

REPUBLIC OF KENYA



Enhancing Accountability

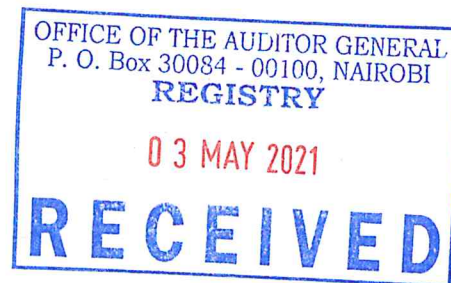
THE NATIONAL ASSEMBLY REPORT DATE: 02 DEC 2021		DAY: Thurs PM
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CLERK OF THE TABLE:	B. Inogwa	

THE AUDITOR-GENERAL

ON

KENYA FILM CLASSIFICATION BOARD

**FOR THE YEAR ENDED
30 JUNE, 2020**



KENYA FILM CLASSIFICATION BOARD
A REGULATORY AND NON-COMMERCIAL ENTITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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

Kenya Film Classification Board (KFCB) is a Regulatory State Corporation established by *Films and Stage Plays Act Cap 222* Laws of Kenya to regulate the creation, broadcasting, possession, distribution and exhibition of film in the country with a view to protect children from exposure to harmful content and promote national values as enshrined in Article 10 of the Constitution of Kenya, 2010. The *Kenya Information and Communications Act* further empowers the Board to impose age restrictions on all films to be aired by broadcast stations to ensure that content which depicts scenes intended for an adult audience is not aired between 5am – 10 pm (Watershed Period). The entity is domiciled in Nairobi (Headquarters), Kenya and has branches in Mombasa, Nakuru, Eldoret, Nyeri, Embu, Garissa, Kisumu and Kakamega.

(b) Principal Activities

The principal function of the Board is to regulate the creation, broadcasting, distribution, exhibition and possession of film and broadcast content by:

- a) Examining films, TV & Radio Programmes, non-programme matter and posters for purposes of classification.
- b) Impose age restriction on viewership.
- c) Register and license film agents, local and international filmmakers, distributors and exhibitors.
- d) Giving consumer advise, having due regard to the protection of women and children against sexual exploitation or degradation.
- e) Prescribe and develop regulations and guidelines on film and broadcast content regulation in the country.
- f) Regulate and license stage plays and theatres as recommended by the Presidential Taskforce on Parastatal Reforms, 2013.
- g) Ensure that content which depicts, contain scenes or are of the language intended for adult audience are not aired during the watershed period i.e. 5am to 10pm



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

- h) Enforce the programming Code for the free-to-air radio and TV services by ensuring that all programme and non-programme matter, namely commercials, infomercials, documentaries, programme promotions, programme listings, community service announcements and station identifications are classified before they air.



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Vision

World Class Film and Broadcast Content Regulator.

Mission

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

Core values

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

- (i) Professionalism: - Our high level of excellence in delivering results to stakeholders.
- (ii) Accountability: – Our responsibility to stakeholders for action taken.
- (iii) Innovation: – Our commitment to initiative, creativity and continuous improvement aimed at adding value to our operations.
- (iv) Integrity: - Our firm adherence to ethics and fidelity to doing right.
- (v) Team work: - our willingness to cooperate and work together to achieve the Entity's objectives.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(c) Key Management

i. Board of Directors

No.	Name	Designation	Date of Appointment
1.	Bsp. Jackson Kosgei	Chairman	20th July 2018 (2nd term)
2.	Dr. Ezekiel Mutua, MBS	Chief Executive Officer	1 st Appointment, 26th October, 2015. Currently serving a second term effective from 25 th October, 2018.
3.	Dr. Julius Muia	Principal Secretary, National Treasury	24 th July, 2019
4.	Peter Mogire	Alt. to the Principal Secretary, National Treasury	19 th November, 2019
19t	Jerome Ochieng, CBS	Principal Secretary, State Department for Information Communication and Technology	26 th March, 2018
6.	Kennedy Ogola	Alt. to the Principal Secretary, State Department for Information Communication and Technology	26 th March, 2018
8.	June Gachui	Independent Director	20 th September, 2018 (1st term)
9.	Joyce Wamucii	Independent Director	20 th September, 2018 (1st term)
10.	Norman Magaya	Independent Director	20 th September, 2018 (1st term)
11.	Rev. Canon David Lebarleiya	Independent Director	20 th September, 2018 (1st term)
12.	Nehemiah Maina	Independent Director	20 th September, 2018 (1st term)
13.	Nereah Aluoch Okanga	Independent Director	21 st October, 2019 (2 nd term)
14.	Gathoni Kung'u	Independent Director	21 st October, 2019 (2 nd term)
15.	Charity Kochalle	Independent Director	21 st October, 2019 (1st term)



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

ii. Management Team

No.	Name	Designation
1.	Dr Ezekiel Mutua, MBS	Chief Executive Officer and Accounting Officer
2.	Paskal Martin Opiyo	Manager Finance and Accounts
3.	Joel Wamalwa	Manager Licensing
4.	Solomon Weche	Manager Human Resource and Administration
5.	Francis Nguthu	Assistant Manager Internal Audit
6.	Loice Shalakha	Head Legal and Corporate Secretary Services
7.	Onesmus Muema	Head of Planning and Strategy
8.	Immaculate Mulaku	Head Supply Chain Management
9.	Redempta Amondi	Head of Film Classification
10.	Alexander Marcos Masiga	Head of Registration
11.	Petronilla Mueni	Head ICT
12.	Emma Irungu	Head of Broadcast Compliance
13.	Paul Mbui Ng'ang'a	Head Nairobi Film Centre



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

The key management personnel who held office during the Financial Year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Name	Designation
1.	Dr Ezekiel Mutua, MBS	Chief Executive Officer and Accounting Officer
2.	Paskal Martin Opiyo	Manager Finance and Accounts
3.	Joel Wamalwa	Manager Licensing
4.	Solomon Weche	Manager Human Resource and Administration
5.	Francis Nguthu	Assistant Manager Internal Audit
6.	Loice Shalakha	Head Legal and Corporate Secretary Services
7.	Onesmus Muema	Head of Planning and Strategy
8.	Immaculate Mulaku	Head Supply Chain Management
9.	Redempta Amondi	Head of Film Classification
10.	Alexander Marcos Masiga	Head of Registration
11.	Petronilla Mueni	Head ICT
12.	Emma Irungu	Head of Broadcast Compliance
13.	Paul Mbui Ng'ang'a	Head Nairobi Film Centre



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements

Board's Composition

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

The Board is currently composed of one (1) Non-Executive Chairman, eight (8) independent members, the Chief Executive Officer and two (2) representatives of the PS National Treasury and PS State Department of ICT respectively.

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

1. Human Resource and Administration Committee
2. Finance and General-Purpose Committee
3. Technical Development Committee
4. Audit & Risk Management Committee

Report of the Chairperson of Human Resource and Administration



Nehemiah Maina

Mandate

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

Membership

The Committee comprises of six (6) members of the Board of Directors with the Head of Human Resource & Administration providing secretariat service. The Committee is authorized by the Board to secure the attendance of external advisers at its meetings if it considers necessary, and to obtain reliable, up-to-date information about any of its business.

Attendance

The Committee held three (3) meetings during the year as shown below:

N O	NAME	Q1	Q2	Q3	Q4	TOTAL
1	Joyce Wamucii*	0/0	1/1	1/1	N/A	2/2
2	Dr. Ezekiel Mutua, MBS	0/0	1/1	1/1	1/1	3/3
3	Kennedy Ogolla	0/0	1/1	1/1	N/A	2/2
4	David Lebarleyia	0/0	1/1	1/1	N/A	2/2
5	Norman Magaya	0/0	0/1	0/1	1/1	1/3
6	Nereah Okanga	N/A	N/A	1/1	1/1	2/2
7	Nehemiah Maina**	N/A	N/A	N/A	1/1	1/1
8	June Gachui	N/A	N/A	N/A	1/1	1/1
9	Gathoni Kungu	N/A	N/A	N/A	1/1	1/1
<i>N/A-Means the Committee was reconstituted</i>						
<i>*Previous Chair of the Committee before reconstitution</i>						
<i>**Current Chair after reconstitution</i>						
<i>The Committees were reconstituted on 29th April,2020</i>						

Report of the Chairperson of Finance and General-Purpose Committee



Ms. June Gachui

Mandate

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

Membership

The Committee comprises of Seven (7) members of the Board of Directors with the Head of Finance and Accounts providing secretariat service. The representative of the National Treasury must be part of the Committee.

Attendance

The Committee held seven (7) meetings during the year as shown below:

NO	NAME	Q1	Q2	Q3	Q4	TOTAL
1	Gathoni Kungu**	2/2	1/1	2/2	N/A	5/5
2	Dr. Ezekiel Mutua, MBS	2/2	1/1	2/2	2/2	7/7
3	David Lebarleyia	2/2	1/1	2/2	2/2	7/7
4	Norman Magaya*	2/2	0/1	0/2	N/A	2/5
5	Kennedy Ogolla	1/2	1/1	2/2	2/2	7/7
6	Charity Kochalle	****	N/A	2/2	2/2	4/4
7	Peter Mogire	****	****	1/2	2/2	3/4
8	Joyce Wamucii	N/A	N/A	N/A	2/2	2/2
9	June Gachui ***	N/A	N/A	N/A	2/2	2/2
	<i>N/A-Means the Committee was reconstituted</i>					
	<i>*1st Chair of the Committee before reconstitution</i>					
	<i>**2nd Chair of the Committee after reconstitution</i>					
	<i>***3rd Chair of the Committee after reconstitution</i>					
	<i>**** The Director had not been appointed to sit on the Board</i>					
	<i>The Committees were reconstituted on 29th April, 2020</i>					

Report of the Chairperson of Technical Development Committee



Joyce Wamucii Ndumia

Mandate

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

Membership

The Committee comprises of Six (6) members of the Board of Directors with the Head of the Technical department providing secretariat service. The membership is drawn from members of the Board with expertise in the technical functions.

Attendance

The Committee held three (3) meetings during the year. The Committee comprises of;

NO	NAME	Q1	Q2	Q3	Q4	TOTAL
1	Gathoni Kungu *	1/1	1/1	N/A	N/A	2/2
2	Dr. Ezekiel Mutua, MBS	1/1	1/1	1/1	0/0	3/3
3	Nehemiah Maina	1/1	1/1	1/1	N/A	3/3
4	Norman Magaya	1/1	0/1	0/1	N/A	1/3
5	Nereah Okanga	1/1	1/1	1/1	N/A	3/3
6	June Gachui**	1/1	1/1	1/1	N/A	3/3
7	Charity Kochalle	****	N/A	1/1	0/0	1/1
8	Joyce Wamucii***	N/A	N/A	N/A	0/0	0/0
9	David Lebarleiya	N/A	N/A	N/A	0/0	0/0
10	Kennedy Ogolla	N/A	N/A	N/A	0/0	0/0
<i>N/A-Means the Committee was reconstituted</i>						
<i>*1st Chair of the Committee before reconstitution</i>						
<i>**2nd Chair of the Committee after reconstitution</i>						
<i>***3rd Chair of the Committee after reconstitution</i>						
<i>**** The Director had not been appointed to sit on the Board</i>						
<i>The Committees were reconstituted on 29th April,2020</i>						

Report of the Chairperson of the Audit & Risk Management Committee



Canon David Lebarleyia

Mandate

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

Membership

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

Attendance

The Committee held three (3) meetings during the year as shown below:

NO	NAME	Q1	Q2	Q3	Q4	TOTAL
1	Joyce Wamucii	1/1	0/0	1/1	N/A	2/2
2	Nehemiah Maina	1/1	0/0	1/1	N/A	2/2
3	Nereah Okanga*	1/1	0/0	1/1	N/A	2/2
4	June Gachui	1/1	0/0	1/1	N/A	2/2
5	Peter Mogire	***	***	1/1	2/2	3/3
6	David Lebarleyia**	N/A	N/A	N/A	2/2	2/2
7	Gathoni Kungu	N/A	N/A	N/A	2/2	2/2
8	Charity Kochalle	***	N/A	N/A	2/2	2/2
9	Norman Magaya	N/A	N/A	N/A	2/2	2/2
<i>N/A-Means the Committee was reconstituted</i>						
<i>*Previous Chair of the Committee before reconstitution</i>						
<i>**Current Chair after reconstitution</i>						
<i>*** The Director had not been appointed to sit on the Board</i>						
<i>The Committees were reconstituted on 29th April,2020</i>						



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P. O Box 44226-00100
Uchumi house, 15th floor
Aga Khan Walk
Nairobi, KENYA

(g) Entity Contacts

Telephone : (254) 711-222-204, 773-753-355,
020-2250600

E-mail: info@kfcb.co.ke

Website: www.kfcb.co.ke

(h) Entity Bankers

1) Co-operative Bank of Kenya

Parliament Road Branch
P. O Box 5772-00200
Nairobi, Kenya

2) Kenya Commercial Bank

Moi avenue-Nairobi
P. O Box 30081-00100
Nairobi, Kenya

(i) Independent Auditors

Auditor General

Office of the Auditor General (OAG)

Anniversary Towers, University Way

P.O. Box 30084-00100

Nairobi, Kenya



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112-00200

Nairobi, Kenya

THE BOARD OF DIRECTORS

Director's Profile



Bishop Jackson Kipkemai Kosgei-Chairman

Bishop Jackson Kosgei was born on 4th May, 1956. He is the Chairman of the KFCB Board of Directors. He is also the Chairman of Community Development Society and a member of the Consumers Protection Advisory Committee in the Ministry of Trade. He has worked in the administration of institutional executive positions for over twenty years and in other levels for fifteen years. Bishop Kosgei has served in the Worldwide Gospel Church, Commissions and State Corporations among other responsibilities. Bishop Kosgei, who is accomplished in the work of the Gospel, is married with three grown-up children.



Dr Ezekiel Mutua, MBS -Chief Executive Officer

Dr. Ezekiel Mutua was born on 6th June, 1967. He is the Chief Executive Officer of the Kenya Film Classification Board (KFCB). Before his appointment to this position in 2015, he was the Secretary of Information at the Ministry of ICT, a post he had held since 2011; was the Director of Information and Public Communications in the same ministry (2007-2011); served as the Secretary General of the Kenya Union of Journalists (2001-2007). Dr. Mutua's career in media was nurtured at the Nation Media Group where he worked as a journalist between 1994 and 2002, rising through the ranks from a trainee reporter to a reporter and later an editor. He holds a PhD in Communication Studies from Moi University, an Honorary Doctorate in Public Administration (Commonwealth University), a Masters in Communication Studies from the University of Nairobi and a BA in Sociology and Linguistics from Kenyatta University. Dr. Mutua has served as a Director in several State Corporations, including the Brand Kenya Board, Kenya Broadcasting Corporation, Media Council of Kenya and the Vision 2030 Secretariat. Dr. Mutua is married with two children. In December 2010, Mr. Mutua was awarded the Moran of the Order of

the Burning Spear (MBS) in recognition of his outstanding contribution to the country. He has progressively beefed up his leadership and management skills through diverse specialized courses in various institutions such as Strathmore

Business School (Public Finance Policy), Kenya School of Government (Strategic Leadership Development Program) and Centre for Corporate Governance (Corporate Governance Course). He has over twenty years' experience as a journalist, trade unionist and senior Government Communication Advisor.



Gathoni Kung'u-Independent Director

Ms. Gathoni Kung'u was born on 16th May 1985. She is the Managing Director of Gee Pictures Company Limited and is a Media Consultant. She holds a Bachelor of Arts in Communications with a Minor in Psychology and a Higher Diploma in Addiction Counselling. She is pursuing a Master's degree in Communication. As a multi-media professional with over ten years' experience in media relations and media production, Ms. Kungu is an accomplished TV and Film Producer/Director. She has been instrumental in producing and directing various ground-breaking Kenyan TV shows themed along a wide array of contemporary socio-economic issues. Most of her works have aired on mainstream TV stations and include the Patricia Show aired on MNET and Uongozi aired on NTV. Ms. Kungu is also effective in developing relationships and stakeholder management, having acted as point of contact and representative, both internally and externally, in initiatives aimed at upholding organizational and corporate image as well as branding and communication.

THE BOARD OF DIRECTORS (Continued)

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

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



Nereah Aluoch Okanga - Independent Director

Ms. Nereah Aluoch Okanga was born on 7th January 1973. She is an advocate of the High Court of Kenya currently working as the in-house legal counsel for Barclays Bank of Kenya Limited. She previously offered legal services as a Senior Associate at Anjarwalla & Khanna, Advocates. She obtained an undergraduate degree in International Political Economy in the United States, and did her graduate legal degree from the University of Bristol in the UK. Ms Okanga has a wealth of experience that spans over 15 (fifteen) years in training and practice, locally and internationally. She is well versed in various areas of legal practice including financial and banking law, corporate law, commercial law, land law and conveyancing, civil litigation, mergers and acquisitions, labour law, and the law of succession & employment. Her various professional roles and duties have required her to provide guidance on corporate governance, formulate policy and procedure and develop frameworks for compliance and risk management.

THE BOARD OF DIRECTORS (Continued)



June Gachui

Ms. June Gachui was born on 8th June, 1978. She is the Founder and Principal Consultant at JGIP Consultants as well as an Advocate of the High Court of Kenya specializing in Intellectual Property (IP) and Entertainment Law for over a decade. She is a multi-linguist, singer-songwriter, recording artist, thespian and professional Emcee. As a consultant, she has been involved in offering a wide range of IP and Legal Services, including trainings, client advisory, IP registration and project consulting for both private and public sector clients as well as for creative entrepreneurs across sectors. June has also served as the Kenya Association of Music Producers (KAMP) General Manager, Legal officer at Total Kenya Limited and has vast experience drawn from her time at the World Intellectual Property Organization New York office, Music Copyright Society of Kenya, IKM Advocates, Joan B. Peters TV and Entertainment Law Firm in Australia, just to name a few. MS. Gachui has served as a resource person for Africa's creative industry by running numerous workshops and seminars on matters protection and monetization of the creative arts and lobbying for better legislation and enforcement where infringement of these Intellectual Property Rights occurs. Ms Gachui also currently serves as the Co-Vice Chair of the Sports Culture and Heritage Sector Board at KEPISA.



THE BOARD OF DIRECTORS (Continued)



Nehemiah Kipkoech Maina- Independent Director

Mr. Nehemiah Kipkoech was born on 1st June, 1971. He has been a Director at Manger Networks, Eldoret since 2001. He has previously served as a Pastor in Kapenguria District SDA Church (1999-2001). Mr. Kipkoech holds a Bachelor of Arts degree in Theology from the University of Eastern Africa, Baraton and a Bachelor of Arts in Religion from Hong Kong Adventist College. He has a sound background in counselling, enjoys working in busy

and challenging environments and has always sought positions of responsibility and professional affirmation.

THE BOARD OF DIRECTORS (Continued)



Joyce Wamucii Ndumia- Independent Director

Joyce Wamucii was born on 3rd July, 1978. She is an Advocate of the High Court of Kenya and a member of the Law Society of Kenya. She has been practicing law in Nairobi since her admission to the bar in 2004. She has been a partner in Kairu & McCourt Advocates since December 2007. She graduated from University of Nairobi with a Bachelor of Laws and holds a Diploma from the Kenya School of Law, is a Certified Public Secretary - CPS (K) and an accredited corporate governance auditor. Ms. Wamucii is also a registered Patent Agent, Commissioner for Oaths and Notary Public. She has practiced for fourteen (14) years as an advocate in Nairobi and has acquired extensive experience in preparation of commercial securities and other commercial instruments and documents, Intellectual Property Law, Conveyancing, Banking Law and Company Secretarial.



Kennedy Ogola- Alt. Director, PS State Dept for ICT

Mr. Kennedy Ogola was born on 30th August, 1982. He is an Applied Statistician/Economist with a Master's of Science (MSc) Social Statistics from Kenya University and an MSc Applied Statistics with IT from Maseno University. He works at the Ministry of ICT, coordinating project conceptualization and implementation, policy formulation and review, data analysis, performance management and development of blue paper. Previously he has worked with Alexander Forbes (Kenya) for three (3) years as a risk analyst and Transparency International as Lead Data Analyst. He is the representative of the Principal Secretary in the KFCB Board

THE BOARD OF DIRECTORS (Continued)



Norman Magaya-Independent Director

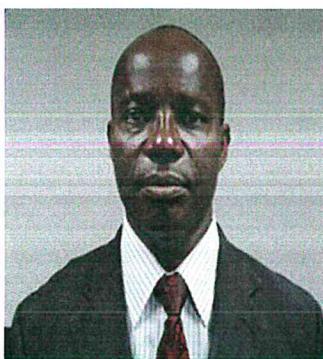
Norman Magaya was born on 8th December, 1981. He is an advocate of the High Court of Kenya and has been practicing law in Nairobi since his admission and is also a member of the Law Society of Kenya. He has worked with K'opere and Co. Advocates (2011-2013), Nzaku and Co. Advocates (2013-14), Oluoch and Co Advocates (2014-2016) and JAB Orengo and Co. Advocates from 2017 to date. Mr. Magaya is a holder of a Bachelor of Laws from the Uganda Pentecostal University, Master of Laws specializing in Natural Resources Law and International Environmental Law from the Grotius School of Law. He has completed his PhD studies specializing in Oil and Gas law. Mr. Magaya is a fulltime lecturer at Kabarak University, School of Law. Previously, he taught at the Africa Nazarene University, Catholic University of Eastern Africa, Mt. Kenya University, Grotius School of Law in Uganda, Kenya School of Law and Inoorero University. He has published several scholarly journal articles with various reputable university journals.

THE BOARD OF DIRECTORS (Continued)



Rev. Canon David Lebarleyia-Independent Director

Reverend Canon David Lebarleyia was born on 23rd March, 1973. He is an Anglican Church Minister having served in the Church Ministry for over 21 years. He holds a Bachelor of Science (BSc) in Community Development from Laikipia University and a Diploma in Theology from St. Pauls University. He is currently pursuing a Masters of Arts in Missiology at the Kenya Methodist University. Rev. Lebarleyia has previously served as Chairman in the Board of Management of Serian FM Community Radio as well as in various Boards of Management of numerous High Schools within Samburu County.



CPA Peter Nyamete Mogire- Alt. Director, PS National Treasury

CPA Peter Nyamete Mogire was born in 1965. He is a qualified Accountant and works at National Treasury and Head Accounting Unit- Government Digital Payments (GDP). Pursuing B. Com [Accounting] from Catholic University of Eastern Africa (CUEA). In addition, he is Certified Public Accountant of Kenya-CPA (K) and a member of the Institute of Certified Public Accountant of Kenya-ICPAK and in good standing. He has a wide knowledge in Public sector accounting and finance. He has worked in various Government Ministries including Ministry of Foreign Affairs where he worked at Kenya Embassy Tel Aviv – Israel as a Financial Attaché.



Charity Kochalle-Independent Director

Ms. Charity Kochalle was born on 9th August, 1966. She holds a Diploma in Biblical Studies and Ministry Outreach from the I am Ministries International. She is a former Chairperson of the National Government Affirmative Action Fund (NGAAF) 2017-2018. Ms. Kochalle was the leader of the decoration team at the Glory Christian Church International (GCCCI) 2014 -2016. She attended Pan Africa Secondary (1983-1985) and Muruguru Primary School (1972-1982). She is an accomplished farmer.



MANAGEMENT TEAM

Dr Ezekiel Mutua, MBS- PhD in Communication Studies; Honorary Doctorate in Public Administration; Masters in Communication Studies; B.A in Linguistics and Sociology;



Chief Executive Officer

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

Joel Wamalwa – MA (Economic Planning), MAEPM (Environmental Planning and management), BA (Environmental Planning and Management), BA (Arts).



Film Licensing Department

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

MANAGEMENT TEAM (Continued)

CPA Paskal Martin Opiyo-MBA, BA Hons., CPA (K)



Finance and Accounts Department

Advises the Accounting Officer, Board of Directors, Committees of the Board, Management and other stakeholders on all financial and accounting matters of the Board. Provides strategic direction and oversight to the formulation, interpretation and implementation of financial regulations, procedures and policies to enhance internal controls. In addition, responsible for supervising, training, mentoring and coaching Finance and Accounts Staff.

Nelly Muluka Aluoch- MA Communication Studies, B.Ed. English Literature.



Corporate Communications Department

Responsible for initiating designing, developing reviewing and implementing the Board's communication's strategy geared towards attaining and sustaining a positive public image of the Board. Also responsible for coordinating interactive public functions and events to promote and publicise activities of the Board. Managing customer feedback including compliments suggestions and complaints on service delivery.

Solomon Weche – MSc HRM, DP (HRM), IHRM



Human Resource and Administration Department

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

Francis Ngala Nguthu –B.COM (Finance). IIA (K)



Internal Audit Department

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

Onesmus David Muema-B.A Economics & Mathematics



Planning & Research Department

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

Immaculate Mulaku –MBA, B.A (Economics), Dip CIP



Supply Chain Management Department

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

MANAGEMENT TEAM (Continued)

Loice M. Shalakha - LLB, Dip. Kenya School of Law



Legal Services and Corporation Secretary

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

Emmah Irungu- MSc (Information Science) B.Tech. IT, H. Dip PSY, Dip IT



Broadcast Compliance Department

Responsible for initiating designing, developing reviewing and implementing the Board's strategy on broadcast content regulation. She is in –charge of monitoring the media content to ensure compliance to the provisions of the Constitution of Kenya, Films & Stage Plays Act Cap 222 and the Kenya Information and Communications Act.

Redemptah Amondi –MA (Communication) B.A., Dip Film/ Video production



Film Examination & Classification Department

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

MANAGEMENT TEAM (Continued)

Petronilla Mueni -BBIT, Dip Information Science, CSK



Information Communication Technology Department

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

Paul Mbui Ng'ang'a-MSc (Finance), BCom (Finance), CPA (K)



Nairobi Film Centre

Responsible for planning, operating and supporting the Board's Sustenance of Infrastructure to support classification and content regulation functions of the Board in line with the Film and Stage Plays Act Cap222 laws of Kenya. He is also responsible for Special Project Management, Quality Assurance and Assessment.

Alexander Marcos Masiga-MA (Communication), BA (Communication)



Film Registration Department

Responsible for developing and prescribing standards for development and review of Film Licensing guidelines, policies, strategies and programmes. He is in charge of providing advisory on issuing of filming licenses as prescribed in the Film and Stage Plays Act, Cap 222.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors and Management, I would like to take this opportunity to thank all stakeholders who partner with our institution to ensure that we perform our core mandate as per the Films and Stage Plays Act, Cap 222. As a member of the top management, we thank our staff for their resilience, perseverance, creativity, stamina and dependability during this period. Indeed, because of you, the Board has been able to carry out its regulatory functions and services as required by the law. I am happy to report that the provisions of the Films and Stage Plays Act, Cap 222 have been tested in our courts. The High Court Petition No.313 of 2018, Wanuri Kahui vs Kenya Film Classification Board, and the Constitutional Court; The Courts validated the decision of the Board to restrict a movie, 'Rafiki'. In addition, the Court restated that the Board acted within its mandate. This is a good gesture-as it reinforces the fact that as an institution, we are law abiding citizens and carry out our functions within the confines of the law of the land. Moreover, it strengthens our ability to regulate the creation, broadcasting, possession, distribution and exhibition of film and Broadcast content in the country with a view to protect children from harmful content and promote national values.

Operating Environment

The Board has continued to pursue the following strategic intentions; safeguard our culture, national values and norms through efficient, effective and professional film and broadcast content regulatory services; provide consumer advice on consumption of film and broadcast content; impose age appropriateness on film and broadcast content ;continue to operationalize the Nairobi Film Centre (Formerly the Nairobi Cinema) to enhance the infrastructure for regulating film and broadcast content; and provide strategic direction in the development of post Covid-19 Recovery initiatives and Strategies in the film industry by providing reliefs to the industry stakeholders. These strategies define how the Board offers its services to our customers and provide an opportunity for growth in the film industry.



CHAIRMAN'S STATEMENT (Continued)

The Board is also committed to continue strengthening both local and international partnerships so as to create an enabling platform to form synergies that envisage the Sustainable Development Goals (SDGs) No. 8 that endeavors to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all and No.17 that seeks to strengthen the implementation and revitalize the global partnership for sustainable development and in discharge of our mandate.

Tribute

I wish to express my sincere and deep gratitude to the Government of Kenya, Ministry of ICT, Innovations and Youth Affairs, fellow Directors, employees, our customers and other stakeholders for their steadfast support and contribution towards ensuring that the Board performs its core mandate. I have no doubt that together we will continue to achieve even more in fulfilling the expectations of our mandate, thus taking our organisation to a greater height.

Bsp Jackson Kosgei
CHAIRMAN

REPORT FROM THE CHIEF EXECUTIVE OFFICER



The Financial Year 2019/2020 has ended with the Covid-19 pandemic posing challenges that have affected businesses across the country. The Kenya Film Classification Board, in particular, has been greatly affected, with most of our customers having to shut down their businesses. Further, many businesses have had to shift their businesses to various online platforms posing a challenge for the Board in terms of regulation of film and broadcast content through online platforms. As more people turn to producing and consuming

online content as a way of coping with the challenges posed by the pandemic, the Board has had to scale up its efforts towards regulation and ensuring compliance. The Board has therefore implemented various initiatives aimed at ensuring efficiency in regulating the creation, broadcast, distribution, possession and exhibition of film and broadcast content as required by the Films and Stage Plays Act Cap 222 Laws of Kenya

Compliance with the Regulatory Framework

The Board undertook measures to increase compliance levels in the film and broadcast sector. The number of licensed film distributors and exhibitors was 5,611 (82%) against a target of 6,800. The number of film licenses issued to film makers was 649 (65%) against a target of 1,000. Whereas the number of random inspections of video premises carried out during the financial year was 3,606 (89%) against a target of 4,020. The number of registered film agents was 139 (70%) against a target of 200.

Section 15(ii), provides for the examination and classification of film and broadcast content. Further, the Kenya Information and Communications (Broadcasting) regulations 2009 Regulation 34, empowers KFCB to determine age suitability on broadcast content to ensure adult content is not aired during the Watershed Period (between 5 am – 10 pm) whereas, classifying all programme and non-programme matter, namely commercials, infomercials, documentaries, programme promotions, programme listings, community service announcements and station identification using the Board's Film Classification Guidelines and Symbols.



To this end, 636 (106%) films were examined and classified against a target of 600. Out of the 636 films classified, 591 were movies, 18 were television programs, 19 were television commercials and 8 were music videos. Out of the 591 movies, 218 (36%) were rated PG-Parental Guidance while 208 (35%) were rated GE- General Exhibition. 142 (24%) were rated 16-Not suitable for persons under 16 years and only 23(3%) were rated 18-Restricted to persons aged 18 years and above.

Notably, one Indian romantic-comedy film was restricted (banned) for its gay theme, in contravention of the Board's Film Classification Guidelines. The trend in more films being rated PG and GE than 16 and 18 can be attributed to the Board's awareness campaigns that have made viewers more conscious about consuming clean content that upholds national aspirations, culture and moral values.

Additionally, most of the films classified were Kenyan at 268, by virtue of compliance by most broadcast stations with provisions of the broadcasting regulation that requires broadcasting stations to ensure 40% local content in TV and radio broadcasts.

The regulation of film and broadcast content was also tested in our courts in the High Court Petition No.313 of 2018, Wanuri Kahui vs Kenya Film Classification Board and the Constitutional Court. The Court, in its ruling, validated the decision of the Board to restrict the gay themed movie, 'Rafiki'. The Court restated that the Board acted legally in line with the mandating law, the Films and Stage Plays Act, Cap 222.

Consumer Advice and Awareness

The Board takes cognizance that film and broadcast content influences behavior and societal values. With the growth in Information, Communication and Technologies (ICTs) and broadcast sector in the country, the Board is aware that foreign cultures and ideologies may be transmitted to our people hence creating an impact on our national and cultural values. In order to deepen the understanding of our mandate and the influence of film and broadcast content consumption, we carry out robust programmes for consumer awareness as underlined by Section 15(iii) of the Films and Stage Plays Act.

During the year under review, the Board carried out one hundred and thirty-four (134) consumer awareness programmes. The Corporate Communication Department seventy-one (71) while Licensing Department sixty-three (63). Further, the Board held online consumer awareness



initiatives, media briefings as well as stakeholder engagements countrywide to enhance public awareness on its regulatory mandate. This, in turn, increased the Board's visibility among its stakeholders while capitalizing on low-cost-high impact initiatives/activities. Significantly, the Licensing Department heightened consumer awareness to Public Service Vehicles (PSVs) to improve compliance on General Exhibition since the PSVs have installed screens to exhibit content to passengers. It is worth noting that, 501 PSVs were licensed and the Board continues to strengthen strategic partnerships with Sacco owners to ensure passengers consume appropriate content

Revenue Performance

In the year under review, the Board witnessed slight turbulence in growth of revenues. This decline is attributed to the lockdown occasioned by the COVID-19 pandemic that has seen the suspension of filming activities both by local and foreign filmmakers as well as by filming agents, which affected the performance of the general economy and our business environment. During the FY 2019/2020, the Board's total income was Kshs.524.68 million. These comprises of Government grants (GoK grants) of Kshs.490.20 million and internally generated income of Kshs.37.48 million. The GoK grants comprise of Recurrent grants of Kshs.410.20 million and Development grants of Kshs.80 million. The GoK grants increased by Kshs.19.9 million from Kshs.470.30 million to Kshs.490.20 million compared to the previous FY 2018-2019. Whereas there was an increase in GoK grants, a significant decrease was realised in recurrent grants from Kshs.440.30 million allocation in the FY 2018-2019 to Kshs.410.20 million in FY 2019/2020. On the other hand, Development grants increased from Kshs.30 million in FY 2018/2019 to Kshs.80 million in FY 2019/2020. The significant decrease in Recurrent grants by Kshs.30.10 million is a result of Government shift in policy to reduce recurrent spending of state corporation and encourage state corporation to begin to think of ways of being self-reliant. The increase in development funds is to ensure the Board implements the Sinema Mashinani Project component one, the *Leasing, Equipping and Refurbishment of The Nairobi Film Centre (Formerly Nairobi Cinema)*.

The Board's internally generated revenue also known as Appropriation-in-Aid (A-I_A) declined by Ksh. 0.43 million from Kshs.37.91 million to Kshs.37.48 million compared to the previous FY 2018-2019. The internally generated income declined by one point one (1.1%) percent. Revenue from licensing of exhibitors and distributors declined from Ksh. 14.7 million to Kshs. 13.7 million



while revenue from sale of classification labels declined from Kshs. 4.22 million to Kshs. 3.70 million. In addition, revenue from classification fees decreased from Kshs.2.79 million to Kshs.2.69 million. Further, revenue from filming fees decreased from Kshs.5.03million Kshs.4.75 million while revenue from film agent fees reduced from Kshs.1.96 million to Kshs. 1.79 million. Revenue from Licensing of feature films, documentaries and series also decreased from Kshs.4.22 million to Kshs. 3.54 million. The revenue from the Nairobi Film Centre (Formerly Nairobi Cinema) during the period increased from Kshs.4.77 million to Kshs.6.99 million. We would like to thank the National Treasury through our parent Ministry of Information and Communication, Innovation and Youth Affairs for ensuring that we have the resources required to carry out our regulatory functions.

Future Outlook

Going forward, KFCB remains committed to transforming the film industry in Kenya. As a regulator, our aim is to elevate the industry to global standards. We firmly believe that proper regulation will make a huge contribution to the attainment of the expectations of the Vision 2030 Social Pillar, which envisions that Kenya shall formulate and adopt a core set of national values. Although the Covid-19 pandemic has affected the country, the Board will re-engineer its business model to ensure it continues to offer effective and efficient regulatory services to Kenyans. Further, we shall continue to facilitate investment in the film industry, through the Sinema Mashinani Project with an objective to transform the sector by identifying and nurturing talent with a view to inculcate moral values through film and the arts. Specifically, the Board will continue to implement component No. 1 of the Sinema Mashinani Project; the Nairobi Film Centre (formerly Nairobi Cinema)

Strategic Approach

KFCB will continue to adopt a combination of operational performance and organizational strategies to respond to the changing regulatory environment for the film and broadcast sector. The Board will prepare a business continuity plan in the wake of the covid-19 pandemic which shall place key focus on the following areas; building strategic partnerships that will enhance and offer value addition to our customers, improve on technological advancements and media convergence, review our standards on service delivery and improve on our current infrastructure.



Appreciation

I wish to convey my gratitude and appreciation to the Board of Directors for their strategic support and guidance and our Staff for their dedicated service throughout the year. We are confident that with the continued support of our Board of Directors and other partners in the implementation of these strategies, we shall achieve our overall goal to safeguard the national values and norms through efficient and effective film and broadcast content regulatory services.

Thank you.

DR. EZEKIEL MUTUA, MBS
CHIEF EXECUTIVE OFFICER



REVIEW OF THE BOARD'S PERFORMANCE FOR FY 2019/2020

During the 2019/2020 Financial Year, the Board committed to implement its programmes with a view to safeguard national values and norms through efficient, effective and professional film and broadcast content regulatory services. The strategic objectives during the year under review were five: to enhance compliance with film, broadcast content and the performing arts regulations for promotion of culture, national values and aspirations; secondly, to empower consumers with knowledge and skills to make informed choices; thirdly, to improve institutional and effectiveness for quality service delivery; fourthly, to enhance visibility and positive organizational image and lastly to improve the policy, legal and regulatory environment in the film, broadcast sector and performing arts so as to address the emerging technological issues. To this effect, the Board undertook to realize the above as tabulated below: tri-annual review for Nine Months (1st July 2019-31st March 2020) and annual Performance Review for the year (1st July 2019-30th June 2020).

	Performance Target for 2019/20 FY	Performance Criteria-Specific Targets	Tri-Annual Term Review (1st July 2019-31st March 2020)	Annual Achievement (1st July 2019 to 30th June 2020)
A.1	Absorption of Allocated Funds	Allocated funds were at 99.5% . During this period 2019/20 FY, the Board was allocated Ksh 540,600,000 of which Ksh 410,200,000 is recurrent budget, Ksh 80,000,000 Development budget and Ksh 50,400,000 internally generated income.	During the tri-annual period, the Board absorbed Ksh352,859,657 (86%) as Recurrent Budget and Ksh8,536,306 (10%) as Development Budget.	During the year under review, the Board absorbed Ksh.447,681,982 (98%) as Recurrent Budget and Ksh25,433,295.40 (32%) as Development Budget.
A.3	A-in-A	Board targets to raise Ksh 50,400,000 as A.I. A	During the period under review, the Board achieved Ksh34,434,906 (68%) as A-in-A.	During the Financial Year, the Board achieved Ksh37,481,982 (74%) as A-in-A.
A.4	Pending Bills	< 1%	The Board had a pending bill of 18% of the total budget.	The Board has a Pending Bill of Ksh 48,570,285 which is 8.9% of the total budget of Ksh 540,600,000.
B.1	Implementation of	Display Citizens Service Delivery Charter prominently at	The Board continuously	The Board continuously displayed

	Citizens' Service Delivery Charter	the point of entry/service delivery points in both English and Kiswahili. The Citizen Service Delivery Charter will be minimum 3' by 4' in size and in clearly visible font size by 30 th June, 2020	displayed the service delivery charter both in English and Kiswahili at the Head office and all the Regions as per CAJs guidelines.	the service delivery charter both in English and Kiswahili at the Head Office and all the Regions as per CAJs guidelines.
		Sensitize employees and cascade charter to all levels including customizing it at the grassroots institutions by factoring realistic timelines by 30 th June, 2020	One (1) sensitization was held for all Regional Managers who were required to cascade it to their regions.	One (1) sensitization was held for all Regional Managers who cascaded it to their regions.
		Ensure conformity with the commitments and standards in the charter by establishing compliance mechanisms by maintaining records on service delivery 30 th June, 2020	Conformity of standards registers are in place in all receptions and the Regional Offices.	Conformity of standards registers are in place in all receptions and the Regional Offices.
		Customize charter to unique needs of the customers by translating charter to Braille and training 2 officers on sign language by 30 th June, 2020	One (1) staff was trained on Sign Language.	One (1) staff was trained on Sign Language and the braille version of the charter was acquired and is in place.
B.2	Service Delivery Innovations and applications	Development of a mobile application for staff identification by the public which will be integrated to the online licensing system.	-	The project of the Online Licensing System is ongoing.
B.3	Resolution of Public Complaints	Establish a complaints management and access to information infrastructure;	The Board instituted a Resolution of Public Complaints Committee and has an online customer feedback form uploaded on the website.	The Board has a Resolution of Public Complaints Committee in place and has an online customer feedback form uploaded on the website.



		Report on capacity development on effective complaints management and access to information for top management and access to information officer(s);	The training was postponed due to the cancellation of events and public gatherings to curb spread of Covid 19.	The training was postponed due to the cancellation of events and public gatherings to curb spread of Covid 19.
		Report on awareness creation initiatives of the institution's complaints handling mechanisms and citizen service delivery charters as well as access to information;	The Resolutions of Public Complaints Committee held eighteen (18) meetings and two (2) internal trainings.	The Resolutions of Public Complaints Committee held twenty-one (21) meetings and two (2) internal trainings.
		Resolution of all complaints received and processing of requests for access to information received.	Three (3) Quarterly Reports were compiled and sent to the Office of the Commission on Administrative Justice (CAJ). The Board was awarded a score of 98% by CAJ.	Four (4) Quarterly Reports were compiled and sent to the Office of the CAJ. The Board was awarded a score of 98% by CAJ.
C.1	Examine and rate films for age appropriateness	Annual target of 600 films;	A total of 595(99%) films were examined during the tri-annual period.	A total of 634(106%) films were examined during the financial year.
		Carry out one (1) National Conference workshop on content classification for film producers by 30 th June,2020;	The conference had been projected to take place during the 4 th Quarter.	The conference was not held due to restriction of movement, events and gatherings to curb spread of Covid 19.
		Carry out 12 random inspections in cinema theatres and file monthly reports.	The Board carried out 11 (92%) inspections and filed three (3) quarterly reports.	The Board carried out 11 (92%) inspections and filed four (4) quarterly reports. Due to closure of cinema theatres to curb spread of Covid19, random inspections were suspended.



C. 2	Enhance compliance with the Films and Stage Plays Act Cap 222	Issue 6,800 Film Regulatory Licenses to the film exhibitors and distributors by 30 th June, 2020	The Board issued 5,095 (75%) licenses to film distributors and exhibitors.	The Board issued 5,611 (82%) licenses to film distributors and exhibitors. The performance was affected in the fourth quarter by the Covid 19.
		Increase the Registration of film agents from 162 issued in FY 2018/19 to 200 by 30 th June, 2020;	117 (59%) film agents were registered.	139 (70%) film agents were registered.
		Issue filming licenses to film makers from 826 issued in FY 2018/19 to 1,000 by 30 th June, 2020;	597 (60%) filming licenses were issued to film makers.	649 (65%) filming licenses were issued to film makers.
		Carry out quarterly field inspection in 10 filming locations in the country and file compliance reports by 30 th June, 2020;	Eleven (11) (110%) field inspection were carried out and three (3) quarterly reports prepared.	Eleven (11) (110%) field inspection were carried out and four (4) quarterly reports prepared.
		Hold bi-annual Film Agents' stakeholders meeting in 2 nd and 4 th quarter and file a report;	One (1) stakeholder meeting was carried out and one (1) quarterly report was filed during the Second Quarter.	One (1) stakeholder meeting was carried out and one (1) report filed. During the Fourth Quarter, the scheduled stakeholder engagement was postponed due to restriction of public gatherings and events to curb spread of Covid19.
		Carry out 80 Consumer Awareness Forums by 30 th June, 2020; and	Board carried out 105 (131%) consumer awareness programmes.	The Board carried out 122 (153%) consumer awareness forums. Despite the Covid 19 challenges, the Board continued with various sensitization forums e.g. the "Fomu Ni Safi" campaign in the Public Service Vehicles industry. Further, the



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				Board, held online consumer awareness campaigns.
		Carry out 4,000 random inspections and prepare a report on the level of compliance to the Films & Stage plays Act by 30 th June, 2020.	2,778 (69%) random inspections were carried out and three (3) quarterly reports filed.	3,606 (90%) random inspections were carried out and four (4) quarterly reports filed.
C.3	Ensure Compliance of Film and broadcast Content	Monitor 54 broadcast stations for compliance with content classification and watershed period principles, compile quarterly media monitoring reports and share with relevant authorities;	54 Broadcast Stations were monitored and three (3) quarterly reports filed.	54 Broadcast stations were monitored and four (4) quarterly reports filed.
		Conduct consumer awareness by sensitizing 30 TV broadcasters on KFCB mandate viz-a-viz their responsibility to media content consumers through two (2) workshops by 30 th June 2020;	15 (50%) TV stations staff and general public were sensitized on the Board's mandate.	15 (50%) TV stations staff and general public were sensitized on the Board's mandate. The Board had projected to hold various consumer awareness sessions however, all our projected events were postponed due to the restriction of movement and gatherings to curb the spread of Covid19.
		Empower 10,000 students with basic knowledge to safely consume media content and interact with ICTs by 30th June, 2020 through the partnership of Kenya National Drama & Film Festival (KNDFFF); and	Empowered 3,612 (36%) students during the regional drama festival held in Laikipia, Mombasa and Kiambu Counties.	Empowered 3,612 (36%) students during the regional drama festival held in Laikipia, Mombasa and Kiambu Counties. The Board had projected to leverage on the Kenya National Drama & Film Festivals to sensitize more students however the competitions were

				cancelled due to Covid 19 pandemic.
		Empower 1,000 teachers/ parents with basic knowledge on media content and ICTs in the interest of child protection through partnership of Kenya National Drama and Film Festival.	Empowered 1,560(156%) teachers and parents.	Empowered 1,560 (156%) teachers and parents.
C.4	Implement Phase One (I) of the Sinema Mashinani by operationalizing the Nairobi Film Centre (formerly Nairobi Cinema) to enhance regulation of film and broadcast content	Refurbish the Nairobi Film Centre by acquiring furniture and fittings and equipping the Cinema Theatre with projections systems and sound to ensure that all the regulatory functions are undertaken at the Centre.		NFC is currently 43.25 %
C.5	Conduct a study on Film and Broadcast Content Classification on trends	Conduct a study on the Film and Broadcast Content Classification to inform policy and share with the relevant stakeholders by the 30 th June, 2020.	Classification data was collected in each quarter.	Classification data was collected for the four (4) quarters. A draft report based on annual classification data was prepared.
C.6	Ease of Doing Business	Facilitate issuance of film regulatory licenses through an online platform to ease the procedure of doing business with the Board by 31 st March, 2020.	The Board put in place an Online Licensing System to ease the procedure online licensing.	The Board put in place an Online Licensing System to ease the procedure for online licensing.
C.7	Review the regulatory framework of the	Organize one stakeholder engagement meeting to take them through the legislative proposal developed during the	Two (2) stakeholder engagement meetings were	Two (2) stakeholder engagement meetings were held during the 2017/2018 and



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	Films and Stage plays Act Cap 222	financial 2018/2019. The legislative proposal will then be forwarded to the Ministry by 31 st March, 2020.	held during the 2017/2018 and 2018/2019 financial year.	2018/2019 financial year. The proposed amendments were forwarded to Parliament and it is currently in the Miscellaneous Amendment Bill 2020.
C.8	Building capacity of the Kenya National Drama & Film Festival	Develop a framework to adapt KNDFFF winning drama items into commercially viable films; and Partner with Kenya National Drama and Film Festival to review the festival's Rule Book by March, 2020.	A draft KNDFFF framework is in place. Kenya National Drama and Film Festival (Festival's Rule Book) was reviewed and Board's interest specified.	A draft KNDFFF framework is in place. Kenya National Drama and Film Festival (Festival's Rule Book) was reviewed and Board's interest specified.
C.9	Release of Budgetary Allocation to Regional offices	The Board will release the allocated funds in all eight regions in three (3) days upon receipt of exchequer from the parent ministry	The Board released budgets to all its Regional Offices three (3) days after receipt of the budget.	The Board released budgets to all its Regional Offices three (3) days after receipt of the budget.
C.10	Development of Strategic Plan (100%)	The Board targets to finalize the development of the 2018-2023 Strategic Plan aligned to MTP III and the "Big Four" Initiatives by 30 th June, 2020.	The draft strategic plan was developed in consultation with Officers from the Parent Ministry.	Draft Strategic plan was prepared and will be presented to Board in the current FY.
C.11	Project Completion Rate	During the contract period, the Board will implement the following capital project at 100% completion rate		The Board has one Capital Project i.e. the NFC is currently at 43.25% completion rate.
D.1	Implementation of Presidential Directives	Implement 100% all directions issued by H.E the President and communicated by Head of Public Service through the parent Ministry on specific areas of execution and may include	The Board planted trees at Matuu Sub County Hospital and partnered with Parent	The Board planted trees at Matuu Sub County Hospital and partnered with Parent Ministry to plant trees in Ngong forest.



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		Circulars and Executive Orders including those to be issued by 31 st May, 2020.	Ministry to plant trees in Ngong Forest.	Further, the Board was to participate during an inter-ministerial tree planting activity at Konza Technopolis Development Authority. However, the same was postponed due to Covid 19 pandemic.
E. Access to Government Procurement Opportunities (AGPO)				
E.1	Uptake of 30% value of Tender awarded	Award tenders worth Ksh 64,332,345 to the youth, women and Persons with Disabilities which is equivalent to 30% of the total procurement value of Kshs. 214,441,153 of the procurement budgets, with 2% translating to Kshs. 1,286,646 reserved for PWDs.	The Board awarded tenders worth Ksh42,056,738 (65%)	The Board awarded tenders worth Ksh 48,604,035 . This was 75.5% achievement
		Submit to PPRA a summary of the procurements allocated to the target group using the prescribed.	Three (3) quarterly were prepared and submitted to PPRA.	Four (4) quarterly reports prepared and submitted to PPRA.
	Promotion of Local Content in Procurement	Ensure that 40% of the procurement budget (Kshs. 85,776,461) is on local products and services. The Board will also undertake to submit quarterly reports to the Ministry of Industry, Trade and Cooperatives using the prescribed format	Achieved Ksh 69,478,933.41 which is 81% achievement.	Achieved Ksh 85,776,461 which is 100% achievement.
G.1	Asset Management	Inventory Management: 60% Regularly Update the existing inventory register and maintain a catalogue of all its assets and properties and their status.	The Board has an Asset Register which is updated after purchase of assets.	The Board has an Asset Register updated after purchase of assets.
G.2	Youth Internships/ Attachments	Provide internship/attachment opportunities for 21 attaches and 6 interns.	The Board engaged six (6) (100%) interns and nine (9) (43%) attachees.	The Board engaged six (6) (100%) interns and nine (9) (43%) attachees. This is because of office space

	Apprentice ships		This is because of office space and the social distance directives.	and the social distance directives.
G.3	Competence Development 100%	Undertake institutional Skills Gap Analysis;	The Board undertook both Training Needs Assessment and the Skills Gap Analysis during the period under review.	The Board undertook both the Training Needs Assessment and the Skills Gap Analysis during the contract period.
		Carry out staff Training Needs Assessment		
		Execute interventions to address the identified skills gaps and training needs through recruitment, outsourcing, capacity/training, coaching and mentoring.	88 staff were trained on various needs identified and training reports filed.	88 staff were trained on various needs identified and training reports filed.
		Knowledge management: Preserve and share knowledge and lessons learnt across the Board, sector and Government for continual improvement.	The Board developed a Knowledge Management Policy and Strategy.	The Board developed a Knowledge Management Policy and Strategy.
		Performance Appraisal	All staff were placed under PAS and mid-year review was undertaken and reports filed.	All staff were placed under PAS and both mid-year and annual reviews were undertaken and reports filed.
		All staff are placed under PAS		
		Carry out mid and end year appraisals and prepare reports on the same;	Individual staff performance appraisal using the prescribed format were filled, assessed and filed.	Individual staff performance appraisal using the prescribed format were filled, assessed and filed.
		Provide documentary evidence on employees' performance appraisal using the prescribed format		
G.4	Disability Mainstreaming	Review and submit disability mainstreaming policy and annual work plan by 31 st July, 2019	The Disability Mainstreaming Policy was drafted and reviewed. The Board's Annual Work Plan was submitted to NCPWD.	The Board's Disability Mainstreaming Policy and Annual Work Plan were submitted to NCPWD.

	Reconstitute and operationalize the disability mainstreaming Committee	The Committee was reconstituted.	The Committee was reconstituted.
	Train disability mainstreaming Committee and senior management and sensitize all staff on disability	The Committee that comprises members of Senior Management was trained.	The Committee that comprises members of Senior Management was trained.
	Ensure that at least 5% of the new employees/interns/attaches/apprentices in the Board are persons with disabilities as categorized below: a. New employees; and b. Interns/attaches/apprentices.	The Board did not recruit new staff members during the period under review. No intern/attaches/apprentices with special needs sent their applications to the Board for consideration.	The Board did not recruit new staff members during the period under review. No intern/attaches/apprentices with special needs sent their applications to the Board for consideration.
	Carry out accessibility and usability audit and submit the report to NCPWD	The accessibility and suitability audit was carried out and report submitted the NCPWD.	The accessibility and suitability audit was carried out and report submitted the NCPWD.
	Increase equal and easy access of products and services/programmes to PWD	2% of the Board's tenders were reserved for PWDs.	2% of the Board's tenders were reserved for PWDs.
	Ensure improvements for ease of access in public offices and to public information.	The Board's infrastructural amenities are accessible and all our customer/client information is available on our website and social media pages.	The Board's infrastructural amenities are accessible and all our consumer/client information is continuously updated on our website and social media pages.
	Submit quarterly reports using the prescribed format to NCPWD.	Three (3) quarterly reports were submitted using the	Four (4) quarterly reports were submitted using the prescribed format to NCPWD.

			prescribed format to NCPWD.	
G.5	Prevention of HIV Infections	Identify number of staff reached with HIV information and services as outlined in the reporting tool every quarter	Training to all staff was carried out by officers from National Aids Control Council.	Training to all staff was carried out by officers from National Aids Control Council.
G.6	Safety and Security Measures	Put in place mechanisms to mitigate against technological hazards, terrorism by:	The Board has an ICT policy in place to mitigate against technological hazards.	The Board has an ICT policy in place to mitigate against technological hazards.
		Training 20 staff on counter terrorism measures and firefighting skills	Forty (40) members of staff were trained by the National Disaster management Unit and the ICTA on cyber security and issues of disaster management.	Forty (40) members of staff were trained by the National Disaster management Unit and the ICTA on cyber security and issues of disaster management.
		Creating a backup system for the Board's information assets	The backup system for the Board's information assets is in place.	The backup system for the Board's information assets is in place.
		Implement the Information Security Management System (ISMS) as follows:		
		Train top management on ISMS;	Senior Management were trained by officers from the Kenya Bureau of Standards from on ISMS.	The Board Contracted Kenya Bureau of Standards to train Senior Management on ISMS.
		Train Implementers;	The training was carried out for staff members who are ISMS implementers.	The training was carried out for staff members who are ISMS implementers.

		Create ISMS risk management (Risk registers and risk management action plan); and	The risk registers were created.	The risk registers were created and the trained ISMS implementers began developing the risk management action plan to be finalized during the 2020/2021 financial year.
		Establish information assets and secure them.	The identification process of the Board's information assets was done.	The identification process of the Board's information assets was done.
G.7	National Cohesion and Values	The Board undertakes to implement the following five commitments and way forward in the 2018 Annual President's Report on National Values and Principles of Governance.	The Board prepared and submitted one (1) report to the Directorate of National Values and Principles of Governance.	The Board prepared and submitted one (1) report to the Directorate of National Values and Principles of Governance.
G.8	Corruption Prevention	<p>The Board will implement the following in line with the Ethics and Anti-Corruption Act No. 22 of 2011 and the Leadership and integrity Act of 2012;</p> <p>Reconstitute and Operationalizing of Corruption Prevention Committee (CPC);</p> <p>Capacity building to the Committee;</p> <p>Review and implement the Corruption Risk mitigation plan;</p> <p>Sensitize the Staff on corruption prevention Measures including ethics and integrity issues</p>	The corruption Prevention Committee was reconstituted and capacity building done by officers from Ethic and Anti-Corruption Commission.	<p>The corruption Prevention Committee was reconstituted and capacity building done by officers from Ethic and Anti-Corruption Commission.</p> <p>Additionally, the Board reviewed the Corruption prevention Policy and Corruption Mitigation plans.</p>



CORPORATE GOVERNANCE STATEMENT

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

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

Statement of Compliance

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



Board's Composition and Appointment

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

The Board is currently composed of one (1) Non-executive Chairman, eight (8) independent members, the Chief Executive Officer, one (1) representative for the PS National Treasury (appointed November 2019) and one (1) representative for the PS State Department of ICT and Innovation respectively.

Board's Diversity

The Board has following diverse set of skills;

Field of Expertise	Number
Film Production	1
Theology	3
Economics & Finance	2
Law	4

Separation of Powers of the Chairman and Chief Executive Officer

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



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Board Meetings

The Board meets at least once per quarter or more often in accordance with requirements of the business.

The Board's Work Plan and Calendar of meetings is prepared at the beginning of the financial year. Adequate notice is given for each board meeting and the agenda and papers are circulated in good time.

The Board held eight (8) meetings during the year which were attended as follows:

NO.	FULL BOD MEETING	Q1	Q2	Q3	Q4	TOTAL
1.	Jackson Kosgei	2/2	1/2	2/2	2/2	7/8
2.	Gathoni Kungu	2/2	2/2	2/2	2/2	8/8
3.	David Lebarleyia	2/2	2/2	2/2	2/2	8/8
4.	Norman Magaya	2/2	0/2	0/2	2/2	4/8
5.	Nehemiah Maina	1/2	2/2	2/2	2/2	7/8
6.	Joyce Wamucii	2/2	2/2	2/2	2/2	8/8
7.	June Gachui	2/2	2/2	1/2	2/2	7/8
8.	Nereah Okanga	2/2	2/2	2/2	2/2	8/8
9.	Kennedy Ogolla	***	2/2	2/2	2/2	6/6
10.	Charity Kochalle	***	1/2	2/2	2/2	5/6
11.	Peter Mogire	***	***	1/2	2/2	3/4
	*** The directors had not been appointed to sit on the Board					



Directors' Remuneration

The Directors' remuneration is in line with the guidelines provided in the State Corporations Act and the guidelines provided by the State Corporations Advisory Committee. The Chairman is paid a monthly honorarium of Kshs. 95,000, airtime of Kshs. 5,000 and a taxable sitting allowance for each meeting attended. The Directors are paid a taxable sitting allowance of Kshs. 20,000 for each meeting attended. The sitting allowance for the current financial year is prescribed in the circular Ref no. OP/CAB.9/21/2A/LII/43 dated 23rd November 2004. Other allowances such as accommodation and travelling are prescribed by circular Ref No. OP/SCAC.9/21.2 VOL.I (164) dated 28th April, 2015. The Chief Executive Officer does not qualify to receive the sitting allowance for any meeting he/she attends.

The amounts paid to the directors are as shown below:

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Board Members Allowance	15,839,035	31,380,769
Film Examiners Allowances	2,138,980	3,154,100
Conferences, committee's and Seminars	324,000	33,000
Board Members Insurance	442,047	751,752
Honoraria to chairman	1,200,000	1,190,000
Board Trainings	1,039,200	600,000
Local Travel & Accommodation	7,555,760	-
Foreign Travel & Accommodation	677,950	-
Total Board Expenses	29,216,972	37,109,621

The Films and Stage Plays Act, Cap 222 Section 11(B) provides that the Board may from time to time co-opt such number of persons as it may determine, having regard to number of films requiring examination to examine and classify films. Such persons are paid a sitting allowance of Kshs. 1,500 per film classified and a meal allowance of Kshs. 1,000. This expenditures forms part of the Board expenses reported as film examiners allowance.



Declaration of Interest and Conflict of Interest

The directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to his/her attention, whether direct or indirect. The statutory duty to avoid situations in which they have or may have interests that conflict with those of the Board has been observed by the Board of Directors. During the period, one (1) conflict of interest was registered by a Director during the interview for recruitment of the Manager, ICT on 5th December, 2019

Board Charter

The Board has an approved Board Charter. The Charter provides details of the Board's composition, size of the Board, the role of the Board, powers of the Board of directors and the tenure of the directors as prescribed in the Films and Stage Plays Act, Cap 222

Succession Planning

The review of the career guidelines & organization structure in the previous FY 2017-2018 was aligned with the strategic direction of the Board. The Board has transitioned into the new Organization Structure which was implemented as from 1st July, 2019.

Board Training and Induction

The Board conducted two trainings for directors on Finance for Non-Finance Directors and Mwongozo Board of Directors Induction conducted by the Institute of Public Accountants of Kenya (ICPAK)



The Board of Directors

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

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

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

- i) Providing the vision, mission, and strategic direction and upholding the core values;
- ii) Putting in place management structures (organization, systems and human capital) to achieve these goals;
- iii) Ensuring targets are set and monitoring performance;
- iv) Guiding the implementation of strategic decisions and actions and advising management as appropriate;
- v) Reviewing and approving annual budgets;
- vi) Ensuring management of risk, overseeing the implementation of adequate internal control systems, compliance with relevant laws and regulations, and compliance with accounting and auditing standards.
- vii) Ensuring the preparation of annual financial statements and reports.



MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

Financial Results and Review of Operations

During the FY 2019/2020, the Board's total income was Kshs.524.68 million. This comprised of Government grants (GoK grants) of Kshs.490.20 million and internally generated income of Kshs.37.48 million. The GoK grants comprise of Recurrent grants of Kshs.410.20 million and Development grants of Kshs.80 million. The GoK grants increased by Kshs.19.9 million from Kshs.470.30 to Kshs.490.20 million compared to the previous FY 2018-2019. Whereas there was a general increase in GoK grants, a significant decrease was realised in Recurrent grants from Kshs.440.30 million allocation in the FY 2018-2019 to Kshs.410.20 million in FY 2019-2020. On the other hand, the Development grants increased from Kshs.30 million in FY 2018-2019 to Kshs.80 million in FY 2019/2020. The Significant decrease in Recurrent grants by Kshs.30.10 million is a result of Government shift in policy to reduce recurrent spending of State Corporations and encourage a move towards self-reliance. The increase in Development Funds is to ensure the Board implements the Sinema Mashinani Project Component One, the *Leasing, Equipping and Refreshment of The Nairobi Film Centre (Formerly Nairobi Cinema)*.

The Board's internally generated revenue, Appropriation-in-Aid (A-I_A) declined by Ksh. 0.43 million from Kshs.37.91 million to Kshs.37.48 million compared to the previous FY 2018-2019. The internally generated income declined by one point one (1.1%) percent. Revenue from licensing of exhibitors and distributors declined from Ksh. 14.7 million to Kshs. 13.7 million while revenue from sale of classification labels declined from Kshs. 4.22 million to Kshs. 3.70 million. Further, revenue from classification fees decreased from Kshs.2.79 million to Kshs.2.69 million. Additionally, revenue from Filming fees decreased from Kshs.5.03million Kshs.4.75 million while revenue from Film agent fees reduced from Kshs.1.96 million to Kshs. 1.79 million. Revenue from Licensing of feature films, documentaries and series also decreased from Kshs.4.22 million to Kshs. 3.54 million. The revenue from the Nairobi Film Centre (Formerly Nairobi Cinema) during the period increased from Kshs.4.77 million to Kshs.6.99 million. The decline in revenue streams is a result of the lockdown on account of the COVID-19 pandemic that has seen the suspension of filming activities both by Local and Foreign Film Makers as well as Filming Agents

Compliance with the Regulatory Framework.

The Board is established by the Films and Stage Plays Act Cap 222, Laws of Kenya, to regulate the creation, broadcast, distribution, possession and exhibition of film and broadcast content meant for public exhibition to ensure content conforms to national aspirations, culture and moral values and critically to protect children from harmful content. In fulfilment to this mandate, Section 4 of the Act provides that prior to filming within Kenya for public exhibition, a film maker ought to apply for a filming license while Section 15(b) of the Act outlines on the provisions of the acquisition of license compliance certificates by film distributors and exhibitors.

During the FY 2019/2020, the Board undertook measures to increase compliance levels in the film and broadcast sector. The number of licensed film distributors and exhibitors was 5,611 (82%) against a target of 6,800. The number of film licenses issued was 649 (65%) to film makers against a target of 1,000. Whereas the number of random inspections of video premises carried out during the financial year was 3,606 (89%) against a target of 4,020. The number of registered film agents was 139 (70%) against a target of 200.

Additionally, Section 15(ii), provides for the examination and classification of film and broadcast content. Furthermore, the Kenya Information and Communications (Broadcasting) regulations 2009 Regulation 34, empowers KFCB to determine age suitability on broadcast content to ensure adult content is not aired during the watershed period (between 5 am – 10 pm) whereas, classifying all programme and non-programme matter, namely commercials, infomercials, documentaries, programme promotions, programme listings, community service announcements and station identification using the Board's Film Classification Guidelines.

In this regard, 636 (106%) films were examined and classified, against a target of 600 films. Out of the 636, the number of films classified was 591: with (18) television programs, (19) television commercials, and (8) music videos. Out of which most films were rated PG-Parental Guidance 218(36%) attributed to the fact that viewers are conscious to consume clean content that uphold national aspirations, culture and moral values. Secondly, GE-General Exhibition 208(35%), thirdly, 16-Not suitable for persons under 16 years 142(24%) and 18-Restricted to persons aged 18 years and above 23(3%). Notably, one (0.1%) Indian romantic-comedy film was R-restricted for contravening the Film Classification Guidelines.

Besides, most of the films classified were from Kenya at 268, by virtue that most Broadcast Stations comply with provision of the aforementioned broadcasting regulation that requires broadcasting stations to ensure 40% local content in TV and radio broadcasts. The regulation further requires that the broadcasts air and observe restrictions on adult content. The rest of the content classified was made up as follows, Europe 80, USA 77, India 69, Africa 49, Middle East 31, Israel 11, Asia 6 and North Africa 10.

Consumer Advice and Awareness

The Board, takes cognizant that film and broadcast content influences behavior and societal values. With the growth in Information, Communication and Technologies (ICTs) and broadcast sector in the Country, the Board is aware that foreign cultures and ideologies can be transmitted to our people which may negatively impact our national and cultural values. In order to deepen the understanding of our mandate and the influence of film and broadcast content consumption, the Board engages in robust programmes for consumer awareness as underlined by Section 15(iii) of the Films and Stage Plays Act.

During the year under review, the Board carried out one hundred and thirty-four (134) consumer awareness programmes. The Corporate Communication Department, seventy-one (71) while Licensing Department sixty-three (63). Further, the Board held online consumer awareness initiatives, media briefings as well as stakeholder engagements countrywide to enhance public awareness on its regulatory mandate. This in turn, increased the Board's visibility among its stakeholders while capitalizing on low-cost-high impact initiatives/activities. Significantly, the Licensing Department heightened consumer awareness to Public Service Vehicles (PSVs) to improve compliance on General Exhibition since the PSVs have installed screens to exhibit content to passengers. It is worth noting that 501 PSVs were licensed and the Board continues to strengthen strategic partnerships with SACCO owners to ensure passengers consume appropriate content.



SECTION B

Entity's compliance with statutory requirements

The Board complies with the Film Stage Plays Act Cap 222 which is the principal law outlining the mandate of the Board. We ensure that other statutory requirements such as remittance of PAYE, NSSF, NHIF and Withholding VAT are met in the time frame required. The Board at the moment is not exposed to any contingent liabilities with probability of causing any outflow of resources to meet the cost of such obligations.



SECTION C

Key projects and investment decisions the entity is planning/implementing

The following are key projects that the Board is investing in;

- a) **Development of an Online Licensing System;** The Online Licensing Platform is a system that aims at automating the licensing of film exhibitors, video operators and filming agents. The aim is to improve institutional efficiency and effectiveness for quality service delivery. The User Departments have been pilot testing the Online Licensing System and clients have been interacting with the system by making applications online and giving feedback through the User Departments. This feedback is analysed and implemented to improve the system. During this period the Online Licensing System is being integrated with the ERP-Microsoft Navision.
- b) **Acquisition and Refurbishment of a Cinema Theatre;** this project is meant to provide the Board with an infrastructure for film and broadcast content classification so that the Board does not heavily depend on private infrastructure when examining and classifying film and broadcast content. The rate of completion is at 43.125%. The project had received Kshs 80 Million by the Fourth Quarter of FY 2019-2020.



SECTION D

Major Risks Facing the Entity

Operational & Legal Risks:

The Board from time to time faces various risks related to technological and dynamic legal environments including but not limited to the following:

- Rapid-pace of disruptive innovations and/or new technologies may outpace the Board's ability to manage the risks appropriately. For example, film and broadcast content regulation is heavily influenced by how modern the monitoring equipment is. The Board is in the process of acquiring modern equipment.
- Social media, mobile applications and other internet-based applications significantly impacts the Board's regulatory compliance processes and the Board is putting in place mechanism on ways to regulate new sources of content which include the internet and the social media. To address this issue, the Board is currently in the process of reviewing the Film and Stage Plays Act Cap 222. Additionally, as necessary the Board seeks court interventions to protect children from exposure to harmful content.

Market Risk:

As a regulatory agency, the Board faces the following:

- The inherent risk associated with intellectual piracy of film and broadcast content. Piracy of film is inhibiting the growth of the local film industry thus broadcast stations are unable to meet the 40% local content quota. This affects the revenue available from licensing of film and broadcast content exhibitors.
- Shifting expectations may trigger stakeholder activism that may significantly impact the Board's regulatory mandate.



Capital and Credit Risks:

The risk is significantly low for the Board since it does not hold capital share and investments and does not borrow from the market to finance its operations.

Liquidity Risk:

The Board is not exposed to liquidity risk, however, its ability to access sufficient capital/liquidity may restrict growth opportunity when there is a delay in receipt of GoK grants.



SECTION E

Material arrears in statutory/financial obligations

There are no major material arrears in pending obligation of the Board. The Board has an outstanding trade payable, employee obligations and other deduction obligation which the Board is capable to settle as shown below;

1	Trade payables	43,853,173
2	Provision of Audit Fees & other provisions	1,211,040
3	Refund payables	105,200
3	VAT Payable	1,110,206
3	Employee obligations	2,300,666
	Total trade and other payables	48,580,285

SECTION F

The entity's financial probity and serious governance issues

There are no serious financial probity or governance issues reported through any audit.



STRATEGIC DIRECTION

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

STRATEGIC MODEL

The Board has a strategic model that has been adopted to achieve its Vision and Mission in the next 3 years. It includes the strategic themes and key objectives that have been identified to address issues and challenges in regulating the film industry. It also enumerates the accompanying strategies to be pursued in this endeavour.

The Board has identified five strategic issues, namely;

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

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

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

The strategic objectives are measured with the following strategies;

	Strategic Objective	Strategies
1.	To improve the policy, legal and regulatory environment in the film, broadcast sector and performing Arts	<p>Review the existing policies, legal and regulatory framework to address the emerging issues.</p> <p>Conduct public awareness on the formulated policy, legal and regulatory framework.</p>
2.	To enhance compliance to film, broadcast content and the performing arts regulations for promotion of national values and aspirations	<p>Develop regulations that promote the formation of film exhibitors and distributors associations. (provide a platform)</p> <p>Timely and efficient rating and classification of film and broadcast content decisions</p> <p>Timely issuance of filming licenses, exhibitor, distributors licenses and registration of filming agents within fifteen (15) minutes of application</p> <p>Enhance compliance through continuous monitoring of broadcast channels including online media to ensure compliance with the regulation of film and broadcast content</p> <p>Roll out monitoring initiatives to ensure increased compliance by industry</p>
3.	To empower the public with knowledge and skills to make informed choices.	Empower film content consumers and stakeholders with relevant knowledge and skills through Public Awareness and Media Literacy Programmes
4.	To enhance visibility and engagements with stakeholders	<p>Develop a comprehensive communication strategy.</p> <p>Maintain a structured and effective response to stakeholders' enquiries and concerns.</p>



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	Strategic Objective	Strategies
		Position the Board's brand and Entity identity Build capacity to address customer feedback.
5.	To improve institutional efficiency and effectiveness for quality service delivery	Institutionalize performance contracting and appraisal system Promote Research to support evidence-based decision making. To strengthen human resources /capital Improve the work environment Create an enabling IT environment Diversify revenue resources base through implementing programmes and projects that will generate revenue e.g. Nairobi Film Centre



CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Sustainability strategy and profile

The mandate of the Kenya Film Classification Board (KFCB) as per the Films and Stage Plays Act Cap., 222 Laws of Kenya is to regulate the creation, broadcasting, possession, distribution and exhibition of film and broadcast content in the country with a view to promote culture, national values and morality as enshrined in Article 10 of the Constitution of Kenya; as well as to protect children against exposure to harmful content. The principal mandate of the Board is derived from the Films and Stage Plays Act Cap 222 Laws of Kenya, while the Kenya Information and Communications Act (KICA) further empowers the Board to ensure content that is of adult nature is not broadcast during the Watershed Period (5am- 10pm).

The Board provides the required leadership in designing suitable plans and strategies that contribute to sustainable socio-economic development. The Board of Directors undertake to ensure KFCB has a credible strategic plan and performance contract that factors in Corporate Social Responsibility (CSR). KFCB implements its programs based on the following objectives with a view to safeguard the national values and norms through efficient, effective and professional film and broadcast content regulatory services:

1. To enhance compliance with film, broadcast content and the performing arts regulations for promotion of culture, national values and aspirations;
2. To empower consumers with knowledge and skills to make informed choices;
3. To improve institutional efficiency and effectiveness for quality service delivery; To enhance visibility and positive organizational image; and
4. To improve the policy, legal and regulatory environment in the film, broadcast sector and performing arts so as to address the emerging technological issues.

KFCB is committed to incorporate best practice in CSR that align with principles of Corporate Governance across all its programs. As the Film Regulatory Agency in Kenya, domiciled under the Ministry of ICT, Innovation and Youth Affairs, KFCB supports inter-ministerial CSR activities in compliance with all Government directives. CSR is a key strategy for KFCB to give back to the community and create a platform for community engagement with the general public while



enhancing the Board's mandate and programs. CSR is an existential issue for all stakeholders in the creative economy at the creation, broadcast, possession, distribution and exhibition of film and broadcast content. Given the power of the artistic output on screen, film and television, the Creative Arts industry has a greater role to influence and forge shifts that can propel best practices to ensure our national values and aspirations thrive. KFCB acknowledges that the process of film production and examination and classification can be resource intensive. Therefore, to counter this, KFCB endeavors to create a facilitative regulatory environment with professionals and stakeholders in the Creative Arts industry that is transformative within the society.

Environmental performance

As part of the Board's commitment to deliver transformative change and promote the growth of the circular economy, the Board participates/sponsors participants to attend both local and international film festivals for exposure on emerging trends in CSR and environmental sustainability replicable locally. As a State Corporation, the Board adheres to Government Directives on CSR reporting. The Directives are documented (Performance Contract); outlines current practices to inform actionable targets that ought to be taken in terms of policy and immediate interventions, implementation indicators in all Regional Offices and good corporate governance practice which is shared with all stakeholders. The Board is conscious that, there is deficiency of consistent data monitoring of carbon emissions across the film value chain, without which it is a challenge to effect and monitor change; lack of cohesion and coordination in carrying sustainability best practice from production to distribution of film content; infrastructure upgrades which would be required to reduce energy consumption of studios; and need for better signposting to existing grassroots and regional organizations supporting green film production.

Employee welfare

Kenya Film Classification Board has institutional policies that guide hiring processes which include: The Human Resource Policy and Procedures Manual which align to the Board's Strategic Plan. These provide strategic direction on the various employee terms of employment: permanent, contract, temporary or casual. Further, the Board's Career Guideline outlines the roadmap on the employees' career path from entry level. Besides, the organisational structure and staff



establishment guide the Board on the number of staff required per position at KFCB. The recruitment and selection for the advertised positions is carried out transparently and competitively. Notably, the policies are revised after every four (4) years through relevant stakeholders that include the employees, the Board of Directors, parent Ministry and the State Corporation Advisory Committee (SCAC). Moreover, all staff are placed under a Performance Appraisal System (PAS). Targets are set at the beginning of the year and reviewed mid-year.

Market place practices

To promote responsible competition practice, the Board's procurement process is carried out in-line with existing Procurement Law and guided by values and principles of the Constitution of Kenya (Article 10, 27,55,56): The Board upholds the principles of fairness, equity, accountability and integrity. Secondly, to promote responsible supply chain and supplier relations, the Board ensures that the supply chain process is transparent and adheres to PPADA 2015 and its attendant regulations hence strengthening the cordial relations with its suppliers. Additionally, supplier contracts are honoured in as far as the Board's obligations are concerned and payments for goods delivered/services rendered made as per the contract except in exceptional circumstances of late disbursements from Exchequer. Lastly, to maintain ethical marketing practices, the Board's procurement opportunities are advertised (print media, website and internal Notice Boards) as they fall due and more suppliers are given opportunities to participate. Further, the Board advertises both in print and broadcast media through the Government Advertising Agency (GAA), in charge of among other things, public sector advertising and managing consolidated Government advertising funds. GAA guarantees fair competition and ethical standards on matters advertising and marketing.

In compliance with the Government Directive on 'Buy Kenya Build Kenya', the Board complies with the stated guidelines from the Ministry of Industrialization, Trade and Enterprise Development to improve on quality, standards, and ultimately raise competitiveness for locally produced goods and services by ensuring all firms the Board purchases from are locally owned. This is to promote the growth of local manufacturing industries.



In realization of its mandate, on product stewardship, the Board remains alive to the fact that film and media content are powerful influencers of behavior and societal values. In order to deepen the understanding of its mandate and the influence of media consumption by the general public, the Board carries out public awareness to enhance consumer consciousness country-wide. Importantly, film and broadcast content plays a significant role in shaping public opinion whereas imparting knowledge and understanding on societal values and norms. Therefore, classification of film and broadcast content is essential in that ensuring content consumption by the general public is appropriate. The Films and Stage Plays Act Cap. 222 mandates Kenya Film Classification Board to determine age suitability for content meant for public consumption. The classification process is governed by Classification Guidelines developed by the Board taking into consideration trends of the film industry, prevailing social environment and existing legislations.

Community Engagements

The Board continuously participates in community engagements to synergize relationships with the general public and its stakeholders to promote communication, interaction, involvement, and exchange of acceptable ideals between organizations and the larger community country-wide. Beyond enabling regulatory services, the Board deepened its' community engagements through partnerships with stakeholders in the Creative Arts industry to participate in various film festivals such as 8th Awards of MTM in Bristol, United Kingdom (UK), Mister Afrika International, Nigeria, the Cannes Festival among others. The goal is to provide participants learning and networking platforms with renowned film producers in the film industry, importantly, to nurture talent and promote local production within the Creative Arts industry. These bonds well with the Presidential Big Four Agenda under the manufacturing pillar that seeks to create jobs for the youth and promote growth within the creative economy in addition to the film aspirations outlined by Africa's Agenda 2063.

Accordingly, to support sporting and health related community engagement initiatives, the Board partnered and participated during the Federation of East Africa Secondary Schools Association (FEASSA) games in Arusha, Tanzania and during the 5th Beyond Zero Half Marathon towards the improvement of maternal and child health in Kenya, respectively.



To promote education, in realization to Sustainable Development Goal no.4, the Board partnered with Ipsos Kenya during the Research Clubs of Africa (RCA) National Competition, Mathare Constituency Students Career and Mentorship day, Twende Kazi Mobile Film Competition as well as the training of creatives from Gatundu North Constituency (GNC) at the Kenya Film School. This is to strengthen strategic partnerships with County Governments, institutions of learning among as key stakeholders whereas affirming the Board's commitment to continuously secure the future of learners.

In adherence to the Government Directive, to restore the forest cover of the 10% target tree cover while mitigating the adverse effects of climate change, the Board participated in a tree planting initiative at the Matuu Level Four Hospital in Machakos County. Furthermore, it participated during the World Environment Day, through its regional office in Eldoret, in a tree planting initiative at ACK St James Primary School Lelan, West Pokot County. The tree planting exercise aligns with the National Government's directive to State Agencies to allocate 10 percent of their Corporate Social Responsibility (CSR) Budgets to forestation programs.



REPORT OF THE DIRECTORS

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

Statement of Directors

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

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

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

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

Reporting Boundary

This report reviews the performance for the year from 1 July 2019 to 30 June 2020, with two years' comparative information as well as short and medium-term targets. Material events up to the date of approval have been included.

Assurance & Audit Approach

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



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The Directors submit their report together with the audited Financial Statements for the year ended June 30, 2020 which show the state of *KFCB*'s affairs.

Principal activities

The principal activities of the Board continue to be regulating the creation, broadcasting, possession, distribution and exhibition of films by; Examining every film and every poster submitted under the Act for purposes of classification; Imposing age restrictions on viewership; Giving consumer advice, having regard to the protection of women and children against sexual exploitation or degradation in cinematograph films and on the internet; and licensing and issuing certificates to; film producers, agents, distributors and exhibitors of films.

Results

The results of the entity for the year ended June 30, 2020 are set out on **page 1 to 8**

Directors

The members of the Board of Directors who served during the year are shown on page iii.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. The entity did not make any surplus during the year FY 2018/2019 and hence no remittance to the Consolidated Fund

Auditors

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

By Order of the Board

Loice Shalakha
Corporate Secretary
Nairobi
21st September, 2020



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *Kenya Film Classification Board's (KFCB's)* financial statements, which give a true and fair view of the state of affairs of KFCB for and as at the end of the financial year (period) ended on June 30, 2020. 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 entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the *Board*; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KFCB 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 section 14 of the State Corporations Act. The Directors are of the opinion that KFCB's financial statements give a true and fair view of the state of *KFCB's* transactions during the financial year ended June 30, 2020, and of *KFCB's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for *KFCB's*, which have been relied upon in the preparation of *KFCB's* financial statements as well as the adequacy of the systems of internal financial control.



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

Approval of the financial statements

The *KFCB*'s financial statements were approved by the Board on 21st September, 2020 and signed on its behalf by:

A blue ink signature of Bsp. Jackson Kosgei, consisting of a stylized 'J' and 'K' followed by a long horizontal line.

Bsp. Jackson Kosgei

Chairperson of the Board

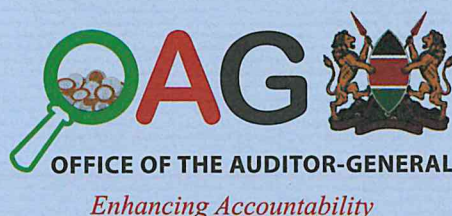
A blue ink signature of Dr Ezekiel Mutua, MBS, consisting of a stylized 'E' and 'M' followed by a long horizontal line.

Dr Ezekiel Mutua, MBS

Accounting Officer/Chief Executive Officer

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA FILM CLASSIFICATION BOARD FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Film Classification Board set out on pages 1 to 71, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of cash flows, the statement of changes in net assets 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 the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report the financial statements present fairly, in all material respects, the financial position of the Kenya Film Classification Board as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporations Act, 2012, the Film and Stage Plays Act, 2012 and the Public Financial Management Act, 2012.

Basis for Qualified Opinion

1. Impairment of Inventories

The statement of financial position reflects inventory of Kshs.26,444,847 As previously reported, the Board procured six million film classification stickers between 30 November, 2010 and January, 2012 at a total cost of Kshs.47,500,000. Examination of stores records maintained at the Board's Uchumi House Stores revealed that 2,784,789 stickers valued Kshs.26,444,847 had not been used or issued to the regional offices across the country. Although the Management acknowledges that the inventory is slow moving and may have become obsolete due to changes in technology, no provision for impairment loss has been made in the financial statements.

Consequently, the accuracy and fair statement of inventory as at 30 June, 2020 could not be confirmed.

Report of the Auditor-General on Kenya Film Classification Board for the year ended 30 June, 2020

2. Employee Costs - Chief Executive Officer Salary

The statement of financial performance and as disclosed under Note 7 of the financial statements reflects employee costs amounting to Kshs.208,831,909. This include Kshs.13,390,200 paid to the Chief Executive Officer as basic salary during the year. At a meeting held on 31 January, 2019, the Board resolved to review the salary of the Chief Executive Officer from Kshs.348,840 to Kshs.1,115,850 per month backdated to November, 2018. As at 30 June, 2020, the Board had cumulatively paid Kshs.15,340,200 made up of Kshs.9,204,120 and Kshs.6,136,080 paid in the financial years 2019/2020 and 2018/2019 respectively. The payment was made without the approval and advisory of the Salaries and Remuneration Commission.

Consequently, the validity of the expenditure Kshs.9,204,120 included in the employee costs for the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Film Classification Board 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 opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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. Irregular Procurement of ICT Equipment and Services

The Board procured Computer accessories and Data Processing Equipment at a cost of Kshs.4,395,000 during the year under review. Examination of the account revealed that the procurement for the items was done without using framework contracts maintained by the Ministry of Information Communications and Technology (ICT) in compliance with

circular No. OP/CAB.39/1A of 01, March, 2018. Further, Management did not provide for audit review approval by Ministry of Information, Communication and Technology and Youth Affairs to procure outside the framework contracts as required by circular No. OP/CAB.39/1A of March 01, 2018.

To the extent, the Board is in breach of the law.

2. Unbudgeted for Expenditure

The statement of comparison of budget and actual amounts reflects expenditure of Kshs.261,868,545 against a final budget of Kshs.198,622,742 resulting in an over expenditure of Kshs.63,245,803 or 32% under General Expenses. Management attributed the over expenditure to increased number of public awareness and campaigns to sensitize the public on the mandate of the Board which created pending bills and which resulted to the pending bills being a first charge on expenditure during the financial year 2019/2020. The expenditure was not supported by approved work plans and approved budget allocation in line with Section 43(2)(c) of the Public Finance Management Act, 2012.

Under the circumstances, the Board is in breach of the 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

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 Board'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 Board 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.

The Board of Directors are responsible for overseeing the Board'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

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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue 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 Board 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 Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 November, 2021



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

Revenue from non-Exchange Transactions	NOTES	2019/2020	2018/2019
		Kshs.	Kshs.
Income	4 (a), 6	527,681,982	508,213,728
Total Revenue		527,681,982	508,213,728
Expenses			
Employee Costs	7	208,831,909	148,614,908
Board Expenses	8	29,216,972	37,109,621
Depreciation and Amortization Expense	9	53,057,598	52,550,187
Repairs and Maintenance	10	15,454,468	19,319,532
Transfer to MOSCA	11		9,000,000
General expenses	12	261,868,545	266,086,766
Total Expenses		568,429,493	532,681,014
Surplus/Deficit for the Period		(40,747,511)	(24,467,286)

The notes set out on **pages 9 to 64** form an integral part of these Financial Statements




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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	NOTES	2019/2020	2018/2019
		Kshs.	Kshs.
Assets			
Current Assets			
Cash and Cash Equivalents	13	19,070,571	25,516,778
Prepayments	14	6,705,630	7,014,420
Receivable from Exchange Transactions	15	76,861	210,727
Inventories	16	23,707,439	26,444,847
		49,560,501	59,186,772
Non-Current Assets			
Property, Plant and Equipment	17	108,684,628	129,073,337
Intangible Assets	18	7,684,642	14,920,235
		116,369,270	143,993,573
Total Assets		165,929,770	203,180,344
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	19	48,580,285	45,083,348
Total Liabilities		48,580,285	45,083,348
Net Assets			
Accumulated Surplus		117,349,486	158,096,997
Total Net assets and Liabilities		165,929,770	203,180,344

The Financial Statements set out on **pages 1 to 8** were signed on 21st September, 2020 on behalf of the Board of Directors by:


Chief Executive Officer
 Dr. Ezekiel Mutua, MBS


Manager Finance and Accounts
 CPA Paskal Martin Opiyo
 ICPAK Member Number: 3989


Chairman of the Board
 Bsp. Jackson Kosgei



STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Accumulated surplus	Total
Balance as at 30 JUNE 2018	182,564,282	182,564,282
Surplus/(Deficit) for the period	(24,467,286)	(24,467,286)
Transfers to/from accumulated surplus	-	-
Balance as at 30 JUNE 2019	158,096,996	158,096,996
Surplus/(Deficit) for the period	(40,747,511)	(40,747,511)
Transfers to/from accumulated surplus	-	-
Balance as at 30 JUNE 2020	117,349,486	117,349,486



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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2019/2020	2018/2019
		Kshs.	Kshs.
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts of GoK Recurrent Grants	6b	410,200,000	440,303,500
Receipts of GoK Development Grants	6b	80,000,000	30,000,000
GOK Grants		490,200,000	470,303,500
Licensing	6c	13,733,000	14,701,500
Classification Stickers/Labels	6c	3,699,200	4,224,000
Classification Fees	6c	2,688,984	2,792,668
Sale of Tenders	6c	3,000	-
Filming Fees & Extension	6c	4,745,000	5,032,000
Film Agent Fees & registration	6c	1,788,000	1,956,000
Licensing-Features, short films & doc	6c	3,535,000	4,216,000
Main Cinema –Artists	6c	6,990,800	4,768,000
Other Income	6d	298,998	220,060
Receipts from Internally Generated Revenue		37,481,982	37,910,228
Total Receipts		527,681,982	508,213,728
Payments			
Employee Costs	7	208,831,909	148,614,908
Board Expenses	8	29,216,972	37,109,621
Depreciation and Amortization Expense	9	53,057,598	52,550,187
Repairs and Maintenance	10	15,454,468	19,319,532
Transfer to MOSH	11		9,000,000
General Expenses/Administrative Costs	12	261,868,545	266,086,766
Total Payments		568,429,493	532,681,014
Net surplus from operations		(40,747,511)	(24,467,286)
Increase/Decrease in prepayments	14	308,790	(308,790)
Net change in receivables from non-exchange transaction	15	303,356	456,502
Increase/Decrease in Stock	16	2,737,408	3,125,760
Adjustment for Depreciation	17,18	53,057,598	52,550,187
Increase/Decrease in Trade and Other Payables from Exchange Transactions in Payables	19	3,496,937	34,270,229
Net Cash generated from Operating Activities	26	19,156,579	65,626,602
CASHFLOW FROM INVESTING ACTIVITIES			



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Purchase of Property, Plant and Equipment	17,18	(25,433,295)	(44,122,246)
Net Cash generated from investing activities		(25,433,295)	(44,122,246)
CASHFLOW FROM FINANCING ACTIVITIES			
Net Cash generated from Financing Activities		-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(6,276,717)	21,504,356
Increase/(Decrease) Staff Imprest and Other Imprests	13	(169,490)	(580,710)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	13	25,516,778	4,593,131
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	13	19,070,571	25,516,778

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL EXPENDITURE FY 2019-2020						
		Original Budget	Adjustment	Final Budget	Actual Income	Performance
SNO.	Descriptions	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Income	KSHS	KSHS	KSHS	KSHS	KSHS
1	Licensing	19,000,000		19,000,000	13,733,000	(5,267,000)
2	Classification Stickers/labels	4,900,000		4,900,000	3,699,200	(1,200,800)
3	Sale Of Tenders			-	3,000	3,000
4	Classification fees	3,500,000		3,500,000	2,688,984	(811,016)
5	Filming Fees & Extensions	5,500,000		5,500,000	4,745,000	(755,000)
6	Miscellaneous	-		-	298,998	298,998
7	Boarded Items/Disposal	-		-	-	-
8	Film Agent Fees & Registration	1,900,000		1,900,000	1,788,000	(112,000)
9	Licensing-Feature films, Documentaries& series etc.	5,600,000		5,600,000	3,535,000	(2,065,000)
10	Main Cinema –Artists	10,000,000		10,000,000	6,990,800	(3,009,200)
11	GOK Grants	490,200,000	-	490,200,000	490,200,000	(0)
	Total Revenue	540,600,000	-	540,600,000	527,681,982	(12,918,018)
	Expenses	Original Budget	Adjustment	Final Budget	Actual Expenditure	Performance
		2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
12	Compensation of employees	210,177,258	-	210,177,258	208,831,909	1,345,349
13	Board Expenses	35,000,000		35,000,000	29,216,972	5,783,028
14	Repairs and Maintenance	16,800,000		16,800,000	15,454,468	1,345,532
15	General Expenses	198,622,742	-	198,622,742	261,868,545	(63,245,803)
16	Transfer to MOSCA	-		-	-	-

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17	Non-Current Assets	80,000,000	-	80,000,000	25,433,295	54,566,705
	Total Expenses	540,600,000	-	540,600,000	540,805,190	(205,190)
	Surplus/Deficit	-	-	-	(13,123,208)	(13,123,208)
NOTES TO STATEMENT OF COMPARISON OF BUDGET ON ACTUAL BASIS						
1	Income (1-11): The Government grants grew by 4.23% from Kshs.470,303,500 to Kshs. 490,200,000 during the period. The internally generated income decreased by 1.05% from Kshs.37,910,228 to Kshs.37,511,982 compared to the previous Financial Year 2018-2019. The decrease is as a result of the lockdown occasioned by the COVID-19 pandemic that has seen the suspension of filming activities both by Local and Foreign Film Makers as well as Filming Agents resulting to a major reduction in collection of A-I-A.					
2	Compensation of employees (12): The expenditure was within range in the Financial Year 2019/2020 at an absorption rate of 99% of the allocation.					
3	Board Expenses (13): The expenditure was within range in the Financial Year 2019/2020 at an absorption rate of 83% of the allocation.					
4	Repairs and Maintenance (14): The expenditure was within range in the Financial Year 2019/2020 at an absorption rate of 92% of the allocation.					
5	General Expenses (15) : The General expenses/Administrative costs increased by 32%. This is as a result of first charge on pending bills for FY 2018/2019 and increased number of public awareness and campaigns.					
6	Transfer to MOICT (16): This is the targeted A-I-A collected as per the printed budget estimates. The amount was not included in the budget for FY 2019/2020.					
7	Non-Current Assets (17): Low absorption rate due to late approval from Public Works, hence delay in procurement process.					
	Adjustments: The Adjustments in the budget during the period are as a result of budget cuts by national treasury and reallocations					
8	Reconciliation of the statement of comparison of budget on actual basis with the statement of financial performance is as follows;					
	Surplus /Deficit from the SCBA	(13,123,208)				
	Add: Additional Non-current Assets for the Period	25,433,295				
	Less: Depreciation & Amortization	(53,057,598)				
	Deficit as per Statement of financial Performance ended 30th June,2020	(40,747,511)				



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	*The cost of acquisition of non-current asset and surplus funds from FY 2019/2020 is not reported in the statement of financial performance hence the reconciliation.
	*Depreciation cost is a non-cash item hence not included in the budget for FY 2019/2020



NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Film Classification Board is established by and derives its authority and accountability from the Films and Stage Plays Act, Cap 222. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is regulating the creation, broadcasting, possession, distribution and exhibition of films by; Examining every film and every poster submitted under the Act for purposes of classification; Imposing age restrictions on viewership; Giving consumer advice, having regard to the protection of women and children against sexual exploitation or degradation in cinematograph films and on the internet; and licensing and issuing certificates to; film producers, agents, distributors and exhibitors of films. In addition, the Kenya Information and Communications Act (KICA) 46 (I) further empowers the Board to impose age restrictions on all films and broadcast content to ensure that content which depicts scenes intended for an adult audience is not aired between 5 am – 10 pm (Watershed Period)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in **Notes 1-25 on pages 9-65**

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Films and Stage Plays Act, Cap 222 and International Public Sector



Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>(State the impact of the standard to the entity if relevant)</i>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(This standard has not affected the Board since the board has not undertaken any amalgamation of any business)</i></p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p>



Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(This standard does not affect the Board)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).



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Standard	Effective date and impact:
	Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Licensing and Classification fees

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.



Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly in April 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record additional appropriations on the 2019-2020 budget following the governing body's approval.

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



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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on **pages 6-8** of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that



the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Depreciation is calculated on a straight-line basis annually regardless of the date of purchase and carrying amount written –off after the useful life of the assets. The annual depreciation rates are as follows:

i. Furniture, Fixtures and fittings	12.5%
ii. Plant and Equipment	12.5%
iii. Electronic Data processing equipment	30.0%
iv. Motor Vehicles	25.0%

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Amortisation of intangible assets for the Board is calculated on a straight line at rate of 20%.

h) Research and development costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories

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

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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

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

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

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

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity 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 Entity 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 Entity 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. 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.



n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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



5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in **Note 24**.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 REVENUE

6 (a) Grants

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Unconditional Grants		
Operational Grant - Recurrent Grants	410,200,000	440,303,500
Other Grants - Development Grants	80,000,000	30,000,000
Total	490,200,000	470,303,500
Conditional Grants		
NILL	-	-
Total Government Grants and Subsidies	490,200,000	470,303,500

6 (b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	2018/2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Information, Communication & Technology	490,200,000	-	-	490,200,000	470,303,500
Total	490,200,000	-	-	490,200,000	470,303,500



NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 (c) Licensing and Classification Fees

Description	2019/2020	2018/2019
Licensing	13,733,000	14,701,500
Classification Stickers/labels	3,699,200	4,224,000
Sale of Tenders	3,000	
Classification fees	2,688,984	2,792,668
Filming Fees & Extensions	4,745,000	5,032,000
Film Agent Fees & Registration	1,788,000	1,956,000
Licensing-Feature films, Doc& series etc.	3,535,000	4,216,000
Main Cinema -Artists	6,990,800	4,768,000
Total	37,182,984	37,690,168

The reported income is defined under the Films and Stage plays (cinematographic films) (forms and fees) regulations Second Schedule provides fees charged on Film fees & extensions, Film Agents and registration and licensing. On the other hand, the Films and Stage Plays (film censorship) Regulations provides fees charged on film examination & classification, License fees for video libraries, video shows, theatres and commercials.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 (d) Other Revenues

Description	2019/2020	2018/2019
Sale of Boarded Items	-	-
Miscellaneous	298,998	220,060
	298,998	220,060
Total Internally generated Income (6c+6d)	37,481,982	37,910,228
Total Revenue(6b+6c+6d)	527,681,982	508,213,728

Other income, includes revenue received from sale of boarded items and income received but cannot be classified as the revenues prescribed under the Films and Stage Plays Act, Cap 222 laws of Kenya

Total revenue comprises of GOK grants (Recurrent and Development) and internally generated income.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 EMPLOYEE COST

Employee cost comprises of total cost of benefits conferred to an employee and other employee benefits such as staff medical cover, employer contribution to pension scheme etc. The remuneration of employees as per the advice provided by the Salaries and Remunerations Commission (SRC) through letter Ref no. SRC/TS/JE/SRSC/3/33/4 Vol. VI (34) and Ref no. SRC/TS/SRSC/3/33/4 Vol.VI (58).The remuneration of the Chief Executive officer is as provided for in Section 11 C (i) of the Films and Stage Plays Act Cap ,222.

7 (a) Employee costs

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Basic salaries	89,243,923	54,596,742
House Allowance	35,995,505	20,657,605
Commuter Allowance	9,062,000	5,799,105
Leave Allowance	2,292,398	1,102,732
Staff Medical Allowance	29,374,868	22,895,044
Acting Allowance	164,368	
Special Duty Allowance	-	21,800
Employer contribution-Pension	8,734,036	4,682,327
NSSF Employer Contribution	254,600	205,020
Staff Personal Accident Insurance	-	164,957
Transfer Allowance	513,610	42,200
Responsibility Allowance	603,000	2,003,200
Non-Practicing Allowance	420,000	545,000
Casual Employees cost	-	204,181
Gratuity	-	1,550,067
Internship Programme	975,000	154,167
NITA Training Levy Employer Contributions	138,693	-
Hardship Allowance	138,900	
Employee costs	177,910,901	114,624,147



NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 (b) Employee Costs-Chief Executive Officer

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Basic salaries	13,390,200	10,428,240
House Allowance	960,000	960,000
Entertainment Allowance	1,200,000	1,200,000
Leave Allowance	50,000	60,000
Extraneous Duty Allowance	720,000	720,000
Gratuity	-	3,893,042
Total CEO's Remuneration	16,320,200	17,261,282

7 (c) Employee Costs-Key Management

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Basic salaries	8,532,522	9,853,187
House Allowance	3,180,000	3,417,166
Commuter Allowance	1,060,000	1,236,130
Leave Allowance	187,287	264,064
Employer contribution-Pension	-	70,670
NSSF Employer Contribution	1,000	10,000
Extraneous Duty Allowance	1,640,000	1,878,261
Total Key Management's Remuneration	14,600,809	16,729,478
Total Employee Costs	208,831,909	148,614,908



NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 BOARD EXPENSES

Board Expenses is the Directors' Remuneration and any other expenses that are incurred to facility the Bord of Directors perform they oversight roles. The Directors' remuneration is in line with the guidelines provided in the State Corporations Act and the guidelines provided by the State Corporations Advisory Committee.

The Chairman is paid a monthly honorarium of Kshs. 95,000, airtime of Kshs. 5,000 and a taxable sitting allowance for each meeting attended. The Directors are paid a taxable sitting allowance of Kshs. 20,000 for each meeting attended. The sitting allowance for the current financial year is prescribed in the circular Ref no. OP/CAB.9/21/2A/LII/43 dated 23rd November 2004. Other allowances such as accommodation and travelling are prescribed by circular Ref No. OP/SCAC.9/21.2 VOL.I (164) dated 28th April, 2015. The Chief Executive Officer does not qualify to receive the sitting allowance for any meeting he/she attends.

The Films and Stage Plays Act, Cap 222 Section 11(B) provides that the Board may from time to time co-opt such number of persons as it may determine, having regard to number of films requiring examination to examine and classify films. Such persons are paid a sitting allowance of Kshs. 1,500 per film classified and a meal allowance of Kshs. 1,000 as prescribed by circular Ref: No. MSPS 2/1A Vol XLI/ (52) dated 14th January, 2011. This expenditures forms part of the Board expenses reported as film examiners allowance.

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Board Members Allowance	15,839,035	31,380,769
Film Examiners Allowances	2,138,980	3,154,100
Conferences, Committees and Seminars	324,000	33,000
Board Members Insurance	442,047	751,752
Honoraria to chairman	1,200,000	1,190,000
Board Trainings	1,039,200	600,000
Local Travel & Accommodation	7,555,760	-
Foreign Travel & Accommodation	677,950	-
Total Board Expenses	29,216,972	37,109,621



NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation is calculated on a straight-line basis annually regardless of the date of purchase and carrying amount written –off after the useful life of the assets. The annual depreciation rates are as follows:

Furniture, Fixtures and fittings	12.5%
Plant and Equipment	12.5%
Electronic Data processing equipment	30.0%
Motor Vehicles	25.0%
Intangible Assets	20.0%

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Property, plant and equipment	45,822,005	44,549,465
Intangible assets	7,235,594	8,000,722
Total depreciation and amortization	53,057,598	52,550,187



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 REPAIRS AND MAINTENANCE

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Property & Equipment	113,544	1,830,250
Motor Vehicles	8,198,147	6,258,348
Minor Alterations to Building	1,933,727	1,211,330
Computer Softwares and Networks	-	1,222,020
Insurance of Motor Vehicle & plant Equipment	2,797,862	2,524,018
ICT Infrastructure & development	2,411,188	6,273,566
Total repairs and maintenance	15,454,468	19,319,532

11 TRANSFERS TO MINISTRY

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Transfer to MOICT	-	9,000,000
Total to MOICT	-	9,000,000

Transfers to Ministry of ICT, Innovation and Youth Affairs did not occur in the FY 2019/2020 since the Board received net chequer and A-I-A collected utilised at source.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 GENERAL EXPENSES/ADMINISTRATIVE COSTS

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Utilities Supplies & Services	6,888,198	4,299,177
Com Supplies & Services	9,756,482	7,738,862
Local Travelling Accommodation	38,445,437	41,316,442
Foreign Travel	28,014,812	21,605,792
Newspaper and Periodical Subscription	955,226	748,910
Printing Expenses	10,973,932	24,143,719
Advertising	10,647,139	6,862,174
Trade Shows and Exhibition	10,858,755	21,524,739
Cleaning Services	3,407,970	2,155,700
Rents and Rates	41,462,013	43,275,449
Training & Sensitization Programme Costs	37,704,856	19,707,085
Bank Charges	591,744	498,465
County Offices Expense	13,090,777	16,995,520
Hospitality supplies and services	24,588,831	26,996,842
Audit Fees	403,680	807,360
Office & Gen Supplies	15,657,493	17,877,268
Fuel Oil & Lubricants	3,070,500	6,115,863
Other Operating Expenses	5,350,700	3,417,400
Total General expenses	261,868,545	266,086,766



NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 CASH AND CASH EQUIVALENTS

Description	2019/2020	2018/2019
	KShs	KShs
Recurrent account	2,434,244	2,199,518
Development account	16,498,900	11,479,356
Others (cash in hand)	95,827	126,814
Other (cash Imprests and advances)	41,600	211,090.00
Cash in transit	-	11,500,000
Total cash and cash equivalents	19,070,571	25,516,778

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13 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS			
Financial institution	Account number	2019/2020 Kshs	2018/2019 Kshs
a) Recurrent account			
Co-operative Bank of Kenya	01141198827700	1,140,243	2,035,387
Co-operative Bank of Kenya-Mombasa	01141198827702	446	117,566
Co-operative Bank of Kenya-Garissa	01141376392400	80	80
Co-operative Bank of Kenya-Embu	01141198827704	25	25
Co-operative Bank of Kenya-Eldoret	01141198827705	80	80
Co-operative Bank of Kenya-Kisumu	01141198827706	130	16,130
Co-operative Bank of Kenya-Nyeri		-	-
Co-operative Bank of Kenya-Kakamega	01141198827708	250	250
Co-operative Bank of Kenya-Nakuru	01141198827709	-	30,000
KCB-Recurrent	1256853542	1,285,433	-
KCB-MOMBASA REGION	1256854425	2,592	-
KCB-GARISSA REGION	1256854816	146	-
KCB-EMBU REGION	1256855146	174	-
KCB-NYERI REGION	1256855405	540	-
KCB-ELDOROT REGION	1256855588	754	-
KCB-KISUMU REGION	1256855774	1,188	-
KCB-NAKURU REGION	1256856320	1,078	-
KCB-KAKAMEGA REGION	1256856584	1,086	-
Sub- total		2,434,244	2,199,518
b) Development account			
Co-Operative Bank	01141198827701	78,756	11,479,356
KCB-Development	1256853917	16,420,144	-



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Sub- total		16,498,900	11,479,356
c) Others(specify)			
Cash In Hand-HQRS		83,027	47,994
Petty Cash-HQRS		-	-
Cash in Hand-Mombasa		10,600	-
Cash In Hand-Garissa		-	-
Cash in Hand-Embu		-	-
Cash In hand-Eldoret		100	77,370
Cash In Hand-Kisumu		-	-
Cash In Hand-Nyeri		1,250	1,250
Cash In Hand-Kakamega		850	200
Cash In Hand-Nakuru			-
KFCB ISIOLO		-	-
Cash In Hand-Isiolo		-	-
Cash in Transit		-	11,500,000
M pesa		-	-
Sub- total		95,827	11,626,814
Cash Imprests and advances		41,600	211,090
Sub- total		41,600	211,090
Grand total		19,070,571	25,516,778



NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 PREPAYMENTS

14 (a) Prepayments

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Rent deposits	6,705,630	7,014,420
Total Prepayments	6,705,630	7,014,420.00

Prepayments consists of rent deposit paid as a result of renting a new office space in Mombasa Regional Office, Nairobi Film Centre and 14th Floor as follows;

14 (b) Prepayments	
Description	Amount (Kshs)
Mombasa Regional Office	582,945.00
Nairobi Film Centre	5,590,500.00
14 th Floor (Headquarters)	532,185.00
Total	6,705,630.00



15 RECEIVABLES AND OTHER DEBTORS

15 (a) Receivable from Exchange Transactions (Other Debtors & Salary Advance)

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Salary advances	76,860	210,727
Total Receivable from Exchange Transactions	76,860	210,727

15 (b) Receivable from Exchange Transactions

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Staff Imprest and Advances	41,600	211,090
Salary advances	76,860	210,727
Total Receivable from Exchange Transactions	118,460	421,817

16 INVENTORIES

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

16.(a) Inventories		
Description	2019/2020	2018/2019
	Kshs.	Kshs.
Classification Stickers	23,707,439	26,444,847
Total Inventories	23,707,439	26,444,847

16.(b) Cost of Goods Sold		
Description	2019/2020	2018/2019
	Kshs.	Kshs.
Classification Stickers	2,737,408	3,125,760
Total Cost of Goods Sold	2,737,408	3,125,760

Cost of goods sold is the cost of printing the stickers. This cost is closed in printing expenses under general expenses/administration cost.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 PROPERTY, PLANT AND EQUIPMENT

Description	Motor Vehicle	Plant and Equipment	Data Processing Equipment	Furniture, Fixtures & Fittings	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2018	78,053,380	86,655,967	53,571,280	97,272,874	315,553,501
Additions	-	2,071,840	8,147,440	33,902,966	44,122,246
At 30 June 2019	78,053,380	88,727,807	61,718,720	131,175,840	359,675,747
Additions	-	7,044,600	10,894,953	7,493,742	25,433,295
At 30 June 2020	78,053,380	95,772,407	72,613,673	138,669,582	385,109,043
Depreciation and impairment					
At 30 June 2018	(48,166,348)	(54,675,038)	(42,603,124)	(40,608,435)	(186,052,946)
Depreciation	(14,321,645)	(7,621,542)	(7,851,561)	(14,754,717)	(44,549,465)
At 30 June 2019	(62,487,993)	(62,296,580)	(50,454,685)	(55,363,152)	(230,602,411)
Depreciation	(12,109,145)	(6,817,737)	(10,625,318)	(16,269,805)	(45,822,005)
At 30 June 2020	(74,597,138)	(69,114,317)	(61,080,003)	(71,632,957)	(276,424,415)
Net book values					
At 30 June 2020	3,456,242	26,658,090	11,533,670	67,036,625	108,684,628
At 30 June 2019	15,565,387	26,431,227	11,264,035	75,812,688	129,073,337
At 30 June 2018	29,887,032	31,980,929	10,968,156	56,664,439	129,500,556



NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INTANGIBLE ASSETS

Description	
Cost	Kshs.
At 30 June 2018	66,991,532
Additions–internal development	-
At 30 June 2019	66,991,532
Additions–internal development	-
At 30 June 2020	66,991,532
Amortization and impairment	
At 30 June 2018	(44,070,575)
Amortization	(8,000,722)
Impairment loss	-
At 30 June 2019	(52,071,297)
Amortization	(7,235,594)
Impairment loss	
At 30 June 2020	(59,306,890)
Net book values	
At 30 June 2020	7,684,642
At 30 June 2019	14,920,235
At 30 June 2018	22,920,957



NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019/2020	2018/2019
	Kshs.	Kshs.
Trade & vat payables	43,853,173	40,773,802
Provisions for Audit Fees	1,211,040	807,360
Refund payables	105,200	(10,000)
VAT Payable	1,110,206	938,680
Employee obligations	2,300,666	2,573,505
Total trade and other payables	48,580,285	45,083,347

20 TRANSACTIONS WITH RELATED PARTIES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Employees
- iv) Board of directors



NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 TRANSACTIONS WITH RELATED PARTIES (Continued)

Description	2019/2020	2018/2019
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	490,200,000	470,303,500
Total	490,200,000	470,303,500
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for 102 employees	139,033,787	86,634,599
Payments for goods and services for 108 employees	38,877,114	27,989,548
Total	177,910,901	114,624,147
c) Key management compensation		
Board of Directors Expenses	29,216,972	37,109,621
Compensation to the CEO	16,320,200	17,261,282
Compensation to key management (No.5)	14,600,809	16,729,478
Total	60,137,981	71,100,381



NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and Deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:



21 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk				
	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions	76,860	76,860	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	19,070,571	19,070,571	-	-
Total	19,147,431	19,147,431	-	-
At 30 June 2019				
Receivables from exchange transactions	210,726	210,726	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	25,305,688	25,305,688	-	-
Total	25,516,414	25,516,414	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from staff salary advances

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated



21 FINANCIAL RISK MANAGEMENT (Continued)

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	13,076,272	31,887,107	-	44,963,379
Current portion of borrowings	-	-	-	-
Provisions for Audit Fees	403,680.00	807,360	-	1,211,040
Deferred income	-	95,200	-	95,200
Employee benefit obligation	-	2,300,666	-	2,300,666
Total	13,479,952	35,090,333	-	48,570,285
At 30 June 2019				
Trade payables	-	29,569,971	-	29,569,971
Current portion of borrowings	-	-	-	-
Provisions for Audit Fees	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	2,573,505	-	2,573,505
Total	-	32,143,476	-	32,143,476

21 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Board's Finance and Accounts Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows;



21 FINANCIAL RISK MANAGEMENT (Continued)

a) Foreign currency risk(Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets (investments, cash, debtors)	Nil	Nil	Nil
Liabilities			
Trade and other payables	Nil	Nil	Nil
Borrowings	Nil	Nil	Nil
Net foreign currency asset/(liability)	Nil	Nil	Nil

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the organization's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in	Effect on Profit	Effect on
	currency rate	before tax	equity
	Kshs	Kshs	Kshs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-



NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.



22 SEGMENT INFORMATION

	The Board has nine (9) Regional Offices namely Nairobi, Mombasa, Nakuru, Eldoret, Kisumu, Kakamega, Nyeri, Embu and Garissa. The following is the cost of operating the regional offices during the FY 2019/2020. The cost is reported under the general expenses/administration costs for the FY 2019/2020.	
	Description	Amount
1	Cost of Running Regional Offices	2,228,127
2	Inspections and Raids	2,198,300
3	Travelling Costs	7,155,450
4	Public Sens. Programmes	1,478,900
	Total	13,060,777



23. CAPITAL COMMITMENTS

Capital commitments	2019-2020	2018-2019
	Kshs	Kshs
Authorized for	-	-
Authorized and contracted for	25,433,295	17,844,106
Total	25,433,295	17,844,106



24 EMPLOYEE BENEFIT OBLIGATIONS

The entity operates a Defined Contribution Scheme for all full-time employees from October 1, 2015. The scheme is based on 12.5 percent for employer contribution and 7.5 percentage employee contribution based on the basic salary of an employee on a monthly basis. The scheme administrator is Britam Kenya.

The organization also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

25 CASH GENERATED FROM OPERATIONS

	NOT E	2018/2019 Kshs.	2018/2019 Kshs.
CASHFLOW FROM OPERATING ACTIVITIES			
Net surplus from operations		(40,747,511)	(24,467,286)
Depreciation	17	45,822,005	44,549,458
Amortization	18	7,235,594	8,000,728
Operating Surplus/(Deficit) before working capital changes		12,310,088	28,082,900
Decrease/(Increase) in Prepayments	14	308,790	(308,790)
Decrease /(Increase) in Receivable from Non-Exchange Transactions	15	303,356	456,502
Decrease/(Increase) in Stock	16	2,737,408	3,125,760
Increase/(Decrease) in Trade and Other Payables from Exchange Transactions in Payables	19	3,496,937	34,270,229
Net Cashflow From Operating Activities		19,156,579	65,626,602

26 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the **Ministry of ICT, Innovation and Youth Affairs**. Its ultimate parent is the Government of Kenya.

27 Currency

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

1. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT

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

a) Issue / Observations from Auditor

Board allowances

I draw attention to the following matters:

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

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

b) Management comments

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

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

Ezekiel Mutua, MBS

Chief Executive Officer

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

Not Resolved



2. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT

Audit Financial Statements for the year ended 30 June 2015

a) Issue / Observations from Auditor

Budget & Budgetary Control

Revenue

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

b) Management comments

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

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

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

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

Ezekiel Mutua, MBS

Chief Executive Officer

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

Not Resolved



APPENDIX I1: PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

(Continued)

3. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT

Audit Financial Statements for the year ended 30 June 2015

a) Issue / Observations from Auditor

Over Expenditure

A comparison between the approved Budget and the Actual expenditure reflected in the statement of financial performance revealed that the Board spent in excess of the voted provision.

The Board had budgeted to spend Kshs. 52,772,769 on Goods and Services but spent Kshs. 64,342,378 resulting in an over expenditure of Kshs. 11,569,609 or by 21.92%. Likewise, the Board has budgeted to spend Kshs. 22,035,000 on other payments but spent Kshs. 34,369,752.00 resulting to over expenditure of Kshs. 12,334,752 or by 55.98%.

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



APPENDIX I1: PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS
(Continued)

b) Management comments

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

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

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

Ezekiel Mutua, MBS

Chief Executive Officer

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

Not Resolved

4. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT

Audit Financial Statements for the year ended 30 June 2016

a) Issue / Observations from Auditor

Bulk Purchase of Classification Stickers

Examination of stores records maintained at the Boards Uchumi House Stores disclosed that six (6) million Classification Stickers were procured at cost of Kshs.47,500,000 between 30 November 2010 and January 2012 at Kshs.7.40 and Kshs 8.95 each respectively. Review of the Board of Survey Report as at 30 June 2016 together with the Stores Ledger and Stock Control Card revealed a balance of 4,552,509 stickers worth Kshs



36,788,567 which had not been used or issued to their regional officers across the country in the last five (5) years an indication that the stickers were slow moving items.

Although the management has confirmed that the inventory is slow moving and is becoming obsolete with changes in technology, no justification has been provided for purchase of stickers in bulk without proper planning and consideration of emerging technology is likely to turn the stickers into dead-stock

In view of the foregoing, the propriety of the bulk purchase of Kshs.47, 500,000 could not be confirmed.

b) Management Responses

It is true that the financial statements availed for audit revealed that Inventory was purchased in two folds, the first batch of four million stickers (4) was bought at a cost of Kshs.7.40 and the second batch of two million stickers (2) was bought at a cost of Kshs.8.95. The usage of the inventory is based on FIFO. It is also true that the current inventories which relates to classification stickers of Kshs.36, 788,567.00 has over five years in the stores and the rate at which these classification stickers are being demanded or sold to the market is very slow due to the change in technology. However, for the last six years the Board has collected Kshs.22, 067,600.

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

Ezekiel Mutua, MBS

Chief Executive Officer

d) Status :(Resolved / Not Resolved)

Not Resolved



APPENDIX II: PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

(Continued)

5. REFERENCE NO. ON THE EXTERNAL AUDIT REPORT

Audit Financial Statements for the year ended 30 June 2018

a. Issue / Observations from Auditor

Bulk Purchase of Classification Stickers

As previously reported, six million Classification Stickers were procured between 30 November 2010 and January 2012 at a total cost of Kshs. 47,500,000.

Examination of stores records maintained at the Board's Uchumi House Stores disclosed that Classification Stickers worth Kshs 29,570,607 which had not been used or issued to their regional offices across the country in the last five (5) years an indication that the stickers were slow moving items. Although the Management has confirmed that the inventory is a slow moving and is becoming obsolete with changes in technology, no justification has been provided for purchase of stickers in bulk without proper planning and consideration of emerging technology which is likely to turn the stickers into deadstock.

In view of the foregoing, it has not been possible to confirm that the Board obtained value for money from the bulk purchases of the stickers.

b. Management Responses

It is true that the financial statements availed for audit revealed that Inventory was purchased in two folds, the first batch of four million stickers (4) was bought at a cost of Kshs.7.40 and the second batch of two million stickers (2) was bought at a cost of Kshs.8.95. The usage of the inventory is based on FIFO. It is also true that the current inventories which relates to classification stickers of Kshs.29, 570,607.00 has over six (6) years in the stores and the rate at which these classification stickers are being demanded or sold to the market is very slow due to the change in technology. However, over the last six (6) years the Board has collected revenue of Kshs.26, 442,100 from the stickers which is more than half the cost of printing classification stickers.

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

Ezekiel Mutua, MBS

Chief Executive Officer



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

Not Resolved

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Bsp. Jackson Kosgei

Chairperson of The Board

Dr Ezekiel Mutua, MBS

Accounting Officer/Chief Executive Officer

Kenya Regulatory & Non - Commercial (KENYA FILM CLASSIFICATION BOARD)
Annual Reports and Financial Statements
For the year ended June 30, 2020

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources
1 Development of an Online Licensing System	11,853,469	2,370,694	20%	14,000,000	-	GOK GRANTS
2 Acquisition and Refurbishment of a Cinema Theatre	284,700,000	121,836,261	43%	30,000,000	25,433,295	GOK GRANTS
Total	296,553,469	124,206,955		44,000,000	25,433,295	



APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	KENYA FILM CLASSIFICATION BOARD		
	Break down of Transfers from the State Department of ICT			
	FY 2019/2020	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
a.	Recurrent Grants			
		14-08-19	114,050,000	FY 2019/2020
		30-10-19	114,050,000	FY 2019/2020
		29-01-20	114,050,000	FY 2019/2020
		20-05-20	68,050,000	FY 2019/2020
		Sub-Total	410,200,000	
	FY 2019/2020	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
b.	Development Grants			
		01-10-19	40,000,000	FY 2019/2020
		19-02-20	40,000,000	FY 2019/2020
		Sub-Total	80,000,000	
		Total	490,200,000	

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

Manager Finance & Accounts
Kenya Film Classification Board

Head of Accounting Unit
State Department for ICT

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Do nor Transfer ring the funds	Date received as per bank statement	Nature: Recurrent/Development /Others	Total Amount - KSH	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department of ICT	14-08-19	Recurrent	114,050,000	114,050,000	-	-	-	-	114,050,000
State Department of ICT	01-10-19	Development	40,000,000	40,000,000					40,000,000
State Department of ICT	30-10-19	Recurrent	114,050,000	114,050,000	-	-	-	-	114,050,000
State Department of ICT	29-01-20	Recurrent	114,050,000	114,050,000	-	-	-	-	114,050,000
State Department of ICT	19-02-20	Development	40,000,000	40,000,000	-	-	-	-	40,000,000
State Department of ICT	20-05-20	Recurrent	68,050,000	68,050,000	-	-	-	-	68,050,000
Total			490,200,000	490,200,000	-	-	-	-	490,200,000

