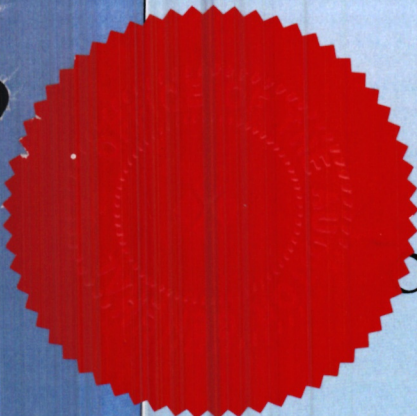


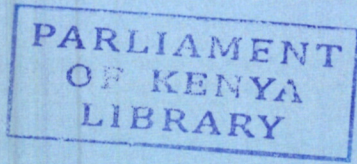
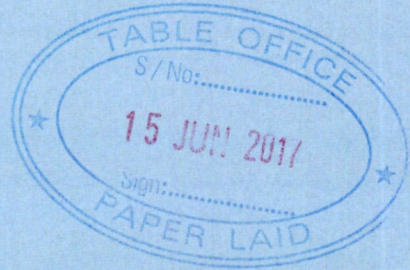
REPUBLIC OF KENYA



Paper laid
By the hon on
Thursday 15/6/2017
[Signature]



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA FILM COMMISSION**

**FOR THE YEAR
ENDED 30 JUNE 2016**





Film Kenya...Capture Africa!

KENYA FILM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Table of Content

Page

I.	KEY KENYA FILM COMMISSION'S INFORMATION AND MANAGEMENT	ii
II.	THE BOARD OF DIRECTORS	iv
III.	MANAGEMENT TEAM.....	viii
IV.	CHAIRMAN'S STATEMENT	x
V.	REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xii
VI.	CORPORATE GOVERNANCE STATEMENT.....	xiii
VII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xv
VIII.	REPORT OF THE DIRECTORS	xvi
IX.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xvii
X.	REPORT OF THE INDEPENDENT AUDITORS ON KENYA FILM COMMISSION	xviii
XI.	STATEMENT OF FINANCIAL PERFORMANCE.....	1
XII.	STATEMENT OF FINANCIAL POSITION.....	2
XIII.	STATEMENT OF CHANGES IN NET ASSETS	3
XIV.	STATEMENT OF CASH FLOWS.....	4
XV.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XVI.	NOTES TO THE FINANCIAL STATEMENTS.....	6
XVII.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	17

I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Film Commission (KFC) is a state agency that was established by the Government of Kenya in 2005 under legal Notice NO. 10 OF 2005 but came into full function in mid-2006. In line with the Parastatal Reform process, a new Legal Notice capturing the new and expanded functions of the Commission was signed on March 25, 2015.

The Commission's key stakeholders who are also its main customers are;

- a) Local and international filmmakers.
- b) Local and international Media.
- c) Government of Kenya.
- d) Non- Governmental Organizations.
- e) Strategic and business partners.
- f) Film industry associations.
- g) Members of staff
- h) General Public.
- i) Related industries such as tourism, transport, ICT among others.

The Commission's Vision:

"To position Kenya as a preferred hub for film and TV production by 2019"

The Mission statement:

"To develop a vibrant local film and TV industry, and market Kenya as the preferred African filming destination for sustainable wealth and job creation"

(b) Principal Activities

The mandate of the Kenya Film Commission is to;

- a) Market Kenya as a centre for excellence in film production.
- b) Advise the Government and other relevant stakeholders on matters pertaining to development, co-ordination, regulation and promotion of the film industry in Kenya.
- c) Facilitate the provision of content development, funding and investment for film projects.
- d) Facilitate proper keeping of Film Archives in Kenya, and
- e) Facilitate investment in the development of film industry infrastructure.

(c) Key Management

The Kenya Film Commission day-to-day management is under the following key organs:

- a) The office of the Chief Executive Officer
- b) The office of the Director of Marketing
- c) The office of the Director of Human Resource & Administration

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Executive Officer	Lizzie Chongoti
2.	Director of Human Resource and Administration	Carol Kittur
3.	Financial and Management Accountant	Bernard M. Kibe
4.	Accountant I	Andrew Mugesani

(e) Fiduciary Oversight Arrangements

- **Audit Board Committee:** This committee undertakes the audit oversight functions over all the finances and operations of the commission and ensure compliance to all statutory and regulatory requirements.
- **Finance Human Resource & Administration Committee:** This committee has an oversight function over all matters touching on finance, accounts, human resource, administration, procurement and ICT concerning the Commission.
- **Marketing Film Industry Development Committee:** This committee has an oversight function over matters of development, promotion and marketing of the film industry in Kenya by overseeing the film industry development and marketing activities of

the Commission. It ensures the commission carries out its core function and mandate as per Legal Notice No. 147 of 25th March 2015.

(f) Kenya Film Commission Headquarters

Jumuia Place II
Lenana Road, Kilimani
P.O. BOX 76419-00508
Nairobi, Kenya

(g) Kenya Film Commission Contacts

Telephone: (254) 20 2714073/4, 0729407497/0733650068
Fax +254 20 2714075
E-mail: info@filmingkenya.com
Website: www.kenyafilmcommission.com

(h) Kenya Film Commission Bankers

Kenya Commercial Bank
Sarit Centre Branch
Nairobi

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS



Christopher K. Foot
Chairman of the Board

Mr. Foot has previously worked in both television and radio. He sits on numerous Boards ranging from commerce and farming through to conservation and education. Chris is passionate about film, taking the Kenyan film Industry to the next level and making Kenya the preferred African filming destination.



Lizzie Chongoti
Chief Executive Officer & Secretary to the Board

Lizzie has over twenty year professional experience and has held senior positions within Government and International and Non-Governmental Organizations. Her key areas of expertise/interest include: Capacity Building through Resource Mobilization, Institutional Management, Development, Research and Leadership. She holds a Higher Diploma in Human Resource Management, a Master's of Science from the University of Bristol, U.K and a Bachelor of Education from Kenyatta university, Kenya.








John Kahungu Munge
Alternate Director
PS, Ministry for Finance

Mr. Munge represents the PS, Ministry of Finance as the Alternate Director and has over 20 years- experience in Government finance in the areas of investment, finance and debt. He is a CPA (K)



Ernest Kerich
Alternate Director
PS, Ministry for Sports, Culture and the Arts

Mr. Kerich has over 33 years- experience in public service, starting with the Presidential Press Services and then the Department of Film Services of which he is currently the head. He has a Diploma in cinematography and Certificates in strategic leadership development, corporate governance, financial management, film governance and society and in total quality management

	<p>Lillian Abishai-Kuria Alternate Director Attorney General's Office</p> <p>Ms. Lillian Abishai has several years' experience in commercial and international law which includes the negotiation, drafting and preparation of contracts for special projects and transactions, and experience in supporting cross-border transactions in various sectors. She works with Government of Kenya at the Office of the Attorney General & Department of Justice as a State Counsel rendering legal advice on various issues affecting the Government's business activities. She is well positioned to advise on governance issues encompassing good corporate governance, compliance and regulatory obligations imposed on public sector. Lillian holds a Diploma in Law from Kenya School of Law and Bachelors of Law from University of Nairobi in addition to numerous certificates for development courses on commercial law and governance.</p>
	<p>Isaac Omondi Odek Alternate Director State Corporations Advisory Committee</p> <p>Mr. Odek represents the State Corporation Advisory Committee on the Board</p>
	<p>Njoki Muhoho Director</p> <p>Njoki has a dual career in Management Consultancy and TV/Film Production. She has over 25 years' experience in organisation development, human resource management, corporate strategy development and management training. Njoki holds a Masters in Mass Communication – Leicester University, Film Making Diploma for New York Film Academy-Universal Studios, Hollywood and a Bachelors of Education from Kenyatta University. She represents the Kenya Film & Television Professionals Association</p>
	<p>Julius Lamaon Director</p> <p>Julius Lamaon represents the Media Owners Association</p>
	<p>Michael Onyango Director</p> <p>Michael works within the creative economy and communication sectors across platform interdisciplinary sectors within governments, NGO's and the private sector, globally. Key contributor to Kenya's current ICT Master Plan 2013 - 2017, spearheaded The Road Map to Creative Industries, ensuring that the sector, is grounded as a key catalyst to Kenya's economic growth; to create 10% GDP growth from sector by 2017, in line with the 2030 Vision midterm plan development goals.</p>



Felix Mugabe
Director

Mr. Mugabe has over 34 years- experience in government administration in various capacities. He has an MPA (Public Management & Policy) from the University of Pittsburgh, USA, a BA Hon. From the University of Nairobi, a Dip. Policy Strategic Studies from the National Defence College and a Diploma Public Administration, Kenya School of Gov. He also has a Certificate in Strategic Leadership (KSG) and in Defence Resources Management from Monterey Naval School California USA.



Judy Bisem
Director





Judy is a communications professional with over eight years' experience working for and with non-governmental organizations in implementation of communications strategies and in IEC material development. Judy holds a Bachelor of Arts degree in Communication from Daystar University, Pursuing an MSc. She represents the Kenya National Filmmakers Association.



Mwaniki Mageria
Director

Mwaniki Mageria is a Business Major from Daystar University and started his career in motor sales, then went into Media as a Host and marketing manager where his love for production developed, leading to engaging in events and film production under his company Balozi Productions. Balozi has now grown into a leading film distribution company for the now famous River Wood Ensemble. Mwaniki is also a highly sought after Master of Ceremonies.

III. MANAGEMENT TEAM

	<p>Lizzie Chongoti Chief Executive Officer</p> <p>Lizzie is a team player with over twenty years- experience and a track record of establishing an office, mobilizing resources, developing and implementing successful programmes. With recognized personal strengths in strategic thinking, leading and developing others, problem solving, networking, team building, and creating effective working relationships. She has worked in senior positions within Government, International and Non-Governmental Organizations. Networking with multiple stakeholders. Her key areas of expertise/interest include: Capacity Building through Resource Mobilization, Institutional Management, Development, Research and Leadership. She holds a Higher Diploma, Human Resource Management, Kenya National Examination Council (KNEC) Kenya- 2004. Master of Science, University of Bristol, U.K and a Bachelor of Education, Kenyatta University, Kenya.</p>
	<p>Alex Mulwa Director of Marketing (DOM)</p> <p>He is a marketing and communication specialist and provides planning and leadership of the Marketing Department by ensuring that the appropriate structures, systems, competencies, values, strategies and activities for marketing Kenya as a Centre of excellence are developed in order to maximize the contribution of the film industry sector to the national economy in line with the Board's Strategic Plan. He is a marketing specialist with experience spanning over 13 years in strategic marketing and communication with a bias in destination marketing. His experience has seen him grow a large network, both locally and internationally, with key stakeholders in the private sector and the government circles. He is a Chartered Marketer (CIM), holds a Bachelor of Commerce degree from Daystar University, MBA in Strategic Management, CPA sector and Diploma in Digital Marketing (CIM) among other qualifications.</p>
	<p>Caroline Kittur Director, Human Resource & Administration</p> <p>Caroline is responsible for the management of the Human Resource and Administrative functions. Maintains and enhances the Commission's human resource by planning, implementing, and evaluating employee relations, human resources policies and practices for the achievement of the Commission's mandate. She has seven years of work experience in senior positions across several professions both in private and public sectors. She holds MBA in strategic management, Bachelor of Arts Degree in Sociology and a Higher Diploma in Human Resource Management.</p>
	<p>Timothy Owase Manager, Festivals & Funds / Skills Development</p> <p>A Chartered Marketer and a communications specialist with experience spanning over a decade in public and private sectors. He spearheads capacity building in the film industry of local filmmakers, liaising with international film festivals, markets, funding agencies and training institutions with view to identifying opportunities for Kenya and creating partnerships between the entities and the commission. He is pursuing a Master's degree in Development and Corporate Communications (MA) at Daystar University, Holds BBA (Marketing) from KEMU, Film Marketing from AFCL University and Post Graduate Diploma in Marketing from the CIM, Diploma in Marketing from London Chamber of Commerce and Industry (LCCI), Diploma in Business Management from KIM, Certificate in monitoring and Evaluation among other qualifications.</p>



Befly Jemurgor B.

Legal Services Manager/ Company Secretary

Is charged with ensuring that the Commission is advised on all technical legal, legislative and policy matters. She also avails her legal advice to stakeholders and players in the industry, on behalf of the Commission. She is a Advocate of the High Court of Kenya, with a Degree in Law (LL.B) and a postgraduate diploma from Kenya School of Law. She is well versed in the areas of corporate governance, labour law, intellectual property and commercial matters.



Bernard Kibe

Financial and Management Accountant

Oversees prudent management of the Commission's financial resources by ensuring compliance with the laid down government policies and procedures. He has over ten years working experience in finance and accounting in both public and private sectors. He is a Certified Public Accountant (CPA K), Holds a bachelor degree in Business Administration (Accounting Option) from Maseno University, and MSC Procurement & Logistics from JKUAT.



Catherine Gitahi

Corporate Affairs Manager

She is in-charge of promoting effective internal and external communication and publicizing the activities of the commission and those of the local film industry through strategic forums. She is a communication specialist with over 7 years' experience in integrated marketing communication having worked in mainstream media, consultant advertising agencies and private corporations across Kenya. Catherine is a graduate of The Nairobi University with a BA in Political Science and Communication. She also has a Diploma in journalism from the Kenya Institute of Mass Communication and an advanced certificate in Marketing Management from Kenya Institute of Management. She is currently enrolled for a Masters in communication for development.



Carole Njoroge

Liaison and production Manager-

She facilitates the development linkages with key players and film makers to ensure appropriate strategies are in place to attract potential customers to Kenya's locations and productions facilities. She is an accomplished TV producer; a journalist and multi-media journalism trainer with board experience both at the national and regional levels. She is an accomplished communication researcher and an image and branding consultant, holds a Master of Arts in Communication, (Corporate communication) and a B.A. in journalism. She has extensive practice in TV production and she has been instrumental in producing and directing over various groundbreaking Kenyan TV shows on various socio-economic issues many of which have gone on air on main stream media as well as on cable TV.



Evans Mac'Osewe
Procurement Officer

Oversees effective management of the Commissions' supply chain through internal need consolidation, supplier identification, procurement process management and quality assurance in line with the Commissions' mission. He has over eight years working experience in public sector procurement. He holds a graduate diploma of the chartered institute of purchasing and supply (UK) and is a professional member of both CIPS (UK) and KISM (Kenya).



Mercy Bukania
Internal Auditor

She is responsible for evaluating and providing reasonable assurance that risk management, control, and governance systems are functioning as intended among other key audit functions. She holds a Bachelor of commerce (BCOM) degree (hons) and Certified Public Accountant (CPA graduate) from Strathmore university, Kenya. She has experience in the Finance, Accounting and Audit having worked in the private and public sectors for over four years.

IV. CHAIRMAN'S STATEMENT

Welcome to the Annual Report and Accounts for the Kenya Film Commission for the year 2015/2016.

The Board of the Kenya Film Commission is committed to ensuring that KFC fulfils its mandate, which includes advising the Government on policy in the film sector, promoting the production and distribution of local content and marketing Kenya as an attractive destination for foreign film makers. The Board's role is to promote effective governance and provide oversight and guidance on the Commission's activities. This requires a well-defined decision-making processes, a clear division of responsibility and effective control mechanisms. Of equal note, is the Board's commitment to leading by example and maintaining the integrity and ethos of the organization. It is imperative that the Board and the executive management work well together as a team for the Commission to be able to meet its objectives.

The work of the Board focuses on strategic matters. This involves working with senior management to produce guidelines for the Commission's development, and ensuring that the Commission follows these guidelines and works towards achieving its goals to ensure good performance. The Board also acts as a sounding Board for the Commission's Chief Executive Officer in this ongoing process.

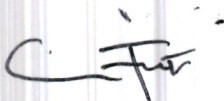
Looking back over the year, it was a busy and momentous year for KFC and a year of firsts for the Commission. Major steps towards our first film tax rebate and film comprehensive incentive package, our first newsletter, our first agreed upon minimum local content on our screens, our first comprehensive industry handbook and our first Kalasha International Film Festival, Market and Awards including the first edition of "Burudani" festival magazine!

We are excited about the rebate system initiated by the National Treasury as its roll out and implementation will see the number of international productions into Kenya grow. As the Kenya film and television industry continues to flourish and grow, we decided that Kenya was well placed to create a new hybrid event, which would bring together all the relevant industry players in the region together. The Commission organized a very successful Kalasha International Film & TV Festival and Market held at the KICC in October 2015, inviting international film producers and investors which enabled the industry's successful delivery into the new digital switchover landscape. We believe it will be a huge benefit to regional filmmakers and their end users, will increase investment in the industry, create jobs amongst the youth of the region and positively impact our economies. The staff of the Commission rose to the occasion and I would like to take this opportunity to commend them for the enormous strides they have realized in the year in question.

There is a growing preference and viewership for local content among the Kenyan viewing public and KFC believes that it is in all stakeholders' best interest to fulfil that unmet demand. In this regard, KFC has partnered with our parent Ministry's efforts to create awareness on the minimum local content that must be aired by our local broadcasters together with other institutions such as the Communications Authority of Kenya. We believe that this is key in ensuring that we tap into the broad benefits of what the film and television industry provide for Kenya including; spurring economic growth, creating jobs, building the National brand, preserving our National culture and heritage, promoting Tourism and enhancing National cohesion and integration.

I would like to thank each and every member of the Commission for their unstinted commitment, loyalty and enthusiasm; they persisted and delivered their best. Congratulations to all of you!

I would urge all of us to keep up the spirit of excellence and exemplary performance.



Mr. Chris Foot
CHAIRMAN OF THE BOARD


FROM THE CHAIRMAN

29th September 2016

RE: CAVEAT FOR THE FINANCIAL STATEMENTS FY 2015/2016 YEAR ENDING 30TH JUNE 2016

I Christopher K. Foot, Chairman Kenya Film Commission wish to hereby state that I was appointed the Chair of the Commission on the 9th of March 2016, my previous tenure having expired on the 5th of November, 2015. Since November 2015, the Commission has not had a Full Board and therefore these financial statements have not been reviewed and approved by the Full Board nor the relevant committee(s).

I therefore append my signature, on behalf of the Commission, to the financial statements solely as an administrative formality and without detailed knowledge of the information contained herein and without the authority of a full board of the Kenya Film Commission.

Signed by:  _____
Christopher K. Foot
Board Chairman

Date: _____

22/5/17

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to echo the words of the Chairman of the Board and delighted to share with you the 2015/2016 Annual Report and Accounts for the Kenya Film Commission.

During the year under review, the weathered various challenges such as reduced funding to still achieve excellent progress towards improving the quality of our services. We also performed very well against our annual corporate targets being evaluated as very good for the quality of our services under the performance contract.

During the year, we have seen many key achievements and developments; key among them being first ever Kalasha International Film & TV Festival & Market held at KICC. The Commission engaged with the German government for the development of the rebates for the Kenyan Film industry in liaison with the National Treasury through the Parent Ministry. The Commission also held various capacity building workshops in various counties and hopes to roll this out to more counties in the coming financial year.

The Commission continues to be committed to:

Promoting the development of local content in Kenya through capacity building initiatives aimed at building talent, skills and entrepreneurship;

Promoting Kenya as a filming destination having hosted top Bollywood studios in Kenya during the year;


Providing liaison services with Government departments on matters relating to promotion, marketing and development of the film industry;

Implementing fiscal and other incentives to promote investment in film;

Developing and creating partnership linkages with organizations, both public and private, to improve and facilitate investment in the film industry.

Although the Commission has had to continue to wrestle with an increase in workload and higher performance targets, every effort has been made to pursue efficiencies. The achievements are measurable; but the impact in human terms is considerable and I should like to express my appreciation to all of my colleagues who have borne the burden cheerfully and with determination.

The Board of Directors and I would like to thank all our staff for their hard work and dedication throughout the year. Because of their hard work, the Commission has been able to deliver key achievements. We are confident that the Commission can be even more successful over the next financial year.



L.C. Lizzie Chongoti

CHIEF EXECUTIVE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

The Board of the Kenya Film Commission (the Board) is responsible and accountable to the Government of Kenya, through the Ministry of Sports, Culture and the Arts in ensuring that the Commission complies with the law and the highest standards of corporate governance.

There are eleven members of the Board all of whom, save for the Chief Executive, are non-executive. The Members possess a broad range of skills and competencies, including legal, finance, banking, filmmaking, communications and management.

COMPOSITION OF THE BOARD

During the period under review, the Board was in transition. A majority of the Board members' tenures came to an end in the first half of the year and the Commission is still awaiting the appointment by the Parent Ministry.

Mr. Christopher K. Foot	Chairman of the Board
Mr. Ernest Kerich	Alternate Director to the PS, Ministry of Sports, Culture & the Arts
Mr. Argwing Awiti	Alternate Director to the PS, National Treasury

ROLES AND FUNCTIONS OF THE BOARD

The roles and functions of the Chairman and the Chief Executive Officer are distinct and their respective responsibilities clearly defined within the Commission.

Each of the directors and all of the Commission's management are fully committed to high standards of corporate governance, which includes embracing the following principles:

- To observe high standards of ethical and moral behavior.
- To act in the best interests of stakeholders.
- To ensure that the Commission acts as a good corporate citizen and is recognized as an icon service provider.
- To recognize the legitimate interests of all stakeholders.
- To remunerate and promote fairly and responsibly.

DIRECTORS RESPONSIBILITIES

The primary responsibility of the directors of the Board is to exercise their judgment to act in what they believe to be the best interests of the Commission and its stakeholders. In furtherance of its responsibilities, the Board:

- To ensure that appropriate systems and processes are in place so that the business of the Commission is conducted in an honest, ethical, responsible and safe manner;
- To oversee the overall conduct of the organization and ensure that it is being properly managed;
- To ensure that effective audit, risk management and compliance systems are in place to protect the Commission's assets and to minimize the possibility of the Commission operating beyond legal requirements or beyond acceptable risk parameters;
- To be actively engaged in directing and approving the strategic planning of the Commission and monitoring management's implementation of the strategies;
- To analyze and review material acquisitions, divestments and capital expenditure;
- To set delegated financial authority levels for the Chief Executive Officer;
- To review and approve the corporate plan, financial and management policies and the operating budget and monitor financial performance and integrity of reporting;
- To appoint, remove and if necessary, review the performance of the Chief Executive Officer and oversee succession plans for senior management;
- To carry out periodic peer evaluation of directors;
- To act in such a way that Board meetings and discussions promote focused debate within a supportive team atmosphere;
- To ensure effective and timely reporting to Government of Kenya; and
- To safeguard and enhance the image and reputation of the Commission.

The Board comprises of eleven (11) directors, six (6) of whom are independent directors who represent the various key associations in the industry.

The Board defines the Commission's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Chief Executive Officer. The Board nonetheless is responsible for the stewardship of the Commission and assumes responsibilities for the effective control over the Commission. The Chief Executive Officer also served as the secretary to the Board.

BOARD MEETINGS

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held statutory and special meetings during the first half of the year under review as required by law. As the Corporation is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

COMMITTEES OF THE BOARD

During the first half of the year, the Board set up the following principal Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

Marketing, Film Industry Development Board Committee

The Committee fulfilled its corporate governance responsibilities and in particular to provide strategic oversight to the core functions of the commission, being developing, promoting and marketing the film industry in Kenya. The Committee held regular meetings and special meetings in the year under review.

Finance, Human Resource & Administration Board Committee

The responsibilities of this Committee include providing general oversight in matters of finance, human resource and the overall operations and administration of the commission. The committee held regular and special meetings in the year under review.

Audit Committee:

The Committee fulfilled its corporate governance responsibilities and in particular to maintain oversight on internal control systems, review and make recommendations regarding the Corporation's budgets, financial plans and risk management and liaise with the external auditors. The Committee held regular meetings and special meetings in the year under review.

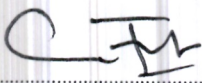
RISK MANAGEMENT AND INTERNAL CONTROLS

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Commission.

The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Commission. As an integral strategy in achieving its corporate goals, the Board ensures the future sustainability of the commission.

Signed on this²⁹.....day of September 2016

For: 
.....
Lizzie Chongoti
Chief Executive Officer/Secretary to the Board


.....
Chris K. Foot
Chairman of the Board

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Commission considers the broader interests of society by taking responsibility for the impact of the commission's activities. We believe the Commission's responsibility extends beyond the statutory obligation to comply with legislation, to voluntarily take action to improve the quality of life among our employees and their families, local communities and society at large — as well as to protect the environment. To this end the Commission undertook a tree planting exercise during the year under review.

We are dedicated to creating a workplace that is safe, fair and enriching. Safety procedures and programs are constantly monitored and improved to help ensure that our employees work safely. We foster a workplace culture in which the rights, needs and unique contributions of each employee are respected. We also support professional development opportunities for every employee.

As part of the Commission's commitment to equality for all, the commission has developed policies on disability sensitization for its staff and has promoted gender mainstreaming through its recruitment processes. Further, in line with the government's greater strategy to address the prevalence of HIV and Aids, the Commission has actively engaged in sensitization of staff to promote behaviors change and awareness.

The Commission has also been committed to the economic empowerment of the youth and has in the year under review, ensured over 30 percent of all procured services went to the youth.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2016 which show the state of the Kenya Film Commission's affairs.

Principal activities

The principal activities of Kenya Film Commission are:

- a) To market Kenya as a centre for excellence in film production.
- b) Advise the government and other relevant stakeholders on matters pertaining to development, co-ordination, regulation and promotion of the film industry in Kenya.
- c) Facilitate the provision of content development, funding and investment for film projects.
- d) Facilitate proper keeping of film archives in Kenya, and
- e) Facilitate investment in the development of film industry infrastructure.

Results

The results of the Kenya Film Commission for the year ended June 30, 2016 are set out on page 1-19 below.

Directors

The members of the Board of Directors who served during the year are shown on page (viii) above.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Film Commission

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Kenya Film Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year that ended on June 30, 2015. 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 Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Commission'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 Reporting Standards (IPSS) and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2016, and of the Commission's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the system of internal financial control.


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

Approval of the financial statements

The Kenya Film Commission's financial statements were approved by the Management /Board on the ²⁹..... day of September 2016 signed on its behalf by:

Director
Subject to the Caveat on Page xi

Director


Director



OFFICE OF THE AUDITOR-GENERAL REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Film Commission set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Receivables from exchange transaction

Receivable from exchange transaction balance of Kshs.407,670 as at 30 June 2016 includes an amount of Kshs.320,670 indicated as other receivables out of which Kshs.300,000.00 relates to a debt due from Department of Filming Services.

The debt was incurred in respect of purchase of an air ticket and hotel accommodation for the Secretary General of Federation of African Filmmakers (FEPACI) during his visit to the country in 2013.

Management has indicated that they are following up the issue to have the amount recovered through the Ministry at source and remitted to KFC.

Management efforts to resolve this long outstanding issue appears minimal.

2. Provisions

Included in the provisions balance of Kshs.2,108,493 is an amount of Kshs.1,754,170 relating to depreciation fund. However, the fund balance could not be confirmed since no bank statement for this specific fund was provided for audit review and the amount was said to be consolidated with other commission's accounts. Further, no policy on depreciation Fund was provided for audit scrutiny.

Consequently, the accuracy and validity of the provisions balance of Kshs.2,108,493 could not be ascertained.

Qualified Opinion

In my opinion, except for the effect of the matters discussed in the Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Film Commission as at 30 June 2016, and (of) its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Film Commission Act, Cap. 225 of the Laws of Kenya.

Other Matters

1.0 Budget and Budgetary Performance

1.1 Revenue

The Commission had budgeted for revenue totalling Kshs.99,974,434 as follows:

Revenue head	Budget Kshs.	Actual Kshs.	Excess/(shortfall) Kshs.	Excess/(shortfall) %
Government grants	96,487,826	86,122,000	(10,365,826)	(10.74)
Other sources	3,486,608	3,507,394	20,786	0.59
Total	99,974,434	89,629,394	(10,345,040)	(10.34%)

However, a shortfall of Kshs.10,345,040 was realised which was mainly attributed to non-receipt of government grants totalling Kshs.10,365,826 after the original budget was revised from Kshs.96,487,826 to Kshs.86,122,000.

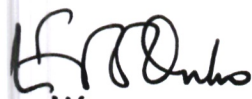
1.2 Expenditure

Overall, the Commission over spent by Kshs.1,329,896 or 1.5%. This was mainly due to non-budgeted items like depreciation and adjustments in debt and gratuity as follows:

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Over/(under) %
General expenses	27,420,415	25,681,398	(1,739,017)	(6.3)
Bulk purchase	657,000	770,888	113,888	17
Remuneration of Board	4,790,000	5,026,259	236,259	5
Repairs & maintenance	1,420,000	1,025,958	(394,042)	(28)
Rent and rates	9,644,686	9,510,656	(134,030)	1.4
Contracted services	1,200,000	947,487	(252,513)	(21)
Finance cost	65,000.00	69,215.00	4,215.	6
Employee costs	44,411,507	44,453,486	41,979	0.1
Depreciation	-	3,395,707	3,395,707	100
Adjustment/debt & gratuity	-	57,450	57,450	100
Total	89,608,608	90,938,504	1,329,896	1.5

Although management has indicated that deprecation is a non-cash item, it has however, been expensed as an expenditure item.

In consequence, the planned and budgeted activities have not been fully included.



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

Nairobi

31 May 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
Revenue from non-exchange transactions			
Transfers from other governments	3	89,034,000	81,651,776
		89,034,000	81,651,776
Revenue from exchange transactions			
Rendering of services	4	595,394	41,000
		89,629,394	81,692,776
Expenses			
General expenses	5	25,681,398	33,859,107
Bulk purchases of water and electricity		770,888	699,160
Remuneration of Board	6	5,026,259	9,550,200
Depreciation and amortization expense	7	3,395,707	4,482,077
Repairs and maintenance	8	1,025,958	2,320,134
Bad debt Provision		64,323	-
Gratuity adjusted		(6,873)	-
Rent and rates		9,510,656	9,255,156
Contracted services		947,487	1,542,180
Bank Charges		69,215	116,476
Employee costs	9	44,453,486	42,449,898
		90,938,503	104,274,388
Other gains/(losses)			
Gain on sale of assets		-	-
Surplus / Deficit before tax		(1,309,109)	(22,581,612)
Taxation		-	-
Surplus for the period		(1,309,109)	(22,581,612)
Attributable to:			
Minority interest		-	-
Owners of the controlling entity		(1,309,109)	(22,581,612)

The notes set out on pages 6 to 17 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
Assets			
Current assets			
Cash and cash equivalents	10	5,046,463	1,738,797
Receivables from exchange transactions	11	407,670	448,156
Inventories	12	365,605	579,483
Prepayments	13	5,462,134	5,652,264
		11,281,872	8,418,701
Non-current assets			
Property, plant and equipment	14	13,328,113	16,657,820
		-	-
		13,328,113	16,657,820
Total assets		24,609,984	25,076,520
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	87,776	2,312,879
Provisions	16	2,108,493	2,044,170
Employee benefit obligation	17	6,626,116	3,622,763
		8,822,385	7,979,812
Non-current liabilities			
		-	-
Total liabilities		8,822,385	7,979,812
Net assets			
Reserves- Capital Fund		11,252,270	11,252,270
Accumulated surplus		4,535,329	5,844,438
		15,787,599	17,096,708
Total net assets and liabilities		24,609,984	25,076,520

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Directors by:

FBS Chief Executive Officer

COK

Date 22/5/17

Chairman of the Board

C. F. L.

Date 22/5/17

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2016

Reserves	Attributable to the owners of the controlling Commission			Total Ksh
	Capital Replacement	Development Reserve	Accumulated Surplus	
		Kshs	Kshs	
Balance as at 1st July 2014		11,252,270	28,857,899	40,110,16
Staff Gratuity Adjustment FY 2013/14		-	63,152	63,15
Bad Debt W/O		-	(495,000)	(495,000)
Deficit for the period		-	(22,581,612)	(22,581,612)
Balance as at 30 JUNE 2015		11,252,270	5,844,438	17,096,70
Balance as at 1st July 2015		11,252,270	5,844,438	17,096,70
Surplus for the period		-	(1,309,109)	(1,309,109)
Balance as at 30 JUNE 2016		11,252,270	4,535,329	15,787,59

XIV. STATEMENT OF CASH FLOWS

Cash flows from operating activities	2015-2016	2014-2015
Receipts	Kshs	Kshs
Government grants and subsidies	89,034,000	81,648,174
Rendering of services	574,724*	41,000
	89,608,724	81,689,174
Payments		
Compensation of employees	44,453,486	42,449,898
Goods and services	33,451,990	46,316,490
Finance cost	69,215	116,476
Rent and Rates	9,510,656	9,255,156
	87,485,347	98,138,020
Net cash flows from operating activities	2,123,377	(16,448,846)
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(66,000)	(769,340)
Increase/Decrease in stocks	213,879	(239,384)
Increase/Decrease in Prepayments	190,130	552,029
Increase/Decrease in current Liabilities	805,794	(2,788,934)
Increase/Decrease in receivables	40,486	527,880
	1,184,289	(2,717,750)
Cash flows from financing activities	-	-
Net cash flows used in financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	3,307,666	(19,166,596)
Cash and cash equivalents at 1 JULY	1,738,797	20,905,393
Cash and cash equivalents at 30 JUNE	5,046,463	1,738,797

* Cash flows from operating activities

The amount of Ksh. 574,724 for Rendering of services excludes a receivable of Kshs. 20,670

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2015-2016 Kshs	1st Adjustments 2015-2016 Kshs	Final budget 2015-2016 Kshs	Actual on comparable basis 2015-2016 Kshs	Performance difference 2015-2016 Kshs
Revenue					
Government grants and subsidies	96,487,826.00	-10,365,826	86,122,000	86,122,000	0
Sponsorships & Tender Documents			3,507,394	3,507,394	0
Total Income	96,487,826.00	-10,365,826	89,629,394	89,629,394	0
Expenditure					
General expenses	26,943,852	476,563	27,420,415	25,681,398	1,739,017
Electricity	657,000	-	657,000	770,888	(113,888)
Remuneration of Board	8,081,974	(3,291,974)	4,790,000	5,026,259	(236,259)
Depreciation and Amortisation expense	-	-	-	3,395,707	-
Repairs and Maintenance	2,020,000	(600,000)	1,420,000	1,025,958	394,042
Rent & Rates	9,927,588	(282,902)	9,644,686	9,510,656	134,030
Contracted Services	1,780,000	(580,000)	1,200,000	947,487	252,513
Finance Charges	80,000	(15,000)	65,000	69,215	(4,215)
Employee Costs	46,997,412	(2,585,905)	44,411,507	44,453,486	(41,979)
Total	96,487,826	(6,879,218)	89,608,608	90,881,054	(1,272,446)

a. Government Grants and Subsidies

Out of the total budget of ksh.96, 487,826 as per the original National Treasury Printed Estimates, the Commission received Ksh. 86,122,000. thus necessitating the adjustment of the budget downwards by ksh. 10,365,826.

b. Remuneration of Board

This vote head was over utilized by Ksh. 236,259 due to the fact that one of the board members was coming from Busia County thus requiring taxi services and per diem allowances to cater for his accommodation in Nairobi during scheduled board meetings.

c. Electricity

This vote head was over utilized by Ksh.113, 888 due to increased consumption. However, of this amount, ksh. 68,881 was accrued.

d. Depreciation and Amortisation expense

The charge on this account is normally a non cash item hence no budget for the same.

e. Vote lines under utilized

Due to late and uncertain funds disbursement the commission had to cut some expenditure hence under absorption on the following votes: Overhaul & Repairs Ksh. 256,431, Annual maintenance & Renewal-ICT Ksh. 109,162, Fuel and Lubricants ksh. 113,671, Contracted Services ksh. 252,513, Film Projects- Kalasha ksh. 179,722, Film Marketing –International ksh. 974,964, Film Marketing –Local Ksh. 164,410

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The Commission recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to 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 Commission and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and 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 Commission and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Commission 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 Commission.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Commission's right to receive payments is established.

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.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Commission. As a result of the adoption of the accrual basis for budgeting purposes, there are no

basis, timing or commission 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.

c) Taxes – IAS 12

Current income tax

The Commission is none Commercial government body that relies on the exchequer for funding and therefor does not have taxable income

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Commission and the same taxation authority.

Sales tax

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

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

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

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Commission 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. Depreciation is calculated on a Reducing-Balance basis with a full year's charge on acquisition and none on disposal. The annual depreciation rates in use are: a. Furniture and Fittings 12.5%

- b. Plant & Equipment 12.5%
- c. Electronic Data Processing Equipment 30%
- d. Motor Vehicles 25%

f) Leases – IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Commission. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Commission also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Commission will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Commission. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets – IPSAS 31

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Commission has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Commission assesses at each reporting date whether there is objective evidence that a financial asset or a Commission of financial assets is impaired. A financial asset or a Commission 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 Commission of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

i) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Commission 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.

IPSAS 29.65

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

Research and development costs

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

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

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

j) Inventories – IPSAS 12

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 condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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 net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

k) Provisions – IPSAS 19

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

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

Contingent liabilities

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

Contingent assets

The Commission 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 Commission 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.

l) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements. Commission to state the reserves maintained and appropriate policies adopted. The Capital Replacement Development Reserve of Ksh. 11,252,270 represents the Capital funds that were given to the Commission at the time of inception in the financial year ending June 30, 2007.

m) Changes in accounting policies and estimates – IPSAS 3

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

n) Employee benefits – IPSAS 25

Retirement benefit plans

The Commission provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Commission 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.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

o) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate 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.

p) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties – IPSAS 20

The Commission 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 Commission, or vice versa. Related parties comprise of the Board members individually, The Chief Executive Officer and the Kenya Film Commission directors of departments.

i) Key management compensation

The remuneration of Commission’s board of directors and other members of key management during the year were as follows:

	2015/16 KShs	2014/15 KShs
Key management salaries and other benefits	<u>11,636,119</u>	<u>11,111,008</u>
Remuneration of the Board of Directors	<u>5,026,259</u>	<u>9,550,200</u>

ii) Kenya Film Commission is a State Corporation. Funds received from the Government of Kenya are disclosed under note 3.

r) Service concession arrangements – IPSAS 32

The Commission 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 Commission 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 Commission also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

	2015/2016 Shs 000	2014/2015 Shs 000
Bank	7,157,898	2,827,868
Cash-on-hand and in transit	9,303	18,244
Short-term deposits	-	-
Total cash and cash equivalents	<u>7,167,201</u>	<u>2,846,112</u>

Detailed analysis of the cash and cash equivalents

(a) Banks

Name of the Bank	Bank Account Number	Currency	2015/2016 Shs 000	2014/2015 Shs 000
Kenya Commercial Bank	1106760018	KSH	7,157,898	2,820,870.88
Kenya Commercial Bank	1129731561	KSH	(4,083)	6,996.95
Total			7,153,815	2,827,867.83

(b) Cash on hand

Form of cash holding	2015/2016 Shs 000	2014/2015 Shs 000
liquid cash	9,303	18,244
Total	9,303	18,244

t) Comparative figures

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

u)

estimation uncertainty – IPSAS 1

Significant judgments and sources of

The preparation of the Commission'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 Commission 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 circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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:

- assessment of experts employed by the Commission
 - adaptability to changes in technology and processes
 - is deployed
 -
 -
- The condition of the asset based on the
- The nature of the asset, its susceptibility and
- The nature of the processes in which the asset
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Financial Risk Management Objectives and Policies

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

i. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

ii. Financial risk management objectives

The Commission's activities expose it to a variety of financial risks including credit and liquidity risks. The Commission's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. In the current year the management reviewed the risk areas and came up with a risk management guide that will be critical in the management of the risks affecting the Commission.

iii. Credit risk

The Commission's credit risk is primarily attributable to its liquid funds with the financial institutions and the 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 Commission 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.

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

	Fully Performing KShs	Past due KShs	Impaired KShs	Total KShs
At 30 June 2016				
Cash at bank	7,157,898	-	-	7,157,898
Staff receivables	87,000	-	-	87,000
	7,244,898	-		7,244,898
At 30 June 2014				
Cash at bank	2,827,868	-	-	2,827,868
Staff receivables	83,833	-	-	83,833
	2,911,701	-		2,911,701

iv. Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Commission's Board of Directors who have built an appropriate liquidity risk management framework for the management of the Commission's short, medium and long-term funding and liquidity management requirements. The Commission manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows and developing a risk management policy manual to guide in risk assessment and management in the Commission.

The table below analyses the fund's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows as the impact of discounting is not significant.

	Less than 1 month KShs	Between 1-3months KShs	Over 3 months KShs	Total KShs
At 30 June 2016				
Trade payables	87,776	0	0	87,776
At 30 June 2015				
Trade payables	0	1,551,671	761,208	2,312,879

v. Market risk management

The Commission does not take on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Commission's surplus or the value of its holdings of financial instruments.

Currency Risk

The Commission is not exposed to the currency risk since it operates its current bank accounts in Kenya shillings thus no exchange rate fluctuations. The foreign exchange transaction that the Commission undertakes are negotiated with the bank on the day of the transaction.

Interest rate risk

The Commission is not exposed to interest rate risk due to fluctuations in interest rates on the bank balances that it holds in the current accounts.

3	Government Grant-Ministry of Sport, Culture and the Arts	86,122,000	80,056,17
	Gifts and Sponsorship	2,912,000	1,553,602
	Transfer from KEPSA	-	42,000
	Total	89,034,000	81,651,776
4	Revenue from exchange transactions		
	Tender prequalification	-	41,000
	Sale of Kalasha booths	595,394	-
		595,394	41,000
5	General expenses		
	Advertising and publicity	104,400	309,675
	Workshop and seminars	1,105,680	793,294
	Printing and Publishing	-	126,500
	General office supplies	749,909	1,719,029
	Insurance –Property and equipment	497,599	290,060
	Internet services	329,545	403,188
	Audit Fees	290,000	290,000
	Capacity building, Local content and Policies	1,070,119	696,697
	ISO Expenses	903,360	453,299
	Brand & Product Development	561,897	-
	Film marketing projects	13,399,903	14,844,716
	Film marketing-Local	235,590	-
	Subsistence allowance	1,397,450	979,650
	Corporate affairs	92,175	1,246,062
	Courier and postal services	17,850	16,720
	Cleaning Services	49,900	-
	Professional Subscriptions	123,970	213,416
	Research and Development	78,000	2,350,192
	Risk Allowance	46,000	80,000
	Staff welfare- Hospitality Supplies	471,786	586,898
	Publications and subscriptions	114,940	107,576
	Motor Vehicle Running Expenses- Fuel & Lubricants	586,329	906,681
	Telephone services	351,210	345,799
	International travelling and accommodation	1,625,036	6,015,874
	Local travelling and accommodation	1,478,750	1,083,781
		25,681,398	33,859,107
6	Remuneration of Board		
	Board Catering	44,330	115,083
	Board Retreat	1,649,524	1,595,200
	Travel and Accommodation	502,172	958,390
	Chairman's-Honoraria	564,133	960,000
	Sitting Allowance	2,266,100	5,921,527

5,026,259	9,550,200
------------------	------------------

7 Depreciation and amortization Expense

30 June 16	30 June 15
-------------------	-------------------

Plant and Equipment	569,901	651,315
Electronic Data Processing Equipment	1,787,119	2,553,027
Motor Vehicles	525,487	700,649
Furniture & Fittings	513,201	577,086
	3,395,707	4,482,077

8 Repairs & Maintenance

General Repairs & Maintenance	41,550	277,505
Motor Vehicle overhaul & Repairs	393,569	1,240,973
ICT annual maintenance and renewal	590,838	801,656
	1,025,958	2,320,134

9 Employee costs

Bonus/End year incentive	809,818	960,464
Casual labour	190,000	112,330
Entertainment Allowance	1,020,000	1,020,000
Extraneous Allowance	55,200	55,200
House Allowance	10,158,671	6,440,513
Leave Allowance	437,307	457,050
Medical Expenses	6,241,819	8,609,714
NSSF Contribution	61,200	60,800
Pension Employer's contribution	393,466	388,580
Responsibility Allowance	780,000	780,000
Salaries & Wages	17,156,257	16,547,631
Special duty allowance	454,426	310,355
Telephone Allowance	300,000	384,000
Training	102,911	464,512
Provision for staff Gratuity	2,968,043	2,713,449
Transport Allowance	2,639,334	2,665,300
Other Allowance	685,033	480,000
	44,453,486	42,449,898

10 Cash and cash equivalents

Cash in hand	9,303	18,244
Overdrawn Account	4,083	-
Cash at Bank	5,033,077	1,720,553
Total	5,046,463	1,738,797

11 Receivables from exchange transactions

Staff debts	87,000	83,833
Other receivables	320,670	364,323
	407,670	448,156

12	Inventory		
	General office stationery-This is as per stock take done on 30th June witnessed by the external auditors from the office of the Auditor General	365,605	579,483
		365,605	579,483
13	Prepayments		
	Prepaid Rent/Deposit	1,931,982	1,931,982
	Medical Insurance	3,530,152	3,720,282
		5,462,134	5,652,264

14	Property, Plant and Equipment	Plant and Equipment	Electronic Data Processing Equipment	Motor Vehicles	Furniture & Fittings	Total
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	COST VALUATION					
	As at 1 st July 2014	5,116,890	7,834,379	2,802,597	4,616,691	20,370,557
	Additions	93,630	675,710	0	0	769,340
	As at 30th June 2015	5,210,520	8,510,089	2,802,597	4,616,691	21,139,897
	ACCUMULATED DEPRECIATION					
	As at 1 st July 2014	4,412,183	21,319,141	9,949,953	6,067,832	41,749,109
	Charge for the year	651,315	2,553,027	700,649	577,086	4,482,077
	As at 30th June 2015	5,063,498	23,872,168	10,650,602	6,644,918	46,231,186
	NET BOOK VALUE					
	As at 30th June 2014	5,116,890	7,834,379	2,802,597	4,616,691	20,370,557
	As at 30th June 2015	4,559,205	5,957,062	2,101,948	4,039,605	16,657,820
	COST VALUATION					
	As at 1 st July 2015	4,559,205	5,957,062	2,101,948	4,039,605	16,657,820
	Additions	0	0	0	66,000	66,000
	As at 30th June 2016	4,559,205	5,957,062	2,101,948	4,105,605	16,723,820
	ACCUMULATED DEPRECIATION					
	As at 1 st July 2015	5,063,498	23,872,168	10,650,602	6,644,918	46,231,186
	Charge for the year	569,901	1,787,119	525,487	513,201	3,395,707
	As at 30th June 2016	5,633,399	25,659,286	11,176,089	7,158,119	49,626,893
	NET BOOK VALUE					
	As at 30th June 2015	4,559,205	5,957,062	2,101,948	4,039,605	16,657,820
	As at 30th June 2016	3,989,304	4,169,944	1,576,461	3,592,404	13,328,113

Fully Depreciated assets disclosure

The fair value of property, plant, and equipment is not materially different from the carrying amount.

15	Trade and other payables from exchange transactions	30-Jun-16	30-Jun-15
	Accounts Payables	-	3,712,497

Safaricom LTD		
Telcom Kenya	14,337	-
NW Realite	4,558	-
	68,881	-
	87,776	3,712,497

16 Provisions		
Audit fees	290,000	290,000
Bad Debt	64,323	-
Depreciation Fund	1,754,170	1,754,170
Total	2,108,493	2,044,170

17 Employee benefit obligation		
Accrued Gratuity	6,626,116	3,622,763
	6,626,116	3,622,763

18 Payments for Goods and services		
General expenses		
Electricity	25,681,398	32,263,714
Remuneration of Board	770,888	640,263
Repairs and Maintenance	5,026,259	9,550,200
Contracted Services	1,025,958	2,320,134
	947,487	1,542,180
Total	33,451,990	46,316,490

19. Subsequent events – IPSAS 14

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, 2016.

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Unsupported payment of sitting allowance to the Chairman	<p>The auditor noted, "State Corporation Act Cap 446 of the laws of Kenya paragraphs 8(c), state that no meeting of a Board shall be held at any place other than the registered or principal office of the State Corporation except with the prior written approval of the committee.</p> <p>However, the chairman of the Board was paid a sitting allowance of Kshs.220, 000 while attending conference outside the country in addition to per diem and air ticket allowances. Without written approval of the meetings from the committee of the Board. Further minutes indicating the deliberations made together with the invitation letter from the hosts were not provided for verification.</p> <p>In the circumstances, it has not been possible to confirm the authenticity of the expenditure as at 30 June 2015.</p>	<p>The Milken Global Conference took place between the 26th and 29th of April in Los Angeles, California was attended by a delegation from the government and the private sector as it was a premier investment conference. The Commission's presence in the Presidents delegation was required, represented by the Chair and the Chief Executive Officer. The Chair and CEO were to lead in the engagement with Hollywood investors in discussions on promoting investment in the film industry in Kenya through choosing Kenya as a preferred filming location. Discussions were to be made especially with regard to financing of a USD 500 Million films on Richard Leakey.</p> <p>The payment was done in accordance with the Treasury Circular No. OP/CAB.17/34A dated 14th January, 2008 on Payment of Sitting Allowance To Chairman And Board Members of State Corporations While On Official Duty</p>	Lizzie Chongoti, CEO	Resolved	Immediately
Pending Bill	<p>As previously reported in 2013/14 the Commission entered into a Contract with a local company on 07bFebruary 2011 for the supply of an ERP system at a contract sum of Ksh. 3,396,159.84 for a contact period of one year (1) year. However, the contract was still not completed or revised three years later. No explanation has been provided for the</p>	<p>Management noted the observations and the recommendations given thereof. Management further noted that it had engaged the supplier M/S Attain Enterprise Solutions Limited and committed to a eight (8) week programme to conclude and sign off the project by which time all the modules on Finance, Human Resource and</p>	Evans MacOsewe, Supply Chain Office	Resolved	Before end of FY 2015/16

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>failure to complete the contract within the contract period. During the year under review, the company was paid Kshs. 849,049.20 out of a pending bill balance of Kshs. 1,610,248.20 due in 2013/2014 leaving a balance of Kshs. 761, 208.00.</p> <p>However, information obtained from the "system review minutes" indicates that although most modules installed were working, there were several modules which needed activation to enable reports to be generated automatically especially budgeting and finance areas.</p>	Procurement shall all be operational.			

Fds Chief Executive Officer

OK

Date..... *22/5/17*

Chairman of the Board

C. Fin.

Date..... *22/5/17*