

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
MEDIA COUNCIL OF KENYA**

**FOR THE YEAR ENDED  
30 JUNE 2018**

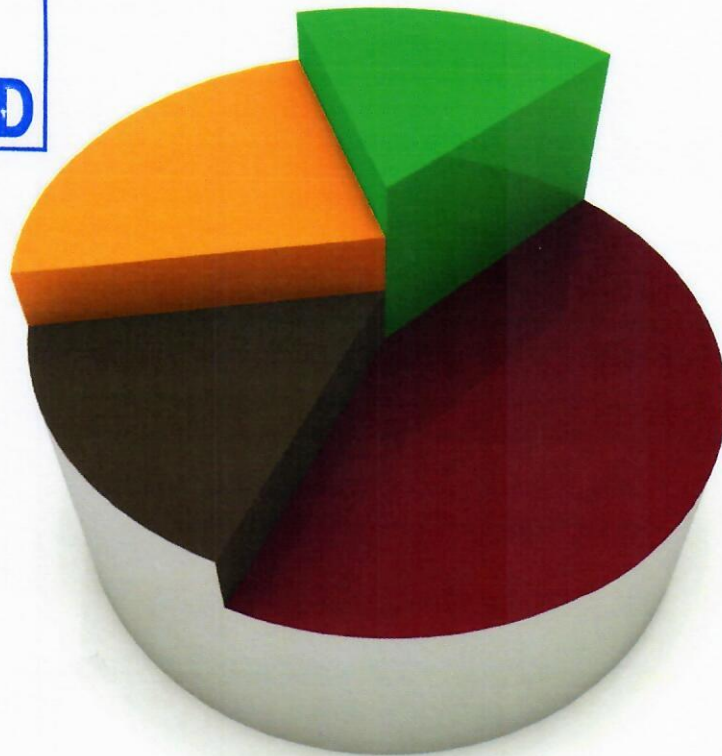


Annual Report and Financial Statements  
for the Year ended 30th June 2018

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**

16 MAY 2019

**RECEIVED**



**MEDIA COUNCIL OF KENYA  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**MEDIA COUNCIL OF KENYA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

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

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

### **(b) Principal Activities**

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

### **(c) Key Management**

#### **Management Team**

Mr. David Omwoyo	Chief Executive Officer
Mr Victor Bwire	Head, Media Development and Strategy
Mr Godfrey Mageto	Finance Manager
Mr Josphaat Kibaara	Human Resource and Administration Manager
Ms Anne Jalang'o	Manager, Audit and Risk

### **(d) Council Members**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

#### **Current Board Members**

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

#### **Previous Board Members**

Mr. Charles Kerich	Chairman
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### **(e) Entity Headquarters**

Mara/Ragati Road Junction  
Upper Hill  
P.O. Box 43132 - 00100  
Nairobi

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**(f) Entity Contacts**

Tel: 020 2737058  
Email: [info@mediacouncil.or.ke](mailto:info@mediacouncil.or.ke)  
Website: [www.mediacouncil.or.ke](http://www.mediacouncil.or.ke)

**(g) Entity Bankers**

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

**(h) Independent Auditors**




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

**(i) Principal Legal Adviser**

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



**II. THE BOARD OF DIRECTORS**

 <p><b>Mr. Charles Kerich</b> <b>Chairman</b></p>	<p><b>Date of Birth:</b> 23/12/74 <b>Education</b></p> <ul style="list-style-type: none"> <li>• He holds a Degree in Communication.</li> <li>• Holds a Diploma in Journalism</li> <li>• Currently pursuing a Master’s degree in International Studies.</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• Editor in Chief at Radio Africa Group Ltd in charge of editorial staff and the content that is published in the Group's newspaper (The Star), six radio stations and several digital platforms.</li> <li>• Has over 20 years’ experience in media, as a full time journalist and editor leading teams in print, broadcast and digital outlets.</li> </ul>
 <p><b>Mr P.D Gwaro Ogaro</b> <b>Council Member</b></p>	<p><b>Date of Birth:</b> 25/10/1975 <b>Education</b></p> <ul style="list-style-type: none"> <li>• He has a Master of Arts degree in Communication Studies - University of Nairobi.</li> <li>• Bachelor of Arts in Sociology and Linguistics - University of Nairobi.</li> <li>• Diploma in Journalism from the Indian Institute of Mass Communication.</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• Acting Director of Information in the Ministry of Information, Communications and Technology</li> <li>• Served as an Information Officer with the Kenya News Agency (KNA) and as an Editor with the Rural Press in the Department of Information.</li> </ul> <p>Served as Head of Communication in the Ministry of East African Community and the National Police Service before re-joining the Department of Information</p>
 <p><b>Mrs Violet Tsisiga Awuori</b> <b>Council Member</b></p>	<p><b>Date of Birth:</b> 19/07/57 <b>Education</b></p> <ul style="list-style-type: none"> <li>• Bachelor’s Degree in Law.</li> <li>• Diploma in law</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• An advocate of the High Court of Kenya with over 30 years’ experience in both civil and criminal law.</li> <li>• Vice Chairperson of Smep Microfinance Bank.</li> <li>• A member of FIDA and has served on its board and risen to become the chairperson of this non-governmental women’s rights organization.</li> </ul>





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	<p>She has served on many boards in the public arena one of them being the Pending Bills Closing Committee</p>
 <p><b>Rev. Paul Munyalo Inuvu</b> Council Member</p>	<p><b>Date of Birth:</b> 27/07/62</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>• Holder of a Bachelor of Theology from Catholic University of Eastern Africa.</li> <li>• A higher Diploma in theology from Carlile College School of Theology</li> <li>• Currently pursuing a Master of Arts degree in Project Planning and Management at the University of Nairobi.</li> </ul> <p><b>Work experience</b></p> <ul style="list-style-type: none"> <li>• Has a wealth of experience in community development work including rural transformation through training, expounding on issues of justices, fundamental rights and freedoms and pastoral care.</li> <li>• Experienced in governance having served as a board member of various organisations including Mavoko Water and Sewerage Company.</li> </ul>
 <p><b>Mr. Ahmed Ibrahim</b> Council Member</p>	<p><b>Date of Birth:</b> 15/03/69</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>• He holds a <b>BA (Hons)</b> in International Development from East London University</li> <li>• <b>MA</b> International Relations from Brunel University West London.</li> <li>• <b>Post-Graduate Diploma</b> in Risk Crisis and Disaster Management from Leicester University respectively.</li> </ul> <p><b>Work experience</b></p> <ul style="list-style-type: none"> <li>• He has worked with Kenya Red Cross Society rising to the rank of Regional Manager North Eastern and International aid organizations in South Sudan and Somalia as an aid worker.</li> <li>• A teacher as well as a humanitarian aid worker by profession</li> </ul>
 <p><b>Mrs. Veronica Akinyi Kuto</b> Council Member</p>	<p><b>Date of Birth:</b> 30/03/1957</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>• She has an MBA in Strategic Management from Maastricht School of Economics (ESAMI).</li> <li>• B.A. Economics from University of Nairobi.</li> </ul> <p><b>Work experience</b></p> <ul style="list-style-type: none"> <li>• Has worked for KCB as the Head of Credit Quality Assurance &amp; Policy Management.</li> <li>• She is also a member County Land Management Board- Uasin Gishu County and has experience in administration of public land with responsibilities centred in land alienation, allocation of land, extension of leases, approval of subdivision of land and</li> </ul>







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	<p>change of user. She has been a director with Kenya Women Finance Trust</p>
 <p><b>Mrs Elizabeth Limagur</b> Council Member</p>	<p><b>Date of Birth:</b> <b>Education</b></p> <ul style="list-style-type: none"> <li>• Holder of MA in International Conflict Management from University of Nairobi.</li> <li>• BA in Mass Communication. Majoring in Public Relations and Political Science from Makerere University (Uganda)</li> <li>• Diploma in Journalism from Kenya Institute of Mass Communication</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• Community Communications Officer with Tullow Oil B.V Kenya</li> <li>• Education Development Center (EDC) as the Executive Producer on charge of Training, News Editor,</li> <li>• Senior Producer for Sudan Radio Service Project</li> <li>• Technical Advisor for the Warsan/Star FM Radio the Garissa Youth Project</li> <li>• Reporter, Assistant Editor and Managing Editor for Radio Voice of Hope in Kampala, Uganda.</li> <li>• Reporter for New Sudan Council of Churches in Nairobi</li> </ul>
 <p><b>Dr. Julius Kinyeki</b> Council Member</p>	<p><b>Date of Birth:</b> <b>Education</b></p> <ul style="list-style-type: none"> <li>• Holder of PhD from Witwatersrand University, School of Governance (SA)</li> <li>• Holder of MA in Sociology from University of Nairobi</li> <li>• BA in Communication &amp; Sociology</li> <li>• Diploma in Information Studies</li> </ul> <p><b>Work experience</b></p> <ul style="list-style-type: none"> <li>• Consultancy experience having worked for International Committee of the Red Cross (ICRC) disseminations department and other private organizations with a focus on Causes &amp; Campaigns</li> <li>• instructor in a private ICT college, Kampus Information Technology Centre</li> <li>• Research Assistant at the Ministry of Agriculture and Livestock</li> <li>• African Network for the Prevention and Protection Against Child Abuse and Neglect (ANPPCAN) as Information and Communications Manager</li> <li>• Lecturer at Laikipia University, Nairobi Campus teaching Human Rights, Research Methods and Communication skills</li> </ul>

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	<p><b>Date of Birth:</b> 21/04/1982</p> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>• Holder of MA in Mass Communications from University of Leicester (UK)</li> <li>• BA in Mass Communication</li> </ul> <p><b>Work experience</b></p> <ul style="list-style-type: none"> <li>• Kenya Conference of Catholic Bishops as the Director of Communications, Fundraising and Partnerships.</li> <li>• Egerton University, Njoro as the Resource Mobilization and Donor Relations Manager</li> <li>• Catholic Diocese of Nakuru as the Communications Director and Radio Station Manager</li> <li>• Catholic Information Service for Africa (Projects Editor: Consultant)</li> </ul>
<p><b>Mr. David Omwoyo Omwoyo</b> Chief Executive Officer</p>	

**III. MANAGEMENT TEAM**

	<p><b>Mr. David Omwoyo Omwoyo</b> MA in Mass Communications Chief Executive Officer</p>
	<p><b>Mr. Victor Bwire</b> MA in Communication and Media Studies Deputy Chief Executive Officer and Programs Manager</p>
	<p><b>Mr. Godfrey Mageto Ongeri</b> Master of Science (Finance &amp; Investment) Finance Manager</p>
	<p><b>Mr. Josphat Kibaara</b> Masters in Human Resource Management Human Resource and Administration Manager</p>



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	<p><b>Ms Anne Jalang'o</b> MBA – Business Administration Manager - Internal Audit</p>
	<p><b>Ms. Pamellah Odingee</b> MSC Finance and investment Finance Officer</p>

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**IV. CHAIRMAN'S STATEMENT**

It gives me great pleasure to present to you, on behalf of the Council, Complaints Commission, Management and Staff of the Media Council of Kenya, the Financial Report for the year ended 30<sup>th</sup> June, 2018. From an internal perspective, the year under review can be considered a year of many transitions for the Council. These transitions directly affected the governance of the Council and symbolized a change in our way of conducting our business.

In August that year we welcomed the new CEO & Secretary to the Council, David Omwoyo to head the Secretariat, even as we bade farewell to our Chairman, Charles Kerich on his nomination and eventual confirmation, as County Executive Committee Member, of the Nairobi City County. The entrance of the new CEO, has injected new life and perspectives into the organization, and the exit of a very capable Chairman, with impeccable media credentials, while being a blow to the institution, only means that we can now count on his support and networks in his new position, to better the relationship between media and government at both national and county levels.


We also embarked on a review of the Council's Strategic Plan, culminating in the development and approval of a new Five Year Strategic Plan, to guide the Council's operations for the period 2018-19 to 2022-23. An important feature of the plan, is the internal reorganization of the Council, to better deliver and focus its activities on its mandate, while developing a more collegial working relationship with its Complaints Commission.

The Strategic Plan outlines five key areas of interventions for the Council, namely creating an enabling policy and legal framework for media regulation and development; enhancing media development; promoting and safeguarding media freedom and independence; strengthening mediation and dispute resolution capacities and strengthening the Council's institutional capacity and image.

As the custodian of the media's co-regulation environment, envisaged in Article 34 and 35 of the Constitution, the governance of the Council is of key importance to the maintenance of freedom of expression and more so, access to information. It is a role we have sought to carry out with professionalism in the year under review, when the country underwent a contested electoral process and unprecedented attacks on media freedom. The hefty fines imposed on individual journalists and media houses under the Kenya Information & Communication Act and Chapter 18 of the Penal Code, continue to be of concern to the Council. Our position remains that the Media Council Act provides a robust framework to address enforce professionalism within the media, while promoting media freedom, viability and plurality.

We commend the Secretariat, for guiding the media in navigating that challenging period, within the limited resources available. Of particular note, was how they successfully brought the media sector and the government together to better appreciate their complimenting role with the need for accountability and transparency in public service and the pursuit of truth, justice and equity for all citizens of Kenya.

We look forward to an even more fruitful year ahead.

  
Dr. Julius M. Kinyeki  
Ag. Chairman of the Council  
MEDIA COUNCIL OF KENYA



**V. REPORT OF THE CHIEF EXECUTIVE OFFICER & SECRETARY TO THE COUNCIL**

The 2017-18 was a momentous year for Kenya and the Media Council of Kenya and in a way marked a baptism of fire for me as I joined the organization in August 2017 as the country went into its second General Election under the 2010 Constitution. The conduct of that election, and the subsequent Supreme Court ruling and second election, were anxious times for the country and the media too.

Among the interventions the Media Council took, were programmes for journalist covering elections, as well as safety for journalists on duty all in an effort to ensure fair and balanced coverage in line with our mandate to promote professionalism in media. Additionally, we initiated mediation talks between the media and the government broadly on their coverage and more specifically the media ‘switch’ off and what it portends for media freedom in the country.

An important outcome of those deliberations, was the convening of a Kenya Media Sector Working Group forum jointly with Kenya Union of Journalists (KUJ), to review coverage of the General Elections. This also enabled us to address the status of media professional associations such as the Kenya Editors’ Guild (KEG), whose AGM we facilitated and also, resulted in the revival of the Press Club Luncheons. These interactions were all part of our new approach to stakeholder relations.

Another key stakeholder that benefited from this approach, was the government whose relationship with the media had been quite strained in the course of the year. By facilitating meetings and forums between the government and media professional organizations, which saw the involvement of the Cabinet Secretary responsible for media, as well as the Chief Justice engage with the media, I am glad to report that progress is being made.

An important culmination of this will be the Annual Media Summit & Awards whose theme: *Media & the Big Four Agenda*, will seek to build a common understanding between the media and the government on a national agenda without compromising the role of the Fourth Estate in promoting accountability and transparency in the conduct of state affairs. This event alongside the World Press Freedom Day & State of the Media Report, will now be our signature annual stakeholder engagement events to be held in August and May, every year.

Internally, we have sought to ensure that the Council, and the Complaints Commission find a collegial approach to delivering on the mandate of the MCK within their distinct and complimentary roles. I am glad to report a joint planning meeting between the Complaints Commission and the Council acted as catalyst to this process and has seen these two important organs work in a collaborative manner not witnessed before.

This alongside efforts to build cohesion among staff, has seen us complete work on a new Strategic Plan, that is awaiting approval, and to move the MCK forward, united in purpose. This approach has



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also enabled us to speak with one voice to our stakeholders and better achieve core parts of our mandate.

An important part of that mandate has been increasing the number of journalists seeking accreditation with the Media Council, as required by law and more so, as a testament of the benefits of accreditation. I am proud to report that the number of accredited journalists grew by 37% to 2959 in the year under review, from 2149 in the financial year 2016-17.

Another important barometer of the confidence of the media and the public in the MCK, was the sustained number of disputes being handled by the Complaints Commission which remained constant at 50 complaints in both 2016-17 and 2017-18, and a resolution rate of 64%. This is an important achievement, especially as we seek to make the Complaints Commission the first port of call for any media disputes in the spirit of alternative dispute resolution, and in so doing focus disputes on professionalism as defined in the Media Council Act.

With the foregoing, it is clear that the primacy of the Media Council of Kenya for the government, the media and public has grown, thanks in no part, to the concerted efforts of our Secretariat Staff, Council members, Complaints Commissioners and our media stakeholders.

I wish to thank them all for their support, counsel and diligence in our endeavour to deliver on our important mandate to the public. We will remain steadfast in our resolve to have a free and professional media in Kenya.



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



## **VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

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

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**VII. REPORT OF THE COUNCIL MEMBERS**

The Council members have the pleasure in presenting their report together with the audited financial statements of the Council for the year ended 30 June 2018.

**PRINCIPAL ACTIVITIES**

The Council is a non-profit and non-political media organization formed through the Media Council Act 2013 to provide self-regulation for the media industry and education to public, government and media practitioners. It also carries out research on media practice in the country.

**RESULTS**

The results for the year ended 30th June 2018 are shown on page 6.

**COUNCIL MEMBERS**

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

**AUDITORS**

The Council Financial statements are audited by the Auditor General.

**BY ORDER OF THE BOARD**

Secretary



Date: 25 MARCH 2019.....



## **VIII. STATEMENT OF CORPORATE GOVERNANCE**

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

### **THE COUNCIL**

The Council consists of Eight Council members and a Chief Executive Officer.

8 of the members are appointed via a competitive process set out in Section 7 of the Media Council Act 2013. The Cabinet Secretary responsible for media appoints a representative to the Council.

### **COUNCIL RESPONSIBILITIES**

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

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

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

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

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**COUNCIL COMMITTEES**

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

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

- Finance and Administration Committee
- Training and Media Development Committee
- Ethics and Public Information Committee
- Audit Committee

**Approval of the financial statements**

The Media Council financial statements were approved by the Board on 25 MARCH 2019 and signed on its behalf by:



Secretary



Chairperson



**IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES**

Section 8(1) of the Public Finance Management Act, 2012 and the Media Council Act 2013 requires the Council to prepare financial statement, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for that year. The Council Members are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Council Members are also responsible for safeguarding the assets of the Council.

The Council accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards(IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council Members are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the Council's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approved by the Council members on.....25 MARCH 2019..... and signed on its behalf by:



Mr. David Omwoyo  
Chief Executive Officer and Secretary to the Council



Dr. Julius Mwaniki Kinyeki  
Ag.Chairman of the Council



# REPUBLIC OF KENYA

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



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MEDIA COUNCIL OF KENYA FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Media Council of Kenya set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Media Council of Kenya as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Media Council Act, 2013.

#### **Basis for Qualified Opinion**

##### **1. Cash and Cash Equivalents**

The management submitted the annual financial statements on 28 September 2018. The financial statements were subsequently amended and a revised set submitted on 26 March 2019. In the revised set of financial statements the cash and cash equivalents balance was adjusted from Kshs.1,189,992 to Kshs.1,986,182. However, out of the total adjustment increase of Kshs.796,190, Kshs.579,290 was not supported.

In view of the foregoing, it has not been possible to confirm the completeness and accuracy of the cash and cash equivalents balance Kshs.1,986,182 as at 30 June 2018.

##### **2. Property, Plant and Equipment**

The Property, Plant and Equipment balance of Kshs.35 518,304 as at 30 June 2018 was not supported by an updated fixed assets register including details of assets locations and users, depreciation charge and assets net book values. Further, the total cost of the assets as per the register provided amounted to Kshs.46,971,517 while the

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fixed assets movement schedule had a total of Kshs.90,591,638 resulting in an unexplained variance of Kshs.43,620,121.

Under the circumstance, the completeness, valuation and accuracy of the Property, Plant and Equipment balance of Kshs.35,518,304 as at 30 June 2018 could not be ascertained.

### **3. Outstanding Previous Year Audit Issue – Council Expenses**

The following previous year audit issue is yet to be resolved;

As reported in the previous year audit report, note 6 of the financial statements for the year ended 30 June 2017, included in the council allowances expense balance of Kshs.7,673,153 was an amount of Kshs.2,262,222 in respect of daily subsistence allowance. The amount of Kshs.2,262,222 also includes an amount of Kshs.1,251,900 whose supporting analysis and documents had not been made available for audit review as at 30 June 2018.

In the circumstances, it was not possible to confirm the propriety of expenditure on daily subsistence allowance of Kshs.1,251,900 incurred in the year ended 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Media Council of Kenya in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matters**

#### **1. Receivables from Non-Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions' balance of Kshs.3,832,044 which includes staff debtors balance of Kshs.1,228,625. The staff debtors balance in turn includes outstanding imprests amounting to Kshs.385,120 which remained unsurrendered for over eight months contrary to Public Finance Management Act, 2012, Regulations, Section 93.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion 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.



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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, 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.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 governance.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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



## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

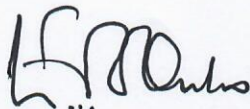
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the 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 ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**FCPA Edward R. O. Ouko, CBS**

**AUDITOR-GENERAL**

**Nairobi**

**24 April 2019**



**MEDIA COUNCIL OF KENYA  
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**X. STATEMENT OF FINANCIAL PERFORMANCE  
For the year ended 30 June 2018**

		<b>2018</b>	<b>2017</b>
<b>Revenue from Non- exchange Transactions</b>	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
Transfers from Government	2	137,300,000	58,000,000
Licences and Permits	3	13,033,800	9,355,300
Other incomes/Conditional Grants	4	24,166,302	22,070,746
<b>Total Revenue</b>		<b><u>174,500,102</u></b>	<b><u>89,426,046</u></b>
<b>Expenses</b>			
Employee Cost	5	48,429,615	41,391,678
Council Allowances	6	23,632,228	7,673,153
Depreciation and amortization expenses	7	5,587,111	5,056,411
Repair and Maintenance	8	353,508	113,650
General Expenses	9	77,458,490	53,201,367
<b>Total Operating Expenses</b>		<b><u>155,460,951</u></b>	<b><u>107,436,259</u></b>
<b>(Deficit) /surplus of income over expenditure</b>		<b><u>19,039,151</u></b>	<b><u>-18,010,213</u></b>

**MEDIA COUNCIL OF KENYA  
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**XII. STATEMENT OF FINANCIAL POSITION  
As at 30 June 2018**

<b>ASSETS</b>	<b>Notes</b>	<b>2018 Kshs</b>	<b>2017 Kshs</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	10	1,986,182	3,063,791
Receivables from Non-exchange transactions	11	3,832,044	6,404,362
		<b>5,818,227</b>	<b>9,468,153</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	12	35,518,304	22,817,303
Intangible Assets	13	400,000	800,000
		<b>35,918,304</b>	<b>23,617,303</b>
<b>TOTAL ASSETS</b>		<b>41,736,530</b>	<b>33,085,456</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables from exchange transactions	14	8,120,364	18,508,441
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	15	-	-
Fund Balance	16	33,616,167	14,577,016
<b>TOTAL FUND AND LIABILITIES</b>		<b>41,736,530</b>	<b>33,085,457</b>

Approved by the Council members on 25 MARCH 2019 and signed on its behalf by:



Mr. David Omwoyo  
CEO & Secretary to the Council



Pamellah Odingee  
Finance Officer  
Member No. ASSOC/350



Dr. Julius Mwaniki Kinyeki  
Ag. Chairman of the Council



**XIII. STATEMENT OF CHANGES IN NET ASSETS  
For the year ended 30 June 2018**

	<b>Fund Balance Kshs</b>	<b>Deferred Income Kshs</b>	<b>Total Kshs</b>
<b>Balance as at 30 June 2016</b>	32,587,228	6,000,000	38,587,228
Surplus for the period	(18,010,213)	-	(18,010,213)
Transfers to/from accumulated surplus	-	(6,000,000)	(6,000,000)
<b>Balance as at 30 June 2017</b>	<b>14,577,015</b>	<b>-</b>	<b>14,577,016</b>
Deficit for the period	19,039,151	-	19,039,151
Transfers to/from accumulated surplus	-	-	-
<b>Balance as at 30 June 2018</b>	<b>33,616,166</b>	<b>-</b>	<b>33,616,167</b>

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**XIV. STATEMENT OF CASH FLOWS**

	Note	2017-2018 Kshs	2016-2017 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from Government	2	137,300,000	58,000,000
Licences and Permits	3	13,033,800	9,355,300
Other incomes/Conditional Grants	4	24,166,302	22,070,746
		<b>174,500,102</b>	<b>89,426,046</b>
<b>Payments</b>			
Employee Cost	5	48,429,615	41,391,678
Council Allowances	6	23,632,228	7,673,153
Depreciation and amortization expenses	7	5,587,111	5,056,411
Repair and Maintenance	8	353,508	113,650
General Expenses	9	77,458,490	53,201,367
		<b>155,460,951</b>	<b>107,436,260</b>
<b>Net cash flow from operating activities</b>		<b>19,039,151</b>	<b>(18,010,214)</b>
<b>Cash flow from investing activities</b>			
(Decrease)/Increase in receivables and prepayments	11	2,572,318	3,180,934
(Decrease)/Increase in trade payables	14	(10,388,078)	16,391,711
Purchase of property, plant and equipment's	12	(17,888,111)	-
<b>Net cash flow from investing activities</b>		<b>(25,703,871)</b>	<b>19,572,645</b>
<b>Cash flow from financing activities</b>			
Deferred Income		-	(6,000,000)
<b>Net cash flow from financing activities</b>		-	<b>(6,000,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(6,664,720)</b>	<b>(22,407,819)</b>
<b>Movement in cash and cash equivalents</b>			
At the start of the year		<b>3,063,791</b>	<b>2,444,949</b>
Increase		(1,077,608)	618,842
At the end of the year		<b>1,986,182</b>	<b>3,063,791</b>
<b>Represented by:</b>			
Bank Balance		1,986,182	3,063,791
Cash Balance		-	-
		<b>1,986,182</b>	<b>3,063,791</b>



**MEDIA COUNCIL OF KENYA  
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**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	<b>2017/2018</b>	<b>2017/2018</b>	<b>2017/2018</b>
	<b><u>BUDGETED</u></b>	<b><u>ACTUALS</u></b>	<b><u>VARIANCES</u></b>
<b>Revenue</b>	<b>Kshs</b>		
Transfers from Government	137,300,000	137,300,000	-
Licences and Permits(Subscriptions)	8,813,800	8,813,800	-
Licences and Permits(Accreditation fees)	4,220,000	4,220,000	-
<b>Conditional Grants</b>			-
Internews	11,429,192	11,429,192	
UNESCO	-	-	-
UN Women	1,796,000	1,796,000	-
National Aids Control Council	2,632,142	2,632,142	-
OXFAM	4,338,017	4,338,017	
International Media Support	-		-
IED	-		-
Accrued Donor Grant			-
Other income	3,970,951	3,970,951	
	<b><u>174,500,102</u></b>	<b><u>174,500,102</u></b>	<b>-</b>
<b>Expenses</b>			
<b>Employee Cost</b>			
Salaries and wages	52,941,900	48,429,615	4,512,285
	<b><u>52,941,900</u></b>	<b><u>48,429,615</u></b>	<b><u>4,512,285</u></b>
<b>Council Allowances</b>			
Board / Council expenses	25,475,200	23,632,228	1,842,972
	<b><u>25,475,200</u></b>	<b><u>23,632,228</u></b>	<b><u>1,842,972</u></b>
Depreciation expense		5,187,111	(5,187,111)
Amortization		400,000	(400,000)
<b>Repair and maintenance</b>			
Repairs and maintenance	1,760,000	353,508	214,865
	<b><u>1,760,000</u></b>	<b><u>353,508</u></b>	<b><u>214,865</u></b>

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**General Expenses**

Audit fees	500,000	473,599	26,401
Consulting fees	8,000,000	7,893,000	107,000
Office, Consumables and Cleaning expenses	3,672,000	3,659,828	12,172
Motor vehicles expenses	858,400	581,258	277,142
Insurance(GPA & GLA)	750,000	748,375	1,625
Insurance (Staff medical cover)	5,500,000	5,060,604	439,396
Legal Expenses		0	0
Postage, Telephone and Internet	1,006,000	853,179	152,821
Printing and stationery	1,960,000	1,885,287	74,713
Travel and Stakeholders forum	12,000,000	10,153,533	1,846,467
Bank charges	290,950	243,588	47,362
Accommodation and conferencing	8,500,000	6,807,619	1,692,381
Staff Gratuity	5,000,000	4,733,422	266,578
Staff welfare /training	3,800,000	2,636,487	1,163,513
Rental	13,375,652	11,330,347	2,045,305
ICT ,ERP and Office Equipment	11,600,000	4,952,542	6,647,458
Training	10,160,000	9,166,133	993,868
Others(Media Awards)	6,150,000	5,995,206	154,794
Publicity and Advertisement	1,200,000	284,483	915,517
Journalists Resource Centre		0	0
	<b>94,323,002</b>	<b>77,458,490</b>	<b>16,864,512</b>
<b>Total Expenditure</b>	<b>174,500,102</b>	<b>155,460,951</b>	<b>17,847,524</b>
<b>Surplus of income over expenditure</b>	<b>-</b>	<b>19,039,151</b>	<b>(17,847,524)</b>



## **XVI. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basis of preparation – IPSAS 1**

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i) Subscriptions and donations**

Subscriptions and donations are recognized when received.

##### **ii) Government grants**

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

Grants for capital expenditure (development grant) are recognised as deferred income under capital approach through statement of financial position per IPSA 23.

#### **b) Budget information – IPSAS 24**

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

#### **c) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.



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

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

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

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

**d) Intangible assets – IPSAS 31**

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

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

**e) Financial Instruments Disclosure IPSAS 30**

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

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

**f) Provisions – IPSAS 19**

Provisions are recognized when the 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.



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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.

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

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.

**h) Employee benefits – IPSAS 25**

**Retirement benefit plans**

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

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

**i) Related parties – IPSAS 20**

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 councillors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

**j) Cash and cash equivalents**

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

**k) Comparative figures**

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

**l) Significant judgments and sources of estimation uncertainty – IPSAS 1**

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.

**m) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.



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**NOTES TO THE FINANCIAL STATEMENTS....**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>2 Transfers from Government</b>		
Government Recurrent Grant	137,300,000	58,000,000
Government Development Grant	-	-
	<u><b>137,300,000</b></u>	<u><b>58,000,000</b></u>

During the year the Government grant the council at total of Kshs 137,300,000 (2017: Kshs 58,000,000) for recurrent expenditures. The grant has been recognized as income in the statement of comprehensive income per IPSAS 23.

**3 Licenses and Permits**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Licenses and Permits</b>		
Licenses and Permits(Accreditation)	8,813,800	4,650,000
Licenses and Permits (Subscription)	4,220,000	4,705,300
	<u><b>13,033,800</b></u>	<u><b>9,355,300</b></u>

**Subscriptions**

The Media Act 2007 empowers the Council by notice in the Kenya Gazette to impose a levy in respect of all media enterprises operating in Kenya. The Council was able to collect Kshs 4,220,000.

**Accreditation Fees**

The Media Act 2007 empowers the Council by notice in the Kenya Gazette to impose an annual registration fee in respect of all journalists whose names appear in the Council. The Council collected Kshs 8,813,800.

**4 Other incomes/Conditional Grants**

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Conditional Grants</b>		
UNDP	-	9,431,000
UNESCO		1,605,697
National Aids Control Council	2,632,142	-
International Media Support	-	1,699,528
IED	-	1,510,500
Un Women	1,796,000	-
European Union	-	511,000
HIVOS	-	224,438
OXFAM	4,338,017	2,219,062
Internews	11,429,192	-
	<u><b>20,195,351</b></u>	<u><b>17,201,225</b></u>
<b>Other income</b>		
Media Awards donation	2,250,000	3,494,087
Sale of Tender/Miscellaneous	218,951	165,774
Donations/Service fee	902,000	1,209,660
Fines	600,000	-
	<u><b>3,970,951</b></u>	<u><b>4,869,521</b></u>

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	<b>24,166,302</b>	<b>22,070,746</b>
	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>5 Employee Costs</b>		
Salaries and wages	48,429,615	41,391,678
	<u>48,429,615</u>	<u>41,391,678</u>
The CEO's salary during the Financial Year 2017/2018 was Kshs 5,770,000.		
<b>6 Council / Commission Expenses</b>		
Board / Council/Commission expenses	23,632,228	7,673,153
	<u>23,632,228</u>	<u>7,673,153</u>
<b>7 Depreciation and Amortization Expenses</b>		
Depreciation expense	5,187,111	4,656,411
Amortization	400,000	400,000
	<u>5,587,111</u>	<u>5,056,411</u>
<b>8 Repairs and maintenance</b>		
Repairs and maintenance	353,508	113,650
	<u>353,508</u>	<u>113,650</u>
<b>9 General Expenses</b>		
Audit fees	473,599	473,600.00
Consulting fees	7,893,000	5,276,250
Office ,Consumables and Cleaning expenses	3,659,828	2,151,458
Motor vehicles expenses	581,258	538,965
Insurance(GPA & GLA)	748,375	720,970
Insurance (Staff medical cover)	5,060,604	6,365,326
Legal Expenses	-	-
Postage, telephone and internet	853,179	927,362
Printing and stationery	1,885,287	420,558
Travel and Stakeholders Forums	10,153,533	11,950,118
Bank charges	243,588	120,872
Accommodation and conferencing	6,807,619	3,795,584
Staff Gratuity	4,733,422	2,977,501
Staff welfare/training	2,636,487	1,336,148
Rental	11,330,347	8,578,985
MMS	4,952,542	2,506,945
Training	9,166,133	1,470,520
Others(Media Awards)	5,995,206	3,517,125
Publicity and Advertisement	284,483	73,080
Journalists Resource Centre	-	-
	<u>77,458,490</u>	<u>53,201,367</u>
<b>10 Cash and cash equivalents</b>		
Bank	1,986,182	3,063,791
Cash in hand	-	-



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1,986,182      3,063,791

<b>Bank</b>	<b>Account Number</b>	<b>Amount (Kshs.)</b>
Standard Chartered Bank Kenya Limited	0102096149700	1,075,794.37
Standard Chartered Bank Kenya Limited (Donor a/c)	0102096149701	693,488.10
MPESA		216,900.00
Petty cash		-
	<b>Total- Kshs.</b>	<b>1,986,182.47</b>

**11 Receivables from Non-exchange transactions**

Staff debtors	1,228,625	1,523,336
Prepayments	1,030,528	3,293,534
Deposits	1,572,891	1,587,492
	<u><b>3,832,044</b></u>	<u><b>6,404,362</b></u>

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**NOTES TO THE FINANCIAL STATEMENTS .... Contd.**

12. Property, Plant and Equipment Year ended 30 June 2018:	Motor Vehicle Kshs	Computers Kshs	Office Furniture equipment Kshs	Office Partitioning Kshs	Media Monitoring System Kshs	Total Kshs
Cost						
As 1 July 2017	7,563,055	7,511,310	10,438,348	15,865,839	31,324,976	72,703,527
Acquisitions	13,250,000	3,265,497	1,372,614	-	-	17,888,111
At 30 June 2018	20,813,055	10,776,807	11,810,962	15,865,839	31,324,976	90,591,638
<b>Depreciation</b>						
As 1 July 2017	6,396,436	6,508,838	5,816,323	8,129,177	23,035,451	49,886,225
Charge for the year	1,395,822	545,654	620,647	967,083	1,657,905	5,182,903
At 30 June 2018	7,792,258	7,054,492	6,436,970	9,096,260	24,693,356	55,073,336
<b>Net Book Value</b>						
At 30 June 2018	<b>13,020,797</b>	<b>3,722,315</b>	<b>5,373,991</b>	<b>6,769,579</b>	<b>6,631,620</b>	<b>35,518,304</b>
<b>Year ended 30 June 2017:</b>						
Cost						
As 1 July 2016	7,563,055	7,511,310	10,438,348	15,865,839	31,324,977	72,703,528
Acquisitions	-	-	-	-	-	-
At 30 June 2017	7,563,055	7,511,310	10,438,348	15,865,839	31,324,977	72,703,528
<b>Depreciation</b>						
As 1 July 2016	6,007,563	6,079,207	5,156,034	7,023,940	20,963,070	45,229,814
Charge for the year	388,873	429,631	660,289	1,105,237	2,072,381	4,656,411
At 30 June 2017	6,396,436	6,508,838	5,816,323	8,129,177	23,035,451	49,886,225
<b>Net Book Value</b>						
At 30 June 2017	<b>1,166,619</b>	<b>1,002,472</b>	<b>4,622,025</b>	<b>7,736,662</b>	<b>8,289,526</b>	<b>22,817,303</b>



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	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>13 Intangible Assets</b>		
Opening Balance	800,000	1,200,000
Additions	-	-
Amortization	(400,000)	(400,000)
Closing Balance	<b>400,000</b>	<b>800,000</b>
<b>14 Trade and other payables from exchange transactions</b>		
Payroll payable	23,626	23,626
Accrued audit and Accountancy fees	473,600.00	473,600.00
Provision for Audit fees	473,600.00	
Other payables	5,335,279.61	9,186,297.00
Sundry creditors	1,814,258	8,824,918
	<b>8,120,364</b>	<b>18,508,441</b>
<u>NB:Sundry Creditors</u>		
Accrued expense	1,814,258	8,720,518
	<b>1,814,258</b>	<b>8,824,918</b>
<b>15 Deferred income on Government development grant</b>		
Brought forward	-	6,000,000
Amortized through income statement during the year (note 10)	-	-6,000,000
Carried down	-	-
<p>During the year (2012) the council acquired a media monitoring system expected to have a useful life of 5 years. The Government granted the Council Kshs 30,000,000 for the acquisition of the Media Monitoring System.</p>		
<b>16 Fund balance</b>		
Reserves	14,577,016	32,587,228
Accumulated Surplus	19,039,151	-18,010,213
	<b>33,616,167</b>	<b>14,577,016</b>
<b>17 Related party disclosures</b>		
i) Council	23,795.00	7,673.00
ii) Senior Management	23,552.00	19,169.00
	<b>47,347.00</b>	<b>26,842.00</b>

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**18 Reporting currency**

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

**19 Registration**

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



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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
<b>Going Concern</b>	During the year under review, the Council recorded a deficit of Kshs. 18,010,214 as at June 2017. Further, the current liabilities of Kshs. 18,508,441 as at 30 June 2017 exceeds the current assets of Kshs. 9,468,153 resulting in a negative working capital of Kshs. 9,045,288 which indicates that the Council was unable to meet its financial obligations as and when they fall due. The Council is therefore technically insolvent and the financial statements have been prepared on going concern basis on assumption that it will continue to receive financial support from government, creditors and donors.	<p>The deficit recorded within the financials was a result of reduced funding from the exchequer.</p> <p>The Council was not able to meet all its financial obligations for the period, resulting into an accumulation of bills.</p> <p>During the year, the Council engaged the National Treasury and sought funding through the supplementary budget, to clear all the pending bills.</p> <p>KES 70,300,000 was granted towards this end.</p> <p>The Council has now cleared all its pending financial obligations for the period under audit and continues to engage the exchequer, so that the allocation to the Media Council of Kenya is sufficient to enable it meet all its financial obligations for future periods.</p> <p>For the period under audit, FY 2017/2018, the council has recorded a surplus of 18million.</p> <p>The working capital has improved from KES (9,045,288) to KES (2,302,137), as reflected in the financial statements.</p>	<b>CEO</b>	<b>Resolved</b>	<b>N/A</b>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Council Expenses	<p>As disclosed in Note 6 to the financial statements, included in the council expenses balance of Kshs. 7,673,153 is an amount of Kshs. 2,262,222 in respect of daily subsistence allowance. The amount of Kshs. 2,262,222 also includes an amount of Kshs. 1,251,900 whose supporting analysis was not availed for audit review.</p> <p>In the circumstances, it has not been possible to confirm propriety of expenditure on daily subsistence allowance of Kshs. 1,251,900 for the year ended 30 June 2017</p>	<p><i>The letters of invite to the members of the Council for attendance of various official functions that necessitated the payment of the allowances have now been provided for review.</i></p>	CEO	Resolved	N/A

  
.....

CEO & Secretary to the Council

Date: 25 MARCH 2019.....

  
.....

Ag. Chairman of the Council

Date: 25 MARCH 2019.....



**MEDIA COUNCIL OF KENYA**  
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**APPENDIX III: INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>	<b>MEDIA COUNCIL OF KENYA</b>		
	<b>Break down of Transfers from the State Department of Broadcasting and Telecommunication</b>			
	<b>FY 17/18</b>			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		03/08/2017	Ksh 16,750,000	FY 2017-2018
		27/10/2017	Ksh 16,750,000	FY 2017-2018
		31/01/2018	Ksh 14,250,000	FY 2017-2018
		26/02/2018	Ksh 70,300,000	FY 2017-2018
		27/04/2018	Ksh 14,250,000	FY 2017-2018
		14/05/2018	Ksh 5,000,000	FY 2017-2018
		<b>Total</b>	<b>Ksh 137,300,000</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		N/A	N/A	
		<b>Total</b>	<b>N/A</b>	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		N/A	N/A	
		<b>Total</b>	<b>N/A</b>	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		N/A	N/A	
		<b>Total</b>	<b>N/A</b>	

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

Finance Manager  
 Media Council of Kenya

Head of Accounting Unit  
 Ministry of Information, Communication and Technology

Sign Perm

Sign [Signature] 26/3/19

**MEDIA COUNCIL OF KENYA  
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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund/Direct Payment	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Planning and Devolution	N/A	Recurrent	N/A	N/A	N/A	N/A	N/A	N/A
Ministry of Planning and Devolution	N/A	Development	N/A	N/A	N/A	N/A	N/A	N/A
USAID	N/A	Donor Fund	N/A	N/A	N/A	N/A	N/A	N/A
Ministry of Planning and Devolution	N/A	Direct Payment	N/A	N/A	N/A	N/A	N/A	N/A
			N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>			N/A	N/A	N/A	N/A	N/A	N/A