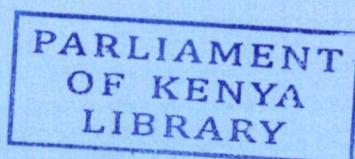


REPUBLIC OF KENYA



*Paper laid by
HOM on 2/3/2017
Dany*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA COPYRIGHT BOARD**

**FOR THE YEAR ENDED
30 JUNE 2016**



KENYA COPYRIGHT BOARD

KENYA COPYRIGHT BOARD

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 ENTITY INFORMATION AND MANAGEMENT.....	ii
II. THE BOARD OF DIRECTORS.....	vi
III. CHAIRMAN’S STATEMENT.....	xxiii
IV. REPORT OF THE CHIEF EXECUTIVE OFFICER	xxiv
V. CORPORATE GOVERNANCE STATEMENT.....	xxvi
VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xxviii
VII. STATEMENT OF DIRECTORS’ RESPONSIBILITIES	xxix
STATEMENT OF FINANCIAL PERFORMANCE.....	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
NOTES TO THE FINANCIAL STATEMENTS CONTINUED.....	6



I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Copyright Board (KECOBO) is established under section 3 of the Copyright Act, 2001(cap 130). Its mandate is the overall administration and enforcement of copyright and related rights in Kenya.

(b) Principal Activities

KECOBO's mission is to promote the growth of creative industries through effective administration and enforcement of copyright for socio economic development in Kenya. The principle activities include;

- Implementation of the Copyright Act
- Enforcement of copyright and related rights
- Overall administration of copyright and related rights
- Management of Traditional Knowledge
- Constant review of the Copyright Act
- Licensing and supervision of collective management organisations
- Training and awareness creation on copyright and related rights as well as traditional knowledge
- Advising the government on matters of copyright and related rights
- Negotiation of regional and international instruments on copyright and related rights.

(c)Key Management

The Board's day-to-day management is under the following key organs:

- Executive Director;
- Chief legal counsel;
- Deputy legal counsel;
- Finance manager;
- Senior human resource officer;
- Senior public communication officer;
- Information communication technology officer; and
- Supply Chain officer



(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.	Name
1. Executive Director	Edward Sigei
2. Senior legal Counsel	George Nyakweba
4. Finance Manager	Felister Njoki
5. Senior Human Resource	Ketty Arucy
6. Senior Public Communications Officer	Rosemary Waithaka
7. ICT Officer	George Njoroge
8. Supply Chain Officer	Zachary Duko

(e) Fiduciary Oversight Arrangements

Finance and Audit committees of KECOBO

The Board of KECOBO has established the two oversight bodies as required by the State Corporations Act. Section 9 of the State Corporations Act Cap 446 Laws of Kenya states as follows:-

9. Committees

A state corporation may establish committees consisting of members of the Board to deal with such matters as the Board may specify and notice of establishment of any committee in accordance with this section whether established before or after the commencement of this Act shall be served on the State Corporations Advisory Committee.

This provision is further reinforced by section 15, on financial accountability of the Board;

15 . Accountability

- (1) A Board shall be responsible for the proper management of the affairs of a state corporation and shall be accountable for the moneys, the financial business and the management of a state corporation.*
- (2) The chief executive of a state corporation may be summoned by the Public Investments Committee to answer on behalf of the Board any question arising from a report, including a special report, of the Controller and Auditor-General concerning the state corporation.*



KENYA COPYRIGHT BOARD

Consequently the State Corporations Advisory Committee (SCAC) issued guidelines for the formation of the Committees of which the Finance and the Audit Committees are mandatory.

The Audit Committee

There were five members of this committee during the 2015/2016 Financial Year. The Committee was chaired by Mr. David Muriithi. He is a qualified auditor with experience with reputable international audit firms and artist management.

The other members of the committee were Ms. Belinda Kiilu, Ms. Monicah Sairo, Ms. Trushna Patel and Ms. Catherine Ngengi Muigai who are experienced law, communication and film producers (with accounting background) respectively.

The committee has a charter setting out its responsibilities. Some of the duties include oversight over financial statements and financial reporting; compliance generally and internal control and risk management. The role of the committee is advisory. The committee meets at least once quarterly. The Executive Director is not a member of this committee as per common practice.

The Finance Committee

There were five members of this committee during the 2015/2016 Financial Year. The Committee was chaired by Mr. Kennedy Kachwanya. He is a qualified accountant and a financial analyst. He is also an experienced promotions manager for web sites, focusing on buying and selling online, Web development, Digital marketing and Social media.

The other members of the committee are Mr David Waweru, Prof. Rhodah Birech, Mr. Joseph Kipkoech and Dr Isaac Rutenberg. The Executive Director is a member of this committee.

The committee oversees the budgeting, reviews progressive reports on the expenditure of the Board from time to time and makes recommendation to the Board on issues relating to procurement. The committee also ensures overall sound financial reporting before approval of the entire Board.

Frequency of meetings

Both Committees meet at least four times in a year. However the number of meetings may exceed this as may be required by the business of the Board. Both committees maintain records of their deliberations diligently as required by law.

The Board of directors of Kenya Copyright Board has therefore met its legal and regulatory requirements as far as fiduciary oversight arrangements are concerned.



Board Headquarters

P.O. Box 34670-00100
NHIF Building
Ragati Road/ Ngong Road
Nairobi, KENYA

(a) Board Contacts

Telephone: (254) 20 2533869/59
E-mail: pc@copyright.go.ke
Website: www.copyright.go.ke

(b) Board Bankers

Kenya Commercial Bank
Kenyatta Avenue
A/C No.1104002450
Kipande House

(c) Independent Auditors

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

(d) Principal Legal Adviser

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



KENYA COPYRIGHT BOARD

II. THE BOARD OF DIRECTORS



Mrs. Millicent Jennifer Ogutu
CHAIRMAN

PROFESSION: LEGAL
KEY PROFESSIONAL AND ACADEMIC
QUALIFICATIONS

Diploma in Law-Kenya School of Law,
Bachelor of Legal Laws-Moi University

KEY QUALIFICATION

- Member of the Law Society of Kenya
- Advocate of the High Court of Kenya.
- Diploma in Law (Kenya School Of Law)
- Founding Secretary, Kenya Actors Guild
- Governing Council Member, Kenya Cultural Centre

WORK EXPERIENCE

May 2015 – To date-Kishagha&Ogutu
Advocates MANAGING PARTNER

August 2014 - May 2015 KN Associates
LLP ASSOCIATE

December 2012 to July 2014-S.
MusaliaMwenesi Advocates Nairobi
ASSOCIATE

May 2010 to July 2012 Phoenix Players Ltd
Nairobi, Kenya Managing Director

July 2008 to April 2010 Phoenix Players Ltd
Nairobi, Kenya Administrator

January 2007 to July 2008 Royal Media
Services Nairobi, Kenya Account Manager -
Sales

October 2005 to Nov 2006
Rachier&AmolloAdv Nairobi, Kenya Legal
Assistant



KENYA COPYRIGHT BOARD



David Waweru,

Director representing publishers, authors and writers associations.

PROFESSION:

Publisher & CEO, Word Alive Publishers Limited

Managing Director, Word Alive Publishers Uganda Limited (2009 – 2011)

Founder, Word Alive Publishers UK Limited

ACADEMIC QUALIFICATIONS:

MBA (Business), Distinction
Curtin Graduate School of Business, Curtin University, Perth, Australia

DATE OF BIRTH: 10 February 1965

PROFESSIONAL QUALIFICATIONS:

2014 Corporate Governance –

Institute of Directors (Kenya)

2014 SME Gold Academy on Business Excellence – Enablis East Africa

WORK EXPERIENCE

2001 – Current: Publisher & CEO,
Word Alive Publishers Limited
Managing Director, Word Alive Publishers Uganda Limited

(2009 – 2011): Founder, Word Alive Publishers UK Limited

1999 – 2005: Founder & Managing Director, Impact Media Limited

1995 – 1999: Publishing Manager, International Bible Society – Africa

1991 – 1995: Science Editor, University of Nairobi Press



KENYA COPYRIGHT BOARD



Mr. Gwaro Ogaro,

Director representing PS, Ministry of
information and communications.

PROFESSION:

Acting Director of Information

**PROFESSIONAL AND ACADEMIC
QUALIFICATIONS:**

Master of Arts in Communication Studies.

KEY QUALIFICATIONS:

POSTGRADUATE:

University of Nairobi (2008): Master of
Arts in Communication Studies.

UNDERGRADUATE:

University of Nairobi (1988): B.A.
Honours Degree in Sociology and
Linguistics

DIPLOMA

Diploma in Journalist from the Indian
Institute of Mass Communication, 1997

WORK EXPERIENCE:

- Information officer for Kenya News Agency and Rural Press in various districts in the country
- Editor of Regional Publications and National Editorial Desk in the Ministry of Information and Communications
- Head of Communications in the Ministry of East African Community and National Police Service (NPS)



KENYA COPYRIGHT BOARD



Mr. Kennedy Kachwanya

Director representing publishers, authors and writers associations.

PROFESSION: Accountant

ACADEMIC QUALIFICATIONS:

Bachelor of Commerce Degree (Finance Option) at University of Nairobi, 2006.

Diploma in Computer Science and Technology from Starehe Technical Training Institute from January 2001 to December 2002

**PROFESSIONAL
QUALIFICATIONS:**

- Qualified Accountant
- Financial Analyst

WORK EXPERIENCE.

Current Chairman and Founder of Bloggers Association of Kenya (BAKE) and CEO of BAKE Kenya Limited

Market research and Lead Blogger for Kachwnay.com from December 2009 to date

1. Web Manager & Social Media Strategist
Finweb Solutions Limited from
September 2008 to 2013
 2. Operation manager for Maduqa.com
-



KENYA COPYRIGHT BOARD



Isaac Michael Rutenberg, PHD, JD

Director representing software associations

PROFESSION : Patent Attorney/Researcher

ACADEMIC QUALIFICATIONS

Ph.D., Chemistry, California Institute of

Technology (California, 2005), J.D., Santa Clara

University School of Law (California, 2011)

B.S., Chemistry, Colorado School of Mines

(Colorado, 2000)

B.S., Mathematics/Computer Science, Colorado

School of Mines (Colorado, 2000)

REGISTRATIONS

Admitted to practice before the US Patent and
Trademark Office

Admitted to practice with the California State Bar

Admitted to practice before the Kenya Industrial
Property Institute

DATE OF BIRTH: December 13th 1977

KEY QUALIFICATIONS

Patent Attorney, Understanding of intellectual
property laws and regulations for various
countries and regions

Knowledge of issues relevant to for-profit, not-
for-profit, and government bodies, covering
patents, trademarks, copyrights, trade secrets,
and other forms of intellectual property

Agent/Representative for over 50 issued US and
foreign patents.

WORK EXPERIENCE

- **Lecturer,**
Strathmore Law School, Strathmore
University, Nairobi Kenya (2012-present)
- **Director,** Center for Intellectual Property and
Information Technology Law (CIPIT) at
Strathmore Law School, Nairobi, Kenya
(2012-present)
- **Consultant,** Kamau-Rutenberg Consulting,
Nairobi, Kenya (2012-present)
- **Patent Attorney,** Science and Technology
Law Group, Sunnyvale, CA (2012-present)
- **Patent Attorney,** Bozicevic, Field, & Francis
LLP, San Francisco, CA (2009-2012)
- **Patent Attorney:** Client-Centered IP
services, patent prosecution, and legal
opinions
- **Patent Agent,** Reed Intellectual Property
Law Group, Palo Alto, CA (2005-2006)



KENYA COPYRIGHT BOARD



MONICAH NKINA SAIRO

Director representing PS, Ministry of National Heritage and Culture.

Public Communication Officer and Assistant Coordinator Cabinet Secretary's Office

KEY PROFESSION:

Communications/Journalism

ACADEMIC QUALIFICATIONS:

UNIVERSITY:

Masters of Art in Development studies.

PROFESSIONAL QUALIFICATIONS

WORK EXPERIENCE

May 2013 to date: - Ministry of Sports Culture and the Art

Jan, 2011 to 2013: National Museums of Kenya, Po Box 40658-0100

Assistant Admin and Personal Assistant to Director of Museums Sites And Monuments

Senior Customer Care Assistant

Teacher



KENYA COPYRIGHT BOARD



**Mr. David Muriithi,
Director-Copyright Expert**

**Managing Trustee/Managing Director
Creative Enterprise Centre**

KEY PROFESSION: Auditor

ACADEMIC QUALIFICATIONS:

Bachelor of Arts in Economics (Honors Degree –
Accounting & Finance Option), **University
of Manchester**, England

WORK EXPERIENCE

Radio Presenter

Managing Trustee

2003 – Present Music Sans Frontieres
(www.muzikiafrica.org)

2003 – Present

Amalgamated Properties Ltd. (Real Estate
Development)

Managing Director

Finance Director

Amalgamated Properties Ltd. (Real Estate
Development)

1999 – 2003

Managing Director

Audio Vault Ltd (Record Label/Event &
Talent Management Agency) 1997 – 1999

Proprietor

Sunset Promotions, Kenya (Event and
Talent Management)

1995 – 1997

Senior Auditor

Ernst & Young Certified Public
Accountants, Nairobi 1991 – 1995

Auditor

Ernst & Young Certified Public
Accountants, London 1988 – 1991

Proprietor

F / X Promotions, Manchester, England
(Event and Talent Management)



KENYA COPYRIGHT BOARD



Mrs. Catherine Ngengi Muigai
Director-Copyright Expert

Founder and Director
KAZA MOYO FILMS

KEY PROFESSION: Accountant/Film Maker

ACADEMIC QUALIFICATIONS;
Bachelor of Science in Accounting and Finance
(Indiana University)

SUMMARY:

Founder and Director of **KazaMoyo Films**

KEY QUALIFICATIONS:

Film and Video Production

WORK EXPERIENCE:

Founder Director
KazaMoyo Films
Githongo and Company

UNDP



KENYA COPYRIGHT BOARD



Rhoda Jerop Birech (Ph.D)

Director representing public Universities

Senior Lecturer

Egerton University

KEY PROFESSION: Lecturer

**ACADEMIC AND PROFESSIONAL
QUALIFICATIONS:**

Ph.D.),(BOKU) Vienna, Austria. MPhil
(MoiUniversity), Bsc.

(Egerton), Diploma (Egerton).**1997-2000:**

KEY QUALIFICATIONS:

Ph.D. (*Doctor
rerumnaturaliumtechnicarum*),University of
Natural Resources and Applied Life
Sciences (BOKU) Vienna, Austria

WORK EXPERIENCE:

Post-doctorate student at the (BOKU)
Vienna, Austria.

Liaison Officer

University-Industry December 2012 to date

Visiting Professor

BOKU University from May to June 2011

Senior-Lecturer

Egerton University since August 2010-to-
date



KENYA COPYRIGHT BOARD



Mr. Desmond Katana Harrison

Director representing musicians union

**Secretary General
Musicians Union**

KEY PROFESSION: Sound

Engineer/Musicians

PROFESSIONAL AND ACADEMIC

QUALIFICATIONS:

**Certificate in corporate governance , Certificate
in French, Certificate in audio sound
engineering from Gateway School of Music –
London**

WORK EXPERIENCE:

Ambassador of Peace for the National Cohesion and Integration Commission. May 2011

Presenter

BBC Fast Track travel programme for the British Broadcasting

Corporation TV from Mombasa. 2010

Member

Permanent Presidential Music Commission's team 2009

Committee member and adjudicator,

"NajivuniakuwaMkenya" campaign by the office of the Government spokesshs.man, Dr. Alfred Mutua. 2008

Committee member of the Kenya Audio Visual Archives team 2008

Committee member – "National Music Policy" 2007

Committee member and co - composer of the Vision 2030 theme song for the Ministry of Finance.

Chairman of the committee of the on ongoing music project; Spotlight on Kenyan Music 2006

Co-founder the Kenya Musicians Union and currently the General Secretary. Managing Director.

2005: Founded the company Showbiz Info Ltd
CEO

Pambazuko NGO; 2000 to date

Sound Engineer/ instrumentalist/ music producer at the Mushrooms Sound Lab. 1990 2004



KENYA COPYRIGHT BOARD



Ms. Belinda Mumbua Kiilu

Director representing the attorney general.

Senior State Counsel.

KEY PROFESSION: Lawyer /Advocate

ACADEMIC QUALIFICATIONS:

Postgraduate Diploma in Law-Kenya School of Law, B.sc Kenyatta University (Hons) LL.B (UON)

KEY QUALIFICATION:

Postgraduate Diploma in Law-Kenya School of Law, Advocate of the High Court of Kenya

WORK EXPERIENCE:

Senior State Counsel

Treaties and Agreement Department & Personal Legal Assistant to the Hon. Attorney General Office of The Attorney General And Department Of Justice May 2014 to date

State Counsel 1 & Personal Legal

Assistant to the Hon. Attorney General
January 2012- May 2014

State counsel II

State Law Office Treaties And Agreement department



KENYA COPYRIGHT BOARD



Mr. Joseph Kipruto Kipkoech

Director representing PS, National Treasury.

Assistant Director, Public Communications
The National Treasury

KEY PROFESSION: Public
Relations/Communication

**PROFESSIONAL AND ACADEMIC
QUALIFICATIONS:**

MA Degree in International Studies, UON,
University of Nairobi

Postgraduate Diploma in Mass Communication,
Postgraduate Diploma in International
Relations, Postgraduate Certificate in Mass
Communication BA (Hon)

KEY QUALIFICATIONS:

Strategic Leadership and Development

WORK EXPERIENCE:

Assistant Director, Public
Communications, Deputy Director, Public
Communication
The National Treasury 2013 to date

Former Head, Kenya News Agency,



KENYA COPYRIGHT BOARD

MR. PHILIP NDOLO

Director representing Inspector General, The
National Police Service.

KEY PROFESSION: Police Officer

ACADEMIC QUALIFICATIONS:

Diploma in National Security Studies at Galilee
International Management Institute

KEY QUALIFICATIONS: Diploma in
National Security Studies

WORK EXPERIENCE:

2012 to Date: Deputy Director
Operations
2009 to 2012: Deputy Provincial Police –
Rift Valley Province
2008 to 2009: Commandant Kenya Police
staff Training College Loresho
2004 – 2007: Deputy commanding
Officer, GSU Training School
2003 – 2004: Chief Instructor GSU
Training School
2002: Officer Commanding Senior
Training wing GSU Training School



KENYA COPYRIGHT BOARD



Ms. Sylvia Gichia
DIRECTOR-Copyright Expert

Managing Director
KUONA TRUST

KEY PROFESSION: Photography

ACADEMIC QUALIFICATIONS:

Washington DC

Degree in Professional photography, MBA
Marketing, Bachelor of International Business,
Marketing

KEY QUALIFICATION

Degree in Professional Photography

WORK EXPERIENCE:

Director

Kuona Trust, Centre for Visual Arts,
Nairobi, Kenya Feb. 2012- Present

**Chief Information Officer – Bureau
Chief**

VisualEyes Productions, Nairobi,
Kenya

Professional photographer - Jan. 07 –Present
Sylvia Photos Inc.- Washington DC,
USA

Managing Director- Freelance

Photographer- Jan 05 – Dec 07

Travel Coordinator - Washington DC,
USA

American Red Cross Society DC - June 04-
Dec 07

American Express Atlanta, GA. USA

Marketing and Customer care- Gold Card –



KENYA COPYRIGHT BOARD



Mrs. Trushna Budddhev Patel

Director representing producers and distributors of audio visual works.

KEY PROFESSION :

Crimson Multimedia Ltd – Managing Director

ACADEMIC QUALIFICATIONS

Association of Business Executives (A.B.E.)

KEY QUALIFICATIONS:

March 1999 : Marketing Society of Kenya, Nairobi, Kenya

Media Training Seminar

December 1996 : The University of Manchester, U.K.

Bachelor of Business

Administration (B.B.A.)

1994 – 1996 : Oshwal College, Nairobi, Kenya

Association of Business

Executives (A.B.E.)

Advanced Diploma:

1990 – 1993 : Visa Oshwal Girls' Secondary School, Nairobi, Kenya

1983 – 1989 : Kongoni Primary School, Nairobi, Kenya

WORK EXPERIENCE

May 2011 – to date Crimson Multimedia Ltd – Managing Director
Suite 25, East Wing, 4th Floor, TheGreen House, Ngong Road

May 2005 – April 2011 Pan African Film Distributors (East & West Africa) Ltd
NuMetro Film Distribution (Africa) Ltd/Nu Metro (Kenya) Ltd

February 1998 – April Fox Group of Companies

March 1997 – Southern Credit Banking Corporation Limited (S.C.B.C.L.)

November 1995 – First National Finance Bank Ltd (Guardian Bank Ltd)



III.MANAGEMENT TEAM

 1. Edward Sigei LLM, LLB Key Profession: ADVOCATE	Executive Director Overall Administration of Kenya Copyright Board and Secretary to the Board of Directors
 2. Felister Njeru MBA, Bcom, CPA (K)	Head of Finance Finance and accounts management
 3. Rosemary Waithaka MBA, B Ed (Science) CIPR (UK)	Head of Public Communications Public awareness and publicity
 4. Ketty Arucy Bachelor of Arts	Head of HRM & Administration: Human Resource matters, policies, surveys training and other administrative issues



KENYA COPYRIGHT BOARD



5. Zachary Duko

Msc in Procurement and logistics

Head of Supply Chain Management:

Management of office supplies and stock taking



6. George Njoroge

Bachelor of Science (Computer Science & Engineering)

Head of ICT

ICT issues including websites and intranet



III. CHAIRMAN'S STATEMENT

The Kenya Copyright Board has in the last one year made considerable progress despite the limited resources. The Board of Directors has endeavoured to come up with the relevant policies for the management to effectively implement the mandate of the Board with the limited resources.

The Board of Directors in line with the principles of corporate governance has ensured that KECOBO has sound policy documents and efficient administrative structures for the effective execution of its mandate. Having a diverse and professional skills within the Board, KECOBO has reviewed its performance as per the 2009/2012 Strategic Plan and come up with the 2014/2018 Strategic Plan in line with the MTP II, towards actualisation of vision 2030. The Board has also revised and adopted the Human Resources Policy Manual, The Career Progression and Job description manual.

In terms of performance, KECOBO has positioned itself a world-class agency in the administration of copyright and related rights. The enforcement of copyright and related rights has seen a remarkable growth in the creative sector especially in relation to film, music and software. This has had a significant contribution to the employment of youth and the growth of the economy as a whole.

Limited resources, especially funding and human resources has adversely affected the performance of the Kenya Copyright Board in the last one year. This has been exacerbated by the looming merger with the resultant government circulars that limit the activities of the Board. With more resources allocated to the Board, KECOBO will provide for the generation of the much needed intellectual capital to spur economic growth and development in Kenya.



KENYA COPYRIGHT BOARD

IV. REPORT OF THE EXECUTIVE DIRECTOR

Background

The Kenya Copyright Board (KECOBO) is a government agency that deals with the knowledge economy. Its mandate, under the Section 5 of the Copyright Act Cap 130 of the Laws of Kenya is to administer and enforce copyright and related rights in Kenya. KECOBO's mission is to promote the growth of the creative industries through administration and enforcement of copyright for socio economic development. The role of KECOBO is crucial if Kenya is to transition to transition to a developed country.

The copyright industries must be geared so as to contribute significantly to the GDP through the creation of intellectual capital, creation of employment especially among the youth and revitalisation of other sectors within the economy. Currently, copyright-based industries contribute close to 5.3 % to the GDP in Kenya and has a the potential to contribute a higher percentage..

The effective execution of this mandate is very crucial to economic growth and development through the facilitation of the creation of intellectual capital from the creative industries. KECOBO has been able to execute its mandate to a large extent owing to the dedication and expertise from the management and all members of staff.

Achievements

Compared with the previous financial year, the allocated budget was increased to Ksh 102.520 million. This has had a positive impact on the execution of the Board mandate. The Management of KECOBO tried to prioritise the work within the funds allocated. KECOBO also leveraged on collaborative partnerships to achieve some of their targets such as training, awareness creation and enforcement of copyright and related rights. KECOBO has also raised its revenue from Ksh 2 779 338 last year to Ksh 7,495,068 current year. This was significantly higher than the previous year due to increase in Collective Management Society licensing fees.

Even with the limited budget and human resource constraints, KECOBO was able to train at least 679 police officers and members of the public through collaborative efforts with the National Police Service and other stakeholders. During the year KECOBO managed to prosecute 85 cases.

Due to resource constraints, KECOBO had to capitalise on in house training in certain areas to improve its internal capacity. KECOBO was also able to liaise with collaborative partners such as the World Intellectual Property Organisation to offer professional training to the legal and enforcement staff.



KENYA COPYRIGHT BOARD

Registration of Copyright and related rights online was piloted through collaboration with 4Afrika, a Microsoft East Africa Initiative. The pilot online portal allowed the users to register their works remotely and this has enhanced service delivery.

The management team, through the professional guidance by the Board of Directors has been able to make significant progress in Kenya and this not only has an impact on the country as a whole but also on the region. KECOBO has actualised its vision to become a world-class agency in the administration and enforcement of copyright and management of traditional knowledge and is used as a model by the World Intellectual Property Organisation. KECOBO has had the opportunity to host delegations from other countries that came for a benchmarking tour. The management structure is lean but highly effective.

Challenges

The Legal and enforcement department was limited in their work due to the resignation of two state counsels. The government circular that prohibited the hiring of staff by entities that had been earmarked for merger exacerbated the situation. KECOBO was only granted authority to recruit during the third quarter and the Legal Counsel only joined the office in the fourth quarter. KECOBO has not been able to keep up with the work load especially in the prosecution of cases leading to reduced court cases and have also been forced to scale down on the enforcement actions such as raids.

The limited number of vehicles has also affected the enforcement and public awareness activities. The scheduled promotions were also put on hold adversely affecting the morale of the members of staff. KECOBO currently has 40 members of staff against the optimal number of 64.

The low budget allocation also limits the number of activities that can be carried out to effectively. This has also limited the number of motor vehicles to 3, and no option to hire as there are no funds available. The proposed merger has also affected the overall activities due to the various government circulars that have put several things on hold until the merger goes through. It also created a level of uncertainty and affects service delivery.

Furniture has also been an issue as KECOBO despite having funds to replace obsolete or damaged furniture during the financial year they needed to seek approval from Treasury because of the circular on freezing of asset purchase.

Conclusion

The year has been a mixed bag of challenges and opportunities. KECOBO has taken advantage of the opportunities to ensure that it plays its part driving Kenya to a middle-income economy by 2030. With increased support from the government and the dedicated Board of Directors,



KENYA COPYRIGHT BOARD

Management and other staff members, KECOBO will facilitate the growth and development of the creative industries in Kenya.

V. CORPORATE GOVERNANCE STATEMENT

Corporate Government defined as the systems by which organisations are directed and controlled, this remains to be a Board priority, as directors are increasingly required to demonstrate and report to the public through quarterly reports submitted to the Solicitor General and copy to the Principal Secretary of the National Treasury.

The Board of Directors is responsible for the governance of the Board and is committed to ensuring that its business and operations are conducted with integrity and in accordance with the law, generally accepted principles and best practises of corporate governance and business ethics.

BOARD OF DIRECTORS

The Board fulfils its fiduciary obligation to the public by maintaining control over the strategic, financial, operational and compliance issues of the Board. Whilst the Board provides direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Executive Director to conduct the day-to-day business of the Board.

The Board meets at least once every quarter and has a formal schedule of matters deserved for it. The directors are given appropriate and timely information to enable them maintains full and effective control over strategic, financial, operational and compliance issues.

At the end of each financial year the Board reviews itself, Board committees and the Executive Director against targets agreed to at the beginning of the year.

BOARD COMMITTEES

The Board has created the following principal committees which meet regularly under well defined and materially delegated terms of reference set by the Board. The delegation of various authorities to the committees does not in any way constitute an abdication of the Board responsibility for the affairs of the Board.

a) Human Resource Committee

The committee meets at least once in every quarterly to review human resource policies and make suitable recommendations to the Board on senior management appointments.



This committee also oversees the nomination functions and senior management performance reviews.

The members of this committee for the year under review were:-

1. Ms. Catherine Ngengi
2. Mr. Desmond Katana Harrison, HSC
3. Mr. Gwaro Ogaro
4. Mr. David Waweru
5. Mr. Philip Ndolo

b) Board Audit Committee

The membership of the Board Audit Committee comprises of five non-executive directors. The Board Audit Committee meets at least once every quarter and is mandated to raise the standards of corporate governance by continuously improving the quality of financial reporting, strengthening the control environment and the effectiveness of the internal auditing functions. The Board Audit Committee also monitors management compliance with relevant local legislation, regulations and guidelines issued by regulatory bodies, as the Board's laid-down policies and procedures.

Members to Board Audit Committee are;-

1. Mr. David Muriithi
2. Ms. Monicah Sairo
3. Ms. Catherine Ngengi
4. Ms. Belinda Kiilu
5. Ms. Trushna Patel

c) Board Finance Committee

The membership of the Board Finance Committee comprises of five non-executive directors. The Committee meets at least once every quarter and is mandated to approve budget, ensure compliance with set budget levels and utilization of allocated funds on programmed activities.

The Board Finance Committee also reviews progressive reports on expenditures of the Board from time to time and makes recommendation to the Board on issues relating to procurement.

Members to this committee are:-

1. Mr. Kennedy Kachwanya
2. Mr. Joseph Kipkoech



3. Prof... Rhoda Birech
4. Dr. Isaac Michael Rutenberg
5. Mr .David Waweru

d) Board Legal and Technical Affairs Committee

The membership of the Board Legal and Technical Affairs Committee comprises of five non-executive directors. Board Legal and Technical Affairs Committee meets at least once every quarter and is mandated to review Copyright Act when need arises. It is also mandated with the responsibility of ensuring that Collective Management Organisations adhere to the law and recommends on the renewal of their licences.

Members to Legal and Technical Committee are:-

1. Dr. Isaac Michael Rutenberg
2. Ms. Belinda Kiilu
3. Prof...Rhoda Birech
4. Mr. Desmond Katana Harrison, HSC
5. Ms. Sylvia Gichia

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As part of KECOBO's Corporate Social Responsibility, the staff donated assorted food stuffs and visited the Total Rehabilitation Centre for Disabled children located at Kasarani/Mwiki road on 27th June 2016. The centre supports children living with disabilities.. The aim of the visit was to provide support and encourage them as they still form part of the society.

The Board also participated in the Zambezi Cancer Walk held on 27th February 2016. The theme of the walk was '*Relentless in Fighting Cancer*' '*We Can, I Can*'. The aim of the walk was to create awareness on the importance of routine screening for the public in the counties. 18 members of staff participated in the walk.

In December 2015, KECOBO management identified the last week of Christmas break as a thanksgiving week and contributed cash to visit cancer patients in children's ward at Kenyatta National Hospital. .



VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2016. 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 Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

Approval of the financial statements

The Board's financial statements were approved by the Board on 26th September 2016 and signed on its behalf by:

Director's Name

DESMOND KAIANA HARRISON

Director's Signature

A handwritten signature in black ink, appearing to read 'Desmond', written over a horizontal line.

Director's Name

SYWIA NJENGA

Director's Signature

A handwritten signature in black ink, appearing to read 'Sywia', written over a horizontal line.

Director's Name

Thermsdy Kikawanya

Director's Signature

A handwritten signature in black ink, appearing to read 'Thermsdy', written over a horizontal line.

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA COPYRIGHT BOARD FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Copyright Board set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

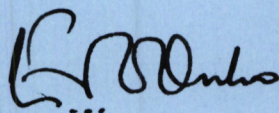
Report of the Auditor-General on the Financial Statements of Kenya Copyright Board for the year ended 30 June 2016

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Copyright Board 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 Kenya Copyrights Board Act, 2001.



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

Nairobi

13 February 2017



KENYA COPYRIGHT BOARD

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015-2016 Kshs.	2014-2015 Kshs.
Revenue from non-exchange transactions			
Transfer from Government		102,520,000	79,520,000
		102,520,000	79,520,000
Revenue exchange transactions			
Other incomes	3	7,528,698	2,779,388
		7,528,698	2,779,388
Total revenue		110,048,698	82,299,388
Expenses			
Employee costs	4	61,943,071	62,569,875
Directors' Remuneration	5	6,667,360	4,860,994
Depreciation and amortization expense	6	6,026,880	6,610,791
Repairs and maintenance	7	988,280	1,076,404
Contracted services	8	447,064	92,800
General expenses	9	20,650,433	23,145,123
Total expenses		96,723,088	98,355,987
Surplus /Deficit for the period		13,325,610	(16,056,599)

The notes set out on pages 11 to 18 form an integral part of the Financial Statements



KENYA COPYRIGHT BOARD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2015-2016 Kshs.	2014-2015 Kshs.
Assets			
Current assets			
Cash and cash equivalents	10	23,657,026	5,872,612
Receivables from non-exchange transactions	11	3,251,841	4,183,919
Inventories	12	<u>9,563,051</u>	<u>9,656,762</u>
		<u>36,471,918</u>	<u>19,713,293</u>
Non-current assets			
Property, plant and equipment	13	6,520,045	9,939,396
Intangible assets	14	<u>3,410,399</u>	<u>442,812</u>
		<u>9,930,444</u>	<u>10,382,208</u>
Total assets		<u>46,402,362</u>	<u>30,095,501</u>
Liabilities			
Current liabilities			
Trade Payables	15	6,032,060	3,114,809
Non-current liabilities			
Long term liabilities		=	=
Total liabilities		<u>6,032,060</u>	<u>3,114,809</u>
Net assets			
Reserves		3,437,014	3,437,014
Accumulated surplus		<u>36,933,288</u>	<u>23,543,678</u>
Total reserves		<u>40,370,302</u>	<u>26,980,692</u>
Total net assets and liabilities		<u>46,402,362</u>	<u>30,095,501</u>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

Chairman of the Board

Date..... 2/2/2017

Executive Director

Date..... 2/2/2017



KENYA COPYRIGHT BOARD

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2016

	Capital reserve Kshs.	Accumulated surplus Kshs.	Total Kshs.
Balance as at 30 June 2014	3,437,014	39,600,277	43,037,291
Surplus for the period	-	(16,056,599)	(16,056,599)
Balance as at 30 June 2015	3,437,014	23,543,678	26,980,692
Surplus for the period	-	13,325,610	13,325,610
Prior year adjustment	-	64,000	64,000
Balance as at 30 June 2016	3,437,014	36,933,288	40,370,302



KENYA COPYRIGHT BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015-2016 Kshs.	2014-2015 Kshs.
Surplus for the year		13,325,611	(16,056,599)
Adjusted for:			
Prior year adjustment		64,000	
Depreciation and amortization	6	<u>6,026,879</u>	<u>6,610,791</u>
		<u>19,416,490</u>	<u>(9,445,808)</u>
Changes in working capital			
Increase / Decrease in Debtors	11	932,078	118,027
Increase / Decrease in Creditors	15	2,917,251	(2,317,890)
Increase / Decrease in Inventory	12	<u>93,711</u>	<u>121,936</u>
Net Cash flow from working capital		<u>3,943,040</u>	<u>(2,077,927)</u>
Net Cash flow from Operating Activities		<u>23,359,530</u>	<u>(11,523,735)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(703,116)	(349,729)
Acquisition of intangible assets	14	<u>(4,872,000)</u>	=
Net cash flows used in investing activities		<u>(5,575,116)</u>	<u>(349,729)</u>
Cash flows from financing activities			
		=	=
		<u>17,784,414</u>	<u>(11,873,464)</u>
Cash and cash equivalents as 1 st July	26	5,872,612	17,746,076
Increase in cash and cash equivalents		<u>17,784,414</u>	<u>(11,873,464)</u>
Cash and cash equivalents at 30 June	26	<u>23,657,026</u>	<u>5,872,612</u>



KENYA COPYRIGHT BOARD

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2015-2016 Kshs.	Adjustments 2015-2016 Kshs.	Final budget 2015-2016 Kshs.	Actual 2015-2016 Kshs.	Performance difference 2015-2016 Kshs.
Revenue					
Revenue Reserve	5,872,610	-	5,872,610	5,872,610	-
Government grants and subsidies	99,520,000	3,000,000	102,520,000	102,520,000	-
Rendering of services	9,035,000	-	7,700,000	7,528,698	-166,302
Total income	114,766,000	-	116,092,610	115,921,308	-166,302
Capital Expenditure					
Office Furniture & General Equipment	5,000,000	2,000,000	7,000,000	703,116	6,296,884
Motor Vehicles	6,200,000	2,100,000	8,300,000	-	8,300,000
Total Capital Expenditure	11,200,000	4,100,000	15,300,000	703,116	114,596,884
Expenses					
Compensation of employees	66,667,610	(5,839,230)	60,828,380	57,524,707	3,303,673
Communication Supplies & Services	936,000	-	936,000	620,936	315,064
Domestic Travel Subsistence & Transport Cost	3,800,000	(200,000)	3,600,000	2,921,455	678,545
Foreign Travel Subsistence & Transport Cost	1,800,000	-	1,800,000	1,548,153	251,847
Publicity & Information Supplies	3,030,000	426,780	3,456,780	2,909,954	546,826
Rent paid	14,210,000	390,000	14,600,000	14,376,084	223,916
Training Expenses	1,000,000	550,000	1,550,000	689,500	860,500
Office Catering Services	900,000	100,000	1,000,000	944,389	55,611
Board of Directors' Expense	6,144,000	687,450	6,831,450	6,602,878	228,572
Specialized Materials & Services	30,000	20,000	50,000	-	50,000
Office & General Supplies	1,000,000	700,000	1,700,000	1,416,880	283,120
Motor Vehicle Expenses	1,500,000	100,000	1,600,000	848,963	751,037
Office Operating Expenses	500,000	30,000	530,000	210,060	319,940



KENYA COPYRIGHT BOARD

Professional Services	500,000	500,000	1,000,000	737,064	262,936
Repair & Maintenance	910,000	100,000	1,010,000	988,289	21,711
Anti piracy Device Expenses	300,000	-	300,000	93,711	206,289
Total Expenses	103,227,610	-	100,792,610	92,433,023	8,359,587
Surplus	11,538,390		15,300,000	23,488,285	

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Board'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 entity and all values are rounded to the nearest whole number. 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 indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfer from Government Grant

The Board received an amount of Ksh. 102,520,000 from the government through the parent ministry. Government grants are measured at fair value and recognized on obtaining control of the grant if the transfer is free from condition and its probable that the economic benefit will flow to the Board and can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

In fulfilling its mandate, the Board renders services at a fee which forms part of revenue that is included in financial statements. Revenue is recognized by reference to the stage of completion and the outcome of the transaction can be estimated reliably.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 entity.

b) Inventories

Inventory is measured at the lower of cost and net realizable value. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Board.

c) Property, plant and equipment

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

d) Intangible assets

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.

e) Amortization of Intangible assets

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization. Amortization is calculated on a straight-line basis at annual rates estimated to write off the carrying value of the asset at **33.3%** over their useful life.



KENYA COPYRIGHT BOARD

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

f) Related parties

The Board 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 Board, or vice versa. Members of key management are regarded as related parties and comprise the directors, the executive director, and senior managers.

g) Provisions

Provisions are recognized when the Board 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.

h) Taxation

The board is fully funded by government grant and does not engage in any commercial activities and thus does not fall in the category of paying tax to its financier (government).

i) Employee benefits

Retirement benefit plans

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

The Board contributes to a statutory defined contribution scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Shs 200 per employee per month.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

k) Financial instruments

Financial assets and financial liabilities are recognized on the Board's statement of financial position when the Board has become party to the contractual provisions of the instrument. Specific Accountings adopted by the Board for its financial instruments outstanding at year end are set out as follows:

Trade receivables

Trade receivables are carried at anticipated realised value.

Trade payables

Trade payables are not interest bearing and are stated at their fair value.

k) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all risks and rewards of ownership to the leases. All other leases are classified as operating lease. Rentals payable under operating leases are expensed on a straight line basis over the term of the relevant lease.

l) Depreciation

Property, Plant, Equipment & Furniture are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at annual rates estimated to write off the carrying values of the assets over their useful lives as follows:

Motor vehicles	25%
Office equipment	12.5%
Computer equipment	33.3%
Furniture	12.5%
NHIF Partitions	16.667%

m) Comparative figures

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



KENYA COPYRIGHT BOARD

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

n) Significant judgments and sources of estimation uncertainty

The preparation of the Board'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 Board based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur.

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:

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

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

q) Explanation for unspent amounts

Publicity vote- The activities of that department were affected by the abrupt departure of the Senior Communication Officer at the end of quarter three.

Training vote- The postponement of senior management course at Kenya school of Government for three officers costing Ksh. 355,300 meant for that course remained in our accounts. All other scheduled trainings were undertaken.

Purchase of Vehicles, Office furniture's & General Equipment vote-The approval to purchase Board vehicle and Furniture's was received late and therefore the Board was unable to purchase the assets within the short period.

Motor Vehicle expenses vote: The Board had budgeted for an extra motor vehicle during the year, but because of the late approval by treasury the Board incurred less in the motor vehicle expenses.

Employee's compensation vote: The savings on employee's compensation was due to vacancies that were not partly filled during the year; the Executive Director, Senior Public Communication Officer, Deputy Legal Counsel and Senior Legal Counsel



KENYA COPYRIGHT BOARD

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

3. Revenue

(a) Government Grants

2015-2016	2014-2015
Ksh.	Ksh.

Grants	102,520,000	79,520,000
--------	-------------	------------

2015-2016	2014-2015
Kshs.	Kshs.

(b) Other income

CMO license renewal	5,251,386	-
Copyright Registration	1,370,127	1,694,370
Sale of Stickers	350,320	476,700
Sale of Tenders	-	23,000
Refunds	98,368	465,318
Court Fines	50,000	-
Others	408,497	120,000
Total income	<u>7,528,698</u>	<u>2,779,388</u>

4. Employee costs

2015-2016	2014-2015
Shs.	Shs.

Basic Salaries	28,278,950	28,749,231
Pensions and Medical	10,220,369	10,462,210
Travel, accommodation and other allowances	4,469,608	4,780,225
Housing benefits and allowances	18,974,144	18,497,411
Overtime payments	-	80,798
Total employee costs	<u>61,943,071</u>	<u>62,569,875</u>

5. Directors Remuneration

2015-2016	2014-2015
Shs.	Shs.

Sitting allowances and other costs	5,710,360	3,816,994
Chairman honorarium	880,000	960,000
Chairman telephone allowance	77,000	84,000
Total Directors Remuneration	<u>6,667,360</u>	<u>4,860,994</u>



NOTES TO FINANCIAL STATEMENT CONTINUED

6. Depreciation and Amortization Expense	2015-2016	2014-2015
	Shs.	Shs.
Property, plant and equipment	5,584,067	6,167,978
Intangible assets	<u>442,813</u>	<u>442,813</u>
Total Depreciation and Amortization	<u>6,026,880</u>	<u>6,610,791</u>
7. Repairs and Maintenance	2015-2016	2014-2015
	Shs.	Shs.
Buildings	-	-
Equipment	379,737	4,700
Vehicles	608,543	953,176
Others	-	<u>118,528</u>
Total repairs and maintenance	<u>988,280</u>	<u>1,076,404</u>
8. Contracted services	2015-2016	2014-2015
	Shs.	Shs.
Asset valuation	-	-
Contracted professional services	<u>447,064</u>	<u>92,800</u>
Total contracted services	<u>447,064</u>	<u>92,800</u>



NOTES TO FINANCIAL STATEMENT CONTINUED

	2015-2016	2014-2015
9. General expenses		
	<u>Shs.</u>	<u>Shs.</u>
Advertising	1,181,548	1,909,935
Audit fees	290,000	290,000
Conferences and delegations	879,907	934,567
Consulting fees	-	90,000
Consumables	386,267	530,145
Fuel and oil	488,096	684,956
Insurance	427,887	504,414
Postage	23,195	82,465
Printing and stationery	2,562,700	1,432,828
Rental	12,980,552	12,083,987
Telecommunication	597,741	1,176,100
Training	689,500	1,968,756
Provision for Bad debts (Court Fines)	-	1,264,550
Other	143,040	192,420
Total General expenses	<u>20,650,433</u>	<u>23,145,123</u>



KENYA COPYRIGHT BOARD

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

14. Intangible Assets-Computer Software	2015-2016	2014-2015
Cost	Shs.	Shs.
At 1 July	1,328,438	-
Additions	-	<u>1,328,438</u>
	<u>1,328,438</u>	<u>1,328,438</u>
At 1 July	1,328,438	1,328,438
Additions	<u>3,410,400</u>	-
At 30 th June	<u>4,738,838</u>	<u>1,328,438</u>
Amortization		
Accumulated Amortization	885,626	442,813
Amortization	<u>442,813</u>	<u>442,813</u>
Total	<u>1,328,439</u>	<u>885,626</u>
Net Book Value as at 30th June 2016	<u>3,410,399</u>	<u>442,813</u>

Intangible assets amounting to Ksh.3, 410,400 relating to EDMS were not amortized because the work was 70% complete.

15. Current payables	2015-2016	2014-2015
Cost	Shs.	Shs.
Provision for Audit fees	290,000	290,000
Partitions(NHIF)	-	1,337,059
Gratuity	-	223,200
Provision for Bad debts(Court Fines)	-	1,264,550
Chairman's Honorarium	348,000	-
Supply of newspaper	19,800	-
Training on HIV	30,000	-
Provision of access control power and maintenance (Bylaw Solutions)	39,500	-
EDMS(WIP)	4,872,000	-
Ecopeak E.A Ltd	156,500	-
Hire of Auditorium	40,600	-



Supply of staplers	32,500	
Supply of English/Swahili service charter	42,500	-
Kenya Tonner and Ink solution	160,660	-
Total	<u>6,032,060</u>	<u>3,114,809</u>

	2015-2016	2014-2015
15. Non Current payables	Kshs.	Kshs.

The Board entered into an agreement with M/S COSEKE (K) Limited vide Tender no. KECOBO/ICT/02/2014-2015 for supply, installation, configuration, testing and commissioning of Electronic Documentation Management System (EDMS) at a cost of Kshs 4,872,000. The contract was signed on 30th June 2015 and 70% of the work, worth Ksh.3,410,400 was completed in 2015/2016 financial year but was not paid for as at 30th June 2016.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

16. Contingent Liabilities

The Board had no contingent liability during the year.

17. RELATED PARTY TRANSACTIONS

2015-2016

2014-2015

Shs.

Shs.

Remuneration of Directors

Allowances paid to Directors

6,667,360

4,860,994

Key management compensation

Salaries and other short term employment benefits

17,927,830

23,902,332

Outstanding balances with related parties

Staff receivables

51,000

63,000

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board activities expose it to a variety of financial risks, including credit risk, and liquidity risk. The Board's overall risk management programme focuses on the unpredictability of the economy and seeks to minimise potential adverse effects on its financial performance.

The Board regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the supervision of the Board of Directors.



KENYA COPYRIGHT BOARD

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Board provides policies for overall risk management, as well as policies covering specific areas such as liquidity risk and credit risk.

a) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Board.

Credit risk arises from bank balances, trade receivables and amounts due from related parties. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

Classification of credit risk bearing assets

The table below represents the Board's maximum exposure to credit risk as at 30th June 2016.

At 30 June 2016

	Fully performing	Past due	Impaired	Total
Bank balances	23,657,026	-	-	23,657,026
	=====	=====	=====	=====

Bank balance includes cash in hand and deposits held with banks. Bank balances are not restricted to any use by the client. The Board do not have trade receivables

b) Liquidity risk management

Liquidity risk is the risk that the Board will not be able to meet its financial obligations when they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the Board's reputation.

The Board ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the board of directors. All capital expenditures are funded by general reserves or grants from treasury.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

The table below provides a contractual maturity analysis of the Board's financial liabilities:

	1 - 6 months Shs	6 - 12 months Shs	1 – 5 years Shs	Total Shs
At 30 June 2016				
Financial liabilities				
Trade payables	<u>6,032,060</u>	=	-	<u>6,032,060</u>
At 30 June 2015				
Financial liabilities				
Trade payables	<u>223,200</u>	<u>2,891,609</u>	-	<u>3,114,809</u>

19. NATURE AND PURPOSE OF RESERVES

The Board's reserves are composed of capital reserve and accumulated surplus. The purpose of the reserve is to acquire new assets and to replace old ones.

20. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

In the last year of audit the Board had no pending recommendations from the Auditor General.


Chairman of the Board

Date: 9/2/2017


Executive Director

Date: 2/2/2017



KENYA COPYRIGHT BOARD