
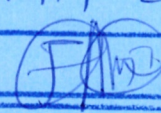


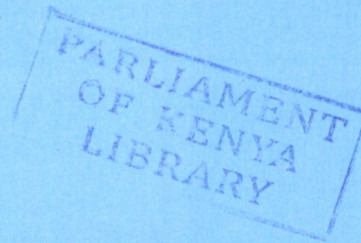
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 04 JUN 2019	DAY: TUESDAY
TABLED BY: MAJORITY LEADER	OF
CLERK AT THE TABLE: 	

REPORT



THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA ACADEMY OF SPORTS**

**FOR THE YEAR
ENDED 30 JUNE 2018**





KENYA ACADEMY OF SPORTS
Beyond sporting talent

KENYA ACADEMY OF SPORTS
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
ENDED JUNE 30, 2018

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

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(a) KEY ENTITY INFORMATION AND MANAGEMENT

Background information

The Kenya Academy of Sports is a state corporation established under Section 33 of the Sports Act No. 25 of 2013. The institution is mandated to nurture and develop sports talent, train and capacity-build technical sports personnel as well as conduct and promote sports research to revitalise the industry for socioeconomic boost. Before inception of KAS the National Youth Talent Academy (NYTA) and the Kenya National Sports Institute (KNSI), entities supported by the Department of Sports jointly with the Ministry of Education and UNICEF carried out programmes that sort to identify, nurture and develop talent among the youth as well as train sports technical personnel.

The Academy is envisaged to be a highly specialized Institution for training both athletes and technical personnel as well as conducting research in sports.

Vision

“Global excellence in sports talent development”

Mission Statement:

“To develop sports talents through establishment and management of sports academies, training and research for global competitiveness and sustainable socio-economic growth”

Core Values

1. Teamwork
2. Professionalism
3. Innovation
4. Collaboration
5. Meritocracy

Functions of Kenya Academy of Sports

KAS is mandated to perform the following: -

- a) Establish and manage sports training academies
- b) Organize, administer and coordinate sports courses for sports personnel
- c) Promote research and development of talent in sports
- d) Collect, collate, store and disseminate tangible and intangible historical sports material to the public, sport organizations, researchers and institutions of learning

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

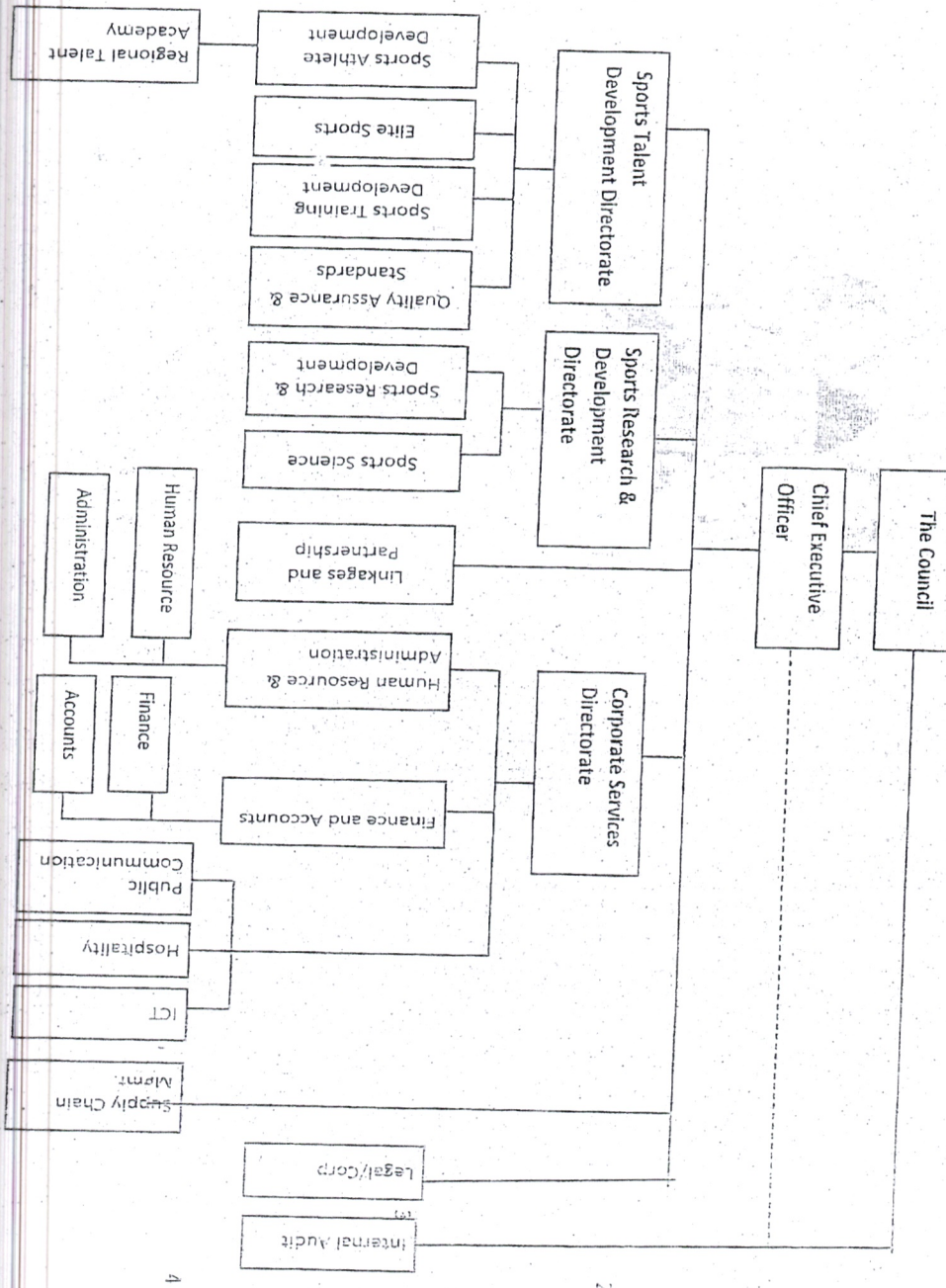
- e) Receive and analyze data on training requirements from sport organizations
- f) Partner with other institutions & organizations for regular updates on the current sports trends
- g) Perform any other functions to achieve the aforementioned

Principal Activities

- i. On-going construction works of Phase 1 (Hostel and 5 Play grounds).
- ii. Completed KAS Strategic Plan 2016 – 2022.
- iii. Developed KAS Website.
- iv. Completed Curriculum Development in five sport disciplines for athletes and coaches namely; football, basketball, volleyball, athletics and cricket.
- v. Carried out Sensitization workshops for staff and athletes on HIV/AIDS prevention and Alcohol and Drug abuse reduction.
- vi. Establishment of direct and indirect sports satellite Academies in Karuri Cricket Centre in Kiambu, Rabai Road Centre in Nairobi County, Acakoro Centre in Korogocho, Makueni Academy in Makueni County.
- vii. Trained thirty (30) Sports Technical Personnel in football.
- viii. Held a Sports Holiday Camp in December, 2016 for 50 children from different parts of Nairobi County.
- ix. On-going distribution of Chess Boards to Country Schools.
- x. Carried out recruitment of thirty (30) football players for FC Talanta which is a football incubator for the Academy.

Key Management

Appendix I: Organizational Structure for the Kenya Academy of Sports



**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

Fiduciary Management

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

No.	Name of Officer	Design.
1.	Gordon Oluoch	Ag. Chief Executive Officer
2.	Douglas Ratemo	Ag. Director, Talent Development
3.	Joseph K. Baimunya	Ag. Director, Corporate
4.	Doreen Odhiambo	Ag. Director, Research
5.	Margaret Kiragu	Ag. Senior. Manager, Talent Development
6.	John Okwemba	Ag. Senior Manager, Partnerships & Linkages

Audit And Compliance Committee

The members include

- Christine Kanini -Attorney General Representative
- Japson Gitonga -Principal Secretary Representative (MOSCA)
- John Kameta -Member
- Gordon Oluoch -Chief Executive Officer

Independent Auditors

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

Principal legal adviser

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

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

Entity Headquarters

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

Entity Contacts

Telephone: (254) 020 2211460
E-mail: info@kas.or.ke
Website: www.kas.or.ke

Entity Bankers

1. Kenya Commercial Bank
Thika Road Mall Branch
P.O. Box 105514-0101 Jamia
Nairobi, Kenya

(b) THE BOARD OF DIRECTORS

<p>1.</p> <p>Dr Paul Tergat</p> 	<p>D. o. B: 17/06/1969</p> <p>Key Qualifications:</p> <p>Work Experience: In Sports Fraternity</p> <p>NOCK President</p> <p>Council Chairman</p>
<p>2.</p>  <p>Gordon Oluoch, MBS, HSC</p>	<p>D. o. B: 05/8/1959</p> <p>Key Qualifications: Sports Commissioner</p> <p>Work Experience:</p> <p>Chief Executive Officer</p>
<p>3.</p>  <p>Lucas Onyango</p>	<p>D.o. B: 14/09/1954</p> <p>Kenya Weightlifting Federation</p> <p>Work Experience:</p> <p>Chairman, Audit and compliance Committee Human Resource and Training</p>
 <p>John Kameta</p>	<p>D. o. B: 01/01/1964</p> <p>Kenya Boxing Federation</p> <p>Work Experience:</p> <p>Chairman, Technical Development and Safety Committee Audit and compliance Committee</p>

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

 <p>Washington Akaranga</p>	<p>D. o. B: 03/09/1964</p> <p>Chairman: Kenya Deaf Federation</p> <p>Work Experience</p> <p>Chairman, Finance and Investment Committee</p>
 <p>Tegla Lorupe</p>	<p>D. o. B:</p> <p>Member: NOCK</p> <p>Work Experience: Sports</p> <p>Committee Member: Finance and Investment : Human Resource and Training</p>
 <p>Vitalis Gode</p>	<p>D. o. B:</p> <p>Chairman: Kenya Basketball Federation</p> <p>Work Experience</p> <p>Chairman, Human Resource and Training Committee</p>
<p>Japson Gitonga</p>	<p>Rep: Ministry of Sports, Culture and Arts</p> <p>Technical Development and Safety Committee</p>



Christine Kanini

Rep: AG's Office

**Committee Member: Finance and Investment,
Audit and compliance Committee**

(c) MANAGEMENT TEAM

 <p>Name: Doreen Odhiambo</p>	<p>Research Date of Birth: 18th June, 1972 Professional/Academic Qualifications: PHD in Sports Management, Post Graduate Certificate in Research</p>
 <p>Name: Joseph Kirima</p>	<p>Corporate Date of Birth : 10th October, 1962 Professional/Academic Qualifications: Bachelor's Degree in Education, Post Graduate Diploma in Sports Management</p>
 <p>Name: Douglas Ratemo</p>	<p>Talent Development Date of Birth: 9th January, 1972 Professional/Academic Qualifications: Bachelors of Arts, Post Graduate Diploma in Sports Management</p>

d) CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

When I was appointed to lead the Council of the Kenya Academy of Sports, a premier national institution in the country, I saw a future of great potential and promise. Picking up from scratch, as Chair and Council, we have made tremendous steps in setting the pace for progress. The seamless chemistry between the Council and Management has made it possible to overcome numerous hurdles which are characteristic of upcoming institutions.

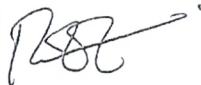
Despite the challenging Financial Year 2017/2018, the Academy managed to perform better in comparison to the previous year with regard to attaining its set targets. As envisaged in the Vision 2030 blueprint, sport plays a major role in national development as a moderator of socio-economic, political and cultural transformation.

In this regard, I am pleased to note that the Academy trained 1,750 talented youth out of the targeted 1,500 in various sports disciplines across the country through collaboration with schools and private academies. The Academy also conducted five (5) Holiday Sports Camps in the year under review, by engaging school-going children productively through fun-filled sports activities. This program has turned out to be cherished by parents in view of the long spell of school vacations.

In the period under review, one research program was conducted in conjunction with Kenyatta University. The research workshop brought together high-profile individuals directly involved in sports research matters, upcoming research officers, and other stakeholders to chart the way for exploiting the unexplored areas of sports science and its benefits. Reports from the workshop have formed the basis for the Academy to strategize for concrete and objective actions.

The Academy is seeking enhanced funding to complete the Phase I of the capital project (85% complete), currently under construction at Kasarani, and embark on Phase II to enable it to fully achieve its mandate.

We look forward to a fruitful 2018/2019 Financial Year of increased Government facilitation and partnerships with stakeholders.



DR. PAUL TERGAT, MBS
COUNCIL CHAIRMAN

THE CEO'S STATEMENT

The Kenya Academy of Sports (KAS) is a State Corporation within the Ministry of Sports, Culture, and the Arts created to offer specialized sports training, build the capacity of technical sports personnel and conduct research.

The Academy took over the responsibilities of what was the Kenya National Sports Institute and the National Youth Talent Academy. Through programmes sponsored by UNICEF and other partners, the Academy has been able to institute programmes in Football (Men), Volleyball (Women), Chess and Rugby (Men). The graduates of the programme such as Michael Olunga of football and Gaudencia Makokha of volley ball now turn out for the national teams in their respective sports.

Phase 1 of the Academy facilities comprising the Hostel, a Gate House, 2 football pitches, 2 rugby pitches and 1 basketball court are currently underway. However, due to the slow flow of funds, the project is slow in implementing as the contractors lay down their tools from time to time due to non-payment of completed and certified works in time.

Phase II of the Academy will comprise a three-star hotel for athletes and officials who are better endowed economically and those who do not wish to use hostel facilities. This facility will help to make the Academy self-reliant financially and significantly reduce any dependence on the National Treasury for funding.

It is noteworthy that the Academy has developed administrative instruments such as the Human Resource Manual, Organizational Structure, the Salary Structure, and Career Progression Guidelines all approved by the State Corporations Advisory Authority (SCAC).

The Academy has developed the KAS Strategic Plan which will be launched in the near future. Currently, the Academy, in conjunction with the Kenya Institute of Curriculum Development (KICD) and other stakeholders, is in the process of working on a curriculum which will standardize the technical instructions given at satellite and county academies countrywide.

The Academy, however, is in serious need of basic operational requirements such as office furniture, computers, motor vehicles and technical requirements such as coaches, trainers, equipment and funds to hire the facilities. This is due to low funding levels for the Development project and Recurrent programmes. In the 2018/2019 financial year, the Academy is to receive in the Printed Estimates Ksh.44,300,000 under Recurrent Vote and Ksh.200,000,000 under Development Vote. The Development Vote has been significantly reduced by more than 50% and what remains is yet to be disbursed to the Academy despite the fact that the work which has already been completed and certified is worth more than the funds availed.

As at October, 2017 the outstanding money to complete phase 1 of the project is Ksh.212,000,000. Currently the contractors have completed and certified work worth Ksh.158 million which must be paid immediately so that the works, which are already behind schedule, do not stall, further.

The Recurrent Vote requires an injection of not less than Ksh.200 million through the Revised Estimates of the 2018/2019 financial year to enable the institution recruit and train talented youth, train technical and administration staff, mount research initiatives in sports talent development, and open up satellite academies in the counties and equip them.

Being a Vision 2030 flagship project, there is need to fast track its development so that it serves the mandate for which it was created and fill the existing void in sports development.



Gordon Oluoch, MBS, HSC
Ag. CHIEF EXECUTIVE OFFICER

f) MANAGEMENT DISCUSSION AND ANALYSIS

The management at the Kenya academy of sports consists of the CEO, Director Talent Development, Director Sports Research, Director Corporate Services and Director Linkages and Partnerships. There have been key performances operationally, the department of talent development is continuing in the endeavor of developing norms and standards for talent identification and selection in partnership with institutions of higher learning and the ongoing construction of the international sports academy. There have also been several coaching courses offered to technical and administration personnel and life skills courses offered to sports incubus under the Kenya academy of sports. Director talent development has also seen the conduction of holiday sports camps for school going children in seven sports disciplines during school holidays. Underway is the development and implementation of curricula in sports talent academies in conjunction with Kenyatta university that is in its final stages and finally the criteria for employment in the talent academies.

The Directorate of Linkages, Partnerships and Collaborations has been promoting linkages, Partnerships and Collaborations with Institutions of Higher Learning-Kenyatta University, The University of Nairobi-through research and provision of internships to students. There has also been the forging of Memorandum of Understandings (MOUs) between Kenyatta university, County Governments, and Football Clubs for purposes of advancing mutual interests, shared goals, ideas and information, tailored towards working together to achieve the goals of vision 2030. These MOUs and collaborations include and not limited to the following; Kenyatta University, FC Talanta Football Club, Acakoro Football Academy, Communications Authority of Kenya, UNICEF and Jamii Bora Bank respectively.

The research directorship has developed a manual for sports research strategy, policies, systems and procedures to govern on the way research is conducted at the Kenya Academy of Sports. It is also under the sports research directorship that the KAS strategic plan was developed and implemented. Ongoing are several studies; the mapping of sports talent across Kenya counties and the assessment of the number of professionally qualified technical sports personnel in Kenya.

The director corporate services have been updating administrative policies, systems and procedures for and informing the employees through workshops. There has also been conduction of employee performance, standards and mechanisms to ensure compliance with the Constitution, in consultation with the CEO Kenya Academy of Sports. The directorship has also seen the compilation of directorate

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

and council reports and Coordination of information exchange with the relevant sports stakeholders and the public to ensure client expectations are met. Finally, the directorship has offered leadership training and professional development to ensure compliance with labor and employment laws. Below is the Compliance report on statutory requirements.

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

g) CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

The MASPO (Masomo Sport Initiative) program started in July 2016 has seen over 10,000 schools going children in Jericho access nine different sports disciplines. This program has seen children completely and fully utilizes their free time gaining meaningful sport specific technical skill and life-long skills. The program is school based where children access the programs during their normal school days. This has encouraged school attendance and consequently reduced absenteeism and truancy. During the school holidays, children are invited to attend the programs run by MASPO with representations from well over 18 schools.

The Academy of Sports has issued over 2200 chessboards since 2016 to counties and schools alike. Recently the Academy of Sports supported the chess tournament at Lenana high School by issuing 150 chessboards. The counties that have benefited from the issuance of chessboards include Kisii, Nairobi, Kirinyaga, Nyandarua, Kiambu, Baringo, Murang'a, Narok, Kericho, Nandi, Kisumu, Siaya, Lamu, Kilifi, Mandera, Wajir, Embu, Meru, Tharaka-Nithi, Marsabit, Isiolo, Nyeri, Makueni, and Kakamega Counties. This initiative has encouraged access to mental sports which is set to continue inspiring creativity and criticality in thinking.

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

In April 2017, together with Acakoro Football Academy and Football Kenya Federation organized a one-week Football Level One Coaching course that benefited 30 youth with a passion in coaching. The training was organized in such a way that the coaches had first-hand experience of coaching children and teenagers as each day, a team of young players joined the team for practical session in the

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

afternoon. The coaching was conducted by the national coach, Stanley Okumbi. The non-residential training took place in Moi International Sports Centre, Kasarani.

h) REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Kenya Academy of Sports affairs.

Principal activities

The principal activities of the Kenya Academy of Sports are -:

- a) Establish and manage sport's training academies;
- b) Organize, administer and co-ordinate sports courses for technical and sports administration personnel;
- c) Promote research and development of talent in sports, in collaboration with institutions of higher learning, national sports organizations and other stakeholders;
- d) Collect, collate, store and disseminate tangible and intangible historical sports material to the public, sports organizations, researchers and institutions of learning;
- e) Receive and analyse data on training requirements from sports organizations;
- f) Link with other institutions and organizations for regular updates on the current sports trends; and
- g) Perform any other function that may directly or indirectly contribute to the attainment of the foregoing.

Vision

Global excellence in sports talent development.

Mission

To develop talent through establishment and management of sports academies, training and research for global competitiveness and sustainable socio-economic growth.

Results

The results of the Kenya Academy of Sports for the year ended June 30, 2018 are set out on page 13.

Directors

The members of the Board of Directors who served during the year are shown on page 10. During the year/period ended June 30, 2018 no director has retired or resigned.

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

h) STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors accept responsibility for Kenya Academy of Sports' financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that Kenya Academy of Sports' financial statements give a true and fair view of the state of Kenya Academy of Sports' transactions during the financial year ended June 30, 2018, and of Kenya Academy of Sports' financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Kenya Academy of Sports, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Kenya Academy of Sports' financial statements were approved by the Board on _____ 2018 and signed on its behalf by:

C.E.O

Name: **GORDON OLUOCH**

Sign: 

Date: 17/05/2019

Head of Finance

Name: **Raphael Abonyo**

ICPAK Member Number:

Sign: 

Date: 17/05/2019

Chairman of the Board

Name: **Paul Terper**

Sign: 

Date: 17/05/2019

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Academy of Sports set out on pages 20 to 38, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Academy of Sports as at 30 June, 2018, and 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 Section 33 of the Sports Act No.25 of 2013.

Basis for Qualified Opinion

1.0 Delayed completion of International Sports Academy

On 21 March 2013, the Sports Stadia Management Board (now Sports Kenya) entered into a contract with M/s Landmark Holdings Ltd for the construction of an International Sports Academy at Moi International Sports Centre, Kasarani at a contract price of Kshs.859,814,770. The scope of the project involved:

- Construction of a hostel building;
- A hotel up to the 2nd floor;
- 2 football pitches;
- 2 basketball pitches;
- 1 rugby pitch; and
- A borehole.

The project commenced on 23 March, 2013 and was expected to be completed within a period of three (3) years or by 23 March, 2016. As at 30 June 2018, payments totalling to

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

Kshs.877,374,598 had been made to the contractor and the consultants. However, as at the time of the audit in March, 2019 the project had not been completed while the overall progress achieved was estimated at 85%, three (3) years after expiry of the contract period and no extension of contract period was made available for audit verification. The delayed completion was attributed to financial constraints caused by budget cuts.

Under the circumstances, the project remains far much behind schedule thus delaying the expected benefits and risks contract cost escalation.

2.0 Un-remitted Statutory Deductions

The statement of financial position as at 30 June 2018 reflects a balance of Kshs.3,668,040 in respect of trade and other payables. Included in this amount are unremitted PAYE and NHIF deductions of Kshs.3,007,447 and Kshs.360,593 respectively.

The failure to remit the statutory dues within the stipulated period is likely to lead to payment of penalties and interests which could have been avoided.

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

Key Audit Matters

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

Other Matter

1.0 Budget and Budgetary Performance

1.1 Revenue

The Academy had budgeted for revenue totalling Kshs.229,500,000 but actual realized amounted to Kshs.68,247,000 resulting to a shortfall of Kshs.161,253,000 or 70% as follows:

Revenue	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Variance %
Government grants- Recurrent	29,500,000	29,500,000	-	0
Government grants - Development	200,000,000	37,500,000	(162,500,000)	81
Rendering of services	-	1,247,000	1,247,000	100
Total	229,500,000	68,247,000	(161,253,000)	70

The shortfall of Kshs.161,253,000 was mainly attributed to failure to receive development grants from the National Treasury for the construction of the International Academy of Sports which had a budget of Kshs.200,000,000 but only Kshs.37,500,000 was received.

1.2 Expenditure

The Academy had an expenditure budget of Kshs.229,500,000 but a total of Kshs.68,912,367 was spent during the year under audit resulting to an under-expenditure of Kshs.160,587,633 or 70% of the budget as follows:

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Compensation of employees	15,100,000	13,466,886	(1,633,114)	11%
Board remuneration	1,200,000	1,445,736	245,736	20%
Goods and services	13,200,000	17,799,745	4,599,745	35%
International Academy of Sports	200,000,000	36,200,000	(163,800,000)	82%
Total	229,500,000	68,912,367	160,587,633	70%

The under-expenditure of Kshs.160,587,633 was mainly attributed to failure to receive the budgeted funds from the National Treasury which negatively affected the completion of the International Academy of Sports project.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Those Charged with Governance

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

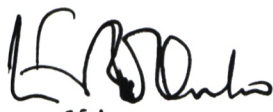
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Academy to cease to continue as a going concern or to sustain its services.

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

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

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



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

Nairobi

08 May 2019

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

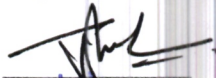
Statement of Financial Performance

For the year ended 30th June 2018


	Notes	2017-2018 Kshs	2016-2017 Kshs
Income from Non-Exchange Transactions			
GOK Grants	1.(a)	30,800,000	28,425,000
		<u>30,800,000</u>	<u>28,425,000</u>
Income from exchange transactions			
Sale of tender documents	2.(a)	197,000.00	32,000
Other Income	2.(b)		
Refund from FC talanta		1,050,000	
		<u>1,247,000</u>	<u>32,000</u>
Total		<u>32,047,000</u>	<u>28,457,000</u>
Expenditures			
Employee costs	3.0	13,466,886	12,858,986
Remuneration of Board	4.0	1,204,136	5,886,785
General Expenses	5.0	18,041,345	11,838,601
		<u>32,712,367</u>	<u>30,584,372</u>
Deficit for the period		<u>(665,367)</u>	<u>(2,127,372)</u>

The notes set out on pages 7 to 19 form an integral part of these Financial Statements


C.E.O
Name: **GORDON OLUOCHI**

Sign: 
Date: 17/05/2019

Head of Finance
Name: **Raphael Abungu**

ICPAK Member Number:
Sign: 
Date: 17/05/2019


Chairman of the Board
Name: **Paul Terigar**

Sign: 
Date: 17/05/2019

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	6.0	(301,353)	147,076
Receivables from non-exchange transactions	7.0	1,176,655	-
		875,302	147,076
Non-current assets			
WIP (International sports Academy)	8.0	877,374,598	841,174,598
		877,374,598	841,174,598
Total assets		878,249,900	841,321,674
Liabilities			
Current liabilities			
Accounts payables from non-exchange transactions	9.0	3,668,040	2,274,448
		3,668,040	2,274,448
Non-current liabilities			
Total liabilities		3,668,040	2,274,448
Net assets			
Capital Reserve		877,374,598	841,174,598
Accumulated Deficit		(2,792,739)	(2,127,372)
Total Net Asset		874,581,859	839,047,226
Total net assets and liabilities		878,249,900	841,321,674



Director General/C.E.O/M.D

Name: **GORDON OLUDCH**

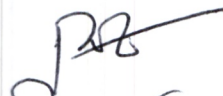
Date: **17/05/2019**

Head of Finance, Chairman of the Board

Name: **Raphael Abonyo**

ICPAK Member Number: **(Continued)**

Date: **17/05/2019**



Name:

Paul Fenger

Date: **17/05/2019**

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

	Attributable to the Kenya Academy of Sports				TOTAL
	Self insurance reserve	Reserves Capital replacement development reserve/Capital Reserve	Revaluation Reserves	Accumulated surplus	
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2016	-	-	-	-	-
Surplus/(deficit) for the period	-	-	-	(2,127,372)	(2,127,372)
Transfers to/from accumulated capital	-	712,474,598	-	-	712,474,598
Transfer of excess depreciation on revaluation	-	-	-	-	-
Grants received during the year	-	128,700,000	-	-	128,700,000
Revaluation gain	-	-	-	-	-
Balance as at 30 JUNE 2017	-	841,174,598	-	(2,127,372)	839,047,226
Balance as at 1 July 2017	-	841,174,598	-	(2,127,372)	839,047,226
Deficit for the period	-	-	-	(665,367)	(665,367)
Transfers to/from accumulated surplus	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-
Grants received during the year	-	36,200,000	-	-	36,200,000
Revaluation gain	-	-	-	-	-
Balance as at 30 JUNE 2018	-	877,374,598	-	(2,792,739)	874,581,859

**Kenya Academy of Sports
Reports and Financial Statements
For the year ended June 30, 2018**

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	<u>Notes</u>	2017-2018 Kshs	2016-2017 Kshs
Cash flows from operating			
Surplus / (Deficit) for the year	10.0	(665,367)	(2,127,372)
Adjustments for			
Depreciation for the Year		-	-
Operating surplus /(Deficit) before		(665,367)	(2,127,372)
Working Capital Changes			-
Increase/decrease in account receivables	7.0	(1,176,655)	-
Increase/decrease in payables	9.0	1,393,592	2,274,448
Net cash flow from operating Activities		(448,429)	147,076
<u>Cash flow from investing activities</u>			
Purchase of Fixed Assets	11.0	(36,200,000)	(128,700,000)
Net cash flow from Investing activities		(36,200,000)	(128,700,000)
Cash flow from Financing activities			
Capital Grants Received	1.(b)	36,200,000	128,700,000
Net cash flow from Financing activities		36,200,000	128,700,000
Net increase in cash and cash Equivalents		(448,429)	147,076
Cash and Cash equivalents At the start of the year		147,076	-
Cash and Cash equivalents at the end of the year	6.0	(301,353)	147,076

C.E.O

HEAD OF FINANCE

CHAIRMAN OF THE BOARD

Name: **GORDON OLUOCH**

Name: **Raphael Abonyo**

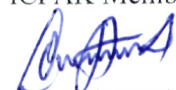
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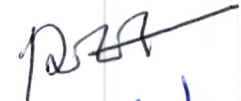
Sign: 

ICPAK Member Number:

Sign: 

Cashflow notes

 12/25/2019

 12/25/2019

Indirect method has been used to present statement of cash flow

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies- Recurrent	29,500,000	-	29,500,000	29,500,000	-
Government grants and subsidies- Development	200,000,000	-	200,000,000	37,500,000	162,500,000
Rendering of services	-	-	-	1,247,000	1,247,000
Licenses and permits	-	-	-	-	-
Sale of goods	-	-	-	-	-
Finance Income	-	-	-	-	-
Gains on disposal, rental income and agency fees	-	-	-	-	-
Total income	229,500,000	-	229,500,000	68,247,000	161,253,000
Expenses					
Compensation of employees	15,100,000	-	15,100,000	13,466,886	(1,633,114)
Board remuneration	1,200,000	-	1,200,000	1,204,136	4,136
Goods and services	13,200,000	-	13,200,000	18,041,345	4,841,345
Rent paid	-	-	-	-	-
Taxation paid	-	-	-	-	-
International Academy of Sports	200,000,000	-	200,000,000	36,200,000	(163,800,000)
Grants and subsidies paid	-	-	-	-	-
Total expenditure	229,500,000	-	229,500,000	68,912,367	(160,587,633)
Surplus for the period	-	-	-	(665,367)	-

Budget notes

1. Compensation of employees: Expenditure exceeded due to the introduction of salary paid to officers who were seconded from the Ministry headquarter.

2. Board Remunerations – The expenditure on board expenses went up due to various council meetings and committee meetings which were held severally since the institution was newly established with council members appointed earlier before the chairman, so when the chairman was appointed they had to hold several meetings to deliberate on major issues before the council members term expired.

3. General Expenses. The KAS management saw the need to prioritize (operational instruments) i.e the development of human resource manual, career guidelines, curriculum development of five sports discipline, which attracted huge expenditure due consultancy fee, transport and peridern.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya Academy of Sports is established by and derives its authority and accountability from the Sports Act No 25 of 2013. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to nurture and develop sports talent, train and capacity-build technical sports personnel as well as conduct and promote sports research to revitalise the industry for socioeconomic boost.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The academy's 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 function and reporting currency of the academy and all values are rounded to the nearest thousands (Kshs 000). The accounting policies have been consistently applied to all the years presented.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i. Revenue from non-exchange transactions – IPSAS 23

Fees, taxes, and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognised on obtaining control of the asset (cash, goods, service 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 academy and can be measured reliably.

ii. Revenue from exchange transactions – IPSAS 9

Rendering of services

The academy recognized revenue from rendering of services y reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours in incurred to date as a percentage of total estimated labour hours.

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

Sales of services

Revenue from the sale of services is recognized when the significant and rewards of ownership have been transferred to the buyer, usually on delivery of the service and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the academy.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period

b) Budget information – IPSAS 24

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

Kenya Academy of Sports
Annual Reports and Financial Statements
For the year ended June 30, 2018

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

c) Taxes - IAS 12

The Kenya Academy of Sports is exempt from income tax under the First schedule, paragraph 10 of the Kenyan Income Tax Act (Cap 470).

Sales Tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Property, Plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset is acquired in a non-exchange transaction for nil or normal consideration the asset is initially measured at its fair value. The annual depreciation in use are:

- a. Furniture and Fittings 12.5%
- b. Plant and Equipment 12.5%
- c. Electronic Data Processing Equipment 30%
- d. Motor Vehicles 25%

e) Intangible assets – IPSAS 31

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

f) Financial instruments – IPSA 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognised in the surplus or deficit.

Impairment of financial assets

The academy assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include the following indicators.

- The debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganisation
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

i) 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 or loans and borrowings, as appropriate. The academy determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

ii) Research and Development costs

The academy expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the centre can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at costs less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Provisions-IPSAS 19

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. The centre makes a provision for gratuity for its employees on contract at the rate of 31% of the basic salary. The amount is charged against income in the year in which it is earned.

Contingent Liabilities

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

Contingent Assets

The centre does not recognize a Contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the

Kenya Academy of Sports
Annual Reports and Financial Statements
for the year ended June 30, 2018

control of the centre in the notes to the financial statements. Contingent asset are assessed continually to ensure that developments are appropriately reflected in the financial the financial statement. It has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

h) Nature and Purpose of Reserves

The Academy maintains reserves in terms of specific requirements.

i) Foreign currency transactions-IPSAS 5

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate. Exchange differences arising from settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

j) Borrowing costs –IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of asset is complete. Further borrowing costs are charged to the statement of financial performance.

Kenya Academy of Sports
Annual Reports and Financial Statements
For the year ended June 30, 2018

**NOTES FOR THE FINANCIAL
STATEMENT(Continued)**

For the year ended 30th June 2017

1.(a) Income from Non-Exchange Transactions	2017-2018	2016-2017
GOK GRANTS	Kshs	Kshs
Recurrent	29,500,000	7,125,000
Development	1,300,000	21,300,000
	<u>30,800,000</u>	<u>28,425,000</u>

1.(b) CAPITAL Reserve	2017-2018	2016-2017
	Kshs	Kshs
Capital b/f	841,174,598	712,474,598
Capital Grants received for the year	36,200,000	128,700,000
	<u>877,374,598</u>	<u>841,174,598</u>

NB* Capital approach has been applied to recognize the part of the development grant that was used for construction work for International Sports Academy building amounting to **Kshs. 36,200,000/=** by debiting work in progress account and Crediting Capital Reserve account with the same amount.

2.(a) Income from the Exchange Transactions	2017-2018	2016-2017
Holiday camp fee	Kshs	Kshs
Sales of tender documents	197,000.00	32,000
	<u>197,000</u>	<u>32,000</u>

2.(b) Other income	2017-2018	2016-2017
	Kshs	Kshs
Refund from FC Talanta	1,050,000	-
	<u>1,050,000</u>	<u>-</u>

3.0 Employee Costs	2017-2018	2016-2017
	Kshs	Kshs

**Kenya Academy of Sports
Annual Reports and Financial Statements
or the year ended June 30, 2018**

	Kas Casuals and Top-Ups	13,466,886	6,908,986
	Fc Talanta salaries	-	5,950,000
	Total Employee Cost	13,466,886	12,858,986
		2017-2018	2016-2017
4.0	Board Remunerations	Kshs	Kshs
	Chairman Honoraria	880,000	880,000
	Board sitting allowances	324,136	5,006,785
		1,204,136	5,886,785
5.0	General Expenses	2017-2018	2016-2017
		Kshs	Kshs
	Recruitment, Admission & Training of Sports Talents	2,172,400	1,313,126
	Capacity Building of Sports Technical Personnel	280,200	192,200
	Sports Research and Development	2,515,400	4,729,400
	Travel & Accommodations	3,211,946	2,525,700
	Telephone & Internet	1,427,542	1,255,395
	Establishment of Satellite Academies	1,278,000	113,600
	Hospitality	490,864	674,850
	Postage	10,960	7,000
	Stationeries & Printing	421,715	574,498
	Office Cleaning & Materials	82,115	60,650
	Consultancy Services	2,569,408	59,000
	Bank charges	115,445	33,182
	Marketing /Branding/PR	195,200	-
	Development of Curriculum for KAS	1,228,400	-
	Linkages and Partnerships	1,741,750	-
	Audit fee	300,000	300,000
		18,041,345	11,838,601

Kenya Academy of Sports
Annual Reports and Financial Statements
For the year ended June 30, 2018

	2017-2018	2016-2017
	Kshs	Kshs
6.0 Cash and Cash Equivalents		
Kenya Commercial Bank main bank	(301,353)	147,076
	<u>(301,353)</u>	<u>147,076</u>
7.0 Account Receivables		
Advances to Fc Talanta	1,176,655.00	-
	<u>1,176,655.00</u>	<u>-</u>
8.0 Work In Progress		
International Sports Academy	877,374,598	841,174,598
	<u>877,374,598</u>	<u>841,174,598</u>
9.0 Accounts Payables from Non- Exchange transactions		
Audit fee	300,000	300,000
Accrued Employees benefit obligation & PAYE	3,368,040	1,974,448
	<u>3,668,040</u>	<u>2,274,448</u>
10.0 Accumulated Deficit		
Deficit for the year	(2,127,372)	(2,127,372)
	<u>(665,367)</u>	<u>-</u>
	<u>(2,792,739)</u>	<u>(2,127,372)</u>

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11.0

PROPERTY, PLANT AND EQUIPMENTS MOVEMENT SCHEDULE:

	Building WIP	Motor Vehicles	Plant & Machinery	Office Equipment	Furniture	Total
	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)
Cost/Valuation						
NBV-1July2017		-	-	-	-	841,174,598
Additions	841,174,598	-	-	-	-	
Disposals	36,200,000	-	-	-	-	36,200,000
Transfer/adjustments	-	-	-	-	-	-
At30 June2018	877,374,598					877,374,598
Depreciation and impairment						
At1July2017		-	-	-	-	-
Depreciation (Charge for the yr)	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At30 June2018	-	-	-	-	-	-
Net book values						
At30 June2018	877,374,598					877,374,598

12.0 **Transfers from Ministries, Departments and Agencies**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred income	Amount recognized in capital fund.	Total grant income during the year
	KShs	KShs	KShs	KShs
Ministry of Sports Culture and Heritage/State Department sports development	29,500,000	-	-	29,500,000
	1,300,000	-	36,200,000	37,500,000
TOTAL	30,800,000	-	36,200,000	67,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Financial Risk Management

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

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows: The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The entity manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

Sensitivity analysis

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The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern

2. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

3. Ultimate and Holding Entity

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

4. Currency

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

I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Referen ce No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)

Guidance Notes:

