

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAY	
DATE: 15 MAR 2023	DAY:
TABLED BY:	Hon. Samuel Chapkongo, MP on behalf of Majority Leader
CLERK-AT THE TABLE:	Christine Ndlovu

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA CULTURAL CENTRE**

**FOR THE YEAR ENDED  
30 JUNE, 2021**







THE  
**KENYA**  
**CULTURAL CENTRE**  
INCORPORATING THE KENYA NATIONAL THEATRE



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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>TH</sup> JUNE, 2021**

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

***Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.***





***Kenya Cultural Centre***  
***Annual Reports and Financial Statements for The Year Ended June 30, 2021.***

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Table of contents

Page

1. Key Entity Information And Management.....	i
2. The Governing Council.....	vi
3. Management Team .....	xiv
4. Chairperson's Statement.....	xvii
5. Report Of The Chief Executive Officer .....	xix
6. Statement Of Performance Against Predetermined Objectives .....	xxii
7. Corporate Governance Statement.....	xxvii
8. Management Discussion And Analysis .....	xxxvii
9. Environmental And Sustainability Reporting .....	xlvi
10. Report Of The Governing Council .....	xlvi
11. Statement Of Governing Councils' Responsibilities .....	xlvi
12. Report Of The Independent Auditor For The Financial Statements Of Kenya Cultural Centre .....	i
13. Statement Of Financial Performance .....	1
14. Statements Of Financial Position.....	2
15. Statements Of Changes In Net Assets .....	3
16. Statement Of Cash Flows .....	4
17. Statement Of Comparison Of Budget And Actual Amounts .....	5
18. Notes To The Financial Statements .....	6
Appendixes.....	34

## **1. Key Entity Information and Management**

### **Who We Are:**

The Kenya Cultural Centre incorporating The Kenya National Theatre is a Semi-Autonomous Government Agency established under The Kenya Cultural Centre Act Cap 218 and is domiciled in the State Department of Culture and Heritage.

### **Principal Activities**

The principal mandate of the Centre is to:

- i. Provide for the performance of music, drama and dancing
- ii. Provide for the exhibition of works of arts and crafts
- iii. Hold meetings for discussion on matters literary, historical, scientific or educational interest or importance
- iv. Carry other purposes approved by the Council to further the foregoing functions

It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development. It is our undertaking to ensure that the Kenya Cultural Centre has a credible strategic plan that will deliver the desired goals.

### **Our Vision**

To be a distinguished International Centre for cultural reference, creative expression and cultural contribution to the Kenyan economy.



### **Our Mission**

To establish the Kenya Cultural Centre as the national Centre for the safeguarding, promotion, celebration and development of culture, arts and creativity.

### **Our Core Values**

Good governance

Integrity

Inclusiveness

Diversity

Equity

Customer- focus

### **(a) Key Management**

The Kenya Cultural Centre's day-to-day management is under the following key organs:

- The Office of the Executive Director/ Chief Executive Officer;
- The Finance and Accounting Office;
- The Human Resource and Administration Office;
- The Programmes Office;
- The Procurement/Supply Chain Management Office; and
- The Legal Office.

### **(b) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Executive Director /CEO	Mr. Michael Pundo
2.	Finance Officer	Mr. Samuel Muli
3.	Supply Chain Management Officer	Mr. David Waweru
4.	Human Resource and Administration Officer	Ms. Ruth Wangui
5.	Legal Officer	Ms. Faith Mwendu
6.	Internal Auditor	Mr. Robert Ng'ang'a
7.	Accountant	Ms. Monica Oduor

### **(c) Fiduciary Oversight Arrangements**

**Programmes and Business Development Committee:** this Committee is composed of 10 members of the Governing Council. The Committee has the mandate of overseeing the implementation of the Kenya Cultural Centre core mandate through strategic planning and business management of the Centre's activities.

**Audit Committee:** The Committee, made up of 6 Members of the Governing Council, exercises an oversight role in ensuring and providing guidance in matters relating to governance, accountability, risk management and transparency. The Committee undertakes oversight and enforces compliance with regulation and requirements in financial systems and general operations of the Centre.

**Finance Committee:** Committee of the Governing Council made up of 8 members overseeing the financial and accounting operations and management of the Centre.

**Human Resource and Legal Committee:** The Committee is composed of 9 members of the Governing Council. It oversees all matters human resource and legal relating to and affecting the Centre.



**(d) Kenya Cultural Centre Headquarters**

P.O. Box 43031-00100

Kenya Cultural Centre Incorporating The Kenya National Theatre

Harry Thuku Road, Opposite The Norfolk Hotel

Nairobi, KENYA

**(e) Centre Contacts**

Telephone: 020 2672843

Mobile: +254 742 008677

E-mail: [info@kenyaculturalcentre.go.ke](mailto:info@kenyaculturalcentre.go.ke)

Website: [www.kenyaculturalcentre.go.ke](http://www.kenyaculturalcentre.go.ke)

**(f) Kenya Cultural Centre Bankers**

1. Kenya Commercial Bank

University Way Branch

P.O. Box 60000-00100,

Anniversary Towers,

Nairobi, Kenya

2. ABSA Bank

Market Street Branch

P.O Box 30018-00100,

Muindi Mbingu Street

Nairobi, Kenya

**(g) Independent Auditors**



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

**(h) Principal Legal Adviser**



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




## 2. The Governing Council

Ref.	Directors	Details
1.		<p><b>Mrs. Ogla Karani</b>  <b>Interim Governing Council Chairperson</b>  <b>Independent Director</b></p> <p>Holds a Master's Degree in Public governance, MSC in Marriage and Family Therapy, Degree in Human Resource and Psychological counselling.</p> <p>Ms. Ogla Karani is currently the interim Chairperson of Kenya Cultural Centre Governing Council. She has over twenty years' experience in public leadership having served in various public institutions and boards that include Kenya Reinsurance, KIPPRA and Kenya Tea Research. She is dedicated to providing transformative leadership in society driven by integrity, efficient governance structures and inclusivity anchored on her Christian principles. She has an outstanding track record in the quest for social justice as well as to empower and motivate people to be intentional in developing societal structures based on values, equity and equality.</p>
2.		<p><b>Ms. Millicent Ogutu</b>  <b>Chairperson, Human Resource and Legal Committee</b>  <b>Independent Director</b></p> <p>A holder of Diploma in Law from Kenya School of Law and Bachelor of Laws from Moi University. Ms. Ogutu is a member of the Law Society of Kenya, an Advocate of the High Court of Kenya.</p> <p>She is a lawyer by profession and Partner at Omuodo Ogutu Advocates. Prior to establishing Omuodo Ogutu Advocates, she was an Associate at S. Musalia Mwenesi Advocates and KN Associates LLP</p>


**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

		<p>Her passion for the arts has seen her work with several production companies. Millicent has served as Managing Director of Phoenix Players Theatre, the biggest repertory theatre in East and Central Africa, Board Member PRISK – the Performers Rights Collecting Management Organization and Chairperson of the Kenya Copyright Board</p> <p>Ms. Millicent is an accredited Mediator (MTI international) and Certified Secretary (member of the Institute of Certified Secretaries)</p>
3.		<p><b>Mr. William Wahome Kabera</b>  <b>Chairperson, Finance Committee</b>  <b>Independent Director</b></p> <p>A graduate in Food Science and Technology from the University of Nairobi and holds a Diploma in Risk Management. He has also trained in Finance for non-finance managers.</p> <p>He has over 20 years senior management experience in the private sector mostly so with the Coca-Cola Company. He has relevant experience in Strategy, Governance, Operations and Environmental audits.</p> <p>He has previously held various board positions both in public and private sectors.</p>
4.		<p><b>Ms. Fenny. W.S. Mwakisha, MBS</b>  <b>Chairperson, Audit Committee</b>  <b>Independent Director</b></p> <p>A holder of Bachelor of Education (Hons) Degree from University of Nairobi and a Masters of Education Degree from McGill University in Montreal, Canada.</p> <p>Ms. Mwakisha started her career as a graduate teacher. Later joined the Ministry of Education and left as a Director of Higher Education.</p> <p>She has served as an Education Attaché at the Kenya High Commission in New Delhi, India. Ms. Mwakisha has served as a trainer at Kenya Education</p>

		Staff Institute and a Curriculum Developer at the Kenya Institute of Education.
5.		<p><b>Prof. Frederick B.J.A. Ngala</b>  <b>Chairperson, Programmes and Business Development Committee</b>  <b>Independent Director</b></p> <p>A holder of Doctorate of Philosophy (PhD) in Education Management and Leadership from Kabarak University of Kenya.</p> <p>He is an associate professor, Education Management and Leadership at Kabarak University, the Dean, school of Education at Kabarak University and Director of Music performance at the same university.</p> <p>He has served as Executive chairperson in the Permanent Presidential Music Commission (2000-2002) -3 years. Excellent composer of African Music with over 30 certificates of meritorious performance from Kenya Music festival Foundation.</p>
6.		<p><b>Mr. Nicholas Ole Moipei, HSC</b>  <b>Governing Council Member</b>  <b>Independent Director</b></p> <p>A holder of Bachelor of Education (Music) degree from Kenyatta University. He is a career Music teacher, lecturer, trainer and performer by profession.</p> <p>He has taught, lectured and offered consultancy services in various institutions in Kenya. He is the father and manager to the internationally acclaimed Moipei- Quartet, a group comprising a set of triplets and their</p>



**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**



		<p>younger sister. The group has represented Kenya Nationally and Internationally as cultural ambassadors.</p> <p>Was the Chairperson to the Committee that oversaw the successful refurbishment of the Kenya National Theatre between 2014 and 2015.</p> <p>He was the Vice Chairman to the Kenya Music Festival Foundation's National Executive Committee, which is mandated with the responsibilities to organize the annual Ministry of Education's Kenya Schools, Colleges and Universities' Music Festivals from 2014 to 2016.</p> <p>Mr. Moipei was the Chairperson of the Kenya Music and Cultural Festivals from 2012 to 2017 and the Chairperson of the Kenya Cultural Centre 2016 to 2018.</p> <p>In 2015, he was the Director to the biannual East African fete - Jumua ya Africa Mashariki Festival (JAMAFEST) which was successfully held in Nairobi.</p>
7.		<p><b>Mr. Eric Kiniti</b>  <b>Governing Council Member</b>  <b>Independent Director</b></p> <p>Mr. Kiniti is currently the Group Corporate Relations Director at East African Breweries Limited a subsidiary of Diageo PLC.</p> <p>Has 17 years' experience in public policy, sustainability and communications. He has experience in tax and public policy in the East African Community countries of Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan. Prior to joining EABL in 2011, he worked in British American Tobacco in various roles within the Corporate and Regulatory Affairs department in East Africa.</p>




*Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.*

		<p>He is a board member at Uganda Breweries Limited, a listed company at the Uganda Securities Exchange and Safe Way Right Way Kenya, an NGO. He is also a member of the Public Relations Society of Kenya (PRSK).</p> <p>He holds a Bachelor of Arts Degree in Economics from Kenyatta University. He is currently pursuing a Master of Science degree in Public Policy Management from the University of London. He is also a graduate of the Leadership Development Programme (LDP) from Gordon Institute of Business (GIBS), South Africa, Advanced Management Programme (AMP) from Strathmore Business School and the Fast Forward Leadership Development Programme from Sunwords, Nairobi.</p>
8.		<p><b>Mr. Waihenya Waithaka</b> <b>Governing Council Member</b> <b>Independent Director</b></p> <p>Mr. Waithaka is a media professional having worked as a journalist in both private and public sectors. He holds a Bachelor's degree in English and Literature and a Master's degree in Communication from Leicester University in the United Kingdom.</p> <p>He has worked at the Standard Group of Newspapers where he rose to the position of Associate Editor in charge of magazines. He also served as the newspaper's Rewrite editor and Editorial Page writer and editor as well as a columnist.</p> <p>He became the Editor in Chief of the Kenya Broadcasting Corporation in 2006, a position he held for over three years. He was appointed the Managing Director of the national broadcaster in 2010 and he held the post for seven years. He also served as the chairperson of Multi-choice Kenya Ltd for seven years</p>



*Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.*

		<p>He is an author, having written more than seventeen (17) books, both children and adult books and sits on the Boards of two schools.</p>
9.		<p><b>Mr. Edward "Teddy" Muthusi</b> <b>Governing Council Member</b> <b>Independent Director</b></p> <p>A seasoned Creative Director in the Advertising Industry with vast leadership experience in the region's top advertising agencies and has spearheaded numerous campaigns for Kenya's leading brands. He holds a Bachelor of Arts - International Relations from USIU-Africa. Winner of several marketing and advertising accolades locally and internationally.</p> <p>Awarded Best Host in TV show at the Kalasha Awards as host for the celebrated business reality show KCB Lion's Den.</p> <p>Mr. Muthusi also represented Kenya in the celebrated TV reality show Big Brother Africa.</p> <p>He has broadcasting experience as a senior radio presenter in top rated Kenyan radio stations and has extensive stage performance experience as a Thespian.</p>
10.		<p><b>Ms. Muthoni Garland</b> <b>Governing Council Member</b> <b>Independent Director</b></p> <p>Founder member of Storymoja, a writer's collective based in Nairobi, Kenya. She is an African author and storyteller who regularly presents in schools and at events. She has performed both in Kenya and the UK and</p>

*Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.*



		<p>her stories have been published in literally journals in Kenya South Africa UK and USA.</p> <p>She is the author of two novellas published by StoryMoja; Halfway between Nairobi and Dundori and Tracking the Scent of my mother which was shortlisted for the Kaine price.</p> <p>She has also written six children books published by StoryMoja. Her story Kamau's Finish is used as a world literatures text in UK and Americans schools. In the later it is published in a critically acclaimed anthropology compiled by Jane Kurtz; Memories of the sun.</p>
11.		<p><b>Ms. Fatuma Hassan</b> <b>Governing Council Member</b> <b>Independent Director</b></p>
12.		<p><b>Mr. Kariuki Kagwima</b> <b>Alternate Director</b> <b>Cabinet Secretary, the National Treasury</b></p> <p>Holds a Bachelor of Business Administration degree, a Diploma in Labour Studies and Management, Certificate in Public Finance management.</p> <p>He is a Certified public Accountant of Kenya CPA(K) and a Certified Internal Auditor holder and a member of institute of Certified Public Accountant of Kenya (ICPAK) and institute of Internal Auditors.</p>



13.		<p><b>Dr. Kiprop Lagat</b> <b>Alternate Director</b> <b>PS, State Department for Culture and Heritage</b></p> <p>Director of Culture at the Ministry of Sports, Culture and Heritage. Holds a PhD from the University of East Anglia.</p> <p>Dr. Lagat previously worked as a Principal Research Scientist in the Department of Cultural Heritage at the National Museums of Kenya between 1997 and 2015.</p> <p>He has research interests and has written on processes of memorialisation, museum studies and pastoralism in eastern Africa.</p>
14.		<p><b>Mr. Michael Pundo</b> <b>Chief Executive Officer</b> <b>Executive Director</b></p> <p>Mr. Pundo is the Accounting Officer of the Kenya Cultural Centre. His major role is to provide strategic leadership and oversee formulation and implementation of policies and programmes that achieve the Centre's mandate, goals, objectives and agreed performance targets.</p> <p>Holds a Bachelor of Education (Arts), a cultural leadership certificate from Africa Arts Institute (AFAI), South Africa, expert in Ethnic Policy and Practice, Certificate in Conflict and Disaster Management and is currently finalizing an MSc in Conflict Resolution and Management.</p> <p>He has long standing experience in cultural management and administration. Has spearheaded the organization of various festivals and cultural exchange programmes both national and internationally. He is a performing artist, theatre director and trainer.</p>



### 3. Management Team


Ref.	Management
1.	 <p>Michael Pundo <b>Executive Director/ Chief Executive Officer</b> <i>Bachelor of Education (Arts) holder</i> <i>On-going Masters of Science in Conflict Resolution and Management.</i></p>
2.	 <p>David Waweru <b>Supply Chain Management Officer</b> <i>Bachelor of Arts Degree in Economics holder</i> <i>Diploma in Purchasing and Supplies Management</i> <i>On-going Master of Business Administration (Strategic Management)</i></p>
3.	 <p>Samuel Muli <b>Finance Officer</b> <i>Bachelor's degree in Finance</i> <i>CPA (ongoing)</i></p>

**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

4.		<p>Robert Ng'ang'a Waweru</p> <p><b>Internal Auditor</b></p> <p><i>Bachelor of Commerce- Finance Option</i></p> <p><i>CPA (K)</i></p> <p><i>CFE</i></p> <p><i>Strategic Leadership Development (SLDP)</i></p> <p><i>Senior Management Course (SMC)</i></p>
5.		<p>Faith Mwende Mutua</p> <p><b>Interim Corporate Secretary</b></p> <p><i>Bachelor of Laws</i></p> <p><i>Advocate Training Programme (Ongoing)</i></p> <p><i>Certified Secretary (Ongoing)</i></p>
6.		<p>Ruth Wangui</p> <p><b>Human Resource and Administration Officer</b></p> <p><i>Certified Public Accountant (Finalist)</i></p> <p><i>Bachelor of Commerce in Human Resource Management (On-going)</i></p>

**Kenya Cultural Centre**

**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

7.	 A portrait of Monica Consolata Oduor, a young woman with dark hair, wearing a light-colored top. The background of the photo shows a poster with the text 'Y A CENTRE' and some abstract orange and yellow shapes.	<p>Monica Consolata Oduor</p> <p><b>Accountant</b></p> <p><i>Bachelor of Commerce in Finance Certified Public Accountant</i></p> <p><i>(Finalist)</i></p>
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#### **4. Chairperson's Statement**



On behalf of the Kenya Cultural Centre Governing Council, I am pleased to present the Annual Report and Financial Statements of the Kenya Cultural Centre (KCC) for the period 1st July, 2020 to 30th June, 2021. In the year under review, the Centre focused on tightening controls, addressing and resolving historical issues, especially those related to human resource management. The commitment of the Governing Council members in attending meetings and giving valuable advice together with the management's dedication has helped the Centre achieve its mandate amid the challenges brought about by the Covid-19 Pandemic.

The pandemic led to unprecedented challenges in the creative sector. This led to our doors being shut for a long time in obedience to the government covid-19 regulations and protocols. With the directive to stay at home, most shows were cancelled which prompted refunds having to be processed. Despite these tough economic situations, which resulted in reduction in revenue and budget cuts, the Kenya Cultural Centre is proud to have delivered quality services to our stakeholders within our various cultural spaces and across the 47 counties through our outreach programmes. In the financial year 2020/2021, The Kenya Cultural Centre facilitated diverse creative activities in artistic production processes comprising rehearsals, workshops, trainings, live theatre shows & recordings, musical concerts, culinary arts festival, Poetry festival and opening up of 3 additional PAL Mashinani stations.

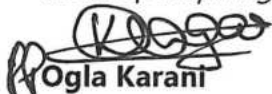
Even during these difficult times, the Centre maintained its spirit of innovation and constantly reimagined how the artists would still benefit from our spaces and services. These innovations gave birth to the "Theatre Kenya" application, staging of virtual shows and quickly adapting to the new normal by reducing the capacity of our indoor spaces to observe covid -19 regulations and protocols.



***Kenya Cultural Centre***

***Annual Reports and Financial Statements for The Year Ended June 30, 2021.***

The Centre has always endeavoured to comply with all the statutory requirements in the management of its resources. In the wake of reduced revenue and government funding, there is a need for more strict and financial discipline to help achieve our mandate within the limited resources available. Despite a budget reduction of 17.25%, the Centre still managed to spend within the budget. To further foster economic sustainability, the Centre will engage more innovative ways of bridging the revenue gap through the "Theatre Kenya" application and more collaborations. We will also continue, as a Governing Council, to strengthen the institutional capacity for effective service delivery by ensuring a balanced, professional and motivated staff is maintained. As the current Governing Council serves its last term in office, I would like to thank them for serving The Kenya Cultural Centre so diligently and always putting the Centre first. The sacrifice this team has made in giving service to the Centre, even when funds were not available, is worth commending. We are proud to leave behind an institution with structures that conform to government regulations and a strategic plan which is in its third year of implementation. I wish to commend my fellow Governing Council members for their availability to attend meetings and provide invaluable contribution and guidance to the management in the implementation of the KCC's mandate. I urge us all to continue working as a team in order to address the numerous challenges still ahead of us. I would like to sincerely thank our valued stakeholders, the Ministry of Sports, Culture and Heritage, the Management and staff of the Kenya Cultural Centre and all the artists who work with the Centre. All of you have played a role in the success so far achieved at the institution. Our theatre is stronger because of your professionalism and dedication. Let us all continue with the collaborations to make Kenya Cultural Centre a space for cultural convergence as we keep *Inspiring Cultural Connections*. Thank you and may God bless you all.

  
P. Ogla Karani

**Chairperson Governing Council**

**Date** 25/8/2021 .....

## **5. Report of The Chief Executive Officer**



I am pleased to present the Kenya Cultural Centre Annual Report and financial statements for the financial year ended 30th June 2021.

The Centre is committed to its core mandate of providing for the performance of music, drama and dance together with other art genres. Currently, the Centre offers the following spaces to artists, corporates and stakeholders; the Mugumo Courtyard, the Kenya National Theatre, the Ukumbi Mdogo, the Cheche Gallery, the Dance Studio and outdoor rehearsal spaces.

### **Key achievements**

In the year under review, the Centre engaged local artists and other stakeholders to develop the cultural and creative industries in the country; this was made possible by facilitating, conducting, hosting and developing artistic and cultural programmes. In order to address the challenges that were brought about by Covid-19 restrictions on social gatherings, the Centre was able to develop a mobile theatre application, "Theatre Kenya". This online platform enabled theatre recordings to be uploaded for consumption by the theatre audiences without them coming physically to the Centre. The Centre also commenced the establishment of an audio- visual recording studio to cater for the growing demand among upcoming artists to have their art works recorded at affordable rates.

The Centre organized a virtual Music competition at the height of the pandemic to keep artists engaged. This was followed by Culinary Arts Festival and Spoken Word performance both of which were held as part of the Centre's County collaborations/outreach programme in three counties namely Nakuru, Kilifi and Kakamega Counties.

***Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.***

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Further, KCC through its flagship programme- Performances After Lunch (PAL), was able to nurture more than one thousand (1000) youth and upcoming artists across different genres namely; poetry, spoken word, music, percussion and storytelling. The Centre also established a talent incubation hub programme that targets development of talent among children.

In discharging corporate social responsibility, the Centre conducted a program that targeted underprivileged but talented children from Maji Mazuri School in Mathare informal settlements.

**Financial Performance**

Strict financial discipline and accountability has remained a key factor in managing the resources of the Centre.

In the FY 2020/21, the Centre had an original budget of Kshs 77,500,000. This was however revised to Kshs 70,500,000 after a supplementary budget. The reported year budget was a 17.25% decrease from the previous year's budget of Kshs 85,200,000. Due to closures occasioned by COVID-19 pandemic, the total revenue earned was Kshs 59,074,167, a reduction of 19.36% from the 2019/2020 revenue which was Kshs 73,254,311. In the same year, our expenditure was Kshs 61,212,483 in comparison to Kshs 82,959,50 from the previous financial year.

**Challenges faced**

The nature of our operations heavily relies on gathering of audiences. In light of the ongoing pandemic coupled up with the MoH guidelines and constant lockdowns, our theatre clients and audiences have been forced to cancel or postpone planned events while those who rent parking spaces have also scaled down, withdrawn or closed shop. These have drastically affected our revenue flow. We intend to engage in more creative ways of resource mobilization in the coming years to raise additional financing to help finance the programmes and operations of the Cultural Centre.

***Kenya Cultural Centre***

***Annual Reports and Financial Statements for The Year Ended June 30, 2021.***

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The Centre was able to counter the shortage of Human Resources albeit partially during the financial year by recruiting middle-level management staff, who will help propel the Centre's strategic goals. The Centre continues to mobilize for additional finances to fill the remaining top management positions.

I take this opportunity to thank the Kenya Cultural Centre Governing Council (KCC-GC) for being very instrumental in offering valuable support and stewardship of the Centre. I would also wish to thank the State Department for Culture and Heritage for their valuable support and link to other government agencies. The staff of the Kenya Cultural Centre have also put enough effort despite the challenging circumstances to ensure that the Centre meets its mandate and achieves the targets in the performance contract. The Kenya Cultural Centre continues to be a Centre that facilitates the creative expressions, development of talent and job creation for theatre practitioners. We look forward to continued growth of the Kenya Cultural Centre as we strive to serve our clients and stakeholders in the years ahead.

Sign:



**Michael Pundo**

**Executive Director**

Date.....25/8/2021.....



**6. Statement of Performance against Predetermined Objectives for FY 2020/2021**

<b>Pillar 1:</b>	<b>Strengthen institutional capacity for effective service delivery</b>
<b>Pillar 2:</b>	<b>Harness and support the development of diversity of Kenya's cultural heritage, expressions and performance industry</b>
<b>Pillar 3:</b>	<b>Establish resource sustainability for Kenya Cultural Centre</b>
<b>Pillar 4:</b>	<b>Develop and implement communications plan to increase awareness and participation of key stakeholders</b>

Kenya Cultural Centre has four (4) strategic pillars and objectives within the current Strategic Plan for the FY 2019/2020- FY 2023/2024. These strategic pillars are as follows:

Kenya Cultural Centre develops its annual work plans based on the above four (4) pillars. Assessment of the Governing Council's performance against its annual work plan is done on a quarterly basis. The Kenya Cultural Centre achieved its performance targets set for the FY 2020/2021 period for its four (4) strategic pillars, as indicated in the diagram below:

*Kenya Cultural Centre*  
*Annual Reports and Financial Statements for The Year Ended June 30, 2021.*

Strategic Pillars	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: <b>Strengthen institutional capacity for effective service delivery</b>	To establish effective and efficient Service Delivery	No. of personnel employed as per the Institutional Organogram	Recruitment of seven (7) Managers.	Three (3) Technical Officers recruited
		Adopt an Enterprise Resource Planning (ERP) Software in phases starting with the Integrated Personnel and Payroll Database (IPPD)	Adopt an Integrated Personnel and Payroll Database (IPPD)	The Integrated Personnel and Payroll Database (IPPD) fully adopted
Pillar 2: <b>Harness and support the development of diversity of Kenya's cultural heritage, expressions and performance industry</b>	To empower artists and cultural practitioners	No. of County collaborations through establishment of Poetry After Lunch (PAL) Programme	Collaborated with three counties in the establishment of PAL i.e., Nakuru, Kakamega and Kilifi counties	3 County collaborations done.



**Kenya Cultural Centre**

**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

		No. of kid's talent incubation hub established	One kid's talent incubation hub to be established	Kid's talent incubation hub to be established
		No. of performances hosted	Host 20 performances	60 theatre performances hosted
		No. of exhibitions hosted	Host 10 photography and art exhibitions	4 exhibitions hosted
		No. of performances mounted	Organize 1 performance in Poetry and a virtual music performance	Two performances in Music, Poetry & Spoken Word organized
		No. of trainings conducted	Conduct 4 trainings One Competition in Culinary Arts	Three trainings in drama and dance facilitated.
		Hold the annual PAL Awards and PAL Festival	One PAL Award Ceremony and one PAL Festival	Annual PAL Awards and PAL festival held

**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

		No. of theatre group and local artist partnerships	Partner with 3 local theatre artist groups	Partnered with 7 local theatre artist groups
<b>Pillar 3:</b>  <b>Establish resource sustainability for Kenya Cultural Centre</b>	To diversify revenue	A-I-A Collections	Kshs 35,000,000	Kshs 23, 574,167 collected
	sources to establish a financially strong institution that is responsive to changing financial conditions	GoK Budgetary Allocation	Kshs 35,500,000	Kshs 35,500,000 received
	Prioritize core Programmes that sustainably promote and develop national culture and creativity	No. of PAL platforms established	Establish 5 PAL platforms in counties	3 platforms established
<b>Pillar 4:</b>  <b>Develop and implement</b>	To use ICT to build and strengthen online cultural	A comprehensive ICT Policy developed	To develop an ICT policy	Draft Policy developed



**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

<b>communications plan to increase awareness and participation of key stakeholders</b>	communities and participatory intercultural experiences			
	Build and evolve a brand that consistently delivers organization mission and consolidates national recognition	A comprehensive Marketing and Communications Plan developed		Draft Marketing and Communications Plan developed

**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

Governing Council Remuneration Analysis for the Financial Year 2020/2021.

S/NO.	Description	Amount	Remarks
1.	Chairperson's Honoraria	80,000	Paid monthly
2.	Sitting Allowance	20,000	Per meeting
3.	Domestic Subsistence Allowance	18,200	Paid per day
4.	Mileage Allowance	-	AA rates are applicable
5.	Airtime	5,000 2,000	Mobile phone Landline
6.	Group Personal Accident	500,000	Procured competitively
7.	Medical Cover	Inpatient Kshs. 2M Outpatient Kshs. 0.2M	

**Governing Council and Committee Meetings**

The Governing Council and its Committees held meetings as follows in the Financial Year 2020/2021:

No.	Committee	No. of Meetings
1.	Governing Council	6
2.	Programmes and Business Development Committee	5
3.	Finance Committee	5
4.	Human Resource and Legal Committee	4
5.	Audit Committee	4

*Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.*

**Governing Council Attendance**

<b>Name Of Council Member</b>	<b>Council Position</b>	<b>Status</b>	<b>Number Of Meetings Held</b>	<b>Number Of Meetings Attended</b>
<b>Mrs. Ogla Karani</b>	Chairperson Governing Council	Independent Director	6	6
<b>Prof. Frederick Ngala</b>	Chairperson Programmes and Business Development Committee	Independent Director	6	6
<b>Ms. Millicent Ogutu</b>	Chairperson Human Resource and Legal Committee	Independent Director	6	6
<b>Ms. Fenny W.S. Mwakisha, MBS</b>	Chairperson Audit Committee	Independent Director	6	6
<b>Mr. Wahome Kabera</b>	Chairperson Finance Committee	Independent Director	6	6
<b>Mr. Nicholas Ole Moipei, HSC</b>	Governing Council Member	Independent Director	6	6



**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

<b>Mr. Edward Muthusi</b>	Governing Council Member	Independent Director	6	6
<b>Mr. Eric Kiniti</b>	Governing Council Member	Independent Director	6	4
<b>Ms. Muthoni Garland</b>	Governing Council Member	Independent Director	6	5
<b>Mr. Waithaka Waihenya</b>	Governing Council Member	Independent Director	6	6
<b>Ms. Fatuma Hassan</b>	Governing Council Member	Independent Director	6	3
<b>Dr. Kiprop Lagat</b>	Alternate Director to the Principal Secretary (PS) State Department of Culture and Heritage	Alternate Director	6	5
<b>Mr. James Kagwima</b>	Alternate Director to the Cabinet Secretary the National Treasury	Alternate Director	6	6
<b>Mr. Michael Pundo</b>	Chief Executive Officer of the Kenya Cultural Centre	Executive Director	6	5



### **Programmes Committee Attendance**

<b>Governing Council Member</b>	<b>Date when meeting was held</b>				
	8/8/2020	13/10/2020	24/11/2020	19/2/2021	25/5/2021
<b>Prof. Frederick Ngala</b>	✓	✓	✓	x	✓
<b>Mr. Nicholas Ole Moipei, HSC</b>	✓	✓	✓	✓	✓
<b>Mr. Waithaka Waihenya</b>	✓	✓	✓	✓	✓
<b>Ms. Millicent Ogut</b>	✓	✓	✓	✓	✓
<b>Mr. Edward Muthusi</b>	✓	✓	✓	✓	✓
<b>Ms. Muthoni Garland</b>	✓	✓	✓	✓	✓
<b>Dr. Kiprop Lagat</b>	✓	✓	✓	✓	✓
<b>Mr. James Kagwima</b>	✓	✓	✓	✓	✓
<b>Mr. Michael Pundo</b>	✓	✓	✓	✓	✓

**Human Resource Committee**

Governing Council Member	Date when meeting was held			
	25/8/2020	22/10/2020	2/2/2021	28/5/2021
Ms. Millicent Ogutu	✓	✓	✓	✓
Mr. Nicholas Ole	✓	✓	✓	✓
Moipei, HSC				
Mr. Waithaka	✓	✓	✓	✓
Waihenya				
Ms. Fatuma Hassan	✓	✓	✓	✓
Ms. Fenny W.S.	✓	✓	✓	✓
Mwakisha, MBS				
Mr. Edward Muthusi	✓	✓	✓	✓
Ms. Muthoni Garland	✓	✓	✓	✓
Dr. Kiprop Lagat	✓	✓	✓	✓
Mr. James Kagwima	✓	✓	✓	✓
Mr. Michael Pundo	✓	✓	✓	✓

**Finance Committee Meeting Attendances**

Governing Council Member	Date when meeting was held				
	8/8/2020	3/12/2020	19/1/2021	15/4/2021	3/6/2021
Mr. William Wahome	✓	✓	✓	✓	✓
Mr. Eric Kiniti	✓	✓	X	✓	X
Prof. Frederick Ngala	✓	✓	✓	✓	✓
Ms. Fatuma Hassan	✓	X	✓	✓	✓
Mr. James Kagwima	✓	✓	✓	✓	✓
Dr. Kiprop Lagat	✓	✓	✓	✓	✓
Mr. Michael Pundo	✓	✓	✓	✓	✓

**Audit Committee Attendance**

Governing Council Member	Date when meeting was held			
	10/9/2020	18/11/2020	10/3/2021	16/6/2021



**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

<b>Ms. Fenny W.S.</b>	✓	✓	✓	✓
<b>Mwakisha, MBS</b>				
<b>Mr. Nicholas Ole</b>	✓	✓	✓	✓
<b>Moipei, HSC</b>				
<b>Mr. Edward Muthusi</b>	✓	✓	✓	✓
<b>Ms. Muthoni Garland</b>	✓	X	✓	✓
<b>Mr. James Kagwima</b>	✓	✓	✓	✓
<b>Dr. Kiprop Lagat</b>	✓	✓	✓	✓

### **Board Training and Induction**

In adherence to principles of best practice, the Kenya Cultural Centre undertook an induction exercise of newly appointed Governing Council members. The induction entailed providing to the Governing Council members information about the Centre and reports on the procedures and operations of the Council.

### **Declaration of Conflict of Interest**

Governing Council members are required to avoid conflict of interest in any matter that relates to the Centre. Council members are expected to declare any real or perceived conflict of interest with the Centre upon appointment to the Council and at every meeting.

A Governing Council member who subsequently identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Council, and provide all relevant information and abstain from decision where the conflict exists.



Declaration of conflict of interest is a standard agenda item which is addressed at the onset of each Council and Committee meeting and minuted. Where a conflict is declared, it is recorded in the Register of Conflict of Interest.

The Council has put in place a Conflict-of-Interest Policy. No conflict of interest was declared by the Council members in the Financial Year 2020/2021.

### **Governing Council Performance**

The Governing Council undertakes annual evaluation facilitated by the State Corporation Advisory Committee (SCAC) to appraise the general Council performance, Individual Directors and the Executive Director's performance. The Council performance evaluation is based on the SCAC appraisal tools and guided by a Circular from the Head of Public Service.

The appraisal performance areas covered are mandate strategy and performance contract; function of the Council; meetings management and procedures; Council composition, induction, training, development and succession; information and communication; and Council structure.

The Council self-evaluation for the year under review was facilitated by the State Corporation Advisory Committee (SCAC) where strengths, collective skill gaps and individual areas of improvement were identified after a Council performance improvement plan was prepared. The Governing Council scored an average of 84.89% on Corporate Board performance.

## **8. Management Discussion And Analysis**

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030, keeping in mind the specific priorities of the Kenya Cultural Centre. We also pay special attention to implementation of Post COVID-19 Recovery Strategies and Plans.

Bearing in mind the imperative of inclusivity, we continue to implement the strategic intentions that are outlined in the strategic plan of the Centre that runs for the period 2019-2024. In the financial year under review, the Kenya Cultural Centre undertook various programs that contributed to the development of Kenya's cultural heritage, artistic expressions and performances.

The Centre embarked on a series of collaborations with County Governments to establish the Centre's presence in the said counties simultaneously establish Poetry After Lunch (PAL); its in-house programme that targets talent development among artists. Against a target of five County Governments, the Centre managed to collaborate with three counties namely Kakamega, Kilifi and Nakuru Counties.

Rising from the demand for online theatre content due to the stay-at-home directive and constant lock-downs together with MoH Guidelines that restrict gatherings and audiences, the Kenya Cultural Centre developed an online platform named 'Theatre Kenya'. The application provides a dissemination platform for theatrical content only, ranging from plays, poetry, stand-up comedy, dance, set book performances, public shows among other theatrical performances through a website and mobile phone applications. The application was developed in order to provide an opportunity for producers to reach a higher number of audiences despite the restrictions and to generate more income for artists.

One of the mandates of the Centre is to provide for the exhibition of arts and crafts. The Centre offers the Cheche Gallery as a dedicated space for exhibitions and during the financial year under review, we managed to host several art exhibitions ranging from book exhibitions, photography and other visual art exhibitions. We also managed to mount a culinary arts

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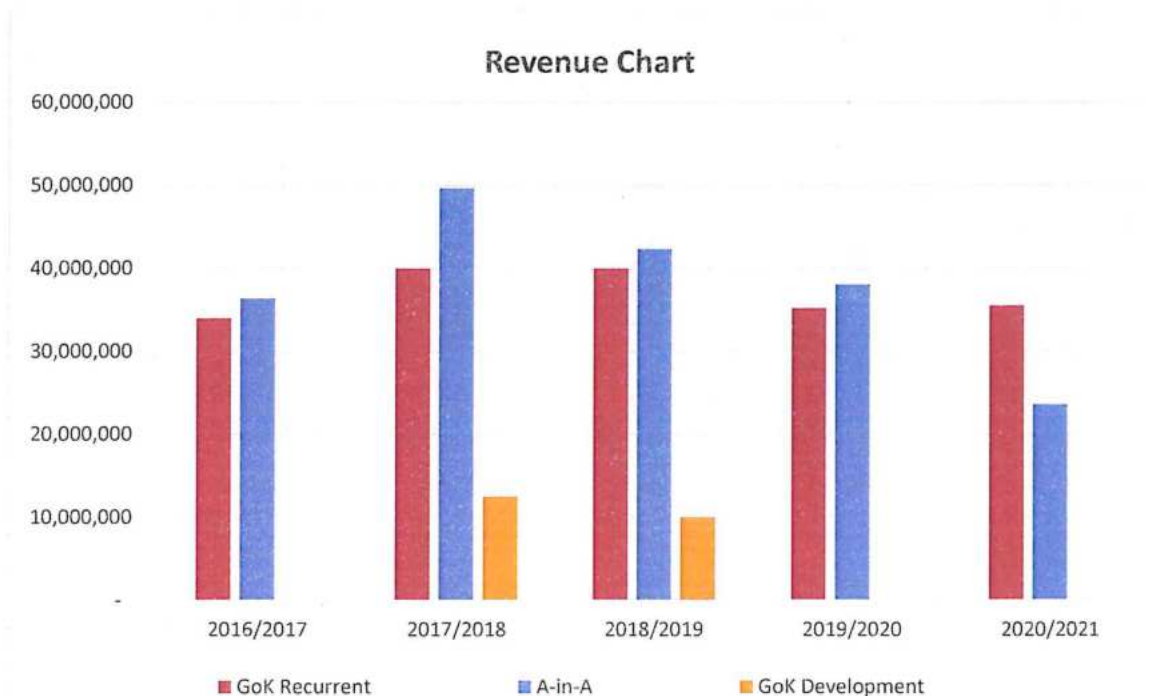
***Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.***

exhibition and festival in Kilifi County during the collaboration programme with the County Government.

As a provider for the performance of music and dance, we organized competitions and performances in music and spoken word that targeted upcoming artists. Participants were given the opportunity to perform on the national platform where they showcased their talents and also took home cash awards, certificates and trophies. This was part of the Centre's Post COVID-19 strategies of engaging artists and also assuring them of the Centre's support during the trying times.

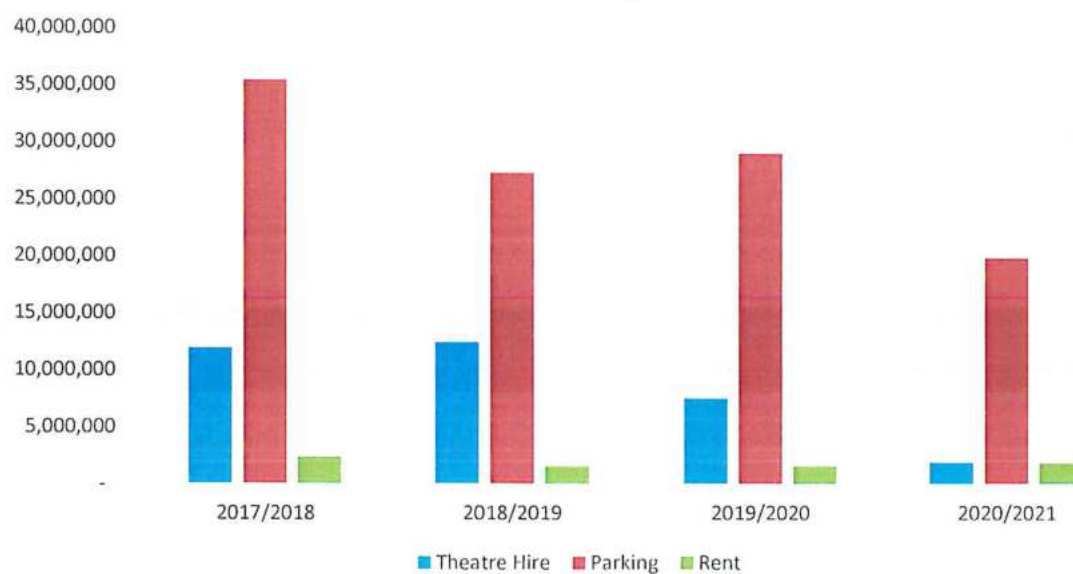
The Centre has a creative production section that is obligated to create in-house productions. Over the years, we have been able to successfully mount internationally recognized productions which include Sarafina the Musical, Jesus Christ Superstar and Grease the Musical.

**Financial Performance**

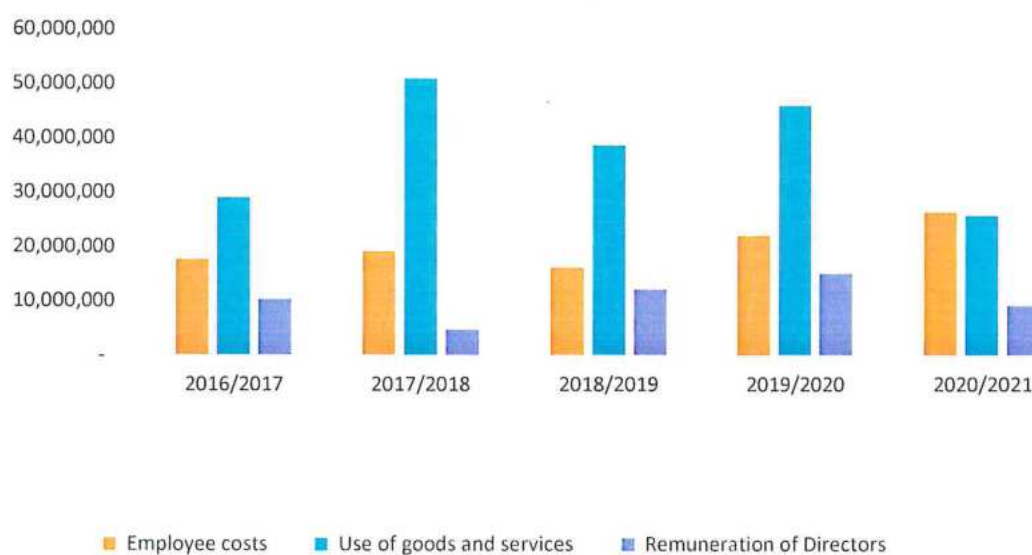


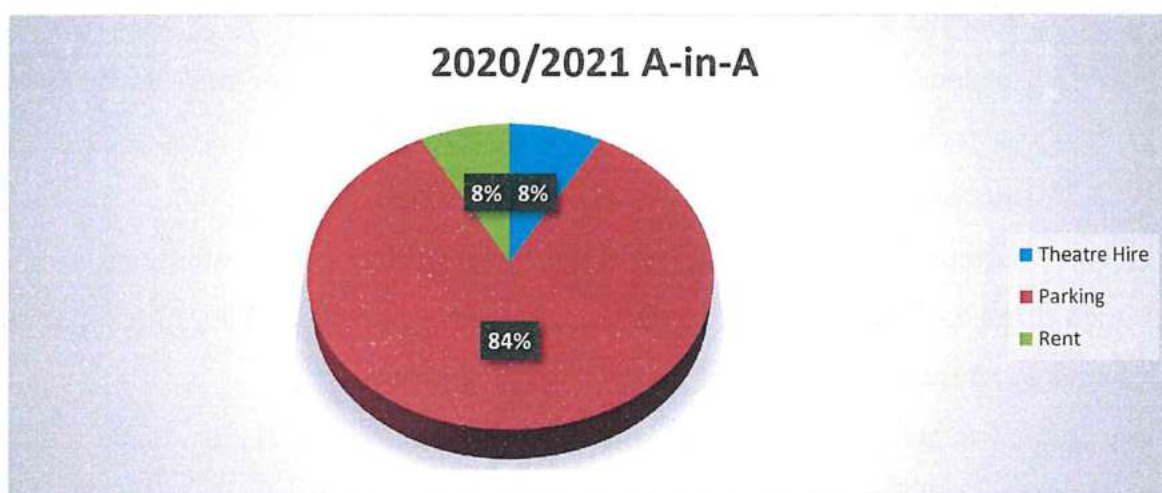
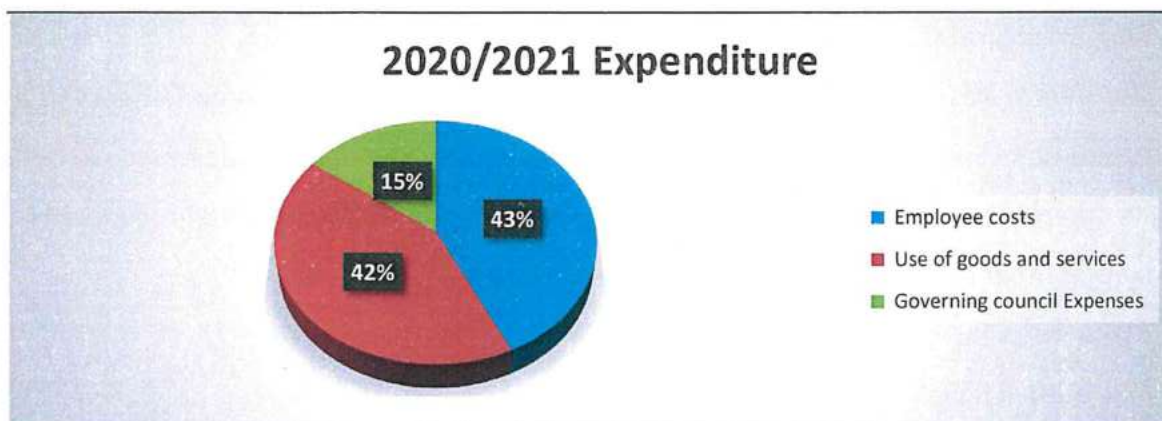
**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

A-in-A analysis



Expenditure Chart





### **Kenya Cultural Centre Key Projects Implemented and Ongoing**

We are working on the development of the International Arts and Culture Centre building. The new physical facility will address gaps in the Centre's current cultural service delivery; facilities needed to expand stakeholder participation and broaden the impact of culture to all communities and assure increased impact of existing cultural assets for at least thirty years. We are developing a facility that will help the Centre tap into emerging cultural opportunities and stake out a new identity through an invigorated national identity. In the year under review, the Centre renovated some of its facilities to improve on service delivery.

### **Kenya Cultural Centre Compliance with Statutory Requirements**

The Centre has always endeavoured to comply with all statutory requirements in all its operations. Some of these requirements are; Public Finance Management Act, Public Procurement Asset and Disposal Act, Human Resource Development and Procedure Manual among other regulations and circulars released from time to time.

### **Major risks facing Kenya Cultural Centre**

#### **Operational Risks**

- Limited Human Resource capacity to facilitate the provision of efficient and effective services.
- Inadequate infrastructural capacity and maintenance for conduct of theatrical performances and administration of services. The Centre's physical facilities are inadequate to meet the present and future needs.
- Competition from established and upcoming theatres and institutions.

Review of the economy, review of the sector, future developments and any other information considered relevant to the users of the financial statements.)

The Centre has great potential in contributing to the GDP of the Nation. Being the oldest and the best equipped theatre space in the country, its contribution to the creative economy sector cannot be understated. Even though the operations and productions mounted on the space were disrupted by the pandemic, producers and theatre practitioners still reaped substantial income on the few productions they managed to stage at the space.

To conform to emerging trends and international standards in provision of theatre spaces, there is need to carry out extensive development that is geared towards making the theatre space more responsive to the current needs of our clients. To this end, the development of the International Arts and Culture Centre is of the highest priority since it is geared towards achieving the objectives of Vision 2030 under the social pillar.



## **9. Environmental And Sustainability Reporting**

The Kenya Cultural Centre exists for the purpose of safeguarding, promotion, celebration and development of culture, arts and creativity. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the client's satisfaction first, delivering quality services, and improving operational excellence. Below is an outline of the Centre's policies and activities that promote sustainability.

### **i. Sustainability strategy and profile**

The Kenya Cultural Centre continues to deliberately build effective relationships with stakeholders both internally and externally to unlock opportunities in our continued pursuit of excellent operational results. We are broadening our horizons by developing partnerships with best practice companies in theatre operations and maintenance to scale-up our knowledge in readiness for emerging challenges like the Covid 19 pandemic, technological changes and economical changes.

During the financial year under review, a team of our events and programmes officers organized different events in collaboration with different County Governments among them Kilifi, Kisumu County and Nakuru County.

To foster economic sustainability, the Centre is in the process of operationalizing a theatre application, which will be used by performing artists to showcase their talents and performances. This digital platform will enable the artists as well as the Centre earn more revenue from the sale of their performances. This is bearing in mind the challenges of the restriction of assembly due to the COVID-19 pandemic.



The Centre has continued to safeguard, promote and celebrate the development of culture and creativity in the country. We strive to ensure that our cultural programmes achieve self-sustainability which has been assured by guaranteeing that all players in the creative economy see the economic benefits of their cultural programmes.

## **ii.Environmental performance**

Environmental conservation remains a key focus in the Centre's corporate social investment and receives enormous attention. During the year, the Centre worked with communities in its operational areas to raise awareness of environmental conservation and promote planting



of trees to minimize the impact of climate change as well as expand livelihood opportunities through the growing of fast-maturing, commercial trees.

During the year under review, the Centre provided thousands of seedlings to different Counties for example Kajiado and Narok.



The Centre has adopted sustainable usage of electricity by ensuring that only light saving-bulbs are used in all the Centre's facilities. Further the Centre will install solar panels to take advantage of solar energy.

The Centre continues to ensure that all water taps are in good condition to minimize water wastage through leakages.

The Centre has continued to reduce papers usage by ensuring that all printing activities are done from a central printer and printing is on both sides of the paper.

Also, the Centre ensures that its environment is kept clean by overseeing regular garbage and sanitary collection.



## **Employee welfare**

The Centre's selection and recruitment process was guided by the approved human resources instruments which includes; Human Resource Policies and Procedures, Organization Structure, Grading and Staff Establishment, Career Guidelines manuals, the Employment Act, 2007 and other government policy guidelines released from time to time. These guidelines ensured that the Centre provided equal employment opportunities to all of its stakeholders and evaded lawsuits that could have risen from cases of discrimination and violation of employees' rights.

The manuals are being reviewed as and when necessary, to ensure the Centre is updated with any new human resource legislations, changes in technology and organizational culture. Such changes are implemented after authorization by the Governing Council and relevant government agencies where necessary and communicated to the employees on a timely basis.

The Centre conducted an annual skills gap analysis which enabled the determination of staff training and development needs. This was done in an effort to improve skills and competences, at the same time ensuring career progression and development. The Centre has also been keen on performance management through annual performance appraisals.

The Centre ensured compliance with the provisions of the Occupational Safety and Health Act of 2007, (OSHA). To complement adherence to safety and health measures, the Centre procured Group Personal Accident Cover to include WIBA and Medical Cover for its employees.

### **Market place practices**

The Kenya Cultural Centre undertakes the following market place practices:

**a. *Responsible competition practice.***

Kenya Cultural Centre prequalifies its service providers annually and continues to update the list to include the disadvantaged groups that is the Youth, Women and Persons Living with Disabilities. The prequalification exercise is usually done competitively and without discrimination.

**b. *Responsible Supply chain and supplier relations.***

Kenya Cultural Centre maintains good business practices, treats its own suppliers responsibly by honouring contracts and payment processes as a practice.

**c. *Responsible marketing and advertisement practices***

The Centre has installed a service charter that provides standard price for theatre hiring.

**d. *Product stewardship***

The Centre safeguards consumer rights and interests by ensuring availability of sound, light, security and technical personnel whenever a client has a production. Repair and maintenance are also done to maintain the initial status quo of the theatre. Client deposits are refunded on timely basis and theatre hiring contracts are honoured.

**i) *Corporate Social Responsibility / Community Engagements***

The Kenya Cultural Centre is committed to building sustainable community relations with its environment and understands the value of social acceptance.

The Centre's Corporate Social Responsibility (CSR) is geared at reaching out to communities related to its core mandate and is in line with culture and talent development. The CSR program reaches out to schools, communities and institutions in the informal settlement as well as other cultural organizations and institutions. In the year under review, KCC-NT visited Maji Mazuri Academy – a talent based primary school in Mathare informal settlement in Nairobi County – whose students are part of the Centre's Talent Incubation Programme (TIP) and Poetry After Lunch (PAL).

## **10. Report of the Governing Council**

The Governing Council submit their report together with the unaudited financial statements for the year ended June 30, 2021, which show the state of the Centre's affairs.

### **i) Principal activities**

The principal activities of the Centre are on page i.

### **ii) Results**

The results of the Centre for the year ended June 30, 2021, are set out on page 1 to 5.

### **iii) Directors**

The members of the Governing Council who served during the year are shown on page vi to xiii.

### **iv) Auditors**

The Auditor General is responsible for the statutory audit of the Centre in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Order of the Board

By

  
.....

Date 25/8/2021

**Mr. Michael Pundo**

**Secretary to the Governing Council**



## **11. Statement of Governing Councils' Responsibilities**

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

The Governing Council Members are responsible for the preparation and presentation of the Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year ended on June 30, 2021. 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 Centre; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Governing Council Members accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Governing Council Members are of the opinion that the Centre's financial statements give a true and fair view of the state of the Centre's transactions during the financial year ended June 30, 2021, and of the Centre's financial position as at that date.

***Kenya Cultural Centre***

***Annual Reports and Financial Statements for The Year Ended June 30, 2021.***

The Governing Council further confirms the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Governing Council to indicate that the Centre 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 Centre's financial statements were approved by the Board on 25/8 2021 and signed on its behalf by:

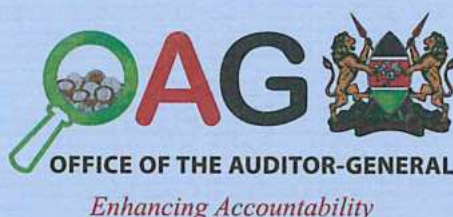
  
.....  
**Mrs. Ogla Karani**  
**Chairperson**  
**Governing Council**

  
.....  
**Mr. Michael Pundo**  
**Executive Director/ CEO**  
**Kenya Cultural Centre**



# REPUBLIC OF KENYA

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Website: [www.oagkenya.go.ke](http://www.oagkenya.go.ke)



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Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA CULTURAL CENTRE FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### Qualified Opinion

I have audited the accompanying financial statements of Kenya Cultural Centre set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows, 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Cultural Centre as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Cultural Centre Act, Cap 218 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial Statements**

The statements of financial position as at 30 June, 2021 reflects capital fund of Kshs.95,576,527. However, Note 21 to the financial statements reflects a fund balance of Kshs.98,093,639 made up of capital fund and revaluation reserve of Kshs.95,576,527 and Kshs.2,517,112 respectively, resulting in unreconciled and unexplained variance of Kshs.2,517,112. In addition, examination of supporting documents for the fund balance revealed that Kshs.95,576,527 was spent on renovation of buildings and therefore ought to have been capitalized as part of buildings or expensed under repairs and maintenance account instead of being transferred to capital fund account.

In the circumstances, the accuracy of capital fund balance of Kshs.95,576,527 reflected in the financial statements could not be confirmed.

#### **2. Material Uncertainty Relating to Going Concern**

During the year under review, the Centre recorded a financial performance deficit of Kshs.2,138,317 (2020 - Kshs.9,705,194, deficit). In addition, the Centre's current liabilities as at 30 June, 2021 amounting to Kshs.74,159,685 exceeded current assets of Kshs.8,892,846 by Kshs.65,266,839 (2020 - Kshs.63,620,103). The Centre therefore continue to be in a net liability position or negative working capital and is not able to meet its current obligations as and when they fall due. The foregoing conditions cast significant doubt on the Centre's ability to continue to sustain its services. Further, Management did not disclose these conditions in the notes to the financial statements as required by the International Public Accounting Standards (IPSAS) 1 - Presentation of Financial Statements.

In the circumstances, sustainability of the services of the Centre is in doubt and will depend on continued funding from the National Government and support from banks and its creditors.

#### **3. Unreconciled Trade and Other Payables**

The statement of financial position as at 30 June, 2021 reflects trade and other payables of Kshs.67,245,574, as disclosed in Note 19. The balance is made up of trade payables amounting to Kshs.4,178,045, other payables of Kshs.62,957,529 and a provision for



audit fee of Kshs.110,000 all totalling to Kshs.67,245,574. However, the ledger for other payables provided for audit reflected Kshs.63,849,019, resulting in unreconciled difference of Kshs.891,490.

In the circumstances, the accuracy of trade and other payables could not be confirmed.

#### **4. Lack of Ownership Documents for Land and Motor Vehicles**

The Statement of financial position reflects total non-current assets of Kshs.366,392,590 consisting of property, plant and equipment of Kshs.365,490,252 and intangible assets of Kshs.902,338 as at 30 June, 2021. Review of the asset register revealed land and buildings valued at Kshs.333,998,409 whose title deeds were not provided for verification. Further, the non-current assets included two (2) motor vehicles with net book value of Kshs.1,306,285 whose original logbooks were not provided for audit.

In the circumstances, the accuracy and ownership of property, plant and equipment could not be confirmed.

#### **5. Unsupported Additions to Capital Fund**

The statement of changes in net assets reflects transfer/additions in the period of Kshs.650,000 to capital fund of Kshs.95,576,527. However, the nature and form of the additions was not explained or supported.

In the circumstances, the accuracy of the statement of changes in net assets could not be confirmed.

#### **6. Irregular Consultancy Expenditure**

During the year under review, the Centre engaged an employee of the State Department for Culture and Heritage to provide accountancy consultancy services for Kshs.150,000. However, the Centre has an operational accounts section with qualified staff responsible for accountancy related roles. Further, no report was provided to support work done by the State Department employee.

In the circumstance, the validity of expenditure of Kshs.150,000 incurred on accountancy services could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Cultural Centre in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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. There were no key audit matters to report in the year under review.

## **Other Matter**

### **Unresolved Prior Year Audit Matters**

In the previous year's report, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. The issues remained unresolved and Management did not provide reasons for the delay in resolving the prior year audit issues.

## **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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the basis for conclusion on effectiveness of internal controls, risk management and governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Low Staffing Levels**

During the year under review the Centre had in place thirty-three (33) employees, all serving on contract terms, against an authorized total of eight-nine (89) in the staff establishment. In addition, review of personal files revealed that employment contracts for all thirty-three (33) staff were due to expire in three (3) years whereby contracts for three (3), twenty-one (21) and nine (9) employees were set to expire in 2022, 2023 and 2024 respectively.

In the circumstances, the continuity of the operations of the Centre may be at risk due to uncertainty occasioned by the short-term nature of the remaining employment contracts.



The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall 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 Governing Council**

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

In preparing the financial statements, Management is responsible for assessing the Centre's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Centre or to cease operations.

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.

The Governing Council is responsible for overseeing the Centre's financial reporting process, reviewing the effectiveness of how the Management 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 overall 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 controls 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 controls 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 Centre's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Centre's ability 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 Centre to cease 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 Centre 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

NAIROBI

29 July, 2022



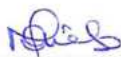


*Kenya Cultural Centre*  
*Annual Reports and Financial Statements for The Year Ended June 30, 2021.*

**14 STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020-2021 Kshs	2019-2020 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	3,435,382	12,522,292
Receivables	15	2,096,583	4,726,904
Prepayments	16	3,360,881	-
<b>Total Current Assets</b>		<b>8,892,846</b>	<b>17,249,196</b>
<b>Non-current assets</b>			
Property, plant and equipment	17	365,490,252	366,234,170
Intangible Asset		902,338	-
<b>Total Non - current assets</b>		<b>366,392,590</b>	<b>366,234,170</b>
<b>Total assets</b>		<b>375,285,435</b>	<b>383,483,366</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Employee benefit obligation	18	6,729,111	4,075,089
Trade and other payables	19	67,245,574	68,193,308
Deposits	20	185,000	8,600,902
<b>Total current liabilities</b>		<b>74,159,685</b>	<b>80,869,299</b>
<b>Non-current liabilities</b>		-	-
<b>Net Assets</b>		<b>301,125,750</b>	<b>302,614,067</b>
<b>Total liabilities</b>			
<b>Net assets</b>			
Capital Fund	21	95,576,527	94,926,527
Revaluation reserve	21	2,517,112	2,517,112
Accumulated surplus	22	203,032,111	205,170,428
<b>Total net assets</b>		<b>301,125,750</b>	<b>302,614,067</b>
<b>Total net assets and liabilities</b>		<b>375,285,435</b>	<b>383,483,366</b>

The notes set out on pages 6 to 38 form an integral part of these Financial Statements.  
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
.....  
**Accounting Officer**  
Michael Pundo  
Date 25/8/2021

  
.....  
**Head of Finance**  
Samuel Muli  
Date 25/8/2021

  
.....  
**Chairperson of Board**  
Ogla Karani  
Date: 25/8/2021

*Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.*

**15 STATEMENTS OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED 30 JUNE 2021**

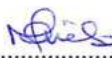
	Capital Fund	Accumulated Surplus	Revaluation reserve	Total Fund
	Kshs	Kshs	Kshs	Kshs
<b>At 1 July 2020</b>				
Surplus/Deficit for the period	94,926,527	205,170,428	2,517,112	302,614,067
Transfer /Additions in the period	650,000	(2,138,317)		(2,138,317)
				650,000
<b>At 30 June 2021</b>	<b>95,576,527</b>	<b>203,032,111</b>	<b>2,517,112</b>	<b>301,125,750</b>
<b>At 1 July 2019</b>				
Surplus / Deficit for the period	94,926,527	214,875,622	2,517,112	312,319,261
		(9,705,194)		(9,705,194)
<b>At 30 June 2020</b>	<b>94,926,527</b>	<b>205,170,428</b>	<b>2,517,112</b>	<b>302,614,067</b>




**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

		<b>2020-2021</b>	<b>2019-2020</b>
		<b>Kshs.</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>	<b>Note</b>		
Net Surplus of the year		(2,138,317)	(9,705,194)
Adjusted for:			
Depreciation written back	10	1,598,868	7,551,804
		<u>(539,448)</u>	<u>(2,153,390)</u>
<b>Working capital changes</b>			
(Increase)/Decrease in receivable	15	2,630,321	(3,457,788)
(Increase)/Decrease in receivable prepayment	16	(3,360,881)	2,546,958
Increase / (Decrease) in employer benefit obligations	18	2,654,022	1,408,985
Increase / (Decrease) in accounts payable	19	(947,734)	448,657
Increase /(Decrease) in refundable deposits	20	185,000	-
<b>Cash generated from operations</b>		<u>1,160,728</u>	<u>946,812</u>
<b>Net cash flows from operating activities</b>		<u>621,280</u>	<u>(1,206,578)</u>
<b>Cash flows from investing activities</b>			
Purchase of Property & Equipment	17	(1,757,288)	(23,360,263)
Artist Stimulus received	6(ii)	-	18,120,000
Artist Stimulus paid out	20	(7,950,902)	(9,519,098)
<b>Net cash used in investing activities</b>		<u>(9,708,190)</u>	<u>(14,759,361)</u>
<b>Net increase/(decrease) in cash and cash equivalent in the year</b>			
<b>Cash and cash equivalents as at 1 July 2020</b>		<b>(9,086,910)</b>	<b>(15,965,939)</b>
<b>Cash and cash equivalents as at 30 June 2020</b>		<u><b>12,522,292</b></u>	<u><b>28,488,231</b></u>
<b>Cash and cash equivalents as at 30 June 2021</b>		<u><b>3,435,382</b></u>	<u><b>12,522,292</b></u>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
 Accounting Officer  
 Michael Pundo

Date: 25/8/2021

  
 Head of Finance  
 Samuel Muli

Date: 25/8/2021

  
 Chairperson of Board  
 Ogla Karani

Date: 25/8/2021

**Kenya Cultural Centre**  
**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	%Var	Notes
	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs		
Government Grants	35,500,000		35,500,000	35,500,000	0	0%	
A.I.A	42,000,000	(7,000,000)	35,000,000	23,574,167	(11,425,833)	-33%	1
<b>Gross Income</b>	<b>77,500,000</b>	<b>(7,000,000)</b>	<b>70,500,000</b>	<b>59,074,167</b>	<b>(11,425,833)</b>	<b>-16%</b>	
<b>Expense</b>							
Employee Costs	26,380,000	1,593,060	27,973,060	26,289,583	1,683,477	6%	
Use of goods and services	22,520,000	(6,235,908)	16,359,892	9,384,704	6,899,388	42%	2
Governing council expenses	10,000,000	(837,192)	9,162,808	9,162,808	0	0%	
Contracted services	8,600,000	(519,960)	8,004,240	7,521,721	558,319	7%	
Core mandate expenses	8,000,000	1,000,000	9,000,000	7,254,799	1,745,201	19%	3
Depreciation	8,000,000		8,000,000	1,598,868	6,401,132	80%	4
<b>Total Expenses</b>	<b>83,500,000</b>	<b>(5,000,000)</b>	<b>78,500,000</b>	<b>61,212,484</b>	<b>(17,287,516)</b>		
<b>Surplus /Deficit before Tax Transferred to G/Fund</b>	<b>(6,000,000)</b>	<b>(2,000,000)</b>	<b>(8,000,000)</b>	<b>(2,138,317)</b>	<b>5,861,683</b>		

**Budget notes**

Original and final budget has difference due to reallocations

1. The under collection of revenue was as a result of closure of theatre facilities due to Government ban on social gathering
2. The underutilization in use of goods and services was attributed to cut down of expenditures due to decrease in collection of revenue in the period under review
3. Underutilization of the core mandate budget was attributed to undertaking of less activities than budgeted for due to covid-19
4. Change of depreciation estimate from straight-line method to reducing balance

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

The Kenya Cultural Centre is established through an Act of Parliament cap 218 of 1951 from which it derives its authority. The Centre is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activities of the Centre is to:

- a) Provide for the performance of music, drama and dance.
- b) Provide for the exhibition of works of arts and craft.
- c) Hold meetings for discussion of matters of literary, historical, scientific or educational interest or importance.
- d) Carry out other purposes approved by the Council to further the foregoing functions.

### **1. Statement of Compliance and Basis of Preparation**

The Centre's financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the Centre. The accounting policies adopted 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 has been prepared using the indirect method. The financial statements prepared using the accrual basis.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**2. Adoption of New and Revised Standards**

**i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.**

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1<sup>st</sup> January 2021:</p> <p>Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.**

Standard	Effective date and impact:
IPSAS 42: Social Benefits	<p>Applicable: 1<sup>st</sup> January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. The Centre did not early adopt provisions this standard in the period under review</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. the Centre does not have financial instruments requiring application of this standard on the period under review.</p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in 2020/2021

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with the State Department of Heritage and Culture 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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Rendering of services**

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

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

**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 and it is probable that the economic benefits or service potential associated with the transaction will flow to the Centre. The Centre did not collect sale of goods revenues in the financial year.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. The Centre did not have in its portfolio any interest in the financial year.

**ii) Revenue from exchange transactions**

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**b) Budget information**

The original budget for FY 2020-2021 was approved by the National Assembly on 3rd November, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Centre upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Centre recorded a reduction in appropriations of Kshs, *4,311,204* on the 2020-2021 budget following the governing body's approval. 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 Centre. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis or timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts approved budget.

**c) Taxes**

**Current income tax**

The Kenya Cultural Centre 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:

- i) 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 recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

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**

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

**e) Financial instruments**

**a) 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 Centre shall determine the classification of its financial assets at initial recognition whenever such are held in the organization.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or

Premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit. The Centre did not have any outstanding loan obligations in the period under review.

**Impairment of financial assets**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**b) 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 Centre determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized 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 recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. 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.

Kenya Cultural Centre did not hold any borrowings in the fiscal year.

**f) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and current replacement cost since the Centre's inventories are held for distribution at no charge.

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

**g) Provisions**

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 Cultural 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.

**h) Contingent liabilities**

The Cultural 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.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

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

**j) Nature and purpose of reserves**

The Centre creates and maintains reserves in terms of specific requirements.

**k) Changes in accounting policies and estimates**

The Centre recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**l) Employee benefits**

**Retirement benefit plans**

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

for the payment of retirement benefits are charged against income in the year in which they become payable.

**m) Foreign currency transactions**

In the event the Cultural Centre shall have monetary dealings in currency other than Kenya shilling then a foreign currency transaction will be deemed to have taken place. 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 the financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the 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.

**n) Borrowing costs**

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 the asset is complete. Further borrowing costs are charged to the statement of financial performance. The Centre did not have any borrowing undertakings in the concluded financial year.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**o) Related parties**

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

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Key Management	6,704,124	3,152,868
Board of Directors	9,162,808	16,375,238
<b>TOTAL</b>	<b><u>15,866,932</u></b>	<b><u>19,528,106</u></b>

**p) Service concession arrangements**

The Centre analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Centre shall also recognize a corresponding liability, adjusted by a cash consideration paid or received.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Summary of Significant Accounting Policies (Continued)****q) 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.

	<b>2020-2021</b>	<b>2019-2020</b>
Bank	3,435,382	12,518,540
Cash on hand & in transit	-	3,752
<b>Total cash and cash equivalents</b>	<b><u>3,435,382</u></b>	<b><u>12,522,292</u></b>

**Detailed Analysis of Cash & Cash Equivalents**

<b>a) Bank Name</b>	<b>Bank Account No.</b>	<b>2020-2021</b>	<b>2019-2020</b>
Barclays Bank of Kenya	0948215349	149,220	1,642,495
KCB Operations Account	1207350184	11,183	12,374
KCB Capital Account	1207345803	3,274,979	10,863,671
<b>Total cash and cash equivalents</b>		<b><u>3,435,382</u></b>	<b><u>12,518,540</u></b>

<b>b) Cash on hand</b>	<b>2020-2021</b>	<b>2019-2021</b>
Cash on hand & in transit	0	3,752
Mpesa Paybill No.829789	0	
<b>Total cash and cash equivalents</b>	<b><u>0</u></b>	<b><u>3,752</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**r) Comparative figures**

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

**s) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

**4. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Centre's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Centre based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Cultural Centre. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Significant Judgments and Sources of Estimation Uncertainty (Continued)**

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a)** The condition of the asset based on the assessment of experts employed by the Centre.
- b)** The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c)** The nature of the processes in which the asset is deployed.
- d)** Availability of funding to replace the asset.
- e)** Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in **Note 19 & 20**. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Transfers from Other Government Entities**

**6. (i) Revenue from non-exchange transactions**

Description	2020-2021	2019-2020
	Kshs	Kshs
Government grant	35,500,000	35,200,000
<b>Total revenue from non-exchange transactions</b>	<b>35,500,000</b>	<b>35,200,000</b>

**6. (ii) Revenue from non-exchange transactions**

Description	2020-2021	2019-2020
	Kshs	Kshs
Artist stimulus package	-	18,120,000
<b>Total Revenue from non-exchange transactions</b>	<b>-</b>	<b>18,120,000</b>

**7. Revenue from exchange transactions**

Description	2020-2021	2019-2020
	Kshs	Kshs
Parking fee	19,800,916	28,986,604
Rental Income	1,860,608	1,564,261
Theatre Hire	1,911,643	7,496,304
Poster charges	1,000	7,142
<b>Total income</b>	<b>23,574,167</b>	<b>38,054,311</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****8. Employee Costs**

Description	2020-2021	2019-2020
	Kshs	Kshs
Basic salaries & wages	17,079,257	17,483,632
Pension contributions	299,270	71,200
House allowance	3,493,500	1,018,000
Overtime allowance	66,000	664,000
Top up & Acting allowance	1,261,580	1,255,673
Transport allowance	1,368,000	519,000
Leave allowance	191,255	-
Provision for staff gratuity	2,530,721	1,004,400
<b>Total Employee Cost</b>	<b>26,289,583</b>	<b>22,015,905</b>

**9. Remuneration of Directors**

	2020-2021	2019-2020
	Kshs	Kshs
Chairman's Honoraria	960,000	1,200,000
Directors' emoluments	6,015,002	8,992,000
Council Night-outs	1,041,000	1,736,083
Council Training expenses	203,200	875,000
Council mileage expenses	522,731	1,946,488
Other allowances & expenses	420,875	286,589
<b>Total Council expenses</b>	<b>9,162,808</b>	<b>15,036,160</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****10. Depreciation and amortization expense**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Motor Vehicle	435,428	3,166,750
Furniture & Fittings	266,495	1,150,324
Electronic Data & Processing Equipment	370,450	2,008,826
Plant and equipment	526,495	1,225,904
Intangible assets	-	-
<b>Total</b>	<b>1,598,868</b>	<b>7,551,804</b>

**11. Repairs and maintenance**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Maintenance of Motor vehicle	483,307	218,560
Maintenance Building, Furniture and Equipment	542,520	2,010,398
Maintenance Computer Software and Networks	72,301	2,874,319
<b>Total</b>	<b>1,098,128</b>	<b>5,103,277</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. Use of goods and services**

Description	2020-2021	2019-2020
	Kshs	Kshs
Catering services, Food and drinks	695,319	1,649,022
Domestic travel cost	805,120	133,134
Daily subsistence allowance-Domestic	665,400	4,334,500
Electricity	1,984,541	1,505,927
Evaluation committee allowance	177,196	238,000
Foreign travel and subsistence allowance	-	1,648,903
Fuel and lubricants	903,896	1,254,538
Office general supplies	189,499	601,730
Printing advert and information expenses	418,161	856,245
Professional fees	130,648	1,218,985
Staff protective clothing	2,000	199,940
Subscription- Newspapers and magazines	69,506	74,894
Supplies and accessories for computer and printer	89,944	470,020
Telephone mobile service- staff	977,810	1,204,982
Training expenses	201,400	443,600
Water and sewerage charges	299,619	260,382
Cultural and Artistic Programs	7,254,799	1,442,104
Contracted services, Security & Cleaning	7,521,721	7,505,675
General Insurance	504,768	3,242,756
Audit fees	-	110,000
Withholding VAT	-	4,555,176
Bank charges	171,749	-
Rent & Rates	-	100,000
<b>Total General Expenses</b>	<b>23,063,096</b>	<b>33,050,513</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****13. Finance costs**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank Charges	-	201,846
<b>Total Finance costs</b>	<b>-</b>	<b>201,846</b>

**14. Cash and Cash Equivalents**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Barclays Bank	149,220	1,642,495
KCB Capital Account	11,183	12,374
KCB Operation Account	3,274,979	10,863,671
Cash in transit	-	3,752
Paybill 829789	-	-
<b>Total cash and cash equivalents</b>	<b>3,435,382</b>	<b>12,522,292</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. Receivables**

<b>Current receivables</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables	1,896,583	4,510,904
Staff salary advance	200,000	216,000
<b>Total receivables</b>	<b>2,096,583</b>	<b>4,726,904</b>

**16. Prepayments**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Insurance prepaid	3,360,881	-
<b>Total</b>	<b>3,360,881</b>	<b>-</b>

**Kenya Cultural Centre  
Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

**17. Property, Plant and Equipment**

Cost	Land and building	WIP	Motor Vehicle	Furniture & Fittings	EDP	Plant & Equipment	Intangible Asset	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2019	333,482,559	2,846,075	12,667,000	8,775,664	4,401,024	9,754,033	-	371,926,355
Additions		20,585,070		426,930	2,295,063	53,200	-	23,360,263
Disposals								
Transfers/ adjustments								
At 30th June 2020	333,482,559	23,431,145	12,667,000	9,202,594	6,696,087	9,807,233	-	395,286,618
Additions	515,850				339,100		902,338	1,757,288
Disposals								
Transfers/ adjustments								
At 30th June 2021	333,998,409	23,431,145	12,667,000	9,202,594	7,035,187	9,807,233	902,338	397,043,906
Depreciation and impairment								
At 1 July 2019			7,758,537	5,920,308	3,452,427	4,369,372	-	21,500,644
Depreciation			3,166,750	1,150,324	2,008,826	1,225,904	-	7,551,804
Depreciation written back on disposal								
Impairment								
At 30th June 2020			10,925,287	7,070,632	5,461,253	5,595,276	-	29,052,448
Depreciation			435,428	266,495	370,450	526,495	-	1,598,868
Disposals								
Impairment								
Transfers/ adjustments								
At 30th June 2021			11,360,715	7,337,127	5,831,703	6,121,771	-	30,651,316
Net book values								
At 30th June 2021	333,998,409	23,431,145	1,306,285	1,865,467	1,203,484	3,685,462	902,338	366,392,590
At 30th June 2020	333,482,559	23,431,145	1,741,713	2,131,962	1,234,834	4,211,957	-	366,234,170

*(WIP relates to development grant used to pay contractors for the International Arts and Cultural Centre ongoing project)*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**18. Employer Benefit Obligations**

Description	2020-2021	2019-2020
	Kshs	Kshs
Staff payroll liability	254,868	234,657
Provision for Staff gratuity	6,156,243	3,738,432
Board liability	318,000	102,000
<b>Total Employer Obligations</b>	<b>6,729,111</b>	<b>4,075,089</b>

**Note 19 & 20 Detail Explanation of Current Provisions**

Description	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs
<b>Balance b/d (1.07.2020)</b>	<b>3,738,432</b>	<b>110,000</b>	<b>3,848,432</b>
Additional Provisions	2,530,721	-	2,530,721
Provision utilised	(112,910)	-	(112,910)
<b>Total provisions as at 30.6.2021</b>	<b>6,156,243</b>	<b>110,000</b>	<b>6,266,243</b>

**19. Trade and Other Payables**

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade payables	4,178,045	4,234,289
Other payables	62,957,529	63,849,019
Provision for Audit fee	110,000	110,000
<b>Total</b>	<b>67,245,574</b>	<b>68,193,308</b>

**20. Deposits**

Description	2020-2021	2019-2020
	Kshs	Kshs
Refundable deposits to Theatre clients	185,000	-
<b>Total</b>	<b>185,000</b>	<b>-</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Deposit continued...**

Description	2020-2021	2019-2020
	Kshs	Kshs
Stimulus package grant received	8,600,902	18,120,000
Stimulus package expense	(8,600,902)	(9,519,098)
<b>Total deposits</b>	<b>-</b>	<b>8,600,902</b>

**21.Capital fund**

Description	2020-2021	2019-2020
	Kshs	Kshs
Capital Fund	95,576,527	94,926,527
Revaluation of equipment	2,517,112	2,517,112
<b>Total Capital Fund</b>	<b>98,093,639</b>	<b>97,443,639</b>

**22.Accumulated surplus**

Description	2020-2021	2019-2020
	Kshs	Kshs
Accumulated surplus	205,170,428	214,875,622
Net Profit/loss (current year)	(2,138,317)	(9,705,194)
<b>Total Accumulated Surplus</b>	<b>203,032,111</b>	<b>205,170,428</b>

**23.Contingent Liability**

Period 2020-2021
<p>The Centre acknowledges the contingent liability of Kshs 8,566,821(Eight million five hundred sixty six thousand, eight hundred twenty one only) claimed by the former CEO. The Centre waiting for the certificate of surcharge from the inspectorate which could also be subject to court case. It is not practicable to estimate the eventual liability should the certificate of surcharge from the inspectorate be accepted, varied or quashed.</p>



**6. Financial Risk Management**

The Centre's activities expose it to a variety of financial risks including credit and liquidity risks. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

**i) Credit risk**

The Centre's exposure to credit risk is attributable to its liquid funds with the financial institutions and staff receivables. The credit risk on the liquid funds with financial institutions is low because the counter parties are banks with high credit ratings. The financial assets are fully performing as the Centre continues to enjoy the services secured by these balances. The default rate on staff receivables is low since the same is recovered through the payroll.

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>
<b>As at 30 June 2021</b>		
Staff receivables	3,435,382	3,435,382
Bank balances	200,000	200,000.00
<b>Total</b>	<b>3,635,382</b>	<b>3,635,382</b>
<b>As at 30 June 2020</b>		
Staff receivables	12,518,540	12,518,540
Bank balances	216,000	216,000
<b>Total</b>	<b>12,734,540</b>	<b>12,734,540</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Financial Risk Management**

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Kenya Cultural Centre Governing Council, 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 flow as represented below.

	<b>Less than 1 month</b>	<b>Between 1- 3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at 30 June 2021</b>				
Trade payables	170,000		67,075,574	67,245,574
Provisions		2,530,721	3,625,522	6,156,243
Employee benefit obligation	572,868			572,868
<b>Total</b>	<b>742,868</b>	<b>2,530,721</b>	<b>70,701,096</b>	<b>73,974,685</b>
<b>As at 30 June 2020</b>				
Trade payables	716,734	330,000	66,936,574	67,983,308
Provisions	110,000	-	1,004,400	1,114,400
Employee benefit obligation	336,657		2,734,032	3,070,689
<b>Total</b>	<b>1,163,391</b>	<b>330,000</b>	<b>70,675,006</b>	<b>72,168,397</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. Events after the Reporting Period**

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

**8. Ultimate And Holding Entity**

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

**9. Currency**

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

**APPENDIX**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
Property Plant and Equipment	The auditor noted, "The statement of Financial Position reflects property plant and equipment balance of Kshs.296,820,914. Included in the figure of Kshs.296,820,914 are freehold land, buildings and civil works valued at Kshs.120,000,000, Kshs.80,000,000 and Kshs.96,436,326.50 respectively whose ownership documents were not provided for audit review".	The process of conducting a valuation of KCC Buildings and land is on-going to ensure it is reflected correctly in the Financial Statements	Not resolved	30/6/2022



**Kenya Cultural Centre**

**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Receivables from Exchange Transactions	The auditor noted, "The statement of financial position reflects receivables from exchange transactions balance of Ksh.7, 780,854/- as at 30 June 2015 and debts totalling to Kshs.7, 770,854.40 have remained uncollected for over two years. The failure to collect the debts inherited from the former management has been attributed to scanty documentation to support the same".	The Governing Council is in the process of writing off the irrecoverable debts of Kshs.7,770,854.40/- from the past transaction appearing on the financial statement. The process is yet to be concluded as the Current Council assumed office later during the Financial year.	Not Resolved	30/6/2022
Pending Bill	The auditor noted, The Kenya Cultural Centre had pending bills totalling Kshs.73,376,943.40/- out of which Kshs.66, 182,898 has been outstanding since 2013/14. The defunct City Council of Nairobi was owed Kshs.63, 884,432".	The Nairobi City Council pending bill of Kshs.63, 184,432 relates to erroneously charged land rates accumulated since 1963. The Commissioner of lands advised that KCC is a public land and should not be subjected to land rates. Communication with Nairobi County Government is on-going for waiver to be effected. The rest	Not Resolved	30/6/2022

**Kenya Cultural Centre**

**Annual Reports and Financial Statements for The Year Ended June 30, 2021.**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		of Pending Bills are the Fair 1995 Payables which the Council is in the process of writing off.		

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

  
.....  
Executive Director/CEO  
Kenya Cultural Centre

Date 25/8/2021.....

  
.....  
Chairperson of Governing Council  
Kenya Cultural Centre

Date 25/8/2021.....

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects implemented by the Kenya Cultural Centre funded by GOK

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
International Arts and Cultural Centre	1	N/A	4 years	N/A	N/A	YES

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Project title International Arts and Cultural Centre	3B	22.5M	0.75%	-	22.5M	GOK



*Kenya Cultural Centre*

*Annual Reports and Financial Statements for The Year Ended June 30, 2021.*

**APPENDIX III: INTER-ENTITY TRANSFERS**

Kenya Cultural Centre			
Break down of Transfers from the State Department of Culture & Heritage FY 2020/2021			
Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	02/09/2020	8,875,000	2020-2021
	10/11/2020	8,875,000	2020-2021
	05/02/2021	8,875,000	2020-2021
	12/05/2021	8,875,000	2020-2021
	<b>Total</b>	<b>35,500,000</b>	

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

Sign



Samuel Muli

Finance Officer

Kenya Cultural Centre

Sign



Peter Kabebe

Ministry of Sports, Culture & Heritage

State Department for Culture & Heritage



