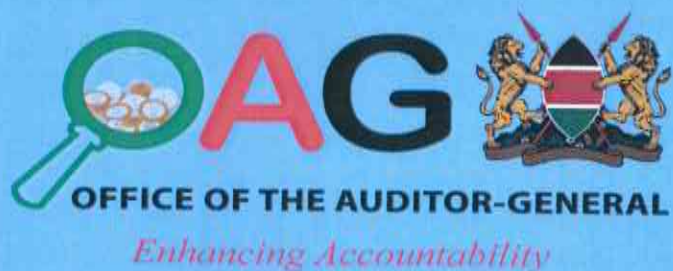


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**COMMUNICATIONS AUTHORITY
OF KENYA**

**FOR THE YEAR ENDED
30 JUNE, 2022**

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

28 APR 2023

RECEIVED



COMMUNICATIONS AUTHORITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022

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

Table of Contents

	Pag
I. KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
II. THE BOARD OF DIRECTORS.....	vii
III. MANAGEMENT TEAM.....	xv
IV. CHAIRMAN'S STATEMENT.....	xviiiiv
V. REPORT OF THE DIRECTOR GENERAL.....	xx
VI. REVIEW OF PERFORMANCE FOR FY 2020/2021.....	xxiii
VII. CORPORATE GOVERNANCE STATEMENT.....	xxii
VIII. STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS.....	xxvi
IX. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxxiii
X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxxv
XI. REPORT OF THE DIRECTORS.....	xl
XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xli
XIII. STATEMENT OF FINANCIAL PERFORMANCE.....	1
XIV. STATEMENT OF FINANCIAL POSITION.....	2
XV. STATEMENT OF CHANGES IN NET ASSETS.....	3
XVI. STATEMENT OF CASH FLOWS.....	4
XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XVIII. NOTES TO THE FINANCIAL STATEMENTS.....	6
XIX. APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	32
XX. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY.....	58
XXI. APPENDIX III: INTER-ENTITY TRANSFERS.....	58
XXII. APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	58

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Communications Authority of Kenya was incorporated/ established in 1998 by an Act of parliament through *Kenya Information and Communications Act, 1998 (Cap 411A)*. The Authority is domiciled in Kenya with its headquarters in CA Centre, Waiyaki Way and has regional offices in Mombasa; Eldoret; Kisumu; and Nyeri.

(b) Principal Activity

The principal activity of the Authority is facilitating the development of the information and communications sectors including; broadcasting, cybersecurity, multimedia, telecommunications, electronic commerce, postal and courier services on behalf of the Government of Kenya. The Vision of the Authority is; A Digitally Transformed Nation. Its mission is “Building a connected society through enabling regulation, partnership and innovation.

(c) Key Management

The Authority’s day-to-day management is under the following key organs:

- a) Board of Directors;
- b) Director General; and
- c) Head of Departments and Divisions

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Mr. Ezra Chiloba (appointed on 2 nd September 2021)
2.	Head of Legal Services	Mrs. Mercy Wanjau, MBS (Acting Director-General from 22 nd August 2020 until 28 th September 2021)
3.	Head of Corporate Services	Mr. Christopher Wambua (Deployed to a special Assignment)
4.	Ag. Head of Corporate Services	M/s. Patricia Muchiri
5.	Head of Finance & Accounts	CPA Joseph Kimanga
6.	Ag. Head of Procurement	Mrs. Jane Rotich
7.	Head of Risk Mgt & Internal Audit	CPA Rosalind Murithi
8.	Head of Human Capital & Administration	Mr. Juma Kandie
9.	Head of Universal Service Fund	Mr. Christopher Kemei
10.	Head of Frequency Spectrum Management	Mr. Tom Olwero – Retired in 19 th April 2022
11.	Ag. Head of Frequency Spectrum Management	Mr. Mohammed Haji (from 20 th April 2022)
12.	Head of Licencing Compliance and Standards	Mr. Matano Ndaro
13.	Head of IT & ERM	Mr. Michael Katundu
14.	Head of Multimedia Services	Eng. Leo K. Boruett
15.	Ag. Head of Competition, Tariffs and Market Analysis	CPA Mawell M. Mosoti (retired on 28 th August 2021)
16.	Ag. Head of Competition, Tariffs and Market Analysis	Dr. James Njeru (from 28 th August 2021)
17.	Head of Cyber Security	Mr. Vincent Ngundi
18.	Head of Innovation and Research Development	Dr. Gilbert Mugeni

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements

The Board of Directors have the responsibility of acting in the best interest of the Authority. They are expected to act with due professional care and make good decisions; ensuring there is no conflict of interest. To enhance efficiency and effectiveness, the Board constituted 5 standing committees with clearly defined terms of reference relating to key areas of the Authority. The committees operate on delegated authority without diluting the Board's accountability

Finance Committee

The Finance Committee is established to give recommendations and advise the Board on financial management strategies and objectives to foster growth and development of the Authority.

Audit and Risk Committee

The Audit and Risk Committee is created to provide oversight by offering objective advice and recommendations to the Board on whether the Authority's governance, risk management, and internal control processes are suitably designed and working as intended to achieve objectives. The membership is Non-executive/independent board members.

Staff and Administration Committee

The Staff and Administration Committee is established mainly to give recommendations and advise to the Board on personnel matters, policies and procedures and on issues of administration of the assets of the Authority.

Technical Committee

The Technical Committee is established mainly to give recommendations and advise to the Board on Technical and Regulatory matters in the ICT sector.

Broadcasting Standards Committee

The Broadcasting Standards Committee is established to give recommendations and advise to the Board on all broadcasting matters. This committee is established vide KICA (Amendment)

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Act, 2013, section 7 (f) establish a broadcasting standards committee and such other committees as may be necessary to carry out its functions;

(e) Authority's Headquarters

P. O Box 14448 - 00800

CA Centre

Waiyaki Way

Nairobi, KENYA

(f) Authority's Contacts

Telephone: (254) 703 042 000

E-mail: info@ca.go.ke

Website: www.ca.go.ke

(g) Authority's Bankers

1. Kenya Commercial Bank
Sarit Centre Branch
P O Box 30081
Nairobi, 00800
Nairobi, Kenya

2. Co-operative Bank of Kenya
Westlands Branch
P.O. Box 66589
Nairobi, 00800
Nairobi, Kenya

3. Citibank NA Kenya
Head Office, Upper Hill
P.O Box 30071
Nairobi, 00100
Nairobi, Kenya

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(h) Independent Auditors

Auditor General
Kenya National Audit Office
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



Capt. Gilbert M. Kibe. born 1963 is the Chairman of the Board of Directors of the Communications Authority of Kenya (CA) having been appointed on 17th May 2022 by His Excellency President Uhuru Kenyatta.

Until his appointment, Capt. Kibe was the immediate former Director General of the Kenya Civil Aviation Authority (KCAA) where he had served for over six years.

He is a visionary leader with a 42 year stellar career spanning management, training, policy development and implementation. He has proven track record in providing strategic leadership at senior level in the corporate and government sectors.

He is an authority in the aviation industry where he has influenced growth and development in through policy development and implementation, advisory services, business development, training and enhancing service delivery in the sector.

Capt. Kibe has held various positions in international aviation bodies including as Chairman of the Executive Committee of the Civil Air Navigation Services Organization (CANSO), Chairman of the Regional Aviation Safety Group - Africa & Indian Ocean Islands at the International Civil Aviation Organization (ICAO) and Chairman of the Board of the East African Community - Civil Aviation Safety & Security Oversight Agency.

He has also previously worked as Executive Chairman Eagle Aviation, Director Business Development at Home Afrika Ltd, Managing Director Bahati Ridge Development Ltd and Chief Executive at Nairobi Flight Training Ltd.

He holds a Master of Business administration (Aviation) from Moi University, Commercial Pilots License with Single and Multi-Engine Land and Instrument Rating, among other qualifications.



Sen. Kembi Gitura, MGH born in 1954 was appointed Chairman of the Board of the Communication Authority of Kenya for a three-year term with effect from 18th April 2021 and resigned on 8th February 2022.

He holds a Bachelor of Laws Degree from the University of Nairobi and is an Advocate of the High Court of Kenya. He is a member of the Law Society of Kenya, the East Africa Law Society, and is the Senior Partner in the law firm of Kembi-Gitura & Company, Advocates.

He has many years work experience in the Public Service having served as the Member of Parliament for Kiharu Constituency, Assistant Minister for Agriculture, Assistant Minister for Foreign Affairs, Kenya Ambassador to the Kingdom of Belgium, Duchy of Luxembourg and the European Union, Senator for Murang'a County and Deputy Speaker of the Senate. He is the immediate past Board Chairman of the Kenya Medical Supplies Authority (KEMSA).



Mr Ezra Chiloba born in 1978, is the Director General of the Communications Authority of Kenya, having been appointed on 28th September 2021. Prior to this appointment, he served as Principal Partner at Chil & Kemp Strategies Ltd, a Strategy Management Company, where he focused on strategy and risk management, policy and regulatory analysis, and leadership and management effectiveness. Mr. Chiloba also served as the Chief Executive Officer/Commission Secretary of the Independent Electoral and Boundaries Commission (IEBC) between 2015 – 2018.

In this role, he was responsible for the management and administration of an unparalleled large-scale and complex national election programme. He has also worked with other reputable international and local organizations including the UN. His experience spans over 15 years in public sector management including policy, legislation, financial management, stakeholder management, risk management and leadership. He has also served as a Board Member of the Youth Enterprise Development Fund. Mr. Chiloba is an all-round public sector leader who is inspired by the idea that a progressive society is dependent on a facilitative government. He also has a deep appreciation of the communication industry; its global and local challenges and opportunities for social-economic growth. He holds an MSc in Major Programme Management (MMPM) from the University of Oxford (UK) and an MA in Public Policy (MPP) from the Central European University (Hungary). He graduated with a Bachelor of Laws degree from the University of Nairobi and was admitted to the Roll of Advocates of the High Court in Kenya. In 2015, he was named among the *Top 40 under 40 Men* by the *Business Daily*.



Mrs. Mercy Wanjau born in 1972, Mrs. Wanjau served as the Director Legal Services from 1st January 2019 till her appointment as the Acting Director-General on 22nd August 2019 until 28th September 2021. She holds a Masters degree in Law (LLM) from the University of Cape Town, Bachelors in Law (LLB) from the University of Nairobi. She also holds a Postgraduate Certificate in Regulation of Telecommunications in Developing and Transitional Economies.

She is a Certified Governance Auditor with ICPSK, an Associate of the Chartered Institute of Arbitrators, Council Member of the Institute of Certified Secretaries (Kenya), board member of the SOS Children's villages and an Advocate of the High Court of Kenya. She is also an Eisenhower Fellow.



Mrs. Esther Koimett, CBS born in 1957, is the Principal Secretary for the State Department of Broadcasting and Telecommunications, Ministry of Information, Communications and Technology (ICT). She serves on the CA Board in her capacity as Principal Secretary. She holds a Masters Degree in Business Administration (MBA) from the University of Nairobi and a Bachelors of Commerce (BCom) Degree from the University of Nairobi.

She has over 25 years work experience in the public service, having previously served as Principal Secretary in the Ministries of Tourism & Wildlife and Transport, Infrastructure, Urban Development and Public Works. She has also served in numerous Boards including, Kenya Railways Corporation, Telkom Kenya Limited and Safaricom Limited. She was appointed on 14th Jan 2020.



Dr. (Eng.) Karanja Kibicho, CBS born in 1967 is the Principal Secretary, State Department of Interior, office of the president. He holds a doctorate in Mechanical Engineering from the University of Cape Town, South Africa, a Masters of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering.

Dr. Kibicho has taught in various institutions of higher learning, including Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as the chairman and senior lecturer in the Department of Mechanical Engineering. He has served as an external examiner at the University of Dar es Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.



Dr. Julius Muia born in 1960 is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. An alumnus of the University of Nairobi's School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Master's Degree and PhD in Finance from the same university. His professional qualifications include Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach. Dr. Muia has over 25 years experience in leadership in Kenya and UK.



Ms. Patricia Kimama born in 1973, Ms. Patricia Kimama was first appointed to the CA Board of Directors on 29th April 2016 for a period of three years. She was re-appointed for a further three-year term effective 6th January 2020.

Ms. Kimama holds an MBA (Strategic Management) from Daystar University, a Master's Certificate in Project Management from George Washington University, and a Bachelor's of Science Degree from Moi University. She has attended various Executive leadership development programs such as the Senior Management Program (SMLP) from the Strathmore University's Graduate School of Business and the Stanford Business Leadership Series from Stanford University Graduate School of Business. She holds an Executive Coaching Certificate from the Academy of Executive Coaches (AoEC). She is Currently undertaking her PHD Studies in Organizational leadership at PAC University

Patricia is a business leader with 25 years' experience. She has led business transformations, managed operations, strategy implementation, customer experience, retail management and project management in market leading corporate organizations and groups, spanning across Financial Services, Public Sector, Mobile Money, Fintech, and the Telecoms industry having served in organizations such as, Britam Holdings, NCBA Bank, CBA Bank. Safaricom and Davis & Shirtliff Limited.

Previously, she served as the Chairperson of the Staff Matters & Administration Committee, Board Audit Committee and a member of the Technical Committee. She serves as the Chairperson of the Finance Matters committee and a member of the Broadcasting committee.



Prof. Levi Obonyo born in 1966, is an Associate Professor of Communication and Media Studies, and also the Dean of the School of Communication, Language and Performing Arts at Daystar University.

Prof. Obonyo holds a PhD in Mass media and Communications from Temple University Philadelphia, USA. He also holds a Postgraduate Diploma in Tertiary Education from Potchefstroom University for Christian Higher Education, South Africa.

He is a former Chairman of the Media Council of Kenya. He currently serves as a member of the Advisory Council to Kenya National Commission to UNESCO (KNATCOM) specializing on communications.

He joined the CA Board on 20th May 2014 and reappointed in 29th April 2016 for a further term of three (3) years that lapsed on 28th April 2019.

He was reappointed for a further term of three (3) years effective 6th January 2020. He serves as the Chairperson of the Broadcasting & Standards committee.



Ms. Kentice Tikolo, OGW born in 1964, is a communications expert with over 15 years' experience in Strategic Corporate Communications and Public Relations.

She is the founder and Managing Director of Impact Africa Limited, a strategic Public Relations & Communications firm, based in Nairobi, Kenya. Prior to going to private business, Ms. Tikolo worked at the Kenya Wildlife Service as the Head of Corporate Communications.

Ms. Tikolo holds a Master of Science degree in Public Relations from the University of Stirling in Scotland, and a first degree in Education from Kenyatta University.

She was appointed to the CA Board on 29th April 2016 for a period of three (3) years that lapsed on 28th April 2019. She was reappointed for a further term of three (3) years effective 6th January 2020. She serves as the Chairperson of the Board Audit & Risk committee.



Ms. Laura Chite born in 1972 was appointed to the Board on 17th July 2021 for a period of three (3) years to serve as an Independent Non-Executive Director of the Board where she continues to be a champion for digital transformation.

She has over 20 years' experience in the ICT sector, having held various positions in marketing, communications, human resources, sales, business development and as a CEO. She is the founder, Hernovation, a Woman in IT Leadership community focused on growing women in the tech space into leadership positions via networking, soft skills training, and mentorship in East Africa.

Ms. Chite was recently appointed as the CEO at StepWise Inc, which is an Enterprise that uses the power of technology to train and equip persons from historically underprivileged communities, particularly women, youth and Persons with Disabilities, to compete and succeed in the 4th Industrial Revolution. She was previously the CEO at CIO East Africa, where she grew the business

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

in the last four years into a brand that connects business & public sector to technology solution providers in support of their Digital transformation journey. Through her leadership, CIO East Africa has now grown into CIO Africa and will continue to bring technology closer to decision makers to drive Africa's transformational agenda and gear up for the fourth industrial revolution. She previously worked at Microsoft in various roles where she was instrumental in growing the brand across Sub-Saharan Africa.

Away from boardrooms, Ms. Chite has a passion for Rugby and is currently on the Advisory board for Kisumu Rugby Football Club. She is currently the Chairperson of iGov Africa, a boutique Kenyan innovation house that partners with Governments, Development Agencies, and Innovators for the development of the innovation ecosystem dedicated to efficient public service delivery through digital transformation.

Some of her business and industry accolades and engagements include:

- Gender Mainstreaming Awards – Inclusive Leader, East Africa, 2021
- Gender Mainstreaming Awards – Positive Role Model, East Africa 2021
- Judge at BOLD Awards (Awards for Global Digital Industries) and Thomson Reuters Awards, Africa.

Speaker at several conferences – CIO East Africa Tech Summits, The World Blockchain Summit, Transform Africa, Africa Women in Payments, The World Bank Covid 19 Digital Transformation staff conference, International Women's Day, TedX amongst many others born in 1972 Has over 20 years' experience in the ICT sector, having held various positions in marketing, communications, human resources, sales, business development and as a CEO.



Mr. Mohamoud Noor, born in 1974 is a board member of the Communications Authority of Kenya following his appointment in July 2021. He holds a Bachelor's Degree in Computer Science from The University of the Valley, Diploma in Telecommunications from Kenya College of Communications Technology, and the United States Telecommunications Training Institute, and a diploma in Management from Kenya Institute of Management and a

Mr Mahmoud Noor is an ICT Consultant and Youth advisor, with experience spanning over 23 years. A trained Telecommunications technician and served in the design and implementation of the Kenya's data and internet network while working at the then State monopoly, Telkom Kenya in the late 90's. He was also instrumental in connecting the Eastern Coast of Africa to the rest of the world through the laying of the Seacom undersea cable that connects Eastern Africa to Europe and Asia in 2009 where he rose to be the Company's Operational Manger for East and North Africa. Mahmoud has always been passionate about Community work and has participated in many community projects all over Kenya but most recently was instrumental in the support of the Technology Hubs in Nairobi by supporting them with connectivity, while doubling up as the CSR Lead in Kenya for Seacom.

Mahmoud founded Swahili pot Hub, a creative space in Mombasa for Techies and Artists, a centre that has become a safe space for hundreds of youths in Mombasa and neighbouring counties of Kilifi and Kwale. Mahmoud is fondly referred to as Mentor by many young people in the Coast for his dedication to provide advice and guidance to vulnerable youths who are surrounded by juvenile gangs, radicalization and drug abuse. He is dedicated to creating a better space for the youths and future generations.

He also serves as a Patron and board member to several Organizations. He is a member of Companies Board of Management for the Salvation Army Likoni High School for the visually impaired and Chairman of the Management Committee of Serani Sports Ground Trust, a non-profit organization that uses sports to nurture 100s of Sports men and women in Mombasa. Other roles entrusted to Mr. Mohamoud include Chairman Kenya Redcross Society, Mombasa branch, has served as Member National Taskforce on Distributed Ledger, Blockchain and Artificial Intelligence is a Member of Advisory Board Schools 2030 Kenya, is a Member National COVID-19 ICT Advisory Committee, is a Director Kenya National Chamber of Commerce and Industry Mombasa and Director -Innovus Group. He serves as the Chairperson of Technical Matters committee.

Mr. Paul Mureithi born in 1958 is a board member after being appointed in July 2021. He has twenty-five (25) years' experience in telecommunications having worked in Telkom (K) Limited.



He has worked in cable network, fibre optic planning and construction in Nairobi Central and Nairobi North region as a Senior Manager. He is a Director of Tymstar Motors Limited, Tymtrack Limited, Mweiga Homes Limited, Dualway Properties Limited among others.

Mr. Jackson Kiprotich Kemboi born in 1976 is a private surveyor within Uasin-Gishu county, Elgeyo-Marakwet, Nandi and Tranzoia Counties. He was appointed on 17th July 2021 for a period of three (3) years.



Mr. Kemboi holds a Diploma Certificate in Procurement and Bachelor of Arts degree in Political Science & Public Administration from the Moi University. He is also pursuing a Masters degree in Human Resource Management in the same University.

Mr. Kemboi also serves as a Board member of the Kenya Investment Authority. He serves as the Chairperson of Staff Matters Committee.

ALTERNATE BOARD DIRECTORS

Mr. Christopher Guyo born in 1967, is the Alternate Director to the Cabinet Secretary, The National Treasury. He is a seasoned Human Resource professional with over 18 years experience.



Mr. Guyo has previously worked at Barclays Bank of Kenya Ltd as a Senior HR Business Partner- Retail and Business Banking. He had earlier worked in senior positions at Chevron Kenya Ltd, Shell- managed, Kenya Petroleum Refineries and Post Bank.

He holds MBA in Human Resource Management from the University of Nairobi and currently pursuing his Doctor in Business Administration at the Catholic University of Eastern Africa. He also holds a Bachelor of Education (Arts) degree from Moi University, Higher National Diploma in HRM, and Practitioners Diploma in Executive Coaching from Academy of Executive Coaching and an Advanced Certificate in Strategic HR Management from Cornell University, USA. Mr. Guyo is a member of the Institute of Human Resource Management (IHRM) - Kenya, and HR Council member for the Kenya Institute of Management. He was appointed effective 17th July 2020. He resigned on 2nd February 2022.

**Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022**



Prof. Dulacha Galgalo born 1966 is Director, Financial and Sectoral Affairs Department at the National Treasury. Prior to secondment to the National Treasury, he worked at the Central Bank of Kenya – long career spanning over 20 years. At CBK, he served as Head of Academic Division at the Kenya School of Monetary Studies (KSMS). He also worked in two key departments: Research and Bank Supervision that are responsible for price stability and financial system stability respectively. Early in his career at CBK, he worked in the Banking Department dealing with currency issuance. Previously on secondment from CBK, at inception of the Commission of Revenue Allocation (CRA), he served as Policy advisor. He completed his PhD study at the University of Western Australia, Master of Business Administration and Bachelor of Commerce Degrees at the University of Nairobi. He taught in universities in Kenya and Australia. Barako is widely published and his areas of research interests are financial reporting, financial regulation and financial stability as well as interdisciplinary research. He is a Fellow of the Institute of Public Accountants, Australia as well as member of the Accounting and Finance Association of Australia and New Zealand (AFAANZ). He is also a practicing member of the Institute of Chartered Investment and Financial Analysts of Kenya (ICIFA) as well as Kenya Institute of Management (KIM). He served in various boards: Chairman of Council, Dedan Kimathi University of Technology; Chairman of Council, Meru University of Science and Technology; Treasurer of Council, Moi University; and board member: Agricultural Finance Corporation (AFC), Capital Markets Authority (CMA) and National Social and Security Fund (NSSF), Safaricom PLC and Kenya Ports Authority. He was appointed effective 2nd February 2022.



Mr. Peter Wanjohi born in 1965, was appointed to the CA Board of Directors on 7th February 2018 as the Alternate Director to the Principal Secretary, Interior and Coordination of National Government.

He holds a Bachelor of Business Administration degree from New Port University. He has extensive experience in planning and coordinating international, regional and local conferences and is the current Secretary, State Functions, responsible for planning, coordination, and Management of all state functions. He has also been a member of several Committees such as member of Kenya Vision 2030, National Communication Dissemination Strategy and served as a member of the Task force on Restructuring of Human Resource Requirement of the Permanent Presidential Music Commission. He is also the Chairman, Kenya Music Festival.



Juliana Nashipae Yiapan born in 1969, MBS. Ms Yiapan is the Alternate Director to the Principal Secretary, State Department of Broadcasting and Telecommunications, MoICT.

She holds a Master of Business Administration (Public Service International) from The University of Birmingham in UK; is a University of Nairobi Scholar with a Master of Arts in Political Science and Public Administration as well as a Bachelor of Arts Degree in Government.

She is an accomplished Administrative Officer and Policy Analyst with an illustrious service, through the ranks, spanning over 20 years in the Public Service, more specifically at the Ministry of ICT, Innovation and Youth Affairs, Executive Office of the President and Office of the Deputy President, Attorney General's Chambers and Public

Service Commission.

In 2016 she was conferred a National Honour, 2nd Class in the Order of the Burning Spear, Moran of the Order of the Burning Spear (MBS) for her distinguished and dedicated service to the Nation.

She also earned the Government of Kenya Scholarship to the University of Birmingham, UK and University of Nairobi Postgraduate Scholarship.

She was appointed effective 3rd May 2019.

III. MANAGEMENT TEAM



Mr Ezra Chiloba born in 1978, is the Director General of the Communications Authority of Kenya, having been appointed on 28th September 2021. Prior to this appointment, he served as Principal Partner at Chil & Kemp Strategies Ltd, a Strategy Management Company, where he focused on strategy and risk management, policy and regulatory analysis, and leadership and management effectiveness. Mr. Chiloba also served as the Chief Executive Officer/Commission Secretary of the Independent Electoral and Boundaries Commission (IEBC) between 2015 – 2018.

In this role, he was responsible for the management and administration of an unparalleled large-scale and complex national election programme. He has also worked with other reputable international and local organizations including the UN. His experience spans over 15 years in public sector management including policy, legislation, financial management, stakeholder management, risk management and leadership. He has also served as a Board Member of the Youth Enterprise Development Fund. Mr. Chiloba is an all-round public sector leader who is inspired by the idea that a progressive society is dependent on a facilitative government. He also has a deep appreciation of the communication industry; its global and local challenges and opportunities for social-economic growth. He holds an MSc in Major Programme Management (MMPM) from the University of Oxford (UK) and an MA in Public Policy (MPP) from the Central European University (Hungary). He graduated with a Bachelor of Laws degree from the University of Nairobi and was admitted to the Roll of Advocates of the High Court in Kenya. In 2015, he was named among the *Top 40 under 40 Men* by the *Business Daily*.



Mrs. Mercy Wanjau born in 1972, Mrs. Wanjau served as the Director Legal Services from 1st January 2019 till her appointment as the Acting Director-General on 22nd August 2019 until 28th September 2021. She

holds a Masters degree in Law (LLM) from the University of Cape Town, Bachelors in Law (LLB) from the University of Nairobi. She also holds a Postgraduate Certificate in Regulation of Telecommunications in Developing and Transitional Economies.

She is a Certified Governance Auditor with ICPSK, an Associate of the Chartered Institute of Arbitrators, Council Member of the Institute of Certified Secretaries (Kenya), board member of the SOS Children's villages and an Advocate of the High Court of Kenya. She is also an Eisenhower Fellow.



CPA Joseph Kimanga is the Director, Finance & Accounts. He holds a Masters degree in Business Administration (Finance) and a Bachelor of Education (Arts) degree in Economics & Business

Studies. He is a Certified Public Accountant of Kenya-CPA (K).



CPA. Rosalind Murithi is the Director, Risk Management and Internal Audit. She holds a Master of Business Administration, and Bachelor of Commerce Degree. She is a Certified Public Accountant of

Kenya - CPA (K).



Mr. Juma Kandic is the Director, Human Capital & Administration. He holds Msc. in Human Resource Management, a Bachelor of Commerce degree as well as a Post Graduate Certificate in Strategy.



Mr. Christopher Kemei is the Director, Universal Service Fund. He holds Masters degree in Operational Telecommunications



Mr. Tom Olwero is the Director, Frequency Spectrum Management. He holds a B.Sc. in Electrical Engineering and a Masters of Business Administration (Management).



Mr. Matano Ndaro is the Director, Licensing Compliance and Standards. He is currently pursuing a Masters degree of Business Administration degree and holds a Bachelor of Arts degree in Economics and a Post graduate Diploma in Regulation of



Mr. Michael Katundu is the Director, Information Technology and Enterprise Resource Management. He is a holder of a MSc. and BSc. in Computer Science.

Telecommunications.



Eng. Leo K. Boruett is the Director, Multimedia services. He holds a MPhil Degree in Information Engineering; BSc Degree in Electrical and Electronics Engineering; Registered Professional Engineer-EBK; and an Executive Masters Degree

in Business Administration



Mr. Christopher Wambua is the Director, Consumer and Public Affairs. He holds a master's degree in International Studies, a postgraduate diploma in Mass Communications, a post-graduate diploma in

Public Relations from the Chartered Institute of Public Relations and a degree in Education. Mr. Christopher Wambua has been deployed on a special Assisgment

**Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022**



CPA Maxwell Mogaka Mosoti is the Ag. Director, Competition, Tariffs and Market Analysis. He is a Certified Public Accountant of Kenya. He holds a Bachelor of Business Administration degree and Master of Science in Finance degree from the University of Nairobi. Mr. Mosoti retired on 28th August 2021



Mrs. Jane Rotich is the Ag. Assistant Director, Procurement. She holds two Masters degree in Business Administration (Strategic Procurement) and, a Masters degree in Business Administration. She also holds a Bachelor of Arts degree and a Postgraduate diploma in Purchasing and Supplies.



Mr. Vincent Ngundi is the Assistant Director, Cyber Security and E-Commerce. He holds a Bachelor of Science degree in Computer Science, and a Global Executive MBA.

Dr. Gilbert Mugeni is the Ag. Assistant Director, Innovation and Research Department.

Dr. James Njeru is the Ag. Director, Competition, Tariffs and Market Analysis.

Mr. Mohammed Haji is the Ag. Director, Director, Frequency Spectrum Management

M/s. Patricia Muchiri is the Ag. Director, Consumer and Public Affairs

IV. CHAIRMAN'S STATEMENT

I am pleased to hereby present the Annual Report for the Financial Year 2021/2022 on behalf of the Board of Directors, Management and Staff of the Authority. The report seeks to provide an outline of the Authority's strides in the continued fulfilment of its mandate.

We recognize the central role that the ICT sector plays as a catalyst for growth in all other sectors of the economy. The year saw a relative growth in the Country's economy growing by 7.5 per cent compared to a decline of 0.3 per cent recorded in 2020. The growth was largely attributed to the resumption of economic activities and utilization of online market place by consumers after the government eased Covid-19 containment measures as well as the Covid-19 Vaccine rollout, policy support and supportive financial conditions.

The Information and Communication Sector grew significantly by 8.8 per cent due to the increased mobile money and commerce transactions coupled with the continued use of digital platforms and services that has been embraced widely by both the Consumers and Institutions.

It is evident that indeed ICT's provide the foundation for national transformation and realization of the Vision 2030 whose pillars were entrenched in the Authority's Strategic Plan (2019 - 2023). With the Strategic Plan set to come to a close in 2023, the Authority is pleased to report that it has made significant strides in the implementation of the key result areas identified in the Strategic Plan.

The Authority continued to take active steps in seeking to bridge the digital divide in the provision of ICT services in un-served and underserved areas of the country. Towards this end, the Authority continued with the rollout of its USF – funded initiatives that is the Voice Infrastructure and Services Project, Education Broadband Connectivity, Automation of Occurrence book and crime management system and E-resource centres – Software for visually impaired.

We further embarked on the law reform process in order to develop and implement forward-looking regulation to foster competitive and efficient markets in the ICT sector. The Authority is optimistic that this shall create a competitive and robust ICT sector that will not only create a conducive enabling environment for ICTs to thrive but it shall also avails diverse and more affordable ICT services to consumers.

The increased adoption of digital technologies by individuals and organisations has brought forth an accelerated digital transformation that has led to technological innovation advancing at a rapid pace this has on the inverse, widened the cyber threat/attack landscape. It is in light of this reality that the Authority has continued to implement and enforce the National Cyber Security Management Framework through the National KE-CIRT/CC. The year witnessed the launch of the National Computer and Cybercrime Coordination Committee (NC4) to oversee security related aspects of the cyberspace where the Director General of the Authority sits as a Committee member.

The year also witnessed a lot of election preparedness activities taking place on the part of the Authority together with other national Agencies to ensure seamless electioneering period. This included the creation of consumer awareness and enforcement of the Kenya Information and Communications (Registration of Sim-Cards) Regulations 2015.

This is a brief synopsis of the myriad of achievements and milestones that the Authority has achieved in the year which would not have been possible without the support of the Ministry of ICT, Innovation and Youth Affairs, our Licensees, Strategic partners, all other key stakeholders and the general public.

I commend the Board of Directors, Management and members of Staff for their resilience in delivering the achievements during the year.



Capt. Gilbert Kibe
Chairman of the Board

V. REPORT OF THE DIRECTOR GENERAL

ICT's remains a critical component of Kenya's economic growth, having been identified as one of the key sources of new opportunities to foster innovation and boost economic and social prosperity. According to the Kenya Economic Survey 2022, Information and Communication sector grew significantly by 8.8 per cent compared to 6.3 per cent in 2020, the growth is attributed to increased use of mobile money, adoption of e-commerce and e-government services. During the year, ICT's value addition increased by 7.2 per cent from KES 274.7 billion in 2020 to KES 294.4 billion in 2021.

The growth can also be attributed to progressive regulatory measures, consultations and constant engagement with our stakeholders in the industry. The sector equally witnessed increased access to services in various respects. By the close of the year, the number of Data/Internet subscriptions grew by 1.9 per cent to 47.6 million. Broadband subscriptions grew by 9.5 per cent to 30.1 million with mobile broadband accounting for 97.0 percent of the total broadband subscriptions. Mobile money subscriptions stood at 37.21 million, representing a growth of 6.8 percent from the previous year.

During the year, the mobile telecommunications sector continued to experience increased competition, which led the three mobile operators to expand their network coverage by deploying additional 2G, 3G and 4G transceivers across the country with growth rates of 11.29, 0.93, and 39.27 percent respectively. Additionally, Safaricom PLC deployed one hundred and two 5G transceivers on selected sites. To further enhance competition, the Authority approved the upgrade of Jamii Telecommunications Limited Network Facility Provider Tier 2 license to Network Facility Provider Tier 1.

In order to ensure plurality and diversity of viewers in broadcasting sector, we allocated FM Broadcasting frequencies to 79 FM Stations which comprised of 65 commercial FM Stations and 14 Community FM station. However, to step up compliance, the Authority revoked 33 FM sound broadcasting frequency assignments from 22 broadcasters who failed to meet the subsector's stipulated regulatory requirements.

In line with consumer protection, the Authority monitored quality of service for the three (3) mobile network operators across 44 counties to ensure that the services provided by the operators meet the

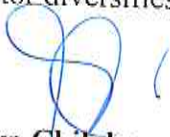
Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

set quality parameters. The level of compliance for Airtel Networks Kenya Limited, Safaricom PLC and Telkom Kenya Limited was recorded as 78.6 per cent, 95.0 per cent and 71.4 per cent, respectively against a required threshold of 80.0 per cent. We also embarked on a SIM cards validation exercise to weed out illegally registered and unregistered SIM cards from the network operators.

In efforts towards the attainment of universal access to ICT in the unserved and underserved areas, construction of passive infrastructure was completed in 31 sub-location out of which 15 sub-locations are on air. These sublocations are part of 101 sublocations targeted in phase II of the Voice Infrastructure Project and, once completed will enable approximately xxxx number people connected to mobile networks.

As the ICT sector expands, we maintain our quest to bring more into the digital universe and pursue our vision of a digitally transformed Nation. We rely not only on the internal resources but also on collaboration with other stakeholders to deliver on this vision. That notwithstanding, indeed the achievements realized would not have been realized without the dedication of staff at the Authority.

I also truly appreciate the support that we received from the Board of Directors and our parent Ministry of ICT, Innovation and Youth Affairs. We look forward to a vibrant oncoming year as the sector diversifies.



Ezra Chiloba
Director General

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

The operations of the Communications Authority for the FY 2021/2022 were founded on the three (3) strategic pillars and eight (8) objectives within its 5-Year Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

- ✓ Pillar 1: Access and Market Development
- ✓ Pillar 2: Enabling Environment
- ✓ Pillar 3: Capacity Development

The Board assesses the performance by reviewing the status of implementation of the annual work plan on a quarterly basis and at the end of the financial year. The Authority achieved its performance targets set for the FY 2021/2022 period for its 3 strategic pillars, as indicated in the diagram below:

KRAs	Strategic Objectives	Key Performance Indicators	Activities	Achievements
Access and Market Development	Achieve Universal Access to ICT Services	<ul style="list-style-type: none"> • Roll out of ICT services in the underserved and un-served areas • Increased connectivity to ICT services 	<ul style="list-style-type: none"> • Support infrastructure development (mobile network connectivity) • Support automation of 110 Judicial Courts • Support 47 Level-3 public hospital 	<ul style="list-style-type: none"> • Phase I: Infrastructure rolled out in 76 out of 78 target sub-locations. • Phase II: Engaged 5 service providers for the roll out of phase II voice infrastructure project in 101 sublocations, out of which 33 sites were completed and 15 sublocations are on air. • MoU and TCA between the Authority and Judiciary signed • Undertook a multi-agency consultation exercise with the MoH, MICT&YA and ICTA that resulted in agreement of agreed on a list of 24 Level 4 hospitals to be supported by the USF.
	Ensure Efficient ICT Markets	<ul style="list-style-type: none"> • Increased competitive landscape • Increased 	<ul style="list-style-type: none"> • Monitor the ICT market: - Management of tariffs and promotions/sp 	<ul style="list-style-type: none"> • Received and processed 77 applications for tariffs • Received and processed 78 applications for promotions and special

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

KRAs	Strategic Objectives	Key Performance Indicators	Activities	Achievements
		<ul style="list-style-type: none"> number of Licenses Increased Quality of voice service 	<ul style="list-style-type: none"> Special offers License additional operators and service providers Measurements and monitoring quality of service 	<ul style="list-style-type: none"> offers. Received and processed applications and licensed 678 additional service providers. The overall level of QoS stood at 89.5 per cent as at the end of the Financial Year.
	Ensure Sustainable Development of ICTs	<ul style="list-style-type: none"> Manage Radio Frequency Spectrum resources No. of cyber threats and no. of cyber security advisories issued 	<ul style="list-style-type: none"> Manage Radio Frequency Spectrum resources Undertake technology watch and share cyber threat information, alerts and warnings 	<ul style="list-style-type: none"> Undertook 757 on-site inspections on radio spectrum monitoring, surveillance and recorded a compliance rate of 79.3 per cent. Detected 444,058,806 cyber threats and issued 7,973,129 alerts to the affected Institutions.
Enabling Environment	Ensure Appropriate Regulatory Environment	<ul style="list-style-type: none"> Frequency monitoring and enforcement framework Draft regulations and policy reviews Spectrum Management Guidelines Trunked Radio Network framework 	<ul style="list-style-type: none"> Structured framework for engagement of policy review and law development Develop a framework for Trunked Radio Network for PMR systems Develop Spectrum Management Guidelines 	<ul style="list-style-type: none"> Reviewed Regulations and submitted to MIIYA taskforce. A framework for Trunked Radio Network for PMR systems developed Consumer Protection Guidelines and Industry customer care standards developed Spectrum Management Guidelines developed
	Enhance Consumer Protection and	<ul style="list-style-type: none"> Framework for the handling for Child Online 	<ul style="list-style-type: none"> Implement framework for the handling for Child 	<ul style="list-style-type: none"> Launched the Child Online Protection campaign on 30th September 2021

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

KRAs	Strategic Objectives	Key Performance Indicators	Activities	Achievements
17	Empowerment	<p>Protection Complaints</p> <ul style="list-style-type: none"> No. of days to Type-approve ICT equipment No. of Published Sector Statistics Reports 	<p>Online Protection Complaints</p> <ul style="list-style-type: none"> Carry out standards and type approval inspections Develop and review corporate and consumer publications Prepare ICT sector Statistics 	<ul style="list-style-type: none"> Carried out Media campaign on Child Online Protection and publicised in Social media and TV. Facilitated stakeholders training on including judiciary Type-approved all telecommunications equipment received during the FY 2020/21 in an average of 12 days Prepared and published the ICT Sector Statistics Report for the 4th Quarter of the FY 2020/21 and 1st, 2nd and 3rd Quarter of the FY 2021/22.
	Enhance Communication, Stakeholder Engagement and Partnership	<ul style="list-style-type: none"> Implementation of the Corporate Communications Strategy Implementation of Regional and International Obligations Signed MoUs 	<ul style="list-style-type: none"> Stakeholder Engagement initiatives Establish partnerships at local, regional and international level Review and Implementation of MoUs 	<ul style="list-style-type: none"> Implemented Stakeholder Engagement initiatives Implemented regional and international obligations arising from policy forums. Facilitated the re-election to the Council of Administration (CA) and the Postal Operations Council, the two key decision-making organs of the Universal Postal Union (UPU) on 26th August 2021 among other initiatives. MoU with Judiciary, MoH and KNBS signed.
Capacity Development	Attain High Institutional Capacity and Performance Excellence	<ul style="list-style-type: none"> Increase Automation levels through BPRA project. Annual 	<ul style="list-style-type: none"> Finalize the full operationalization of all the modules of ERP 	<ul style="list-style-type: none"> Signed the Licensing Management System contract on 14th April 2022 and held an inception meeting on 26th April 2022.

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

KRAs	Strategic Objectives	Key Performance Indicators	Activities	Achievements
		<p>Trainings of staff on Current Trends in ICT</p> <ul style="list-style-type: none"> • Level of adherence to Risk management controls • Upgrade of working tools 	<ul style="list-style-type: none"> • Train staff based on the skills gap (performance gap and training needs) • Co-ordinate Risk Management and conduct Risk Assessment • Procure working tools to meet work demands as per the Procurement plan 	<ul style="list-style-type: none"> • In total 22 out of 31 ERP modules are in use while 3 are partially in use. • 11 Training Intervention Programs were implemented • The Authority conducted risk assessment and prepared 4 risk management reports within the year. • Conducted governance compliance and legal audits. • Procured working tools for staff including desktop computers and laptops for staff among others.
	<ul style="list-style-type: none"> • Embrace Research and Innovation Culture 	<ul style="list-style-type: none"> • Operational Research and Innovation Centre • Promote Innovation and Incubation 	<ul style="list-style-type: none"> • Undertake research and develop innovative regulatory solutions • Develop and implement an innovation framework 	<ul style="list-style-type: none"> • In collaboration with Strathmore University, Technical University of Kenya and Glasgow University initiated research on the last mile connectivity solutions post COVID-19 for Kenyan counties. • Research and Innovation framework developed. • The following R&D initiatives were undertaken: (1) The DAB Framework (2) Providing input into the ITU Connect2Recover research initiative (3) contributed in the developed the ITU Connect2Recover research initiative report.

VII. CORPORATE GOVERNANCE STATEMENT

a) Fiduciary Oversight Arrangements

The Board of Directors have the responsibility of acting in the best interest of the Authority. They are expected to act with due professional care and make good decisions; ensuring there is no conflict of interest. To enhance efficiency and effectiveness, the Board constituted (5) standing committees with clearly defined terms of reference relating to key areas of the Authority. The committees operate on delegated authority without diluting the Board's accountability

i. Finance Committee

The Finance Committee is established to give recommendations and advise the Board on financial management strategies and objectives to foster growth and development of the Authority.

ii. Audit and Risk Committee

The Audit and Risk Committee is created to provide oversight by offering objective advice and recommendations to the Board on whether the Authority's governance, risk management, and internal control processes are suitably designed and working as intended to achieve objectives. The membership is non-executive/independent board members.

iii. Staff and Administration Committee

The Staff and Administration Committee is established mainly to give recommendations and advise to the Board on personnel matters, policies and procedures and on issues of administration of the assets of the Authority.

iv. Technical Committee

The Technical Committee is established mainly to give recommendations and advise to the Board on Technical and Regulatory matters in the ICT sector.

v. Broadcasting Standards Committee

The Broadcasting Standards Committee is established to give recommendations and advise to the Board on all broadcasting matters. This committee is established vide KICA (Amendment) Act, 2013, section 7 (f) establish a broadcasting standards committee and such other committees as may be necessary to carry out its functions;

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

b) During the Financial Year, the Board of Directors held Meetings as follows:

	Name of Board Member	Full Board	Finance Committee	Technical Committee	Broadcasting & Standards Committee	Staff & Administration Committee	Board Audit & Risk Committee	Total	%
No. of Meetings		13	9	8	5	13	6	55	
1	Sen. Kembi-Gitura	11						11	100
2	Capt. Gilbert Kibe	1						1	100
3	Prof. Levi Obonyo	13		8	5			26	100
4	Juliana Yiapan	13				13	5	31	96.8%
5	Peter Wanjohi	10	5		5			20	86%
6	Chris Huka	4 of 8				4 of 5	2 of 3	10	62.5
7	Patricia Kimama	13	9		4			26	96.2%
8	Kentice Tikolo	13			3		6	22	91.6%
9	Laura Chite	13		6 of 7		7 of 10		26	86.6
10	Paul Mureithi	13	8	4 of 6				25	83.3%
11	Jackson Kemboi	13	8			8		29	100%
12	Mahmoud Noor	13		7 of 7			3 of 5	23	88.4%
13	Prof. Dulacha Barako	3 of 6				4 of 4	2 of 2	9	75%

*Data relates to:

- Special meetings for both full board and committees.
- Percentage attendance based on attendance to Board and Board Committees where Directors are members.

(c) Board and Members' Performance

The Board of Directors carries out an annual Board Evaluation exercise facilitated by the State Corporations Advisory Committee. The Board Evaluation session for the current Financial Year was carried out on 22nd July, 2021. The results of the exercise are awaited. The result of the evaluation is deliberated by Members of the Board, and action plan for areas of low performance is also agreed upon.

The operations of the Board are guided by a Board Charter, which outlines and elaborates on the various Committees of the Board and their Terms of Reference. The Board Charter also outlines the modalities of execution of Board business.

(d) Members Trainings and Induction

During the Financial Year under review, Members of the Board attended the following trainings as part of continuous capacity building for members. Management arranges for induction sessions/retreats for newly appointed members. During the Financial Year, Management arranged for a one-week induction for the newly appointed Chairman.

(e) Board Succession Plan

Succession planning for the Board is managed by ensuring that there is a staggered recruitment and appointment of Board Members by the appointing authority. The First batch of the Board members was appointed on 6th January 2020 anticipating the other batch of four (4) Board members was done later in July 2021 to ensure continuity and succession planning at the Board Level.

(f) Process of Appointment and Removal of Directors

Following the enactment of the Miscellaneous Amendment Act, 2018, the Appointment of the Chairman of the Board rests with the President, while the Members of the Board are appointed by the Cabinet Secretary. The Act was challenged in court and declared unconstitutional for want of concurrence by the Senate before enactment, amongst other grounds (*Petition No. 284 of 2019 and 383 of 2019 (Consolidated), Senate and 4 others Vs. Speaker of the National Assembly and Others*).

The position however still obtains as at the date of reporting, as the court contemporaneously suspended the decision for nine (9) months with effect from 30th October, 2020. Previously, both the Chairman and the Board Members were competitively recruited.

Section 6(2) of the Kenya Information and Communications Act (KICA) provide that in appointing the members of the Board under subsection (1)(e), the Cabinet Secretary shall ensure-

- (a) that the appointees to the Board reflect the interests of all sections of society;
- (b) equal opportunities for persons with disabilities and other marginalised groups; and
- (c) that not more than two-thirds of the members are of the same gender. Section 6D of the Act also provides on how members may vacate office.

(g) Roles and functions of the Board

The Board of Directors has the oversight role on the governance of the Authority in the discharge of its roles. It provides strategic direction and guidance for the Authority. The specific powers of the Board are provided for under section 7 of KICA as follows:

(h) Conflict of Interest

The Authority has a Conflict-of-Interest Policy. The Board of Directors and Management are acutely aware of the need for disclosure of Conflict of interest in all matters in which members deliberate upon. A conflict-of-interest Register is maintained in respect of all meetings, and Board Members are required to acknowledge absence of conflict of interest in all matters on Agenda. This applies to all Management Meeting.

(i) Board remuneration

Board Members of the Authority are remunerated strictly on the basis of applicable Circulars on remuneration of Board Members. The remuneration of Board Members is also guided by KICA, which provides at section 10 that the Board, in consultation with the Minister, shall pay to members of the Board such remuneration, fees or allowances for expenses as it may determine.

(j) Governance audit

During the financial year, the Authority procured an external consultant to conduct a Governance Audit. The Audit will be for up to the Financial Year ended 2021/2022. The Audit is expected to provide an opportunity to enhance the governance systems of the Authority.

(k) Ethics and conduct

The Authority has a Code of Ethics, applicable to both members of staff and Board Members.

VIII. STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Authority has in place an Enterprise Risk Management (ERM) policy framework that is aligned to the ISO 31000 (International Risk Management Standard) and the *Mwongozo* code of governance for state corporations. The policy forms part of the Authority's internal control and governance arrangements and explains risk management process (risk assessment, documentation, treatment, review and monitoring) as well as reporting procedures.

The Board oversees risk management within the Authority by determining that risk management strategies and policies are in place, and that appropriate, adequate and effective controls are established. The Board reviews, monitors and evaluates the status of implementation the ERM framework and the effectiveness of risk control measures on a quarterly basis.

i. Internal Control Systems

Our internal control processes are designed to provide reasonable assurance that we achieve our objectives through proper stewardship of the Authority's resources. The Authority reviewed QMS procedures under ISO 9001: 2015 and the ISO ISMS 27001:2015 to ensure relevance and compliance with the relevant requirements. The Authority continuously monitored adherence to the internal controls by undertaking audits in conformance with the Internal Audit Charter and International Standards for the Professional Practice of Internal Auditing.

Business Continuity Management

the Authority embarked on the process of implementing the Business Continuity Management (BCM) Framework. The framework is aligned to ISO22301: 2019

Business Continuity Management (BCM) is a component of an organization's risk management strategy that involves developing and maintaining a framework and actions necessary to assure the resilience and continuity of the Business. It includes managing the recovery or continuation of critical business activities in the event of a business disruption, it helps the organization continue to deliver its services amidst the disruption(s).

In an effort to implement the BCM framework, the Authority, undertook a Business Impact Analysis (BIA) to identify the business processes that are critical to its survival. The following process was identified to be critical to its business.

- IT Infrastructure, Networks, Database, Applications and Information Security;
- Accounts payables (Staff payments, supplier payments and Statutory payments);
- Broadcast Content Monitoring and Handling consumer complaints on Broadcast content
- Crisis communications;
- Frequency monitoring;
- Resolution of Frequency interference;
- Extraction of digital evidence for presentation in court.

Crisis Management

The Authority, by nature of its unique and strategic mandate as the regulatory agency is, from time to time, faced with issues that, if not managed properly, have the potential to adversely affect the organization's service delivery and reputation. The imminent risks might manifest through inability to access CA offices, Cyber-attacks, network connectivity challenges and media coverage with negative tonality, criticism by internal or external stakeholders or changes in stakeholder behaviour.

It is thus imperative that we should undertake a crisis preparedness exercise, by putting in place a robust system to not only detect but also deal with issues and crisis as they emerge.

Communication

The Authority has put in place a crisis communications plan which is aligned with the wider context and framework provided in the Communications and Stakeholder Engagement Strategy (2019-2023). The plan provides an opportunity to lay the requisite foundation for issue identification, preparations and responses. It is expected that in the course of the executing various substantial projects, the authority will entrench a culture of developing crisis preparedness and execution plans.

The crisis communications plan seeks to:

- Identify inherent operational risks and issues that have potential to develop into a crisis and thus negatively impact on CA's reputation.

- Align with any existing business continuity processes involving CA operations and specific industry/licensees' operations
- Establish an early warning system and a response process to proactively deal with issues before they develop into a crisis
- Identify the requisite logistical activities, processes and infrastructure to be deployed in response to crisis involving CA. The plan is a living document that shall be updated regularly with a view to aligning it with the obtaining circumstances..

IX. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and financial performance

The Authority continued to discharge its mandate of regulating and facilitating the development of the Information and Communications sectors including; broadcasting, multimedia, telecommunications, electronic commerce, postal and courier services; through licensing and issuance of frequencies.

As at 30th June 2022, the total Revenue earned was Kshs. 11.39 billion against a revised budget of Kshs. 9.89 billion. This represents a positive variance of 15%. The income of the Authority is majorly earned from Frequency utilization fees and Annual operating license fees, which account for 78.6% and 14.7% respectively; of the amount earned as at the end of the year. These revenue streams are invoiced at the beginning of the financial year. Interest Income is the third revenue source contributing 6.2% of the total income earned as at end of the year.

The total Operating Expenditure for the period ended 30th June 2022 was Kshs. 4.2 billion compared to a budget of 4.77billion, other gains/losses total to Kshs.2.57billion (net loss). The resultant surplus is Kshs.4.59 billion. The major expenditure was General Expenses Kshs.1.98 accounting for 29.1%, followed by employee costs Kshs.1.2 billion and total provision for bad debts of Kshs.2.57billion and accounting for 37.9% and 18% respectively. The other expenditures include depreciation and amortization Kshs.661million, Repairs and maintenance Kshs.309.27million and Remuneration to Directors Kshs.51.86million

Compliance with statutory requirements

The Authority has complied with statutory requirements and there are no known non-compliance issues that may expose the Authority to potential contingent liabilities. There are ongoing litigations out of the ordinary course of the business of the Authority. The litigations are part heard and accordingly, no contingent liabilities are anticipated in respect of the same that may be quantified; except for the following:

- i. High Court Civil Case No. 2071 of 2000: M-Link Communications Limited vs. CCK & Telkom Kenya Limited. The plaintiff is seeking damages based on a Trial Agreement with the defunct.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The directors believe, based on the information currently available, that the legal matter above is not likely to have material effect on the results of the Authority's operations, financial position or liquidity. Therefore, no contingent provision has been made in the financial statements.

Major risks

The Authority developed and implemented the ERM framework as per guidelines based on ISO 31000 International Standard — Risk Management Principles and Treasury Circular No. 3.2009, Institutional Risk Management Framework. Further in FY 2021/22 the authority undertook a risk assessment review of the authority strategic/operational risks.

Key corporate risks

The Authority undertakes risk assessment on a continuous basis. In the course of the year, the following key corporate risks, associated risk levels as well as risk treatment options were identified.

Our top ten (10) risks

1. Inadequate content regulation leading to failure to detect non-compliance with content standards; 16
2. Failure to effectively manage interconnection between licensees; 15
3. Inadequate USF Project Models (project designing); 16
4. Delay in the implementation of the ICT Roadmap 2018 -2023; 16
5. Inability to recover ICT Systems and Services following a disaster or major disruption at the Authority; 16
6. Inadequate monitoring and analysis of cyber threats intelligence and cyber incidence; 16
7. Inadequate digital forensic capacity to address rising cybercrime; 16
8. Regulatory Gaps arising out of delays in review of the regulatory instruments; 15
9. Low funds absorption and 16
10. Failure to effectively prosecute and resolve cases arising from enforcement activities 16

The Authority uses a 5 by 5 Risk Matrix as shown below to rate its risks.

RISK MAP OF THE TOP TEN (10) RISKS

**Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022**

Likelihood	Almost Certain	5					
	Likely	4					
	Possible	3					
	Unlikely	2					
	Rare	1					
			1	2	3	4	5
			Insignificant	Minor	Moderate	Major	Fundamental
			Consequence				

Material arrears in statutory/financial obligations

The Authority has continued to honour its financial obligations as and when they fall due. Remittance of statutory deductions, payment for supplies, staff payments and payment of other dues was done promptly; consequently, the Authority does not have material arrears as at 30th June 2022.

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Communications Authority of Kenya (CA) seeks to mainstream its environmental sustainability goals by aligning them to our strategy of putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. The Authority therefore continues to comply with applicable environmental laws and regulations. CA's Environmental sustainability(ES) involves making decisions and taking actions that are in the interest of protecting the natural world, with emphasis on preserving the capability of the environment to support human life. The Authority recognizes that some of its operations and those of its licensees such as the telecommunication companies have impacts on the environmental, social and economic aspects at the national and regional level and hence the need to mainstream environmental sustainability objectives in all its operations and activities. Below is an outline of the organization's policies and activities that promote sustainability:

(i) Sustainability strategy and profile

The Authority's Board and Management is committed to the 2030 Sustainable Development Goals (SDGs) including the following goals that relate to environmental sustainability:

- Goal 6: Ensure availability and sustainable management of water and sanitation for all
- Goal 13: Take urgent action to control climate change and its impact
- Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat diversification and halt and reserve land degradation and halt biodiversity loss.
- Goal 17: Strengthen the means of implementation and revitalize the global partnerships for sustainable development The Authority engages in development practices that are sustainable, and prudently utilises resources to ensure waste and cost reduction, while ensuring quality and value for money.

(ii) Environmental performance

The Authority is committed to supporting the principles of environmental sustainability through the Environmental Policy as follows:

- Environmental Sustainability Planning: The Authority's Environmental Sustainability Committee holds quarterly meetings every financial year and submit

quarterly reports to National Environmental Management Authority (NEMA) updating status progress of ES activities.

- **Environmental Planning:** The Authority Conducts Environmental audit to inform of the appropriate measures to be put in place in ES, assess the understanding of the staff in mainstreaming ES at the workplace and to implement the recommendation from the audit.
- **Pollution Control:** The Authority is committed to practising responsible waste management through adoption of appropriate mechanism for collection and disposal of organic, plastic, paper waste and e- waste by designating segregation bins for each variety of waste for proper disposal. The Authority has employed interventions for recycling, reusing and reducing waste at its premises e.g. use of reusable drinking water bottles instead of the plastic tumbler cups, harvesting rain water to be used in the fish pond, reuse envelopes for internal dispatches.
- **Ecological Enhancement:** The authority continues to participate through-
 - a) implementation of environmental CSR activities such as tree planting campaign in areas such as Merguerra Primary School in Kajiado and Maji Motto secondary school in Narok
 - b) Planting trees in CA's remote stations and staff residential houses
 - c) support Government initiative in enhancement of national forest cover through joint tree growing programme at the Konza Technologies
- **Partnerships:** Authority is committed in enhancing participation in National, Regional and International Environment and Green ICT Initiatives through partnership with EACO, ITU, NEMA among other relevant bodies.
- **Environmental Awareness:** The authority has created sensitization programs such as capacity development training for committee members, sensitization of all staff on Environmental mainstreaming, raise comprehensive awareness on ecological growth, climate mitigation and pollution control in the corporate sector

(iii) Employee welfare

The Authority is an equal opportunity employer with a gender ratio of 46:54 female to male ration. As part of its affirmative action, the Authority has prioritized disability mainstreaming by making its work place accessible to persons with disabilities. As a regulator in ICT, the Authority has incorporated a participatory approach in making

regulations where industry and public stakeholders are widely consulted. In the Authority's current strategic plan (2018-2022), the 3rd Key Result Area (KRA) is anchored on Developing Capacity in order to ensure that the Authority's employees are well skilled and motivated to deliver on the Mandate.

In compliance with Occupational Safety and Health Act (OHSA), the Authority has in place a Health & Safety Policy that prioritizes safety and well being of staff. It includes business continuity, fire prevention strategies, emergency response and first aid.

(iv) Industry practises

a. Responsible competition practise

In tandem with the Constitution of Kenya (2010) the Authority is the ICT regulator that is independent of control by government, political interest or commercial interests. Our mandate is to ensure fair competition in telecommunications, broadcasting, postal & courier sectors. It involves managing well the frequency spectrum and numbering resources and ensuring that Consumers are protected including child-on-line protection. The Authority is also actively involved in cyber-security being the focal point for the Kenya Computer Incident Response Team (Ke-CIRT).

As part of corporate governance, the Authority's board is guided by the Mwongozo Code and the employees ensure compliance to the Authority's Code of Conduct. Staff are also required to sign an integrity oath as part of their commitment to abide by ethical and professional standards of work.

b. Responsible supply chain and supplier relations

Excellent service delivery to our customers and stakeholders is paramount. The Authority therefore has a Service Charter that stipulates expected quality service levels when dealing with its stakeholders. The Authority maintains good business practices, treats its own suppliers well by honouring contracts and respects payment practices as guided by the Service Charter.

c. Responsible marketing and advertisement

(v) Corporate Social Responsibility/Community engagements

In executing its mandate, the Authority is committed to contributing to economic development while improving the quality of life of local communities and the society at large.

The Authority, through its Corporate Social Responsibility and Sponsorship programmes, invests in the community as a responsible corporate citizen. CA carries out CSR activities related to the ICT sector as well as other areas as guided by the CSR policy.

As a responsible corporate citizen, we rehabilitated a community borehole in Kalikwon, Akiriamet sub-location in West Pokot County where the Authority has deployed a Base Transceiver Station (BTS). Other activities supported included: Tree Planting; sponsorship of Kalasha Film festival; Annual Journalist Excellence Award; Mater Heart Run; Connected Kenya Summit; Little sisters of the poor; Nyumba ya wazee and Kianda School Peperuka Programme.

The Authority continued with its sponsorship of Talanta Football Club, which provides a team of 24 young men, aged between 17 to 24 years with an opportunity to not only nurture their talents but also make a living off their skills.

XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Authority's affairs.

Principal activities

The principal activity of the Authority is facilitating the development of the information and communications sectors including; broadcasting, cybersecurity, multimedia, telecommunications, electronic commerce, postal and courier services on behalf of the Government of Kenya.

Results

The results of the entity for the year ended June 30, 2022 are set out on page 1 to 31

Directors

The members of the Board of Directors who served during the year are shown under part II above. During the year 2022, **Sen. Kembi Gitura, MGH** resigned on 8th February 2022 and **Capt. Gilbert Kibe** was appointed with effect from 13th May 2022.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety percent (90%) of its surplus funds reported in the audited financial statements after the end of each financial year.

Auditors

The Auditor General is responsible for the statutory audit of the Communications Authority of Kenya; in accordance with Public Audit Act 2015 section 3 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board


.....
Director General

Nairobi

Date: 08/03/2022

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Public Finance Management Act 2012 Section 84(O) of the Kenya Information and Communications Act of 1998 (CAP 411A), and the Public Audit Act 2015, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the operations of the Authority. The Directors are also responsible for safeguarding the assets and funds of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority as at the end of the financial year (period) ended on June 30, 2022. 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 Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority'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 KICA Act, PFM act and the Public Audit Act. The Directors are of the opinion that the Authority financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

Nothing has come to the attention of the Directors to indicate that the Authority 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 Authority's financial statements were approved by the Board on.....10.10.2022..... 2022 and signed on its behalf by:



Capt. Gilbert Kibe
Chairman



Ezra Chiloba
Director General

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS AUTHORITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Communications Authority of Kenya set out on pages 1 to 57, which comprise of the statement of financial position as at 30 June, 2022, 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 the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Communications Authority of Kenya as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Information Communications Act, Cap 411A (Revised in 2010) of Laws of Kenya, and the Public Finance Management Act, 2012

Basis for Qualified opinion

Unconfirmed Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.548,334,000 as disclosed in Note 19 to the financial statements. The balance is net off cumulative provisions for bad and doubtful debts (general and specific) totaling to Kshs.6,348,903,000. Included in the balance of Kshs.6,348,903,000 is an amount of Kshs.3,060,718,138 which relates to the balance owed by Telkom Kenya Limited. However, according to the letter Ref: TNT/ZZ/331/02 dated 29 June, 2020, The National Treasury committed to pay the frequency spectrum for financial years 2019/2020 and 2020/2021 despite the Management having provisioned for the bad and doubtful debt in full. Further, records indicate that as at the time of this audit in December, 2022, no money had been received from The National Treasury. In addition, as previously reported, Telkom Kenya Limited vide, letter Ref: TKL/RA/CA/(LIC) dated 21 December, 2020 indicated a nil amount being owed to the Authority.

Management did not explain the varying details in the two sets of record.

In the circumstances, the accuracy, completeness and fair statement of the receivables from non-exchange transactions balance of Kshs.548,334,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Communications Authority of Kenya Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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.

Other Matter

Unresolved Prior Year Audit Issues

Various prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year issues. This is contrary to Section 68(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers to try to resolve any issues resulting from an audit that remain outstanding.

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. Unauthorized Short-Term Deposits

The statement of financial position reflects a cash and cash equivalents balance of Kshs.10,086,194,000 which, as disclosed in Note 18 to the financial statements, included short term deposits amounting to Kshs.477,049,000 held in two (2) local commercial banks in the previous financial period. During the year under review, the Authority earned interest totalling Kshs.461,445,000 on cash at bank and fixed deposits. However, as previously reported, the deposits were made without approval of the Board contrary to Section 21(1) of the Kenya Information and Communication Act, Chapter 411A that requires all deposits placement to be sanctioned by the Board. Further, approval from The National Treasury was not provided for audit review.

In the circumstances, Management was in breach of the law.

2. Employee Costs - Irregular Acting Allowance

As disclosed in Note 10 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.1,221,212,000 under employees' costs. The expenditure includes an amount of Kshs.22,361,582 paid as acting allowances to sixty-one (61) members of staff who served in vacant positions during the year under review. However, fifty-four (54) of the staff had been in acting capacity for periods exceeding six months with some dating as far back as 2015. This is contrary to the Authority's Human Resource Management Policy and labour laws which require one to serve in an acting capacity for a period not exceeding six months.

In the circumstances, Management was in breach of the laws.

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 controls, risk management and overall 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 the Board of Directors

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 maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority 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 Authority or 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 is responsible for overseeing the Authority'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 and weakness 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 overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority'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 Authority 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 Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 May, 2023


Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022


XIV. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
	Note	Kshs'000	Kshs'000
Revenue from non-exchange transactions			
License Fees	6	<u>10,635,318</u>	<u>9,386,040</u>
Revenue from exchange transactions			
Finance income	7	708,867	461,445
Rental Revenue from facilities	8	3,849	3,868
Other Income	9	49,794	2,041
		<u>762,511</u>	<u>467,353</u>
Total revenue		<u>11,397,829</u>	<u>9,853,393</u>
Expenses			
Employee costs	10	1,221,212	1,327,342
Remuneration of Directors	11	50,596	20,244
Depreciation and Amortization Expense	12	661,269	509,011
Repairs and maintenance	13	311,647	356,399
General expenses	14	1,981,495	3,243,540
Total Expenses		<u>4,226,219</u>	<u>5,456,537</u>
Other gains/(losses)			
Gain on sale of assets	16	1,519	3,744
Gain/(Loss) on foreign exchange transactio	17(a)	167,686	(10,861)
Additional Impairment General Provision	15	(757,225)	(245,559)
Additional Impairment Specific Provision A	15	(1,990,905)	(779,365)
Bad Debts recovered	17(b)	0	0
Surplus for the year		<u>4,592,685</u>	<u>3,364,815</u>
Remission to National Treasury	26	3,982,499	3,028,334
Net Surplus for the year		<u>610,186</u>	<u>336,482</u>

The notes set out on pages 1 to 31 form an integral part of these Financial Statements


Director General
Ezra Chiloba


Director Finance & Accounts
CPA. Joseph M. Kimanga
ICPAK Membership No:4341


Chairman of the Board
Capt. Gilbert Kibe

Date: 08/03/2023

Date: 08/03/2023




Date: 08/03/2023

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

XV. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 Kshs'000	2021 Kshs'000
ASSETS			
Current Assets			
Cash and cash equivalents	18	10,086,194	7,866,780
Receivables from non-exchange transactions	19	548,334	300,520
Receivables from exchange transactions	20	749,348	612,658
Total Current Assets		11,383,876	8,779,958
Non Current Assets			
Property, plant and equipment	21	18,695,350	18,924,432
Intangible Assets	22	472,984	554,793
Total Non-Current Assets		19,168,334	19,479,225
TOTAL ASSETS		30,552,210	28,259,183
LIABILITIES			
Current Liabilities			
Provisional Dividend/Remittance Surplus	23	3,982,499	3,028,334
Trade and other Payables from exchange transactions	24	2,576,069	1,336,993
Payments received in advance	25	638,309	1,272,152
Total Current Liabilities		7,196,877	5,637,479
TOTAL LIABILITIES		7,196,877	5,637,479
Net Assets		23,355,333	22,621,704
Owners Equity	26	741,965	741,965
Accumulated Surplus	26	6,597,047	5,863,418
Revaluation Reserve	27	16,016,322	16,016,322
Total Net assets and Liabilities		23,355,333	22,621,704

The Financial Statements set out on pages 1 to 31 were signed on behalf of the Board of Directors by:

		
Director General Ezra Chiloba	Director Finance & Accounts CPA. Joseph M. Kimanga ICPAK Membership No:4341	Chairman of the Board Capt. Gilbert Kibe
Date: 08/03/2023	Date: 08/03/2023	Date: 08/03/2023

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

XVI. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Owners Equity Kshs'000	Revaluation Reserve Kshs'000	Accumulated Surplus Kshs'000	Total Reserves Kshs'000
At July 1, 2020		741,965	16,016,322	5,639,516	22,397,803
Surplus for the year		-	-	3,364,815	3,364,815
Reversal of Impairment General Provision Allowance	15	-	-	-	-
Remittance to Treasury - Provision	23	-	-	(3,028,334)	(3,028,334)
Prior year adjustments	26	-	-	(112,580)	(112,580)
Additional Remittance to Treasury-Paid		-	-	-	-
Revaluation Surplus	27	-	-	-	-
At 30 June 2021		741,965	16,016,322	5,863,418	22,621,704
At July 1, 2021		741,965	16,016,322	5,863,418	22,621,704
Surplus for the year		-	-	4,592,685	4,592,685
Reversal of Impairment General Provision Allowance	15	-	-	-	-
Remittance to Treasury - Provision	23	-	-	(3,982,499)	(3,982,499)
Prior year adjustments	26	-	-	123,443	123,443
Additional Remittance to Treasury-Paid		-	-	-	-
Revaluation Surplus	27	-	-	-	-
At 30 June 2022		741,965	16,016,322	6,597,047	23,355,333



Director General
Ezra Chiloba

Date: 08/03/2023



Director Finance & Accounts
CPA. Joseph M. Kimanga
ICPAK Membership No:4341

Date: 08/03/2023



Chairman of the Board
Capt. Gilbert Kibe

Date: 08/03/2023

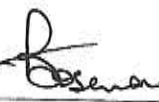
Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

XVII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
	Note	Kshs'000	Kshs'000
OPERATING ACTIVITIES			
Cash generated from/(used in) Operations	28	4,887,740	4,229,922
Remittance to The National Treasury		(3,028,334)	(4,294,200)
Directors fees		0	0
Net Cash generated from/(used in) Operations		<u>1,859,406</u>	<u>(64,278)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	21	(351,351)	(175,732)
Proceeds from disposal of assets	16	2,492	3,744
Interest received	7	708,867	461,445
Net cash generated from/(used in) Investing activities		<u>360,008</u>	<u>289,457</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>2,219,414</u>	<u>225,179</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,866,780	7,641,600
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>10,086,194</u>	<u>7,866,780</u>

The cash flow statement is to be read in conjunction with the notes to the financial statements as set out on pages 6 to 31.


Director General
Ezra Chiloba


Director Finance & Accounts
CPA. Joseph M. Kimanga
ICPAK Membership No:4341
Date: 08/03/2023


Chairman of the Board
Capt. Gilbert Kibe
Date: 08/03/2023

**XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE YEAR ENDED 30 JUNE 2022**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage Variance	Note
	2022 Kshs (000)	2022 Kshs (000)	2022 Kshs (000)	2022 Kshs (000)	2022 Kshs (000)	2022 %	
Revenue							
Internally Generated Revenue	9,381,962	-	9,381,962	10,635,318	1,253,357	13%	
Recurrent	-	-	-	-	-	-	
Other Income	509,322	-	509,322	931,715	422,394	83%	1
Total Revenue	9,891,283	-	9,891,283	11,567,034	1,675,751	15%	
Operating Expenses							
Employee costs	1,406,627	-	1,406,627	1,221,212	185,415	13.2%	2
Remuneration of Directors	63,427	-	63,427	50,596	12,831	20%	3
Depreciation and Amortization Expense	529,999	-	529,999	661,269	(131,270)	-25%	4
Repairs and maintenance	491,999	-	491,999	311,647	180,353	37%	5
General expenses	2,284,155	-	2,284,155	1,981,495	302,659	13%	6
Provision for Bad & doubtful debts	-	-	-	2,748,130	(2,748,130)	-	7
Total Operating Expenses	4,776,206	-	4,776,206	6,974,349	(2,198,143)	-46%	
Operating Profit (Loss)	5,115,077	-	5,115,077	4,592,685	3,873,893		
Finance Charges	-	-	-	-	-	-	
Corporation Tax	-	-	-	-	-	-	
Net Earnings	5,115,077	-	5,115,077	4,592,685	3,873,893		
Distribution to National Exchequer	4,603,569	-	4,603,569	3,982,499	(621,070)		
Retained Earnings	511,508	-	511,508	610,186	3,252,823		

Notes to the Budget:

1. This was mainly due to payments of initial license fees
2. The Authority was unable to secure approval for confirmation of staff and employment
3. The low absorption was due delay in approval for the budget
4. This is a represent the allocation of cost of the assets and depends on assets capitalized
5. The low absorption was due to delay in finalization of the procurement process
6. The low absorption was due to delay in finalization of the procurement process
7. This is a provision for impairment based on the fair value of the receivables

XIX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Communications Authority of Kenya is established by and derives its authority and accountability from Kenya Information and Communications Act, 1998 (Cap 411A). The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is licensing and regulation of the communications sector on behalf of the Government of Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's 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, and financial instruments at fair value, impaired assets at their estimated recoverable amounts and 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 Authority's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act 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. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

Standard	Effective date and impacts
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>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.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>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.</p>

Communications Authority of Kenya
 Annual Report and Financial Statements
 For the year ended June 30, 2022

Standard	Effective date and impact:
	<p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>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.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</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

**Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022**

Standard	Effective date and impact:
	strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 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: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: <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. 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.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2022.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

License Fees

The Authority recognizes revenues from license fees. The income is recognised upon issuance of an annual operating license and frequency licence fees.

Type approval and other fees are recognized as and when realised. 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 Authority and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions

Interest income

The net Interest income includes interest realised on government securities, placements, and bank balances.

Other Income

Type approval, penalties and other fees are recognized as and when realised. This recognition is when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

b) Budget information

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 Authority as well as the revenue to be generated. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or 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) Taxes

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 Authority operates and generates taxable income. The Authority is tax exempt as per the Public financial Management Act 2012 Regulations 2015 (219) (3). Management periodically evaluates positions taken in the tax legislations with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) **Property, plant and equipment**

All property, plant and equipment are stated at cost or valuation 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 Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of financial performance as incurred. Depreciation is charged on a straight line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives:

Tangible Assets	Useful life	Rate
▪ Buildings and improvements	40 years	2.5%
▪ Plant & machinery	10 years	10%
▪ Radio equipment	10 years	10%
▪ Telecommunications equipment	10 years	10%
▪ Computers	3 years	33.3%
▪ ICT Regulatory systems	5 years	20%
▪ Motor vehicles	5 years	20%
▪ Office furniture and fittings	8 years	12.5%
▪ Office equipment	5 years	20%

e) **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 statement of financial performance, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are stated at original invoiced amounts, less an estimate made of losses arising from impairment and recognized in the statement of financial performance.

Impairment of financial assets

The Authority 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- 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 statement of financial performance or loans and borrowings, as appropriate. The Authority 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.

f) Provisions

Provisions are recognized when the Authority 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 Authority expects some or all of a provision to be reimbursed, 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 Authority did 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 Authority did 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 Authority in the notes to the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. All reserves are stated and outlined as per IPSAS 17 and IPSAS 1.

h) Changes in accounting policies and estimates

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

i) Employee benefits

Post-employment benefits

The Authority's employees are eligible for retirement benefits under a defined contribution plan provided through separate funds.

Contributions to defined contribution plan are charged to the income statement as incurred. Any difference between the charge to the income statement and the contributions payable is recorded in the balance sheet under other receivables or other payables.

i) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the prevailing rate of exchange on the date of the transaction. Bank balances 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 this running balance in the cashbook and the bank balance, are recognized in the statement of financial performance in the period in which they arise.

j) Intangible assets

Intangible assets acquired are initially recognized at cost. The cost of intangible assets acquired 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. The useful life of the intangible assets is assessed as either finite or

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

indefinite. The rates of amortization used are based on the following estimated useful lives:

Intangible Assets	Useful life	Rate
• ICT General Office Software	3 years	33.3%
• ICT regulatory software	5 years	20%
• Telecommunications software	10 years	10%
• Radio Monitoring software	10 years	10%

k) Related parties

The Authority regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits and liquid investments with an original maturity of twelve 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 various commercial banks at the end of the financial year.

m) Budget information

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 Authority as well as the revenue to be generated. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or 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.

n) Comparative figures

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

o) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Authority'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.

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 Authority 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 legislations, market or circumstances arising beyond the control of the Authority. 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 Authority.
- 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. 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. Assumptions were used in determining the provision for bad debtors based on long outstanding non-payment and various cancellations and revocation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 REVALUATION OF ASSETS

The Board of Directors approved the revaluation of assets report for adoption as at 1st July 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Description	2022	2021
	Kshs (000)	Kshs (000)
Annual frequency license fees	8,958,651	7,951,554
Annual operating license fees	1,671,305	1,428,850
Application Fees	2,323	5,122
Type approval & Registration fees	3,040	513
Total Revenue from Non-exchange Transactions	10,635,318	9,386,040

This is income derived from regulating the communications sector in Kenya including; broadcasting, multimedia, telecommunications, electronic commerce, postal and courier services

7 REVENUE FROM EXCHANGE TRANSACTIONS

Description	2022	2021
	Kshs (000)	Kshs (000)
Cash Investments and fixed deposits	831,390	539,528
Taxes	-122,522	-78,084
Total Revenue from exchange Transactions	708,867	461,445

The Authority interest income is derived from investments in short term deposits and Withholding income Tax deducted at source

8 REVENUE RENTAL FROM FACILITIES

Description	2022	2021
	Kshs (000)	Kshs (000)
Rental Income	3,849	3,868
Total Other Income	3,849	3,868

The Authority's residential properties are owner occupied and the rentals charged based staff/economic rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 OTHER INCOME

Description	2022	2021
	Kshs (000)	Kshs (000)
Sale of tender documents	23	16
Penalties	49,771	2,000
Other Income	0	25
Total Other Income	49,794	2,041

This refers to other unclassified income and penalties charged on contraventions of regulations

10 EMPLOYEE COSTS

Description	2022	2021
	Kshs (000)	Kshs (000)
Employee related costs - salaries and wages	896,156	999,472
Contribution to pensions	96,610	90,603
Travel and other allowances	111,085	115,488
Housing benefits and allowances	117,361	121,780
Total Employee Costs	1,221,212	1,327,342

11 REMUNERATION OF DIRECTORS

Description	2022	2021
	Kshs (000)	Kshs (000)
Sitting allowance	18,600	8,640
Monthly fees	712	960
Telephone allowance	3,760	2,743
Traveling Expenses	23,328	1,468
Board Welfare	563	2,097
Training-Directors	3,633	722
Director fees	0	3,615
Total Director emoluments	50,596	20,244

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2022	2021
	Kshs (000)	Kshs (000)
Depreciation & Amortization for the year	661,269	509,011
Pension Amortization	0	0
	661,269	509,011

13 REPAIRS AND MAINTENANCE

Description	2022	2021
	Kshs (000)	Kshs (000)
Property	30,240	54,142
Equipment	264,826	295,742
Motor Vehicles	16,581	6,515
Total Repairs and Maintenance	311,647	356,399

14 GENERAL EXPENSES

Description	2022	2021
	Kshs (000)	Kshs (000)
Training	126,082	159,390
Enforcement & Compliance	193,913	111,533
Computer software	133,389	89,038
Corporate affairs	40,957	31,317
Consumer Affairs	155,283	114,767
Medical Expenses	82,275	77,182
Advertising	108,483	61,699
Meetings and conferences	294,304	176,294
Exhibitions	27,860	54,134
Utilities	53,224	67,103
Postage and telephone	22,972	8,444
Rent and Rate	27,210	23,442
Consultancy fees	72,994	40,843
Accrued-Audit fees	1,491	1,491
Statutory Audit Fees	3,615	0
Legal fees	75,619	28,729
Bank charges	2,316	1,851
Security	62,479	90,136
Insurance	22,689	16,145
Printing and stationery	11,236	16,807
House keeping	13,571	7,706

**Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022**

Periodicals and publications	6,918	6,139
Staff welfare	101,087	89,843
Transport Expense	27,498	31,534
Subscriptions	103,585	107,544
Sporting Activites	12,723	3,162
Corporate Social responsibility	28,218	75,727
Universal Service Obligation	18,599	3,225
National Communications Secretariat	120,000	120,000
Communications Appeals Tribunal	10,000	9,528
The National Treasury	-	1,614,498
Digital Migration Expenses	-	-
Universal Advisory Council	-	207
Research and Development	8,440	4,083
Certification Expenses	12,465	0
Total general expenses	1,981,495	3,243,540

15 RECONCILIATION FOR IMPAIRMENT ALLOWANCE ON RECEIVABLES

Description	2022	2021
	Kshs (000)	Kshs (000)
At the beginning of the year	3,600,774	2,575,850
Additional Impairment General Provision Allowance	757,225	245,559
Additional Impairment Specific Provision Allowance	1,990,905	779,365
At the end of the year	<u>6,348,903</u>	<u>3,600,774</u>

The Provision for impairment is as per the Policy (1Year - 25%, 1-2 Years - 50% & 2-3 Year - 100%). and specific provision for impairment has been made of Kshs.1,990million in regards to Telkom Kenya Limited and Airtel Networks Kenya Ltd.

16 GAIN ON SALE OF ASSETS

Description	2022	2021
	Kshs (000)	Kshs (000)
Proceeds from disposal	1,519	3,744
Total Gain on sale of assets	<u>1,519</u>	<u>3,744</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 GAIN/LOSS ON FOREIGN EXCHANGE TRANSACTIONS

Description	2022	2021
	Kshs (000)	Kshs (000)
Gain/Loss on foreign Exchange	167,686	-10,861
Total loss on foreign exchange transactions	<u>167,686</u>	<u>-10,861</u>

The Authority is exposed to foreign exchange risk arising from currency exposures, primarily with respect to US dollar. Such transactions lead either a gain or loss.

18 CASH AND CASH EQUIVALENTS

Description	2022	2021
	Kshs (000)	Kshs (000)
Current Account	10,086,194	7,389,731
Short term deposits	0	477,049
Treasury Bills	0	0
Petty Cash	0	0
Total Cash and Cash Equivalent	<u>10,086,194</u>	<u>7,866,780</u>

18(B) CASH AND CASH EQUIVALENTS DETAILED ANALYSIS

Financial Institution and Account Number	2022	2021
	Kshs (000)	Kshs (000)
Kenya Commercial Bank (A/c Number 1106738608)		
Current Account	9,100,423	7,297,017
Fixed deposits	0	0
Sub-Total	<u>9,100,423</u>	<u>7,297,017</u>
Citibank N.A. (A/c Number 300042015)-KES		
Current Account	258,301	49,323
Treasury Bills	0	0
Fixed deposits	0	0
Sub-Total	<u>258,301</u>	<u>49,323</u>
Citibank N.A. (A/c Number 300042007)-USD		
Current Account	160,840	13,750
Sub-Total	<u>160,840</u>	<u>13,750</u>
Co-operative Bank of Kenya (A/c Number 01136151735800)		
Current Account	566,630	29,641
Fixed deposits	0	477,049
Sub-Total	<u>566,630</u>	<u>506,690</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 (C) SHORT TERM DEPOSITS

Description	2022	2021
	Kshs (000)	Kshs (000)
Kenya Commercial Bank	0	0
Cooperative Bank	0	477,049
Treasury Bills	0	0
Total	0	477,049

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2022	2021
	Kshs (000)	Kshs (000)
Licensee fee receivables	6,897,237	3,901,294
Impairment Allowance/ Provision	-6,348,903	-3,600,774
Total non-current receivables	548,334	300,520

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2022	2021
	Kshs (000)	Kshs (000)
Deposits	8,604	8,604
Amount due from USF	0	27
Other Receivables	740,744	600,374
Accrued Interest	0	3,653
Total receivables from exchange transactions	749,348	612,658

21 PROPERTY, PLANT & EQUIPMENT

Description	2022	2021
	Kshs (000)	Kshs (000)
Property Plant & Equipment	19,869,123	19,800,509
Accumulated depreciation	-1,173,773	-876,077
Total non-current assets	18,695,350	18,924,432

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

21 (B) PROPERTY, PLANT & EQUIPMENT

The Authority's assets were revalued by external professional valuer in 2018 on an open market basis for assets with comparable values and replacement basis for specialised telecommunication equipment with restricted use.

The methods and significant assumptions applied in arriving at the revalued amounts are as follows:

- The Authority's commercial buildings and properties have restricted use for the sole purpose of regulating the ICT industry hence discounted the market value by 75%.
- The replacement cost method was used for valuing specialized equipment which includes monitoring frequency interferences and cybercrimes. This method was applied due to the customized nature of the equipment and their unavailability in the open market. Further, such equipment and software are only available to select security institutions globally.

The asset valuation report was adopted as at 1st July 2018.

	Freehold Land Kshs'000	Buildings and Civil Works Kshs'000	Plant and Machinery Kshs'000	Motor Vehicles Kshs'000	Computers & Related Equipment Kshs'000	Equipment, Furniture and Fittings Kshs'000	Capital Work In Progress Kshs'000	Total Kshs'000
At 1 July 2020	15,957,281	1,004,936	96,291	142,872	225,611	1,694,661	542,128	19,663,780
Assets Retirement				-7,072				-7,072
Additions	-	-	9,902	29,947	54,748	49,205	-	143,801
Revaluations								-
Transfers/Adjustments						115,790	-115,790	-
At 30 June 2021	15,957,281	1,004,936	106,192	165,747	280,358	1,859,657	426,338	19,800,509
At 1 July 2021	15,957,281	1,004,936	106,192	165,747	280,358	1,859,657	426,338	19,800,509
Assets Retirement				-4,492				-4,492
Additions	-	-	2,085	16,270	50,244	4,506	-	73,105
Revaluations								-
Transfers/Adjustments								-
At 30 June 2022	15,957,281	1,004,936	108,277	177,525	330,602	1,864,163	426,338	19,869,123

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 INTANGIBLE ASSETS

Description	2022	2021
	Kshs (000)	Kshs (000)
Intangible software	1,308,819	1,030,573
Accumulated depreciation	-835,835	-475,780
Total non-current intangible assets	472,984	554,793

	2021-2022	2020-2021
	Kshs (000)	Kshs (000)
Intangible Assets at Cost		
Cost		
At the beginning of the year	1,030,573	760,100
Additions	209,179	270,473
Asset Retirement	-	-
Asset Revaluation	-	-
At the end of the year	1,239,751	1,030,573
Works In Progress		
At the beginning of the year	-	231,073
Additions WIP	69,068	6,878
Asset Capitalized	-	-221,002
At the end of the year	69,068	16,948
Total Intangible at the end of the year	1,308,819	1,047,521
Amortization and Impairment		
At the beginning of the year	475,780	287,067
Asset Retirement	-	16,948
Amortization for the year	360,055	188,713
Amortization at the end of the year	835,835	492,728
Net Book Values at end of the Year	472,984	554,793

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 REMITTANCE TO THE NATIONAL TREASURY

Description	2022	2021
	Kshs (000)	Kshs (000)
Provisional Remittance to The National Treasury - Prior year	-	-
Unrealized gains/losses adjustment	(150,918)	
Provisional Remittance to The National Treasury - Current year	4,133,416	3,028,334
Total Remittance to The National Treasury	3,982,499	3,028,334

24 TRADE AND OTHER PAYABLES

Description	2022	2021
	Kshs (000)	Kshs (000)
Trade payables	609,646	279,806
Universal Service Fund Levy	561	565
Urban IT	225	
The National Treasury	1,901,716	884,735
Accrued Expenses	2,982	4,473
Employee Remittances	60,939	167,415
Accrued Taxes	0	0
Total trade and other payables	2,576,069	1,336,993

25 PAYMENTS RECEIVED IN ADVANCE

Description	2022	2021
	Kshs (000)	Kshs (000)
Payments received in advance	638,309	1,272,152

26 ACCUMMULATED SURPLUS

Description	2022	2021
	Kshs (000)	Kshs (000)
Accumulated surplus at 1 July 2021	5,863,418	5,639,516
Surplus for the year	4,592,685	3,364,815
Prior year adjustments	123,443	-112,580
Reversal of Impairment General Provision Allowance	0	0
Additional Remittance to Treasury	0	0
Provisional Remittance Surplus (90%)	-3,982,499	-3,028,334
Accumulated surplus at 30 June 2022	6,597,047	5,863,418

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 REVALUATION SURPLUS

Description	2022	2021
	Kshs (000)	Kshs (000)
New value of Assets	16,016,322	19,364,357
Original value of Assets	0	-3,348,035
Revaluation surplus at 30 June 2020	16,016,322	16,016,322

28 CASH GENERATED FROM OPERATIONS

Description	2022	2021
	Kshs (000)	Kshs (000)
Surplus before remittances	4,592,685	3,364,815
Adjustments for:		
Depreciation of property, plant & equipment	661,269	509,011
Loss/Gain on sale of assets	-1,519	-3,744
Foreign Exchange Gain or Loss	0	10,861
Amortisation of Pension	0	0
Interest Received	-708,867	-461,445
Additional Impairment Provision Allowance	2,748,130	1,024,924
Bad Debts recovered/Reversal of Bad debt Provisions	0	0
Additional Dividends Remittance	0	1,614,498
Retained Earnings Adjustments	123,443	
	7,415,141	6,058,921
Working capital adjustments		
(Decrease)/Increase in receivables from non-exchange transactions	-2,995,944	-1,015,160
(Decrease)/Increase in receivables from exchange transactions	-136,690	-16,775
(Decrease)/Increase in payments received in advance	-633,842	671,497
(Decrease)/Increase in trade and other payables	1,239,076	-1,468,559
Net Working Capital Changes	-2,527,400	-1,828,998
Net cash flows from operating activities	4,887,740	4,229,922

29 CREDIT RISK

(i) Credit risk

The Authority 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.

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

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

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.

Description	Total Amount	Fully Performing	Past Due
	Kshs (000)	Kshs (000)	Kshs (000)
At 30 June 2022			
Receivables from non-exchange transactions	548,334	493,501	54,833
Receivables from exchange transactions	749,348	734,361	14,987
Total	1,297,682	1,227,862	69,820
At 30 June 2021			
Receivables from non-exchange transactions	300,520	270,468	30,052
Receivables from exchange transactions	612,658	551,392	61,266
Total	913,178	821,860	91,318

29(B) LIQUIDITY RISK

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority 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.

Description	Less than 1 Month	1-3Months	Over 5 Months
	Kshs (000)	Kshs (000)	Kshs (000)
At 30 June 2022			
Trade payables and other payables	2,576,069	2,318,462	257,607
Surplus Remittance	3,982,499	3,982,499	-
Total	6,558,568	6,300,961	257,607
At 30 June 2021			
Trade payables	1,336,993	1,203,294	133,699
Surplus Remittance	3,028,334	3,028,334	0
Total	4,365,327	4,231,628	133,699

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29(C) FOREIGN CURRENCY RISK

(iii) Market risk

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 Authority'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.

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

a) Foreign currency risk

The Authority 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 Authority's foreign currency denominated monetary assets is as follows:

The Authority manages foreign exchange risk from future commercial transactions by projecting for expected revenues and matching the same with expected payments and maintaining a minimal balance in the foreign currency.

Description	2022	2021
	USD (000)	USD (000)
At 30 June 2022		
Current Account Balance - Citibank	1,365	164

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Interest rate risk

Interest rate risk is the risk that the Authority'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 company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits. To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates and are regulated by the Central Bank of Kenya.

30 CAPITAL RISK MANAGEMENT

Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The growth is largely due to the net effect of the revaluation reserve of Kshs. 16 billion. The entity capital structure comprises of the following funds:

Description	2022	2021
	Kshs (000)	Kshs (000)
Retained earnings	6,597,047	5,863,418
Capital reserve	16,758,287	16,758,287
Total funds	23,355,334	22,621,704
Total borrowings	0	0
Less: cash and bank balances	10,086,194	7,866,780
Net debt/(excess cash and cash equivalents)	13,269,140	14,754,925
Gearing	57%	65%

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 RELATED PARTY TRANSACTIONS

In the course of the Authority's operations the Authority enters into transactions with related parties. These entities have ability to exercise significant influence over its operating and financial decisions. These include

- i) The National Government;
- ii) The Ministry of Information Communications and Technology;
- iii) The National Treasury;
- iv) Board of directors;
- v) Management

Government of Kenya

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest.

Description	2022	2021
	Kshs (000)	Kshs (000)
Transactions with related parties		
a) Key management compensation		
Directors' emoluments	51,862	20,244
Compensation to the CEO	15,931	14,181
Compensation to key management	84,504	84,051
Loans to CEO and key Management	71,614	46,732
Sub-Total	223,911	165,208
b) Other Entities		
The National Treasury	1,901,716	884,735
Amount payable to USF	561	565
Sub-Total	1,902,277	885,299
Amount receivable from USF	0	27
Sub-Total	0	27
Total	2,126,189	1,050,534

32 CAPITAL COMMITMENTS

Description	2022	2021
	Kshs (000)	Kshs (000)
Surplus	4,592,685	3,364,815
Remittance surplus (90%)	-3,982,499	-3,028,334
Net Surplus	610,186	336,482

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are on-going litigations out of the ordinary course of the business of the Authority. The litigations are part heard and, accordingly no contingent liabilities are anticipated in respect of the same that may be quantified. The cases below may incur some costs in the litigation processes.

- a) High Court Civil Case No. 2071 of 2000; M-Link Communications Ltd vs. CCK & Telkom Kenya Ltd. The plaintiff is seeking damages based on a Trial Agreement with the defunct.

The directors believe, based on the information currently available, that the legal matters above are not likely to have a material effect on the results of the Authority's operations, financial position or liquidity. Therefore, no provision has been made in the financial statements.

34 SURPLUS REMISSION

In accordance with the Public Financial Management Act 2012 Regulations 2015 (219) (3), regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

35 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

36 ULTIMATE AND HOLDING ENTITY

The Authority is an Independent Government Agency under the Ministry of Information Communications and Technology. Its ultimate parent is the Government of Kenya. Owners' equity of Kshs. 741.965 million is comprised of the net of assets and liabilities vested to Communications Authority of Kenya by the Government of Kenya following the split of the defunct Kenya Posts and Telecommunications Corporation through legal notice Number 155 of 5th November 1999.

37 Currency

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

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

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.

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>1 The statement of financial position reflects a balance of Kshs.300,520,000 under receivables from non-exchange transactions as at 30 June, 2021. As disclosed in Note 19 to the financial statements, the balance is net off cumulative provisions for bad and doubtful debts (general and specific) totalling to Kshs.3,600,774,000. Included in the cumulative provisions is an amount of Kshs.2, 111,809,730 which relates to the balance owed by Telkom Kenya Limited. However, according to letter Ref: TNT/ZZ331/02 dated 29 June, 2020, The National Treasury committed to provide to Telkom Kenya Limited the amount of money required to cover frequency spectrum fees for the financial years 2019/2020 and 2020/2021 despite the Management having provisioned for the bad and doubtful debt in full. Further, records indicate that as at the time of this audit in November 2021, no money had been received from The National Treasury. In addition, as previously reported, Telkom Kenya Limited vide, letter</p>	<p>The National Treasury committed to provide to Telkom Kenya Limited the amount of money required to cover frequency spectrum fees for the financial years 2019/2020 and 2020/2021.</p>	<p>1. The provision for impairment in relation to Telkom Kenya Limited debt has over time been provided Total.2,111,809,730.62</p> <p>2. Despite The National Treasury correspondence received on 28th June 2020 to provide funds, Management deemed it prudent to provide the remaining 75% of the Telkom debt amounting to Kshs. 779,364,747. The National Treasury commitment to avail funds to Telkom Kenya attached as Annex 1A.</p> <p>3. CA License and frequency resources are not transferable and are exclusively held by the Telkom Kenya Limited with no relationship with The National Treasury. Hence, absence of an enforceable and legally binding transfer of debt to The National Treasury.</p> <p>4. The subsequent letters from The National Treasury and Telkom Kenya indicated the amounts inclusive of the USF debt that had been omitted in the earlier correspondence of year 2020. However, the due date and the procedures for the CA to obtain the funds The National Treasury shall avail to Telkom Kenya</p>	D/FA	Response provided	

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>Ref: TKURA/CA/(LIC) dated 21 December, 2020 indicated nil amount being owed to the Authority. Management has not explained the varying details in the two sets of record.</p>		<p>Limited were not specified.</p> <p>5. Management has unsuccessfully made several attempts in the past 3 years to pursue the debt with Telkom Kenya Limited. The most recent Demand Note to Telkom Kenya Limited dated 27th December 2021 attached as Annex 1B.</p> <p>6. The response from The National Treasury Letter Dated 14th January 2022 attached as Annex 1C reiterating the commitment. However, The National Treasury has not honored the commitment and the CA has no enforcement mechanism to effect on another Government agency of stature of The National Treasury.</p>			
13	<p>Prior Year Issues The following prior year issues were yet to be addressed as at the time of the audit.</p>					

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
1	<p>Irregular Procurement Methods</p> <p>1.1 Event Management Services</p> <p>As disclosed in Note 12 to the financial statements the general expenses figure of Kshs. 1,969,111,000 includes an amount of Kshs. 95,408,000 in respect of consumer affairs.</p> <p>The figure of Kshs. 95,408,000 also includes Kshs. 13,302,560 being cost of event management services during the authority's ICT forum held on 11 November 2016 whose service provider was identified through request for quotations method of procurement yet the tender amount exceeded the allowable threshold of Kshs. 2 Million.</p> <p>This is contrary to Public Procurement and Asset Disposal Act, 2015. In addition, no signed formal contract between the Authority and the service provider was availed for audit review.</p> <p>Further, the figure of Kshs. 95,408,000 includes an amount of Kshs. 20,130,998 paid to another firm in respect of event management service for Kikao Kikuu in</p>	<p>The tender award of Kshs. 13,302,560 through request for quotations method of procurement exceeding the allowable threshold of Kshs. 2 Million.</p>	<p>1.1.1.1 The Communications Authority of Kenya through its procurement plan of 2016/2017 planned to carry out ICT Consumer education forums in Bungoma, Makueni, Nyeri, Busia and Baringo Counties. For each of the forums, the Authority required the services of an event manager. Event management and related services had been reserved for Youth, Women, and persons with disabilities "reservations" as PPADA means exclusive preference to procure goods, works and services set aside to a defined target group within a specified threshold or region"</p> <p>Annex 1-Procurement Plan indicating Event Management and related services reservation for Youth, Women, and persons with disabilities</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>Busia without a signed contract agreement contrary to section 44(1)(f) of the public procurement and asset disposal Act, 2015 which requires an accounting officer to approve and sign all contracts of the procuring entity.</p> <p>In the Circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs. 33,433,557 for the year ended 30th June 2017</p>	<p>1.1.2 Contract between the Authority and M/s Sum Decorators of Kshs. 13,302,560 the Authority was not availed.</p>	<p>1.1.2.1 In November 2016, the Authority commenced its ICT Consumer education forum in Bungoma County. At the time the Authority had not prequalified/registered firms to participate in Access to Government Procurement opportunities. Therefore, the Authority invited bids from 10 firms that had been registered by The National Treasury as disadvantaged groups in the category of youth women and persons with disabilities as per the provision of Public Procurement and Assets Disposal Act Section 157 (17) “ The National Treasury shall operationalize a preference and reservations secretariat to be responsible for the implementation of the preferences and reservations under this Act which shall be responsible for_(a) Registration, prequalification and certification of the persons, categories of persons or groups as provided for in under Part XII.</p> <p>1.1.2.2 The tender for event management was therefore tendered using The National Treasury list of firms registered under disadvantaged group of Youth, Women and Persons with Disabilities and awarded to M/s Sum Decorators.</p>			

Communications Authority of Kenya
 Annual Report and Financial Statements
 For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
		<p>Annex 2-List of firms registered by The National Treasury invited to bid</p> <p>1.1.2.3 The Authority issued purchase order 1637 to M/s Sum Decorators of Kshs. 13,302,560 after receiving their acceptance letter.</p> <p>Annex 3-The list and copies of the documents of the tendering process</p> <p>Annex 4-Acceptance letter and Purchase Order 1637 to M/s Sum Decorators</p> <p>The purchase order in this instance is a formal contract bidding parties as it meets the threshold of the Section 44(1)(f) and Section 135 (1) PPADA ACT 2015.</p>			

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Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>1.1.3 An amount of Kshs. 20,130,998 paid to another firm in respect of event management service for Kikao Kikuu in Busia without a signed contract.</p>	<p>1.1.3.1 The Authority required the services of an event management for its County ICT Consumer forums in Busia and launch of its CSR activities in Bungoma County. An advertisement was placed in the Daily Nation on 25th November 2016 with a closing date of the tender being on 21st December 2016 .</p> <p>Annex 5-The tender advertisement for event management services</p> <p>1.1.3.2 The bids were evaluated and M/s Unicores was awarded one of the (7) seven blocks that were being tendered to provide event management and related services. The awarded blocks had Busia and Bungoma Counties as some of the regions to be covered by the firm and as such the firm was engaged to provide event management and related during the ICT consumer education forum in Busia and launch of the CSR activities in Bungoma Counties.</p> <p>Annex 6-The tender process documents</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
		<p>1.1.3.3 Upon acceptance of the offer, which had terms and conditions of engagement, the Authority issued two purchase orders to M/s Unicare which were signed by the Director General as per PPADA Section 135.(1) which states "The existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the parties and such contract shall be signed by the accounting officer or an officer authorized in writing by the accounting officer of the procuring entity and the successful tenderer".</p> <p>Annex 7-The two purchase orders amounting to Kshs 20, 130,998 are Purchase Order 1466 of Kshs 18,594,461.80 for Busia Kikaoo Kikuu forum Purchase order 1467 of Kshs. 2,560,969.43 for Launch of CSR activities in Bungoma</p> <p>These were (one) time jobs, with specific deliverables and single tranche payment upon certification of delivery hence the Authority issued a purchase orders which specified the terms and conditions of contract binding on both parties.</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>1.2 Design, Printing, Supply and Delivery of Branded Items</p> <p>Further, the general expenses figure of Kshs. 1,969,111,000 includes an amount of Kshs. 95,408,000 in respect of consumer affairs under note 12 to the financial statements. The amount of Kshs. 95,408,000 also includes Kshs. 11,977,070 for the design, printing, supply and delivery of branded give away including umbrellas and spiral notebooks by three firms identified through request for quotations instead of opening tendering method for a contract of such magnitude.</p> <p>However, available information revealed that on 21 June 2017 all the three firms which were awarded the tender were notified further changes affecting their contract from one off supply to a framework contract/agreement. The change to framework contract was done contrary to section 114(1) of the Public Procurement and Asset Disposal Act 2015, which provides that a framework contract can only be entered into through open tender and when the required quantity of goods, works or non-consultancy services cannot be</p>	<p>1.2.1 Kshs.11,977,070 for the design, printing, supply and delivery of branded identified through request for quotation instead of opening tendering method for a contract of such magnitude.</p>	<p>1.2.1.1 The Authority during the financial year 2015/2016 planned to implement a service delivery improvement campaign to revamp service delivery within the Authority. This involved rebranding of Authority's service charter and undertaking both internal and external launch. One of the activities involved was printing and supply of branded give away which included umbrellas and spiral notebooks.</p> <p>1.2.1.2 The Authority through open tender registered firms owned by youth, women and person with disabilities in readiness to participate under Access to Government Procurement opportunities (AGPO) as and when required.</p> <p>1.2.1.3 The tender for supply of branded give aways had been reserved for tender by the disadvantaged groups as shown in the procurement plan for 2015/2016.</p> <p>Annex 8-The procurement plan 2015/2016</p> <p>1.2.1.4 In this regards, the Authority invited bids for design and supply of branded give aways from the list of the ten (10) registered suppliers in the category of design and printing of</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>determined at the time of entering into the agreement. Consequently, the Authority is in breach of the law and the propriety of expenditure totalling Kshs. 11,977,070 for the year ended 30th June 2017 could not be confirmed.</p>		<p>corporate materials.</p> <p>Annex 9-List of registered suppliers in the category of design and printing of corporate materials</p> <p>1.2.1.5 This is in compliance with Public Procurement and Assets Disposal Act 71 (1) The head of procurement function shall maintain and continuously update lists of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs. The lists shall be applied on the alternative procurement methods as specified and appropriate.</p> <p>1.2.1.6 The Alternative method of procurement used was restricted whereby exclusive preference to procure branded give aways was set for competitive tendering by youth women and persons with disabilities. The value was within threshold for Category A as per Threshold Matrix of Public Procurement and asset disposal Regulation 2006</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>1.2.2 Change from one off supply to a framework contract/agreement contrary to section 114(1) of the Public Procurement and Asset Disposal Act 2015 3.3 and regular usage warrants framework agreement</p>	<p>1.2.2.1 The change from one time supply to framework agreement was informed by the fact that the Authority could not determine the required quantities of the give aways at the time of entering into the of agreement for supply of give away that were needed for various corporate and consumer forums.</p> <p>1.2.2.2 However, the recommendation to enter into framework agreement was not implemented. The Authority only issued the orders for the one-time delivery.</p> <p>Annex 10-Purchase Order 1948 Multigreat Company Limited of Kshs. 708,750 for supply of Branded mousepads, Branded spiral notebook, branded floor stickers</p> <p>Annex 11-Purchase Order 1947 Istazz Media Limited of Kshs. 1,866,440 for supply of Branded umbrellas, Branded round neck t-shirts, Branded polo shirts</p> <p>Annex 12-Purchase Order 1949 Morven Kester (EA) Limited of Kshs. 30,000 for supply of branded pens</p>			

Communications Authority of Kenya
 Annual Report and Financial Statements
 For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
		<p>1.2.2.3 The indicated expenditure of Kshs. 11,977,070 for tender for design, printing and supply of branded items is not correct. This is because the quantity was changed in consultation with the user department because there was an error in the quantities of the umbrellas and spiral notebooks (10,000 instead of 1,000).</p> <p>1.2.2.4 This was in compliance with Public Procurement and Assets Disposal Act 2015 Section 162 (3) which discourages overstocking of store items.</p> <p>Annex 13 - Email correspondence for change of quantities</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>1.3 Unclear Excessive Procurement of Brochures</p> <p>As disclosed in Note 12 to the statements financial statements the general expenses figure of Kshs. 1,969,111,000 includes an amount of Kshs. 95,408,000. The amount of Kshs. 95,408,000 also includes Kshs. 13,862,670 in respect of a contract for supply of various brochures awarded to a firm on 4th November 2015 at a contract sum of Kshs. 7,675,538 for a period of one year, with a performance bond of 5% equivalent to Kshs. 383,776.88. However, available information indicate that on 5th April 2016 and 13 October 2016 the authority wrote to the above supplier to quote and supply additional brochures worth Kshs. 9,292,500 and Kshs. 5,683,485 through direct payment. The supplier was subsequently paid for the additional brochures vide Payment Voucher. No.vb/c/2006/12/14958 dated 18 August 2016 and VB/C2006/12/13271 dated 23 December 2016 respectively. This was contrary to section 106(2)(b) of Public Procurement and Asset Disposal Act 2015 which requires that the request shall be</p>	<p>1.3.1 Supply of additional brochures worth Kshs.9,292,500 and Kshs.5,683,485 through direct payment.</p>	<p>1.3.1.1 The Authority's planned to procure printing and packaging services of its corporate and consumer education materials with a budget estimate of Kshs 47,339,379 as reflected in its 2015/2016 procurement plan.</p> <p>Annex 14 – Procurement Plan 2015/2016</p> <p>1.3.1.2 On 24th July 2015, the Authority advertised for printing and packaging of its corporate and consumer education brochures, fliers and posters with a closing date of 12th August 2015. The tender was reserved for Youth, Women and Persons with disabilities. The Corporate and consumer education brochures, fliers and posters were to be printed as and when required during the contract period of one (1) year as indicated in the tender document (invitation to tender).</p> <p>Annex 15 - Tender advertising for printing and packaging of corporate and consumer education brochures</p> <p>Annex 16 – Tender Process documents for printing and packaging of corporate and consumer education materials</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>given to as many persons as necessary to ensure effective competition and shall be given to at least three persons, unless that is not possible.</p> <p>A physical visit to the store one year later in December 2017, revealed that a total of 139,250 child online brochures worth Kshs. 12,323,625 were still lying in store unutilized. In the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs. 13,862,670 for the year ended 30th June 2017 and that the Authority was in breach of the Law.</p>		<p>1.3.1.3 The tender attracted 62 firms and upon evaluation, the firm that offered the most competitive price for each category M/s iBrand Ltd was awarded printing of the material at a total cost of Ksh 7,675,537.50 “ The contract Clause 4 A . (Ceiling) stated that (i) For the services rendered pursuant to Clause 1(a) of this contract, the client shall pay the supplier a total sum of Kshs 7,675,537.50 inclusive of taxes (ii) For the services rendered pursuant to clause 1 (b) of this contract, the client shall pay the supplier a sum based on the unit rates contained in the annex upon printing, packaging and delivery of the same as and when ordered.</p> <p>Annex 17 – Contract between the Authority and iBrand Ltd with the unit rates</p> <p>1.3.1.4 The award for design and printing of brochures was therefore through an open tender and not direct procurement method.</p> <p>1.3.1.5 On 5th April 2016 and 13 October 2016 the authority requested M/s iBrand Limited to supply additional brochures worth Kshs.9 ,292,500 and Kshs.5,683,485. This was in line with the contract entered to by the two parties.</p>			

Communications Authority of Kenya
 Annual Report and Financial Statements
 For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
		<p>Clause 1 (b) of the contract which states that “ The supplier shall also print and package any other corporate and consumer education brochures, fliers and posters of specifications similar to those specified in the Annex as and when required.</p>			
	<p>1.3.2 total of 139,250 child online brochures worth Kshs. 12,323,625 were still lying in store unutilized</p>	<p>1.3.2.1 The Child online brochures were printed to be used for the child on-line campaign that had been scheduled. However, the consumer outreach events were postponed by (one) year due to the electioneering period. Annex 18 – Management approval to postpone consumer education campaigns</p> <p>1.3.2.2 The brochures are distributed through the following distribution channels. The Authority increased distribution to (2) new</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame																																			
		<p>regional offices in Kisumu and Nyeri, Kenya National Libraries, E-resource centres and County Government offices</p> <p>Annex 19 – Distribution of brochures</p> <p>The stock position at year ended 30th June 2017 was 51,760 as tabulated below.</p> <table border="1"> <thead> <tr> <th>FY</th> <th>LPO date</th> <th>LP O No.</th> <th>Quantity Ordered</th> <th>Quantity Delivered</th> <th>Quantity Distributed</th> <th>Quantity in Stock</th> </tr> </thead> <tbody> <tr> <td>2013/2014</td> <td>12-Apr-14</td> <td>240</td> <td>31,320</td> <td>31,320*</td> <td>-</td> <td>31,320</td> </tr> <tr> <td>2015/2016</td> <td>4-May-16</td> <td>105</td> <td>105,000</td> <td>105,000</td> <td>19,740</td> <td>116,580</td> </tr> <tr> <td>2016/2017</td> <td>13-Oct-16</td> <td>165</td> <td>40,300</td> <td>40,300</td> <td>105,120</td> <td>51,760</td> </tr> <tr> <td>2017/2018</td> <td>11-Apr-</td> <td>319</td> <td>-</td> <td>-</td> <td>51,760</td> <td>-</td> </tr> </tbody> </table>	FY	LPO date	LP O No.	Quantity Ordered	Quantity Delivered	Quantity Distributed	Quantity in Stock	2013/2014	12-Apr-14	240	31,320	31,320*	-	31,320	2015/2016	4-May-16	105	105,000	105,000	19,740	116,580	2016/2017	13-Oct-16	165	40,300	40,300	105,120	51,760	2017/2018	11-Apr-	319	-	-	51,760	-			
FY	LPO date	LP O No.	Quantity Ordered	Quantity Delivered	Quantity Distributed	Quantity in Stock																																		
2013/2014	12-Apr-14	240	31,320	31,320*	-	31,320																																		
2015/2016	4-May-16	105	105,000	105,000	19,740	116,580																																		
2016/2017	13-Oct-16	165	40,300	40,300	105,120	51,760																																		
2017/2018	11-Apr-	319	-	-	51,760	-																																		

Communications Authority of Kenya
 Annual Report and Financial Statements
 For the year ended June 30, 2022

	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame														
			<table border="1"> <tr> <td data-bbox="344 1173 408 1285"></td> <td data-bbox="344 1077 408 1173">18</td> <td data-bbox="344 920 408 1077">600 **</td> <td data-bbox="344 763 408 920"></td> <td data-bbox="344 589 408 763"></td> <td data-bbox="344 465 408 589"></td> <td data-bbox="344 315 408 465"></td> </tr> <tr> <td data-bbox="408 1173 512 1285">Total</td> <td data-bbox="408 1077 512 1173"></td> <td data-bbox="408 920 512 1077">246,220</td> <td data-bbox="408 763 512 920">176,620</td> <td data-bbox="408 589 512 763">176,620</td> <td data-bbox="408 465 512 589">0</td> <td data-bbox="408 315 512 465">0</td> </tr> </table> <p data-bbox="512 589 802 1285">** Order cancelled Phase II of campaign conducted FY 2017/2018 and all the brochures issued.</p>		18	600 **					Total		246,220	176,620	176,620	0	0			
	18	600 **																		
Total		246,220	176,620	176,620	0	0														

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>1.4 Supply of computers to Schools and E Resource Centres</p> <p>In addition, included in the general expenses figure of Kshs. 1,969,111,000 under Note 12 is an amount of Kshs. 95,886,000 in respect of universal service obligation. The amount of Kshs. 95,886,000 also includes Kshs. 58,577,271 paid to a firm for supply of computers to schools and E-resource centres out of which Kshs. 55,035,471 was for supply and installation of computers, Kshs. 2,934,800 for annual computer hardware maintenance and Kshs. 607,000 for annual renewal fees for anti-virus for a period of two (2) years and three(3) months.</p> <p>However, examination of available records revealed that the supplier attached a manufacturer authorization letter which had a disclaimer on warranty of the products in place of the Standard Manufacturer's Authorization form/letter specified in the tender documents where Quality of the Product is guaranteed by the manufacturer.</p> <p>Although the management explained that they intended to award the tender to more</p>	<p>1.4.1 Disclaimer on the Manufacturers Authorization on warranty of the products supplied</p>	<p>1.4.1.1 The Authority in its tendering process uses the standard tender developed by Public Procurement Regulatory Authority. All the standard tender documents have standard forms which all bidders must complete and submit as part of bidder's compliant to tendering process.</p> <p>1.4.1.2 One of the forms is Manufacturers Authorization Form (Standard for attached for ease of reference). The Manufacturers Authorization Form was one of the forms that bidders had to submit during the tendering process as a documentary evidence of their eligibility to tender and that goods are from the eligible source. The tender document gave a sample format of the Manufacturer's Authorization letter but it was not mandatory that it had to match the sample word by word since manufacturers might have different formats of their Authorization letter. The purpose of the sample was to highlight on the basic requirements that were to be contained in the template.</p> <p>Annex 20 - Manufacturers Authorization Form template & the Suppliers authorization form</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>than one bidder as a way of extending the opportunities to the women, youth and persons with disabilities in order to minimize the risk of any possible setback to the entire project in the event that a single bidder experienced challenges that may affect the delivery of goods and services, the maximum number of lots that were to be awarded to any one bidder were three(3) out of total five (5) lots. However, this was not the case as the above supplier was awarded all the five (5) lots. Consequently, the Authority is in breach of the law and the propriety of expenditure of Kshs. 58,577,271 for the year ended 30 June 2017 could not be confirmed.</p>	<p>1.4.2 Supplier was awarded all the five (5) lots contrary to (3) lots specified in the invitation to tender</p>	<p>1.4.2.1 The 303rd TC deferred the paper for re-evaluation citing reasons for value for money if the tender was awarded to one firm the Authority was to save Kshs. 2.1million. The re-evaluation was done and presented to the TC in its 304th sitting for adjudication. The TC awarded the tender to M/S Modern Integrated Business Solutions of P.O Box 78610-00507 Nairobi for the contract to supply, install and maintain computers and software at a total tender sum of Kshs 58,577,271.68, being Kshs 55,035,471.68 for supply and installation of computers, Kshs 2,934,800 for annual computer hardware maintenance and Kshs 607,000 being amount for annual renewal fees for anti-virus.</p> <p>Annex 21 – Tender committee decision to reevaluate the tender</p> <p>1.4.2.2 Notification letters to ALL participants was done vide letters dated 28th January 2016. The notification letters to the unsuccessful participants also detailed reasons for non-responsiveness of the bids. The Authority received a complaint through the Public Procurement Regulatory Authority vide letter dated 7th March 2016 requesting for assorted</p>			

Communications Authority of Kenya
 Annual Report and Financial Statements
 For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
		<p>documents relating to the tender.</p> <p>Annex 22 - Public Procurement Authority request for tender documents.</p> <p>1.4.2.3 The Authority filed a response to the Public Procurement Regulatory Authority vide letter dated 16th March 2016. The documents were later returned back to the Authority and the Public Procurement Regulatory Authority never stopped the tender implementation process.</p> <p>Annex 23 - Correspondence forwarding the documents to Public Procurement Regulatory Authority</p> <p>1.4.2.4 The computers were delivered and installed as per the contract specifications</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
2	<p>Unaccounted for Expenditure</p> <p>Included in the general expenses figure of Kshs. 1,969,111 under note 12 is an amount of Kshs. 54,786,000 in respect of corporate social responsibility. The amount of Kshs. 54,786,000 also includes Kshs. 23,000,000 being sponsorship of the National Youth Talent Academy. The sponsorship was on furtherance of 28th June 2012 agreement between the Authority and UNICEF Kenya to sponsor the National Youth Talent Academy boys football team established by government through the Ministry of Sports, Culture and Arts at a cost of Kshs. 17,763,250 per year for three years, with a commencement date of 28 June 2012. The agreement was later renewed on 9th May 2016 for a total sum of Kshs. 69,000,000 for a period of three financial years with effect from June 2016 to 2019 at Kshs. 23,000,000 per annum. However, the Kenya Academy of sports has not submitted any returns and financial reports of the football club (Talanta) or accounted for the grants or the donations as per agreement between the two parties.</p> <p>Further, according to the agreement, the utilization of the funding was to be</p>	<p>2.1 No evidence to show that the financial records of Kenya Academy of Sports were subjected to any audit.</p>	<p>2.1.1 FC Talanta was initiated as programme between cooperation of UNICEF, Kenya Secondary Schools Heads Association (KESSHA), and the Ministry of Sports, Culture and the Arts (Under the auspices the National Youth Talent Academy later transformed to Kenya Academy of Sports).</p> <p>2.1.2 UNICEF managed the programme and was responsible for the submission of the reports to the Authority as the sponsor. The initial contract was between UNICEF and the Authority in the period Year 2012- Year 2013.</p> <p>Annex 24 – Cooperation agreement between UNICEF and CCK</p> <p>2.1.3 The Kenya Academy of Sports, incorporated in year 2014, took over the management of the FC Talanta programme. Subsequently, the Authority signed the renewal of the sponsorship with the Kenya Academy of Sports in Year 2016.</p> <p>Annex 25 – Cooperation agreement between Kenya Academy of Sports and CA</p>			

**Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022**

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>subjected to an annual external audit by the Auditor General. The Authority was also mandated to call any time for any financial accounting and other project records maintained by Kenya Academy of Sports in pursuant to agreement and subject the records to an audit process of its choice. However, no evidence to show that the financial records of Kenya Academy of Sports were subjected to any audit was availed for audit review.</p> <p>In addition it was noted on 13th December, 2016 the acting Director Corporate Services for Kenya Academy of sports wrote to Director General Communication Authority of Kenya through letter Ref. No. KAS/A/13(21) requesting for a change in remittance of the second instalment of Kshs. 23,000,000 for the football club (Talanta), from the old account No. 0260500659 at Equity Bank as per the agreement to a new account at Jamii Bora Bank account No. 1001823633002. The request was honoured on 20 January, 2017 without authority from the parent Ministry and the national Treasury.</p>		<p>2.1.4 FC Talanta was initially audited as a programme under UNICEF and later by Mwencha Certified Public Accountants upon takeover of the management of the programme by Kenya Academy of Sports. And currently audited by the Office of the Auditor General.</p> <p>Annex 26 – The financial statements were initially audited by Mwencha Associates and later by Office of the Auditor General</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>Further, Communications Authority of Kenya did not notify Kenya Academy of Sports and the Ministry of Sports, Culture and Arts of the transfer of the funds.</p> <p>Consequently, it has not been possible to confirm the propriety of expenditure totalling Kshs. 23,000,000 transferred to Jamii bora Bank account for the year ended 30 June 2017</p>	<p>2.2 The request to change bank account without authority from the parent Ministry and The National Treasury.</p>	<p>2.2.1 The FC Talanta Board granted approval of engagement of another banking institution Jamii Bora in accordance with its mandate. The Management of FC Talanta availed to the Authority, Minutes of the Board reflecting the approval of engagement of Jamii Bora.</p> <p>Annex 27 – FC Talanta Board Minutes approving the opening of an account with Jamii Bora</p> <p>2.2.2 Additionally, both parties revised the Cooperation Agreement to recognise the change of bank account details, as per the Article III clause (j) of the Agreement.</p> <p>Annex 28 – Addendum No. 1 to the cooperation agreement</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>2.3 The Authority did not notify Kenya Academy of Sports and the Ministry of Sports, Culture and Arts of the transfer of the funds</p>	<p>2.3.1 The Cabinet Secretary in the Ministry of Sports, Culture and the Arts was informed of the renewal of the Kshs 69,000,000 sponsorship and also invited to the occasion of the official announcement of the sponsorship renewal.</p> <p>Annex 29 – FC Talanta sponsorship renewal correspondence to the Ministry of Sports, Culture and the Arts</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

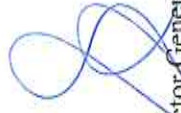
Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>3</p> <p>Directors Expenses</p> <p>3.1 Irregular Payments to Directors Included in the director's expenses figure of Kshs. 47,211,000 under note 10 is an amount of Kshs. 1,656,000 in respect of board welfare. The amount of Kshs. 1,656,000 also included Kshs. 1,200,000 being Christmas shopping vouchers worth Kshs. 100,000 to each Board director. The Universal Service Advisory Council members were given Christmas shopping vouchers worth KShs. 900,000 which is included in Note 12 under universal advisory council of Kshs. 47,261,000. The payment of Christmas shopping totalling Kshs. 2,100,000 was made without parent Ministry and National Treasury approval. This was done contrary to provisions of circular ref OP/CAB9/21/2A/LII/43 dated 24 November 2004. Guidelines on terms and conditions of service annex IV paragraph (f) at page 42 that provides that any other benefit that are not provided in annex iv do not apply. Consequently, the management was in breach of the Law and propriety of expenditure totalling Kshs. 2,100,000 for the year ended 30th June 2017 could not be confirmed and was not a proper charge to public resources</p>	<p>3.1.1 The payment of Christmas shopping totalling Kshs. 2,100,000 without parent Ministry and National Treasury approval.</p>	<p>3.1.1.1 KICA Act 2012, section 19 (2) (a) of the Board has a mandate to provide for the payment of the salaries, allowances and other charges in respect of the staff of the Authority and the members of the Board.</p> <p>Annex 30 – KICA Act 2012, section 19 (2) (a) on Board mandate to approve payments</p>			

Communications Authority of Kenya
Annual Report and Financial Statements
For the year ended June 30, 2022

Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>3.2 Irregular Disposal of MacBook laptops and IPADS to Directors Examination of available record revealed that Authority assets including macbook laptops and IPADS held by the former directors were un-procedurally disposed to the individual directors. The nine (9) Mac Books laptops with net book value of Kshs. 466,551, nine (9) iPads with net book value of Kshs. 160,515, ten (10) ipads with net book value of Kshs. 200 and fourteen (14) laptops with net book value of Kshs. 280 all totalling to Kshs. 627,553 were offset with the directors' fees due to the former directors. Offsetting of said assets was done contrary to Section 164 (3) of the Public Procurement and Asset Disposal Act 2015 which states that there shall be a technical report where appropriate by a relevant expert of the subject items for disposal that takes into account the real market price and in so doing the technical expert shall set up a reserve price which shall be the minimum acceptable price below real market value of the boarded items. Consequently, the authority was in breach of the law and the propriety of Kshs. 627,546 for the year ended 30 June 2017 could not be confirmed.</p>	<p>3.2.1 Disposal did not take into account the real market price to set up a reserve price</p>	<p>3.2.1.1 The Board members challenged their ouster and the matter is pending in court hence it was not possible to recover the laptops and IPADS for disposal.</p> <p>Annex 31 – Court of Appeal filing challenging removal from office</p> <p>3.2.1.2 As a caution Management provisioned the amount equivalent to the written down value awaiting the court determination. The assets shall be reinstated in the Asset register awaiting the outcome of the court process.</p>			

Communications Authority of Kenya
 Annual Report and Financial Statements
 For the year ended June 30, 2022

	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
4	Disputed contract payments: Swarn Singh Vs. Communications Authority of Kenya		The evidence was presented to the Public Investment Committee meeting on 6 th August 2019. The members agreed with the decision of the Authority to submit the matter to the Ethics and Anticorruption Commission for further investigation.			


 Director-General

Date: 08/03/2023


 Chairman of the Board

Date: 08/03/2023

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

During the year under review, the projects implemented by the Communications Authority of Kenya were fully funded through internally generated revenue. There were no projects funded by neither state corporations nor development partners.

APPENDIX III: INTER-ENTITY TRANSFERS

During the Financial year 2019/20, the Communications Authority of Kenya did not receive recurrent nor development grants, direct receipts nor direct payments from other entities.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

During the year under review, the Communications Authority of Kenya did not receive any transfers from other government entities, therefore records of the same are not provided.