

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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**REPORT OF
THE
AUDITOR-GENERAL**



ON

**THE FINANCIAL STATEMENTS OF MEDIA
COUNCIL OF KENYA FOR THE YEAR
ENDED 30 JUNE 2013**



KENYA NATIONAL AUDIT OFFICE
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**MEDIA COUNCIL OF KENYA
AMENDED REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

**MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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CORPORATE INFORMATION

The Media Council of Kenya was registered and operates as a corporate body under the Media Act (Cap 411B) on 1st October, 2007.

Council Members

Mr. Peter Wakoli	Chairman and representing the Kenya Institute of Mass Communication
Ms. Sarah Nkatha	Vice-Chairperson and representing the Kenya Union of Journalists
Mr. Linus Gitahi	Representing the Media Owners Association
Mr. Ezekiel Mutua	Representing the Kenya News Agency
Dr. Muiru Ngugi	Representing Public Universities
Dr Rosemary Nyaole-Kowuor	Representing Private Universities
Mrs. Nelly Matheka	Representing the Media Owners Association
Mr. Eric Orina	Representing the Kenya Union of Journalists
Mr. Kiprono Kittony	Representing the Media Owners Association
Ms. Grace Munjuri	Representing the Public Relations Society of Kenya
Ms Mercy Ochieng Kodada	Representing the Kenya Correspondents Association

Secretariat

Mr. Haron Mwangi- Chief Executive Officer

Bankers

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
P.O. Box 30001 - 00100
Nairobi

Auditors

Auditor-General
Anniversary Towers
P.O. Box 30084-00100
Nairobi

Registered Office and Principal Place of Business

Britam Centre, Ground Floor
Mara/Ragati Road Junction
Upper Hill
P.O. Box 43132 - 00100
Nairobi

**MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

REPORT OF THE COUNCIL

The Council members have the pleasure in presenting their report together with the audited financial statements of the Council for the year ended 30 June 2013.

PRINCIPAL ACTIVITY

The Council is a non profit and non political media organization that provides self regulation for the media industry and education to public, government and media practitioners. It also carries out research on media practice in the country.

OPERATING RESULTS

The results for the year are shown on page 6.

COUNCIL MEMBERS

The Council members who held office during the year and to the date of this report are shown on page 1.

AUDITORS

The Auditor-General is responsible for the statutory audit of the Council's books of account by virtue of Kenya Government funding of the Council activities.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved for issue at a meeting of the Council held on 16/1/2014 2014

BY ORDER OF THE COUNCIL

SECRETARY



DATE 16/01/2014 2014.

**MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

The Council members have committed themselves to the service of the Council and to uphold the tenets of good corporate governance by being responsible, transparent, accountable, efficient, effective, persons of integrity and exercise fairness in all their dealings.

The Council

The Council consists of thirteen non-executive Council members and a Chief Executive Officer.

The thirteen members are appointed by the Media Owners Association, Kenya Union of Journalists, Law Society of Kenya, Editor's Guild of Kenya, and Schools of Journalism of recognized universities, Kenya Correspondents Association, Public Relations Society of Kenya, Kenya Institute of Mass Communication and the Kenya News Agency as stipulated in the Media Act 2007.

The Council members possess a broad range of skills, qualifications and experiences required to direct the affairs of the Council.

Council Responsibilities

The independence of the Council's board from its corporate management is ensured by the separation of the functions of the Chairman and the Chief Executive Officer and a clear definition of their responsibilities. This helps in achieving an appropriate balance of power, increased accountability and improved capacity for decision making, independent of the management.

The Council is accountable to the stakeholders and retains ultimate responsibility for the Council's performance.

It takes on the primary responsibility of determining the Council's vision, mission, and values; deciding its strategic objectives and key elements of the governance processes underpinning the operation of the Council. The Council members retain full and effective control over the Council by monitoring the management in its implementation of Council plans and strategies, review of management accounts, and major capital expenditure.

The Council exercises diligence in carrying out its role, with emphasis on strategic issues and policy matters. On a quarterly basis, Council evaluates an operational report from the Chief Executive Officer which includes management accounts for the past quarter, reports from each Council committee; specific proposals for capital expenditure and acquisitions; as well as strategic opportunities for the Council.

Council Committees

The Council committees facilitate decision-making to assist the Council in the execution of its duties, powers and authority. However, delegation of authority to the committees does not in any way mitigate the discharge by the Council of its duties and responsibilities.

The Council has set up four Committees which draw its membership from the Council members. The four include:

- Finance and Administration Committee
- Training and Accreditation Committee
- Ethics and Public Information Committee
- Audit Committee

**MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

The Media Act 2007 requires the Council to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Council as at the end of the financial year and of the operating results of the Council for that year. It also requires the Council members to ensure the Council keeps proper accounting records that disclose with reasonable accuracy, the financial position of the Council. They are also responsible for safeguarding the assets of the Council.

The Council members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards. The Council Members are of the opinion that the Financial Statements give a true and fair view of the state of financial affairs of the Council and of its operating results.

The Council members further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as an adequate system of internal control.

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

Approved by the Council members on.....16/11/.....2014 and signed on its behalf by:

.....
Mr. Haron Mwangi
Chief Executive Officer and Secretary to the Council

.....
Mr. Peter Wakoli
Chairman, Media Council of Kenya

REPUBLIC OF KENYA

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON MEDIA COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Media Council of Kenya set out on pages 6 to 14, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain

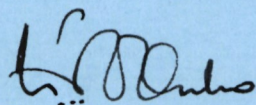
reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Media Act, Cap 411B of 2007.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 January 2014

MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

Income	Notes	2013 Kshs	2012 Kshs
Government recurrent grant	2	68,376,731	46,000,000
Subscriptions	3	6,338,100	2,026,000
Project funds	4	43,544,042	15,389,847
Accreditation fees	5	4,662,700	1,516,000
		<u>122,921,573</u>	<u>64,931,847</u>
Expenditure			
Operating costs	6	62,519,807	22,029,045
Administrative costs	7	75,853,140	37,251,474
Establishment Cost	8	21,507,350	9,553,030
		<u>159,880,296</u>	<u>68,833,550</u>
(Deficit) /surplus of income over expenditure		<u><u>(36,958,724)</u></u>	<u><u>(3,901,703)</u></u>

**MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

	Notes	2013 Kshs	2012 Kshs
NON-CURRENT ASSETS			
Property, Plant and Equipment	9	<u>50,314,096</u>	<u>21,830,790</u>
CURRENT ASSETS			
Trade & Other Receivables	10	5,029,847	3,421,219
Cash and Cash Equivalents	11	<u>25,021,236</u>	<u>96,303,846</u>
		30,051,083	99,725,065
TOTAL ASSETS		<u>80,365,178</u>	<u>121,555,855</u>
FINANCED BY OWNERS FUNDS			
Fund Balance	12	<u>45,631,890</u>	<u>82,590,614</u>
CURRENT LIABILITIES			
Trade & Other Payables	13	<u>10,733,287</u>	<u>8,965,240</u>
NON-CURRENT LIABILITIES			
Deferred income	14	<u>24,000,000</u>	<u>30,000,000</u>
TOTAL FUND AND LIABILITIES		<u>80,365,178</u>	<u>121,555,855</u>

The Financial Statements on pages 6 to 14 were approved for issue by the Council on
16/1/2014 and were signed on its behalf by:

CHAIRMAN  DATE 16/01/2014

SECRETARY  DATE 16/01/2014

**MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2013**

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	Fund Balance	Deferred Income	Total
	Kshs	Kshs	Kshs
Year ended 30 June 2012			
At 1 July 2011	86,492,317	-	86,492,317
Deficit for the Year	(3,901,703)	-	(3,901,703)
Deferred Income	-	30,000,000	30,000,000
At 30 June 2012	82,590,614	30,000,000	112,590,614
Year ended 30 June 2013			
At 1 July 2012	82,590,614	30,000,000	112,590,614
Deficit for the Year	(36,958,724)	-	(36,958,724)
Amortised during the year	-	(6,000,000)	(6,000,000)
At 30 June 2013	45,631,890	24,000,000	69,631,890

MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	2013 Kshs	2012 Kshs
Deficit for the year	(36,958,724)	(3,901,703)
Adjustments for:		
Depreciation	9 11,378,886	4,646,845
Operating surplus / (deficit) before working capital changes	<u>(25,579,838)</u>	<u>745,142</u>
Changes in working capital		
Increase in receivables and prepayments	(1,608,628)	(1,363,613)
Increase in payables and accruals	1,768,048	4,273,278
Cash used in operations	<u>(25,420,417)</u>	<u>3,654,807</u>
Cashflow from investing activities		
Purchase of property, plant and equipment	9 (39,862,192)	(21,218,621)
Deffered Income	(6,000,000)	30,000,000
Net cash used in investing activities	<u>(45,862,192)</u>	<u>8,781,379</u>
Net increase in cash and cash equivalents	<u>(71,282,609)</u>	<u>12,436,186</u>
Movement in cash and cash equivalents		
At the start of the year	11 96,303,848	83,867,662
Increase	(71,282,611)	12,436,184
At the end of the year	11 <u>25,021,236</u>	<u>96,303,848</u>
Represented by:		
Bank balance	11 25,012,997	96,296,297
Cash balance	11 8,240	7,551
	<u>25,021,236</u>	<u>96,303,848</u>

No NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies are set out below:

(a) Basis of accounting

The Financial Statements have been prepared in compliance with International Financial Reporting Standards. The Financial Statements are prepared under Historical Cost Convention.

(b) Revenue recognition

Subscriptions and donations are recognized when received.

Government grants

Grants are recognised when they are received. Grants for the recurrent expenditures are recognised as income through the statement of comprehensive income over the period so as to be matched against related costs incurred during the year.

Grants for capital expenditure (development grant) are recognised as deferred income under capital approach through statement of financial position per IAS 20.

(c) Depreciation

Property, plant and equipment are depreciated over their estimated useful life, using reducing balance method, using the following annual rates:

Furniture, fixtures and equipment	12.5%
Computers	30%
Motor Vehicle	25%
Media Monitoring System	20%

(d) Leases

Rentals payable under operating leases are charged to income as they accrue over the term of lease.

(e) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation are recognized in the statement of comprehensive income

(f) Receivables

Subscriptions receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTES TO THE FINANCIAL STATEMENTS Contd.

	2013	2012
	Kshs	Kshs
2 Government grants		
Government recurrent grant	62,376,731	46,000,000
Government Development Grant(note 14)	6,000,000	-
	<u>68,376,731</u>	<u>46,000,000</u>

During the year the Government grant the council at total of Kshs 62,376,731 (2012: Kshs 46,000,000) for recurrent expenditures. The grant has been recognised as income in the statement of comprehensive income per IAS 20.

3 Subscriptions

The Media Act 2007 empowers the Council by notice in the Kenya Gazette to impose a levy in respect of all media enterprises operating in Kenya.

	2013	2012
	Kshs	Kshs
4 Project funds		
Ford Foundation	10,874,396	4,199,699
UNDP	3,789,940	1,820,000
UNESCO	1,589,225	687,140
Friedrick Ebert Foundation	46,750	27,000
Africa Adaptation project	-	30,000
Canadian High Commission	230,000	-
Plan International	3,040,000	-
GIZ	3,018,099	5,749,008
Rent income	-	20,000
Kenya Media Program	12,525,000	-
International Media Support	6,696,132	-
Other income*	1,734,500	2,857,000
	<u>43,544,042</u>	<u>15,389,847</u>

* Other income includes sale of tenders Kshs 234,500 (2012:Kshs 567,000)

5 Accreditation Fees

The Media Act 2007 empowers the Council by notice in the Kenya Gazette to impose an annual registration fee in respect of all journalists whose names appear in the Council.

**MEDIA COUNCIL OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTES TO THE FINANCIAL STATEMENTS Contd.

	2013	2012
	Kshs	Kshs
6 Operating costs		
Travel and entertainment	7,350,053	1,894,416
Postage and courier	297,592	-
Communication telephone/ email	1,155,004	2,459,021
Office expenses	1,434,694	725,944
Bank charges	205,102	160,918
Printing and stationery	4,053,590	2,816,121
Accomodation and conferencing	23,827,558	7,115,584
Publicity and advertisements	23,199,455	6,307,789
Motor vehicles expenses	996,759	549,253
	<u>62,519,807</u>	<u>22,029,045</u>
7 Administrative Cost		
Audit fees (inclusive of VAT)	422,400	320,000
Accountancy fees	120,000	80,000
Salaries and wages	27,240,612	18,384,821
Staff medical cover	4,211,547	1,081,303
Staff allowance	-	565,896
Staff welfare	648,443	-
Staff training	1,527,262	123,980
Casual wages	175,950	290,429
Board / Council expenses	22,733,886	10,096,697
Legal Fees	536,347	141,520
Subscriptions	251,040	-
Consultancy(projects)	17,985,652	6,166,828
	<u>75,853,140</u>	<u>37,251,474</u>
8 Establishment Cost		
Security	-	21,500
Repairs and maintenance	1,101,009	578,289
Electricity	-	84,018
Water	-	12,701
Insurance	190,989	-
Rent	8,836,466	4,209,678
Depreciation expense	11,378,886	4,646,845
	<u>21,507,350</u>	<u>9,553,030</u>

9 Property, Plant and Equipment

Period ended 30 June 2013:	Motor Vehicle	Computers	Office furniture & equipment	Office Partitioning	Media Monitoring System	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As 1 July 2012	7,563,055	4,201,442	9,107,556	8,277,706	-	29,149,758
Acquisitions	-	1,948,141	770,286	5,818,789	31,324,976	39,862,192
At 30 June 2013	<u>7,563,055</u>	<u>6,149,583</u>	<u>9,877,842</u>	<u>14,096,495</u>	<u>31,324,976</u>	<u>69,011,950</u>
Depreciation						
As 1 July 2012	2,646,933	2,130,297	1,507,026	1,034,713	-	7,318,969
Charge for the period	1,229,031	1,205,786	1,046,352	1,632,723	6,264,995	11,378,886
At 30 June 2013	<u>3,875,963</u>	<u>3,336,083</u>	<u>2,553,378</u>	<u>2,667,436</u>	<u>6,264,995</u>	<u>18,697,855</u>
			3,033,895			
Net Book Value						
At 30 June 2013	<u><u>3,687,092</u></u>	<u><u>2,813,500</u></u>	<u><u>7,324,464</u></u>	<u><u>11,429,059</u></u>	<u><u>25,059,981</u></u>	<u><u>50,314,096</u></u>
At 30 June 2012	<u><u>4,916,123</u></u>	<u><u>2,071,145</u></u>	<u><u>7,600,529</u></u>	<u><u>7,242,993</u></u>	<u><u>-</u></u>	<u><u>21,830,790</u></u>
Period ended 30 June 2012:						Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As 1 July 2011	4,032,900	2,717,164	1,181,074	-	-	7,931,138
Acquisitions	(4,032,900)	(2,717,164)	(1,181,074)	-	-	(7,931,138)
At 30 June 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation						
As 1 July 2011	1,008,225	1,242,664	421,236	-	-	2,672,125
Charge for the period	(252,056)	(372,799)	(52,655)	-	-	(677,510)
At 30 June 2012	<u>756,169</u>	<u>869,864</u>	<u>368,582</u>	<u>-</u>	<u>-</u>	<u>1,994,615</u>
Net Book Value						
At 30 June 2012	<u><u>(756,169)</u></u>	<u><u>(869,864)</u></u>	<u><u>(368,582)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(1,994,615)</u></u>
At 30 June 2011	<u><u>3,024,675</u></u>	<u><u>1,474,500</u></u>	<u><u>759,837</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5,259,013</u></u>

	2013 Kshs	2012 Kshs
10 Trade and other receivables		
Staff debtors	253,919	312,482
Prepayments	981,148	2,156,826
Deposits	3,794,780	951,911
	<u>5,029,847</u>	<u>3,421,219</u>
11 Cash and cash equivalents		
Standard Chartered Bank Kenya Limited	25,012,997	96,296,297
Petty cash	8,240	7,549
	<u>25,021,236</u>	<u>96,303,846</u>
12 Fund balance		
Balance brought forward	82,590,614	86,492,318
Surplus / (deficit) for the year	(36,958,724)	(3,901,703)
	<u>45,631,890</u>	<u>82,590,614</u>
13 Payables and accruals		
Payroll payable	1,020,530	1,182,394
Accrued audit and Accountancy fees	371,200	320,000
AIA payable	-	4,000,000
Sundry creditors	9,341,557	3,462,847
	<u>10,733,287</u>	<u>8,965,240</u>
<u>NB: Sundry Creditors</u>		
Accrued expense	9,237,157	3,031,491
Withholding Tax 2009	38,525	38,525
Withholding Tax 2010	28,875	28,875
Withholding Tax 2013	37,000	350,900
Afya Sacco	-	13,056
	<u>9,341,557</u>	<u>3,462,847</u>
14 Deferred income on Government development grant		
Brought forward	30,000,000	-
Amortised through income statement during the year (note 2)	(6,000,000)	-
Received during the year	-	30,000,000
Carried down	<u>24,000,000</u>	<u>30,000,000</u>

During the year the council acquired a media monitoring system expected to have a useful life of 5 years. The Government granted the Council Kshs 30,000,000 for the acquisition of the Media Monitoring System.

15 Reporting currency

The Financial Statements are reported in Kenya Shillings (Kshs).

16 Registration

The Media Council of Kenya was registered as a corporate body under The Media Act (Cap 411B) on 1 October 2007.

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