

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

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DEPUTY LEADER OF
THE MAJORITY PARTY
ON 4th JULY 2018
IBM

OF

THE AUDITOR-GENERAL

ON



**THE FINANCIAL STATEMENTS OF
KENYA BROADCASTING CORPORATION
DIGITAL TERRESTRIAL TELEVISION
COVERAGE ROLL-OUT PROJECT
(DVB-T2 PLATFORM)**

**FOR THE YEAR
ENDED 30 JUNE 2017**

Kenya



YOUR NATIONAL BROADCASTER

**DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB -T2 PLATFORM
PROJECT**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2017**

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

**DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB-T2
PLATFORM PROJECT
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016.**

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**DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB -T2
PLATFORM PROJECT
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017.**

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

Name and registered office

Name: DIGITAL TERRESTRIAL DVB TX COVERAGE ROLL OUT PROJECT

Objective: Digital TV terrestrial coverage rolls out in 10 sites,

Physical Address: The project headquarters offices are Nairobi (city), Nairobi County, Kenya. Hurry Thuku Road

Project address:

Kenya Broadcasting Corporation-Headquarters.
P.O.BOX 30456-00100

Nairobi-kenya

Telephone: (254)-020-4920000

E-mail: mdkbc.co.ke

Website: www.go.ke

Project Information

Project Start Date:	11/11/2013
Project End Date:	31/03/2017
Project Manager:	The project manager is Mr. David Elly Ndwigah
Project Sponsor:	GOK/ KINGDOM OF SPAIN

Project Overview

Line Ministry/State Department of the project	Ministry of Information, Communication and Technology.
Project number	
Strategic goals of the project	The strategic goals of the project are as follows: I. Enhance availability of free to air digital tv and radio in all parts of the counties

Kenya



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	II. Local programming content which reflects the nation's cultural diversity becoming an integral part of the national broadcasting
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Create awareness at national and country levels on the importance of information through broadcast as a means of personal and community development
Other important background information of the project	Support towards universal availability of tv services and the widest access to private TV commercial channel.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Improve TV signal reach on the nationwide coverage. (ii) Provide TV signal to areas where there was no signal coverage.
Project duration	The project started on 1st July 2013 and is expected to run until 31 march 2017

ENTITY BANKERS

CITI BANK N.A
CITI BANK HOUSE –UPPER HILL ROAD
P.O BOX 30711-0100
NAIROBI, KENYA.

AUDITORS:-

AUDITOR - GENERAL
OFFICE OF AUDITOR-GENERAL
ANNIVERSARY TOWERS
P.O.BOX 30084-00100
NAIROBI.

Kenya



YOUR NATIONAL BROADCASTER



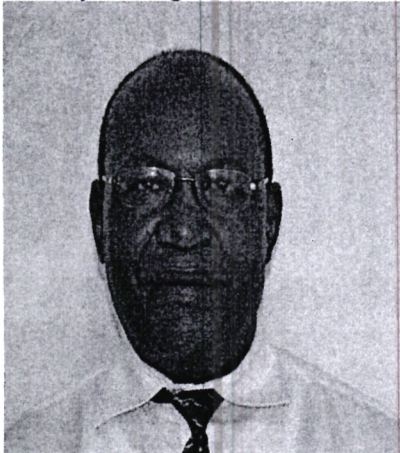
**DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB -T2
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PRINCIPAL LEGAL ADVISOR:-

THE ATTORNEY GENERAL
STATE LAW OFFICE
HARAMBEE AVENUE
P.O BOX 40112-00200
NAIROBI KENYA


**DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB -T2
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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017.**

Roles and Responsibilities

Names	Key qualification	Responsibilities
<p>Mr. Waithaka Waihenya</p> 	<p>Bachelor's degree from Kenyatta University Masters in Communication from Leicester University Previously Editor in Chief KBC, 3 and a half years associate Editor standard newspapers in charge of day to day running of KBC as Managing Director</p>	<p>IMPLEMENTER</p>
<p>Mr H.M. Isinta</p> 	<ul style="list-style-type: none"> • MBA (Finance) • Bachelor of Commerce(Accounting) • CPA(K) 	<p>PROJECT ACCOUNTANT</p>
<p>Mr Elly Ndwigah</p> 	<p>Diploma in Telecommunication (Advanced telecommunication Advanced certificate in High frequency transmitters from Germany and Digital broadcasting techniques from KIMC.</p> <p>35 years in maintenance, operation and management of Broadcasting systems/equipment.</p>	<p>PROJECT MANAGER</p>



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<p>Mr.Amos Omondi Ogutu</p> 	<p>Thirty Three Years (33) experience in Management, Maintenance and Operation of TV Broadcast Equipment. Principal Technical Officer (DVB T-SIGNET) Diploma in Telecommunication Engineering (Telecommunication Technician Course Part III) KNEC. Advanced Certificate – TV Broadcasting Measurement Techniques - KIMC Certificate in Planning and Development of Modern Television Stations (DW TV TRAINING CENTRE -GERMANY.</p>	<p>ASS.PROJECT MANAGER</p>
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Funding summary

The Project is for duration of 4 years from 2013 to 2017 with an approved budget of euros 822,164 (use donor currency) equivalent to a total of Kshs 997,078,179

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (31.06. 2017)		Undrawn balance to date (31. 06. 2017)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Spanish Belgium government	EURO 822,164	89,615,876	EURO 822,164	89,615,876	-	-
(ii) Counterpart funds						
Kenya broadcasting corporation	-	14,473,372 18,081,255	-	14,473,372 18,081,255	-	-
(iii) Goods received						
Total	822,164	122,170,503	822,164	122,170,503	-	-

Summary of Overall Project Performance:

- Physical progress based on outputs, outcomes and impacts since project commencement,
Site acquisition and preparations for installations on going .Currently all transmitters are delivered. Approval given by KCAA on following sites Siaya, Maralal, Nyandundo, Wajir



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- Comment on value-for-money achievements,
Digital broadcasting has better picture and sound quality compared to previously used analogue broadcasting. In addition, digital broadcasting has broader spectrum efficiency ,i.e., one frequency in digital broadcasting can be used to carry more than 10 services/programs compared to analogue broadcasting which can only carry one program per frequency. Benefits of digital transition to the public include;
 - more channels available – spectrum efficiency. Previously only 14 free to air channels were licensed in Kenya due to limitations on analogue spectrum. Currently there are 65 free to air channels with more expected to be licensed.
 - More content is delivered to public
 - Diverse content in broadcast e.g. agriculture health etc
 - More targeted content e.g. youth religious etc
 - Regional broadcasting in local languages
 - Better picture and sound quality
 - Increased employment opportunities.
 - Increased business streams for entrepreneurs society
 - Access via various devices e.g. smart phones
 - Anytime anywhere availability of content

Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance



**DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB-T2
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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017.**

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Managing Director of Kenya Broadcasting Corporation (KBC) and the Project Manager for the project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on 30 June 2017. This responsibility includes: (i) maintaining adequate financial management arrangement 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 Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Managing Director of KBC and the Project Manager for the project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International financial reporting Standards.

The Managing Director of KBC and the Project Manager of the project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30 June 2017, and of the Project's financial position as at that date. The Managing Director for KBC and the Project Manager for the project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The managing director of KBC and the Project Manager for the project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Managing Director of KBC and the Project Manager for the project on _____ 2017 and signed by them.

AG. MANAGING DIRECTOR

PROJECT MANAGER

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA BROADCASTING CORPORATION DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL-OUT PROJECT (DVB-T2 PLATFORM) FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kenya Broadcasting Corporation Digital Terrestrial Television Coverage Rollout Project (DVB -T2 Platform) set out on pages 1 to 9, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments 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, Section 35 of the Public Audit Act, 2015 and the Financing Agreements between the Instituto de credito official of the Kingdom of Spain and Republic of Kenya - National Treasury dated 19 November 2014.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements of Kenya Broadcasting Corporation Digital Terrestrial Television Coverage Rollout Project (DVB -T2 Platform) as at 30 June 2017.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Late Submission of Financial Statements

The financial statements for Kenya Broadcasting Corporation - Digital Terrestrial Television Coverage Roll-out Project which were supposed to be submitted to the Office of the Auditor-General on or before 30 September 2017, were received six (6) months later on 29 March 2018. No explanation was given as to why the financial statements were not submitted on time. In the circumstances, the Corporation was in breach of the Constitution of Kenya, the Public Finance Management Act 2012 and Section 47(1) of the Public Audit Act of 2015.

2. Irregular and Unbudgeted Expenditure

As disclosed in Note 1.3 to the financial statements, the project management incurred expenditure of Kshs.3,202,139 on domestic travel and subsistence Kshs.9,934,616 on

Report of the Auditor-General on the Financial Statements of Kenya Broadcasting Corporation Digital Terrestrial Television Coverage Roll-Out Project (DVB-T2 Platform) for the year ended 30 June 2017

demurrage services and Kshs.2,412,500 on NEMA all totaling Kshs.15,549,255 without budgetary provision. This is contrary to Section 31 of the Public Finance Management Act and Regulation of 2015 which states that the Accounting Officer shall ensure that the draft estimates relating to her or his department are prepared in conformity with the Constitution, the Act and these Regulation. The demurrage charges of Kshs.9,934,616 was incurred on the project transmission equipment valued at Kshs.892,988,931 received from the Spanish Government on 28 January 2016 for installation in the designated project sites. Although the equipment were received two years ago, the same were not cleared from the warehouse on time but continued to incur demurrage charges totalling to Kshs.9,934,616. No explanation was provided as to why the project management did not clear and transport the equipment to the designated sites in good time. In addition, the sites which had been identified were later changed resulting in other unbudgeted expenditures of Kshs.2,532,000. Further, available information indicate that the financing Agreement between the Instituto de credito oficial of the Kingdom of Spain and The National Treasury of the Republic of Kenya dated 19 November 2014 provides that the loan facility shall be tied and equivalent to 100% of the Spanish official financing allocated to finance the Development of the Digital Terrestrial Television Network in the Republic of Kenya. It was however observed that the Project Management had spent internal funds totalling to Kshs.18,081,255 on the project without budgetary provision during the year under review.

In the circumstances, it has not been possible to confirm the propriety of the unbudgeted expenditure totalling Kshs.18,081,255 for the year ended 30 June 2017.

3. Failure to Remit Value Added Tax

The project management failed to remit VAT amounting to Kshs.6,696,341 to Kenya Revenue Authority as disclosed in Note 1.7 to the financial statements. This is contrary to VAT Act Cap 476 which gives guidelines on ways in which VAT is charged on goods of Kshs.15,549,255 and Kshs.2,532,000 all totaling Kshs.18,081,255. Failure to remit VAT may attracts heavy penalties and fines. No explanation was given for non-remittances of the VAT. The Project management was therefore in breach of law.

4. Fixed Assets Register

Available information revealed that the Project management did not maintain a fixed assets register to record details of the project assets, such as cost, date of purchase, rate of depreciation, net book value and other necessary information contrary to Section 68(2)(e) of the Public Finance Management Act 2012 which states that the accounting officer should ensure that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods and services and that, in the case of goods, adequate arrangements are made for their custody, safeguarding and maintenance of the assets. In addition, project equipment worth Kshs.892,988,931 equivalent to Euros 8,192,559 shipped from Spain were not physically verified. In the circumstances, it has not been possible to confirm the existence and ownership status of the project assets worth Kshs.892,988,931 as at 30 June 2017 and that the project management was in breach of the law.

5. Procurement of Standby Auto Controlled Silenced Generators and Construction of Perimeter Walls

5.1 Auto Controlled Silenced Generators

As previously reported, the Corporation signed a contract agreement on 8 December 2015 for supply of twelve (12) standby auto controlled generators with a supplier at a contract sum of Kshs.35,913,700 with a duration of six (6) weeks from the date of the Local Purchase Order (LPO) of 11 December 2015. On 5 February 2016, the supplier was paid advance payment of Kshs.10,774,110 or 30% of the contract sum. Available information indicate that only three (3) out of the twelve (12) generators were delivered to Langata station which was not part of the initial stations identified for the project. A review of the matter in February 2018 revealed that the balance of nine (9) generators have not been delivered to the designated project sites. It is not clear and management has not explained if and when the nine (9) generators will be supplied and when the stakeholders will get the value for the public resources.

5.2 Perimeter Walls

In addition, and as previously reported, the Project management advertised and awarded the tenders to ten (10) firms to construct perimeter walls, concrete bases, civil works and other works in the following ten (10) Project stations: Hola, Lamu, Kitui, Maralal, Marsabit, Wajir, Nyandundo, Siaya, Kwale and Lowdar at a total contract sum of Kshs.33,310,312. Although available records indicate that Local Purchase Orders (LPOs) were processed and issued to the ten (10) firms on 1 March 2016, no signed contract agreements between the suppliers and the Corporation were availed for audit review. It has not been clear and management has not explained the above anomaly. A review of the matter in April 2018 revealed that two (2) years after the date of issuing LPOs, works in three (3) stations were still incomplete. No satisfactory explanations were provided for failure to execute these contracts. Further, the Project Management did not maintain individual project files for each contract as required by Section 34(3) of the Public Procurement and Disposal Regulations 2016 which states that 'a procuring entity shall maintain an individual file for each procurement requirement containing all information; documents and communications relating to that procurement and such file shall be marked with relevant procurement reference number. In the circumstances, it has not been possible to confirm the propriety of expenditure of Kshs.33,310,312 as at 30 June 2017 and if and when the stakeholder will get value for money.

6. Failure to Maintain a Separate Cash Book and Open a Bank Account

As previously reported, the Corporation did not maintain a separate bank account for the Project contrary to Section 28(1) of the Public Finance Management Act 2012, which requires that state corporations open and operate bank accounts with prior approval of the National Treasury. A review of the matter in March 2018 revealed that the project management had not opened a separate bank account for the Project. The management did not also maintain a Project cash book and therefore no bank reconciliation statements were availed for audit review. In the circumstances, the Corporation was in breach of the Law and it has not been possible to confirm that the project funds were properly utilized.

7. Incomplete Digital Terrestrial Television Coverage Sites

7.1 As previously reported, examination of the project contract agreement indicate that six (6) out of the initial ten (10) sites identified in the year 2015 for project implementation were disqualified in March 2016 by the Kenya Civil Aviation Authority because they were either near to the existing or planned Airports/Airstrips. As a result the sites were re-located to Kwale, Kitui and Kilifi according to the status report. According to the contract agreement, Kenya Broadcasting Corporation project management was required to implement the following Primary infrastructure on the (10) identified sites at a total cost of Kshs.89,615,876 equivalent to Euros 822,144. The primary infrastructure included:

- i. Acquisition of land.
- ii. Construction of access roads.
- iii. Design and construction of standby power generator shelters on the sites.
- iv. Design and Installation of electrical power supply on the sites.
- v. Acquisition and Installation of standby power generators on the sites.
- vi. Design, construction and equipping of amenities.
- vii. Landscaping of the sites.
- viii. Remodeling and Improvement of existing structures on the sites to suit DVB-T2 system installation requirements.
- ix. Design and Construction of warehouses on the ten (10) sites.
- x. Hiring of security services for the ten sites.

A review of the extent of project implementation in March 2018 indicates that the primary infrastructure works on three (3) sites was still incomplete. In the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs.89,615,876 on the primary infrastructure for the year ended 30 June 2017.

7.2 Status of Project Secondary Infrastructure

Further examination of the project status report in March 2018 revealed that only six (6) out of the initial ten (10) sites had secondary infrastructure installation complete and site acceptance test done as detailed below:-

Secondary Infrastructure System Works Status 23/04/2018

Item	Site Name	Status
1	Hola	Installations complete, Site Acceptance Test (SAT) done . TV Transmission is on air
2	Kilifi	Installation is 95% complete, SAT to be undertaken on 3/5/18 and Transmissio to commence immediately
3	Kitui	Installation is 50% complete, SAT to be undertaken on 25/5/18 and Transmissio to commence immediately
4	Kwale	Installation is 50% complete, SAT to be undertaken on 20/5/18 and Transmissio to commence immediately

5	Lamu	Installations complete, Site Acceptance Test (SAT) done . TV Transmission is on air
6	Webuye	Installation is 10% complete, SAT to be undertaken on 10/6/18 and Transmissio to commence immediately
7	Maralal	Installations complete, Site Acceptance Test (SAT) done . TV Transmission is on air.
8	Nyadundo	Installations complete, Site Acceptance Test (SAT) done . TV Transmission is on air.
9	Siaya	Installations complete, Site Acceptance Test (SAT) done . TV Transmission is on air.
10	Wajir	Installations complete, Site Acceptance Test (SAT) done . TV Transmission is on air.

In addition, the report six (6) station of Hola, Lamu, Mararal Kilifi, Kitui, and Kwale did not have power supply though three (3) sites Television transmissions is in air. In the circumstances, it has not been possible to confirm that the stakeholders have obtained the value for money from the Project resources.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Broadcasting Corporation Digital Terrestrial Television Coverage Rollout Project (DVB -T2 Platform) management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statement

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

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash 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.

In preparing the financial statements, management is responsible for assessing the project's ability in continuing to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the project or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

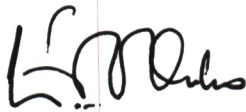
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the project activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

15 May 2018

DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB-T2
 PLATFORM PROJECT
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016.

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE
 2017

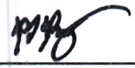
	Note	2017 kshs	2016 kshs
RECEIPTS			
Proceeds from domestic and foreign grants	1.1	18,081,255	89,615,876
Proceeds of Goods received	1.2		892,988,931
Total receipts		<u>18,081,255</u>	<u>982,604,807</u>
PAYMENTS			
Payment of services	1.3	15,549,255	9,948,121
Purchase of Goods received	1.4	<u>2,532,000</u>	892,988,931
Acquisition of non-financial assets	1.5	<u>18,081,255</u>	<u>94,141,127</u>
TOTAL PAYMENTS		<u>18,081,255</u>	<u>997,078,179</u>
SURPLUS/DEFICIT FOR THE YEAR		<u>0</u>	<u>(14,473,372)</u>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



AG.MANAGING DIRECTOR

PROJECT MANAGER



Date

Date



FINANCE AND ADMINISTRATION MANAGER

Date



**DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB -T2
PLATFORM PROJECT
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017.**

4. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2017

	Note	2017	2016
FINANCIAL ASSETS		KSHS	Kshs.
Cash and Cash Equivalent	1.6	(14,473,372)	(14,473,372)
TOTAL FINANCIAL ASSETS		(14,473,372)	(14,473,372)
REPRESENTED BY			
Cash and cash equivalent b/f		(14,473,372)	
Surplus/Deficit for the Year		0	(14,473,372)
NET FINANCIAL POSITION		(14,473,372)	(14,473,372)

AG. MANAGING DIRECTOR

PROJECT MANAGER

Date

Date

FINANCE AND ADMINISTRATION MANAGER

Date



**DIGITAL TERRESTRIAL TELEVISION COVERAGE ROLL OUT ON THE DVB -T2
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6. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2017

	2017 Kshs	2016 Kshs
Receipts for operating income		
Proceeds from domestic and foreign grants	18,081,255	89,615,876
	<u>18,081,255</u>	<u>89,615,876</u>
Payments for operating expenses		
Purchase of goods and services	15,549,255	(9,948,121)
Net cash flow from operating activities	(15,549,255)	(9,948,121)
Net cash flow before investing activities	<u>2,532,000</u>	
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Assets	(2,532,000)	(94,141,127)
Net cash flows from Investing Activities	<u>(2,532,000)</u>	<u>(94,141,127)</u>
NET INCREASE IN CASH AND CASH EQUIVALENT	0	(14,473,372)
Cash and cash equivalent at Beginning of the year	(14,473,372)	0
Cash and cash equivalent at END of the year	<u>(14,473,372)</u>	<u>(14,473,372)</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2017 and signed by:


.....
AG. MANAGING DIRECTOR


.....
PROJECT MANAGER


.....
FINANCE AND ADMINISTRATION MANAGER



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7. NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these financial statements are set out below:

8. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International financial reporting Standards (IFRS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Project and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when a payment is made or received by the Project.

i. Recognition of revenue and expenses

The Project recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Project. In addition, the Project recognises all expenses when the event occurs and the related cash has actually been paid out by the Project.

ii. In-kind donations

In-kind donations are contributions made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.



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iii. **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 imp rests and advances to authorised public officers and/or institutions which had not been surrendered or accounted for at the end of the financial year.

iv. **Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

v. **Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

vi. **Comparative figures**

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



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

1.1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2016 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in Kshs	
						FY 2017 Kshs	FY 2016 Kshs
Grants Received from Bilateral Donors (Foreign Governments)							
SPANISH government						-	89,615,876
Domestic Funds						18,081,255	-
Total							-

*. The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

1.2 PROCEEDS OF GOODS AND SERVICES

	2017 kshs	2016 Kshs
Grants Received from Bilateral Donors (Foreign Governments)	0	892,988,931



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1.3 PURCHASE OF SERVICES

	2017 Kshs	2016 Kshs
Domestic travel and subsistence	3,202,139	9,948,121
Demurrage services	9,934,616	
Nema	2,412,500	
	<u>15,549,255</u>	<u>9,948,121</u>

1.4 PURCHASE OF GOODS AND SERVICES

Purchase of goods and services		
Goods received	2,532,000	892,988,931

1.5 ACQUISITION OF NON-FINANCIAL ASSETS

	2017 Kshs	2016 kshs
Purchase of specialised plant, equipment, machinery and services	15,549,255	64,054,190
Acquisition of land and primary infrastructure	<u>2,532,000</u>	<u>30,086,937</u>
TOTAL	<u>18,081,255</u>	<u>94,141,127</u>

1.6 FINANCIAL ASSETS

Cash and Cash Equivalent	14,473,372	14,473,372
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Kenya



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1.7 OTHER PENDING PAYABLES

	2017	2016
	kshs	Kshs
Amount due to third parties		
Unremitted VAT-Ocean flight	4,696,398	4,696,398
-Enostel international co ltd	1,486,084	1,486,084
-Conventional cargo	<u>513,859</u>	
	<u>6,696,341</u>	<u>6,182,482</u>

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8. PROGRESS ON FOLLOW UP AUDITOR RECOMMENDATIONS

There were no audit recommendations as this is the first financial statements for this project.