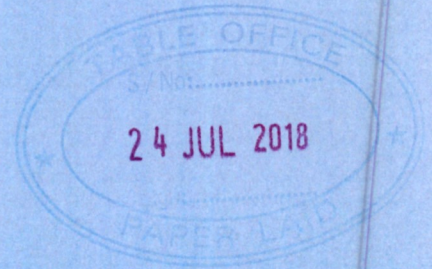


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid on the
Table of the House
by the Leader of the
Majority Party on
Tuesday*

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

24th July 2018

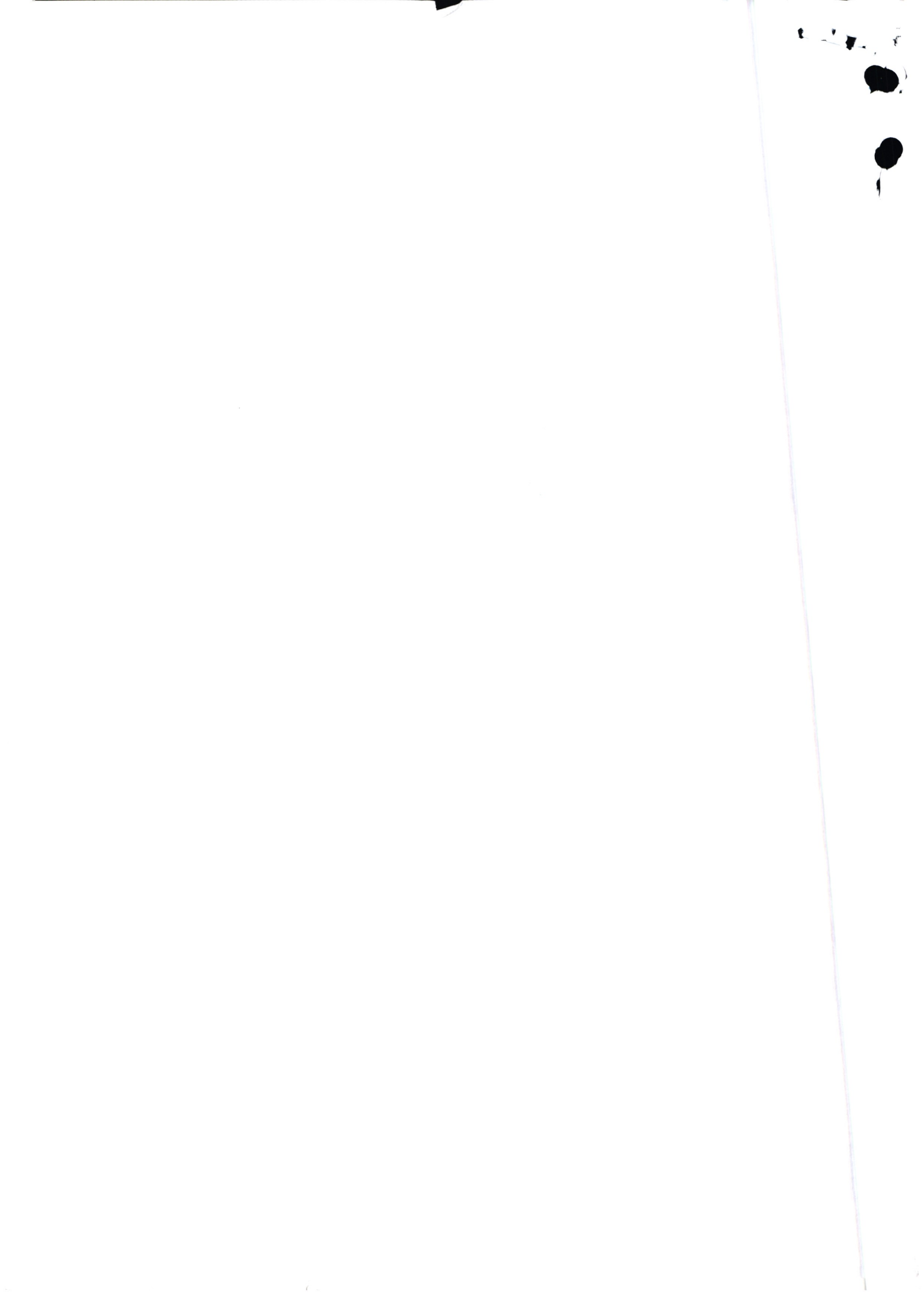
(Afternoon)

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL MUSEUMS OF KENYA**

**FOR THE YEAR
ENDED 30 JUNE 2017**



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, 2017

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

NATIONAL MUSEUMS OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Museums of Kenya is a State Corporation established by an Act of Parliament, National Museums and Heritage Act (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-

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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 2017 and who had direct fiduciary responsibilities were:

No.	Designation	Name
1.	Director General	Dr. Mzalendo N. Kibunja (CEO)
2.	Director DMSM	Dr. Purity W. Kiura
3.	Director DNRR	Prof. Mary Gikungu
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. Ad hoc Committees

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

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(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. Dr. Kahumbu holds national and international positions on boards and foundations and runs a successful wildlife conservation organisations.



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: 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.

Currently Dean School of Science at Garissa University College. Prof. Golicha is an established author.






Board Member

Professor Nandi Ogado 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.

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	<p>Board Member</p> <p>Professor Ephraim Wachira Wahome, department of History and Archeology, University of Nairobi. Born on 9th October, 1959.</p> <p>Doctor of Philosophy (PhD) in Archeology - Australian National University, M.A. university of Calgary, Canada and B.A. University of Nairobi. Specialization - Heritage Conservation</p>
	<p>Board Member</p> <p>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.</p>
	<p>Board Member</p> <p>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.</p> <p>Prof at School of Agriculture and Veterinary Sciences, South Eastern Kenya University (SEKU).</p>

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	<p>Board Member</p> <p>Ms Fleur Arabelle Ng'weno, born on 3rd June, 1938 holds a Bachelor degree in Conservation, University of Michigan Ann Arbor, Michigan, USA.</p> <p>Currently, an Editor, Author and Naturalist. She has 40 years' experience in editing publications.</p> <p>Present position: Hon. Secretary, Nature Kenya – the East Africa Natural History Society.</p>
	<p>Board Member</p> <p>Mr. Elisha Kibacia Gatu, born on 2nd November, 1951. Bachelor of Education in Fine Art, University Of Nairobi</p> <p>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.</p>
	<p>Board Member</p> <p>Dr. Lanoi Jane 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.</p> <p>Global University for Action learning in California-USA Professional Doctorate in Leadership Development.</p> <p>Current position – Executive Director ENAI - Africa.</p>

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	<p>Board Member</p> <p>Mr Stephen Karani, born in 1964 holds a Master’s degree in Business Administration, Bachelor of Arts and Diploma in Financial Management. He was appointed to the Board in May 2017 and represents the Principal Secretary, State Department of Arts & Culture in the Ministry of Sports, Arts & Culture.</p> <p>He has over 25 years’ experience in Corporate Governance, having served as an Alternate Director for The National Treasury in the Board of Trustees for Kenya Wildlife Service from 2006 to June 2015 and Bomas of Kenya Board from year 2005 to June 2015.</p> <p>Currently, he is the Head of Finance in the State Department of Arts & Culture, Ministry of Sports, Arts & Culture.</p>
	<p>Board Member</p> <p>Dr. Betty Radier, born on 21st April, 1968. Chief Officer Kenya Tourism Board.</p> <p>She holds a PhD from the University of Cape Town, Graduate School of Business in Entrepreneurship and Small Business Development, an MBA in Strategy and Finance from the University of Nairobi and a Bachelor’s Degree in Design from the University of Nairobi.</p> <p>With 20 years’ experience in senior-level Strategic Marketing and Operations role; developing strategies for local and global brands and businesses in Nigeria, Tanzania, Uganda, Kenya, Indian Ocean Islands and the Ivory Coast.</p>
	<p>Secretary to the Board</p> <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, language and was external examiner in various Universities.</p>

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>

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Prof. Mary Gikungu holds a PhD in Natural Science and Mathematics (University of Bonn, Germany), M.Sc. in Conservation Biology (University of Nairobi) and Bsc in Botany and Zoology (University of Nairobi). She has published over 40 papers in peer-reviewed journals.

Currently, Director, National Repository and Research. She is a renowned Bee Specialist and a Conservation Biologist with wide experience in ecosystem services, climate change, environmental health and food security.

She is a Lead Author (LA) in Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES), member of Platform for Agricultural Research (PAR) –under FAO and a Mentor in African Women in Agricultural Research and Development (AWARD). In addition, she has been a Council Member of Kibabii University.



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.

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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. CHAIRPERSON'S STATEMENT

This financial year has seen us make great strides in taking steps to preserve our National Heritage. One of our greatest achievements was acquiring funds to construct the sea wall around Fort Jesus National Monument which is also a World Heritage Site. The Board of Directors and Management of the National Museums of Kenya prioritized the preservation of this important historical site that is a major tourist attraction in the Coast Region, which was under threat from the sea waves.

As we close this financial year 2016/2017, we still have a lot of work ahead of us as we usher in the New Financial Year 2017/2018. We will focus on renovations of other historic sites that require urgent maintenance and are factored in the budget. There is need to launch groundbreaking exhibitions and run innovative programmes which engage our audiences. All of this work will shed new light on how we understand our culture and heritage. To fulfill our work and meet public demand we need to attract new Sponsors and become even more enterprising in the way we generate income through our admission fees and corporate hire opportunities.

At the end of this financial year on 30 June 2017, the National Museums of Kenya after a long time has managed to have a fully serviced payroll and ensured timely payment of salaries and remittances of statutory deductions amongst other requirements. I thank the National Treasury and our parent Ministry of Sports, Culture and the Arts for their continued support.

Our financial performance continues to improve despite challenges the National Treasury faces in releasing to us allocated funds in full. In the just concluded financial year , the NMK was allocated development grant Kshs.300 Million but only Kshs.150 Million was released . These are funds meant for capital expenditure. The Management continues to seek for more financing to enable it undertake major maintenance.

I look forward to the coming year. We have a great deal to do. I wish to congratulate the Director General and his entire team of management for putting NMK back on track. As I have said before: the National Museum of Kenya wishes to be the thread that binds Kenya's past, present and future, and continues to be the custodian of Kenya's great rich heritage.

Dr. Paula Kahumbu

Chairperson

Date: 19th December 2017

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.

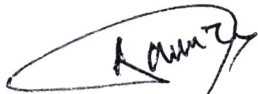
Our National Heritage is too important a resource to be left to disintegrate as it is what constitutes our national collective memory and defines us as a people. In order to address some of these challenges and put the institution back on track, National Museums of Kenya has made a number of changes 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 2016/2017, 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.

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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.



Mzalendo N. Kibunjia, PhD, EBS.
Director General
Date: 19th December, 2017

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

The Audit & Risk Management Committee forms a key element in the governance process by providing an independent expert assessment of the activities of top management, the quality of risk management, financial reporting, financial management and internal audit, to the board of directors.

Membership of this committee comprises;

1. Professor Thomas Ekamais Akuja- Committee Chairperson
2. Professor Hussein Sheikh Adams Golicha
3. Professor Ephraim Wachira Wahome
4. Mr. Elisha Kibacia Gatu
5. Mr. Stephen Karani
6. Mr. John Nderitu Mwangi

The Finance and Establishment committee

The Committee is the prime mechanism through which the Board of Directors of National Museums of Kenya (NMK) ensures that the institution's decisions, policies and practice in relation to Finance, HR, procurement, infrastructural development and all processes are in full compliance with relevant policies, and statutory requirements, regulations, Mwongozo Code of Governance as well as the Board Charter.

Membership of this committee comprises:

1. Mrs Fleur Arabelle Ng'weno - Committee Chairperson
2. Prof.Ephraim Wachira Wahome- Member and alternate chair
3. Mr. Stephen Karani
4. Mr. John Nderitu Mwangi
5. Dr. Betty Addero Radier
6. Prof. Jacob Nandi Ogodo Manyasa

Research Committee

The Research Committee of the Board generally deliberates all matters pertaining to research policy and management.

Membership of this committee comprises;

- 1) Professor Nandi Ogodo Manyasa- Committee Chairman
- 2) Professor Hussein Sheikh Adams Golicha
- 3) Professor Thomas Ekamais Akuja
- 4) Professor Ephraim Wachira Wahome
- 5) Dr. Moses Kipngeno Rugutt
- 6) Mr. Elisha Kibacia Gatu

ADHOC COMMITTEE (as and when formed)

Adhoc committees may be formed for different tasks as determined by the Board for example conducting of interviews for senior staff.

All board committees make recommendations to the full Board of Directors for consideration.

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

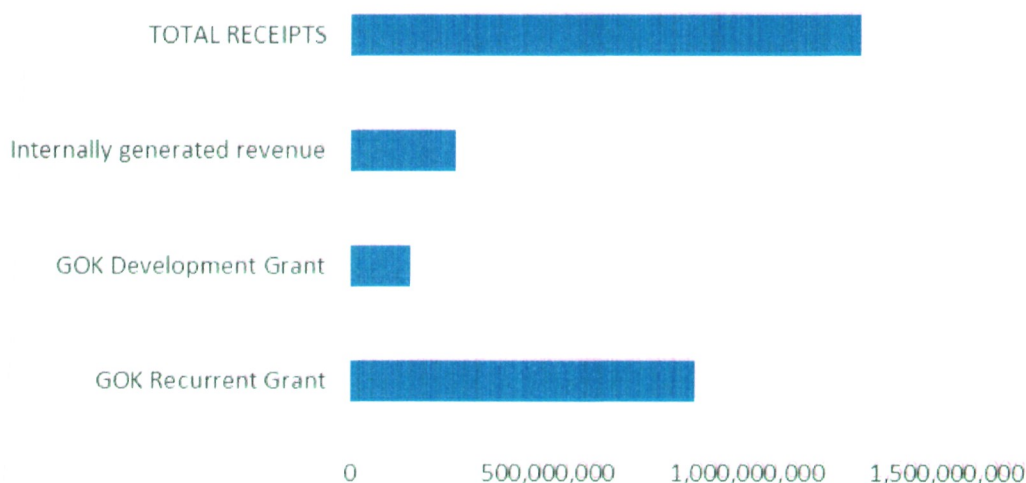
The aggregate amount paid to Directors allowances for services rendered during 2016/2017 financial year are disclosed in the notes to the financial statements. There were no Directors loans at any time during the year.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The Entity's Operational and Financial Performance

The National Museums of Kenya internally generated revenue for twelve months stood at Kshs 290,158,388 Government of Kenya personnel and development grants at Kshs870, 000,000 and Kshs 150,000,000 respectively. The Management noted that the organization heavily relies on revenue from non-exchange transactions which caters for its personnel emoluments as indicated in the charts below.

RECEIPTS 2016/2017 FINANCIAL YEAR



TRENDS IN REVENUE GENERATION

Demand for efficient revenue collection

NMK has witnessed an increase in revenue collection points comprising of gate, rentals, laboratory, hire of its facilities and others. This necessitates a paradigm shift in the focus on effective and efficient revenue collection methods to improve service delivery to the public as we maximise on revenue collection. To handle these new challenges, the NMK is in the process of setting up MPESA pay points, PDQ machines in all its revenue collection points and still explores how to install and operationalize the Enterprise Resource Planning System.

Electronic Fund Transfer

As the world has become a small village with ICT and our country Kenya embracing it, NMK has no choice but to cope up. NMK has also embraced EFT's, mobile money as a mode of

settlement of payment. Mobile money has not only enhanced security and efficiency of money transfer but is also the most accepted means of settling bills as well as money transfer.

Private Museums

The demand for services has motivated the establishment of private Museum facilities. Private Museums invested heavily on modern entertainment and refreshing facilities attracting visitors to their sites. NMK is therefore left with a small percentage of visitors. This has created financial burden resulting from the cost incurred to offer services. To maintain and attract visitors, there is need to allocate funds to replace exhibitions and other modern facilities to improve on quality of services rendered.

CHALLENGES AND OPPORTUNITIES

Physical infrastructure and Equipment

Most of the equipment used in the Laboratories are old and of obsolete technology. The physical infrastructure is old and dilapidated and available resources by the organization are not sufficient for repair and maintenance. The availability and functionality of laboratory equipment and infrastructure is critical in research. It is important that funds be allocated to replace the equipment and improve the infrastructure to avoid disruptions in service delivery.

Title Deeds

NMK is charged with the responsibility of Heritage management in the country. In the process the various governments have continued to allocate NMK parcel of land for preservation of historic sites. The acquisition of title deed for these allotments has been a great challenge to the organisation. Hence the value of its assets in the financial statements does not reflect true state of affairs.

Automation of an Enterprise Resource Planning System

The National Museums of Kenya having several revenue stations across the country still operates manually. This makes it difficult to ascertain the total receipts and expenditure at any given period. This may lead to loss of revenues through pilferages at the various collection points hence posing a challenge for management to put or improve on their internal controls timely.

Marketing

The organization having been in existence over a century, it still faces the challenges of

positioning itself in the industry. This is attributed to available meagre resources for operations and maintenance.

CORPORATE CITIZENSHIP

Reading and writing culture

The National Museums of Kenya in partnership with Writers Guild Kenya, a writer's Incubation centre, aim to promote writing and reading cultures among the Kenyan youth and ensure growth of writing and writing through collaborative efforts. The partnership has seen NMK Libraries receive book donations and has been positively promoting NMK Work through the media.

Promoting Mushroom Farming

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.

Globe Wetland Project

It 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.

International Museum Day Celebration

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.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

National Museums of Kenya is a responsible corporate citizen. The department of Resource Centre attended the Abasuba Cultural Festival on 22nd and 23rd December 2016 at Kamasengere Primary School in Rusinga Island. Besides attending the festival, the Elimu Asilia team sought further information and clarification to augment the ‘Abasuba Pictorial History’. The objective was to collect and fill the information gap in the ‘Abasuba Pictorial History Exhibition’ currently displayed at the Kisumu Museum and Tom Mboya Mausoleum. In addition, they managed to capture images of traditional foods, dances, songs, boat racing and other cultural practices among others to fill some of the information gap identified during the launch of the exhibition.



Boat Race



Dance Troupe from Kisumu Museum



Local and foreign visitors at the Suba food tent

Wetlands are biologically significant habitats since they support a large number of plants and animals. The seemingly “unused” wetland reserves, prolonged periods of water availability and relatively fertile soils contribute to the potential of wetlands being intensively used for agricultural production. However, if unsustainably used most of the otherwise critical functions of wetlands would not be sustained. The Globe wetland Project which is being implemented in Rumuruti (Laikipia), aims to generate information for sustainable use of these resources. The multidisciplinary project is generating information that later will be fed into policy and management structures for the management of wetlands. The integration of actors from development and policy into the research process and a strong capacity building component ensures the application of the findings both within the county and region since it is a regional project. The project has had a significant input into capacity building for young Kenyan scientists at graduate level, the majority of whom are NMK staff. So far 6 of NMK staff are

almost completing their MSc or PhD sponsored by the project.



National Museums of Kenya is working with communities to empower them on Mushroom cultivation and produce high quality low cost mushroom spawn (mushroom seeds).

Mycology section under the Botany Department engages in research focused on wild mushroom collections, taxonomy, documentation and management of the collections. Besides these activities, the section is involved in the production of high quality mushroom spawn (seed) and extension of information to mushroom farmers (visiting) in Kenya. Mushroom spawn is one of the products that is a challenge to mushroom farming in Kenya since some farmers rely on imported spawn which is therefore expensive and unreliable. Mushroom farming in Kenya is also at its infancy lacking diverse mushroom species under cultivation compared to other countries where over 10 species are cultivated. In this light mycology section is making effort to

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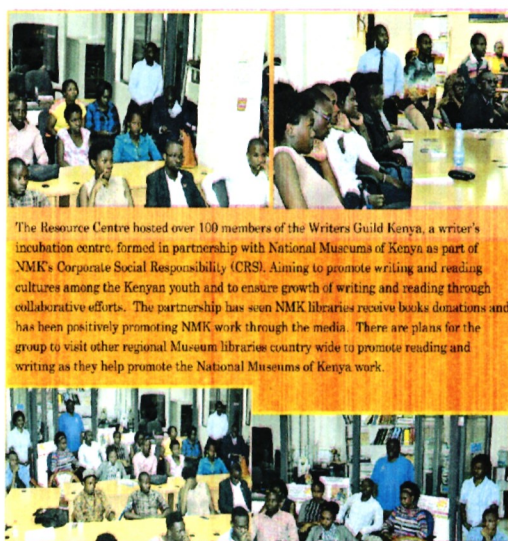
research on the wild edible mushroom varieties with desirable characteristics (good regional adaptability, high yield and low susceptibility to pests and diseases for possible domestication. Culturing and propagation of the exotic and wild edible mycelium(WEM) has been going on in the section also as a way of conserving the wild germplasm since forest habitat are rapidly being destroyed alongside this biodiversity of WEMs. Cost of Mushroom spawn is kshs 600 /kg



Ongoing mycelium culturing and spawn production of oyster mushroom in the laboratory

The National Museums of Kenya participates in creation of awareness to the general public through various forums. For instance, The Ivory Belongs To Elephants Marsabit Walk 2017, by the Elephants Neighbors' Centre was flagged off at the National Museums of Kenya aimed at raising awareness of endangered African elephants and rhinos.

The Resource Centre has been on forefront to ensure National Museums of Kenya is actively engaged in Corporate Social Responsibility. This financial year it hosted the Writers Guild Kenya.



The Resource Centre hosted over 100 members of the Writers Guild Kenya, a writer's incubation centre, formed in partnership with National Museums of Kenya as part of NMK's Corporate Social Responsibility (CSR). Aiming to promote writing and reading cultures among the Kenyan youth and to ensure growth of writing and reading through collaborative efforts. The partnership has seen NMK libraries receive books donations and has been positively promoting NMK work through the media. There are plans for the group to visit other regional Museum libraries country wide to promote reading and writing as they help promote the National Museums of Kenya work.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Organizations affairs.

Results

The results of the Organizations for the year ended June 30, 2017 are set out on page 32 to 35

Board of Directors

The members of the Board of Directors who served during the year are shown on page 6 to 9

Auditors

The Auditor General is responsible for the statutory audit of the organization in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Chairperson

Date: 19th December 2017

X.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, 2017.

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, 2017 and of the organization's

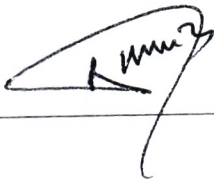
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financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the organization, which have been relied upon in the preparation of the organization financial statements as well as the adequacy 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 19 December, 2017 and signed on its behalf by:



Director General

Chairperson of the Board

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR GENERAL ON NATIONAL MUSEUMS OF KENYA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Museums of Kenya set out on pages 32 to 84, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of National Museums of Kenya as at 30 June 2017, 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 Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Qualified Opinion and Other Matter sections of my report, I confirm that nothing has come to my attention to cause me believe that public money has not been applied lawfully and in an effective way.

Basis of Qualified Opinion

1. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.2,936,723,973 as at 30 June 2017 out of which Kshs.1,575,127,445 is in respect of value of one hundred and fifty (150) parcels of land spread across the country. As previously reported, only forty-three (43) parcels have title deeds while the remaining 107 parcels had either partial or no ownership documents at all as follows:

Report of the Auditor General on the Financial Statements of National Museums of Kenya for the year ended 30 June 2017

No. of parcels of Land	Status
56	Gazetted heritage sites reserved for Museums but have no ownership documents
23	Surveyed but have not been registered in the name of National Museums of Kenya
12	Land without documents but in use by the National Museums
10	Not surveyed but have letters of allotment
6	Proposed sites for Museums development but not gazetted
107	With partial or no ownership documents

In the absence of proper ownership documents, the security of the 107 parcels could not be guaranteed considering that many parcels had been encroached upon by outsiders, some have disputes and others grabbed by private developers.

In view of the foregoing, the accuracy, valuation, ownership and completeness of the plant, property and equipment of Kshs.2,936,723,973 disclosed in the financial statements could not be confirmed.

2. Going Concern /Sustainability of Services

As stated in previous years, the financial statements of National Museums of Kenya continue to reflect deficits in the year under review. The statement of financial performance for the year ended 30 June 2017, reflects a deficit of Kshs.101,646,479 while the statement of changes in net assets reflects a negative balance of Kshs.331,966,875 in respect of revenue reserves. The statement of financial position further reflects a negative working capital of Kshs.98,191,635.

In the circumstances, the National Museums of Kenya operated a negative working capital during the year under review and the financial statements have been prepared on assumption of continuing support from the Government and creditors.

3. Cash and Cash Equivalents

3.1 Difference between the Financial Statements and Bank Reconciliation Statements

The statement of financial position as at 30 June, 2017 reflects an amount of Kshs.121,992,723 in respect of cash and cash equivalents. However, the bank reconciliation statements for Fort Jesus Museum and Standard Chartered Bank (SCB) Kisumu indicates balances of Kshs.1,684,607 and Kshs.248,560 respectively, while the financial statements under Note 11(a) reflects Kshs.37,440,801 for the Fort Jesus Museum and Kshs.241,835 for SCB Kisumu, resulting into unreconciled cumulative difference of Kshs.35,762,918 between the two sets of records.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.121,992,723 reflected in the statement of financial position as at 30 June 2017 cannot be confirmed.

3.2 Unreconciled Bank Balances

Note 16 to the financial statements as at 30 June 2017 indicates that various banks were overdrawn by a total of Kshs.29,392,242. However, examination of certificates of bank balances did not reflect any evidence of overdrawn accounts. In addition, the figures shown in the bank reconciliation statements and certificate of bank balances in respect of the accounts differed as shown below:

Account Name	Account No.	Amount in Financial Statement Kshs.	Reconciled Cashbook Balances Kshs.	Balances as per Bank Certificate Kshs.
-	0108035107900	(18,869,582)	6,125,602.55	10,168,625
Commercial	0108035436500	-	-	-
IPR Project	0102044700000	-	-	-
Development HQs	1106829379	(8,767,648)	5,188,075.54	5,123,975.54
Salaries	0108033746400	(1,755,012)	(1,755,012)	2,177,556.10
Total		(29,392,242)	9,558,666.09	17,470,156.64

In the absence of documentation to confirm the existence of the bank overdraft balance of Kshs.29,392,242, the accuracy of the current liabilities total balance of Kshs.257,992,604 could not be confirmed.

4. Outstanding Rent Income

The statement of financial performance as at 30 June 2017 includes an amount of Kshs.290,158,388 in respect of other incomes. Included in the balance is rent income of Kshs.38,936,309 as disclosed in Note 5 to the financial statements. Records examined indicated that a number of commercial and staff tenants in various rental houses had outstanding rent arrears of Kshs.6,583,186 with some dating back to 2013/2014 financial year. As at the time of audit in March 2018, amounts totalling Kshs.3,946,224 had been recovered leaving a balance of Kshs.2,636,962 outstanding.

No action appears to have been taken against the rent defaulters.

5. Deferred Development Grant

The statement of financial position as at 30 June 2017 reflects a balance of Kshs.322,432,242 referred to as deferred development grants out of which Kshs.257,236,076 relates to government development grants received in earlier years for development projects, but instead expended on recurrent expenditures. Although management had earlier written a letter dated 20 October, 2014 to the then Principal Secretary Ministry of Sports, Culture and the Arts seeking for a post-facto authority to regularize the deferred grants, no action appears to have been taken on the matter.

In consequence, propriety of the deferred development grants balance of Kshs.322,432,242 cannot be ascertained as at 30 June 2017.

6. Outstanding Imprests

Note 12 to the financial statements for the year ended 30 June 2017 reflect receivables from exchange transactions balance of Kshs.35,858,026. Included in this balance was a figure of Kshs.22,034,994 in respect of outstanding imprests which had not been surrendered by the due dates. No reasons have been given as to why the unsurrendered imprests have not been recovered in full from the current staff salaries or demanded from employees who had left the National Museums of Kenya.

Under the circumstance, the recoverability of the outstanding imprests of Kshs.22,034,994 is doubtful.

7. Unremitted Statutory Deductions

The trade and other payables from exchange transactions balance of Kshs.228,600,362 includes an amount of Kshs.125,753,207 in respect of other payables as at 30 June 2017. These further includes Kshs.81,186,718 in respect of unremitted statutory deduction as itemized below:

Statutory Deductions	2016/2017 Kshs.	2015/2016 Kshs.	Remarks
P.A.Y.E	7,800,470	8,781,961	Decreased by Kshs.981,491 or 1%
Pension	62,507,535	62,507,535	No movement from prior year
V.A.T (6%)	10,878,713	12,293,904	Decreased by Kshs.1,415,191 or 12%
	81,186,718	83,583,400	Total Decrease = Kshs.2,396,682 or only 3%

The management was therefore in breach of Part IV (1) of the Kenya Revenue Authority Act which requires employers to remit deductions on or before the 9th day of the month following pay-roll month or attract penalties at a rate of 20% for late payment and interest at 2% per month.

As a result, it is evident that management has not made effort to remit the statutory deductions especially to the Pension Fund.

8. Project Deposits

Analyses of projects bank account statements as at 30 June 2017 2016/2017 reflect balances as follows:

Bank Account	Account No.	Bank Balances Kshs.
Seed for Life	01080-351078-02	1,182,916
Project General	01080-351078-00	7,098,453
Dollar Account	87080351079-00	5,208,932
IPR Dollar account	87020447000-00	1,071,366
IPR Project	01020447000-00	1,413,752
CNHR Project account	01020447000-02	865,223
Masinde Product University	108044700000	1,287,063

Natural Product Industry	108035107901	29,003
IPR Predict Program account	102044700004	504,965
Total		18,661,673

However, Note 18 to the financial statements indicates total project deposit balance of Kshs.19,096,078 while the certificate of bank balances reflects total balance of Kshs.18,661,673. The difference of Kshs.434,405 between the two sets of records has neither been reconciled nor explained.

9. Construction of Fort Jesus Sea Wall Protection - Mombasa

Fort Jesus, Mombasa, was originally designated a National Park in 1958. The protected area included the Fort itself and a 100-meter strip around it. Today it falls under the National Museums and Heritage Act, 2006 and has been declared a conservation area and a world heritage site:

9.1 Consultancy Services for Design and Estimates

The National Museums of Kenya on 5 August 2016 entered into a contract with M/s Coperk Consultants Limited for provision of Consultancy Services for Design and Estimates for a section of Sea Wall protection for Fort Jesus at a contract sum of Kshs.16,414,913 inclusive of tax. This particular contract ended on 24 November 2016 and the full amount of contract was paid. However, the completion date was not indicated in the contract document.

Addendum 1 - Impact, Environmental and Social Impact Assessment

In expanding the consultancy's scope of work, on 7 December 2016, NMK signed an addendum to earlier contract with M/s Coperk Consultants Limited to carry out Heritage Impact Assessment and Environmental and Social Impact Assessment at a contract sum of Kshs.3,500,000. The contract entailed payment of 70% of the contract sum, which is equivalent of Kshs.2,450,000 payable upon, "Consultant successfully conducting the stakeholders meeting" and the balance of Kshs.1,050,000 payable after the Consultant has obtained all the necessary approvals required for the implementation of the project.

Although full contract sum was paid, evidence of meetings held, minutes, venue and attendance list of stakeholders was not availed for audit review.

Addendum II - Supervision of the Proposed Section of the Sea Wall Protection Construction

Further, on 24 May 2017, the National Museums of Kenya signed another consultancy with M/s Coperk Consultants Limited through negotiation for full supervision of the Sea Wall construction at a contract sum of Kshs.25,500,000. However, the contract document did not specify the completion date. As at 30 December 2017, the consultant had been paid Kshs.17,671,500 in respect of the supervision contract. However, the supervision payments were not supported with quantified details of supervision conducted.

In view of the foregoing, out of the total consultancy contracts valued at Kshs.45 million, including the addendums entered with the firm, Kshs.36,914,912 (equivalent to 82%) had by 30th December been paid while the construction of the sea wall was at 23% level of

completion. It is doubtful that the remaining Kshs.8,085,088 or 18% of the contract sum will be sufficient to supervise the remaining 77% of the project.”

9.2 Construction of Sea Wall Protection for Fort Jesus World Heritage Site - Mombasa - Tender No: NMK/FJ/115/2016

The National Museums of Kenya on 24 May 2017, entered into a contract agreement with M/s Yangguang Property Design and Manufacturing Limited at the contract sum of Kshs.497,641,850 for construction of the proposed section of Sea Wall Protection for Fort Jesus World Heritage site Mombasa. The contract period originally was to run for six (6) months, but due to financial challenges and the dynamics of the project, it was agreed that the contract period be extended to twelve Months (12) beginning 12 June 2017 to 20 June 2018.

Payments Made

As at the time of audit in February 2018 the contractor had been paid Kshs.103,238,436 based on certified work done. However, NMK had not provided the firm commitment promised to avail Kshs.360,000,000 within the agreed contract period of twelve (12) months despite the contractor having fulfilled all the primary requirements on conditions of the contract as follows:

Inspection of the project revealed that the contractor had mobilized both personnel and equipment required by the conditions of the contract and had also obtained the NEMA license, County and stakeholder approvals.

Current status

During the site visit on 13 April 2018, it was observed that only 23% of the works had been certified against the expected 77% with major works like construction of wall to minimize the flow of sea tides partially done and other works not started with only one month remaining to the set completion date.

Documents verified indicated that the total costs for the project amounted to Kshs.543,056,763 including consultancy and supervisory services against a budgetary provision of Kshs.300,000,000. Only Kshs.150,000,000 had been released for the project as at 30 June 2017. It was therefore not clear how the project was to be financed under such budgetary constraints.

During the site visit, the contractor complained of delay in approval of certificates submitted to M/s Coperk Consultants Limited the project supervisor. The delayed approval of certificates for work done had impacted negatively on timelines set and is likely to lead to extension of time and escalation of costs.

Since the sea wall was being constructed on the ocean using materials (cofferdams) with designed life span, there was a risk of the temporary sea barriers already constructed being washed away by high tides on the expiry of intended period due to lack of maintenance and reinforcement. Being special marine works, and considering works were on the ocean, full funding of the project was required since the temporary cofferdam already constructed were designed for a six months' life span.

Thus without adequate funding, all the work done and payments made to both the consultant and to the contractor totalling to Kshs.139,238,436 would go to waste.

In view of the foregoing, further funding delays will lead to loss of public funds and further, propriety and value for money on the expenditure incurred cannot be confirmed.

10. Proposed Renovation of Ndemi Flats - Kilimani

National Museums of Kenya purchased staff houses built in a plot measuring 0.5 hectares LR No. 2/36/18 on Ndemi Road in Kilimani in 1998 through mortgage scheme with the Housing Finance Corporation of Kenya. On the plot stands 20 apartments and one bungalow chargeable at the rate of Kshs.40,000 per month for the apartments and Kshs.50,000 per month for the bungalow.

The management had allowed its staff and former members of staff to occupy the houses since the year 2000 but was not able to charge the houses at market rates.

On 31 March 2016, the management gave notices to all staff occupying the houses to vacate and allow for renovations that would attract market rates that are in line with the neighborhood and also allow the institution to treat the premises as commercial units with the expected high returns in future.

However, the documents verified and physical inspection of the premises on 5 April 2018, revealed that since the houses were vacated in June 2016, almost two years had lapsed but the houses had not been renovated.

Under the circumstances, the opportunity costs lost in implementing such decision translates to Kshs.850,000 per month or Kshs.10,200,000 per year, which could have been avoided had the management carried out the renovation works on time.

11. Delayed Completion and Hand-Over of Mashujaa Square Project at Uhuru Gardens

As previously reported, the construction of Mashujaa Square Uhuru Gardens awarded at a contract sum of Kshs.74,855,472 with a completion date of 31 December 2013 had not been completed and handed over despite total expenditure of Kshs.196,655,446 on the project as at 30 June 2016 inclusive of interest claims by the contractor and project manager. Although the Project manager was over paid in respect of interest claims by Kshs.37,228,832, information available indicate that the Project Manager has refused to vacate the site claiming more interest.

In the circumstance, it is not clear when and if the Project will be completed and handed over for public use.

12. Security of National Heritage Assets

As previously reported, the state of affairs of the following historical sites if not urgently addressed, will impact negatively on irreplaceable National Heritage in the following manner:

a.	Vasco da Gama Pillar - Malindi	The Pillar faces extinction due to effects of high sea tides and parts of the walls bordering the sea have been washed away.
b.	Portuguese Chapel - Malindi	The Chapel was renovated by a neighboring private developer but has no ownership documents
c.	Malindi Ethnographic Museum	Part of the land surrounding is under occupation by illegal inhabitants who are now laying claim on the land.
d.	Lamu Museum	The National Museum land has been encroached on by private developers and the local community.
e.	Shimoni Museum	The station is neglected and the historical building is dilapidated while the grave sites are exposed to high tides. Part of the land has been encroached on and a permanent wall erected by the department of Fisheries. The site has not been allocated funds to independently fund its recurrent activities.
f.	Jumba La Mtwana Museum - Mtwapa	The ruins are fast disintegrating with some of the walls crumbling to the ground after having minimal restorative efforts. The side bordering the ocean is fast being washed away by the high tides. There are also encroachments of the ruins by private individuals. Our inspection of the station on 18 April 2018 showed that the historical asset is under threat of extinction.
g.	Meru Museums	The building is crumbling down due to poor maintenance and invasion by ants that have destroyed most of the wood works. No effort appears to have been made to restore the historical building.
h.	Njuri Ncheke Building-Meru	The building is deteriorating fast and is in imminent danger of collapse under the weight of its roof. No efforts appear to have been made to forestall the threat of losing the heritage asset.
i.	Kenyatta Houses Lodwar	The Museum is not properly secured with a perimeter fence for the purpose of demarcating the Museum property and other parcels in the neighborhood. The National as well as the County Government have put up permanent premises on the land without any documentation or lawful authority. There is also invasion by private developers who have put up permanent buildings.

No indication has been given by the management in terms of commitment by the Board in resolving of the matters raised in previous year audit report.

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

Other Matter

1.0 Budget and Budgetary Performance

1.1 Receipts

The National Museums of Kenya (NMK) had budgeted for receipts totalling Kshs.1,559,442,240 but actual receipts amounted to Kshs.1,522,417,539 resulting in a shortfall of Kshs.37,024,701 or 2% as itemized below:

Revenue head	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Excess/(Shortfall) %
Recurrent Government grant	870,000,000	870,000,000	0	0
Development Government grant	300,000,000	150,000,000	(150,000,000)	(50)
Internal revenue	280,000,000	290,158,388	10,158,388	4
Project revenue	109,442,240	212,259,151	102,816,911	94
Total	1,559,442,240	1,522,417,539	(37,024,701)	2

However, there were over collections of project revenue by Kshs.102,816,911 or 94% and internal revenue by Kshs.10,158,388 which have not been explained by way of notes to the financial statements as required.

1.2 Expenditure

National Museums of Kenya had budgeted for expenditure totalling Kshs.1,425,000,000 but actual expenditure amounted to Kshs.1,486,283,317 resulting to an over expenditure of Kshs.61,283,317 or 4% as itemized below:

Expenditure Item	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Over/(Under) %
Employee costs	870,000,000	1,010,504,571	140,504,571	16
Depreciation	25,000,000	25,781,585	781,585	3
Repairs and maintenance	20,000,000	17,520,631	(2,479,369)	(12)
Remuneration of Board of Directors	10,000,000	14,117,466	4,117,466	41
General Expenses	500,000,000	418,359,064	(81,640,936)	(16)
Total	1,425,000,000	1,486,283,317	61,283,317	4

NMK overspent mainly in employees costs by Kshs.140,504,571 or 16% and in remuneration of board of directors by Kshs.4,117,466 or 41%. Under expenditures of Kshs.81,640,936 or 16% and Kshs.2,479,369 or 12% occurred in respect of general expenses and on repairs and maintenance. However, no explanatory notes were provided for the over expenditures of over or under 10% as required.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that there were no Key Audit Matters to communicate in my report.

Responsibility of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Museum's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management become aware of the intention to cease operations of the National Museum of Kenya.

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

Those charged with governance are responsible for overseeing the Museum's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

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

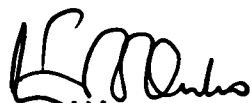
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Museum's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Museum's ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Museum to cease to continue as a going concern.

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

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

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



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

Nairobi

03 July 2018



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XII. STATEMENT OF FINANCIAL PERFORMANCE

	Note	2016-2017 KSH	2015-2016 KSH
Revenue from non-exchange transactions			
Transfers from governments-			
Recurrent	3(a)	870,000,000	869,904,900
Development	3(b)	12,219,299	4,494,220
Project income	4	212,259,151	188,977,924
Total revenue from non-exchange transactions		1,094,478,450	1,063,377,044
Revenue from exchange transactions			
Other incomes	5	290,158,388	282,962,152
Total revenue from exchange transactions		290,158,388	282,962,152
Total revenue		1,384,636,838	1,346,339,196
EXPENSES			
Employee costs	6	1,010,504,571	819,426,145
Depreciation	7	25,781,585	23,781,742
Repairs and maintenance	8	17,520,631	11,654,765
Remuneration to Board of Directors	9	14,117,466	7,842,129
General expenses	10	418,359,064	300,060,363
Total expenses		1,486,283,317	1,162,765,144
Surplus/(Deficit) before tax		(101,646,479)	183,574,052
Surplus/(Deficit) for the year		(101,646,479)	183,574,052

NB: Explanatory notes on the deficit is provided in page 60 item no.3

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XIII. STATEMENT OF FINANCIAL POSITION

	Note	2017 KSH	2016 KSH
Assets			
Current assets			
Cash and cash equivalents	11	121,992,723	132,972,509
Investments-Short term	11	-	21,144,452
Receivables from exchange transactions	12(a)	13,823,032	16,228,790
Receivables from non-exchange transactions	12(b)	22,024,994	18,918,881
Inventories	13	1,950,220	2,320,270
		159,800,969	191,584,903
Non-current assets			
Property, plant and equipment	14	2,936,723,973	2,869,478,852
Total assets		<u>3,096,524,942</u>	<u>3,061,063,755</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange Transactions	15	228,600,362	192,815,822
Bank overdraft	16	29,392,242	21,436,906
Total current liabilities		<u>257,992,604</u>	<u>214,252,728</u>
Non-current liabilities			
Deferred Development Grant	17	322,432,079	257,236,076
Project Deposits	18	19,096,078	45,298,526
Total non-current liabilities		341,528,157	302,534,602
Total liabilities		<u>599,520,761</u>	<u>516,787,330</u>
Net assets		2,497,004,181	2,544,276,425
Reserves		2,598,650,660	2,360,702,373
Accumulated surplus		(101,646,479)	183,574,052
Total assets and liabilities		<u>2,497,004,181</u>	<u>2,544,276,425</u>

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XIV. STATEMENT OF CHANGES IN NET ASSETS

	Capital Reserve KSH	Revenue Reserves KSH	Revaluation Reserve KSH	Total Kshs.
Balance at 1 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
Balance as at 1st July 2016	2,759,961,671	(230,320,396)	14,635,150	2,544,276,425
Capitalized government grant (17b)	72,584,698	-	-	72,584,698
Total comprehensive income for the year	-	(101,646,479)	-	(101,646,479)
Prior Year End adjustment (22)	(18,210,463)			(18,210,463)
Balance as at 30th June 2017	2,814,335,906	(331,966,875)	14,635,150	2,497,004,181

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XV. STATEMENT OF CASH FLOWS

	Notes	2017	2016
		Kshs	Kshs
Cash flow from operating activities			
Net income from Museum operations		(101,646,479)	183,574,052
Before interest earned	Note 5	(21,763)	(60,473)
Adjustments for the year			
Depreciation	Note 7	25,781,585	23,781,742
Operating Income before working capital changes		(75,886,657)	207,295,321
Increase/decrease in receivables		(710,354)	(17,924,125)
Increase/decrease in inventories		370,050	(1,750,932)
increase/decrease in payables		35,784,540	(75,759,032)
Development expenditure	Note 17(b)	(12,219,299)	(4,494,220)
Net cash from operating activities		(52,661,721)	107,367,012
Cash flow from investing activities			
Interest received	Note 5	21,763	60,473
Purchase of property, plant & equipment	Note 14	(111,237,169)	(101,943,976)
Net cash from investing Activities		(111,215,406)	(101,883,503)
Cash flow from financing activities			
Development grant from GOK	Note 17 (a)	150,000,000	116,000,000
Project deposits		(26,202,448)	(29,510,101)
Net cash generated from financing activities		123,797,552	86,489,899
Net (decrease)/increase in cash and cash equivalents		(40,079,575)	91,973,408
Cash and cash equivalent as at 30th June 2016		132,680,056	40,706,648
Cash and cash equivalent as at 30th June 2017		92,600,481	132,680,056

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percent
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Government grants and subsidies						
Recurrent grant	870,000,000	0	870,000,000	870,000,000	0	0%
Development Grant	300,000,000	-	300,000,000	150,000,000	(150,000,000)	(50%)
Other incomes:						
Internally Revenue	280,000,000	-	280,000,000	290,158,388	10,158,388	3.6%
Project Revenue	-	109,442,240	109,442,240	212,259,151	102,816,911	100%
Total income	1,450,000,000	109,442,240	1,559,442,240	1,522,417,539	(37,024,701)	
Expenses						
Employees Costs	870,000,000	0	870,000,000	1,010,504,571	(140,504,571)	(16%)
Depreciation	25,000,000	0	25,000,000	25,781,585	(781,585)	(3%)
Repairs & Maintenance	20,000,000	0	20,000,000	17,520,631	2,479,369	12.4%
Remuneration to Board of Directors	10,000,000	0	10,000,000	14,177,466	(4,177,466)	(41.8%)
General Expenses	500,000,000	0	500,000,000	418,359,064	81,640,936	16%
Total expenditure	1,425,000,000	0	1,425,000,000	1,486,283,317	61,343,317	
Surplus for the period	25,000,000		134,442,240	36,134,222	(98,368,018)	

NB: Notes to variance explanations are set out on page 60

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

National Museums of Kenya is established by and derives its authority and accountability from National Museums and Heritage Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is establishment of national museums and the identification, protection, conservation and transmission of the cultural and natural heritage of Kenya

2. 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.

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.

3. Adoption of new and revised standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The entity adopted IPSAS in the year ended 30 June 2014 and therefore

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Standard	Impact
	provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34: Separate Financial Statements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply/ the entity is a parent company and has prepared consolidated financial statements and therefore the standard does not apply.</p>
IPSAS 35: Consolidated Financial Statements	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
IPSAS 36: Investments in Associates and Joint	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting</p>

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Standard	Impact
Ventures	for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The entity does not have investments in associates or joint ventures.
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The entity does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The entity does not have an interests in other entities and therefore the standard does not apply.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017.

4. 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.

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.

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.

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 vary according to basic salary 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 assets, redeeming liabilities 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 2016/2017 was prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

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.

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

r) Cash and cash equivalents

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

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) Transfers from other governments

Description	2016-2017	2015-2016
	KShs	KShs
Unconditional grants		
Operational grant	1,020,000,000	985,904,900

3(b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2015-2016
			KShs	KShs	KShs
Ministry of Sports	882,219,299	65,196,003	72,584,698	1,020,000,000	985,904,900
Total	882,219,299	65,196,003	72,584,698	1,020,000,000	985,904,900

4. PROJECT INCOME

	KSHS	KSHS
Project Income HQ	138,985,883	109,442,240
Project Admin income (12.5% overhead)	4,514,261	7,081,366
Project income IPR	68,759,007	72,454,318
Total	212,259,151	188,977,924

5. OTHER INCOMES

Admission fee	212,384,574	172,275,254
Rental income	38,936,309	47,002,086
Interest earned	21,763	60,473
Sale of publications and artifacts	10,036,687	9,590,214
Sale of soft drinks	1,096,377	981,775
Sale of casts	2,816,243	1,561,446
Sundry income	24,866,435	51,490,904
Total	290,158,388	282,962,152

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6. EMPLOYEE COSTS

Salaries	836,087,095	741,860,633
Gratuity and pensions	96,755,292	34,051,734
Medical	54,988,846	27,269,249
Training	14,424,477	9,104,265
Staff welfare and uniforms	8,248,861	7,140,264
Total	1,010,504,571	819,426,145

7. DEPRECIATION EXPENSE

Property , plant and equipment(note 14)	25,781,585	23,781,742
Total	25,781,585	23,781,742

8. REPAIRS AND MAINTENANCE

Vehicle expenses- Maintenance/spares	7,039,896	6,107,940
Equipment repairs and maintenance	4,640,848	2,436,317
Maintenance of buildings	2,096,242	894,291
Maintenance of monuments	2,501,010	1,621,917
Cage maintenance	1,242,635	558,275
Cage construction	-	36,025
Total	17,520,631	11,654,765

9. BOARD OF DIRECTORS EXPENSES

Lunch/phone expenses	820,460	267,320
Insurance	74,922	447,077
Sitting allowance	4,245,000	2,655,000
Accommodation/per diem	4,997,600	3,137,600
Air fare	1,510,729	640,820
Board meeting Exp.	586,164	55,860
Mileage	967,924	638,452
Honoraria for Chairman	914,667	0
Total	14,117,466	7,842,129

10. GENERAL EXPENSES

Administrative costs	28,647,805	13,179,752
Transport and travel expenses	148,943,210	98,114,684
Contracted professional services	18,086,525	19,553,002
Office and other expenses	120,116,764	90,098,081
Advertising and publicity	7,971,605	2,612,773
Telephone and postage	9,936,771	9,040,560
Electricity and water	27,266,357	22,800,965
Purchases and other direct inputs	57,390,027	44,660,546
Total	418,359,064	300,060,363

NATIONAL MUSEUMS OF KENYA
Reports and Financial Statements
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**11. CASH AND CASH
EQUIVALENTS**

Description	2017	2016
Current accounts	120,238,872	131,760,779
Fixed deposits account	0	21,144,452
Others(cash at hand)	1,753,851	1,211,730
Total	121,992,723	154,116,961

NATIONAL MUSEUMS OF KENYA
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11(a). Detail Analysis of the cash and cash equivalents

Financial institution	Account number	2016/2017 Shs	2015/2016 Shs
a) Current Account			
Nairobi Museum, SCB Westland	0108035107801	262,694	529,749
Seed for life, SCB Westland	0108035107802	1,182,916	1,194,136
Commercial, SCB Westland	0108035436500	1,261,500	0
Salaries, SCB Westland	0108033746400	0	62,025,707
Fund A/C, SCB Westland	0108034593700	53,326,066	11,777,022
Project HQs, SCB Westland	0108035107800	7,098,453	8,638,552
Lodwar, KCB Lodwar	1107592267	141,217	38,982
Karen BlixenSavings,SCB Karen	0152092944700	1,274,705	1,504,188
Dollar HQs, SCB Westland	8708035107900	5,208,923	5,146,258
Karen Blixen Recurrent, SCB Karen	0102044888600	1,241,691	621,483
Natural Products Industry HQs, SCB Chiromo	0108035107901	29,003	1,444,002
Recurrent IPR, SCB Karen	0102044700001	371,525	603,390
Dollar IPR, SCB Karen	8702044700000	1,071,366	129,039
IPR Project, SCB Karen	0102044700000	1,413,752	0
CNHR Project A/C, SCB Karen	0102044700002	865,223	579,040
IPR MMUST, SCB Karen	0108044700000	1,287,063	175,802
IPR Predict, SCB Karen	0102044700003	504,965	0
Fort Jesus, KCB Treasury SQ. Mombasa	1106548876	1,432,464	637,314
Fort Jesus Project	1106548809	37,440,801	31,470,370
Gede Ruins- KCB Malindi	1108000584	57,880	4,914
Lamu ,KCB Lamu	1104778173	246,405	43,397
Lamu Projects, KCB Lamu	1104778505	7,957	2,079,157
Lamu Fort, KCB Lamu	1104778343	12,276	13,276
Meru, SCB Meru	0102063108500	214,216	9,998
Kapenguria, KCB Kapenguria	1106216474	362,134	275,148
Baringo, KCB Kabarnet	1103642324	94,876	57,583
Kisumu, SCB Kisumu	0102055059500	241,835	82,125
Narok, KCB Narok	1107720796	2,460,277	2,446,432
Nakuru Hyrax, SCB Nakuru	0152054858500	1,006,158	50,363
Kitale, SCB Kitale	0102036056900	120,531	183,351
TOTAL		120,238,872	131,760,779

NATIONAL MUSEUMS OF KENYA
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11 (b). Short Term Deposits

		2017	2016
Account	Account No.	Kshs.	Kshs.
IPR Savings, SCB Karen	44044700000	-	2,045,171
Fixed Deposit Account, SCB Westland	146033746400	-	19,099,281
TOTAL		-	21,144,452

NATIONAL MUSEUMS OF KENYA
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11 (C) Others (Cash in Hand)

	30 JUN 2017	30 JUN 2016
Headquarters	912,785	408,277
IPR	31,300	2,200
Lamu Museum	12,250	4,500
Fort Jesus Museum	86,750	39,400
Gede museum	27,440	19,170
Karen Blixen Museum	126,873	592,829
Kisumu Museum	255,725	58,654
Thimlich Ohinga	11,450	0
Meru Museum	43,660	11,765
Kitale Museum	65,180	25,435
Olorge saille	0	15,150
Nairobi Gallery	3,500	1,400
Nairobi Museums	19,730	0
Uhuru Gardens	37,000	0
Maralal	600	700
Rabai	0	8,300
Malindi	12,600	6,650
Mnarani	14,550	0
Kariandusi	0	6,450
Hyrax	74,650	8,350
Kabarnet	2,100	1,100
Koobi For a	358	0
Kapenguria	15,350	1,400
TOTAL	1,753,851	1,211,730

12. (a) CURRENT RECEIVABLES

Description	2017	2016
Trade Receivables	6,583,186	11,786,343
Prepayments	5,732,478	2,935,079
Deposits	1,507,368	1,507,368
Total	13,823,032	16,228,790

12. (b) CURRENT RECEIVABLES

Description	2017	2016
Staff Debtors	22,034,994	18,918,881
Total	22,034,994	18,918,881

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13. INVENTORIES

Description	2017	2016
Publications	1,388,941	2,026,971
Crafts	479,580	231,722
Soft drinks	81,699	61,577
Total	1,950,220	2,320,270

**NATIONAL MUSEUMS OF KENYA
FOR THE YEAR ENDED 30 JUNE 2017
Notes to Financial Statements**

14 WORK IN PROGRESS, PROPERTY, PLANT AND EQUIPMENT

	PROPERTY		PLANT AND EQUIPMENT						TOTAL
	LAND	BUILDINGS	WORK IN PROGRESS	FURNITURE	COMPUTERS	VEHICLES	TOTAL		
								KSHS	
<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)	-	0	0	0		
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>COST/VALUATION</u>									
As at 1st July, 2016	1,575,127,445	948,312,297	368,284,783	220,420,696	71,036,290	96,771,187	3,279,952,698		
Additions during the year	0	0	72,584,698	9,340,505	7,823,996	21,487,970	111,237,169		
Completed works during the year	0	234,773,284	(234,773,284)	0	0	0	0		
Adjustment	0	0	(18,210,463)	0	0	0	(18,210,463)		
As at 30th June 2017	1,575,127,445	1,183,085,581	187,885,734	229,761,201	78,860,286	118,259,157	3,372,979,404		
<u>DEPRECIATION</u>									
As at 1st July 2016	0	123,674,473	0	157,844,747	55,733,208	73,221,418	410,473,846		
Charge for the Year	0	8,246,378	0	7,821,994	3,825,771	5,887,442	25,781,585		
As at 30th June, 2017	0	131,920,851	0	165,666,741	59,558,979	79,108,860	436,255,431		
<u>NET BOOK VALUES</u>									
As at 30th June, 2017	1,575,127,445	1,051,164,730	187,885,734	64,094,460	19,301,307	39,150,297	2,936,723,973		
<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		

NATIONAL MUSEUMS OF KENYA
Reports and Financial Statements
For the year ended June 30, 2017

15. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2017	2016
	KSH	KSH
Trade payables	101,779,155	80,859,513
Payments received in advance	1,068,000	1,068,000
Third party payments	0	508,611
Other payables	125,753,207	110,379,698
Total	228,600,362	192,815,822

Third party payments relate to deductions made and have not yet been submitted to other Co-operatives, bank loans and hire purchases as at June, 2016.

16. BANK OVERDRAFT

		2017	2016
ACCOUNT	ACCOUNT NO.	KSHS.	KSHS.
Recurrent HQs, SCB Westland	0108035107900	18,869,582	19,421,106
Commercial, SCB Westland	0108035436500	-	394,695
IPR Project, SCB Karen	0102044700000	-	106,427
Development HQs, KCB Sarit	1106829379	8,767,648	1,514,677
Salaries, SCB Westland	0108033746400	1,755,012	
TOTAL		29,392,242	21,436,906

17. DEFERRED GOVERNMENT GRANT

Balance b/f	257,236,076	219,821,471
G.o.K Development Grant received	150,000,000	116,000,000
Less amount spent (17b)	(84,803,997)	(78,585,395)
Total	322,432,079	257,236,076

17b Capital expenditure	72,584,698	74,091,175
Revenue expenditure	12,219,299	4,494,220
Total	84,803,997	78,585,395

PROJECT
18 DEPOSITS

Opening balance	45,298,526	74,808,627
Add receipts during the year	186,056,703	159,467,823
Total Deposits	231,355,229	234,276,450
Less expenditure (4)	212,259,151	188,977,924
Balance c/f	19,096,078	45,298,526

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

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TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2017	2016
	KSH	KSH
Trade payables	101,779,155	80,859,513
Prepaid expenses received in advance	1,068,000	1,068,000
Trade party payments	0	508,611
Third party payables	125,753,207	110,379,698
Total	228,600,362	192,815,822

Trade party payments relate to deductions made and have not yet been submitted to other Co-
 third parties, bank loans and hire purchases as at June, 2016.

BANK OVERDRAFT

16. BANK OVERDRAFT		2017	2016
	ACCOUNT NO.	KSHS.	KSHS.
ACCOUNTS RECEIVABLE	at HQs, SCB Westland	18,869,582	19,421,106
RECURRENT EXPENDITURE	Commercial, SCB Westland	-	394,695
COMMERCE	Project, SCB Karen	-	106,427
PROJECT	PR Project, HQs, KCB Sarit	8,767,648	1,514,677
DEVELOPMENT	Development, SCB Westland	1,755,012	
SALARIES, SALARIES		29,392,242	21,436,906
TOTAL			

DEFERRED GOVERNMENT GRANT

17. DEFERRED GOVERNMENT GRANT		257,236,076	219,821,471
Balance brought forward			
Government Grant received		150,000,000	116,000,000
Less amount spent (17b)		(84,803,997)	(78,585,395)
Total		322,432,079	257,236,076

17b Capital expenditure	72,584,698	74,091,175
Revenue expenditure	12,219,299	4,494,220
Total	84,803,997	78,585,395

PROJECT DEPOSITS

Opening balance	45,298,526	74,808,627
Add receipts during the year	186,056,703	159,467,823
Total Deposits	231,355,229	234,276,450
Less expenditure (4)	212,259,151	188,977,924
Balance c/f	19,096,078	45,298,526

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

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19. RELATED PARTY DISCLOSURES

These financial statements include the financial statements of the organization

(a) Related party transactions		2017	2016
Transfers from Ministry of Sports, Culture and the Arts	Recurrent	870,000,000	869,904,900
	Development	150,000,000	116,000,000
Total		1,020,000,000	985,904,900

(b) 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:

	2017	2016
Key Management remuneration	29,055,312	24,140,782
Total	29,055,312	24,140,782

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 2016/2017

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.

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Financial risk management objectives

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

Interest rate risk

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

At 30 June 2017, 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. 4,542,332 (2016: Sh.6,573,416) 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 2017 is made up as follows:

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	Fully Performing	Past Due	Total
	Shs	Shs	Shs
Bank Balances	120,238,872	-	120,238,872
Trade Receivables	-	-	-
Short term Deposits	-	-	-
Staff Debtors	22,034,994	-	22,034,994
Total	142,273,866	-	142,273,866

The amount that best represents the Centre'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
Staff Debtors	21,144,452	-	21,144,452
Short term Deposits	18,918,881	-	18,918,881
Total	185,528,878	-	185,528,878

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 2017

	Less than	Over	Impaired	
	1 Year	1 Year		Total
	Shs	Shs	Shs	Shs
Payables		65,588,725		65,588,725
Payables	163,011,637	-	-	163,011,637
Total	163,011,637	65,588,725	-	228,600,362

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As at 30 June 2016

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

Exchange risk

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

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

	AMOUNT In foreign Currency \$	AMOUNT Shs
At 30 June 2017		
US dollar bank account HQs	50,225.03	5,208,923
Us dollar bank account IPR	10,484.14	1,071,366
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

As at 30 June 2017, 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. 628,029 (2016 Kshs.527,530).

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22. PRIOR PERIOD ADJUSTMENT

The prior adjustment is arising from an error in capitalising revenue expense for Judiciary thereby overstating the Property, Plant and Equipment and Capital Reserves.

1. The financial statements reflect material difference between the budget and actual amounts. Thus recurrent grant deficit of Kshs.140.5million was as a result of increase in salaries due to correct placement, house allowances, excess policy on medical insurance, pensions and gratuities, and increase in both outpatient and inpatient medical cover which was catered by the internally generated revenue and for purpose of accounting, it forms part of the employee costs.

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.150 million for development budget out of which Kshs. 12,219,299 was revenue expenditure and Kshs. 72,584,698 was capital expenditure.

There was increase in internal revenue during year of Kshs10, 158,388. This was as a result of increase in admission fees.

In relation to employee costs, depreciation and Board Expenses, there was an over expenditure while savings on repairs and maintenance and 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 deficit of Ksh. 101,646,479 represents implemented commuter allowances relating to personnel emoluments and recurrent expenses incurred but not settled during the year.

4. The development grant of Ksh. 150,000,000 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 2017/2018 financial year.

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XVIII. 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 2015/2016 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)															
2015/2016 1.1	<p>PARAGRAPH 1: BUDGET AND BUDGETARY Revenue</p> <p>The National Museums of Kenya had budgeted to collect revenue of Kshs1,266,000,000 from the following sources:</p> <table border="1"> <thead> <tr> <th>Revenue Head</th> <th>Budget Kshs (m)</th> <th>Actual Kshs (m)</th> <th>Excess/shortfalls Kshs (m)</th> <th>Excess/shortfalls (%)</th> </tr> </thead> <tbody> <tr> <td>Recurrent GOK grants</td> <td>870,000</td> <td>869,904</td> <td>(95,100)</td> <td>(1.1)</td> </tr> <tr> <td>Deve</td> <td>116.0</td> <td>4,494</td> <td>(111,</td> <td>(96.1</td> </tr> </tbody> </table>	Revenue Head	Budget Kshs (m)	Actual Kshs (m)	Excess/shortfalls Kshs (m)	Excess/shortfalls (%)	Recurrent GOK grants	870,000	869,904	(95,100)	(1.1)	Deve	116.0	4,494	(111,	(96.1	<p>It is true that National Museums of Kenya budgeted receipts for the year under review amounted to Kshs1,266,000,000 compared to actual of Kshs.1,346,339,196.</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	870,000	869,904	(95,100)	(1.1)																
Deve	116.0	4,494	(111,	(96.1																

NATIONAL MUSEUMS OF KENYA
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Item	00,000	220	505,780)	3)
Implementation Grants	280,000	282,962	2,962,152	1.05
Project revenue	188,977,424	188,977,424	188,977,924	100
TOTAL	1,266,000	1,346,339,196	80,339,196	(6.35)
<p>The statement of financial performance reflects actual receipts of Kshs. 1,346,339,196 as at 30th June, 2016 representing an excess collection of Kshs. 80,339,196 or 6.35%.</p> <p>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</p>				
<p>The National Museums of Kenya Management confirms receipt of Kshs.985,904,900 from its parent Ministry. This amount was utilised to cater for personnel emoluments, recurrent and development expenditure. The expenditure is as tabulated below.</p> <p>Personnel Emolument Kshs869,904,900</p> <p>Development recurrent expenditure Kshs4,494,220 and capitalised amount spent on capital project Kshs.74,091,175.</p> <p>The balance of Kshs 37,414,605 is the unspent amount.</p>				
Director General and Financial Controller				
Not yet resolved				
Current Financial Year.				

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1.1.1	<p>Kshs.111,505,780 was occasioned by the following:</p> <p>1.1.1 Government development grants Despite the National Museums 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 Kshs111, 505,780 have been omitted from the financial statements.</p>	<p>It is true that the NMK received Kshs116,000,000 from its parent ministry Out of Kshs.111,505,780 , Kshs. 74,091,175 is reflected as work in progress in the Property, Plant and Equipment. The balance of Kshs.37,414,605 is the unspent amount.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
1.1.2	<p>1.1.2 Deferred Government development- Grant income Note 17 (a) to the financial statements reflect a balance of Kshs 219,821,471 referred to as deferred development grants income. No schedules or explanation were given to support this schedule.</p>	<p>The deferred development grant income Kshs219,821,471 is the accumulated amount over the years not utilised for development capital expenditure.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
1.1.3					

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<p style="text-align: center;">1.2</p>	<p>1.1.3 Failure to Budget for Project Revenue Despite the National Museums 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 provisions for depreciation.</p>	<p>These are Donor funds earmarked for specific projects mostly dealing with Research in particular areas. Hence, it depends on the projects activities in any given financial year. It is also true that provision for depreciation was not budgeted for and was an error of omission but has since been rectified.</p>	<p style="text-align: center;">Director General and Financial Controllor</p>	<p style="text-align: center;">Not yet resolved</p>	<p style="text-align: center;">Current Financial Year.</p>
<p>1.2 EXPENDITURE A comparison between the approved budget and the actual expenditure reflected in the statement of financial performance for the year ended 30th June 2016 revealed that Museums under spent in all the voted provisions except on general expenses which went beyond its provision by Kshs. 31,890,887 as follows;-</p>	<p>The observation by auditors on over expenditure of Kshs. 31,890,887 under general expenses or by 11.89% is true. This was caused by increase in transport and travel, office and other expenses and purchases and other direct inputs that rose up to Kshs98,114,684, Kshs90,098,081 and Kshs44,660,546 respectively.</p> <p>The increase in the expenditure were</p>	<p style="text-align: center;">Director General and Financial Controllor</p>	<p style="text-align: center;">Not yet resolved</p>	<p style="text-align: center;">Current Financial Year</p>	

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Expenditure head	Budget Kshs .	Actual Kshs	Over / (under) Kshs .	Over / (under) %
Employees Costs	870,000	819,426	(50,574)	(5.81)
Depreciation	-	23,781,742	23,781,742	100
Repairs and maintenance	17,220,000	11,654,765	(5,565,235)	(32.32)
Remuneration to Board of Directors	10,074,524	7,842,129	(2,228,395)	(22.12)
General Expenses	268,169,476	300,060,373	(31,890,887)	11.89
TOTAL	1,165,464,000	1,162,764,844	(2,698,156)	(0.23)

necessitated by a bee hive of activities in the organization that required to be attended to and management had to put in place the Budget Implementation committee to ensure all expenditures are within the set budgeted limits.

The provision for depreciation was an error of omission as earlier explained and this has since been rectified in subsequent institutional annual budget.

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2	<p>No reasons were provided for the over expenditure of Kshs. 31,890,887 under general expenses or by 11.89% and the failure to provide for depreciation which amounted to Kshs. 23,781,742 for financial year ended 30th June 2016.</p> <p style="text-align: center;">PARAGRAPH 2: GOING CONCERN</p> <p>In spite of the National Museum of Kenya realizing a surplus of ksh.183,574,052 in 2015/16 financial year compared to Kshs. 11,944.556 realized in 2014/2015, the cumulative revenue reserves still stands at a negative of Kshs. 230,320,396.</p> <p>In addition, the statement of financial position reflects a negative working capital of Kshs. 22,667,825 as at 30th June 2016 making the going concern of National Museums of Kenya doubtful.</p> <p>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. 183,574,052.00 was realized in the year ending 30th June 2016 which brought the cumulative revenue reserve balance to a negative of Kshs 230,320,396 and a negative working capital of Kshs. 22,667,825.00 as at 30th June 2016. This was as a result of continued budgets cuts by the government.</p> <p>The auditors' observation reflects the true position of NMMK. The management during the financial year 2015/2016 succeeded to get a supplementary budgetary allocation to fully service its payroll so that the internally generated revenue can be fully utilised for operation and maintenance. Management hope to see improved cumulative revenue reserves in future as it continues to work</p>	Board of Directors and Director General	Not yet resolved	Current Financial Year.
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<p>3</p> <p>PARAGRAPH 3 : PROPERTY, PLANT AND EQUIPMENT</p> <p>As reported in the previous year, the property, plant and equipment balance of Kshs. 2,869,478, 852 as at 30th 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.</p> <p>In consequence, ownership and valuation of property, plant and equipment balance of Kshs. 2,869,478,852 could not be confirmed as at 30th June 2016.</p>	<p>on other revenue streams and manage its operational costs.</p> <p>It is true that the Property, Plant and Equipment balance of Kshs. 2,869,478,852 as at 30th June 2016 included an amount of Kshs.1,575,127,445 relating to value of one hundred ten (110) parcels of land spread all over the country out of which only forty six (46) had valid title deeds. So far, NMK has managed to acquire 46 title deeds while others are in the process of being surveyed as funds become available.</p> <p>The Management 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>The valuation of National Museums of Kenya requires substantial amount that call for government intervention.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
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4	<p>PARAGRAPH 4 : PROJECT DEPOSITS</p> <p>The statement of financial position as at 30th June 2016 reflects 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.</p> <p>In the circumstances, it has not been possible to confirm the accuracy of the projects' deposits balance of Kshs. 45,298,526 as at 30th June 2016.</p>	Director General and Financial Controller	Not yet resolved	Current Financial Year.
5	<p>PARAGRAPH 5: CASH AND CASH EQUIVALENTS</p> <p>i) Fort Jesus Museum Recurrent Account</p> <p>The bank reconciliation statement for the Fort Jesus Museum recurrent account reflects a bank statement balance of Kshs. 650,326 as at 30th June 2016 while the certificate of balance from Kenya Commercial bank (KCB) as at 1st July 2016 indicated Kshs. 701,326. The resultant variance of Kshs.51,000 was explained as</p>	Financial Controller	Resolved	Previous Financial Year.

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<p>relating to unrepresented cheque dated 20th June 2016. No evidence was provided to explain the anomaly.</p> <p>ii) Fort Jesus Project Account The Fort Jesus Project account reflect a reconciliation balance of Kshs. 20,637,726 as at 30th June 2016 while the financial statements indicates a figure of Kshs.31,470,370.55 as at 30 June 2016 resulting in unexplained difference of Kshs.10,832,643.</p> <p>In the circumstance, 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</p>	<p>It is un reconciled balance which reconciliation is still on going.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
<p>6</p> <p>PARAGRAPH 6: REVENUES</p> <p>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</p>	<p>National Museums of Kenya maintains one cash book which is reconciled after receiving all returns from the all the regional stations that generate revenue.</p> <p>The stations maintain a cashbook for the same which is referred to when reconciling the main cash book at the headquarters. The cashbook and copies of cashbooks from regional stations in</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year</p>

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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	Station	Amount Kshs.
Fort Jesus Gift Shop	Fort Jesus	87,846
Jahazi Marine	Fort Jesus	266,000
Excloosive Ltd	J.K.P. Beach	751,591
Fun Kids Park Ltd	Mama Ngina	1,250,000
Lime Juice Shop	Fort Jesus	14,460
Level Thirty Six Co. Ltd (Seacom)	Rissea Ground	551,250
Petro Oil Co. Ltd	Mama Ngina	180,000
Total		3,101,147

their monthly returns are available.

It is true that some of the commercial tenants had outstanding rent arrears as tabulated in your management letter. However, NMK Management is very much aware and has instructed the concerned parties to resolve the pending rent arrears. Management is making efforts to address the issue. So far Fort Jesus gift shop and level cleared the rent arrears and documents were availed to you and are available for your verification

Excloosive limited paid Kshs.39, 930 being January 2015 rent as there contract also expired in the same month.

Lime juice shop had a legal case which was settled and new contract entered into.

Petro Oil Company limited has not yet operationalized their activities due to County Government failure to approve trading licence while Fun Kid Park Limited business structure was demolished by County Askaris in August 2014. The management is working on ways to resolve the issues affecting Petro

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Not yet resolved

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7	<p align="center">PARAGRAPH 7 : PAYABLES</p> <p>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 30 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:-</p>	<p>oil and Fun Kid Park limited.</p> <p>It is true that the financial position reflect total current liabilities of Kshs.214,252,728 out of which trade and other payables from exchange transactions were Kshs. 192,815,822 as at 30 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.</p> <p>However, the NMK Management paid Kshs. 8,781,961.00 being PAYE within the stipulated statutory timelines. Other payables were also remitted as required.</p> <p>Pension amounting to Kshs.62,507,535.00 and trade payables Kshs80,859,513 are still pending as at 30th June 2016 and majority forms part of the for previous financial years. The failure to pay statutory deductions deducted from employee emoluments was due to un fully serviced payroll over the previous financial years.</p>	Director General and Financial Controller	Not yet resolved	Current Financial Year																				
	<table border="1"> <thead> <tr> <th>Other payables 2015/2016</th> <th>Amount (Kshs)</th> <th>Third Party payments (Kshs)</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td>PAYE</td> <td>8,781,961.00</td> <td>Bank Loans</td> <td>364,371.00</td> </tr> <tr> <td>Pension</td> <td>62,507,535.00</td> <td>Other Co-operatives</td> <td>122,507.00</td> </tr> <tr> <td>Union dues</td> <td>73,839.00</td> <td>Hire purchase</td> <td>21,733.00</td> </tr> <tr> <td>Misc.</td> <td>1,913.00</td> <td>Rent</td> <td>1,068.00</td> </tr> </tbody> </table>	Other payables 2015/2016	Amount (Kshs)	Third Party payments (Kshs)	Amount (Kshs)	PAYE	8,781,961.00	Bank Loans	364,371.00	Pension	62,507,535.00	Other Co-operatives	122,507.00	Union dues	73,839.00	Hire purchase	21,733.00	Misc.	1,913.00	Rent	1,068.00				
Other payables 2015/2016	Amount (Kshs)	Third Party payments (Kshs)	Amount (Kshs)																						
PAYE	8,781,961.00	Bank Loans	364,371.00																						
Pension	62,507,535.00	Other Co-operatives	122,507.00																						
Union dues	73,839.00	Hire purchase	21,733.00																						
Misc.	1,913.00	Rent	1,068.00																						

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deductions (others)	89.00	Received	00.00
Contra accounts	23,753,014.00	Trade Payables	80,859,513.00
VAT Control account	12,293,904.00		
Provision for royalties	1,056,356.20		
TOTAL L	110,379,698.00	TOTAL L	82,675,076.00

The NMK Management is still pursuing through the supplementary request to the National Treasury to be allocated some funds to enable the organization to settle pending obligation though with interest due to failure to comply

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

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8	<p>PARAGRAPH 8: BANK OVERDRAFTS</p> <p>The financial statements reflect an overdraft of Kshs.21, 436,906 in respect of various accounts held. However, the cash book and bank balances confirmation certificates reflect different amounts as at 30 June 2016 as tabulated below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Account Name</th> <th style="text-align: center;">Account No.</th> <th style="text-align: center;">Amount in Financial statement Kshs</th> <th style="text-align: center;">Balances as per cash book Kshs</th> <th style="text-align: center;">Balances as per bank certificate Kshs</th> </tr> </thead> <tbody> <tr> <td>Recurrent HQs</td> <td style="text-align: center;">0108 0-3510 79-00</td> <td style="text-align: right;">19,421,106.15</td> <td style="text-align: right;">(9,742,978.47)</td> <td style="text-align: right;">3,243,231.00</td> </tr> <tr> <td>Commercial</td> <td style="text-align: center;">0108 0-3543 65-00</td> <td style="text-align: right;">394,695.27</td> <td style="text-align: center;">0</td> <td style="text-align: right;">6,983,161.00</td> </tr> <tr> <td>IPR Project</td> <td style="text-align: center;">0102 0-4470 00-</td> <td style="text-align: right;">106,427.20</td> <td style="text-align: right;">(106,427)</td> <td style="text-align: right;">943,318</td> </tr> </tbody> </table>	Account Name	Account No.	Amount in Financial statement Kshs	Balances as per cash book Kshs	Balances as per bank certificate Kshs	Recurrent HQs	0108 0-3510 79-00	19,421,106.15	(9,742,978.47)	3,243,231.00	Commercial	0108 0-3543 65-00	394,695.27	0	6,983,161.00	IPR Project	0102 0-4470 00-	106,427.20	(106,427)	943,318	<p>It is true that the financial statement reflects an overdraft of Kshs 21,436,906. For IPR Project account it had erroneous debits and unrepresented cheques which resulted to the said overdraft of Kshs106, 427.20 in the cash book.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
Account Name	Account No.	Amount in Financial statement Kshs	Balances as per cash book Kshs	Balances as per bank certificate Kshs																					
Recurrent HQs	0108 0-3510 79-00	19,421,106.15	(9,742,978.47)	3,243,231.00																					
Commercial	0108 0-3543 65-00	394,695.27	0	6,983,161.00																					
IPR Project	0102 0-4470 00-	106,427.20	(106,427)	943,318																					

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	00			
Deve	1106	1,514	7,629	7,505
lopm	8293	,676.	,466.	,366
ent	79	95	00	
HQS				
KCB				
TOT		(21,4	(2,21	18,67
AL		36,90	9,939	5,076
		6.00)	.47)	

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
PARAGRAPH 9: RECEIVABLES
FROM EXCHANGE
TRANSACTIONS

The statement of financial position as at 30 June 2016 reflects receivables from exchange transactions balance of Kshs. 35,147,671 which includes Kshs. 17,864,378 in respect of surrendered imprests. The imprest held by staff had exceeded the period for which it should have been held contrary to paragraph 3.1.2.1 of the Museums' Quality Systems Procedures Manual. Further, the receivables from exchange transactions increased from Kshs. 17,223,546 as at 30 June 2015 to Kshs.

The management would like to clarify that out of the Kshs 35,147,671, Kshs 17,864,378 was in respect of surrendered imprest most of which have fully been surrendered others are being recovered through payroll while remaining balance have queries which are being addressed. The increase in receivables from exchange transactions of Kshs 17,223,546 was caused partially by trade receivables which increased by Ksh 11,696,717, Staff Debtors Kshs. 3,735, 457 and Prepayment of Kshs.

Director General
and Financial
Controller

Not yet resolved

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	<p>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.</p> <p>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. 2,125,515 which has not been reconciled or explained.</p> <p>In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.35, 147,671 could not be ascertained.</p> <p>Qualified Opinion</p> <p>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 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</p>	<p>2,291,951. However, the unreconciled balance of Kshs.2, 125,515 will be availed.</p>		
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<p>1</p>	<p>Finance Act, 2012.</p> <p>Other matter</p> <p>1. Delayed completion and Hand-over of Mashujaa Square Project at Uhuru Gardens</p> <p>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 Kshs74,855,473. Originally, the contract price was estimated at Kshs.300,000,000 but 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.</p> <p>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.</p>	<p>Management of National Museums of Kenya has since settled the outstanding certificate to the contractor and certificate of completion has been handed over to NMK.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p>	<p>Current Financial Year.</p>
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<p>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 the project costs.</p>			
<p style="text-align: center;">2. National Museums of Kenya – Malindi station</p> <p>(i) Vasco da Gama Pillar The pillar is situated on a parcel of land measuring 0.2hactres 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 over time and the effects of the high sea tides were evident after part of the walls bordering the sea were washed away.</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 government for more funding to enable restore the lost glory of the organization.</p>	<p>Director General and Financial Controller</p>	<p>Not yet resolved</p> <p>Current Financial Year.</p>

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	<p>(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 circumstances, it has not been possible to evaluate the works in progress or confirm the security of the heritage asset.</p> <p>(iii) Malindi Ethnographic Museums. This building was formerly occupied by District Officer Malindi and was in 1991 gazetted as a national monument under G.G 3650 CONF M 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.</p>		<p>Director General and Financial Controller</p> <p>Director General and Financial Controller</p> <p>Director General and Financial Controller</p>	<p>Not yet resolved</p> <p>Not yet resolved</p> <p>Not yet resolved</p>	<p>Current Financial Year.</p> <p>Current Financial Year.</p> <p>Current Financial Year.</p>
3	<p>3.0 Lamu Station Museum A visit to National Museums of Kenya Lamu Station on 17 October 2016</p>				

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<p align="center">4</p>	<p>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.</p> <p>4.0. Shimoni Station- Fort Jesus Museum</p> <p>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 neighbouring 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.</p> <p>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</p>	<p align="center">Controller</p> <p align="center">Director General and Financial Controller</p>	<p align="center">Not yet resolved</p>	<p align="center">Current Financial Year.</p>
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5	<p>has not put in place urgent measures to protect and secure this historical site.</p> <p>5.0. Mtwapa Station – Jumba La Mtwana Museum</p> <p>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.</p> <p>A site visit on 19th 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.</p> <p>The site 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.</p> <p>Under the circumstances, the security of these historical assets is under threat of extinction.</p>	Director General and Financial Controller	Not yet resolved	Current Financial Year.
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6	<p>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 artefacts 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.</p>	Director General and Financial Controller	Not yet resolved	Current Financial Year.
6.1	<p>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.</p>	Director General and Financial Controller	Not yet resolved	Current Financial Year.
7	<p>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 the land measuring 1.006Ha. were said to be at</p>	Director General and Financial Controller	Not yet resolved	Current Financial Year.

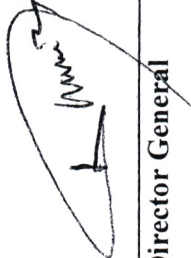
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	<p>Geometer Surveys (R.I.M amended) level, a physical inspection of the site on 26 October 2016 revealed that the Museum was not properly secured with a fence for the purpose of demarcation between the Museum's property and other parcels in the neighbourhood. 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 curved plots from National Museums 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.</p> <p>It is a matter of great 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.</p>				
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XIX. Appendix 1: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the Funds	Date Received as per Bank Statement	Nature: Recurrent/ Development	Total Amount - KES	Where Recorded/ Recognized						Total Transfers During the Year
				Statement of Financial Performance	Capital fund	Deferred Income	Receivables	Others - Must be Specific		
Ministry of Sports, Culture and the Arts	26.08.2016	Recurrent	217,500,000	217,500,000	0	0	0	0	0	217,500,000
Ministry of Sports, Culture and the Arts	07.11.2016	Recurrent	217,500,000	217,500,000	0	0	0	0	0	217,500,000
Ministry of Sports, Culture and the Arts	07.03.2017	Recurrent	217,500,000	217,500,000	0	0	0	0	0	217,500,000
Ministry of Sports, Culture and the Arts	27.04.2017	Recurrent	217,500,000	217,500,000	0	0	0	0	0	217,500,000
Ministry of Sports, Culture and the Arts	08.11.2016	Development	150,000,000	12,219,299	72,584,698	65,196,003	0	0	0	150,000,000
Total			1,020,000,000	882,219,299	72,584,698	65,196,003	0	0	0	1,020,000,000



 Director General

 Chairperson of the Board

Date: 19th December, 2017.

Date: 19th December, 2017.

NATIONAL MUSEUMS OF KENYA
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Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Sports, Culture and the Arts			
FY 16/17			
a. Recurrent Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
Ministry of Sports, Culture and the Arts	26.058.2016	217,500,000	2016/2017
Ministry of Sports, Culture and the Arts	07.11.2016	217,500,000	2016/2017
Ministry of Sports, Culture and the Arts	07.03.2017	217,500,000	2016/2017
Ministry of Sports, Culture and the Arts	27.04.2017	217,500,000	2016/2017
	Total	870,000,000	
b. Development Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
Ministry of Sports, Culture and the Arts	08.11.2016	150,000,000	2016/2017
	Total	150,000,000	

The above amounts have been communicated to and reconciled with the parent Ministry
 Financial Controller
 National Museums of Kenya

Sign: 
 Date: 19th December, 2017

Head of Accounting Unit
 Ministry of Sports, Culture and the Arts

Sign: 
 Date: 19th December, 2017

CPA 5429