

# REPUBLIC OF KENYA

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## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENT OF NATIONAL MUSEUMS OF KENYA FOR THE YEAR ENDED 30 JUNE 2005

I have audited the financial statements of National Museums of Kenya for year ended 30 June 2005 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. 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. The financial statements are in agreement with the books of account.

#### Respective Responsibility of the Directors and the Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Museum's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

#### Basis of Opinion

The audit was conducted in accordance with the International standards on Auditing. Those standards that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### **Comments**

## **1. Property Plant and Equipment**

Included in the balance sheet non current assets figures of Kshs. 2,147,744,879 are 60 out of 80 parcels of land owned by the National Museums without title deeds. In addition , 8 motor vehicles have not been registered in the National Museums name. It was therefore not possible to confirm ownership of these properties and to verify whether all assets as reported in the financial statements physically existed or were correctly valued as at the year end in the absence of ownership titles and documents.

## **2. Cash book balances**

The balance sheet cash book figure of Kshs. 83,781,761 includes 11(eleven)of the institution's 35(thirty five) bank accounts amounting to Kshs.14,969,206 which have not been reconciled to the bank statements. In addition, 4(four) bank accounts with amount totaling to Kshs. 2,014,112 were not supported by cash records. Consequently , it was not possible to ascertain whether all bank transactions and balances during the year under audit were fairly stated.

## **3. Fixed deposits**

Included in the balance sheet short term deposits of Kshs. 30,781,074 are fixed deposits placed in private commercial banks amounting to Kshs. 27,832,635. This contravenes Treasury Circular No. 10 of 15 July 1992 which stipulates that surplus funds should be invested in Treasury Bills and Bonds .No justification has been given for these investment decisions. The institution was, therefore in breach of Treasury rules and regulations.

## **Opinion**

In my opinion ,except for the above reservations, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the National Museums of Kenya as at 30 June 2005 and its surplus and cash flows for the year then ended and comply with the National Museums Act (Cap 216)

**P.N KOMORA  
CONTROLLER AND AUDITOR GENERAL**

Nairobi

05 September 2006

# **NATIONAL MUSEUMS OF KENYA**

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## **NATIONAL MUSEUMS OF KENYA**

### **INSTITUTIONAL INFORMATION**

National Museums of Kenya is a state corporation established by an Act of Parliament Chapter 216 of the Laws of Kenya and operates within the Republic of Kenya.

### **REGISTERED OFFICE**

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

### **BANKERS**

Kenya Commercial Bank Ltd  
Sarit Centre  
P.O.Box 14959  
Nairobi

Standard Chartered Bank  
Westlands  
P.O.Box 14438  
Nairobi

### **LAWYERS**

Hamilton Harrison & Mathews Advocates  
P.O.Box 300333  
Nairobi  
Telephone Nos 020-225981 or 020-330577

### **AUDITORS**

Controller and Auditor General  
Kenya National Audit Office  
P.O.Box 30084-00100  
Nairobi

### **BOARD OF DIRECTORS**

Mr. Issa A.I Timamy -Chairman  
Prof. Peter M. Ngau  
Prof. Henry W. Mutoro  
Dr. Theresia Aloo  
Dr. Patrice Agonga  
Dr. M.D. Kagombe  
Dr. Ngatia  
Mr. J. B Mwaniki  
Mrs. Alice Mwololo

### **ACTIVITIES**

The principal activities of the institution are:

- Identify, interpret, protect, and promote the cultural and natural heritage of Kenya
- Expand and maintain the collection base in flora and fauna and cultural objects
- Develop efficient and effective conservation strategies.

Dr. Idle O. Farah  
**Director General**

# **NATIONAL MUSEUMS OF KENYA**

## **Statement of Directors responsibility for the year ended 30<sup>th</sup> June 2005**

The State corporation Act requires the Directors to prepare financial statements each financial year that gives a true and fair view of the state of affairs of the Corporation as at the end of the financial year and the operating results for that year. It also requires the Directors to ensure the corporation keeps proper accounting records, which disclose with reasonable accuracy at any time of the financial position of the corporation. They are also responsible for safeguarding the assets of the corporation.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates consistent with previous years in conformity with International Financial Reporting Standards and in the manner required by the State Corporations Act. The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the corporation as at 30<sup>th</sup> June 2005 and of its operating results. The directors further accept responsibility for the maintenance of the accounting records which may be relied upon in the preparation of the financial statements as well as adequate systems of internal financial controls.

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

Dr. Farah Idle Omar  
**DIRECTOR GENERAL**

Mr. Issa A.I. Timamy  
**CHAIRMAN-BOARD OF DIRECTORS**

**NATIONAL MUSEUMS OF KENYA**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2005**

	Notes	2005 Kshs.	2004 Kshs.
TOTAL INCOME	10	472,521,553.64	428,907,266.00
EXPENDITURE			
RECURRENT DEVELOPMENT	11	440,748,014.14 5,281,629.25	403,675,081.80 -
		446,029,643.39	403,675,081.80
SURPLUS/(DEFICIT)		26,491,910.25	25,232,184.20
BALANCE AS AT 1 <sup>ST</sup> JULY, 2004		158,889,508.30	133,657,324.10
SURPLUS(DEFICIT)for the year		26,491,910.25	25,232,184.20
BALANCE AS AT 30 <sup>TH</sup> JUNE 2005		185,381,418.55	158,889,508.30

**NATIONAL MUSEUMS OF KENYA**  
**BALANCE SHEET AS AT 30<sup>TH</sup> JUNE 2005**

	Notes	2005 Kshs.	2004 Kshs.
<b>NON CURRENT ASSETS</b>			
Work in progress	12	1,578,700.40	
Property, plant and equipment	1	<u>2,146,166,178.70</u>	<u>2,145,944,634.50</u>
		2,147,744,879.10	2,145,944,634.50
<b>CURRENT ASSETS</b>			
Stocks	7	1,172,578.60	981,403.00
Debtors ,Deposits & Prepayments	2,3	15,722,487.80	10,007,904.00
Cash book balances	8	83,781,761.15	82,422,815.20
Short term bank deposits	5	<u>30,781,074.30</u>	<u>30,321,829.70</u>
		131,457,901.85	123,733,951.90
<b>CURRENT LIABILITIES</b>			
Creditors & accrued charges.	6	9,969,190.95	22,315,483.05
Project deposits	9	<u>31,741,335.80</u>	<u>33,666,690.10</u>
		41,710,526.75	55,982,173.15
<b>NET CURREN ASSETS/ (LIABILITIES)</b>		89,747,375.10	67,751,778.75
<b>TOTAL NET ASSETS</b>		<u><b>2,237,492,254.20</b></u>	<u><b>2,213,696,413.25</b></u>
<b>FINANCED BY:</b>			
Profit & Loss Account		185,381,418.55	158,889,508.30
Capital Reserve		2,022,840,801.70	2,022,840,801.70
Loan Account	4	20,231,033.95	31,966,103.25
Revaluation Reserve	13	<u>9,039,000.00</u>	<u>9,039,000.00</u>
		<u><b>2,237,492,254.20</b></u>	<u><b>2,213,696,413.25</b></u>

The financial statements were approved by Board of Directors on 14/09/2005 and signed on its behalf by:-

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**DR. IDLE OMAR FARAH**  
**DIRECTOR GENERAL**  
**NATIONAL MUSEUMS OF KENYA**

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**MR. ISSA. A. I TIMAMY**  
**CHAIRMAN-BOARD OF DIRECTORS**  
**NATIONAL MUSEUMS OF KENYA**

# NATIONAL MUSEUMS OF KENYA

## Statement of change in equity for the year ended 30<sup>th</sup> June 2005

	G. Fund account	Capital Reserve	Loan Account	Revaluation Res	Total
AS at 1 <sup>st</sup> July 2003	133,657,324.10	2,001,661,483.90	41,675,443.95		2,176,994,251.95
Incre/(decr)during the year	25,232,184.20		(9,709,340.70)		15,522,843.50
Prior year adjustment		21,179,317.80			21,179,317.80
<b>As at 30<sup>th</sup> June 2004</b>	<b>158,889,508.30</b>	<b>2,022,840,801.70</b>	<b>31,966,103.25</b>		<b>2,213,696,413.25</b>
As at 1 <sup>st</sup> July 2004	158,889,508.30	2,022,840,801.70	31,966,103.25		2,213,696,413.25
Incre/(decr) during the year	26,491,910.25		(11,735,069.30)	9,039,000.00	23,795,840.95
<b>As at 30<sup>th</sup> June 2005</b>	<b>185,381,418.55</b>	<b>2,022,840,801.70</b>	<b>20,231,033.95</b>	<b>9,039,000.00</b>	<b>2,237,492,254.20</b>



# NATIONAL MUSEUMS OF KENYA

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2005

	2005 Kshs.	2004 Kshs.
<b>CASH FLOW OPERATING ACTIVITIES</b>		
Net Income from Museums Operations	26,491,910.25	25,247,976.70
<b>Adjustments for:</b>		
Depreciation	15,381,175.60	14,083,648.70
Prior period adjustment	-	21,189,917.80
Operating Income before Working Capital Changes	41,873,085.85	60,521,543.20
Increase in Debtors	(5,714,583.80)	(4,535,316.50)
Increase in stock	(191,175.60)	(17,668.30)
Increase/(Decrease) in Creditors	(12,346,292.10)	8,704,298.05
Project deposits	(1,925,354.30)	8,453,494.50
Net cash from operating Activities	21,695,680.05	56,219,361.95
<b>CAHS FLOW FROM FINANCING ACTIVITIES</b>		
Long term Loan	(11,735,069.30)	(9,709,340.70)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Land	nil	nil
Purchase of Equipment	(3,204,897.75)	(2,235,158.80)
Purchase of computers	(3,358,822.00)	(907,843.00)
Purchase of Motor vehicle	nil	nil
Amortization of Capital Revenue	nil	nil
Work in Progress	( 1,578,700.40)	nil
Net cash from Financing Activities	(19,877,489.45)	(12,852,342.50)
Net increase (Decrease ) in cash	1,818,190.60	43,367,019.45
Cash at the beginning of the period	112,744,644.90	69,377,625.45
Cash at the end of the Period	<b>114,562,835.50</b>	<b>112,744,644.90</b>

# ***NATIONAL MUSEUMS OF KENYA***

## **ACCOUNTING POLICIES**

### **(a) Basis of Accounting**

The financial statements are prepared under the historical cost convention

### **(b) Government Grants**

Government Grants are credited to the income and expenditure accounts on the basis of the payment made by the government of Kenya.

### **(c) Exhibits and collections.**

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

### **(d) Purchase of animals**

Purchase of primates are charged to the income and expenditures account at the time of purchase.

### **(e) Stock**

Stocks are valued at the lower costs or net realization value.

### **(f) Project Fund income and deposits.**

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

### **(g) Taxation**

The National Museum of Kenya is exempted from stamp duty. VAT and excise duty are exempted on the case by case application to the Treasury.

### **(h) Property, Plant and Equipment**

Property, Plant and Equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life using the following rates:

- Motor vehicles - 25%
- Equipment & Furniture - 12.5%
- Computers - 25%
- Land - 0%
- Buildings - 1%

**(i) Translation of Foreign Currencies**

Translations of foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currency are translated into Kenya shillings at rates ruling at the date. The resulting differences from conversion and translation are dealt with in the income and expenditure statement in year in which they arise.

**(j) Branches**

The financial transaction at the branches are incorporated in these financial statements.

**(k) Retirement Benefits**

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

**(l) Gratuity**

Employees entitlement to gratuity is recognized when they are paid to employees.

**(m) Research and development**

Research and development expenses are expensed through income and expenditure statement in the year they are incurred.

# NATIONAL MUSEUMS OF KENYA

## Notes to the financial Statements

### 1. PROPERTY , PLANT AND EQUIPMENTS AS AT 30<sup>TH</sup> JUNE 2005

	PROPERTY		PLANT AND EQUIPMENT			TOTAL KSHS
	LAND KSHS	BUILDING KSHS	EQUIPMENT/ FURNITURE KSHS	COMPUTER KSHS	VEHICLES KSHS	
<b><u>COST/VALUATION</u></b>						
As at 1 <sup>st</sup> July ,2004	1,580,255,240.00	549,446,480.00	114,291,888.45	15,066,196.00	27,311,000.00	2,286,370,804.45
Additional during the year	-	-	3,204,897.75	3,358,822.00	-	6,563,719.75
Disposal during the year					3,530,000.00	3,530,000.00
Revaluation during the year					9,039,000.00	9,039,000.00
	1,580,255,240.00	549,446,480.00	117,496,786.20	18,425,018.00	32,820,000.00	2,298,443,524.20
<b><u>DEPRECIATION</u></b>						
As at 1 <sup>st</sup> July 2004	-	39,851,180.40	66,307,479.10	10,869,908.70	23,397,601.70	140,426,169.90
Disposal during the year	-	5,095,953.00	5,998,051.20	1,049,071.80	-3,530,000.00	-3,530,000.00
Charge for the year	-	44,947,133.40	72,305,530.30	11,918,980.50	3,238,099.60	15,381,175.60
	-	44,947,133.40	72,305,530.30	11,918,980.50	23,105,701.30	152,277,345.50
<b>NET BOOK VALUES</b>						
As at 30 <sup>th</sup> June,2005	1,580,255,240.00	504,499,346.60	45,191,255.90	6,506,037.50	9,714,298.70	2,146,166,178.70
As at 30 <sup>th</sup> June 2004	1,580,255,240.00	509,595,299.60	47,984,409.35	4,196,287.30	3,913,398.25	2,145,944,634.50

## Notes to the financial Statements

	2005	2004
<b>2. Debtors</b>		
Salary in advance	3,338,603.00	2,435,450.70
Imprest	11,639,041.80	6,961,238.40
Service debtors.	<u>126,965.00</u>	<u>126,965.00</u>
	<b><u>15,104,609.80</u></b>	<b><u>9,523,654.10</u></b>
<b>3. Prepayment and deposits</b>		
Rent	169,000.00	169,000.00
Light/Water	155,750.00	150,750.00
Prepayments	<u>293,128.00</u>	<u>164,500.00</u>
	<b><u>617,878.00</u></b>	<b><u>484,250.00</u></b>
<b>4. Long Term Loan</b>		
Balance	<b>20,231,033.95</b>	<b>31,966,103.25</b>
<b>5. Short term Deposit in Financial Institutions</b>		
Standard Bank –Westlands	20,932,778.05	20,539,026.30
Standard Bank Karen	4,138,746.10	7,073,401.10
Treasury bills	2,948,439.00	-
Housing Finance	<u>2,761,111.15</u>	<u>2,709,402.30</u>
	<b><u>30,781,074.30</u></b>	<b><u>30,321,829.70</u></b>
<b>6. Creditors and Accruals</b>		
Payroll liabilities	-	14,765,000.35
Other liabilities	4,085,224.30	480,398.90
Trade creditors	<u>5,883,966.15</u>	<u>6,955,333.80</u>
	<b><u>9,969,190.95</u></b>	<b><u>22,315,483.05</u></b>
<b>7. Stock</b>		
Publications	603,274.10	490,097.60
Artifacts	498,215.10	436,473.20
Soft drinks	<u>71,089.40</u>	<u>54,832.10</u>
	<b><u>1,172,578.60</u></b>	<b><u>981,402.900</u></b>

	<b>2005</b>	<b>2004</b>
<b>8. Cash book Balances</b>	83,781,761.10	82,422,815.20
<b>9. Project Deposits</b>	31,741,335.80	33,666,690.10
<b>10. Income</b>		
Recurrent Grant	339,824,195.60	333,617,809.00
Development Grant	17,000,000.00	5,900,000.00
Others	74,223,667.05	69,340,645.00
Projects	<u>41,473,691.00</u>	<u>20,048,812.00</u>
	<b><u>472,521,553.60</u></b>	<b><u>428,907,266.00</u></b>
<b>11. Expenditure</b>		
Personnel emoluments	274,617,007.45	271,894,124.25
Directors fee(allowances)	1,308,795.00	942,760.00
Insurance	2,780,377.50	3,721,516.75
Office general expenditure	18,131,005.45	16,998,864.75
Advertisement and entertainment	5,252,391.00	2,703,064.25
Telephone/email &postage	9,349,105.10	7,271,399.20
Travel & Accommodation	30,647,750.10	15,302,248.50
Stationery	4,133,583.55	2,734,677.65
Repairs & Maintenance	4,705,436.45	4,331,646.65
Rent & Rates	593,222.50	720,349.00
Others	<u>89,229,340.05</u>	<u>77,054,430.80</u>
<b>TOTAL</b>	<b><u>440,748,014.15</u></b>	<b><u>403,675,081.80</u></b>
Development expenditure	5,281,929.25	-
<b>12. Work in Progress</b>	1,578,700.40	-
<b>13 Revaluation reserve(Vehicles)</b>	<b>9,039,000</b>	-

**14. Currency**

The financial statement are presented in Kenya Shillings.