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THE AUDITOR-GENERAL

ON

MEDIA COUNCIL OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2019**

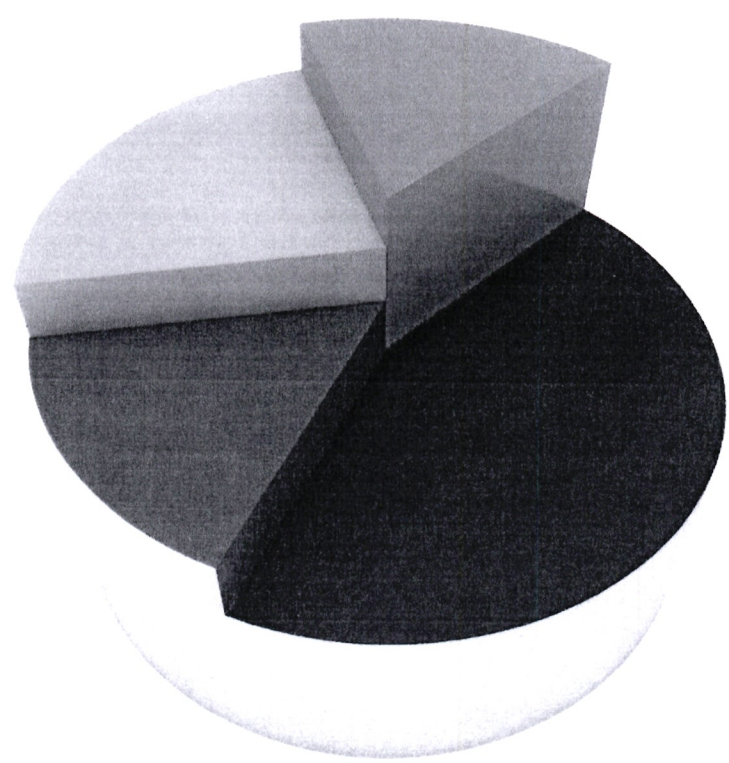
THE NATIONAL ASSEMBLY	
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MEDIA
COUNCIL OF KENYA

Annual Report and Financial Statements
for the Year ended 30th June 2019



**Promoting Press Freedom and Responsible
Journalism**

MEDIA COUNCIL OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Media Council of Kenya is an independent national institution established by the Media Council Act, No. 20 of 2013 for purposes of setting of media standards and ensuring compliance with those standards as set out in Article 34(5) of the Constitution and for connected purposes.

The Media Act 2013 came into force on 27th of December 2013 following the repeal of the Media Act 2007 which established the Media Council of Kenya

(b) Principal Activities

To safeguard media freedom, enhance professionalism and arbitrate media disputes.

(c) Key Management

1) Council Members

- Dr. Julius Mwaniki Kinyeki	Chairman
- Mr. P.D Gwaro Ogaro	Member
- Mrs. Violet Tsisiga Awori	Member
- Rev. Paul Inuvu	Member
- Mr. Ahmed Ibrahim	Member
- Mrs. Veronica Akinyi Kuto	Member
- Mrs. Elizabeth Limagur	Member

2) Complaints Commissioners

- Mr Timothy Mwangi Kariuki	Chair Person
- Mr. Henry Omusundi Maina	Member
- Mrs. Esther Jowi Anyango Aduma	Member
- Mr. Abdi Mohamud Hassan	Member
- Mrs. Gladys Kwamboka Oyaro	Member
- Mr. Philip Mbaji	Member

3) Management Team

- Mr. David Omwoyo	Chief Executive Officer
- Mr. Victor Bwire	Programmes Manager
- Ms. Pamellah Odingee	Ag. Finance Manager
- Mr. Josphaat Kibaara.	Human Resource & Admin Manager
- Ms. Anne Jalang'o	Internal Auditor
- Ms. Mildred Maina Bwari	Procurement Officer

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO	- Mr. David Omwoyo
2.	Programmes Manager	- Mr. Victor Bwire
3.	Ag. Finance Manager	- Ms. Pamellah Odingee
4.	Human Resource and Administration Manager	- Mr. Josphaat Kibaara.
5.	Internal Auditor	- Ms. Anne Jalang'o
6	Procurement Officer	- Ms. Mildred Bwari

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangements of the Media Council of Kenya are carried out by the Council through various committees namely:

- Finance & Administration Committee
- Media Development & Training Committee
- Ethics & Public Committee
- Audit Committee

(f) Entity Headquarters

P.O. Box 43132 – 00100
Mara/Ragati Road Junction
Upper Hill
Nairobi, KENYA

(g) Entity Contacts

Telephone: (254) 727 735252
E-mail: info@mediacouncil.or.ke
Website: <http://www.mediacouncil.or.ke>

(h) Entity Bankers

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



(i) Independent Auditors




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




(j) Principal Legal Adviser

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







THE BOARD OF DIRECTORS

 <p>Dr. Julius Kinyeki Council Chairman Non- Executive</p>	<p>Date of Birth: 11/09/1970</p> <p>Education</p> <ul style="list-style-type: none"> • Holder of PhD from Witwatersrand University, School of Governance (SA) • Holder of MA in Sociology from University of Nairobi • BA in Communication & Sociology • Diploma in Information Studies <p>Work experience</p> <ul style="list-style-type: none"> • Consultancy experience having worked for International Committee of the Red Cross (ICRC) disseminations department and other private organizations with a focus on Causes & Campaigns • instructor in a private ICT college, Kampus Information Technology Centre • Research Assistant at the Ministry of Agriculture and Livestock • African Network for the Prevention and Protection Against Child Abuse and Neglect (ANPPCAN) as Information and Communications Manager
 <p>Mr P.D Gwaro Ogaro Council Member Non- Executive</p>	<p>Date of Birth: 25/10/1975</p> <p>Education</p> <ul style="list-style-type: none"> • He has a Master of Arts degree in Communication Studies - University of Nairobi. • Bachelor of Arts in Sociology and Linguistics - University of Nairobi. • Diploma in Journalism from the Indian Institute of Mass Communication. <p>Work Experience</p> <ul style="list-style-type: none"> • Director Government Advertising Agency • Acting Director of Information in the Ministry of Information, Communications and Technology • Served as an Information Officer with the Kenya News Agency (KNA) and as an Editor with the Rural Press in the Department of Information. • Served as Head of Communication in the Ministry of East African Community and the National Police Service before re-joining the Department of Information

 <p>Mrs Violet Tsisiga Awuori Council Member Non- Executive</p>	<p>Date of Birth: 19/07/57</p> <p>Education</p> <ul style="list-style-type: none"> • Bachelor’s Degree in Law. • Diploma in law <p>Work Experience</p> <ul style="list-style-type: none"> • An advocate of the High Court of Kenya with over 30 years’ experience in both civil and criminal law. • Vice Chairperson of SmeP Microfinance Bank. • A member of FIDA and has served on its board and risen to become the chairperson of this non-governmental women’s rights organization. • She has served on many boards in the public arena one of them being the Pending Bills Closing Committee
 <p>Rev. Paul Munyalo Inuvu Council Member Non- Executive</p>	<p>Date of Birth: 27/07/62</p> <p>Education</p> <ul style="list-style-type: none"> • Holder of a Bachelor of Theology from Catholic University of Eastern Africa. • A higher Diploma in theology from Carlile College School of Theology • Currently pursuing a Master of Arts degree in Project Planning and Management at the University of Nairobi. <p>Work experience</p> <ul style="list-style-type: none"> • Has a wealth of experience in community development work including rural transformation through training, expounding on issues of justices, fundamental rights and freedoms and pastoral care. • Experienced in governance having served as a board member of various organisations including Mavoko Water and Sewerage Company.
 <p>Mr. Ahmed Ibrahim Council Member Non- Executive</p>	<p>Date of Birth: 15/03/69</p> <p>Education</p> <ul style="list-style-type: none"> • He holds a BA (Hons) in International Development from East London University • MA International Relations from Brunel University West London. • Post-Graduate Diploma in Risk Crisis and Disaster Management from Leicester University respectively. <p>Work experience</p> <ul style="list-style-type: none"> • He has worked with Kenya Red Cross Society rising to the rank of Regional Manager North Eastern and International aid organizations in South Sudan and Somalia as an aid worker. • A teacher as well as a humanitarian aid worker by profession

 <p>Mrs. Veronica Akinyi Kuto Council Member Non- Executive</p>	<p>Date of Birth: 30/03/1957</p> <p>Education</p> <ul style="list-style-type: none"> • She has an MBA in Strategic Management from Maastricht School of Economics (ESAMI). • B.A. Economics from University of Nairobi. <p>Work experience</p> <ul style="list-style-type: none"> • Has worked for KCB as the Head of Credit Quality Assurance & Policy Management. • She is also a member County Land Management Board- Uasin Gishu County and has experience in administration of public land with responsibilities centred in land alienation, allocation of land, extension of leases, approval of subdivision of land and change of user. • She has been a director with Kenya Women Finance Trust
 <p>Mrs Elizabeth Limagur Council Member Non- Executive</p>	<p>Date of Birth: 20/6/1974</p> <p>Education</p> <ul style="list-style-type: none"> • Holder of MA in International Conflict Management from University of Nairobi. • BA in Mass Communication. Majoring in Public Relations and Political Science from Makerere University (Uganda) • Diploma in Journalism from Kenya Institute of Mass Communication <p>Work Experience</p> <ul style="list-style-type: none"> • Community Communications Officer with Tullow Oil B.V Kenya • Education Development Center (EDC) as the Executive Producer on charge of Training, News Editor, • Senior Producer for Sudan Radio Service Project • Technical Advisor for the Warsan/Star FM Radio the Garissa Youth Project • Reporter, Assistant Editor and Managing Editor for Radio Voice of Hope in Kampala, Uganda. • Reporter for New Sudan Council of Churches in Nairobi
 <p>Mr. David Omwoyo Omwoyo Chief Executive Officer</p>	<p>Date of Birth: 21/04/1982</p> <p>Education</p> <ul style="list-style-type: none"> • Holder of MA in Mass Communications from University of Leicester (UK) • BA in Mass Communication <p>Work experience</p> <ul style="list-style-type: none"> • Kenya Conference of Catholic Bishops as the Director of Communications, Fundraising and Partnerships. • Egerton University, Njoro as the Resource Mobilization and Donor Relations Manager • Catholic Diocese of Nakuru as the Communications Director and Radio Station Manager • Catholic Information Service for Africa (Projects Editor: Consultant)

MANAGEMENT TEAM

	<p>Mr. David Omwoyo Omwoyo MA in Mass Communications from Chief Executive Officer</p>
	<p>Mr. Victor Bwire MA in Communication and Media Studies Head, Media Development and Strategy</p>
	<p>Mr. Josphat Kibaara Master in Human Resource Management Manager, Human Resource and Administration</p>
	<p>Ms Anne Jalang'o Master in Business Administration Manager, Audit and Risk</p>
	<p>Ms. Pamellah Odingee Master of Science (Finance and Investment) Ag. Finance Manager</p>
	<p>Ms. Mildred Bwari Maina Master of Science in Procurement and Logistics Procurement Officer</p>

CHAIRMAN'S STATEMENT

I am proud to present to you the Financial Report for the year ended 30th June, 2019, on behalf of the Council, Complaints Commission, Management and Staff of the Media Council of Kenya. This was the year in which we lay strong foundations for the Strategic Plan launched during the previous financial year.

It is important to also note, that was a year in which the relationship between the Council and Commission improved greatly and also one during which the Management and Staff engaged actively with Council Committees. This yielded a better coordinated effort between the various MCK organs and departments to deliver a coherent message and service to all our stakeholders.

A highlight of the year, was the hosting of the inaugural Annual Media Summit, which was preceded by a two-day media training event. The Council was glad to note that the event was successful and met its intended goals by helping the Media Council of Kenya set the media agenda as a regulator, while engaging constructively with all stakeholders during the 3-day event. We consider this event the highlight of the MCK's calendar especially in terms of stakeholder engagement.

The Council was also able to initiate the process of developing a risk policy for the organization as mandated by best-practice in the *Mwongozo* Code for State Corporations and Agencies. This will be the first such policy for the MCK and will go a long way in ensuring that its physical and non-physical assets including its reputation are safeguarded and managed in a coordinated and coherent fashion.

We continue to see the role of the MCK as crucial in securing Articles 34 and 35 of the Constitution and are privileged to be entrusted with the governance of this important institution. We have sought to discharge this duty with utmost care and temperance and even as our term comes to an end in the next financial year, we are hopeful that we have set a strong foundation for the Council to build on.

I wish to thank the CEO, my fellow Council Members, Complaints Commissioners, Managers and Staff of the Media Council of Kenya for facilitating our work and demonstrated the gallant results that unity of purpose can bring to an organization. I remain confident that MCK is destined for even greater achievements in the course of this Strategic Plan and beyond.

It has been our pleasure to be of service to Kenyans at large by creating an enabling environment for the media to operate in.



Chairman of the Council

MEDIA COUNCIL OF KENYA

REPORT OF THE CHIEF EXECUTIVE OFFICER

The Media Council of Kenya (MCK) is the principal national body mandated to develop and regulate the media industry in Kenya, in order to promote media freedom, professionalism and independence. In the year under review, the MCK, has made great strides towards fulfilling its mission and following are highlights of those achievements and actions.

Organizational Structure, Staff Complement & Development

In late 2018, we started the process of reviewing the organizational structure engaging consultants to help us align our structure to the Strategic Plan. The process was completed in January, 2019 creating three (3) Directorates namely Media Development & Strategy, Regulatory Affairs and Operations & Support Services and four (4) new departments namely Regulatory Affairs, Press freedom & Ethics, Partnership & Stakeholder engagement and Corporate Affairs. As a result, we also recruited new Managers and Officers bringing our total staff complement to 33 - the largest MCK has ever had.

In January, 2019 we also held our annual staff retreat, where we took stock of our current state and what we need to do to improve internal communication, collaboration and cooperation to be more productive and progressive as an organization. It resulted in improved productivity as is evidenced by the increase and depths of our engagements with our stakeholders as well our interventions in the media sector.

Signature Events

We held our first Annual Media Summit in August, 2018 and I am proud to report that it was a resounding success and set the stage for MCK to regularly convene media stakeholders on pertinent issues affecting the sector. This was followed by the 7th Annual Journalism Excellence Award, presided over by the Speaker of the National Assembly, Hon. Justin Muturi.

Every year on 3rd May, the world marks the World Press Freedom Day and 2019 was no different. As global delegates congregated in Addis Ababa, Ethiopia for the world celebrations, the MCK hosted a Forum in Naivasha, Kenya that brought together media stakeholders and government communications practitioner over the course three days to address journalist safety, protection and welfare.

Strategic Initiatives

As part strategic interventions to address media sustainability, the MCK convened media stakeholders from the media, advertising and public relations industries as well as academia, in the last quarter of

2018, to begin discussions on the creation of a Media Diversity Fund. Modelled on similar interventions in South Africa and Canada, the Fund would represent the regulatory innovation outlined in our strategic plan.

It is envisaged that the Fund would be created through a proposed advertising levy, that would be ploughed back into the industry, to promote diversity and plurality of voices, media research and grants for media production and journalistic output and training. Consultations continue and it is envisaged, that the Fund will be a reality in the next financial year.

Accreditation & Compliance

I'm glad to report that our accreditation continues to rise every year. In this past year they rose from 2959 in 2017-18 to 4440, representing a 50% rise, compared to 37% the previous year. This is the end result of better alignment and co-ordination internally, between training, media development and accreditation supported by effective communications.

In addition to this, we were able to commence a systematic review of media associations and support groups with the view of developing a register of authentic media players for purposes of effective and transparent collaborations. The review is ongoing through a Committee of eminent media practitioners led by veteran journalist, Mutegi Njau, and will be presenting their report early in the next financial year.

We were also able to undertake inspection of middle-level colleges in parts of the country, which has enabled us to understand the challenges facing colleges and be able to work with them to improve standards. We hope to continue these engagements to cover the whole country and inform our curriculum development and the launch of the Africa Media Academy in the new financial year.

Dispute Resolution

The Council was able to release two landmark reports during the course of this year. The Status of the Media Report was launched on World Press Freedom Day and is becoming an important media sector barometer.

I am also proud to report that the Complaints Commission also registered an increase of cases being filed, further enhancing its role and position in solving media disputes. One of the most noted cases being one filed by Kenyan journalists against a New York Times journalist over coverage of the 14 Riverside terrorist attack. The matter is currently before the Commission, but reflects increased confidence in its dispute resolution mechanism.

Media Monitoring & Research

We also released a study on Newspaper Coverage of Corruption, which had useful insights that were an opportunity for media to reflect on the quality and consistency of coverage on this important national issue. Additionally, we were able to continue the weekly public of The Observer, as a tool for media introspection, increasing the number of subscriptions and engagement from readers.

This report is a clear demonstration of the important strides the Media Council of Kenya is making in building and steering the dynamic media sector to prepare for an uncertain and evolving future. As a regulator we see our role as that of trying to reduce uncertainty by creating an enabling environment for the media sector. I am confident that working with all stakeholders, we will succeed in this endeavor.

I thank the Board, Management and Staff of the MCK as well as the Complaints Commission and all media stakeholders for their support and sterling efforts in taking Kenya's media to the next level a step at a time. I assure them of my steadfast support as we build a free, vibrant and professional media in Kenya.



Mr. David Omwoyo Omwoyo
Chief Executive Officer & Secretary to the Council
MEDIA COUNCIL OF KENYA

CORPORATE GOVERNANCE STATEMENT

The MCK board is comprised of nine (9) members appointed through a competitive process as set out in Section 7 of the Media Council Act [2013]. The Council comprises of a Chairman, seven (7) members and one other appointed by the Cabinet Secretary of the Ministry under which the MCK is domiciled.

Fiduciary Oversight Arrangements: The Board has four standing Committees, which hold meetings as per the approved Board Work plan. The Committees have documented terms of reference meant to facilitate efficient and effective decision-making in discharging its duties. The Committees are aligned to the guidelines set out within the *Mwongozo* the Code of Governance for state Corporations.

The Council has an approved Board Charter that defines its roles, functions and responsibilities. The Charter outlines the Boards authority both individually and collectively and sets direction for the Council. The Council maintains a Conflict of Interest register. All Council members subscribe to the public service code of conduct. Remuneration of the Council is as per the guidelines of the Salaries and Remuneration Commission.

The Finance and Administration Committee advises the Council on all matters pertaining to financial and administrative issues. In addition, the committee reviews budgets, procurement plans, financial reports and provides oversight on all administrative and human resource issues, ensuring that these are competitively structured and linked to performance.

The Media Development and Training Committee, provides oversight over the Councils media training, curriculum development, inspection, evaluation and accreditation journalists, media training institutions, media enterprises and overall of media development function.

The Ethics and Public Information Committee is charged with the Councils communication and outreach function and programs, including research, stakeholder engagements and partnerships. The Committee is also responsible for ensuring adherence to the Code of Conduct for the Practice of Journalism and advises the Board on legal and journalists security matters.

The Audit Committee provides oversight over the internal audit function and plays a critical role in risk management, review of internal control systems and safeguarding of the MCK's physical and financial assets. The Committee plays a major role in ensuring seamless external audit exercise, receives the report of the external auditors and reports to the Council its recommendations.

Board evaluation

Pursuant to Mwongozo “the Code of Governance for State Corporations” and guided by the provisions of Government Circular No. OP/CAB.1/43/1, the Board underwent a Board evaluation by the State Corporations Advisory Committee (SCAC). The exercise was conducted in Mombasa between 7th – 11th October 2018.

Board Meetings

Full Board Meeting								
Member	31/7/18	26/9/18	27/9/18	8/10/18	9/10/18	10/10/18	16/10/18	12/6/19
Dr. Julius Kinyeki	√	√	√	√	√	√	√	√
Mrs. Veronica Kuto	√	√	√	√	√	√		√
Mrs. Violet Awori.	√	√	√	√	√	√		√
Rev. Paul Inuvu	√	√	√	√	√	√		√
Mr. Mohamed Ahmed	√	√	√	√	√	√		√
Ms. Elizabeth Limagur	√	√	√	√	√	√		√
Mr. P.D Gwaro Ogaro	√	√	√	√	√	√		√
Ethics and Public Information Committee								
	9/7/2018	6/11/2018	7/5/2019	6/6/2019				
Mrs. Violet Awori.	√	√	√	√				
Rev. Paul Inuvu	√	√	√	-				
P.D Gwaro Ogaro	√	√	-	-				
Mrs Elizabeth Limagur	√	√	√					
Media Development and Training Committee								
	17/7/2018	6/7/2019						
Dr Julius Kinyeki	√	√						
Ahmed Ibrahim	√	-						
Veronica Kuto	√	√						
Elizabeth Limagur	√	√						
Finance and Administration Committee								
	18/7/2018	24/9/2018	25/9/2018	14/5/2019				
Mrs. Violet Awori	√	√	√	√				
Ahmed Ibrahim	√	√	√	√				
Rev Paul Inuvu	√	√	√	√				
P.D Gwaro Ogaro	√	√	√	-				
Resource Mobilization Committee								
	23/7/2018							
Rev. Paul Inuvu	√							
Mrs Veronica Kuto	√							
Mr. Violet Awori	√							
Dr. Julius Kinyeki	√							
Audit Committee								
	30/7/2018	7/6/2019						
Mrs Veronica Kuto	√	√						
Mrs Elizabeth Limagur	√	√						
Dr. Julius Kinyeki	√	√						

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial performance

The Media Council of Kenya is mandated to among other things sets media standards and ensures compliance with those standards as set out in articles 34 (5) of the constitution, register and accredit journalists, register media establishments, handle complaints from the public, create and publish yearly media audit on the media freedom in Kenya. This mandate has continued to be delivered in the year. Revenue earned within the period was 68% higher than last financial year. The increase was a result of increase in Government capitation. The recurrent budget was mainly utilized in funding operational expenses to extent of KShs. 244,955,731 the results in the year are a surplus of KShs. 5,787,921. The council is in a strong cash flow position capable of meeting obligations as they fall due.

Compliance with statutory requirements

The Council is in compliance with all statutory obligations including but not limited to: remittances of PAYE, NHIF, NSSF, HELB and Withholding tax within the stipulated deadlines.

Key projects and investment decisions being implemented

During the year under review the Council did not undertake any projects and there were no investments decisions implemented or ongoing.

Major risks identified in the Enterprise Risk Management Framework (ERM)

The Council updated its Enterprise Risk Management Framework in the year under review, on the basis of which Risk Management has been main streamed within the Council to allow for structured risk assessments on a continuous basis. The Council Members are responsible for the Council's risk management and is expected at least once every quarter receives reports to enable the review, monitoring and evaluation of the implementation and eff activeness of the ERM framework. The Council in the course of its mandate identified key corporate risks, the associated risk levels, and their mitigation strategies.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Media Council of Kenya as body corporate under the Media Council Act, undertakes corporate social responsibility activities.

Whilst it did not make any cash donations or contributions to any causes or crises, the Council undertook to donate staff time and expertise to media stakeholders who would otherwise not be able to undertake some of their crucial activities. This included the following:

- Donation of sector and legal expertise in the regularization of the legal status of the Kenya Editors' Guild (KEG)
- Hosting of Kenya Media Sector Working Group forums and deliberations.
- Donation of communications and event management expertise in the revival of the Press Club Luncheons by the Kenya Editors' Guild

REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of The Media Council of Kenya affairs.

Principal Activities

The principal activities of the entity are (continue to be) as entrenched in The Media Council Act 2013 to provide 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.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 1 to 6

Council Members

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

Auditors

The Auditor General is responsible for the statutory audit of the Media Council of Kenya in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Council



Secretary

Date... 31st March 2020..

STATEMENT OF COUNCIL'S RESPONSIBILITIES

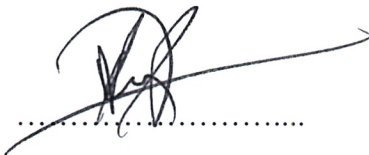
Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Council to prepare financial statements in respect of that Media Council of Kenya, which give a true and fair view of the state of affairs of the Council at the end of the financial year 2018/19 and the operating results of the Media Council of Kenya for that year 2018/19. The Council Members are also required to ensure that the Media Council of Kenya keeps proper accounting records which disclose with reasonable accuracy the financial position of the Media Council of Kenya. The Council Members are also responsible for safeguarding the assets of the Media Council of Kenya.

The Council Members are responsible for the preparation and presentation of the Media Council of Kenya financial statements, which give a true and fair view of the state of affairs of the Media Council of Kenya for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Media Council of Kenya.; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Media Council of Kenya; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the Media Council of Kenya'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, 2012 and (the State Corporations Act). The Council Members are of the opinion that the Media Council of Kenya financial statements give a true and fair view of the state of Media Council of Kenya transactions during the financial year ended June 30, 2019, and of the Media Council of Kenya Financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the Media Council of Kenya which have been relied upon in the preparation of the Media Council of Kenya financial statements as well as the adequacy of the systems of internal financial control.

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

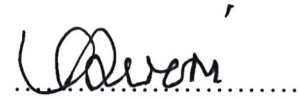
Approved by the Council members on.....31/03/2020.... and signed on its behalf by:



Dr. Julius Kinyeki
Chairman of the Council



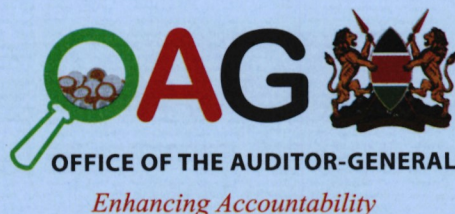
P.D. Gwaro Ogaro
P. S Representative



Violet Awori
Council Member

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MEDIA COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Media Council of Kenya set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows, and the 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 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 Media the Council of Kenya as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Media Council Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in Cash and Cash Equivalents

The statement of financial position and as disclosed under Note 15 to the financial statements reflects cash and cash equivalents of Kshs.21,401,555. It was noted that the closing balances for the financial year 2017/2018 were amended and a revised set submitted on 26 March, 2019 with the cash and cash equivalents balance being adjusted from Kshs.1,189,992 to Kshs.1,986,182. However, out of the total adjustment increase of Kshs.796,190, an amount of Kshs.579,290 was not supported.

In view of the foregoing, it was not possible to confirm the completeness and accuracy of the cash and cash equivalents balance of Kshs.21,401,555 as at 30 June, 2019.

2.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position and as disclosed under Note 14 to the financial statements reflects Property, Plant and Equipment balance of Kshs.34,249,574 as at

30 June, 2019. This was at variance with the fixed assets register balance of Kshs.33,643,100 resulting in an unexplained and unreconciled variance of Kshs.606,475. Further, the assets register was not updated with details on locations and users, depreciation charge, reference numbers, acquisition dates and serial numbers.

Under the circumstance, the completeness and accuracy of the Property, Plant and Equipment balance of Kshs.34,249,574 as at 30 June, 2019 could not be confirmed.

3.0 Inaccuracies in Trade and Other Payables

The statement of the financial position reflects a balance of Kshs.22,636,915 as trade and other payables from non-exchange transactions. Included in this balance is Kshs.16,931,653 in respect of sundry creditors which includes Kshs.1,814,258 as balance carried forward from the previous year. Included in the balance of Kshs.22,636,915 is also an amount of Kshs.23,626 in respect of payroll payables carried forward from the previous year. Management did not provide explanations or reconciliations in respect of the sundry creditors and the payroll payables for audit review.

Consequently, the accuracy, completeness and validity of the trade and other payables from non-exchange transactions balance of Kshs.22,636,915 as 30 June, 2019 could not be confirmed.

4.0 Irregular Payment of Rent

The statement of financial performance and as disclosed under Note 13 to the financial statements reflects general expenses amount of Kshs.125,276,420. Included in the amount is the rental expenses of Kshs.11,519,442. The Council paid Kshs.11,504,178 in respect of rent and storage fees. However, the lease agreement submitted for audit was not signed by both parties. Also, the contract agreement for the storage space was not submitted for audit review.

Consequently, the accuracy, completeness and validity of the rental expenses of Kshs.11,519,442 for the year ended 30 June, 2019 could not be confirmed.

5.0 Irregular Payment of Motor Vehicles Expenses

The statement of financial performance and as disclosed under Note 13 to the financial statements reflects general expenses amount of Kshs.125,276,420. Included in the amount is motor vehicle expenses of Kshs.2,719,312 out of which an amount of Kshs.561,654 in respect of motor vehicle repairs was not supported with a contract. Further, the Council paid Kshs.1,309,248 as fees for motor vehicles insurance. However, the contract agreement submitted for audit did not indicate the vehicles that were to be covered and the applicable rates.

In the circumstances, the accuracy, completeness and validity of the motor vehicle expenses of Kshs.2,719,312 for the year ended 30 June, 2019 could not be ascertained.

6.0 Unsupported Council Allowances

The statement of the financial performance and as disclosed under Note 10 to the financial statements reflects Council allowances of Kshs.39,226,146. Included in the

amount is Kshs.4,526,731 paid to Council members to cater for domestic and foreign travel expenses. However, supporting documents such as invitation letters, local and foreign travel documents, passports copies, certificates of attendance and back to office reports were not provided for audit.

Consequently, the accuracy, completeness and validity of the Council allowances amount of Kshs.39,226,146 could not be confirmed.

7.0 Unsupported Training

The statement of financial performance and as disclosed under Note 13 to the financial statements reflects general expenses amount of Kshs.125,276,420. Included in the amount is training expenses of Kshs.18,354,082 out of which expenditures amounting to Kshs.419,560 was not supported.

Consequently, the accuracy, completeness and validity of the training expenses amount of Kshs.18,354,082 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Media Council of Kenya Management in accordance with ISSAI 130 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 audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matters

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts and expense budget of Kshs.250,743,652 and Kshs.239,528,000 respectively resulting to net surplus of Kshs.11,215,652. Similarly, the Council expended Kshs.244,955,731 against an approved budget of Kshs.250,743,652 resulting to an under-expenditure of Kshs.5,787,921. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Acquisition of Computers

Included in the balance of Kshs.34,249,574 in respect of property, plant and equipment as at 30 June, 2019 at Note 14 to the financial statements is Kshs.2,534,681 utilised for acquisitions of computers. Documents presented for audit review indicated that the Council entered into a contract for supply of ICT items at a contract sum of Kshs.2,358,353. The following anomalies were reported:

- (i) The Council was provided with a framework agreements for the supplies by ICT Authority. However, the Authority decided to use firms listed in its prequalified list.
- (ii) The user Department requisitioned for the purchase of ten (10) laptops among other ICT items in line with the procurement plan to the Accounting Officer. However, the Accounting Officer adjusted the required units of laptops to seventeen (17). The basis for the increase was not provided for audit review.
- (iii) The specifications for the requirements outlined the computer processor as Core i5-7200U type of computers in both the procurement plan and the requisition. However, the supplier quoted and delivered Core i5-8250U laptops instead of the type which were initially specified. It has not been explained why the Council accepted items which were not as per the specifications.

Consequently, the Council breached law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Weak Controls over Recovery of Salary Advances

The statement of financial position reflects a balance of Kshs.6,389,873 as receivables from non-exchange transactions as at 30 June, 2019. Included in this balance are staff debtors' balances of Kshs.2,526,500 representing the outstanding staff salary advances. The recovered salary advances as at 30 June, 2019 of Kshs.545,001 was less than the amount that should have been recovered during that period of

Kshs.1,867,501 resulting to unrecovered advances of Kshs.1,322,500 which ought to have been recovered. No explanation was provided for the non-recovery which was of the salary advances.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Council or to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Council's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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. 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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.
- 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 applicable 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 Council's ability to continue to sustain its 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 Council to cease to continue to sustain its 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 Council 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 December, 2021

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE, 2019**

		2019	2018
Revenue from Non- exchange Transactions	Notes	Kshs	Kshs
Transfers from Government	6	230,594,000	137,300,000
Licences and Permits	7	14,339,900	13,033,800
Other incomes/Conditional Grants	8	5,809,752	24,166,302
Total Revenue		250,743,652	174,500,102
Expenses			
Employee Cost	9	72,791,802	48,429,615
Council Allowances	10	39,226,146	23,632,228
Depreciation and amortization expenses	11	7,616,164	5,587,111
Repair and Maintenance	12	45,200	353,508
General Expenses	13	125,276,419	77,458,490
Total Operating Expenses		244,955,731	155,460,951
(Deficit) /surplus of income over expenditure		5,787,921	19,039,151


The notes set out on pages 7 to 17 form an integral part of these Financial Statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

ASSETS	Notes	2019 Kshs	2018 Kshs
CURRENT ASSETS			
Cash and Cash Equivalents	15	21,401,555	1,986,182
Receivables from Non-exchange transactions	16	6,389,873	3,832,044
		<u>27,791,428</u>	<u>5,818,227</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	14(a)	34,249,574	35,518,304
Intangible Assets	14(b)	-	400,000
		<u>34,249,574</u>	<u>35,918,304</u>
TOTAL ASSETS		<u><u>62,041,002</u></u>	<u><u>41,736,530</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables from Non-exchange transactions	17	22,636,915	8,120,364
NON-CURRENT LIABILITIES			
		-	-
Fund Balance	18	39,404,088	33,616,167
TOTAL FUND AND LIABILITIES		<u><u>62,041,002</u></u>	<u><u>41,736,530</u></u>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Council Members by:

Approved by the Council members on.....31/03/2020..... and signed on its behalf by:


.....

Mr. David Omwoyo Omwoyo
CEO & Secretary to the Council


.....

Pamellah Odingee
Finance Officer
Member No. 23921


.....

Chairman of the Council

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019**

	Fund Balance Kshs	Deferred Income Kshs	Total Kshs
Balance as at 30 June 2017	14,577,016	-	14,577,016
Surplus for the period	19,039,151	-	19,039,151
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 July 2018	33,616,167	-	33,616,167
Surplus for the period	5,787,921	-	5,787,921
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 June 2019	39,404,088	-	39,404,088

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE, 2019**

	Note	2018-2019 Kshs	2017-2018 Kshs
Cash flows from operating activities			
Receipts			
Transfers from Government	6	230,594,000	137,300,000
Licences and Permits	7	14,339,900	13,033,800
Other incomes/Conditional Grants	8	5,809,752	24,166,302
		250,743,652	174,500,102
Payments			
Employee Cost	9	72,791,802	48,429,615
Council Allowances	10	39,226,147	23,632,228
Depreciation and amortization expenses	11	-	5,587,111
Repair and Maintenance	12	45,200	353,508
General Expenses	13	125,276,419	77,458,490
		237,339,568	155,460,951
Net cash flow from operating activities		13,404,084	19,039,151
Cash flow from investing activities			
(Decrease)/Increase in receivables and prepayments	16	(2,557,829)	2,572,318
(Decrease)/Increase in trade payables	17	14,516,551	(10,388,078)
Purchase of property, plant and equipment's	14	(5,947,435)	(17,888,111)
Net cash flow from investing activities		6,011,287	(25,703,871)
Net increase in cash and cash equivalents		19,415,373	(6,664,720)
Movement in cash and cash equivalents			
Cash and cash equivalents as at 1 st July 2018		1,986,182	3,063,791
Cash and cash equivalents as at 30th June 2019		21,401,555	1,986,182

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE, 2019**

	2018/2019	2018/2019	2018/2019
	<u>BUDGETED</u>	<u>ACTUALS</u>	<u>VARIANCES</u>
Revenue			
	Kshs		
Transfers from Government	230,594,000	230,594,000	-
Licenses and Permits (Subscriptions)	10,279,900	10,279,900	-
Licenses and Permits (Accreditation fees)	4,060,000	4,060,000	-
Conditional Grants			
Internews	1,865,580	1,865,580	-
UNESCO	505,000	505,000	-
National Aids Control Council	620,172	620,172	-
Other income	2,819,000	2,819,000	-
	250,743,652	250,743,652	-
Expenses			
Employee Cost			
Salaries and wages	68,937,000	72,791,802	(3,854,802)
	68,937,000	72,791,802	(3,854,802)
Council Allowances			
Board / Council expenses	36,000,000	39,226,146	(3,226,146)
	36,000,000	39,226,146	(3,226,146)
Depreciation expense		7,616,164	(7,616,164)
Repair and maintenance			
Repairs and maintenance	1,220,000	45,200	1,174,800
	1,220,000	45,200	1,174,800

General Expenses

Audit fees	500,000	500,000	-
Consulting fees	17,500,000	13,567,766	3,932,234
Office, Consumables and Cleaning expenses	4,810,000	3,335,574	1,474,426
Motor vehicles expenses	2,000,000	2,719,312	(719,312)
Insurance (GPA & GLA)	1,540,000	748,375	791,625
Insurance (Staff medical cover)	9,000,000	10,892,466	(1,892,466)
Postage, Telephone and Internet	998,400	837,426	160,974
Printing and stationery	3,000,000	1,122,923	1,877,077
Travel and Stakeholders forum	6,196,000	9,435,411	(3,239,411)
Bank charges	500,000	428,516	71,484
Accommodation and conferencing	7,000,000	18,078,017	(11,078,017)
Staff welfare /training	15,000,000	13,964,475	1,035,525
Rental	18,000,000	11,519,442	6,480,558
ICT, ERP and Office Equipment	5,060,000	1,049,579	4,010,421
Training	19,966,600	18,354,082	1,612,518
Others (Media Awards)	10,000,000	10,096,621	(96,621)
Publicity and Advertisement	12,300,000	8,626,435	3,673,565
	133,371,000	125,276,419	(8,094,580)
Total Expenditure	239,528,000	244,955,731	(5,427,731)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Media Council of Kenya is an independent National institution established by the Media Council Act, No. 20 of 2013. The principle activity of the council is setting of Media standards and ensuring compliance with those standards as set out in article 34(5) of the constitution and for connected purposes.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared on the basis of historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

Media Council did not adopt any new or revised standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Subscriptions and donations

Subscriptions and donations are recognized when received.

ii) 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 IPSAS 23.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Media Council of Kenya. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

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

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

The asset is not fully depreciated in the year of acquisition.

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

d) Intangible assets – IPSAS 31

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

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

e) Financial Instruments Disclosure IPSAS 30

IPSAS 30 describes the disclosure requirements that enable users of the financial statements to evaluate [IPSAS 30.1]:

- the significance of financial instruments for the Media Council of Kenya financial position and performance
- the nature and extent of risks arising from financial instruments and how the entity manages these risks.

f) Provisions – IPSAS 19

Provisions are recognized when the Media Council of Kenya 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 Media Council of Kenya 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 Media Council of Kenya 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 Media Council of Kenya 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 Entity 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.

g) Changes in accounting policies and estimates – IPSAS 3

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

h) Employee benefits – IPSAS 25

Retirement benefit plans

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

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

i) Related parties – IPSAS 20

Media Council of Kenya 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 Media Council of Kenya, or vice versa. Members of key management are regarded as related parties and comprise the councillors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

j) 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.

k) Comparative figures

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

l) 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, 2019.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY – IPSAS 1**

The preparation of the Media Council of Kenya 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.

	2019	2018
	Kshs	Kshs
6 Transfers from Government		
Government Recurrent Grant	230,594,000	137,300,000
	230,594,000	137,300,000
7 Licences and Permits		
	2019	2018
	Kshs	Kshs
Licences and Permits		
Licences and Permits (Accreditation)	10,279,900	8,813,800
Licences and Permits (Subscription)	4,060,000	4,220,000
	14,339,900	13,033,800
8 Other incomes/Conditional Grants		
	2019	2018
	Kshs	Kshs
Conditional Grants		
UNESCO	505,000	-
National Aids Control Council	620,172	2,632,142
Un Women	-	1,796,000
OXFAM	-	4,338,017
Internews	1,865,580	11,429,192
	2,990,752	20,195,351
Other income		
Media Awards donation	1,600,000	2,250,000
Sale of Tender/Miscellaneous Income	19,000	218,951
Donations/Service fee	1,200,000	902,000
Fines	-	600,000
	2,819,000	3,970,951
	5,809,752	24,166,302
9 Employee Cost		
Salaries and wages	72,791,802	48,429,615
	72,791,802	48,429,615

10	Board / Council/Commission expenses		
	Sitting Allowance	12,569,125	7,572,409
	Honoraria	504,000	336,000
	Travel Allowance	16,245,185	9,787,092
	Other Expenses	9,907,836	5,936,727
		39,226,146	23,632,228
11	Depreciation and Amortization Expenses		
(a)	Depreciation expense	7,216,164	5,187,111
(b)	Amortization	400,000	400,000
		7,616,164	5,587,111
12	Repair and maintenance		
	Repairs and maintenance	45,200	353,508
		45,200	353,508
13	General Expenses		
	Audit fees	500,000	473,599
	Consulting fees	13,567,766	7,893,000
	Office, Consumables and Cleaning	3,335,574	3,659,828
	Motor vehicles expenses	2,719,312	581,258
	Insurance (GPA & GLA)	748,375	748,375
	Insurance (Staff medical cover)	10,892,466	5,060,604
	Postage, telephone and internet	837,426	853,179
	Printing and stationery	1,122,923	1,885,287
	Travel and Stakeholders Forums	9,435,411	10,153,533
	Bank charges	428,516	243,588
	Accommodation and conferencing	18,078,017	6,807,619
	Staff Gratuity	-	4,733,422
	Staff welfare/training	13,964,475	2,636,487
	Rental	11,519,442	11,330,347
	ICT, ERP and Office Equipment	1,049,579	4,952,542
	Training	18,354,082	9,166,133
	Others (Media Awards)	10,096,621	5,995,206
	Publicity and Advertisement	8,626,435	284,483
		125,276,420	77,458,490

The council is given a one-line budget which is divided among the various expenditure items, during the year under review, the various additional vote heads were as a result of expenditures that could not fit in the existing expenditure items. The interview expense was incurred during the time of carrying out interviews of Council members and Complaints Commissioners as the Act was amended to be in line with the requirement of the 2010 Constitution. Publicity and advertisement expense relate to expenditures incurred as a result of placing advertisements in local newspapers and materials for the media summit and annual journalism excellence award.

14 Property, Plant and Equipment

Year ended 30 June 2019:	Motor Vehicle Kshs	Computers Kshs	Office Furniture equipment Kshs	Office Partitioning Kshs	Media Monitoring System Kshs	Total Kshs
Cost As 1 July 2018	20,813,055	10,776,807	11,810,962	15,865,839	31,324,976	90,591,640
Acquisitions At 30 June 2019	-	2,534,681	1,676,267	1,736,487	-	5,947,435
	20,813,055	13,311,488	13,487,229	17,602,326	31,324,976	96,539,074
Depreciation As 1 July 2018	7,792,258	7,054,492	6,436,970	9,096,260	24,693,356	55,073,336
Charge for the year At 30 June 2019	3,255,199	1,116,695	671,749	846,197	1,326,324	7,216,164
	11,047,457	8,171,187	7,108,719	9,942,457	26,019,680	62,289,500
Net Book Value At 30 June 2019	9,765,598	5,140,301	6,378,510	7,659,869	5,305,296	34,249,574
Year ended 30 June 2018:						
Cost As 1 July 2017	7,563,055	7,511,310	10,438,348	15,865,839	31,324,976	72,703,527
Acquisitions At 30 June 2018	13,250,000	3,265,497	1,372,614	-	-	17,888,111
	20,813,055	10,776,807	11,810,962	15,865,839	31,324,976	90,591,638
Depreciation As 1 July 2017	6,396,436	6,508,838	5,816,323	8,129,177	23,035,451	49,886,225
Charge for the year At 30 June 2018	1,395,822	545,654	620,647	967,083	1,657,905	5,187,111
	7,792,258	7,054,492	6,436,970	9,096,260	24,893,356	55,073,336

MEDIA COUNCIL OF KENYA
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Net Book Value			
At 30 June 2018	13,020,797	3,722,315	5,373,992
	6,631,620	6,769,579	35,518,304

14(b)			
Intangible Asset	2019	2018	
Opening Balance	Kshs	Kshs	
Additions	400,000	800,000	
Amortization	-	-	
Closing Balance	(400,000)	(400,000)	
	<u>-</u>	<u>400,000</u>	

15 Cash and cash equivalents

Bank	21,401,555	1,986,182
Cash in hand		-
	21,401,555	1,986,182

Bank	Account Number	Amount (Kshs.)
Standard Chartered Bank Kenya Limited	0102096149700	3,961,179
Standard Chartered Bank Kenya Limited (Donor a/c)	0102096149701	15,233,717
MPESA		2,206,660
	Total- Kshs.	21,401,555

16 Receivables from Non-exchange transactions

Staff debtors	2,526,500	1,228,625
Prepayments	2,290,482	1,030,528
Deposits	1,572,891	1,572,891
	6,389,873	3,832,044

17a Trade and other payables from non-exchange transactions

Payroll payable	23,626	23,626
Accrued audit and Accountancy fees	-	473,600
Provision for Audit fees	500,000	473,600
Other payables (17b)	22,113,289	5,335,279
	22,636,915	8,120,364

17b Other payable include

i) Sundry Creditors	16,931,653
ii) Statutory Deduction	1,730,115
iii) Gratuity	3,451,521
	22,113,289

18 Fund balance

Reserves	33,616,167	14,577,016
Accumulated Surplus	4,232,921	19,039,151
	37,849,088	33,616,167

19. Related party disclosures

i) Council/ Commission	39,226,146	23,795
ii) Senior Management	33,189,805	23,552
	72,415,951	47,347

20 Reporting currency

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

21 Registration

The Media Council of Kenya was registered as a corporate body under The Media Act (Cap 411B) on 1 October 2007. The Act was repealed in 2013.

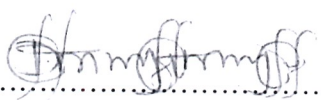
Appendix 1

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 nominated a focal person to resolve the various issues as shown below with the associated time frame.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Cash and Cash equivalents	<p>The management submitted the annual Financial statements on 28th September 2018. The Financial Statements were subsequently amended and a revised set submitted on 26th March 2019. In the revised set of Financial statements, the cash and cash equivalents balance were adjusted from Kshs.1,189,992 to Kshs. 1,986,182. However, out of the total adjustment increase of Kshs.796,190, Kshs579,290 was not supported</p> <p>In view of the foregoing, it has not been possible to confirm the completeness and accuracy of the cash and cash equivalents balance Kshs.1,986,182 as at 30th June 2019</p>		CEO	Resolved	N/A
Property, Plant and Equipments	<p>The Property, Plant and Equipment balance of Kshs. 35,518,304 as at 30th June 2018 was not supported by an updated fixed asset register including details of assets locations and users, depreciation charge and assets net book values. Further, the total cost of the assets as per the register provided amounted to Kshs. 46,971,517 while the fixed assets movement schedule had a total of Kshs. 90,591,638 resulting in an unexplained variance of Kshs.43,620.121</p> <p>Under the circumstances, the completeness, valuation and accuracy of the property, plant</p>	The Council assets have undergone valuation to update the Asset Register and consequently the PPE schedule.	CEO	Resolved	N/A

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	and Equipment balance of Kshs.35,518,304 as at 30 th June 2018 could not be ascertained.				
Outstanding previous year Audit issue Council Expenses	<p>The Following previous year audit issue is yet to be resolved</p> <p>As reported in the previous year audit report, note 6 to the financial statements, included in the council expenses balance of Kshs. 7,673,153 is an amount of Kshs. 2,262,222 in respect of daily subsistence allowance. The amount of Kshs. 2,262,222 also includes an amount of Kshs. 1,251,900 whose supporting analysis was not availed for audit review.</p> <p>In the circumstances, it has not been possible to confirm propriety of expenditure on daily subsistence allowance of Kshs. 1,251,900 for the year ended 30 June 2017</p>	The letters of invite to the members of the Council for attendance of the various official functions that necessitated the payment of the allowances have now been provided for review.	CEO	Resolved	N/A
Other Matters 1.Receivables from Non-Exchange Transactions	The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.3,832,044 which includes staff debtors balance of Kshs.1,228,625. The staff debtors balance in turn includes outstanding imprests amounting to Kshs.385,120 which remained unsurrendered for over eight months contrary to Public Finance Management Act, 2012, Regulations, section 93	The outstanding imp-rests have been recovered from the staff salaries of March 2019.	CEO	Resolved	N/A


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CEO & Secretary to the Council

Date... 31/03/2020

APPENDIX III: INTER-ENTITY TRANSFERS

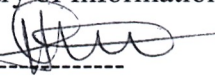
ENTITY NAME:		MEDIA COUNCIL OF KENYA		
Break down of Transfers from the State Department of Broadcasting and Telecommunication				
FY 2018/2019				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		05/09/2018	2,500,000	FY 2018-2019
		07/09/2018	56,325,000	FY 2018-2019
		03/12/2018	2,300,000	FY 2018-2019
		03/12/2018	51,819,000	FY 2018-2019
		01/02/2019	57,451,500	FY 2018-2019
		01/02/2019	2,550,000	FY 2018-2019
		15/05/2019	2,450,000	FY 2018-2019
		16/05/2019	55,198,500	FY 2018-2019
		Total	230,594,000	
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		N/A	N/A	
		Total	N/A	
c. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		N/A	N/A	
		Total	N/A	
d. Donor Receipts				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		N/A	N/A	
		Total	N/A	

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

Finance Manager
Media Council of Kenya

Sign 

Head of Accounting Unit
Ministry of Information, Communication and Technology

Sign 

For: Principal Secretary
Ministry of Information, Communication
& Technology
P. O. Box 30025 - 00100, Nairobi
Tel: 2251152

