$	Shs
At 30 June 2016		
US dollar bank account HQs	50,902.65	5,146,258
Us dollar bank account IPR	1,266.78	129,039
At 30 June 2015		
US dollar bank account HQs	11,051.89	1,185,634
US dollar bank account IPR	14,988.99	1,381,544

As at 30 June 2016, an increase/decrease of 10% in the Dollar exchange rates to the Kenya Shilling would have resulted in an increase/decrease in the deficit for the year of Kshs.527,530 (2015 Kshs.256,718).

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Notes to Financial Statements

1. The financial statements reflect material difference between the budget and actual amounts. Thus recurrent grant deficit of Kshs.95, 100 was as a result of failure by the parent Ministry to release full allocation of budget during the year. However, included in the receipt Kshs.53 million received in financial 2015/2016 includes balance owing by our parent Ministry for financial year 2014/2015. The total owing by our parent Ministry as at 30th June, 2016 stands at Kshs.53, 095,100.

In addition development grant has variance due to revenue recognition for revenue from non-exchange transactions where National Museums of Kenya defers unspent amount until spent. National Museums of Kenya received Kshs.116million for development budget out of which Kshs.4, 494,220 was revenue expenditure and Kshs.74, 091,175 was capital expenditure.

There was increase in internal revenue during year of Kshs. 2,962,152. This was as a result of land compensation by Kenya Highways Authority for compulsory land acquisition for the southern by pass of kshs.10million.

In relation to employee costs, repairs and maintenance and Board Expenses, there was a saving of Kshs. 50,573,855, Kshs.5, 565,235 and Kshs.2, 228,395 respectively while depreciation of Kshs.23, 781,742 was not budgeted and an over expenditure of Kshs31,890,887 on general expenses.

2. Changes from original budget are a consequence of government variations through supplementary budgets and at the same time budgetary cuts during normal budgetary process for both the recurrent and development grants. Subsequently, a number of other factors that affect our internal revenue generation also results to alterations in budget to enable the organization to continue with its operations with minimal interruptions.

3. The National Museums of Kenya budget was approved by the Ministry of National Treasury before implementation. Failure by Treasury to release full allocation through the parent Ministry of Sports, Culture and the Arts results to differences due to lapse of time.

4. The surplus of Ksh. 183,574052 represents unspent balances relating to personnel emoluments and recurrent expenses incurred but not settled during the year. The reserves of Ksh. 2,360,702,373 represents capital, revaluation and revenue reserves balances carried forward plus capitalized development grant for the year.

5. The development grant of Ksh. 116,000,000 received during the year was utilized to pay pending bills related to capital expenditure which was partially capitalised and expensed and balance carried forward to be utilised on the same during 2016/2017 financial year.

NATIONAL MUSEUMS OF KENYA
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XVII. 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 for 2013/2014 Financial Year. The nominated focal persons resolved 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)															
2014/2015	<p>PARAGRAPH 1: BUDGET AND BUDGETARY Revenue</p> <p>In the financial year 2014/2015, National Museums of Kenya realised a revenue shortfall of kshs485251589.00 or 30.17% as tabulated below:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Revenue Head</th> <th style="text-align: center;">Budget Kshs (m)</th> <th style="text-align: center;">Actual Kshs (m)</th> <th style="text-align: center;">Excess/shortfalls Kshs (m)</th> <th style="text-align: center;">Excess/shortfalls (%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Recurrent GOK grants</td> <td style="text-align: center;">630,000,000</td> <td style="text-align: center;">577,300,845</td> <td style="text-align: center;">(52,699,155)</td> <td style="text-align: center;">(8.36)</td> </tr> <tr> <td style="text-align: center;">Development GoK grants</td> <td style="text-align: center;">543,200,000</td> <td style="text-align: center;">65,360</td> <td style="text-align: center;">(543,134,640)</td> <td style="text-align: center;">(99.99)</td> </tr> </tbody> </table>	Revenue Head	Budget Kshs (m)	Actual Kshs (m)	Excess/shortfalls Kshs (m)	Excess/shortfalls (%)	Recurrent GOK grants	630,000,000	577,300,845	(52,699,155)	(8.36)	Development GoK grants	543,200,000	65,360	(543,134,640)	(99.99)	<p>It is true that National Museums of Kenya did not access Kshs52,699,155 and underspent in all voted provisions of employee costs, repairs and maintenance, and remuneration to Board of Directors and general expenses as per the auditors observations.</p> <p>The management has made a follow up with the parent Ministry of Sports Culture and the Arts.</p>	Director General and Financial Controller	Not yet resolved	Current Financial Year.
Revenue Head	Budget Kshs (m)	Actual Kshs (m)	Excess/shortfalls Kshs (m)	Excess/shortfalls (%)																
Recurrent GOK grants	630,000,000	577,300,845	(52,699,155)	(8.36)																
Development GoK grants	543,200,000	65,360	(543,134,640)	(99.99)																

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

Inter nal reven ue	280,0 00,00 0	390,5 82,20 6	110,5 82,20 6	39.49
Proje ct reven ue	155,3 63,11 4	155,3 63,11 4	0	0
TOT AL	1,608 ,563, 114.	1,123 ,311, 525	(485, 251,5 89)	(30.1 7)

The shortfall was attributed mainly to decline in development Government grants by Kshs.543,134,640.00 where the Museums had budgeted to receive Kshs543,200,000.00 but received only Kshs.65,360 which was also a reduction by 99.84% from Kshs.40,571,584.00 in 2013/14. Recurrent Government grants also declined by Kshs.52,699,155.00 from the budgeted figure of Kshs.630,000,000.00 to the actual receipt of Kshs.577,300,845.00 or 8.36%

EXPENDITURE

A comparison between the approved budget and the actual expenditure reflected in the statement of financial

NATIONAL MUSEUMS OF KENYA
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performance revealed that National Museums of Kenya under spent in all the voted provision as follows:-

Expenditure head	Budget Kshs	Actual Kshs	Over/(under) Kshs	Over/(under) %
Employees Costs	817,577,302	806,113,815	(11,463,847)	(1.40)
Depreciation	25,740,327	25,740,327	0	0
Repairs and maintenance	24,078,013	19,171,091	(4,906,922)	(20.38)
Remuneration to Board of Directors	8,102,722	7,172,499	(930,223)	(11.48)
General Expenses	307,445,533	253,169,237	(54,276,296)	(17.65)

NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

	<table border="1" style="width: 100%;"> <tr> <td style="width: 10%;">TOT</td> <td style="width: 10%; text-align: right;">1,182</td> <td style="width: 10%; text-align: right;">1,111</td> <td style="width: 10%; text-align: right;">(71,5</td> <td style="width: 10%; text-align: right;">(6.05</td> </tr> <tr> <td>AL</td> <td style="text-align: right;">,943,</td> <td style="text-align: right;">,366,</td> <td style="text-align: right;">76,92</td> <td style="text-align: right;">)</td> </tr> <tr> <td></td> <td style="text-align: right;">897</td> <td style="text-align: right;">969</td> <td style="text-align: right;">8)</td> <td></td> </tr> </table>	TOT	1,182	1,111	(71,5	(6.05	AL	,943,	,366,	76,92)		897	969	8)					
TOT	1,182	1,111	(71,5	(6.05																
AL	,943,	,366,	76,92)																
	897	969	8)																	
	<p>National Museums of Kenya underspent in all the voted provisions due to what management attributed to as the failure by the parent Ministry to remit their full allocations received from the National Treasury.</p> <p>PARAGRAPH 2: GOING CONCERN</p> <p>Despite National Museum of Kenya realizing a surplus of ksh.11,944,556.00 in 2014/15 compared to a deficit of ksh.72,685,586.00 reported in 2013/14, the situation did not improve in that the cumulative revenue reserve balance remained at negative kshs.413,894,448.00. Further, the statement of financial position reflects a negative working capital of kshs.210,075,322.00 as at 30th June 2015. As a result and as previously reported the financial statements have been prepared on a going concern basis which assumes continued financial support from the Government and its creditors.</p>	<p>It is true that a surplus of Kshs. 11,944,556.00 was realized in the year ending 30th June 2015 which brought the cumulative revenue reserve balance to a negative of Kshs 413,894,448 and a negative working capital of Kshs. 210,075,322.00 as at 30th June 2015. This was as a result of continued budgets cuts by the government.</p> <p>The auditors' observation reflects the true position of NMK. The management during the financial year 2015/2016 has tried to put strategies in place by requesting for supplementary budget to the National Treasury to enable pay off the long outstanding pending bills of the suppliers and contractors and even to fully service its payroll so that the</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved But we received supplementary to cater for payroll</p>	<p>Current Financial Year</p>															

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	<p>PARAGRAPH 3 : PROPERTY, PLANT AND EQUIPMENT</p> <p>(i) Land without Ownership Documents</p> <p>As reported in 2013/14, the property, plant and equipment balance of kshs.2,791,316,618.00 reflected in the financial statements as at 30th June 2015 include an amount of kshs.1,575,127,445.00 relating to the value of one hundred and ten (110) parcels of land spread across the country out of which thirty seven (37) had title deeds, thirty eight(38) though surveyed had not been registered in the name of National Museums of Kenya, thirty three (33) remained unsurveyed and without ownership documents while remaining two (2) others were in dispute.</p> <p>In the circumstances, it has not been possible to confirm whether the carrying value stated in the financial</p>	<p>internally generated revenue can be fully utilised for operation and maintenance.</p> <p>The NMK management is also working on new revenue streams and controlled expenditure to enhance proper cash flow management that will address the going concern</p> <p>(i) It is true that the Property, Plant and Equipment balance of Kshs. 2,791,316,618 as at 30th June 2015 included 110 parcels of land spread all over the country out of which only thirty nine (39) had valid title deeds. So far, NMK has managed to acquire 40 title deeds while others are in the process of being surveyed as funds become available.</p> <p>The Management has put aside some funds to obtain a few title deeds in 2016/2017 financial year. However, Management still requires KShs. 1billion in the coming budget in order to address the issue.</p>	<p>Board of Directors and Director General</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
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NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

<p>statements reflect the fair values of the properties as at 30th June 2015.</p> <p>(ii) IRREGULAR ALLOCATION OF MUSEUM LAND TO PRIVATE DEVELOPERS</p> <p>As also reported in 2013/14, the statement of financial position as at 30th June 2015(Note 14) reflects an amount of kshs.1, 575,127,445.00 relating to the value of land. However, emerging evidence indicates that several parcels of the National Museums of Kenya land undetermined value have been encroached upon and allocated to third parties as detailed in Appendix 1. The management has on numerous occasions petitioned the National Lands Commission to resolve the issues regarding its land that is in dispute or encroached upon without much success.</p> <p>PARAGRAPH 4 SHORT TERM DEPOSITS</p> <p>The statement of financial position current assets' balance of kshs.73, 863,618.00 includes short-term deposits of kshs. 21,144,452.00 as at 30th June 2015 invested in a commercial bank. According to Note</p>	<p>(ii) As per the auditors' observation, it is true and NMK management is still pursuing the issue with the National Land Commission and other relevant authorities. Nmk management has also employed a full time surveyor to help address some of these issues</p> <p>It is true that the short term deposits of Kshs. 21,144,452 as at 30th June, 2015 invested in commercial bank earned NMK an interest of Kshs.92,457 during the financial year 2014/2015.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
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NATIONAL MUSEUMS OF KENYA
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	<p>11 to the financial statements the short-term deposits earns a fluctuating interest rate on monthly basis. During 2014/15 only an interest of kshs.92, 457.00 or about 0.44% per annum is shown as having been earned for investments. In the circumstances, the interest on the short-term investments/deposits does not appear to have been properly negotiated.</p> <p>PARAGRAPH 5: RECEIVABLES FROM EXCHANGE TRANSACTIONS</p> <p>The statement of financial position as at 30th June 2015 reflect under receivables from exchange transactions a balance of kshs.17,223,546.00 which includes kshs.11,113,920.80 in respect of unsurrendered imprests, kshs. 92,762,728.80 were overdue by one (1) year contrary to paragraph 3.1.2.1 of the Museums' Quality Systems Procedure Manual. Further, the receivables from exchange transactions decreased from kshs.26, 769,141.00 in 2013/14 to kshs. 17,223,546.00 As at 30th June 2015. However, Note12 to the financial statements cited did not provide reasons for the kshs. 9,545,595.00 or 35.66% decrease.</p>	<p>The National Museums of Kenya Management has decided to withdraw the investment during the 2016/2017 financial year and utilise the funds for other operation and maintenance functions.</p> <p>It is true that the statement of financial position as at 30 June 2015 reflected Kshs. 17,223,546.00 under receivables from exchange transactions which included outstanding imprests of Kshs. 11,113,920.00 some of which were overdue by over one year. Some of the imprests had been applied to undertake activities which extended beyond 30th June 2015 while others were held by staff members who resigned as per the attached schedule.</p> <p>In addition, these receivables had decreased by Kshs.9,545,595 (35.66%) from the previous financial year. This decrease was due to the change in presentation of the financial statements</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
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NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

	<p>PARAGRAPH 6: TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</p> <p>As reported in the previous year, the statement of financial position reflect total current liabilities balance of kshs.283,938,940.00 out of which trade and other payables from exchange transactions amounted to kshs. 268,574,854.00 As at 30th June 2015. The trade and other payables from exchange transactions balance of kshs. 268,574,854.00 comprised mainly of unremitted statutory deductions and other third party payments totalling kshs. 134,612,990.59 and kshs. 19,335,627.45 respectively as tabulated below:-</p> <table border="1" data-bbox="315 1230 792 1417"> <thead> <tr> <th>Other payables 2014/2015</th> <th>Amount (Kshs)</th> <th>Third Party payments (Kshs)</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Other payables 2014/2015	Amount (Kshs)	Third Party payments (Kshs)	Amount (Kshs)					<p>as per the requirements in the International Public Sector Accounting Standards (IPSAS) that un received government grants should not be included as receivables. Other trade receivables decreased due payment of the salary advances and surrender of imprests.</p> <p>It is true that the financial position reflected total current liabilities balance of Kshs. 283,938,940.00 as at 30th June 2015 out of which trade and other payables from exchange transactions amounted to kshs. 268,574,854.00 As at 30th June 2015. The trade and other payables from exchange transactions balance of kshs.268,574,854.00 comprised mainly of unremitted statutory deductions and other third party payments totalling kshs. 134,612,990.59 and kshs. 19,335,627.45 respectively. However Nmk management confirms that the statutory obligations were all paid by their due dates hence avoiding penalties and interest that may arise on failure to comply.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
Other payables 2014/2015	Amount (Kshs)	Third Party payments (Kshs)	Amount (Kshs)										

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PAYE	15,910,439.00	Kumbu kumbu society	6,387,783.00				
NHIF	86,915.00	Welfare societies	5,347,412.55				
Pension	69,037,738.00	Bank loans	5,933,040.90				
Union dues	128,088.00	Other co-operatives	575,668.00				
Misc. deductions (others)	1,735,402.34	Hire purchase	23,723.00				
Misc. deductions (insurance)	651,094.00	Sub-total	18,267,627.45				
Contra accounts	25,573,802.00	Rent deposit received	1,068,000.00				
VAT Control account	6,174,824.00						
Provision for	1,056,356.20						

NATIONAL MUSEUMS OF KENYA
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royalties			
SAYE	41,870.50		
Salary control account	14,216,461.55		
TOTAL	134,612,990.59	TOTAL	19,335,627.45

The failure to remit statutory deductions has been attributed to budget cuts and declining revenue collections. However, efforts should be made to make prompt remittances of employee deductions to avoid interests and penalties.

(ii) Included in the trade and other payables from exchange transactions balance of kshs. 268,574,854.00 as at 30th June 2015 is kshs.114, 729,736.00 owed to contractors and various suppliers of goods and services which are likely to attract interest and court actions. As previously stated the aging analysis provided in support of the trade and other payables from exchange transactions balance of kshs.268, 574,854.00 as at 30th June 2015 indicated that some of the pending bills

(ii) It is true that trade and other payables from exchange transactions amounting to Kshs.268,574,854.00 relating of which Kshs.114,729,736.00 is contractual obligations and pending bills remained outstanding as at 30th June 2015. These bills which are dated far back in 2006 had pending queries which the suppliers had not addressed.

The NMK Management through the supplementary request to the National Treasury managed to be allocated some

NATIONAL MUSEUMS OF KENYA
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	<p>date as far back as FY 2006/2007.</p> <p>PARAGRAPH 7: DEFERRED DEVELOPMENT GRANT As disclosed in Note 17(a) to 2014/15 financial statements, an amount of kshs.219, 821,471.00 (kshs.228, 861,411.00 in 2013/14) is indicated as deferred development grants committed but not spent. The development grant is stated as having been credited to the statement of financial performance on basis of the amount spent. The unspent amount is then deferred until spent. Information obtained indicates that the development grants were used to cater for what was described by management as shortfall in salaries. Consequently, some development projects remained unpaid and/or unimplemented.</p> <p>Qualified Opinion In my opinion, except for the effect of matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Museums of Kenya as at 30th June 2015, and of its financial performance and its cash</p>	<p>funds that enabled the organization to settle partial contractual obligations though with interest due to failure to comply</p> <p>It is true that deferred grants as at 30th June, 2015 were Kshs. 219,821,471.00. The amount was an accumulation from previous years which had been used to cater for salary short fall as the institution awaited for the government to increase the budgetary allocation.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
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NATIONAL MUSEUMS OF KENYA
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	<p>flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the National Museums and Heritage Act, 2006 of laws of Kenya.</p> <p>Other matter</p> <p>1. Heritage sites and monuments in danger of collapse</p> <p>In the last Parliamentary Investments Committee (PIC) meeting held on 17th September 2015 the National Museums' of Kenya Director General (DG) enumerated the various challenges faced by National Museums of Kenya (NMK) which included:-</p> <ul style="list-style-type: none"> • Lack of adequate funding from the National Government especially on development. • Slump in tourism, in the last five years as a result of frequent travel advisories and security threats and; • Critical staff haemorrhages where in the last one year, over ten (10) PhD-level research scientists had left NMK for greener pastures posing a great risk to quality of research being undertaken in the institution. <p>This state of affairs the DG emphasized</p>	<p>It is true that the National Museums of Kenya Director General has made persistent efforts to the Government of Kenya for a rescue package to get sufficient funds to rescue the operations of the Museums His tireless efforts has yielded to fruits whereby the organization managed to get that has enabled the Museums to fully service its payroll and partially paid contractual obligations.</p> <p>The NMK management also managed to submit requests for this current financial year and the National Treasury allocated Museums some funds for renovation of National Monuments, including sites of world importance such as Fort Jesus, Vasco Da Gama pillar and the Kenyatta Houses in Maralal, Lokitaung, Lodwar and Kapenguria. The management will be able to restore these historic sites upon receipt of the funds from the National Treasury and continue to work with the</p>			
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NATIONAL MUSEUMS OF KENYA
Notes to Financial Statements

<p>if not urgently addressed would impact negatively on National Heritage in the following manner:</p> <ul style="list-style-type: none"> • Disintegration of National Monuments, including sites of world importance, such as Fort Jesus and Lamu World Heritage sites, the Kenyatta Houses in Maralal, Lokitaung, Lodwar and Kapenguria. • The Nation would lose its collective national memory through deterioration of irreplaceable national collections estimated at around six (6) million objects and specimens which represents our paleontological, archaeological, ethnographic, historical, botanical, and zoological heritage. <p>Dilapidation and disintegration of National monuments was confirmed during our audit inspections carried out in coastal, Eastern, Western and North and South Rift regions between September and October 2015.</p> <p>In order to address this and several other challenges and put the Museums back on track, the management requires budgetary allocation of kshs. 800million. The PIC requested the management to urgently seek a</p>	<p>government for more funding to enable restore the lost glory of the organization.</p>			
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NATIONAL MUSEUMS OF KENYA
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	<p>supplementary budget during fiscal year 2014/15 for which the Director General unsuccessfully sought for an initial kshs.350 million.</p> <p>Consequently, the National Museums of Kenya requires urgent funding to mitigate the risk of losing the Heritage sites and National Monuments.</p> <p>2. Management of motor vehicles</p> <p>(i) Grounded motor vehicles</p> <p>Although Section 129 of Public Procurement and Disposal Act, 2005 provides guidelines and procedures for disposal of unserviceable and obsolete stores and equipment, a physical audit inspection exercise carried out at various locations in the country revealed that seventeen (17) motor vehicles with undetermined values were lying at various yards for several years.</p> <p>Apart from clear deterioration in value, such vehicles are also occupying prime space at various museums' stations, which would otherwise be utilized for other purposes. However, the management indicates that the institution is financially challenged in that its internally generated revenue is not sufficient to cater for their operational and maintenance costs.</p>	<p>(i)The NMK management in the year just ended disposed of a number of vehicles not useful to the organization and at the same time has repaired its fleet now up and running. The NMK management has also redeployed the right personnel to man its fleet hence the change.</p>			
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NATIONAL MUSEUMS OF KENYA
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	<p>I. Unaccounted for motor vehicles</p> <p>Analysis of lists provided by various departments indicates that the museums had a total of one hundred and three (103) motor vehicle and twelve (12) motor cycles. However, only thirty six (36) motor vehicles were recorded in the assets register and none of motor cycles were recorded.</p> <p>During the physical audit inspection of motor vehicles at various stations, forty one (41) were physically seen out of which twenty one (21) were not among the thirty six (36) recorded in the assets register. Twenty nine (29) motor vehicles were neither included in the assets register nor included in the list of disposed motor vehicles and were also not physically availed for audit inspection.</p> <p>Further, twenty six (26) motor vehicles and two (2) motor cycles were included in the list of disposed assets. However, the method of disposal was not disclosed and as a result it has not been possible to confirm the values and/ or the amounts realized from their disposal.</p> <p>It is therefore apparent that the motor vehicles/cycles records are not properly maintained and several motor vehicles and motor cycles have not been</p>	<p>It is true as per the auditors observation regarding motor vehicles and motor cycles recorded in asset register. However, it is an institutional policy not to record project vehicles in the asset register since Museums has no control over them.</p>			
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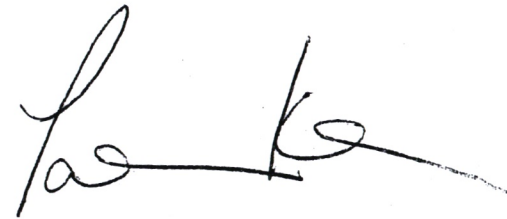
NATIONAL MUSEUMS OF KENYA
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	<p>accounted for. This situation is attributed to donated motor vehicle/cycles given to specific projects' which are surrendered at the completion of the projects. However, the allegation has not been reconciles and collaborated by asset register information. My opinion is not qualified in respect of the matters.</p>				
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Director General

Date: 22nd September, 2016.



Chairperson of the Board

Date: 22nd September, 2016.

