

REPUBLIC OF KENYA



*Paper laid  
by Leader of  
Majority Party  
Wednesday  
13/3/18  
AA*

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OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA FILM CLASSIFICATION BOARD**

**FOR THE YEAR ENDED  
30 JUNE 2017**



**KENYA FILM CLASSIFICATION BOARD**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2017**

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

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## **BUSINESS OVERVIEW**

### **About Kenya Film Classification Board**

Kenya Film Classification Board is a state corporation under the Ministry of Sports, Culture and the Arts established to regulate the creation, broadcast, distribution, exhibition and possession of film and broadcast content to conform to national values, culture and aspirations.

The principal mandate of the Board is derived from the Films and Stage Plays Act while the Kenya Information and Communications Act further empowers the Board to ensure that content that is of an adult nature is not broadcast during the watershed period (5am- 10pm).

The Board was established in September 1930 under Gazette Notice No. 500. Later, when Kenya attained independence in 1963, the Board was formally established through the enactment of the Films and Stage Plays Act, Cap 222 Laws of Kenya as the Kenya Film Censorship Board. In 2009, through Statute Laws (Miscellaneous Amendment Act), the Board became a state corporation and was renamed Kenya Film Classification Board. In 2013, the Board was categorized by the State Corporations Advisory Committee (SCAC) as a Regulatory Corporation.

### **Core Business**

The principal functions of the Board are to -

Regulate the creation, broadcasting, distribution, exhibition and possession of film and broadcast content by:

- a) Examining films, TV & Radio programmes, non-programme matter and posters for purposes of classification.
- b) Impose age restriction on viewership
- c) Giving consumer advise, having due regard to the protection of women and children against sexual exploitation or degradation.
- d) Register and license film agents, local and international filmmakers, distributors and exhibitors
- e) Prescribe and develop regulations and guidelines on film and broadcast content regulation in the country.
- f) Regulate and license stage plays and theatres as recommended by the Presidential Taskforce on Parastatal Reforms, 2013.
- g) Ensure that content which depicts, contain scenes or are of the language intended for adult audience are not aired during the watershed period i.e. 5am to 10pm
- h) Enforce the programming Code for the free-to-air radio and TV services by ensuring that all programme and non-programme matter, namely commercials, infomercials, documentaries, programme promotions, programme listings, community service announcements and station identifications are classified before they air.

**Vision**

World Class Film and Broadcast Content Regulator.

**Mission**

To safeguard the national values and norms through efficient and effective film and broadcast content regulatory services

**Core values**

Core values are our guiding principles and form the foundation of our culture. They include;

**Professionalism**- Our high level of excellence in delivering results to stakeholders.

**Accountability** – Our responsibility to stakeholders for action taken.

**Innovation** – Our commitment to initiative, creativity and continuous improvement aimed at adding value to our operations.

**Integrity**- Our firm adherence to ethics and fidelity to doing right.

**Team work**- our willingness to cooperate and work together to achieve the corporate objectives.

## REPORT OF THE DIRECTORS

### About this Report

This report is prepared and aligned with integrated reporting and includes principles of International Public Sector Accounting Standards and takes into account other guidelines published in this regard.

### Statement of Directors

The Board, assisted by the Finance & General purpose and Audit and Risk Assessment Committees is ultimately responsible for the integrity and completeness of the integrated report and any supplementary information.

The Board has applied its collective mind to the preparation and presentation of the Integrated Report and has concluded that it is presented in accordance with the International Public Sector Accounting Standards.

Members of the Board are responsible for the preparation of financial statements that give a true and fair view of state of affairs and outcome of the Board at the end of each financial year. They ensure that the Board keeps accounting records that disclose, with reasonable accuracy, the nature of its business activities and financial position. They are also responsible for safeguarding the assets of the Board.

The content is further guided by legal requirements such as; the State Corporations Act Cap 436, the Public Financial Management Act, 2015, Corporate Governance Guidelines as well as global best practices in integrated reporting.

### Reporting Boundary

This report reviews our performance for the year from 1 July 2015 to 30 June 2016, with two years' comparative information as well as short and medium-term targets. Material events up to the date of approval have been included.

### Assurance & Audit Approach

Our combined assurance model is at two key levels, namely review by management and supplemented by internal auditors and the Auditor General in order to optimize governance oversight, risk management and control. The Audit and Risk Assessment Committee and the Board rely on combined assurance in forming their view of the adequacy of the Board's risk management and internal controls.

### Principal activities

The principal activities of the Board are to regulate the creation, broadcasting, possession, distribution and exhibition of films by; Examining every film and every poster submitted under the Act for purposes of classification; Imposing age restrictions on viewership; Giving consumer advice, having regard to the protection of women and children against sexual exploitation or degradation in cinematograph films and on

the internet, and licensing and issuing certificates to; film producers, agents, distributors and exhibitors of films.

**Directors**

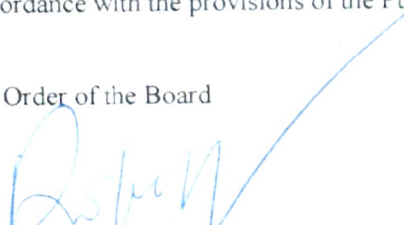
The Directors who served during the period under review are:

NO	NAME	TITLE
1	Bishop Jackson Kipkemoi Kosgei	Chairman
2	Ezekiel Mutua, MBS	Chief Executive Officer
3	Dr. Kamau Thugge	Principal Secretary, National Treasury
4	Joe Robert Okudo, MBS	Principal Secretary, State Dept. Arts & Culture
5	Jarso Guyo Mokku	Independent Director
6	Katua Nzile	Independent Director
7	Chris Solomon Nambanga	Independent Director
8	Christiana Saiti Louwa	Independent Director
9	Khadija Rama Omar	Independent Director
10	Hon Robert Kochalle	Independent Director
11	Nereah Alouch Okanga	Independent Director
12	Gathoni Kung'u	Independent Director
13	Abraham Koech	Alt. Principal Secretary, National Treasury
14	Ernest Kerich	Alt. Principal Secretary, State Dept. Arts & Culture

**Auditors**

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance with the provisions of the Public Audit Act, 2015

By Order of the Board

  
**Hon. Robert Kochalle,**  
**DIRECTOR**

## Corporate Information

### Board Headquarters

Uchumi house, 15<sup>th</sup> floor  
Aga Khan Walk  
P. O Box 44226-00100  
Nairobi, Kenya

### Board Contacts

Telephone : ( 254) 711-222-204, 773-753-355,  
020-2250600  
E-mail: [info@kfcbo.co.ke](mailto:info@kfcbo.co.ke)  
Website: [www.kfcbo.co.ke](http://www.kfcbo.co.ke)

### Board Bankers

Co-operative Bank of Kenya  
Parliament Road Branch  
P. O Box 5772-00200  
Nairobi, Kenya

### Independent Auditors

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

### Principal Legal Adviser

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

## LEADERSHIP OVERVIEW



Leadership is the action of leading people in an organization towards achieving goals. Leaders do this by influencing employee behaviour in several ways. A leader sets a clear vision for the organization, motivates and guides employees through the work process and builds morale.

Demands and expectations of an organization's leadership have never been higher. But just how does the leadership develop winning strategies, execute them brilliantly and develop organizational capabilities and core competencies? Today's leadership must be able to transform the organization by leveraging technology to drive business value. IT must help reengineer how business is done in a global set up, and leverage technology to help develop brand and market presence. At KFCB we are committed to offer film and broadcast content regulatory services using highly skilled staff and state of the art ICTs.

### (a) Key Management

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

A. BOARD OF DIRECTORS		
No.	Designation	Name
1.	Chairman	Bishop Jackson Kipkemoi Kosgei
2.	Chief Executive Officer	Dr Ezekiel Mutua, MBS
3.	Principal Secretary, National Treasury	Dr Kamau Thugge
4.	Principal Secretary, State Dept. Arts & Culture	Joe Robert Okudo, MBS
5.	Independent Director	Jarso Guyo Mokku
6.	Independent Director	Katua Nzile
7.	Independent Director	Chris Solomon Nambanga
8.	Independent Director	Christiana SaitiLouwa

9.	Independent Director	Khadija Rama Omar
10.	Independent Director	Hon Robert Kochalle
11.	Independent Director	Nereah Alouch Okanga
12.	Independent Director	Gathoni Kung'u
13.	Alt Principal Secretary, National Treasury	Abraham Koech
14.	Alt Principal Secretary, State Dept. Arts & Culture	Ernest Kerich
<b>B.</b>	<b>ACCOUNTING OFFICER</b>	
<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chief Executive Officer	Dr Ezekiel Mutua, MBS
<b>C.</b>	<b>MANAGEMENT</b>	
<b>No.</b>	<b>Designation</b>	<b>Name</b>
1	Chief Executive Officer	Dr Ezekiel Mutua, MBS
2.	Head of Corporate Communication	Nelly Muluka
3.	Head of Human Resource & Administration	John Malombe
4	Head of Film Monitoring & Enforcement	Wilson Koskei
5.	Head of Film Examination & Classification	Redempta Amondi
6.	Head of Legal services & Corporate Secretary	Loice Shalakra
7.	Head of Finance and Accounts	CPA Ayaya Vincent
8.	Head of Supply chain Management	Immaculate Mulaku
9	Head ICT	Anthony Kamar
10.	Head of Audit	CPA Paul Ng'ang'a
11.	Head of Planning	Onesmus Muema

**(b) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Dr Ezekiel Mutua, MBS
2.	Head of Corporate Communication	Nelly Muluka
3.	Head of Human Resource & Administration	John Malombe
4.	Head of Film Monitoring & Enforcement	Wilson Koskei
5.	Head of Film Examination & Classification	Redempta Amondi
6.	Head of Legal services & Corporate Secretary	Loice Shalakha
7.	Head of Finance and Accounts	CPA Ayaya Vincent
8.	Head of Supply chain Management	Immaculate Mulaku
9.	Head ICT	Anthony Kamar
10.	Head of Audit	CPA Paul Ng'ang'a
11.	Head of Planning	Onesmus Muema

The Board of Directors



Gathoni Kung'u  
Ag Chairman



Ezekiel Mutua, MBS  
CEO



Bsh. Jackson Kosgei  
Chairman (Retired on 31/05/2017)



Abraham Koech  
Alt. PS National Secretary



Ernest Kerich  
Alt PS State Dpt Arts & Culture



Christiana Saiti Louwa



Jarso Guyo Mokku



Chris Solomon Nambanga



Katua Nzile





**Khadija Omar**



**Hon. Robert Kochalle**



**Ms Nereah Okanga Alouch**

## Director's Profile

### **Bishop Jackson Kipkemoi Kosgei**

Bsp. Jackson Kosgei Chairman of KFCB Board of Directors was born in 1956 He holds a Bachelor of Arts degree in Religion, Social Science and Education from Pan African University, Bachelor of Science in Leadership and Management and Master of Arts Degree in Leadership. He has worked in executive positions of various institutions for over twenty five years.

### **Dr Ezekiel Mutua, MBS**

Dr Ezekiel Mutua is the Chief Executive Officer of the Kenya Film Classification Board (KFCB). He was previously the Secretary of Information (2011 – 2015), Director of Information and Public Communications (2007-2011), Secretary General of the Kenya Union of Journalists (KUJ), and an editor with the Nation newspapers.

He is an adept and experienced public servant, media and communications professional, having served as the Information Secretary, Director of Information and Public Communications and Secretary General of the Kenya Union of Journalists. He previously served as director at the Kenya Broadcasting Corporation (KBC) and has sat in various public Boards including the Brand Kenya Board, Kenya Broadcasting Corporation (KBC) and the Media Council of Kenya.

In December 2010, Dr. Mutua was awarded the Moran of the Order of the Burning Spear (MBS) in recognition of his outstanding contribution to the country.

He has pursued Media Studies up to PhD level and was recently awarded a Doctor of Administration Degree by the Commonwealth University in recognition of his role in championing child online safety. In 2017, Dr. Mutua was awarded an honorary doctorate in Public Administration of the Commonwealth University in recognition of his leading role in protecting children from exposure to harmful content at the Kenya Film Classification Board.

**Ernest Kiprono Kerich**

Ernest Kiprono Kerich is the alternate Director to the Cabinet Secretary Ministry of Sports, Culture and the Arts. He was born 7th July, 1959. He is currently the Director, Department of Film Services in the Ministry of Sports, Culture & the Arts. He has worked in the public service for over 36 years in various Ministries: Information & Broadcasting, Tourism and Information, Information transport and Communications and at the Office of the President under the Presidential Press Service. He has vast experience in the film industry and has attended various forums, festival and sensitisations on film regulation, development and marketing both locally and internationally.

**Abraham Koech**

Mr. Abraham Koech serves as the alternate Director to the Cabinet Secretary, National Treasury. He was born on 21<sup>st</sup> April, 1969. He holds Master of Business Administration-Strategic Management from Jomo Kenyatta University of Agriculture and Technology and Bachelor of Arts hon. In Economics from University of Nairobi. He is currently a Chief Investment Officer at the National Treasury and has over 21 years of service in corporate and the public sector.

**Khadija Omar Rama**

Khadija Omar Rama holds a Bachelor of Arts Degree in Sociology & Psychology, Certificates in International policies & strategies, program Management, Management of Street Children and holds a certificate in teacher education (P1). She has attended various trainings and capacity building seminars and has also undergone training in Corporate Governance.

She is the Program Director and founder of Pepo la Tumaini Jangwani. She has also established children's home, ECD School, senior school, clinic and other outreach services. She has vast experience in Community Based Organizations for health and educational support for people living with HIV/AIDS. She is affiliated to Kenya Associations of Counsellors & Access Treatment Eastern & Central Africa.

She is a holder of the following awards: Humanitarian Award. International Women's Day, Kenya, United Nations Kenya. Certificate of Commendation for outstanding contribution to the national response to HIV/AIDS in Kenya, H.E. the President. Head of State's Commendation.

**Christina Saiti Louwa**

Christina Saiti was born on 24<sup>th</sup> October, 1961. She holds a Diploma in Planning and Management of development projects, Diploma in education (S1) and a certificate in teacher education (P1). Previously worked as a Teacher, deputy Head Teacher Loyangalani Primary School. She has also worked as head

teacher El-Molo Bay Primary school, Trainer of Trainers in primary schools management with the Ministry of Education and as a Divisional Primary Schools Inspector, DPSI.

She has worked with UNPFII to champion the realisation of Millennium Development Goals (MDG's) and the Elmolo Forum a Rights based organization advocating for sustainable livelihoods and development of the Indigenous People's Rights.

She has also participated in UNPFII conference in Torino Island to raise awareness and funds for Indigenous people's rights. She has also undergone training in Corporate Governance

#### **Jarso Guyo Mokku**

Jarso Guyo Mokku was born on 22nd November, 1959. He holds Master of Arts Degree in Development Studies and a Graduate Diploma in development studies. He is the Manager and Director Social Development programmes at ASAL Stakeholders forum. He previously served as the Deputy Chief of Party of the Aga Khan Foundation (E.A), Director- Poverty Eradication Commission Ministry of planning and National Development, Programmes Manager & Deputy Country Director- Northern Aid, Nairobi Kenya, Pastoralist advisor and Inter Agency Relations Manager - United Nations-OCHA-Pastoralist Communication Initiative, Addis Ababa Ethiopia and lastly Programmes Co-ordinator-Action Aid International Kenya and Zimbabwe.

#### **Chris Solomon Nambanga**

Chris Solomon Nambanga was born on 12th July, 1966. He holds a Master of Arts in Development communications, Bachelor of Arts Degree in Journalism & Media Studies. He is the Chief Executive Officer- Horizons Media Group, Chairman- Media School Africa and a Director of National Industrial Training Authority (NITA). He previously worked as Head of Sales and Marketing - Gold Crown Beverages (K) Ltd, Sales and Marketing Manager - Dorman's Limited, Marketing Executive - Nation Media Group, Area Sales Representative - Nestle Foods Limited and Mt. Kenya & Western Regions Regional Representative - British American Tobacco Kenya Limited (BAT).

#### **Katua Nzile**

Mr. Katua Nzile holds a Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology, Bachelor of Arts Degree Anthropology from the University of Nairobi and Diploma in Journalism from the International Institute of Journalism, Berlin and a Diploma in Business administration. He also holds certificates in TV operations management, performance management, media strategies and social change, writing business news, training the trainer's journalism, human resource management, sports journalism and Corporate Governance.

He is the Director of Strategy-Fountain Media Group and a Director- Machawood. He has worked as Deputy Group Editorial Director -Standard Group, Managing Editor -KTN, Senior News Editor - NTV, news editor - KTN and also as an Editor in KBC.

He is a member of various professional bodies which include Kenya Editor's Guild, International TV Professionals and Public Relations Society of Kenya (PRSK)

#### **Gathoni Kung'u**

Gathoni Kung'u is a multi-media professional with over ten years' experience in media relations and media production. Experienced in working in all creative disciplines, she has a wide range of knowledge in digital production processes, with an in-depth understanding of both technical and creative aspects.

An accomplished TV and Film Producer/Director, she has been instrumental in producing and directing various ground-breaking Kenyan TV shows, themed along a wide array of contemporary socio-economic issues. Most of her works have aired on mainstream TV stations. These include the Patricia Show, aired on MNET; Uongozi, aired on NTV; among others

Her wealth of experience in agency creative teams has seen her produce national and regional brands, promotional TV and Radio commercials that have been aired across various media platforms. She is a great team partner, and a skilled negotiator with successful records in solving complex strategic, schedule and budget issues, and managing multiple high visibility projects simultaneously.

Ms. Kung'u is also effective in developing relationships and stakeholder management, having acted as point of contact and representative, both internally and externally, in initiatives aimed at upholding organizational and corporate image, branding and communication activities.

She is a holder of a BA in Communications, with a Minor in Psychology, and a Higher Diploma in Addiction Counseling. She is currently pursuing a Master's degree in Communication. Ms. Kung'u is the Managing Director of Gee Pictures Company Limited and is a Media Consultant.

#### **Hon. Robert Kochalle**

Hon. Robert Ltaramatwa Kochalle is a Director at the Kenya Film Classification Board (KFCB). He previously served as the Assistant Minister for Tourism and Wildlife. He was also Assistant Minister of State in the Office of the President. Prior to this, he was Member for Parliament for Laisami Constituency. He has served in various other Boards, including Chemilil Sugar Co. Ltd and the Kenya Industrial Research and Development Institute (KIRDI)



**Nereah Okanga**

Nereah Aluoch Okanga is an advocate of the High Court of Kenya with a wealth of experience that spans over 15 (fifteen) years in training and practice locally and internationally. Ms. Okanga's vision is to empower people by promoting social justice and enhancing economic independence through civic education and by providing affordable but quality legal services. Ms Okanga is well versed in various areas of legal practice, including financial and banking law, corporate law, commercial law, land law and conveyancing, civil litigation, mergers and acquisitions, labour & employment law, and the law of succession. Her various professional roles and duties have required her to provide guidance on corporate governance, formulate policy and procedure, and develop frameworks for compliance and risk management. Ms. Okanga currently works as in-house legal counsel for Barclays Bank of Kenya Limited, and previously offered legal services as a Senior Associate at Anjarwalla& Khanna, Advocates. She obtained an undergraduate degree in International Political Economy in the United States, and obtained her graduate legal degree from the University of Bristol in the UK.



## Chairman's Statement



### Opening Statement

On my own behalf and that of the Board of Directors, I take this opportunity to first of all thank everyone in the Kenya Film Classification Board family for the good work, which has culminated in the successful completion of the 2016/2017 Financial Year.

As a Board, we have so far established a reputation as a progressive organization. We have lived up to this reputation over the year by developing activities that have served to enhance delivery of our mandate. There is no doubt that, going forward, we are bound to do more with regard to developing solutions to the wide range of content regulatory challenges facing our country today.

### Operating environment

So far, we have underscored the need to preserve our national moral imperatives. This is because without regulating the consumption of foreign content, our cultural and value systems stand the risk of being eroded. It is for this reason that we have worked through the year to strengthen existing regulatory mechanisms and developing new legal and policy directions aligned to the Constitution.

In this regard, the process of reviewing the Films and Stage Plays Act, Cap 222 Laws of Kenya is well on course. The Film Act, its proposed replacement, has already gone through key stages and has been presented to the National Assembly for ratification.

In line with our vision of becoming a world-class film and broadcast content regulator, the enactment of the law will mark a significant milestone in realizing our objectives. It will set a new pace for the Board as it will take into account emergent regulatory challenges.

On matters regulating of film and broadcast content in order to enhance compliance, the Board has filed a civil suit against alcoholic and beverage companies who are violating the watershed period (at time from 5.00am-10pm in which adult content should not be aired on media houses). This was in light of the Board implementing the programming code for Free-to Air on Radio and TV which came into effect as from 1<sup>st</sup> July, 2016. The Board has won the first round of the case through the Constitutional court which upheld that the Board is responsible for regulating film and broadcast content.



### **Government's Incentives**

The Government is committed to ensure growth of the film and broadcast industry. In 2015, the Government waived the withholding tax payable by foreign film producers, actors and crew members. In addition, the Government announced an incentive to exempt the goods and services used for film making from value added tax (VAT), and a revolving fund to finance local filmmakers. These moves are among increased efforts from both within and outside Kenya's creative industry to unlock the potential of the Sh200 billion industry.

The digital migration process in Kenya was initiated in 2009, which was three years after an ITU Member States Conference signed the GE06 Regional Agreement. The agreement set a time-line within which member nations ought to have switched from analogue to digital signals. In 2015 Kenya migrated in to the digital signal broadcasting space and this has opened up the film and broadcast industry both to the country and to the world.

### **Tribute**

I wish to express my sincere and deep gratitude to the Government of Kenya, fellow Directors (especially those who retired on 31<sup>st</sup> May, 2017), employees, our customers and other stakeholders for their steadfast support and contribution towards our success in the year. I have no doubt in my mind that together we will continue to achieve even more in fulfilling the expectations of our mandate.



**GATHONI KUNG'U**  
**AG. CHAIRMAN**

## Management Team



**Dr. Ezekiel Mutua, MBS- MA-Communication Studies, BA-Sociology and Linguistics  
Chief Executive Officer**

The Chief Executive Officer is responsible for the day to day operations of the Board and ensures that the mission is achieved. Further he is responsible for the execution and communication of the Board's strategies, decisions and policies. He also provides leadership to senior management and staff. He is the accounting and authorised officer of the Board and the link between the Board and the management.

**Wilson Koskei - Dip. Film/Video Production**

**Film Monitoring & Enforcement**

Responsible for ensuring that creation, broadcasting, distribution, exhibition and possession of film and broadcast content is in line with the provisions of Films & Stage plays Act cap 222 and the Kenya Information & Communication Act. Liaising with professional bodies and other stakeholders on matters relating to film and broadcast content regulation.



**John N. Malombe - MBA, PGD (HRM) PDG (ED.)**

**Human Resource and Administration**

Responsible for initiating, formulating and implementing the Board's human resource and administration policies, strategies and procedures. Developing and managing the staff welfare schemes. Provision of advice on human resource management principles with a view to upholding corporate core values and fulfilment of social responsibilities.



**Onesmus David Muema - B.A Economics & Mathematics**

**Planning & Research**

Responsible for coordinating the preparation of annual Ministerial Public Expenditure Review (MPER) and the Medium Term expenditure framework (MTEF). Collecting, collating, processing and interpreting statistical data for the Board. Coordinating appraisal of development projects undertaken by the Board. Coordinating preparation of progress report on performance contracting







**Immaculate Mulaku - B. A., Dip CIP**

**Supply Chain Management**

Responsible for providing oversight in the efficient and effective operations of the supply chain function of the Board. A key aspect of this role is ensuring the Board's planning, buying, and monitoring of procurement, and initiatives which support strategic organizational goals and objectives.

**Loice M. Shalakra - LLB, Dip. Kenya School of Law**

**Legal Services and Corporation Secretary**

Responsible for providing legal services to ensure that appropriate interpretation of the legal safeguards and the rights of the Board including patents, copyrights and trademarks of the Board. Providing legal advice and assistance on all aspects of government regulation and preparing opinions and legal interpretations on various matters related to the interpretation and review of statutory instruments. Custodian of the company interests in regard to property and indemnity. Providing guidance and support and is secretary to the Board.



**Redemptah Amondi - B.A., Dip Film/ Video production**

**Film Examination & Classification**

Responsible for developing and prescribing standards for classification of film and broadcast content. Giving consumer advice and imposing age restriction on viewership of film and broadcast content.

**Emmah Irungu- B.Sc. IT, H.Dip PSY, Dip IT**

**Broadcast Monitoring Unit**

Responsible for initiating designing, developing reviewing and implementing the Board's strategy on broadcast content regulation. She is in -charge of monitoring the media content to ensure compliance to the programming code for Free-to-Air TV and Radio.



**Ayaya Vincent - B. Com Finance, CPA (K)**

**Finance and Accounts**

Responsible for formulating, interpreting and implementing financial policies, strategies procedures and programs. Also in charge of the Board's finances and

financial reporting. In-charge of planning, sourcing and management of financial resources to achieve corporate objectives. Developing supplementary financial regulations and procedures to enhance internal controls.

**Anthony Kamar - MBA, BBM, FCSK**

**Information Communication Technology**

Responsible for planning, operating and supporting the Board's IT infrastructure, enabling users to carry out their roles; efficiently, effectively, securely and at a minimum cost. Developing and maintaining ICT policies and standards at the Board.



**Paul Ng'ang'a - B. Com Finance, CPA (K)**

**Internal Audit**

Reports functionally to the Board and administratively to the Chief Executive Officer. Responsible for reviewing and appraising the soundness and efficiency of all systems of control including financial, operational and internal control systems and procedures.

### **Chief Executive Officer's Statement**



We have come to the end of the 2016/2017 Financial Year, in what has been a momentous period for us here at the Kenya Film Classification Board (KFCB). In line with our mandate, we have successfully implemented various initiatives aimed at ensuring efficiency in regulating the creation, broadcast, distribution, possession and exhibition of film and broadcast content as required by the Films and Stage Plays Act Cap 222 Laws of Kenya

### **Compliance with the Regulatory Framework.**

To enhance the levels of compliance, we have taken measures that have seen an impressive increase in compliance levels in the film and broadcast sector. In the year 2016/2017, the number of licensed film distributors and exhibitors grew from 6,177 to 6,594, which is a 6% growth. The aim of the regulatory decisions taken in the course of the year, has been to ensure conformity of film and broadcast content with national aspirations and moral values.

In the broadcast sector, the level of compliance in regard to classification of Broadcast content has increased. This can be directly attributed to the advertising guidelines KFCB announced in May 2016, discouraging the broadcast of adult-rated content within the watershed period (5.00am-10.00pm) when children are part of the potential audience.

It is particularly inspiring that we have been able to record these achievements despite resistance from a section of stakeholders in the film industry and broadcast sector. The Board has filed a civil suit against one alcoholic and beverage company for airing their advertisement within the watershed period. The matter was first referred to the Constitutional court to challenge the mandate of the Board. The Constitutional court upheld that the Board is acting within its mandate of regulating the regulating the creation, broadcast, distribution, possession and exhibition of film and broadcast content as required by the Films and Stage Plays Act Cap 222 Laws of Kenya. This is a major win for the Board and as the case civil suit proceeds we expect a favorable ruling. The net effect of this ruling will enhance compliance by various stakeholders with the requirement of the law.

### **Giving Consumer Advice and Public Sensitization**

As we discharge our mandate, we remain alive to the fact that film and media content are powerful influencers of behavior and societal values. They are also channels of infiltration of foreign cultures at the expense of our national norms and moral values. In order to deepen the understanding of our mandate by the public, we rolled out rigorous series of public sensitization programmes across the country. We fortified

these programmes with regular Media Literacy programmes in Schools, Colleges, Universities, Churches and Mosques.

Further, KFCB has collaborated with religious organizations, parents and the media to educate the public about the role of content in preserving culture and upholding national moral values. The Board has regarded these organizations as important partners in the process of countering the adverse effects of content to children and the youth and mobilizing public support.

### **Revenue Growth**

In the year under review the Board witnessed remarkable growth in revenues, both internally generated income (A-I-A) and GoK grants. In the year, the GoK grants grew from Kshs. Kshs.180, 969,600 to Kshs.388, 254,600 which is a 53% increase, while the A-I-A grew from Kshs. 25, 125,021 to Kshs.30, 673,210 which is an increase of 18%. We would like to thank the National Treasury through our parent Ministry of Sports, Culture and the Arts for ensuring that we have the resources required to carry out our regulatory functions.

### **Future Outlook**

Going forward, KFCB remains committed to transforming the film industry in Kenya. As a regulator, our aim is to elevate the industry to global standards. We firmly believe that proper regulation will make a huge contribution to the attainment of the expectations of the Vision 2030 Social Pillar, which envisions that Kenyan shall formulate and adopt a core set of national values. The Board seeks to facilitate investment in the film industry, whose potential to transform the country is great.

### **Strategic Approach**

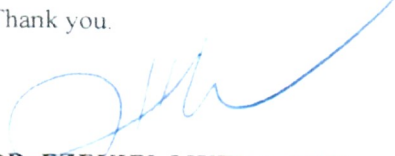
KFCB is adopting a combination of operational performance and organizational strategies to respond to the changing regulatory environment for the film and broadcast content. We have identified three key areas of focus in the next financial year. These include: review of the legal framework to address the gaps occasioned by globalization, technological advances and media converges, review our standards on services delivery and improve on our current infrastructure.

### **Appreciation**

I wish to convey my gratitude and appreciation to the Board of Directors for their strategic support and guidance and our staff for their dedicated service throughout the year. We are confident that with the continued support of our Board of directors and other partners in the implementation of these strategies we

shall achieve our overall goal to safeguard the national values and norms through efficient and effective film and broadcast content regulatory services.

Thank you.



**DR. EZEKIEL MUTUA, MBS**  
**CHIEF EXECUTIVE OFFICER**

## **CORPORATE GOVERNANCE**

Corporate governance is the system of rules, practices and processes by which KFCB is directed and controlled. Corporate governance essentially involves balancing the interests of the Board's stakeholders including the Government, management, clients, suppliers, and the community at large. It also provides the framework for attaining the Board's objectives and encompasses practically every sphere of management from action plans and internal controls to performance measurement and corporate disclosure.

### **Corporate Governance Statement**

Corporate governance is the structure and system of rules, practices and processes by which organizations are directed, controlled and held accountable. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in organizations. Corporate governance essentially involves balancing the interests of many stakeholders in an organization. This includes its shareholders, Government, management, customers, suppliers, financiers and community. It provides the framework for achieving the objectives of an organization and creates benchmarks for measurement of corporate performance and disclosure. Kenya Film Classification Board recognizes the need to conduct its business and operations with integrity and in accordance with the principles of good corporate governance. The Board of Directors is committed to continued adherence to the highest standards of good corporate governance and business ethics in Kenya Film Classification Board's operations.

### **Statement of Compliance**

KFCB is committed to the highest ethical standards and embracing global best practice in decision-making structures to ensure compliance with applicable legal principles. The Board's vision, mission and core values provide the framework in which the Board safeguards the national values and norms through efficient and effective film and broadcast content regulatory services. This is done in line with the provisions of the Constitution of Kenya, Films & Stage Plays Act Cap 222 and the Kenya Information and Communications Act. In its operations the Board adheres to Public Procurement & Asset Disposal Act 2015, Employment Act 2007 and Occupational Safety & Health Act 2007 among other legislations. In addition the Board is in compliance with the governance tenets of the "Code of Governance for Government Owned Entities (Mwongozo Code)".

In the current financial year, the Board received an approval for certification to ISO 9001:2008-Quality Management System. As we cross over to the next financial year the Board looks forward to actual certification and initiate the process to migrate to ISO 9001:2015 Quality Management System. The Board shall pay high fidelity to the implementation of the ISO standards.

**Board's Composition**

The Films & Stage Plays Act Cap 222, Section 11(a) prescribes the composition of the Board as follows; a Chairman appointed by the Cabinet Secretary, the Principal Secretary in the parent Ministry; the Principal Secretary to the National Treasury; the Chief Executive Officer appointed under section 11C; and eight other members appointed by the Cabinet Secretary of the Parent Ministry.

The Board is currently composed of one non-executive Chairman, five independent members, the Chief Executive Officer and two non-independent directors.

**Board's Diversity**

The Board has following diverse set of skills;

Field of Expertise	Number
Education	2
Communication	4
Film Production	2
Economics & Finance	1
Psychology	1
Development Studies	1
Law	1

**Separation of Powers of the Chairman & Chief Executive Officer**

The separation of the functions of the Chairman and the CEO ensures the independence of the Board and Management. The requisite balance of power, increased accountability, clear definition of responsibilities and improved decision making is attained through this distinction between the non-executive and executive roles.

**Board Meetings**

The Board meets at least once per quarter or more often in accordance with requirements of the business. The Board's work plan and calendar of meetings is prepared at the beginning of the financial year. Adequate notice is given for each board meeting and the agenda and papers are circulated in good time. The Board held 6 meetings which were attended as follows:

No.	Name	Attendance
1.	Bishop Jackson Kosgei(Retired on 31 <sup>st</sup> May, 2017)	6/6
2.	Dr Ezekiel Mutua, MBS	6/6
3.	Abraham Koech (Rep Principal Secretary National Treasury)	4/6
4.	Ernest Kerich (Rep Principal Secretary MOSCA)	6/6
5.	Katua Nzile(Retired on 31 <sup>st</sup> May, 2017)	6/6
6.	Jarso Mokku Guyo(Retired on 31 <sup>st</sup> May, 2017)	6/6
7.	Khadija Omar Rama(Retired on 31 <sup>st</sup> May, 2017)	4/6
8.	Christiana Saiti Louwa(Retired on 31 <sup>st</sup> May, 2017)	4/6
9.	Chris Solomon Nambanga(Retired on 31 <sup>st</sup> May, 2017)	2/6
10.	Gathoni Kung`u(Joined 23 <sup>rd</sup> March,2017)	2/6
11.	Nereah Okanga Alouch(Joined 23 <sup>rd</sup> March,2017)	2/6
12.	Robert Kochalle(Joined 23 <sup>rd</sup> March 2017)	2/6

#### Directors' Remuneration

The Directors' remuneration is in line with the guidelines provided in the State Corporations Act and the guidelines provided by the State Corporations Advisory Committee. The Chairman is paid a monthly honorarium and a sitting allowance for meetings attended. The Directors are paid sitting allowances for the meetings attended. The sitting allowance for the current financial year is prescribed in the circular Ref no OP/CAB/9/21/2A/LII/43 dated 23<sup>rd</sup> November 2004. Other allowances such as accommodation and travelling are prescribed by circular Ref No. OP/SCAC/9/21.2 VOL.I (164) dated 28<sup>th</sup> April, 2015. The Chief Executive Officer does not qualify for these allowances.

The amounts paid to the directors is as shown below:

**5.Board Expenses**

	2016/2017	2015/2016
	Kshs.	Kshs.
Board Members Allowance	24,634,310	14,292,223
Film Examiners Allowances	1,804,500	1,288,500
Conferences, Committees and Seminars	381,000	-
Board Members Insurance	798,204	521,401
Honoraria to chairman	1,010,000	985,000
Board Trainings	1,335,600	480,000
<b>Total Board Expenses</b>	<b>29,963,614</b>	<b>17,567,124</b>

**Declaration of Interest and Conflict of Interest**

The directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to his/her attention, whether direct or indirect. The statutory duty to avoid situations in which they have or may have interests that conflict with those of the Board has been observed by the Board of Directors.

**The Board of Directors**

The members of the Board of Directors are shown on page 7 to page 8 and their profiles indicated on page 12 to page 16. The Board is chaired by a non-executive Chairman and all the Directors have extensive business and administrative experience in private and public sectors that is applied for the benefit of Kenya Film Classification Board.

The principal responsibility of the Board of Directors is to establish the long term goals of the Kenya Film Classification Board.

The Board also ensures that effective plans are developed and implemented. Their responsibilities entail:

- i) Providing the vision, mission, and strategic direction and upholding the core values;
- ii) Putting in place management structures (organization, systems and human capital) to achieve these goals;
- iii) Ensuring targets are set and monitoring performance;
- iv) Guiding the implementation of strategic decisions and actions and advising management as appropriate.
- v) Reviewing and approving annual budgets;

- vi) Ensuring management of risk, overseeing the implementation of adequate internal control systems, compliance with relevant laws and regulations, and compliance with accounting and auditing standards.
- vii) Ensuring the preparation of annual financial statements and reports.

During the year under review, the Board of Directors met six times. The allowances, honoraria and other transactions related to the Board of Directors are disclosed in Note 5 to these financial statements.

The Board of Directors has established four Committees which have specific terms of reference to guide their operations. The Committees which meet on a quarterly basis are as follows:

**Report of the Chairperson of Human Resource and Administration**



**Khadija Rama Omar**

**Mandate**

The committee is responsible for overseeing implementation of policies affecting staff performance and welfare. It is also responsible for advising and reviewing programmes aimed at addressing succession planning, advising and reviewing the remuneration of staff, reviewing staff performance, appraisal and reward systems. The Committee also continually reviews the organizational structure, core functions and optimum staff establishment of the Board.

**Membership**

The Committee comprises of four (4) members of the Board of Directors with the Head of Human Resource & Administration providing the secretariat. The committee is authorized by the Board to secure the attendance of external advisers at its meetings if it considers necessary, and to obtain reliable, up-to-date information about any of its business.

**Attendance**

The Committee held 6 meetings in the financial year as shown below:

	NAME	ATTENDANCE
1.	Khadija Omar Rama (Retired on 31 <sup>st</sup> May, 2017)	6/6
2.	Ernest Kerich (Retired on 31 <sup>st</sup> May, 2017)	6/6
3.	Jarso Guyo Mokku (Retired on 31 <sup>st</sup> May, 2017)	5/6
4.	Gathoni Kung'u ( Moved to committee on 28 <sup>th</sup> November,2016)	5/6

**Report of the Chairperson of Finance and General Purpose Committee****Jarso Guyo Mokku****Mandate**

The committee is responsible for reviewing the financial and asset management plans of the Board, approving the pre-qualified list of suppliers, annual work plans, procurement plans and budgets, reviewing and approving financial reports of the Board. The Committee is also responsible for the rationalization of the Board's Budget.

**Membership**

The Committee comprises of five (5) members of the Board of Directors with the Head of Finance and Accounts providing the secretariat. The representative of the National Treasury must be part of the committee.

**Attendance**

The Committee held 6 meetings in the financial year as shown below:

	<b>NAME</b>	<b>ATTENDANCE</b>
1.	Jarso Guyo Mokku(Retired on 31 <sup>st</sup> May, 2017)	6/6
2.	Abraham Koech	6/6
3.	Khadija Rama Omar(Retired on 31 <sup>st</sup> May, 2017)	5/6
4.	Robert Kochalle (Joined on 22 <sup>nd</sup> February,2017)	2/6
5.	Nereah Okanga Alouch(Joined on 22 <sup>nd</sup> February,2017)	2/6

**Report of the Chairperson of Technical Development Committee**

**Chris Solomon Nambanga**



**Mandate**

The committee is responsible for reviewing customer service standards, reports and implementation of policies affecting the public, corporate and business strategies of the Board. The committee is also responsible for reviewing implementation of programmes, standards and compliance with various international and local legal requirements. Advising and initiating on the necessary legal requirements for purposes of effectiveness and efficiency in the regulation function.

**Membership**

The Committee comprises of five (5) members of the Board of Directors with the Head of the Technical department providing the secretariat. The membership is drawn from members of the Board with expertise in the technical functions.

**Attendance**

The Committee held 2 meetings in the financial year as shown below:

	<b>NAME</b>	<b>ATTENDANCE</b>
1.	Chris Solomon Nambanga (Retired on 31 <sup>st</sup> May, 2017)	1/2
2.	Katua Nzile (Retired on 31 <sup>st</sup> May, 2017)	1/2
3.	Ernest Kerich	2/2
4.	Christiana Saiti Louwa (Retired on 31 <sup>st</sup> May, 2017)	2/2
5.	Gathoni Kung'u (Joined the Committee on 9 <sup>th</sup> February, 2017)	1/2

**Report of the Chairperson of the Audit & Risk Committee**

**Katua Nzile**



**Mandate**

The committee is responsible for establishing and reviewing internal control systems, risk management issues, procedures and programmes being implemented by the Board. It is also responsible for overseeing the internal audit function and external audit. It also reviews the performance and considers the independence of the external auditors and confirms that all regulatory compliance is considered in the preparation of financial statements.

**Membership**

The Committee comprises of five (5) members of the Board of Directors with the Head of the Internal Audit function providing the secretariat. The Chairman of the Committee is an Independent Director, it is also a requirement that at least one member of the Board holds relevant qualifications in financial management or accounting with experience and knowledge in risk management and is a member of a professional body with good standing.

**Attendance**

The Committee held 4 meetings in the financial year as shown below:

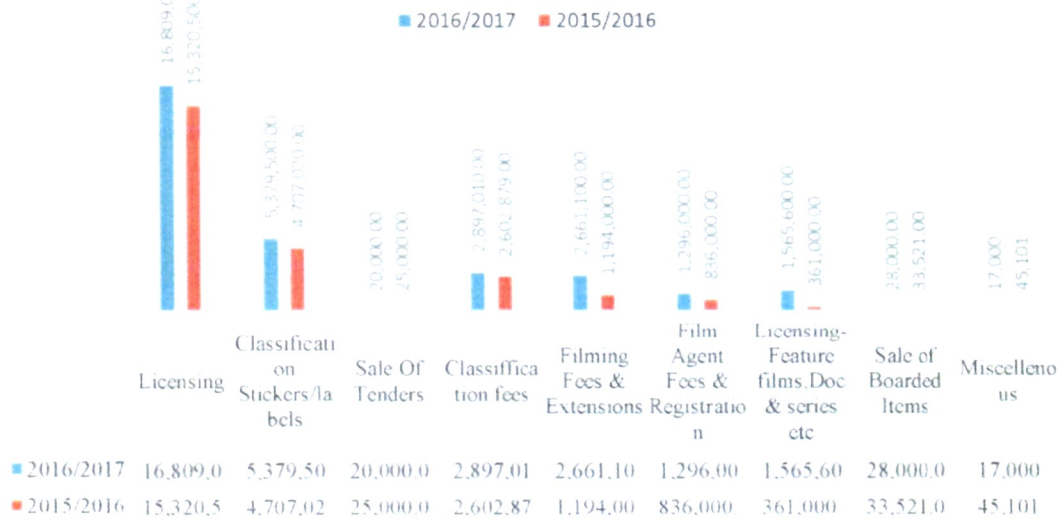
	NAME	ATTENDANCE
1.	Katua Nzile(Retired on 31 <sup>st</sup> May, 2017)	4/4
2.	Abraham Koech	4/4
3.	Christiana Saiti Louwa(Retired on 31 <sup>st</sup> May, 2017)	4/4
4.	Nereah Okanga Alouch(Joined Committee 27 <sup>th</sup> November,2016)	2/4
5	Robert Kochalle(Joined Committee 27 <sup>th</sup> November,2016)	2/4

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Financial Results and Review of Operations**

During the FY 2016/2017 saw the Board continue to scale its height despite challenges in the economy. The Board’s internally generated revenue grew by Ksh. 5.55 million representing a percentage growth of 18% and in total the income of the Board grew by 103%. Revenue from licensing increased from Ksh 15.32 million to Kshs 16.81 million while revenue from classification labels increased from Kshs. 4.71 million to Kshs. 5.38 million. Furthermore revenue from classification fees increased from Kshs.2.60 to Kshs.2.90 million. The year also saw GoK grants increase from 180.97 million to 388.25 million, this is as a result of the Board receiving additional mandate of regulating the film industry from the Department of Film Services as a result of the Presidential Task force recommendations on Parastatal reforms and the new programmes launched by the Board to undertake consumer awareness through public sensitization programmes under the banner “Media Literacy Programme”.

**COMPARISON OF REVENUE PERFORMANCE FOR  
FY 2016/2017 AND FY 2015-2016**



The year also saw the commencement of the new Strategic Plan. The new plan remains ambitious and the Board continued to look for other alternative resourcing strategies including how to strengthen the legal frame of film and broadcast content distribution in the Country in order to deliver on the new plan. In the realm of advocacy, the Board remained actively commenting on public interest issues regarding infiltration of film and media content that is inappropriate for children. This saw the Board file a case in the court of law on violation of the watershed period by alcoholic beverages companies who were advertising their content on media platforms (TV and Radio) without paying attention to the requirements of the law on same. The Board received a favourable outcome from the Constitutional court affirming the responsibilities and mandate of the Board as regulator of film and broadcast content.

Finally, the future continues to hold exciting opportunities for the Board. Even as we regulate the Film industry we plan to also contribute towards the development of the industry through participating in programmes that assist talented young people to invest their wealth and time in filming. This will be achieved by the Board looking forward to apportion at least ten percent (10%) of our income to develop the infrastructure required to boost investment in the industry. We also hope to invest heavily on a new project, Sinema Mashinani which we assist to revive the culture of cinema in the Country.

## **STRATEGIC DIRECTION**

An organization's strategic direction is a combination of its vision, mission, strategies and its core values. Without clarity and specificity here, organizations will struggle to make strategic decisions, allocate resources effectively, and align their employees' efforts and measure performance and progress against targets. Kenya Film Classification Board has put in place a Strategic Plan that clearly defines the Boards strategic direction, delineating specific and measureable milestones

### **STRATEGIC DIRECTION**

The Board has a strategic model that has been adopted to achieve its Vision and Mission in the next 5 years. It includes the strategic themes and key objectives that have been identified to address issues and challenges in regulating the film industry. It also enumerates the accompanying strategies to be pursued in this endeavour

The Board has identified five strategic issues, namely,

1. Weak Legal Framework
2. Low visibility and negative perception by some stakeholders
3. Low level of compliance with film and broadcast regulations
4. Inadequate service delivery to the public
5. Inadequate infrastructure and equipment

To address the above strategic issues, the following strategic objectives have been identified

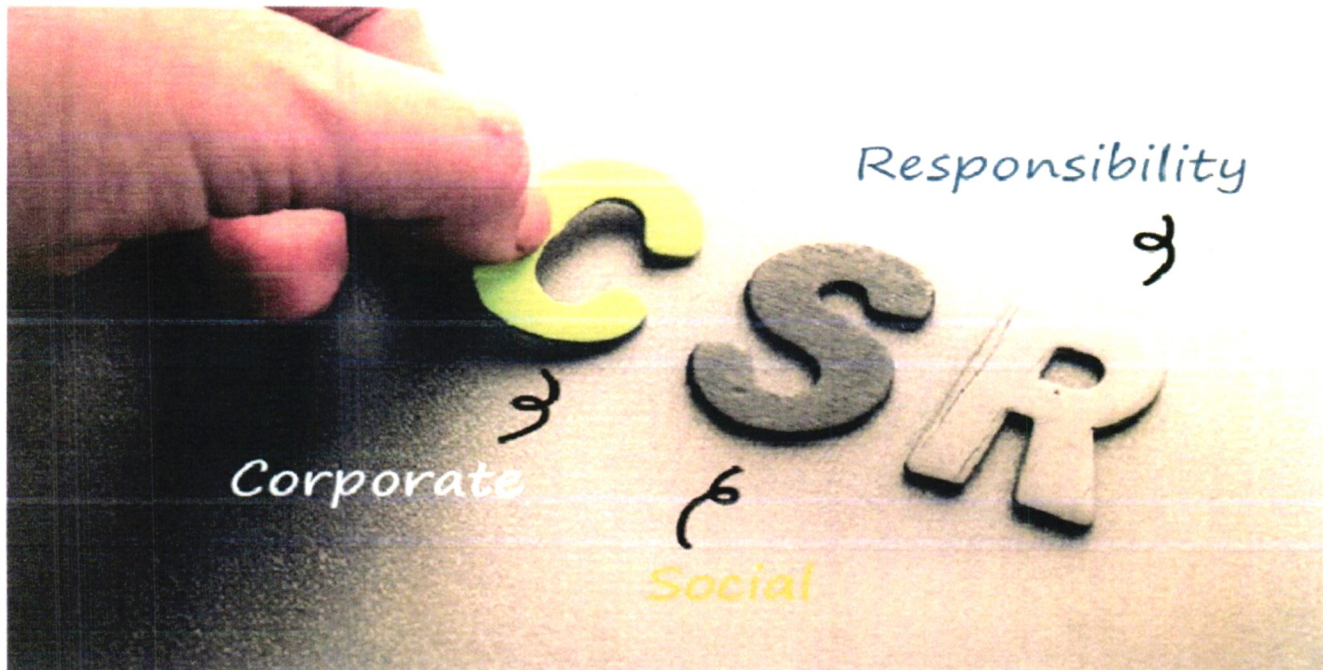
1. To improve the policy, legal and regulatory environment in the film, broadcast sector and performing Arts
2. To enhance visibility and perception among some stakeholders
3. To enhance compliance to film, broadcast content and the performing arts regulations for promotion of national values and aspirations
4. To empower the public with knowledge and skills to make informed choices
5. To improve institutional efficiency and effectiveness for quality service delivery

The strategic objectives will be met by implementing the following strategies

	<b>Strategic Objective</b>	<b>Strategies</b>
	To improve the policy, legal and regulatory environment in the film, broadcast sector and performing Arts	Review the existing policies, legal and regulatory framework to address the emerging issues. Conduct public awareness on the formulated policy, legal and regulatory framework.
	To enhance visibility and perception among some stakeholders	Develop a comprehensive communication strategy. Position the Board's brand and corporate identity Build capacity to address customer feedback.
	To enhance compliance to film, broadcast content and the performing arts regulations for promotion of national values and aspirations	Develop regulations that promote the formation of film exhibitors and distributors associations. (provide a platform) Roll out monitoring initiatives to ensure increased compliance by industry
	To empower the public with knowledge and skills to make informed choices.	Empower film content consumers and stakeholders with relevant knowledge and skills.
5	To improve institutional efficiency and effectiveness for quality service delivery	Institutionalize performance contracting and appraisal system Promote Research to support evidence based decision making To strengthen human resources Improve the work environment Create an enabling IT environment
		Diversify finance resources base



## CORPORATE SOCIAL RESPONSIBILITY



Corporate Social Responsibility (CSR) refers to business practices involving initiatives that directly benefit the society. A business's CSR can encompass a wide variety of tactics, from giving away a portion of organizations resources to charity, to implementing "greener" business operations. The Board has embraced measures such as environment friendly practices to reduce contributing to global warming, donating resources to children homes, and ethical labour practices.

### **Corporate Social Responsibility Statement**

As a Board we acknowledge that we need to promote socially responsible behaviour. This will help build our reputation and strengthen relationships with customers, stakeholders and the general public. In order to achieve this, the Board has been able to identify the key pillars in enhancing corporate social responsibility, both internally and externally. These are as follows.

In the year under review, the Board developed a corporate social responsibility policy which provides the framework within which the Board's CSR activities will be transacted. This policy aims to provide guidelines through which the Board can identify the pillars under which Corporate Social Responsibility (CSR) can be achieved. It also outlines the commitment of the Board in addressing the issues under each pillar, identifies the projects which will be undertaken by the Board under social responsibility and gives the structure, including time-frame and evaluation mechanisms for the projects which will be implemented. This policy will be implemented in line with Government laws, regulations and internal policies.

The main pillars under this policy are human rights, labour practices, Community involvement and development, consumer issues, environment and fair operating practices.

The policy is guided by the following principles:

We recognize that our social, economic and environmental responsibilities to our stakeholders are integral to our operations.

We value feedback from our stakeholders and will maintain open dialogue to ensure that we fulfil the requirements outlined within this policy.

The Chief Executive Officer is responsible for the implementation of this policy and will make the necessary resources available to realize our corporate social responsibilities.

Employees are responsible for the performance of this policy.

Building and sustaining efforts geared towards collaborations and partnerships with other industry stakeholders.

Through the years, the Board has been able to partner with various institutions and will work towards enhancing its regulatory and advisory role in film matters in the coming years. We also take responsibility for ensuring that we care for our environment since we have an obligation to our community, stakeholders and customers. The Board actively encourages our staff to recognize those responsibilities and behave in a responsible manner toward the society in which we operate.

As a result of this CSR policy, it is expected that the Board will be able to prominently mainstream corporate social responsibility in its operations.

## FINANCIAL STATEMENTS

### Statement of Directors' Responsibilities

Section 82 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year/period and the operating results of the Board for that year/period. 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 these 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 (period) ended on June 30, 2016. This responsibility includes:

Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board;

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;

Safeguarding the assets of the Board;

Selecting and applying appropriate accounting policies; and

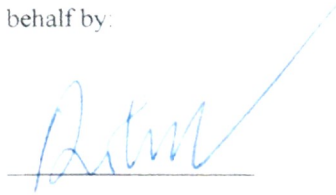
Making accounting estimates that are reasonable in the circumstances.

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 Accounting 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.

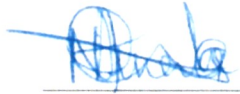
Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Board's financial statements were approved by the Board on \_\_\_\_\_ 2017 and signed on its behalf by:



Director



Director

\_\_\_\_\_

Director

**Results**

The results of the Board for the year ended June 30, 2017 are set out on page 41 to 46

By Order of the Board



**Loice M. Shalakha**  
**Company Secretary**  
**Nairobi.**

Date: 23/1/2018

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL REPORT OF THE AUDITOR-GENERAL ON KENYA FILM CLASSIFICATION BOARD FOR THE YEAR ENDED 30 JUNE 2017

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Film Classification Board set out on pages 42 to 70, which comprise the statement of financial position as at 30 June 2017, 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Film Classification Board as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Film and Stage Plays Act, Chapter 222 of the laws of Kenya.

Further, and as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1. Outstanding Trade and Other Payables

statement of financial position reflects trade and other payables balance of Kshs.15,862,618 as at 30 June 2017 out of which an amount of Kshs.1,177,077 has been outstanding since 2015/2016 financial year.

No reasons have been given for failure to settle the long outstanding payables.

##### 2. Bulk Purchase of Classification Stickers

As previously reported, six million classification stickers were between 30 November 2010 and January 2012 procured at a total cost of Kshs.47,500,000. However, 4,014,559 stickers worth Kshs.32,807,737 had not been used or issued to the regional offices across

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*Report of the Auditor-General on the Financial Statements of Kenya Film Classification Board for the year ended 30 June 2017*

the country in the last six years an indication that the stickers were slow moving. No justification has been provided for purchase of stickers in bulk without proper planning and consideration of emerging technology which is likely to turn the stickers into dead stock.

In view of the foregoing, it has not been possible to confirm that value for money was obtained from the bulk purchase of stickers worth Kshs.47,500,000 as at 30 June 2017

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Film Classification Board 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### Key Audit Matters

Key audit matters are those that, in my professional judgment, were of most significance in the audit of the financial statements of the current year. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no key audit matters to communicate in my report.

### Other Matters

#### Budget and Budgetary Performance

##### 1.1 Revenue

The Kenya Film Classification Board had budgeted for receipts totalling Kshs.452,754,600 which included balances brought forward of Kshs.31,000,000, Government grants of Kshs.388,254,600 and revenue from other sources of Kshs.33,826,790 as tabulated below:

Description	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Excess/(Shortfall) %
B/F 2015/16	31,000,000	31,000,000	0	0
GOK Grants	388,254,600	388,254,600	0	0
Classification Stickers/Labels	6,065,000	5,379,500	(685,500)	(11)
Sale of Tenders	35,000	20,000	(15,000)	(43)
Classification Fees	3,500,000	2,897,010	(602,990)	(17)
Film Agent Fees & Registration	4,000,000	1,296,000	(2,704,000)	(68)
Licensing-Feature Films, Doc & Series etc.	2,000,000	1,565,600	(434,400)	(22)

Boarded Items	0	17,000	17,000	100
Miscellaneous	0	28,000	28,000	100
Film Fees & Extensions	2,500,000	2,661,100	161,100	6
Licensing	15,400,000	16,809,000	1,409,000	9
<b>TOTAL</b>	<b>452,754,600</b>	<b>418,927,810</b>	<b>(33,826,790)</b>	<b>7</b>

However, out of the budgeted revenue of Kshs.452,754,600 only Kshs.418,927,810 was realised resulting to a shortfall of Kshs.33,826,790 or 7%.

## 1.2 Expenditure

Actual expenditure amounted to Kshs.492,066,644 against the approved budget of Kshs.452,754,600 resulting to an over expenditure of Kshs.39,312,044 or 7% as tabulated below:

Description	Budget Kshs.	Actual Kshs.	(Over)/Under Kshs.	Over/Under %
Compensation of Employees	61,900,588	57,450,050	4,450,538	7
Goods & services	262,747,507	237,195,140	25,552,367	9
Rent & Rates	18,006,505	21,584,525	(3,578,020)	20
Other payments	101,500,000	122,826,817	(21,326,817)	21
Transfer to MOSCA	8,600,000	8,600,000	0	0
Depreciation	0	44,410,112	(44,410,112)	100
<b>Total</b>	<b>452,754,600</b>	<b>492,066,644</b>	<b>(39,312,044)</b>	<b>7</b>

The over expenditure mainly occurred under depreciation of Kshs.44,410,112 or 100% which had not been provisioned. No explanation has been provided for treating depreciation as an actual expenditure when it's a non-cash item.

## Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management

either intends to cease operations of the Board, 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 Board'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 Board'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 Board's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion.

My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue offering services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board 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**

**16 February 2018**

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2017

Revenue from non-Exchange Transactions	NOTES	2016/2017 Kshs.	2015/2016 Kshs.
Income	3	418,927,810	206,094,621
<b>Total Revenue</b>		<b>418,927,810</b>	<b>206,094,621</b>
<b>Expenses</b>			
Employee Costs	4	57,450,050	41,833,990
Board Expenses	5	29,933,014	17,567,124
Depreciation and Amortisation Expense	6	44,410,112	29,521,746
Repairs and Maintenance	7	15,064,209	7,950,173
Transfer to MOSCA	8	8,600,000	5,000,000
General expenses	9	235,595,241	74,919,868
<b>Total Expenses</b>		<b>391,052,626</b>	<b>176,792,901</b>
<b>Surplus/Deficit for the Period</b>		<b>27,875,184</b>	<b>29,301,720</b>

The notes set out on pages 48 to 79 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	2016/2017 Kshs.	2015/2016 Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	10	40,242,887	54,329,125
Receivable from Exchange Transactions	11	1,203,610	2,548,800
Inventories	12	32,807,736	36,788,567
		<b>74,254,233</b>	<b>93,666,492</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	13	93,254,973	59,602,504
Intangible Assets	14	29,076,108	6,124,671
		<b>122,331,081</b>	<b>65,727,175</b>
<b>Total Assets</b>		<b>196,585,314</b>	<b>159,393,666</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	15	15,862,618	6,546,155
<b>Total Liabilities</b>		<b>15,862,618</b>	<b>6,546,155</b>
<b>Net Assets</b>			
Accumulated Surplus		180,722,696	152,847,511
<b>Total Net assets and Liabilities</b>		<b>196,585,314</b>	<b>159,393,666</b>

The Financial Statements set out on pages 43 to 47 were signed on behalf of the Board of Directors by:

  
Chief Executive Officer

Dr. Ezekiel Mutua, MBS

  
Head of Finance

CPA Ayaya Vincent

ICPAK Member Number: 18285

  
Chairman of the Board

Ag. Chairperson, Gathoni Kung'u

Date 23.01.2018

Date 23.01.2018

Date 23.01.2018

**STATEMENT OF CHANGES IN NET ASSETS**

For the year ended 30 June 2017

	Accumulated surplus	Total
<b>Balance as at 30 JUNE 2015</b>	123,545,792	123,545,792
Surplus/(deficit) for the period	29,301,720	29,301,720
Transfers to/from accumulated surplus	-	-
<b>Balance as at 30 JUNE 2016</b>	152,847,512	152,847,512
Surplus for the period	27,875,184	27,875,184
Transfers to/from accumulated surplus	-	-
<b>Balance as at 30 JUNE 2017</b>	180,722,696	180,722,696

**STATEMENT OF CASHFLOWS**  
For The Period Ended 30 June 2017

	2016/2017	2015/2016
	Kshs.	Kshs.
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Net Surplus From Operation	27,875,184	29,301,720
<b>ADJUSTMENTS</b>		
Decrease/(Increase) in Receivable from Non-Exchange Transactions	11 1,345,190	(1,435,104)
Decrease/(Increase) in Stock	12 3,980,831	3,483,195
Adjustment For Depreciation	13,14 44,410,112	29,521,746
Increase/(Decrease) in Trade and Other Payables from Exchange Transactions in Payables	15 9,316,463	3,406,790
<b>Net Cashflow From Operating Activities</b>	<b>86,927,780</b>	<b>64,278,347</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Property, Plant and Equipment	13,14 (101,014,018)	(16,080,860)
<b>Net Cashflow From Investing Activities</b>	<b>(101,014,018)</b>	<b>(16,080,860)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
<b>Net Cashflow From Financing Activities</b>		
Net Increase in Cash and Cash Equivalent	(14,086,238)	48,197,487
Cash and Cash Equivalent At The Beginning of the Period	10 54,329,125	6,131,638
<b>Cash and Cash Equivalent At The End of the Period</b>	<b>40,242,887</b>	<b>54,329,125</b>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

SNO.	Descriptions	Original Budget		Adjustment		Final Budget		Actual Income		Performance	
		2016-2017	KSHS	2016-2017	KSHS	2016-2017	KSHS	2016-2017	KSHS	2016-2017	KSHS
1	Funds from FY 2015-2016	31,000,000	KSHS	-	KSHS	31,000,000	KSHS	31,000,000	KSHS	31,000,000	KSHS
2	Licensing	15,400,000		-		15,400,000		16,809,000		(1,409,000)	
3	Classification Stickers/labels	6,065,000		-		6,065,000		5,379,500		685,500	
4	Sale Of Tenders	35,000		-		35,000		20,000		15,000	
5	Classification fees	3,500,000		-		3,500,000		2,897,010		602,990	
6	Filming Fees & Extensions	2,500,000		-		2,500,000		2,661,100		(161,100)	
7	Miscellaneous	-		-		-		28,000		(28,000)	
8	Boarded Items/Disposal	-		-		-		17,000		(17,000)	
9	Film Agent Fees & Registration	4,000,000		-		4,000,000		1,296,000		2,704,000	
10	Licensing-Feature films, Doc& series etc	2,000,000		-		2,000,000		1,565,600		434,400	
11	GOK Grants	388,254,600		-		388,254,600		388,254,600		-	
	<b>Total Revenue</b>	<b>452,754,600</b>		<b>-</b>		<b>452,754,600</b>		<b>418,927,810</b>		<b>33,826,790</b>	
	<b>Expenses</b>	<b>Original Budget</b>	<b>Adjustment</b>	<b>Final Budget</b>	<b>Actual Expenditure</b>	<b>Performance</b>					
		2016-2017	2016-2017	2016-2017	2016-2017	2016-2017					
12	Compensation of employees	70,086,310	(8,185,722)	61,900,588	57,450,050	4,450,538					
13	Goods and services	265,761,785	(3,014,278)	262,747,507	237,195,140	25,552,367					
14	Rent and Rates	18,006,505		18,006,505	21,584,525	(3,578,020)					
15	Other payments	90,300,000	11,200,000	101,500,000	122,826,817	(21,326,817)					
16	Transfer to MOSCA	8,600,000		8,600,000	8,600,000	-					
17	Depreciation Expense				44,410,112	(44,410,112)					
	<b>Total Expenses</b>	<b>452,754,600</b>	<b>-</b>	<b>452,754,600</b>	<b>492,066,644</b>	<b>(39,312,044)</b>					

Surplus/Deficit	-	-	-	(73,138,834)	73,138,834
<b>NOTES TO STATEMENT OF COMPARISON OF BUDGET ON ACTUAL BASIS</b>					
<b>1 Compensation of employees:</b>					
The budget of employee cost was absorbed at 93%. Seven percent (7%) of the budget was not absorbed in the period since the recruitment of three additional employees was done close to the end of the financial period hence their budget was not absorbed in the period.					
<b>2 Revenue(1-11)</b>					
There was an increase in both Gok grants and the internally generated income. The government grants grew by 115% whereas the internally generated income grew by 22% (i.e. Kshs 5, 613,690 from 25,125,021 to 30,673,210) compared to the previous financial year 2015-2016. In general the board's total income grew by 103% from <b>206,094,621</b> in 2015-2016 to <b>418,947,810</b> in 2016-2017. However the Board did not meet its target for A-1-A collection. This is attributed to high target projected by the board.					
<b>3 Goods and services</b> include the following expenses: acquisition of non-current assets, utilities and services; communication supplies and services; newspaper & periodicals subscriptions, training and public sensitizations, hospitality and supplies services; general office supplies, fuel and lubricants; other operating expenses; routine maintenance and bank charges. During the period, some non-current assets were not purchased as planned for due to delays in the procurement process hence the funds have been carried to the subsequent year to implement the projects which were non-current in nature hence, low absorption of funds in the period under review.					
<b>4 Other payments</b> include the following expenses: Local travel and accommodation, Foreign travel and accommodation, Trade shows and exhibitions, Board expenses and regional offices expenses. The variance between the budget and the actual expenditure is as a result of over expenditure from Board of directors expenses which was as a result of constant consolation resulting from classification decisions of film and broadcast content that were being made by management which required adoption by Board of directors before the decision are made public and local travel and accommodation resulting from increased activities in review of the legal frame work and public awareness campaigns.					
<b>5</b> Reconciliation of the statement of comparison of budget on actual basis with the statement of financial performance is as follows:					
Surplus /Deficit from the SCBA	(73,138,834)				
Add Additional Non-current Assets for the Period	101,014,018				
<b>Surplus as per Statement of financial Performance ended 30th June,2017</b>	<b>27,875,184</b>				
*The cost of acquisition of non-current asset is not reported in the statement of financial performance hence the reconciliation.					
*SCBA:Statement of comparison of budget on actual basis					

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Kenya Film Classification Board is established by and derives its authority and accountability from the Films and Stage Plays Act, Cap 222. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is established to regulate the creation, broadcast, distribution, exhibition and possession of film and broadcast content to conform to national values, culture and aspirations.

The principal mandate of the Board is derived from the Films and Stage Plays Act while the Kenya Information and Communications Act further empowers the Board to ensure that content that is of an adult nature is not broadcast during the watershed period (5am- 10pm).

### 2.0 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 Board and all values are rounded to the nearest thousand (Ksh000). 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.

### 2.1 ADOPTION OF NEW AND REVISED STANDARDS

The Board adopted the new and revised standards where they are applicable as follows:

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2017**

Standard	Impact
<b>IPSAS 33: First time adoption of Accrual Basis IPSAS</b>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not</i></p>

Standard	Impact
	<i>apply to the entity.</i>
<p><b>IPSAS 34:</b> Separate Financial Statements</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. <i>The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i></p>
<p><b>IPSAS 35:</b> Consolidated Financial Statements</p>	<p><b>Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> <li>- Its power over the other entity</li> <li>- Its exposure or rights to variable benefits from involvement with the other entity</li> <li>- Its ability to control the nature, timing and amount of benefits from the other entity.</li> </ul> <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. <i>The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i></p>
<p><b>IPSAS 36:</b> Investments in Associates and Joint Ventures</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. <i>The entity does not have investments in associates or joint ventures</i></p>
<p><b>IPSAS 37:</b> Joint Arrangements</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p>

Standard	Impact
	<i>The entity does not have an interest in a joint arrangement and therefore the standard does not apply</i>
<p><b>IPSAS 38:</b> Disclosure of Interests in Other Entities</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. <i>The entity does not have an interests in other entities and therefore the standard does not apply</i></p>

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
<p><b>IPSAS 39:</b> Employee Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>
<p><b>IPSAS 40:</b> Public Sector Combinations</p>	<p><b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p>

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Revenue recognition

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

##### Licensing and Classification fees

The Board recognizes revenues from licensing fees, sale of classification stickers and classification fees when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Board and the fair value of the asset can be measured reliably.

##### Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Board and can be measured reliably.

### b) Budget information – IPSAS 24

The original budget for FY 2016-2017 was approved by the National Assembly on 30<sup>th</sup> April, 2015. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity had no recorded additional budget during the FY 2016-2017.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on **page 46-47** of these financial statements.

**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 Board recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Depreciation is calculated on a straight line basis annually regardless of the date of purchase and carrying amount written –off after the useful life of the assets. The annual depreciation rates are as follows:

Furniture, Fixtures and fittings	12.5%
Plant and Equipment	12.5%
Electronic Data processing equipment	30.0%
Motor Vehicles	25.0%

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Leases**

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

**e) 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.

Amortization of intangible assets for the Board is calculated on a straight line at rates of 20%.

**f) Research and development costs**

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

The technical feasibility of completing the asset so that the asset will be available for use or sale

Its intention to complete and its ability to use or sell the asset

How the asset will generate future economic benefits or service potential

The availability of resources to complete the asset

The ability to measure reliably the expenditure during development

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

#### **g) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Inventory is a composition of Classification stickers/labels which is valued at the lower cost and net realizable value. Inventory was purchased in two folds, the first batch of four million stickers (4) was bought at a cost of Kshs.7.40 and the second batch of two million stickers (2) was bought at a cost of Kshs.8.95. The usage of the inventory is based on FIFO

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

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

#### **h) 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.

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### **Contingent liabilities**

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

**Contingent assets**

The Board does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**i) Nature and purpose of reserves**

The Board creates and maintains accumulated surplus funds in terms of specific requirements. GOK Grants related to development expenditure that acquired property, plant & equipment and other assets are presented in the statement of financial position. To this extent, the accumulated surplus funds finances capital assets every year. GOK Grants for recurrent expenditure are dealt with in the income statement in the period in which it was received.

**j) Changes in accounting policies and estimates – IPSAS 3**

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

**k) Employee benefits – IPSAS 25**

**Retirement benefit plans**

The Board provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Board pays fixed contributions into a separate Board (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.

**l) Foreign currency transactions – IPSAS 4**

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

from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**m) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**n) Financial instruments**

Financial assets and financial liabilities are recognized in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

**Financial Assets**

**Receivables**

Trade receivables are carried at anticipated realised value. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps taken to recover them have failed.

**Impairment of financial assets**

When a receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the receivable is written off against the related provision for receivable impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are included in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

**Financial liabilities**

**Trade payables**

Trade payables are current and are stated at their nominal value.

**o) Comparative figures**

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

**2.3 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY – IPSAS 1**

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 consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur IPSAS 1.140

**Useful lives and residual values**

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

- 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
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**p) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

**q) 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 Board of Directors, the chief executive officer and the senior managers.

The following transactions were carried out with related parties:

	2016/2017	2015/2016
	Kshs.	Kshs.
<b>(i) Key management compensation</b>		
Salaries and other short term employment benefits	57,450,320	41,833,990
<b>(ii) Board remuneration</b>		
Allowances paid to board members	29,933,014	17,567,124
<b>(iii) Grants from related parties</b>		
Grant from GOK	388,254,600	180,969,600

**r) Financial Risk Management Objectives and Policies**

An entity's activity exposes it to a variety of financial risks, including credit risk, liquidity risk and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The authority 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.

The Board provides policies for overall risk management, as well as policies covering specific areas such as liquidity risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

**s) Credit risk management**

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

Credit risk arises from bank balances, trade receivables and amounts due from related parties. The company's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilization of credit limits is regularly monitored.

#### Classification of credit risk bearing assets

The table below represents company's maximum exposure to credit risk as at 30 June 2017 and 2016.

At 30 June 2017				
	Fully performing	Past due	Impaired	Total
Bank balances	40,243,697	-	-	40,243,697
At 30 June 2016				
Bank balances	54,329,125	-	-	54,329,125

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

#### t) Liquidity risk management

Liquidity risk is the risk that the entity will not be able to meet its financial obligations when they fall due. The authority'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 authority's reputation.

The entity ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; 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 investments are funded by accumulated fund or grants from treasury.

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

At 30 June 2017				
	Fully performing	Past due	Impaired	Total
Bank balances	40,243,697	-	-	40,243,697
At 30 June 2016				
Bank balances	54,329,125	-	-	54,329,125
	1-6	6-12	1 – 5	
	months	months	years	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June,2017				
<b>Financial liabilities</b>				
Trade payables	15,862,618	-	-	15,862,618
At 30 June,2016				
<b>Financial liabilities</b>				
Trade payables	6,546,154	-	-	6,546,154

3. Revenues and Grants

3 (a) GoK Grants					
Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2015-2016
	KShs.	KShs	KShs	KShs.	KShs
Ministry of Sports Culture & the Arts/State Department of Arts & Culture	388,254,600	-	-	388,254,600	180,969,600
<b>Total</b>	<b>388,254,600</b>	<b>-</b>	<b>-</b>	<b>388,254,600</b>	<b>180,969,600</b>

The Board receives GOK grants from the National Treasury through the Ministry of Sports, Culture and the Arts. Recurrent GOK grants are used to cater for daily operation and maintenance while the Development GOK grants are used to acquire non-current assets. Hence the Recurrent grants are dealt with in the statement of performance whereas the Development grants are dealt with in the statement of financial position. Where the development expenditure is not related to acquisition of non-current assets, the expenses is dealt with in the statement of performance.

3.(b) Licensing and classification fees

	2016/2017	2015/2016
	Kshs.	Kshs.
Licensing	16,809,000.00	15,320,500.00
Classification Stickers/labels	5,379,500.00	4,707,020.00
Sale Of Tenders	20,000.00	25,000.00
Classification fees	2,897,010.00	2,602,879.00
Filming Fees & Extensions	2,661,100.00	1,194,000.00
Film Agent Fees & Registration	1,296,000.00	836,000.00
Licensing-Feature films,Doc& series etc.	1,565,600.00	361,000.00
<b>Total</b>	<b>30,628,210</b>	<b>25,046,399</b>

The Board receives licensing fees from cinema theatres, video shows/vendors, video libraries; sale of classification stickers, classification fees, Filming fees and registration, film agency fees, and licensing of features, short films and documentaries.as per the Films and Stage plays Act Cap 222, Second schedule.

**3 ( c ) Other revenue**

	2016/2017	2015/2016
	Kshs.	Kshs.
Sale of Boarded Items	17,000	33,521.00
Miscellaneous	28,000	45,101
	<b>45,000</b>	<b>78,622</b>
<b>Total Revenue(a+b+c)</b>	<b>418,927,810</b>	<b>206,094,621</b>

**4 (a) Employee costs**

	2016/2017	2015/2016
	Kshs.	Kshs.
Basic salaries	20,931,473	15,497,361
House Allowance	13,874,428	10,508,424
Medical allowance	-	-
Entertainment Allowance	-	-
Domestic Allowance	-	-
Commuter Allowance	3,191,206	2,315,352
Extraneous Duty Allowance	1,280,000	3,845,000
Leave Allowance	1,062,674	82,000
Staff Medical Allowance	1,184,797	2,233,249
Acting Allowance	5,384,975	-
Special Duty Allowance	-	-
Employer contribution-Pension	1,262,695	879,216
NSSF Employer Contribution	59,800	46,000
Staff Personal Accident Insurance	140,041	170,082
Transfer Allowance	362,500	-
Responsibility Allowance	180,000	306,500
Non-Practising Allowance	182,150	180,000
Casual Employees cost	488,316	183,686
Internship Programme	675,000	-
<b>Employee costs</b>	<b>50,260,055</b>	<b>36,246,870</b>

**4 (b) Employee costs-CEO**

	2016/2017	2015/2016
	Kshs.	Kshs.
Basic salaries	4,080,000	3,284,720
House Allowance	960,000	880,000
Entertainment Allowance	1,200,000	660,000
Domestic Allowance	-	62,400
Leave Allowance	229,995	60,000
Extraneous Duty Allowance	720,000	640,000
<b>Total CEO's Remuneration</b>	<b>7,189,995</b>	<b>5,587,120</b>
<b>Total Employee Costs</b>	<b>57,450,050</b>	<b>41,833,990</b>

Employee cost during the financial year 2016-2017 increased by 27% compared to the FY 2015-2016. This is a result of the Board recruiting new employees and the increase in the staff medical cover insurance which was more than double.

**5.Board Expenses**

	2016/2017	2015/2016
	Kshs.	Kshs.
Board Members Allowance	24,603,710	14,292,223
Film Examiners Allowances	1,804,500	1,288,500
Conferences, Committees and Seminars	381,000	-
Board Members Insurance	798,204	521,401
Honoraria to chairman	1,010,000	985,000
Board Trainings	1,335,600	480,000
<b>Total Board Expenses</b>	<b>29,933,014</b>	<b>17,567,124</b>

**6. Depreciation and amortization expense**

	2016/2017	2015/2016
	Kshs.	Kshs.
Property, plant and equipment	33,428,861.00	23,359,032
Intangible assets	10,981,251.00	6,162,714
<b>Total depreciation and amortization</b>	<b>44,410,112.00</b>	<b>29,521,746</b>

**7. Repairs and maintenance**

	2016/2017	2015/2016
	Kshs.	Kshs.
Property & Equipment	941,208	-
Motor Vehicles	3,161,671	1,223,713
Minor Alterations to Building	936,400	263,700
Computer Softwares and Networks	1,466,200	-
Insurance of Vehicle & plant Equipment	3,027,040	909,720
ICT Infrastructure & development	5,531,690	5,553,040
<b>Total repairs and maintenance</b>	<b>15,064,209</b>	<b>7,950,173</b>

**8. Transfers to Ministry**

	2016/2017	2015/2016
	Kshs.	Kshs.
Transfer to MOSCA	8,600,000	5,000,000
<b>Total to MOSCA</b>	<b>8,600,000</b>	<b>5,000,000</b>

**9. General expenses**

The following are included in administrative/general expenses:

	2016/2017	2015/2016
	Kshs.	Kshs.
Utilities Supplies & Services	2,979,542	942,317
Com Supplies & Services	3,655,075	3,354,211
Local Travelling Accommodation	47,813,702	12,424,891
Foreign Travel	21,362,932	379,306
Newspaper and Periodical Subscription	577,189	128,730
Printing Expenses	10,382,840	3,799,649
Advertising	19,694,733	50,000
Trade Shows and Exhibition	11,555,360	-
Cleaning Services	673,106	496,866
Rents and Rates	21,584,525	11,426,012
Training & Sensitization Prog.Costs	37,761,643	15,368,519
Bank Charges	352,813	197,233
County Offices Expense	12,161,809	5,983,700
Hospitality supplies and services	17,696,186	5,244,222
Audit Fees	201,840	229,680
Office & Gen Supplies	14,501,105	5,024,081
Fuel Oil & Lubricants	3,849,999	1,630,945
Other Provisions	-	-
Other Operating Expenses	8,790,842	8,239,506
<b>Total General expenses</b>	<b>235,595,241</b>	<b>74,919,868</b>

10.Cash and Cash Equivalents	2016/2017	2015/2016
	Kshs.	Kshs.
Bank	37,442,088	50,690,694
Cash-on-hand and in-transit	2,800,799	3,638,431
<b>Total cash and cash equivalents</b>	<b>40,242,887</b>	<b>54,329,125</b>

**BANK ACCOUNT LIST REPORT**

No Bank Account	Name	Bank Account No	Bank Balance
BNK0001	Cash In Hand	30/06/2017	2,799,604
BNK0002	Petty Cash	30/06/2017	0
BNK0003	Co-Operative Bank	01141198827700	5,010,522
BNK0004	Co-Operative Bank	01141198827701	32,427,570
BNK0005	KFCB MOMBASA	01141198827702	836
BNK0006	KFCB GARISSA	01141376392400	310
BNK0007	KFCB EMBU	01141198827704	25
BNK0008	KFCB ELDORET	01141198827705	1,350
BNK0009	KFCB KISUMU	01141198827706	200
BNK0010	KFCB NYERI	01141198827707	0
BNK0011	KFCB KAKAMEGA	01141198827708	1,150
BNK0012	KFCB NAKURU	01141198827709	125
BNK0013	Cash in Hand-Mombasa	30/06/2017	0
BNK0014	Cash In Hand-Garissa	30/06/2017	0
BNK0015	Cash in Hand-Embu	30/06/2017	195
BNK0016	Cash In hand-Eldoret	30/06/2017	0
BNK0017	Cash In Hand-Kisumu	30/06/2017	0
BNK0018	Cash In Hand-Nyeri	30/06/2017	1,000
BNK0019	Cash In Hand-Kakamega	30/06/2017	0
BNK0020	Cash In Hand-Nakuru	30/06/2017	0
BNK0021	KFCB ISIOLO		0
BNK0022	Cash In Hand-Isiolo	30/06/2017	0
	<b>Cash</b>		<b>2,800,799</b>
	<b>Bank</b>		<b>37,442,088</b>
	<b>Total Cash and Bank Balances</b>		<b>40,242,887</b>
<i>Banker's</i>	<i>Co-operative Bank LTD</i>		

	2016/2017	2015/2016
	Kshs.	Kshs.
<b>11.Receivable from Exchange Transactions</b>		
	2016/2017	2015/2016
	Kshs.	Kshs.
Salary advances	154,010	329,024.00
Staff Imprests	1,049,600	2,219,776
<b>Total Receivable from Exchange Transactions</b>	<b>1,203,610</b>	<b>2,548,800</b>
<b>12.Inventories</b>		
	2016/2017	2015/2016
	Kshs.	Kshs.
Classification Stickers	32,807,737	36,788,567
<b>Total Inventories</b>	<b>32,807,737</b>	<b>36,788,567</b>

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**13. Property, plant and equipment**

Cost	Motor Vehicle	Plant and	Data Processing	Furniture,	Total
	Kshs	Equipment Kshs	Equipment Kshs	Fixtures & Fittings Kshs	Kshs
At 1 July 2015	20,766,800	53,412,678	34,204,588	45,594,120	153,978,186
Additions	8,850,000	1,993,665	798,032	4,439,163	16,080,860
<b>At 30 June 2016</b>	<b>29,616,800</b>	<b>55,406,343</b>	<b>35,002,620</b>	<b>50,033,283</b>	<b>170,059,046</b>
Additions	34,611,580	21,918,160	7,032,320	3,519,270	67,081,330
<b>At 30 June 2017</b>	<b>64,228,380</b>	<b>77,324,503</b>	<b>42,034,940</b>	<b>53,552,553</b>	<b>237,140,376</b>
<b>Depreciation and impairment</b>					
At 1 July 2015	(12,654,400)	(28,702,893)	(29,902,659)	(15,837,558)	(87,097,510)
Depreciation	(7,404,200)	(6,925,792)	(2,774,880)	(6,254,160)	(23,359,032)
<b>At 30 June 2016</b>	<b>(20,058,600)</b>	<b>(35,628,685)</b>	<b>(32,677,539)</b>	<b>(22,091,718)</b>	<b>(110,456,542)</b>
Depreciation	(13,786,091)	(9,180,594)	(3,808,477)	(6,653,699)	(33,428,861)
<b>At 30 June 2017</b>	<b>(33,844,691)</b>	<b>(44,809,279)</b>	<b>(36,486,016)</b>	<b>(28,745,417)</b>	<b>(143,885,403)</b>
<b>Net book values</b>					
At 30 June 2017	30,383,689	32,515,224	5,548,924	24,807,136	93,254,973
<b>At 30 June 2016</b>	<b>9,558,200</b>	<b>19,777,658</b>	<b>2,325,081</b>	<b>27,941,565</b>	<b>59,602,504</b>

As at 30 June, 2017 *Property Plant And Equipment- Data Processing* equipment had a cost of Kshs.35, 002,620 out of which Kshs. 25,753,018 (2015/16) were fully depreciated and the remaining assets with a cost Kshs.5,380,570 had a remaining depreciation of Kshs.538,071.53 that was charged in 2016/2017 hence being fully depreciated. Consequently there remaining value of data processing equipment from FY 2015-2016 with a cost of Kshs.3, 869,032 had a depreciation of Kshs. 1,160,709.60. *Furniture and Fittings* with a cost of Kshs50,033, 283 out of which Kshs. 476,580 had a remaining depreciation of Kshs.16, 927 that was charged in

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2016/2017 hence being fully depreciated. Consequently there remaining value of data furniture fixtures and fittings from FY 2015-2016 with a cost of Kshs.49, 556,703 had a depreciation of Kshs. 6,194,588

*Plant and equipment* with a cost of Kshs7, 719,969 had a remaining depreciation of Kshs.480, 027 that was charged in 2016/2017 hence being fully depreciated. Consequently there remaining value of *Plant and equipment* from FY 2015-2016 with a cost of Kshs.47, 686,374 had a depreciation of Kshs. 5, 960,797.

*Motor Vehicles* with a cost of Kshs.9, 084,000(2015/16) were fully depreciated. Consequently Motor vehicle with a cost Kshs.20, 532,800(2016/2017) had a depreciation charge of Kshs.5, 133,200.

## 14. Intangible assets - software

Cost	Kshs.
At 1 July 2015	30,813,569
Additions	-
At 30 June 2016	30,813,569
Additions - internal development	33,932,688
At 30 June 2017	64,746,257
Amortization and impairment	
At 1 July 2015	(18,526,184)
Amortization	(6,162,714)
At 30 June 2016	(24,688,898)
Amortization	(10,981,251)
Impairment loss	-
At 30 June 2016	(35,670,149)
Net book values	
At 30 June 2017	29,076,108
At 30 June 2016	6,124,671

As at 30 June 2017, intangible assets with a cost of Kshs. 9, 840,000(2015/16) was fully depreciated. In addition, intangible assets with a cost of Kshs. 15,149,423 had a remaining depreciation charge for FY 2016-2017 of Kshs. 3,029,884. Consequently assets with a cost of 5,824,146(2015/16) has a depreciation charge for 2016/2017 of Kshs. 1,164,829.

15. Trade and other payables from exchange transactions

	2016/2017	2015/2016
	Kshs.	Kshs.
Trade payables		
Provision of Audit Fees & other provisions	15,059,771	5,773,646
Employee obligations	403,680	403,680
	399,167	368,829
<b>Total trade and other payables</b>	<b>15,862,618</b>	<b>6,546,155</b>

Provision for Audit fees of Kshs.403, 680 shows the provision of audit fees liabilities for FY 2015/16 and 2016/17. The statement of financial performance shows the charge of Kshs.203, 840 being the charge for FY 2016/2017.

Trade payables comprises of outstanding amounts not paid to suppliers of goods and services as at 30 June, 2017

Employee obligation comprises of outstanding dues to employees



## PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

### 1. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT

KFCB/SYSTEMS/VOL.I/2013/2014 (2)

#### a) Issue / Observations from Auditor

##### **Unsupported rent payments**

The Kenya Film Classification Board (KFCB) paid rent totaling Kshs 11,513,324.00 to three (3) landlords for the year ended 30 June 2014. However lease agreements have not been fully signed between the landlords and the board.

Under the circumstances, the validity, legality and accuracy of the rental payments could not be ascertained as at 30 June 2014.

#### b) Management comments

The lease between KFCB and Mohamed Said Karama is in the initial stages of drafting

#### c) Focal Point person to resolve the issue (*Name and designation*)

LoiceShalakha

**Legal Officer**

**Status : ( Resolved / Not Resolved)**

Not Resolved

### 2. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT

KFCB/SYSTEMS/VOL.I/2013/2014 (2)

#### a) Issue / Observations from Auditor

##### **Board allowances**

I draw attention to the following matters:

The Films and Stage Plays Act, 1998 revised 2012, requires that the quorum of meetings of the Board shall be five members. However, all Board meetings held from 24 September 2013 to 30 June 2014 had either three (3) or four (4) members contrary to the requirements of the Act.

Consequently, the legality of the Board meetings, resolutions and allowances paid totaling to Kshs 3,888,900.00 could not be confirmed as at 30 June 2014.



**b) Management comments**

The contract period of the Board of Directors expired on 25th July, 2013 therefore all of the Directors retired with an exception of one. The Board sought authority from the Principal Secretary, Ministry of Sports, Culture and the Arts to nominate an alternate member to represent him and allow the Board to sit and deliberate on crucial matters with the present members.

**c) Focal Point person to resolve the issue (Name and designation)**

Ezekiel Mutua, MBS

**Chief Executive Officer**

**d) Status :( Resolved / Not Resolved)**

**Not Resolved**

**3. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT**

Audit Financial Statements for the year ended 30 June 2015

**a) Issue / Observations from Auditor**

Budget & Budgetary Control

Revenue

There was a shortfall in the revenue by Kshs. 1,373,894 which mainly occurred in government grants where the Board had budgeted for Kshs. 87,654,600 but received Kshs. 78, 967,767.00 resulting in shortfall of Kshs. 8, 686,833.00 or 9.91% which was also a reduction of 55.41% from Kshs. 177,116,488 in 2013/2014. The shortfall was attributed to non-allocation of development funds during the financial year under review.

**b) Management comments**

The board received grants totalling Kshs 78,967,767.00 from the Ministry of Sports Culture and the Arts and this decrease was occasioned by two factors;

1. Non Allocation of development funds
2. Non receipt of all the recurrent funds from the Ministry

However the Ag. Chief Executive Officer on 29<sup>th</sup> May, 2015 wrote to the Principal Secretary, Ministry of Sports Culture and the Arts vide letter Ref: KFCB/HQS/RD/51(99) requesting for the balance of Kshs. 8,686,833.00 to enable the Board meet its obligations for the financial Year 2014/2015. However no response has been received by the Board to this effect.

**c) Focal Point person to resolve the issue (Name and designation)**

Ezekiel Mutua, MBS

**Chief Executive Officer**

**d) Status :( Resolved / Not Resolved)**

**Not Resolved**



**4. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT**

Audit Financial Statements for the year ended 30 June 2015

**a) Issue / Observations from Auditor**

**Over Expenditure**

A comparison between the approved Budget and the Actual expenditure reflected in the statement of financial performance revealed that the Board spent in excess of the voted provision. The Board had budgeted to spend Kshs. 52,772,769 on Goods and Services but spent Kshs. 64,342,378 resulting in an over expenditure of Kshs. 11,569,609 or by 21.92%. Likewise, the Board has budgeted to spend Kshs. 22,035,000 on other payments but spent Kshs. 34,369,752.00 resulting to over expenditure of Kshs. 12,334,752 or by 55.98%.

The draft report of the Auditor General for the financial statements also indicates that the amount of Kshs. 34,369,752 highlighted as other payments was not analysed or supported by any verifiable documents. Under the circumstances, the propriety of the Kshs. 34,369,752.00 expenditure could not be confirmed.

**b) Management comments**

There were over-expenditure on goods and services and likewise on other payments as reported. However, this was occasioned by the fact that during the year, the board anticipated to absorb civil servants from the Ministry of Sports, culture and the Arts and therefore the budgets allocated for the personnel emoluments. However this did not take place since the Board of Directors were inaugurated in the financial year under review and in this respect formed a Human Resource Committee which was tasked with the responsibility of ensuring that the process was undertaken within the government laws and regulations. As a result the amount of Kshs. 51,555,569 which was budgeted for only Kshs.23, 209,957 was required and the rest, Kshs.28, 345,611 was available to be spent on the above mentioned votes.

This amount of Kshs. 34,369,752.00 as indicated in the draft report of the Auditor General on the Financial Statements for the Year ended 30 June, 2015 is composed of various votes

**c) Focal Point person to resolve the issue (Name and designation)**

Ezekiel Mutua, MBS

**Chief Executive Officer**

**d) Status :( Resolved / Not Resolved)**

Not Resolved

**5. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT**

Audit Financial Statements for the year ended 30 June 2015

**a) Issue / Observations from Auditor**

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 1,113,696.00 as at 30 June 2015. The figure represents salary advances and outstanding staff Imprests balances of Kshs. 211,920.00 and Kshs. 901,776.00 respectively. Included in the outstanding Imprests balance of Kshs. 901,776.00 was Kshs. 45,520 held by a former director. In view of the foregoing, it has not been possible to confirm the recoverability of the outstanding Imprest held by the former director as at 30 June 2015.

**b) Management comments**

The Statement of financial position reflects a decrease of about 100% as compared with the previous financial year in receivables from exchange transactions. This decrease is attributed to the surrender of Imprests and recovery of salary advances to members of staff.

The draft report of the Auditor General on the Financial Statements for the Year ended 30 June, 2015 also shows that the receivables from exchange transactions include an amount of Kshs. 901,776.00 in respect of staff Imprests. The report further states that an amount of Kshs. 45,520.70 included in the staff Imprests is brought forward from the previous period 2013/2014. This amount is outstanding travel imprest (transport) issued to a Director who exited the Board in the last financial year and is yet to be reached to provide receipts for the travel.

The report also states that an amount of Kshs 482,500.00 categorized as staff advances to eight (8) members of staff has been irregularly included in the Kshs. 901,776.00 outstanding Imprests. This is not true. This is because the Board has classified the imprest system into five categories as follows:

- a. Staff imprest(represented as "Staff Imp")-Travel imprest
- b. Other imprest which is a temporary imprest(represented as "OSimp")
- c. Staff Advance (represented as "staff adv.")-which represents standing imprest ;
- d. Board of directors travel imprest (represented as "BD\_IMP"); and
- e. Salary advance (represented as "Sal Adv.") which represents the salary advance issued to members of staff.

Therefore the amount of Kshs.482,500 is correctly reported as debtors for the Board due to the classification system adopted by the Board. It should be noted that the abbreviation STAFF ADV means staff advance and is a standing Imprest.

**c) Focal Point person to resolve the issue (Name and designation)**

Ezekiel Mutua, MBS

**Chief Executive Officer**

**d) Status :( Resolved / Not Resolved)**

**Resolved**

**GUIDANCE NOTES:**


- i. Use the same reference numbers as contained in the external audit report.

KFCB ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017

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



Chief Executive Officer



Chairman of the Board

Date 23/01/2018

Date 23/01/2018



**Appendix I: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, i.e total costs incurred, stage which the project is etc.)*

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources
1 Expansion of The Broadcast Monitoring System	14,240,000	14,240,000	100%	15,000,000	14,240,000	GOK GRANT S
2 Development of a Film and Broadcast Content Classification Software	4,986,567	4,986,567	100%	5,000,000	4,986,567	GOK GRANT S
3 Development of an Online Licensing System	11,853,469	2,370,694	20%	14,000,000	2,370,694	GOK GRANT S
4 Acquisition and Refurbishment of a Cinema Theatre	234,700,000	35,562,570	15%	50,000,000	35,562,570	GOK GRANT S
<b>Total</b>	<b>265,780,036</b>	<b>57,159,831</b>		<b>84,000,000</b>	<b>57,159,831</b>	



Appendix 2: INTER-ENTITY TRANSFERS

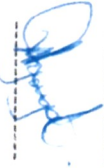
ENTITY NAME:	KENYA FILM CLASSIFICATION BOARD		
<b>Break down of Transfers from the State Department of Arts and Culture</b>			
<b>FY 16/17</b>			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	26/07/2016	84,563,650	FY 2016/2017
	07/11/2016	84,563,650	FY 2016/2017
	03/02/2017	84,563,650	FY 2016/2017
	07/04/2017	84,563,650	FY 2016/2017
	<b>Total</b>	<b>338,254,600</b>	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	07/11/2016	25,000,000	FY 2016/2017
	13/02/2017	12,500,000	FY 2016/2017
	07/04/2017	12,500,000	FY 2016/2017
	<b>Total</b>	<b>50,000,000</b>	
	<b>Total</b>	<b>388,254,600</b>	

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

Finance Manager

Kenya Film Classification Board

Sign



Head of Accounting Unit

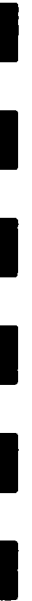
State Department of Arts and Culture

Sign-----



Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized						Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific			
Ministry of Sports Culture & the Arts/State Department of Arts & Culture	26/07/2016	Recurrent	84,563,650	84,563,650	-	-	-	-	-	-	84,563,650
Ministry of Sports Culture & the Arts/State Department of Arts & Culture	07/11/2016	Development	25,000,000	25,000,000	-	-	-	-	-	-	25,000,000
Ministry of Sports Culture & the Arts/State Department of Arts & Culture	07/11/2016	Recurrent	84,563,650	84,563,650	-	-	-	-	-	-	84,563,650
Ministry of Sports Culture & the Arts/State Department of Arts & Culture	03/02/2017	Recurrent	84,563,650	84,563,650	-	-	-	-	-	-	84,563,650
Ministry of Sports Culture & the Arts/State Department of Arts & Culture	13/02/2017	Development	12,500,000	12,500,000	-	-	-	-	-	-	12,500,000



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Ministry of Sports Culture & the Arts/State Department of Arts & Culture	07/04/2017	Recurrent	84,563,650	84,563,650	-	-	-	-	84,563,650
Ministry of Sports Culture & the Arts/State Department of Arts & Culture	07/04/2017	Development	12,500,000	12,500,000	-	-	-	-	12,500,000
Ministry of Sports Culture & the Arts/State Department of Arts & Culture	10/07/2017	Recurrent	40,000,000	-	-	40,000,000	-	-	40,000,000
<b>Total</b>			<b>428,254,600</b>	<b>388,254,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>428,254,600</b>

