

REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Film Commission set out on pages 1 to 24, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for effects of the matter described in the basis for Qualified Opinion section, the financial statements present fairly, in all material respects, the financial position of Kenya Film Commission as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with Legal Notice No. 147 of 5 March 2015.

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

Basis for Qualified Opinion

Incomplete and or Inaccurate Fixed Assets Register

The Kenya Film Commission asset register reflect a figure of Kshs.12,252,313 compared to Kshs.10,735,301 shown on the statement of financial position as at 30 June 2017. As a result, unexplained variance of Kshs.1,517,011 was observed as detailed below:

	Financial Statement Balance Kshs.	Fixed Asset Register Balance Kshs.	Variance Less than register (-) More than register (+) Kshs.
Fixed Assets			
Motor Vehicles	1,182,346	2,101,948	-919,602
Computers	2,918,960	6,409,706	-3,490,744
Furniture	3,143,354	2,947,669	+195,685
Equipment	3,490,641	792,990	+2,697,651

TOTAL	10,735,301	12,252,313	-1,517,011
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In the circumstances, the Property, Plant and Equipment total balance of Kshs.10,735,301 could not be confirmed as accurately stated in the financial statements as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Film Commission in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAIs 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 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 except for the matter 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

1.0 Budget and Budgetary Performance

The Kenya Film Commission receipts budget was for Kshs.79,458,370 which was fully received. Further, the Commission had budgeted to spend Kshs.79,458,370 but actual expenditure amounted to Kshs.75,269,868 resulting to an under expenditure of Kshs.4,188,402 or 5% as detailed below:

Expenditure Item	Budget Kshs.	Actual Kshs.	Over (+) Under (-) Kshs.	Over (+) Under (-) %
Employee Costs	49,508,790	37,414,089	+12,094,701	+24
Board Expenses	4,988,000	5,116,137	-128,137	-3
Rent & Rates	10,877,313	10,877,313	0	0
Office Repairs & Maintenance	1,970,000	1,967,493	+2,504	0
General Expenses	11,089,266	18,549,676	-7,460,410	-67
Contracted services	225,000	216,470	+8,530	+4
Electricity	800,000	1,128,690	- 328,690	-41
TOTAL	79,458,370	75,269,868	+4,188,502	+5

The failure to spend Kshs.4,188,502 or 5% of the budgeted expenditure implies that the commission's goals and objectives were not achieved as planned.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for such internal control as management determines is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Commission 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.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission'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 Commission 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 consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the State Corporations Act, I report based on the audit, that:

- (i) 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;
- (ii) In my opinion, adequate accounting records have been kept by the Commission, so far as appears from the examination of those books; and

- (iii) The Commission's financial statements are in agreement with the accounting records.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

07 March 2018