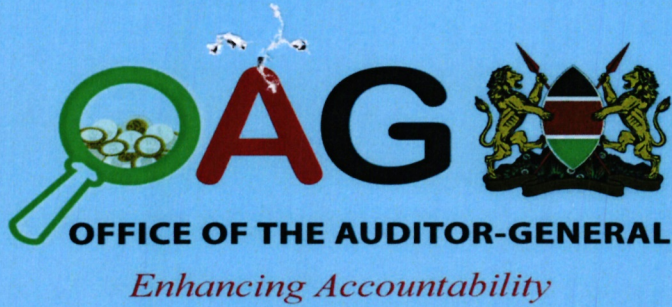




REPUBLIC OF KENYA



REPORT

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THE AUDITOR-GENERAL

ON

**COMMUNICATIONS AUTHORITY
OF KENYA**

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

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OFFICE OF THE AUDITOR GENERAL
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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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P.O. Box 30097 - 00100, NAIROBI
ACCOUNTING SERVICES DEPARTMENT

MINISTRY OF ICT, INNOVATION AND YOUTH AFFAIRS
Department for Broadcasting & Telecommunications
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30 SEP 2021
Principal Secretary Office
P. O. Box 30025 - 00100, NAIROBI

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

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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

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

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

No.	Designation	Name
1.	Director General	Mr. Francis Wangusi retired 22nd August 2019
		Ms. Mercy Wanjau was appointed in acting on 23 rd August 2019
2.	Director, Finance & Accounts	CPA Joseph Kimanga
3.	Ag. Assistant Director, Procurement	M/s. Jane Rotich
4.	Director, Risk Management & Internal Audit	CPA Rosalind Murithi
5.	Director, Legal Services	Ms. Mercy Wanjau
6.	Ag. Director, Competition, Tariffs & Market Analysis	CPA. Maxwell Mosoti
7.	Director, Human Capital & Administration	Mr. Juma Kandie
8.	Director, Frequency Spectrum Management	Mr. Tom Olwero
9.	Director Universal Service Obligation and Funding	Mr. Christopher Kemei
10.	Director, Licensing, Compliance & Standards	Mr. Matano Ndaro
11.	Director, Consumer and Public Affairs	Mr. Christopher Wambua
12.	Director, Multimedia Services	Eng. Leo K. Boruett
13.	Director, Information and Technology	Mr. Michael Katundu
14.	Assistant Director, Cyber Security and E-Commerce	Mr. Vincent Ngundi

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.

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(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

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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



Mr Ngene B. Gituku, EBS born in 1955, is the Chairman of the Communications Authority of Kenya (CA) Board of Directors. He served as CA Chairman from 2014 to 2017, prior to which he was the Chairman of the defunct Communications Commission of Kenya (now CA) for a period of one and a half years.

He holds a BSc. Degree in Mathematics and Meteorology from the University of Nairobi and Diploma in Marketing.

He previously served as Board member at Kenya Broadcasting Corporation (KBC) and Kenya Pipeline Company (KPC). Mr. Gituku was re-appointed to his current position on 18th April 2018 for a three-year term



Mr. Francis Wangusi, MBS; (Born in 1958) is the Director General of the Communications Authority of Kenya (CA). He has been in the position since 2012 and currently serving his second term. Mr. Wangusi has over 33 years' experience in the ICT sector. He has presided over landmark projects that have revolutionized the sector, the most recent being the successful transition to digital broadcasting in Kenya. He has previously served as Director in the departments of Broadcasting and Licensing Compliance & Standards respectively at CA. Mr. Wangusi is currently pursuing a PhD in Management. He holds a Masters Degree in Space Sciences (Satellite Communications); BSc degree (Telecommunications Engineering); Chartered Engineer-UK Certificate and Global Executive Masters Degree in Business Administration (GEMBA). He retired on 22nd August 2019



Ms. Mercy Wanjau born in 1972, is the Acting Director General of the Communications Authority of Kenya. Mrs. Wanjau served as the Director Legal Services from 1st January 2019 till her appointment as the Acting Director-General. 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 and

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. She was appointed to the position on 22nd August 2020.



Dr. (Eng) Karanja Kibicho, CBS born in 1967, is the Principal Secretary State Department of Interior. He serves in the Board in his capacity as Principal Secretary. He holds a Doctorate of Philosophy (PhD) 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

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Mr. Jerome Ochieng (born in 1970) is the Principal Secretary State Department for ICT and Innovation in the Ministry of ICT. Until his appointment, Mr. Ochieng was the Director of the Integrated Financial

Management Information System (IFMIS) at the National Treasury and a member, Board of Directors of the Kenya ICT Authority. Mr. Ochieng has 17 years' work experience in the field of Information and Communication Technology in the Public Service. Mr. Ochieng has also served as ICT Manager with the Public Procurement Oversight Authority for six years. He holds a Masters' degree in Information Engineering from the University of the Ryukyus, Okinawa, Japan. He is a registered fellow of the Computer Society of Kenya and a Licentiate Member of the Institute of Management Information Systems (IMIS), UK. Director replaced on 14th January 2020. Director Jerome was replaced by Ms. Esther Koimett, CBS on 14th January 2020.



Dr. Julius Muia 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;

external examiner at the University of Dares Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.



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.



Ms. Patricia Kimama born in 1973, has over 20 years' experience in career spanning the banking, telecommunication and water industries. She has held roles in business transformation, project,

sales, service and operational management. She is currently the Transformation Lead at the Commercial Bank of Africa where she is charged with the responsibility of driving and implementing a legacy-setting strategic transformation project for the CBA Group.

She holds' a Masters in Business Administration (Strategic Management) from

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Associate Chartered Institute of Arbitrators; and Certified Coach. Dr. Muia has over 25 years experience in leadership in the private sector in Kenya and UK.

Daystar University, a Masters Certificate in Project Management from George Washington University as well as Senior Management Leadership training from Strathmore 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 Staff and Administration committee and Finance 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.



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

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.

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.

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.

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.

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 Technical and Broadcasting committee.

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 Audit & Risk committee.

ALTERNATE BOARD DIRECTORS

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Mr. Peter Wanjohi born in 1965, is the Alternate Director to the Principal Secretary, Interior and Coordination of National Government. He is a holder of a Bachelor Business Administration degree from New Port

University. He has extensive experience in planning and coordinating international, regional and local conferences as the current Director of State functions.

He has also been a member of several committees such as member of Kenya Vision 2030, National Communication Dissemination Strategy and also a member of the Task force on restructuring of Human Resource requirement of the permanent Presidential Music Commission, 2006. He was appointed effective 7th February 2018.



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

She has a Master of Business Administration (Public Service International) from The University of Birmingham in UK; Master of Arts in Political Science and Public Administration as well as a Bachelor of Arts Degree in Government, both from the University of Nairobi. She has over 20 years' experience in Public Service more specifically at the MoICT, Office of the President and Office of the Deputy President, in various positions. She was appointed effective 3rd May 2019.

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Mr. Festus King'ori (Born in 1963) is the Alternate to the Principal Secretary/National Treasury. He holds a Bachelor of Commerce degree from the University of Nairobi and is finalizing an MBA from JKUAT.

He also holds a post graduate certificate in Investment Appraisal and Management from Harvard University, among others.

He has also undergone extensive training in general management, strategic leadership and financial management. He has extensive experience in public policy, particularly with regard to public investments, gained from local and international institutions, having worked on secondment by the GoK to the World Bank. Mr. Kingori was appointed on 10th May 2017 and replaced with Mr. Kennedy Ondieki on 30th September 2019.



Mr. Kennedy Ondieki (born in 1967) is an Alternate Director representing The National Treasury in the Board of Communications Authority of Kenya. He holds Master of Business Administration,

Strategic Management from Jomo Kenyatta University of Agriculture & Technology and Bachelor of Arts (Hons), Economics from the University of Nairobi. Mr. Ondieki is a qualified Certified Public Accountant and a member of ICPAK of good standing as well as a qualified Certified Public Secretary. Mr. Ondieki has over twenty five years of experience working in the public sector. Mr. Ondieki has served in a number of Boards as Alternate Director, representing The National Treasury like Kenya Maritime Authority; South Nyanza Sugar Company Limited; Kenya Reinsurance Corporation Limited; State Corporations Advisory Committee and National Government Constituency Development Fund; among others. His appointment was effective 30th September 2019.

III. MANAGEMENT TEAM



Mr. Francis Wangusi, MBS; (Born in 1958) is the Director General of the Communications Authority of Kenya (CA). He has been in the position since 2012 and currently serving his second term. Mr. Wangusi has

over 33 years' experience in the ICT sector. He has presided over landmark projects that have revolutionized the sector, the most recent being the successful transition to digital broadcasting in Kenya. He has previously served as Director in the departments of Broadcasting and Licensing Compliance & Standards respectively at CA.

Mr. Wangusi is currently pursuing a PhD in Management. He holds a Masters Degree in Space Sciences (Satellite Communications); BSc degree (Telecommunications Engineering); Chartered Engineer-UK Certificate and Global Executive Masters Degree in Business Administration (GEMBA). He retired on 22nd August 2019



Ms. Mercy Wanjau born in 1972, is the Acting Director General of the Communications Authority of Kenya. Mrs. Wanjau served

as the Director Legal Services from 1st January 2019 till her appointment as the Acting Director-General.

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 and

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.

She was appointed to the position on 22nd August 2020.



CPA Joseph Kimanga is the Director, Finance & Accounts, at the Communications Authority of Kenya.

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).



Mr. Juma Kandie is the Director, Human Capital & Administration at the Communications Authority of Kenya.

He holds Msc. in Human Resource Management, a Bachelor of Commerce degree as well as a Post Graduate Certificate in Strategy.

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Mr. Christopher Kemei is the Director, Universal Service Obligation and Funding at the Communications Authority of Kenya.

He holds an Msc.in Operational Telecommunications, and Bsc.in Physics.



Mr. Matano Ndaro is the Director, Licensing, Compliance and Standards at the Communications Authority of Kenya.

He is currently pursuing a Masters of Business Administration degree and holds a Bachelor of Arts degree in Economics and a Post Graduate Diploma in Regulation of Telecommunications.



Mr. Michael Katundu is the Director, Information Technology and Enterprise Resource Management at the Communications Authority of Kenya.

He is a holder of a MSc. in Computer Science and a BSc.in Computer Science.



Mrs. Jane Rotich is the Ag. Assistant Director, Procurement at the Communications Authority of Kenya (CA).

She holds a Masters degree in Business Administration (Strategic Procurement), a Masters degree in Business Administration; Bachelor of Arts degree and a Postgraduate diploma in Purchasing and Supplies.



Mr. Tom Olwero is the Director, Frequency Spectrum Management at the Communications Authority of Kenya.

He holds a B.Sc. in Electrical Engineering and a Masters of Business Administration (Management).



Mr. Christopher Wambua is the Director, Consumer and Public Affairs at the Communications Authority of Kenya.

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.



CPA. Rosalind Murithi is the Director, Risk Management and Internal Audit at the Communication Authority of Kenya.

She holds a Master of Business Administration, and Bachelor of Commerce Degree. She is a Certified Public Accountant of Kenya - CPA (K).



Mr. Vincent Ngundi is the Assistant Director, Cyber Security and E-Commerce at the Communications Authority of Kenya

(CA). He holds a Bachelor of Science degree in Computer Science, and a Global Executive MBA.

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Masters Degree in Business Administration

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 Executive



Kenya and has been a registered member of the Institute of Certified Public Accountant (ICPAK) for over 18years.

CPA Maxwell Mogaka Mosoti is the Ag. Director, Competition, Tariffs and Market Analysis at the Communications Authority of Kenya (CA). He is Certified Public Accountant of

IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, Management and Staff of the Communications Authority of Kenya it is my pleasure to present the Annual Report for the Financial Year 2019/2020 ended 30th June 2020 highlighting the Authority's achievements during the year towards actualization of our mandate.

The year marked twenty (20) years of the Authority's existence as the country's ICT Regulatory organ, during this period the Authority's mandate has diversified in leaps and bounds fueled by the dynamic nature of the Industry.

ICT's continue to create an enabling environment for social and economic development contributing positively to the country's Gross Domestic Product (GDP) and more specifically has been one of the key drivers towards the achievement of the United Nations Sustainable Development Goals (SDGs), the Country's Vision 2030 and realization of the Big Four Agenda. The Authority's 4th Strategic Plan (2018-2023) has continued to play an instrumental role in steering the Authority towards building a connected society through enabling regulation, partnership and innovation in ICT's.

Most importantly, the transformative impact of ICT's continued to be felt in the wake of the Covid-19 Pandemic that accelerated the digital transformation of many industries by causing an upsurge of e-commerce, increased the uptake of ICT's and sparked innovation. This digitalization predisposed and continues to expose Consumers to cybercrimes, the Authority however reaffirms its commitment to implement and enforce the National Cyber Security Management framework through the National KE-CIRT/CC by detection and law enforcement on the perpetrators.

The Authority also recognizes that in this digital era children are the most susceptible to the risks and threats that accompany usage of the cyberspace. It is in awareness of this fact that the Authority sought to create a safe and empowering online experience for children in the country. In view of this, the Authority carried out various initiatives under the brand 'Child Online Protection and Safe Use of Internet' that included participation towards the development of the Kenya Music Festivals Syllabus.

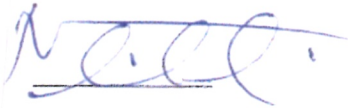
The Authority through the Universal Service Fund (USF) continued to support widespread access to modern and high quality telecommunication services to the unserved and underserved areas through roll out of cellular mobile network infrastructure. Additionally, the Authority continued to work

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harmoniously with stakeholders, with the aim of nurturing collaborative frameworks and strategic partnerships for the roll out of essential digital services in the public sector through deployment of broadband infrastructure.

In conclusion, I would like to express my sincere gratitude to our parent Ministry (Ministry of ICT, Innovation and Youth Affairs), ICT service providers, strategic partners, all other stakeholders and the general public for your continued invaluable support to the Authority as it strives to ensure a digitally transformed society.

I further wish to acknowledge the dedicated service and commitment of the members of the Board, Management and the Staff of the Authority for their invaluable contribution and enthusiasm in supporting the organization's mandate. I look forward to more fruitful engagements in the new financial year.



Mr. Ngene Gituku
Chairman of the Board

V. REPORT OF THE DIRECTOR GENERAL

The Authority continues to play its' critical role in ensuring competitive ICT markets, which have the potential to achieve sustainable development of human societies. The Authority licensed new players and monitored products/services offered by, as well as the operations of ICT service providers, in a bid to execute its mandate in competition management.

The Authority also continued to issue frequency licenses to the industry to facilitate growth of the ICT sector. During the year, mobile operators continued to roll out 4G services through deployment of 4G base stations.

The Authority did not license any new Digital TV transmitters during the year under review. Digital TV assignments remain unchanged at a total of 327. However, there was an increase on demand for FM frequencies during the year under review. Despite scarcity of FM frequencies, the Authority allocated FM Broadcasting frequencies to 93 FM Stations which comprised of 76 commercial FM Stations and 17 Community FM stations.

During the financial year, the Authority undertook the administrator of the .KE ccTLD and sub-domain administrators audit to evaluate compliance with the prerequisite KICA Act and Regulations. KENIC was found to have met the requirements to qualify for the issuance of the Certificate of Regulatory Compliance for the Dot KE Registry for the Financial Year 2019/2020.

In fulfilment of its type approval mandate, 991 models of different equipment were type-approved compared to 485 recorded in the previous year. The one-fold increase in type approval applications was occasioned by the use of the single window import system, TradeNet, that all ICT importers use in importation of equipment.

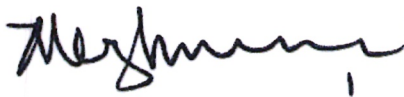
During the financial under review, the Authority issued 29 national and four (5) international courier licenses. As a result, the number of postal and courier licensees increased by 27 percent from 229 the previous year to 263.

During the year, the Authority undertook various activities aimed at enhancing the national cyber readiness and resilience. They included the CA Cybersecurity Fireside Chats, conducting the Cybersecurity Clinics across counties and hosting the National Cybersecurity Conference that incorporating the student hackathon as part of the global October Cybersecurity Awareness Month activities. The National KE-CIRT/CC facilitated various capacity building initiatives to its staff and its various stakeholders through the National KE-CIRT/CC Cybersecurity Committee (NKCC).

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This financial year also witnessed the uses of the official National KE-CIRT/CC twitter handle to reach out to the public on cybersecurity awareness content.

In conclusion, the year under review has been one of accomplishment for the ICT industry. These achievements would not have been possible without the Authority's dedicated staff and partners. I also wish to express my gratitude to the Authority's Board of Directors and the Ministry of Information, Communications and Technology for their continued support.



Mercy Wanjau
Ag. Director - General

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VI. REVIEW OF PERFORMANCE FOR FY 2019/2020

CA has Three (3) strategic pillars and eight (8) objectives within its 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

CA develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2019/2020 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) and Broadband connectivity to learning institutions 	<ul style="list-style-type: none"> • Cumulatively Infrastructure rolled out in 67 out of 78 target sub-locations. • Cumulatively, Broadband infrastructure rolled out in 881 public secondary schools across the country.
	Ensure Efficient ICT Markets	<ul style="list-style-type: none"> • Increased competitive landscape • Increased number of Licensees • No. of Type-approved ICT equipment 	<ul style="list-style-type: none"> • Monitor the ICT market:- Analyse interconnections agreements and resolve disputes, tariffs and promotions/special offers • License additional operators and service providers • Carry out standards and type approval inspections 	<ul style="list-style-type: none"> • 14 interconnection agreements and 12 complaints received. • Received and processed 15 applications for new tariffs and 36 applications for tariffs revisions. • Received and processed 35 applications for promotions and special offers. • Processed and issued a total of 463 new licences comprised of 356 Telecoms, 34 postal and courier, 73 Broadcasting bringing the total number of licensees to 3681. • Type-approved 991 models of telecommunication equipment
	Ensure Sustainable Development of ICTs	<ul style="list-style-type: none"> • Framework for Child Online Protection • No. of cyber threats and no. of cyber security advisories issued 	<ul style="list-style-type: none"> • Framework for Child Online Protection • Undertake technology watch and share cyber threat information, alerts and warnings 	<ul style="list-style-type: none"> • Developed a draft Child Online Protection Complaints Framework • Detected 110.9 million cyber threats and issued 72,515 alerts to the affected Institutions.

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For the year ended June 30, 2020**

KRAs	Strategic Objectives	Key Performance Indicators	Activities	Achievements
Enabling Environment	Ensure Appropriate Regulatory Environment	<ul style="list-style-type: none"> • Cyber Security Guidelines • Industry customer care guidelines 	<ul style="list-style-type: none"> • Develop cyber security best practice guidelines • Formulate guidelines for Industry customer care standards 	<ul style="list-style-type: none"> • Developed best practice guides for cyber security; • Developed draft industry customer care guidelines which are awaiting industry consultations
	Enhance Stakeholder Engagement and Communication	<ul style="list-style-type: none"> • Implementation of the Corporate Communications Strategy • No. of Published Sector Statistics Reports • Celebration CA 20th Anniversary 	<ul style="list-style-type: none"> • Implemented Stakeholder Engagement initiatives • Prepare ICT sector Statistics • Plan and implement the commemoration of CA 20th Anniversary 	<ul style="list-style-type: none"> • Held and participated in various stakeholder engagement forums including: Kikao Kikuu County ICT Fora in Nyandarua and Embu; Cyber security stakeholder engagement forum 2019; Cybersecurity Fire Side Chats; ICT Week 2020; Child Online Protection Initiatives; CA-Citibank Kenya Public Sector Thought Leadership on Cybersecurity in Kenya; Safer Internet Day; Lamu Cultural Festival; Kenya Music Festival 2019; the Kenya Drama festivals and the World Consumer Rights Day in Uasin Gishu County. • Prepared and published the ICT Sector Statistics Report for the 4th Quarter of the FY 2018/19, 1st, 2nd and 3rd Quarter of the FY 2019/20. • Launched the commemoration of 20th Anniversary Celebrations
	Enhance Partnership and Collaboration	<ul style="list-style-type: none"> • Implementation of Regional and International Obligations • Implementation of MoUs 	<ul style="list-style-type: none"> • Establish partnerships at local, regional and international level • Support review, development and implementation of Memorandum of Understandings 	<ul style="list-style-type: none"> • Implemented regional and international obligations arising from policy forums. • Launched the campaign for Kenya to retain her seat at the UPU Council of Administration and Postal Operations Council as well as that of the PAPU Administrative Council.
Capacity Development	Attain High Institutional Capacity and Performance Excellence	<ul style="list-style-type: none"> • Increase Automation levels through BPRA project. • Annual Trainings of staff on Current Trends in ICT • Improved service delivery • Level of adherence to Risk 	<ul style="list-style-type: none"> • Implement the following IT Roadmap Projects: E-Board System and Security Information and Event Management (SIEM) System • Train users on BPRA • Train staff based on the skills gap (performance gap and training needs) • Operational service delivery: • Co-ordinate Risk Management and conduct Risk 	<ul style="list-style-type: none"> • Implemented an E-board Management System for management of meetings and a SIEM System. • Training on BPRA Business Intelligence Module (BI). • 11 staff (5 Male, 6 Female) undertook various post-graduates programmes • 24 capacity building trainings for staff on cross-cutting issues and 6 in-house committee trainings were conducted. • The Authority conducted risk assessment. • Procured working tools for staff.

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KRAs	Strategic Objectives	Key Performance Indicators	Activities	Achievements
		management controls <ul style="list-style-type: none"> • Upgrade of working tools 	Assessment <ul style="list-style-type: none"> • Procure working tools to meet work demands as per the Procurement plan 	
	Embrace Research and Innovation Culture	<ul style="list-style-type: none"> • Operational Research and Innovation Centre 	<ul style="list-style-type: none"> • Establish research and capacity • Partner with research institutions to conduct research on efficient and innovative use of spectrum resources 	<ul style="list-style-type: none"> • Innovation and Research Development was operationalized to facilitate research and innovations. • Partnered with Strathmore University in the development of the TV Whitespaces Authorization Framework

VII. CORPORATE GOVERNANCE STATEMENT

The Board and management of the Communications Authority of Kenya (CA) is committed to maintaining the highest standards of corporate governance. This statement describes how CA's Board has applied the principles set out in The Code of Governance for State Corporations (Mwongozo), State Corporations Act, Cap.556 Laws of Kenya, the Kenya Information and Communications Act and other relevant laws. The Board is collectively responsible for the long term success of CA as a regulator. Its role is essentially threefold - to provide leadership, to oversee management and to ensure that the CA achieves its mandate.

Good corporate governance enables effective and efficient decision making and gives a structural aid for the Directors to discharge their duty to promote the success of CA as a regulator of the ICT sector, taking into account the interest of all stakeholders. Effective governance is achieved through a combination of strong policies, process and structures, underpinned by the right values and culture. The Board recognizes that for governance to be effective, it must be realized through leadership and collaboration, with the Board at the helm leading by example to compliment the senior management. The Board has complied with the provisions of the Mwongozo Code of Governance for public corporations as indicated below:-

THE BOARD

BOARD COMPOSITION, APPOINTMENT AND SIZE

The size, composition and appointments of the Members of the Board are prescribed in the Kenya Information and Communications Act. The Communications Authority Board comprises of eleven (11) members, seven of whom are competitively recruited. The President appoints the Chairperson of the Board. The other three members are the Principal Secretaries from the Ministry of Information Communications & Technology, The National Treasury and Ministry of Interior and Coordination of National Government. The Current Board Chairperson Mr Ben Ngene Gituku was reappointed as the Board Chairperson on 18th April 2018. The members are appointed by the Cabinet Secretary and the appointments are gazetted. Each member serves for a maximum of two terms of (3) years each. The Director-General of the CA also serves as an ex-officio member of the Board with no voting rights.

CORPORATE GOVERNANCE STATEMENT (Continued)

The Board is well composed in terms of range and diversity of skills, knowledge, age, competencies, gender and experience in various sectors, which makes it effective and provides an appropriate balance for the oversight and achievement of the Board's mandate and long-term goals. The Board is composed of eight (4) male directors and three (3) female directors. A member of the Board may resign or vacate office under the conditions stipulated in the Kenya Information and Communications Act and Mwongozo. The Board may recommend the removal of a member based on non-performance, gross misconduct, non-attendance of meetings, unethical conduct or as set out in any constitutive documents or applicable law. The Board is currently composed of 6 directors and the chairman and 3 directors are awaiting to be appointed.

INDEPENDENCE AND SEPARATION OF ROLES & RESPONSIBILITIES

The roles and responsibilities of the Chairperson of the Board and the Director-General remain distinct and separate which ensures a balance of power of authority and checks and balances. The Board sets out the strategic direction of the organization, oversees implementation of policies and evaluates the performance of CA. The Chairperson provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. His roles are clearly set out in the Board charter.

BOARD RESPONSIBILITIES

The principal role and responsibility of the Board is that of establishing the long-term goals of the Authority and ensuring that effective plans are developed and implemented within a commonly agreed organizational structure. The Board is charged with the following responsibilities:-

- a) Exercising leadership, enterprise, integrity and judgement in directing the Authority;
- b) Determining the vision, purpose and values of the Authority;
- c) Developing a strategy to achieve the Authority's purpose and to implement its values to ensure that it survives and thrives;
- d) Putting in place policies and structures including organization systems, technology and staff to achieve the Authority's purpose and objectives;

CORPORATE GOVERNANCE STATEMENT (Continued)

- e) Identifying and managing of key risk areas by overseeing the implementation of adequate control systems and relevant compliance with the law, governance, accounting and auditing standards;
- f) Setting targets, monitoring performance and determining the key performance indicators of the Authority;
- g) Exercising objective judgment, independent from management but with sufficient management information;
- h) Ensuring the preparation of annual financial statements and reports, communication, and disclosure of information to the stakeholders.
- i) Guiding the implementation of strategic decisions and actions and advising management as appropriate;
- j) Determining the broad policies of the Board including policies on the frequency, purpose, conduct and duration of its meetings and those of its Committees;
- k) Assessing its performance and effectiveness as a whole, and that of individual directors, including the Director-General;
- l) Ensuring that procedures and practices are in place to protect the Authority's assets and reputation;
- m) Ensuring that the Authority has developed succession and exit plans for its senior management;
- n) Ensuring that the Authority has developed effective corporate social and environmental responsibility programmes;
- o) Regularly reviewing processes and procedures to ensure the effectiveness of the Authority's internal systems of control;
- p) Meeting at least once a quarter as circumstances may require and disclosing in the annual report the number of board and committee meetings held in the year and the details of attendance of each director; and
- q) Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession.

CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD AND BOARD COMMITTEE MEETINGS

The Kenya Information and Communication Act empowers the Board to create standing as well as ad hoc committees depending on the need and the prevailing circumstances. This is also in line with statutory and corporate governance best practice requirements. The quorum for Board meetings is seven members excluding the Director-General. In case of non-attendance of a member due to other commitments, such information is communicated to the chairperson and the secretary prior to the date of the scheduled meeting. If the chairperson is absent, the members present shall appoint one of their members to preside over the meetings.

BOARD COMMITTEES AND RESPONSIBILITIES

The Board has delegated certain functions to well-structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities. Each committee is guided by prescribed Terms of Reference contained within the Board Charter. The Committees are appropriately constituted drawing membership from amongst Board members with appropriate skills and experience.

The committees operate transparently and also conduct themselves within the rules and procedures set out by the Board. Reports of matters deliberated by the Committees are presented to the Board by the respective chairpersons at the preceding board meeting. The Board Committees are Finance Committee, Staff and Administration Committee, Technical Committee, Broadcasting Standards Committee and Board Audit & Risk Committee.

Finance Committee

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

CORPORATE GOVERNANCE STATEMENT (Continued)

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 mainly to give recommendations and advise to the Board on all broadcasting matters.

Audit & Risk Management Committee

The Audit 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.

BOARD CHARTER AND WORK-PLAN

A Board charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the Board of Directors, both individually and collectively and management in setting the direction, the management and the control of the Authority. The Authority has in place a Board charter. The Board Charter is closely aligned with the strategic objectives of the Authority and the same is constantly reviewed in order to raise the director's awareness of the Authority's overall policy framework.

Board members prepare an annual work plan. The work plan focuses at a minimum on a review of the management's implementation of strategies, policies and plans; risk assessment and management, budgeting and financial management, quality assurance processes, Board evaluation, governance and compliance, competence development for its members; strategic planning, amongst others.

CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD INDUCTION AND TRAINING

Board Induction

A Board induction is a structured way of providing new Board Members with all the information and support they need to be confident and productive in their new role. On appointment, Directors have the benefit of an induction programme aimed at deepening their understanding of the Authority and the business environment and markets in which the Authority operates. The induction entails background materials, meeting with senior management and visits to the Authority's facilities.

For the financial year under review the Board was able to induct two new appointees to the Board; Mr Festus Kingori appointed as an alternate director to the Principal Secretary in the ministry for the time being responsible for finance and Mr Peter Wanjohi who was appointed as the alternate director to the Principal Secretary, Interior and Coordination of National Government.

Board Training

Management ensures that a competence needs assessment is carried out and an annual development programme is carried out for the Board members. The Board receives briefing/training on programs aimed at enhancing their understanding of the Enterprise Risk Management, law/regulations, business and political environment in which the Authority operates. The Board members attended various training and development programs in risk management, telecommunications, corporate governance and participated in various policy meetings and conferences to ensure they update their skills, knowledge, build partnerships and keep abreast with the developments in industry from other jurisdictions.

CONFLICT OF INTEREST

Board members are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business. Board members are required to abstain from discussions or decisions on matters in which they have an interest, unless resolved otherwise by the remaining members of the Board. The Board Secretary maintains a register of the conflict of interests declared, for accountability purposes.

CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD EFFECTIVENESS AND EVALUATION

In order to assess and improve the capacity, functionality and effectiveness of the Board and its committees, an annual evaluation is undertaken within the widely accepted principles of corporate governance. Each Board member monitors and assesses the collective performance of the Board as well as the performance of individual directors and the Director-General. The evaluation reviews the General orientation of the Board, Board structure/composition, selection, appointment, induction, development, rotation and succession of directors, Board effectiveness, strategic direction, stewardship of resources, assessing performance, risk management, legal compliance and accountability.

BOARD REMUNERATION

Remuneration of members of the Board is guided by section 10 (1) the State Corporations Act, Cap 446 and the Kenya Information and Communications Act, 1998. Remuneration includes sitting allowances or other remuneration as the Board may, within the scales of remuneration specified from time to time by the State Corporations Advisory Committee and the Salaries and Remuneration Commission, approve. The Chairman is paid a monthly honorarium and each Director is paid directors' fees once the Authority's accounts for the year have been audited and with concurrence with the National Treasury. The allowances of the Board Members are paid out of the funds of the Authority.

ETHICS AND CONDUCT

The Board of Directors has a Code of Conduct that governs the activities, behaviour and conduct of directors. Members of the Board as well, owe the Authority a fiduciary duty to act honestly and in the best interest of the Board. The Board provides effective leadership based on ethical foundation and ensures all deliberations, decisions and actions are based on the Board's core values underpinning good governance.

SUCCESSION PLANNING

Succession Planning is vitally important for ensuring the continued success of the Authority, in identifying and developing the talent which will fill critical roles in the future, or in times of crisis. Succession planning by definition, is critical to ensure that key positions, if suddenly vacant, can be filled by qualified candidates. This can be done by identifying talent internally, that can be coached, nurtured and trained to step into the said slots when the opportunity presents its self.

CORPORATE GOVERNANCE STATEMENT (Continued)

The Board has put in place a succession plan to ensure smooth transition with the least likelihood of disruption in case a position becomes vacant. There is a succession plan in place for the Director-General and other senior management staff. The Authority has engaged the appointing authority with a view of staggering the appointment for Board Members in future.

GOVERNANCE AUDIT

A governance audit of state corporations is facilitated by the State Corporations Advisory Committee on an annual basis. The purpose of the Audit is to ensure that the Authority conforms to the highest standards of good governance. The Authority as well on its own initiative engages consultants to conduct a Legal and Governance Audit of the Authority to ensure its compliance with the law.

VIII. STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Authority's Board is charged with the responsibility of ensuring that management maintains an effective system of risk management and internal controls for reviewing its effectiveness. This system is designed to manage the risk of failure to achieve the Authority's objectives and to provide reasonable assurance against material misstatement or loss.

Risk Management

The Authority updated and continued to implement its Risk Management Policy Framework which clearly defines the oversight responsibilities of the Board Audit and Risk Committee who are supported by the Management Committee chaired by the Director General and support functions including Internal Auditors and Risk Champions to enable effective risk identification, evaluation and management. The Authority also ensured the procedures and risk registers were reviewed and aligned to the current strategic plan and objectives. Training was also conducted to the Board, Management and Staff on risk management practices.

The Authority is exposed to a variety of risks that could have financial, strategic and operational impact on our organizational performance, reputation and operations. The Board is committed to ensuring embedding of risk management into the daily operations of the Authority from setting of strategic objectives, to financial planning and through to departmental activities aimed at ensuring the Authority achieves its strategic objectives.

Internal Control Systems

Internal controls are processes designed to provide reasonable assurance regarding the achievement of objectives, relating to efficiency and effectiveness of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The Authority's Senior Management has the responsibility of proper stewardship of State resources. To achieve this, they have put in place systems of internal control, which include approved policies and procedures that detail the operational and financial controls in place. These systems are not a periodic compliance exercise, but form an integral part of the Authority's day-to-day business processes. This helps in ensuring that the Authority's assets are safeguarded, transactions are authorized and accurately recorded and that any material errors and irregularities are either prevented or detected within reasonable time.

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 2020, the total Revenue earned was Kshs. 9.6 billion against a revised budget of Kshs. 9.0 billion. This represents a positive variance of 6%. The income of the Authority is majorly earned from Frequency utilization fees and Annual operating license fees, which account for 80% and 15% 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 4.9% of the total income earned as at end of the year.

The total Operating Expenditure for the period ended 30th June 2020 was Kshs. 4.8 billion compared to a budget of 4.7 billion. The resultant surplus was is Kshs.4.7 billion. The major expenditure was General Expenses Kshs.1.5 accounting for 31%, followed by a total provision for bad debts of Kshs.1.3billion and Employee costs Kshs.1.2 billion accounting for 28% and 27% respectively. The other expenditures includes depreciation and amortization Kshs.439million, Repairs and maintenance Kshs.149million and Remuneration to Directors Kshs.28million

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.

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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.

Key projects

The Authority's projects for the F/Y 2019/20 are aimed at facilitating the Authority achieve its mandate. These projects were budgeted for and their budget allocations approved by the CA Board of Directors and subsequently by the National Treasury. Funding of these projects is from internally generated funds and are therefore sustainable. All the projects are aimed at meeting the 4th Strategic plan 2018-2023.

Some of the major projects that were being implemented during the year 2019/20 include.

No.	Name of the Project	Link to Strategic Plan	Amount Kshs. (000)
1.	Supply, Delivery, Installation, Training and Commissioning of Radio Spectrum Monitoring and Direction finding	Strategic Objective: Enhance Institutional Capacity and Performance; Expand Spectrum Management systems and tools for increased compliance	449,995
2.	Supply, Delivery, Installation, Training and Commissioning of TV and Radio Logger	Strategic Objective: Enhance Institutional Capacity and Performance; Expand Spectrum Management systems and tools for increased compliance	84,680
3.	Supply, Delivery, Installation, Configuration and Maintenance of Cyber Security Tools	Strategic Objective; Enhance Institutional Capacity and Performance	79,017

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 2019/20 the authority undertook a risk assessment review of the authority strategic/operational risks.

Arising from the Authority’s risk management framework, the following are the major risks facing the Authority:

- i. External interference;
- ii. Poor project management and implementation;
- iii. Low uptake of technology;
- iv. Non-compliance by licensees;
- v. Cyber & information security threats;
- vi. Inordinate delay in legislative issues /Legal Framework;
- vii. Inadequate public awareness on CA’s Mandate;
- viii. Weak governance systems e.g. Automation and integration;
- ix. Litigations;
- x. Reputation risk and Perception; and
- xi. Lack of Business continuity plan in case of business disruption.

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 2020.

X. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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.

The Authority supported a number of industry events including the E-waste day.. Kenya Editors Guild 2nd Annual Convention, East African CIO symposium, world consumer rights, The Authority also sponsored the YSK business bootcamp, an authoritative and dynamic art platform, that brings together Youth drawn from colleges and theatre groups within the country.

The creative Camp provides an advertising avenue for products and services, and is being established as an authoritative industry platform with an eye for qualitative content, cultural promotion, skills imparting presented in a manner so as to attract viewership and sales. CA also supported several Schools through equipping their computer laboratory with computers, printers, and internet connectivity. The Authority also in recognition of the COVID-19 pandemic the Authority also provided supported the various activities in response to the pandemic.

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. During the year, the Authority supported social causes through disability rights awareness, an initiative meant to assist PWDs. Further, in recognition of Kenyan sports men and women, the Authority supported the Sports Man of the Year Awards (SOYA) and Kalya Half Marathon. The Authority shall continue to forge public private sector partnerships to ensure that it uplifts the society.

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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020, 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, 2020 are set out on page 1 to 32

Directors

The members of the Board of Directors who served during the year are shown under part II above.

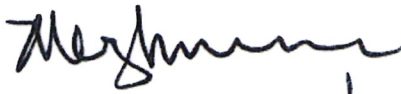
Dividends/Surplus remission

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



.....
Ag. Director General

Nairobi

Date: 24th September 2020

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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2020, 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.

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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 24th September 2020 and signed on its behalf by:

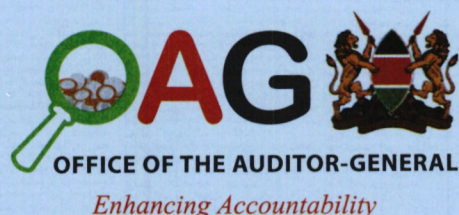
Ag. Director General

Director Finance & Accounts

Board Chairman

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS AUTHORITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2020

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 79, which comprise the statement of financial position as at 30 June, 2020, 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 effect 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, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Information and Communications Act, Cap 411A (Revised in 2020) of Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Receivables from Non-Exchange Transactions

The statement of financial position reflects a balance of Kshs.310,824,000 under receivables from non-exchange transactions as at 30 June, 2020. 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.2,575,850,000. Included in the cumulative provisions is an amount of Kshs.1,399,680,000 being provision for bad and doubtful debts for the year. However, an analysis of the provision for the year revealed that an amount of Kshs.1,072,656,734 was owed by Telkom Kenya Limited comprising of general and specific provisions of Kshs.292,349,214 and Kshs.780,307,520 respectively.

However, Telkom Kenya Limited vide letter Ref:TKL/RA/CA/(LIC), dated 21 December, 2020, confirmed nil amount being owed to the Authority. However, no reconciliation was provided for audit review explaining the discrepancy of

Kshs.1,072,656,734 between the two set of records. Further, The National Treasury vide letter Ref:TNT/ZZ/331/02 dated 29 June, 2020 committed to provide to Telkom Kenya Limited the amount of money required to cover frequency spectrum fees for the financial years 2020 and 2021 despite the Management having provisioned for the bad and doubtful debt in full.

Under the circumstances, the accuracy and fair statement of the reported receivables from non-exchange transactions balance of Kshs.310,824,000 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2020. Management has not provided reasons for the delay in resolving the prior year audit issues.

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

1.0 Unauthorized Short Term Deposits

The statement of financial position reflects a cash and cash equivalents balance of Kshs.7,641,600,000 which, as disclosed in Note 18 to the financial statements, includes short term deposits amounting to Kshs.5,120,743,000 held in two (2) local commercial banks. However, 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.

The Authority was in breach of the law, to this extent.

2.0 Employee Costs-Acting Allowance

As disclosed in Note10 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.1,295,482,000 under employee costs. Examination of this account revealed that an amount of Kshs.22,361,582 was paid as acting allowances for sixty-one (61) officers who served in vacant positions during the year under review. However, fifty-four (54) of the officers 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 periods not exceeding six months.

Consequently, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Authority 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 overall 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability 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 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

09 November, 2021

**Communications Authority of Kenya
Draft Financial Statements
For the year ended June 30, 2020**

**XIII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**

		2020	2019
	Note	Kshs'000	Kshs'000
Revenue from non-exchange transactions			
License Fees	6	<u>9,080,424</u>	<u>8,525,314</u>
Revenue from exchange transactions			
Finance income	7	506,286	851,645
Rental Revenue from facilities	8	3,883	4,204
Other Income	9	<u>13,269</u>	<u>2,931</u>
		523,438	858,780
Total revenue		<u>9,603,861</u>	<u>9,384,094</u>
Expenses			
Employee costs	10	1,295,482	1,196,080
Remuneration of Directors	11	28,646	38,385
Depreciation and Amortization Expense	12	439,930	407,042
Repairs and maintenance	13	149,026	284,025
General expenses	14	1,519,145	1,962,978
Provision for Bad & doubtful debts	15	619,373	279,254
Specific Provision for Bad & Doubtful debts	15	<u>780,308</u>	<u>0</u>
Total Expenses		<u>4,831,910</u>	<u>4,167,763</u>
Other gains/(losses)			
Gain on sale of assets	16	0	4
Gain/(Loss) on foreign exchange transactions	17	(2,110)	1,415
Bad Debts recovered/Reversal of Bad debt Provisions	17(b)	<u>0</u>	<u>0</u>
Surplus for the year		<u>4,769,841</u>	<u>5,217,750</u>
Remission to National Treasury	28	4,292,857	4,695,975
Net Surplus for the year		<u>476,984</u>	<u>521,775</u>

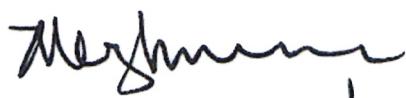
The notes set out on pages 1 to 32 form an integral part of these Financial Statements

**Communications Authority of Kenya
Draft Financial Statements
For the year ended June 30, 2020**

**XIV. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	2020 Kshs'000	2019 Kshs'000
ASSETS			
Current Assets			
Cash and cash equivalents	18	7,641,600	10,000,681
Receivables from non-exchange transactions	19	310,284	1,112,216
Receivables from exchange transactions	20	595,883	646,386
Total Current Assets		8,547,767	11,759,284
Non Current Assets			
Property, plant and equipment	21	19,113,011	19,198,932
Intangible Assets	22	695,367	752,150
Total Non-Current Assets		19,808,379	19,951,082
TOTAL ASSETS		28,356,146	31,710,366
LIABILITIES			
Current Liabilities			
Provisional Dividend/Remittance Surplus	23	2,679,702	8,586,845
Trade and other Payables from exchange transactions	24	2,677,986	1,137,874
Payments received in advance	25	600,655	49,544
Total Current Liabilities		5,958,343	9,774,263
TOTAL LIABILITIES		5,958,343	9,774,263
Net Assets		22,397,803	21,936,103
Owners Equity	26	741,965	741,965
Accumulated Surplus	26	5,639,516	5,177,816
Revaluation Reserve	27	16,016,322	16,016,322
Total Net assets and Liabilities		22,397,803	21,936,103

The Financial Statements set out on pages 1 to 32 were signed on behalf of the Board of Directors by:



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Ag. Director General
Name: Mercy Wanjau


Date: 24th September 2020



.....

Head of Finance
Name: Joseph M Kimanga
ICPAK Member No. 4341

Date: 24th September 2020



.....

Chairman of the Board
Name: Ngene Gituku

Date: 24th September 2020

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

	Note	Owners Equity Kshs'000	Revaluation Reserve Kshs'000	Accumulated Surplus Kshs'000	Total Reserves Kshs'000
At July 1, 2018		741,965	-	12,418,194	13,160,159
Surplus for the year		-	-	5,217,750	5,217,750
Remittance to Treasury - Provision	23	-	-	(4,695,975)	(4,695,975)
Prior year adjustments	26	-	-	237,847	237,847
Additional Remittance to Treasury-Paid		-	-	(8,000,000)	(8,000,000)
Revaluation Surplus	27	-	16,016,322	-	16,016,322
At 30 June 2019		741,965	16,016,322	5,177,816	21,936,103
At July 1, 2019		741,965	16,016,322	5,177,816	21,936,103
Surplus for the year		-	-	4,769,841	4,769,841
Remittance to Treasury - Provision	23	-	-	(4,292,857)	(4,292,857)
Prior year adjustments	26	-	-	(15,284)	(15,284)
Additional Remittance to Treasury-Paid		-	-	-	-
Revaluation Surplus	27	-	-	-	-
At 30 June 2020		741,965	16,016,322	5,639,516	22,397,803

**Communications Authority of Kenya
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**XVI. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		2020	2019
	Note	Kshs'000	Kshs'000
OPERATING ACTIVITIES			
Cash generated from/(used in) Operations	28	7,674,722	5,154,830
Remittance to The National Treasury		(10,200,000)	(8,000,000)
Directors fees		0	0
Net Cash generated from/(used in) Operations		<u>(2,525,278)</u>	<u>(2,845,170)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	21	(297,242)	(820,592)
Proceeds from disposal of assets	16	0	4
Interest received	7	463,439	770,273
Net cash generated from/(used in) Investing activities		<u>166,197</u>	<u>(50,315)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(2,359,081)</u>	<u>(2,895,485)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,000,681	12,896,166
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u>7,641,600</u>	<u>10,000,681</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 32.

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage Variance	Note
Description	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	%	
Revenue							
Internally Generated Revenue	8,631,108	-	8,631,108	9,097,575	466,467	5%	
Recurrent	442,333	-	442,333	506,286	63,953	14%	1
Other Income	-	-	-	(2,110)	(2,110)		2
Total Revenue	9,073,441	-	9,073,441	9,601,751	528,310		
Operating Expenses							
Employee costs	1,369,557	-	1,369,557	1,295,482	74,074	5.4%	
Remuneration of Directors	52,500	-	52,500	28,646	23,854	45%	3
Depreciation and Amortization Expense	411,607	-	411,607	439,930	(28,323)	-7%	
Repairs and maintenance	302,646	-	302,646	149,026	153,620	51%	4
General expenses	2,590,117	-	2,590,117	1,519,145	1,070,972	41%	5
Provision for Bad & doubtful debts			-	1,399,680	(1,399,680)		6
Total Operating Expenses	4,726,426	-	4,726,426	4,831,910	(105,484)	-2%	
Operating Profit (Loss)	4,347,015	-	4,347,015	4,769,841	633,795		
Finance Charges	-	-	-	-	-		
Corporation Tax	-	-	-	-	-		
Net Earnings	4,347,015	-	4,347,015	4,769,841	633,795		
Distribution to National Exchequer	3,912,314	-	3,912,314	4,292,857	380,543		
Retained Earnings	434,702	-	434,702	476,984	1,014,338		

Notes to the Budget:

- 1 The Authority cashflow was affected by the payment of Surplus to The National Treasury however the target for the year was met
- 2 Non cash item no budget provision
- 3 The low absorption was due delay in appointment of Directors
- 4 The budgeted items in the last quarters were affected by the COVID-19 Pandemic
5. The budgeted items in the last quarters were affected by the COVID-19 Pandemic
6. Non cash item as a provision

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p>

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Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
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. 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> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

iii. Early adoption of standards

The Authority did not have early adoption of any new or amended standards in year 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Annual frequency license fees	7,663,563	7,111,816
Annual operating license fees	1,395,174	1,410,445
Application Fees	20,972	2,995
Type approval & Registration fees	715	58
Total Revenue from Non-exchange Transactions	<u>9,080,424</u>	<u>8,525,314</u>

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	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Cash Investments and fixed deposits	591,977	998,359
Taxes	-85,691	-146,714
Total Revenue from exchange Transactions	<u>506,286</u>	<u>851,645</u>

This is interest income derived from investments in fixed term and call deposits

8 REVENUE RENTAL FROM FACILITIES

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Rental Income	3,883	4,204
Total Other Income	<u>3,883</u>	<u>4,204</u>

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 OTHER INCOME

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Sale of tender documents	36	71
Penalties	13,002	2,652
Other Income	231	208
Total Other Income	<u>13,269</u>	<u>2,931</u>

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

10 EMPLOYEE COSTS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Employee related costs - salaries and wages	934,460	850,899
Contribution to pensions	116,878	101,097
Travel and other allowances	118,687	119,304
Housing benefits and allowances	125,458	124,779
Total Employee Costs	<u>1,295,482</u>	<u>1,196,080</u>

11 REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Sitting allowance	2,620	10,013
Monthly fees	960	6,043
Telephone allowance	2,036	1,122
Traveling Expenses	915	17,975
Board Welfare	399	2,296
Training-Directors	6,002	936
Director fees	15,714	0
Total Director emoluments	<u>28,646</u>	<u>38,385</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Depreciation & Amortization for the year	439,930	407,042
Pension Amortization	0	0
	<u>439,930</u>	<u>407,042</u>

13 REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Property	17,149	12,015
Equipment	122,920	266,774
Motor Vehicles	8,957	5,235
Total Repairs and Maintenance	<u>149,026</u>	<u>284,025</u>

14 GENERAL EXPENSES

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Training	76,889	141,965
Enforcement & Compliance	83,592	95,774
Computer software	152,489	120,814
Corporate affairs	32,563	44,334
Consumer Affairs	134,447	139,902
Medical Expenses	67,872	68,660
Advertising	32,068	45,560
Meetings and conferences	192,325	295,487
Exhibitions	7,374	6,147
Utilities	60,413	44,546
Postage and telephone	13,517	17,291
Rent and Rate	25,544	26,902
Consultancy fees	48,080	229,073
Accrued-Audit fees	1,491	1,491
Legal fees	64,854	37,305
Bank charges	1,837	2,022
Security	63,432	65,392
Insurance	26,466	24,418
Printing and stationery	11,970	8,165

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House keeping	8,630	7,189
Periodicals and publications	10,365	9,659
Staff welfare	77,195	120,778
Transport Expense	23,228	27,154
Subscriptions	86,455	65,462
Sporting Activites	12,038	28,191
Corporate Social responsibility	48,156	42,295
Universal Service Obligation	6,099	24,199
National Communications Secretariat	113,000	170,000
Communications Appeals Tribunal	0	2,680
Digital Migration Expenses	0	1,193
Universal Advisory Council	36,756	48,932
Total general expenses	<u>1,519,145</u>	<u>1,962,978</u>

15 PROVISION FOR BAD & DOUBTFUL DEBTS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
General Provision of bad and doubtful debts	619,373	279,254
Specific Provision of bad and doubtful debts	780,308	0
Bad & Doubtful Debts	<u>1,399,680</u>	<u>279,254</u>

This refers to general provisions on licensees based on the debt management policy a specific provision has been made of Kshs.780million in regards to a licensee.

16 GAIN ON SALE OF ASSETS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Proceeds from disposal	0	4
Total Gain on sale of assets	<u>0</u>	<u>4</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 GAIN ON FOREIGN EXCHANGE TRANSACTIONS

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.

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Gain/Loss on foreign Exchange	2,110	-1,415
Total gain on foreign exchange transactions	<u>2,110</u>	<u>-1,415</u>

18 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Current Account	2,520,858	5,318,050
Short term deposits	5,120,743	4,682,631
Treasury Bills	0	0
Petty Cash	0	0
Total Cash and Cash Equivalent	<u>7,641,600</u>	<u>10,000,681</u>

18(B) CASH AND CASH EQUIVALENTS DETAILED ANALYSIS

Financial Institution and Account Number	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Kenya Commercial Bank (A/c Number 1106738608)		
Current Account	890,631	221,628
Fixed deposits	3,869,010	4,232,631
Sub-Total	<u>4,759,641</u>	<u>4,454,259</u>
Citibank N.A. (A/c Number 300042015)-KES		
Current Account	-7,778	122,524
Treasury Bills	0	0
Fixed deposits	0	0
Sub-Total	<u>-7,778</u>	<u>122,524</u>
Citibank N.A. (A/c Number 300042007)-USD		
Current Account	1,513,578	218,601
Sub-Total	<u>1,513,578</u>	<u>218,601</u>

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Co-operative Bank of Kenya (A/c Number 01136151735800)		
Current Account	124,426	4,755,296
Fixed deposits	1,251,733	450,000
Sub-Total	<u>1,376,159</u>	<u>5,205,296</u>

18 (C) SHORT TERM DEPOSITS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Kenya Commercial Bank	3,869,010	4,232,631
Cooperative Bank	1,251,733	450,000
Treasury Bills	0	0
Total	<u>5,120,743</u>	<u>4,682,631</u>

19 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Licensee fee receivables	2,886,133	2,288,386
Accumulated Provision for bad and doubtful debts	-2,575,850	-1,176,170
Total non-current receivables	<u>310,284</u>	<u>1,112,216</u>

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Deposits	8,498	8,563
Pension Prepaid	0	0
Amount due from USF	80	6,504
Other Receivables	544,459	550,225
Accrued Interest	42,846	81,094
Total receivables from exchange transactions	<u>595,883</u>	<u>646,386</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 PROPERTY, PLANT & EQUIPMENT

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Property Plant & Equipment	19,664,177	19,466,082
Accumulated depreciation	-551,166	-267,150
Total non-current assets	<u>19,113,011</u>	<u>19,198,932</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2018	869,897	767,733	31,646	237,586	447,216	1,872,855	176,665	4,403,598
Assets Retirement	-869,897	-767,733	-31,646	-237,586	-447,216	-1,872,855		-4,226,932
Additions					26,263	27,952	531,799	586,013
Revaluations	15,957,281	1,004,936	45,811	142,872	189,645	1,362,858		18,703,404
Capitalized WIP								
At 30 June 2019	15,957,281	1,004,936	45,811	142,872	215,908	1,390,809	662,316	19,466,082
At 1 July 2019	15,957,281	1,004,936	45,811	142,872	215,908	1,390,809	662,316	19,419,934
Assets Retirement								
Additions	-	-	20,432	-	9,703	98,318	115,790	244,244
Revaluations								

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Capitalized WIP			30,047			205,534	-235,581	-
At 30 June 2020	15,957,281	1,004,936	96,291	142,872	225,611	1,694,661	542,526	19,664,178
Depreciation and Impairment								
Assets Retirement	-	-142,242	-15,297	-140,242	-252,575	-812,866		-1,363,223
Depreciation		25,108	4,581	28,574	64,614	144,273		267,150
Impairment								
Capitalized WIP								
At 30 June 2019	-	25,108	4,581	28,574	64,614	144,273	-	267,166
Assets Retirement								0
Depreciation	-	25,123	6,445	28,574	74,074	149,783		284,001
Impairment								
Capitalized WIP								
At 30 June 2020	-	50,231	11,026	57,149	138,688	294,056	-	551,166
Net Book Values								
At 30 June 2020	15,957,281	954,705	85,265	85,724	86,923	1,400,605	542,526	19,113,011
At 30 June 2019	15,957,281	979,828	41,230	114,298	151,294	1,246,537	708,464	19,198,934

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 INTANGIBLE ASSETS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Intangible software	991,173	892,026
Accumulated depreciation	-295,104	-139,876
Total non-current intangible assets	696,068	752,150

22 (b) INTANGIBLE ASSETS

	2019-2020	2018-2019
Intangible Assets at Cost	Kshs (000)	Kshs (000)
Cost		
At the beginning of the year	660,953	603,897
Additions	99,147	0
Asset Retirement	-	-603,897
Asset Revaluation	-	660,953
At the end of the year	760,100	660,953
Works In Progress		
At the beginning of the year	231,073	162,639
Additions WIP	-	68,433
Asset Capitalized		
At the end of the year	231,073	231,073
Total Intangible at the end of the year	991,173	892,026
Amortization and Impairment		
At the beginning of the year	139,876	153,852
Asset Retirement	-	-153,852
Amortization for the year	155,228	139,876
Amortization at the end of the year	295,104	139,876
Net Book Values at end of the Year	696,068	752,150

23 REMMITTANCE TO THE NATIONAL TREASURY

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Provisional Remittance to The National Treasury - Prior year	-1,613,155	3,890,870
Provisional Remittance to The National Treasury - Current year	4,292,857	4,695,975
Total Remittance to The National Treasury	2,679,702	8,586,845

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 TRADE AND OTHER PAYABLES

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Trade payables	630,268	268,414
Universal Service Fund Levy	729	-8,505
The National Treasury	2,008,355	252,125
Accrued Expenses	11,843	589,095
Employee Remittances	26,791	36,745
Accrued Taxes	0	0
Total trade and other payables	<u>2,677,986</u>	<u>1,137,874</u>

25 PAYMENTS RECEIVED IN ADVANCE

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Payments received in advance	<u>600,655</u>	<u>49,544</u>

26 ACCUMMULATED SURPLUS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Accumulated surplus at 1 July 2019	5,177,816	12,418,194
Surplus for the year	4,769,841	5,217,750
Prior year adjustments	-15,284	237,847
Additional Remittance to Treasury	0	-8,000,000
Provisional Remittance Surplus (90%)	-4,292,857	-4,695,975
Accumulated surplus at 30 June 2020	<u>5,639,516</u>	<u>5,177,816</u>

27 REVALUATION SURPLUS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
New value of Assets	19,364,357	19,364,357
Original value of Assets	-3,348,035	-3,348,035
Revaluation surplus at 30 June 2020	<u>16,016,322</u>	<u>16,016,322</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 CASH GENERATED FROM OPERATIONS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Surplus before remittances	4,769,841	5,217,750
Adjustments for:		
Depreciation of property, plant & equipment	439,930	407,042
Loss/Gain on sale of assets	0	-4
Foreign Exchange Gain or Loss	2,110	-1,415
Amortisation of Pension	0	0
Interest Received	-506,286	-851,645
Increase in Provisions for bad debts	1,399,680	279,254
Bad Debts recovered/Reversal of Bad debt Provisions	0	0
	6,105,275	5,050,982
Working capital adjustments		
(Decrease)/Increase in receivables from non-exchange transactions	-597,748	-142,576
(Decrease)/Increase in receivables from exchange transactions	50,503	-71,595
(Decrease)/Increase in payments received in advance	551,111	-3,351
(Decrease)/Increase in trade and other payables	1,565,580	321,370
Net Working Capital Changes	1,569,447	103,848
Net cash flows from operating activities	<u>7,674,722</u>	<u>5,154,830</u>

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	Total Amount	Fully Performing	Past Due
	Kshs (000)	Kshs (000)	Kshs (000)
At 30 June 2020			
Receivables from non-exchange transactions	310,284	279,256	31,028
Receivables from exchange transactions	553,036	541,976	11,061
Total	863,320	821,231	42,089
At 30 June 2019			
Receivables from non-exchange transactions	1,112,216	1,000,995	111,222
Receivables from exchange transactions	646,386	581,748	64,639
Total	1,758,603	1,582,743	175,860

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 2020			
Trade payables and other payables	2,677,986	2,410,187	267,799
Surplus Remittance	4,292,857	0	-
Total	6,970,842	2,410,187	267,799
At 30 June 2019			
Trade payables	1,137,874	1,024,086	113,787
Surplus Remittance	4,695,975	-	0
Total	5,833,849	1,024,086	113,787

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:

Description	2019-2020
	USD (000)
At 30 June 2020	
Current Account Balance - Citibank	14,211,916

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.

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	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Retained earnings	5,639,516	5,177,816
Capital reserve	16,758,287	16,758,287
Total funds	22,397,803	21,936,103
Total borrowings	0	0
Less: cash and bank balances	7,641,600	10,000,681
Net debt/(excess cash and cash equivalents)	14,756,202	11,935,421
Gearing	66%	54%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 RELATED PARTY TRANSACTIONS

In the course of the Authority' 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	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Transactions with related parties		
a) Key management compensation		
Directors' emoluments	28,605	30,006
Compensation to the CEO	15,310	23,191
Compensation to key management	89,390	87,204
Loans to CEO and key Management	48,576	67,918
Sub-Total	181,881	208,319
b) Other Entities		
Amount due to CA-Universal Service Fund	403,432	159,528
The National Treasury	0	0
Sub-Total	403,432	159,528
Amount receivable from USF	110	9,923
Sub-Total	110	9,923
Total	585,392	377,770

32 CAPITAL COMMITMENTS

Description	2019-2020	2018-2019
	Kshs (000)	Kshs (000)
Authorised for	476,405	599,960
Authorised and contracted for		
Total	476,405	599,960

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.
- b) Miscellaneous Civil Application No.494/2017; Airtel Networks Kenya Ltd vs. Communications Authority of Kenya. The plaintiff disputes the payment of Frequency Fees of USD 20,025,000 being initial license fees. A decision in favour of the Authority will occasion an asset to the Government of Kenya.

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. 741.935 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.)

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
1	<p>1. Cash and cash Equivalents</p> <p>The statement of Financial position as at 30 June 2018 shows a balance of Kshs. 12,903,177,000 as Cash equivalents comprising Currents accounts of Kshs. 148,135,000, Short term deposits of Kshs. 12,055.042,000 and Treasury bills of Kshs. 700,000,000. The current accounts balance of Kshs. 148,135,000 as reflected on note 16 to the financial statements has been explained to include a letter of credit balance of Kshs. 46,385,767 held at Kenya Commercial Bank. However, no documentation was provided for audit verification in support of the existence of this letter of credit as at 30 June 2018. Further, Bank reconciliations of currents account reveal the following.</p>			D/FA	Response provided	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame														
	<p>1.1 Kenya Commercial Bank Account The initial bank reconciliation statement for the month of June 2018 reflects a figure of Kshs. 122,747,815.97 as the balance per cash book while the amount in the amended bank reconciliation statement reflect the balance for cash book as Kshs. 82,262,074 resulting in a movement of Kshs. 40,485,742 were not made available for audit verification.</p>	<p>1.1.1 Movement of Kshs. 40,485,742</p>	<p>1.1.1.1 The total balance in Current A/c Kshs. 148,134,796 comprises the following:</p> <p><i>Table 1: Summary all Banks Current Account ledger balances</i></p> <table border="1" data-bbox="1010 555 1480 890"> <thead> <tr> <th>Account Name</th> <th>Balance</th> </tr> </thead> <tbody> <tr> <td>KCB Current Account</td> <td>82,262,074.16</td> </tr> <tr> <td>KCB Letter of Credit</td> <td>46,385,767.23</td> </tr> <tr> <td>Citibank KES</td> <td>15,023,195.92</td> </tr> <tr> <td>Citibank USD</td> <td>3,953,389.25</td> </tr> <tr> <td>Coop KES</td> <td>510,371.62</td> </tr> <tr> <td>Total</td> <td>148,134,796.00</td> </tr> </tbody> </table> <p>1.1.1.2 The KCB ledger of Kshs. 128,647,841 comprises the following:</p>	Account Name	Balance	KCB Current Account	82,262,074.16	KCB Letter of Credit	46,385,767.23	Citibank KES	15,023,195.92	Citibank USD	3,953,389.25	Coop KES	510,371.62	Total	148,134,796.00	D/FA	Response provided	
Account Name	Balance																			
KCB Current Account	82,262,074.16																			
KCB Letter of Credit	46,385,767.23																			
Citibank KES	15,023,195.92																			
Citibank USD	3,953,389.25																			
Coop KES	510,371.62																			
Total	148,134,796.00																			

**Communications Authority of Kenya
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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame								
			<p><i>Table 2: Summary KCB Bank Account ledger balances</i></p> <table border="1" data-bbox="1003 411 1476 630"> <thead> <tr> <th>Account Name</th> <th>Balance</th> </tr> </thead> <tbody> <tr> <td>KCB Current Account</td> <td>82,262,074.16</td> </tr> <tr> <td>KCB Letter of Credit</td> <td>46,385,767.23</td> </tr> <tr> <td>Total</td> <td>128,647,841.39</td> </tr> </tbody> </table> <p>Payment vouchers totalling to Kshs. 40,485,741.81 effected at the beginning of financial year 2018/2019 were included in the cashbook for financial year 2017/2018 as unrepresented items. (Kshs. 122,747,815.97 – Kshs. 40,485,741.81 = 82,262,074.16)</p> <p>1.1.1.3 These payments have been posted to financial year 2018/2019. The updated KCB cashbook and reconciliation for the month of June 2018 is attached as Annex 1.</p> <p>Annex 1-KCB Cashbook & reconciliation for month ending 30 June 2018</p> <p>1.1.1.4 KCB Letter of credit Account of KES 46,385,767.23 comprised the following. The contract documents attached.</p>	Account Name	Balance	KCB Current Account	82,262,074.16	KCB Letter of Credit	46,385,767.23	Total	128,647,841.39			
Account Name	Balance													
KCB Current Account	82,262,074.16													
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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame								
			<p style="text-align: center;">Annex 2-KCB letter of credit documents</p> <p style="text-align: center;"><i>Table 3: Summary KCB Bank Letter of Credit ledger balances</i></p> <table border="1" data-bbox="1005 620 1480 976"> <thead> <tr> <th data-bbox="1005 620 1240 655">Account Name</th> <th data-bbox="1240 620 1480 655">Balance</th> </tr> </thead> <tbody> <tr> <td data-bbox="1005 655 1240 799">KCB Letter of Credit as at 30th June 2017 (Euro 44,214.77)</td> <td data-bbox="1240 655 1480 799" style="text-align: right;">5,231,084.80</td> </tr> <tr> <td data-bbox="1005 799 1240 940">KCB Letter of Credit dated 6th July 2017 (Euro 344,968)</td> <td data-bbox="1240 799 1480 940" style="text-align: right;">41,154,683.00</td> </tr> <tr> <td data-bbox="1005 940 1240 976">Total</td> <td data-bbox="1240 940 1480 976" style="text-align: right;">46,385,767.20</td> </tr> </tbody> </table>	Account Name	Balance	KCB Letter of Credit as at 30 th June 2017 (Euro 44,214.77)	5,231,084.80	KCB Letter of Credit dated 6 th July 2017 (Euro 344,968)	41,154,683.00	Total	46,385,767.20			
Account Name	Balance													
KCB Letter of Credit as at 30 th June 2017 (Euro 44,214.77)	5,231,084.80													
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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>1.2 Citibank N.A Bank Account</p> <p>The Bank Reconciliation statement for the month of June 2018 reflects a figure of KShs. 41,825,299.96 as the balance per cash book while the amount in the Financial statement is Kshs. 15,023,000 resulting in a difference of Kshs. 26,892,299.96. Even though the management has explained the difference as unrepresented payment, no supporting documents were provided for audit verification to support the payment. Under this circumstances, it has not been possible to confirm the accuracy, validity and existence of the Citibank account balance of Kshs. 148,135,000 as at 30 June 2018.</p>	<p>1.2.1 Movement of Kshs. 26,802,104.04</p>	<p>1.2.1.1 The difference between the CITIBANK cashbook and the financial statements was due to payment of KES 26,802,104.04 that was effected in the close of financial year 2017/2018 but was omitted in the cashbook for the financial year 2017/2018 as an unrepresented item. The CITIBANK cashbook and reconciliation for the month of June 2018 is attached as Annex 2.</p> <p>Annex 3-CITIBANK Cashbook & reconciliation for month ending 30 June 2018</p>	D/FA	Response provided	
	<p>2. Property, Plant and Equipment</p> <p>The statement of Financial position as at 30 June 2018 indicates a balance of Kshs. 2,980,782,000 as Property, Plant, and Equipment. Note 20 to the financial statements reflects an adjustment of Kshs. 208,208,000. However, the movement of an adjustment of Kshs. 202,091,084 under capital work in progress where only Kshs. 45,973,342 was traceable to intangible assets transfers to the other asset categories</p>	<p>1.1 Adjustment of Kshs. 208,208,000 under WIP</p> <p>1.2 Adjustment of Kshs. 2,638,140 and Kshs. 3,417,716 under freehold land and buildings</p>	<p>1.1.1 In FY 2017/2018, Works-In-Progress classified under Property, Plant & Equipment were completed amounting to Ksh. 202,091,804 and subsequently capitalized to the respective Asset Categories. The Asset summary is provided below in <i>Table 4</i>.</p>	D/FA	Response provided	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame																																				
	<p>on the assets movement schedule. In addition, adjustments of Kshs. 2,638,140 and Kshs. 3,417,716 under freehold land and buildings and civil works respectively had no supporting documents produced for audit verification. Further, freehold land includes additions totalling Kshs. 41,788,000 under freehold land for which procurement and ownership documents were not provided for audit review. Consequently, the accuracy of the property, plant and equipment balance of Kshs. 2,980,782,000 as at 30 June 2018 could not be ascertained.</p>	<p>1.3 Additions totalling Kshs. 41,788,000 under freehold land</p>	<p><i>Table 4: Summary of PPE Capitalized & Adjustments</i></p> <table border="1"> <thead> <tr> <th>Asset Category</th> <th>Description</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Commercial Buildings</td> <td>Kitale Station Boundary Wall</td> <td>41,788,300</td> </tr> <tr> <td>Repairs Buildings</td> <td>Kitale Station Boundary Wall</td> <td>26,485</td> </tr> <tr> <td>Commercial Buildings</td> <td>CA HQ Refurbishment</td> <td>111,919,277</td> </tr> <tr> <td>WIP Buildings</td> <td>CA HQ Refurbishment</td> <td>2,384,399</td> </tr> <tr> <td>ICT Regulatory Systems</td> <td>Numbering Management System</td> <td>33,184,842</td> </tr> <tr> <td>General Office Software</td> <td>RFID File Management System</td> <td>12,788,500</td> </tr> <tr> <td></td> <td>W.I.P (PPE) Completed & Capitalized/Expensed</td> <td>202,091,804</td> </tr> <tr> <td>Land</td> <td>Tratiz Enterprises</td> <td>2,639,140</td> </tr> <tr> <td>Commercial Buildings</td> <td>AUA Industria</td> <td>3,477,114</td> </tr> <tr> <td></td> <td>PPE Adjustments</td> <td>6,116,254</td> </tr> <tr> <td colspan="2">Total PPE Capitalized & Adjustments</td> <td>208,208,058</td> </tr> </tbody> </table>	Asset Category	Description	Total	Commercial Buildings	Kitale Station Boundary Wall	41,788,300	Repairs Buildings	Kitale Station Boundary Wall	26,485	Commercial Buildings	CA HQ Refurbishment	111,919,277	WIP Buildings	CA HQ Refurbishment	2,384,399	ICT Regulatory Systems	Numbering Management System	33,184,842	General Office Software	RFID File Management System	12,788,500		W.I.P (PPE) Completed & Capitalized/Expensed	202,091,804	Land	Tratiz Enterprises	2,639,140	Commercial Buildings	AUA Industria	3,477,114		PPE Adjustments	6,116,254	Total PPE Capitalized & Adjustments		208,208,058			
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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
			<p>2.1.1 The Ledger corrections amounting to Ksh. 6,116,254 in the fixed assets register were effected to correct overstatements to the Assets and Supplier Ledger Accounts due to erroneous double posting of retention invoices that the suppliers submitted for payment after completion of the defects liability period. <u>The corrections were reversals of accounting entries that never resulted in double payment.</u></p> <p>i. Land – Kshs. 2,639,140 The adjustment was effected to correct erroneous double posting of retention invoices listed below to Tratziz Enterprises Limited as indicated in below in <i>Table 5.</i></p> <p>ii. At the conclusion of the contract, the supplier raised additional invoice dated 30/06/2018 Invoice No. 031214-04 of Kshs. 2,639,140.15 for the payment of retention that was erroneously posted again, hence overstating the Asset and ledger balance by Kshs 2,639,140 as at FY2015/16.</p> <p>iii. In FY 2017/18 correction was effected to correct the overstatement of assets and supplier balances.</p>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame																								
			<p><i>Table 5: List of invoices with retention applied</i></p> <table border="1" data-bbox="1010 421 1576 644"> <thead> <tr> <th>Date</th> <th>Invoice</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>09/03/16</td> <td>02/03/15-0</td> <td>742,972.45</td> </tr> <tr> <td>09/03/16</td> <td>100415-4</td> <td>735,954.80</td> </tr> <tr> <td>09/03/16</td> <td>TPI/15/05</td> <td>714,798.90</td> </tr> <tr> <td>09/03/16</td> <td>TPI/24/06</td> <td>445,414.00</td> </tr> <tr> <td></td> <td>Total</td> <td>2,639,140.00</td> </tr> </tbody> </table> <p>Annex 4-Tratiz General Ledger corrections of erroneous posting</p> <p>3.1.1 Buildings – Kshs. 3,477,116. The correction was for double posting of retention invoices to AUA Industria Limited as indicated below in Table 6. At the conclusion of the contract, the supplier raised additional invoice for the retention that was erroneously posted again, hence overstating the Asset and ledger balance by Ksh. 3,477,116 as at FY2016/17.</p> <p><i>Table 6: List of additional invoice raised by supplier for retention</i></p> <table border="1" data-bbox="1010 1166 1503 1246"> <thead> <tr> <th>Date</th> <th>Invoice</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>30/06/18</td> <td>5431</td> <td>3,477,116.00</td> </tr> </tbody> </table> <p>4.1.1 In FY 2017/18 correction of the overstatement of assets and supplier balances was effected.</p>	Date	Invoice	Amount	09/03/16	02/03/15-0	742,972.45	09/03/16	100415-4	735,954.80	09/03/16	TPI/15/05	714,798.90	09/03/16	TPI/24/06	445,414.00		Total	2,639,140.00	Date	Invoice	Amount	30/06/18	5431	3,477,116.00			
Date	Invoice	Amount																												
09/03/16	02/03/15-0	742,972.45																												
09/03/16	100415-4	735,954.80																												
09/03/16	TPI/15/05	714,798.90																												
09/03/16	TPI/24/06	445,414.00																												
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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
			Annex 5-AUA Industria General Ledger corrections of erroneous posting			
	<p>3. Employee Costs-Salaries and Wages The statement of financial performance and note 9 to the financial statements reflect an amount of Kshs. 1,140,209,000 in respect of employee costs. However, monthly analysis of employee costs gives a total sum of Kshs. 1,142,962,219 resulting in an unexplained and unreconciled variance of Kshs. 2,753,219. In addition, bonus payments amounting to Kshs. 1,142,962,219 resulting in an unexplained and unreconciled variance of Kshs. 2,753,219. In addition, bonus payments amounting to Kshs. 9,589,055 made to staff or various reasons for which the basis of payments and the authority for payments listed below were</p>	<p>3.1 Unexplained variance of Kshs. 2,753,21 3.2 Bonus payments amounting to Kshs. 9,589,055 made to staff</p>	<p>3.1 The majority of the payroll elements in each month are mainly constant with exception on a few e.g leave allowance, acting/duty allowance, entrant of new employees, retirements, promotions, among others that are payable depending on when they are incurred/fall due hence resulting in variations month on month. Annex 6 - An overview/analysis of causes of the variance in the payroll month on month is provided below in Table 7 3.2 The lump sum payments were paid according to HCA policy clause 4.7.2 that Employees who have reached the maximum of their salary scales, with positive appraisal ratings, may be awarded a lump</p>	D/HCA	Response provided	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame															
	<p>not made available for audit review.</p> <table border="1"> <thead> <tr> <th>Name of Bonus</th> <th>Month</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Lump Sum Payments</td> <td>July 2017</td> <td>6,274,140</td> </tr> <tr> <td>Long Service Award</td> <td>June 2018</td> <td>1,040,375</td> </tr> <tr> <td>Long Service Award</td> <td>March 2018</td> <td>2,274,540</td> </tr> <tr> <td>Total</td> <td></td> <td>9,589,055</td> </tr> </tbody> </table> <p>Consequently, the accuracy of employee costs of Kshs. 1,140,209,000 for the year ended 30 June 2018 could not be confirmed.</p>	Name of Bonus	Month	Amount (Kshs)	Lump Sum Payments	July 2017	6,274,140	Long Service Award	June 2018	1,040,375	Long Service Award	March 2018	2,274,540	Total		9,589,055		<p>sum performance related bonus, equivalent to one or more annual increments, but not exceeding (3) increments per year.</p> <p>Annex 7 – Appraisal ratings for employees awarded lump sum in FY 2017/18 and the HCA policy clause 4.7.2</p>			
Name of Bonus	Month	Amount (Kshs)																			
Lump Sum Payments	July 2017	6,274,140																			
Long Service Award	June 2018	1,040,375																			
Long Service Award	March 2018	2,274,540																			
Total		9,589,055																			
4	<p>Unsupported General Expenditure</p> <p>The statement of Financial performance as at 30 June 2018 shows a figure of Kshs. 2,631,195,000 as General expenses. Included in the general expenses are expenditures amounting to Kshs. 157,164,356 which were not supported by any documentary evidence. The expenditure lines are as detailed below:</p>	<p>4.1 Unsupported expenditure Kshs. 2,631,195,000</p>	<p>4.1.1 The copies of the payments vouchers and documentary evidence were provided.</p> <p>Annex 8 – Payment vouchers and documentary evidence</p>	D/FA	Response provided																

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame																
	<table border="1"> <thead> <tr> <th></th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Training</td> <td>23,744,235</td> </tr> <tr> <td>Enforcement</td> <td>615,960</td> </tr> <tr> <td>Computer software maintenance</td> <td>57,543,215</td> </tr> <tr> <td>Corporate affairs</td> <td>18,314,285</td> </tr> <tr> <td>Consumer affairs</td> <td>54,117,773</td> </tr> <tr> <td>Medical</td> <td>2,828,888</td> </tr> <tr> <td>Total</td> <td>157,164,356</td> </tr> </tbody> </table> <p>Under the circumstances, the accuracy and propriety of the general expenses of Kshs. 2,631,195,000 as at 30 June 2018 could not be ascertained.</p>		Amount	Training	23,744,235	Enforcement	615,960	Computer software maintenance	57,543,215	Corporate affairs	18,314,285	Consumer affairs	54,117,773	Medical	2,828,888	Total	157,164,356					
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Total	157,164,356																					
5	<p>Payment Received in Advance</p> <p>The statement of financial position as at 30 June 2018 reflects a figure of Kshs. 26,479,000 as payments received in advance comprising Kshs. 20,501,000 (annual frequency license fees) and Kshs5,987,000 (annual operating fees). However, the following anomalies were noted under payments in advance.</p> <p>a) A sample of 17 payments received in advance comprising Kshs. 12,347,261 were compared to invoices and total amount of invoices for the 17 users was found to be</p>	5.1 Explanation of the payments received in advance Kshs. 20,501,000	5.1.1 Advance payments may result from the following scenarios. <ul style="list-style-type: none"> i. License fees received in the FY 2016/17 but meant for FY 2017/18 usually due to early dispatch of invoices before the beginning of the next financial year. ii. License offer letters contain prorated license fees for current year and full fees payable for next one full year. iii. Prepayments as per sampled licensees in the <i>Table 8</i> below and as per sampled invoices 	D/FA	Response provided																	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>Kshs. 26,743,677 resulting to an unexplained and unsupported variance of Kshs. 14,396.415 which was not explained or supported. If the error level were to be extrapolated to the population of Kshs. 26,479,000 then, the expected resultant variance would be Kshs. 30,873,460.</p> <p>Consequently, it was not possible to conform the accuracy of the payments received in advance of Kshs. 26,479,000.</p> <p>b) The breakdown of annual operating fee license amount Kshs. 5,978,000 contained negative entries totalling Kshs. 802,975 for which no valid explanation or reconciliation was provided for audit scrutiny.</p> <p>c) The breakdown of Kshs. 20,501,000 reflected as annual frequency license fees had an unexplained opening balance of Kshs. 14,375,000. No breakdown was provided for this balance and hence could not match to the billing and utilization during</p>		<p>attached.</p> <p>Annex 9 – Table 8 on prepayments and sampled invoices</p> <p>5.1.2 Advance income as at 30th June 2017 was Kshs. 19,425,000 comprising of Kshs. 14,374,000 being frequency fees and Kshs. 5,050,000 being annual operating license fees. These form the opening balances in the financial year 2017/18. The negative entries in the advance income account relate to reversals of advance income for the financial year 2016/17 of Kshs. 19,425,000.</p> <p>5.1.3 A sample of the invoices raised in the month of June 2018 is hereby submitted for your verification attached.</p> <p>Annex 10 –prepayments invoices for FY 2017/18 and sampled invoices</p>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>the year.</p> <p>d) Invoices raised in the month of June 2018 amounting to Kshs. 1,286,373 in respect of annual frequency license included in the payments in advance were not provided for audit verification.</p> <p>Consequently, the accuracy and completeness of the payments received in advance figure of Kshs. 26,479,000 could not be ascertained as at 30 June 2018.</p>					
6	<p>Revenue from Non-Exchange Transactions</p> <p>The Statement of Financial performance as at 30 June 2018 reflects a figure of Kshs. 7,620,184,000 as revenue from non-exchange transactions. Examination of schedules provided reveal the following:</p>			D/FA	Response provided	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>6.1 Annual frequency license Fees- Advance income Included in the annual frequency license fees of Kshs. 6,223,152,000 is an amount of Kshs. 7,220,500 described as advance income 2016/2017 (Ref ADVNC 16/17 Kshs. 5,776,047 and Kshs. 1,444,593 dated 1st July 2017). However, no documentation was provided to show that the amount of Kshs. 7,220,500 was included under liabilities as payment in advance in the financial year 2016/2017. Without the confirmation, it is not possible to confirm the accuracy of Annual frequency income of Kshs. 6,223,152,000.</p>	<p>6.1.1 Documentation to show that the amount of Kshs. 7,220,500 was included under liabilities as payment in advance</p>	<p>6.1.1 Prior to July 2017, invoices relating to the F/Y 2017/18 had been issued and clients made payments, which formed part of the advance income in the F/Y 2016/17. As at financial year 2017/18, this advance income was reversed so that this income is accounted for during the year that it related of 2017/18.</p> <p>i. Following demands by the Authority to Car Track Limited to settle the outstanding fees, Car Track wrote back requesting for a reconciliation of the outstanding amount. Following a series of meeting between the licensee and the Authority, it was established that there was an overbilling necessitating issuance of a credit note. The Approval for the Credit Note and the Credit Note is provided in <i>Annex 14</i>.</p> <p>Annex 11 – Credit note and approvals for Car Track</p>	D/FA	Response provided	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>6.2 Annual operating license Fees-Invoice to Kenya Towers Included in the annual operating license fees of Kshs1,392,103,000 is an amount of Kshs17,156,188 (Ref N171706 dated 3.7.2017) being a duplicate of Invoice Ref N171706 dated 1.7.2017. No credit note issued to reverse one of the invoices to Kenya Towers. Consequently, the annual operating license fees of Kshs1,392,103,000 is overstated and therefore the accuracy and completeness could not be ascertained.</p>	<p>6.2.1 duplicate invoice of Kshs. 17,156,188. No credit note issued</p>	<p>ii. Invoice no. N171706 of Kshs.17,156,18 was issued to Kenya Towers Limited. It was captured twice on 1st July 2017 and on 3rd July 2017. An entry to reverse this double capture is provided.</p> <p>Annex 12 – Ledger entry for reversal of double capture of Kenya Towers Ltd</p>	D/FA	Response provided	
7	<p>Receivables from Exchange Transactions The statement of Financial position as at 30 June 2018 reflects a figure of Kshs. 561,321,000 as Receivables from exchange transactions. Although the breakdown of the balance as at year end was provided, the comparative figure as at the end of the previous year or the opening balances were not provided and hence it was not possible to work out the repayments and new issues during the year as well as identification of the non performing advance which includes an amount of Kshs. 421,088,580 referred as CCK property loan. In addition, the balance of other receivables as disclosed on note 18 to the financial statements of Kshs. 543,834,000 include car insurance of Kshs.</p>	<p>7.1 the break down indicating the Opening Balance, New issues and repayments for Receivables from Non Exchange transaction of Kshs. 561,321,000</p>	<p>7.1.1 The employee loans are maintained and recovered in payroll. There are no defaults.</p> <p>Annex 13 – Employee Advance/loan schedule indicating the opening balance, new issues and repayments.</p>	D/FA	Response provided	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>339,744 medical recoveries of Kshs. 877,760 salary advances of Kshs. 361,793, fire and mortgage of Kshs. 6,355 AA subscriptions of Kshs. 102,079 and other debtors of Kshs. 92,402 all of which had no supporting breakdown provided for audit verification.</p> <p>Further, other receivables amount of KShs. 543,833,807 includes an amount of out of which Kshs. 4,194,364 in respect of imprest issued to officers who hold more than one imprest.</p> <p>Under the circumstances, the accuracy and validity of receivables from exchange transactions balance of Kshs. 561,321,000 as at 30 June 2018 could not be confirmed.</p>					
8	<p>Trade and Other Payables</p> <p>The statement of Financial position as at 30 June 2018 reflects a figure of Kshs. 897,145,000 as Trade and other payables from exchange transactions in respect of which the following issues were noted:</p> <p>a) Included in this amount is trade payables figure of Kshs. 691,358,000 of which an amount of Kshs. 19,229,547 as reflected as Asset Deposit Compensation for which the supporting documents were provided for audit review does not</p>	<p>8.1 Amount of Kshs. 19,229,547 as reflected as Asset Deposit Compensation</p> <p>8.2 amount of Kshs. 14,830,327 payables to Commissioner of Income Tax and an amount of Kshs. 17,426,704 payables to Commissioner of VAT</p>	<p>8.1.1 The amount was recorded as a deposit since it was funds received and it shall be applied to the costs charged by the equipment manufacturer upon repair of the antennae.</p> <p>Annex 14- The discharge voucher from the insurance company and bank statement indicating receipt of funds.</p> <p>8.1.2 The Authority files returns and payment as per the guidelines provided for by KRA and the tax laws. The outstanding amounts were paid in subsequent periods.</p>	D/FA	Response provided	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>demonstrate how the amounts is payable yet it is an insurance claim and the corresponding asset that was being cleared has not been eliminated/disposed on the assets movement schedule of the financial statements.</p> <p>b) Included in the trade payable amount of Kshs. 691,358,000 is an amount of Kshs. 14,830,327 payables to Commissioner of Income Tax and an amount of Kshs. 17,426,704 payables to Commissioner of VAT which were not supported with relevant documents in form of returns of assessment to or from Kenya Revenue Authority.</p> <p>c) Suppliers' statement duly reconciled to the creditor balance as per accounting records were not provided for audit verification especially for suppliers with balances above Kshs. 10,000,000 which totalled to Kshs. 482,761,016.</p> <p>d) The trade and other payables balance of Kshs. 897,145,000 includes</p>		<p>Annex 15- Kenya Revenue Authority settlements.</p> <p>Annex 16-The schedule for suppliers' balance above Kshs.10million.</p> <p>Annex 17 - The schedule of the employees remittances</p>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame																										
	<p>unpaid employee remittances of Kshs. 43,938,594 for which detailed breakdown had unexplained debit balances totalling Kshs. 12,960,750 as shown below:</p> <table border="1" data-bbox="141 555 638 1169"> <thead> <tr> <th data-bbox="141 555 465 624">Name</th> <th data-bbox="465 555 638 624">Amount (Kshs.)</th> </tr> </thead> <tbody> <tr> <td data-bbox="141 624 465 692">KCB pension-seconded staff</td> <td data-bbox="465 624 638 692">11304</td> </tr> <tr> <td data-bbox="141 692 465 730">HELB</td> <td data-bbox="465 692 638 730">537</td> </tr> <tr> <td data-bbox="141 730 465 769">COTU College</td> <td data-bbox="465 730 638 769">20,850</td> </tr> <tr> <td data-bbox="141 769 465 807">SACCO Shares</td> <td data-bbox="465 769 638 807">6,383,480</td> </tr> <tr> <td data-bbox="141 807 465 845">NSSF</td> <td data-bbox="465 807 638 845">2,620,500</td> </tr> <tr> <td data-bbox="141 845 465 914">Communication Workers Union</td> <td data-bbox="465 845 638 914">72,612</td> </tr> <tr> <td data-bbox="141 914 465 952">CCK Pension Scheme</td> <td data-bbox="465 914 638 952">3,711,805</td> </tr> <tr> <td data-bbox="141 952 465 991">Old Mutual</td> <td data-bbox="465 952 638 991">42,860</td> </tr> <tr> <td data-bbox="141 991 465 1029">ICEA</td> <td data-bbox="465 991 638 1029">9,055</td> </tr> <tr> <td data-bbox="141 1029 465 1067">SACCO Instant Loan</td> <td data-bbox="465 1029 638 1067">82,634</td> </tr> <tr> <td data-bbox="141 1067 465 1136">Communication Special savings</td> <td data-bbox="465 1067 638 1136">5,113</td> </tr> <tr> <td data-bbox="141 1136 465 1169">TOTAL</td> <td data-bbox="465 1136 638 1169">12,960,750</td> </tr> </tbody> </table> <p>Consequently, the accuracy and validity of the trade and other payables balance of Kshs. 691,358,000 as at 30 June 2018 could not be ascertained.</p>	Name	Amount (Kshs.)	KCB pension-seconded staff	11304	HELB	537	COTU College	20,850	SACCO Shares	6,383,480	NSSF	2,620,500	Communication Workers Union	72,612	CCK Pension Scheme	3,711,805	Old Mutual	42,860	ICEA	9,055	SACCO Instant Loan	82,634	Communication Special savings	5,113	TOTAL	12,960,750					
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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
9	<p>Remuneration of Directors The statement of Financial performance as at 30 June 2018 reflects a figure of Kshs. 53,995,000 in respect of remuneration to directors. The amount includes broadband allowance totalling Kshs. 3,362,333 paid to Directors on a monthly basis whose basis was not provided for audit verifications and in addition the payment was not in line with State Corporations Act and Mwongozo guidelines. In consequence, the accountability and propriety of the expenditure of Kshs. 3,362,333 could not be confirmed.</p>	<p>9.1 The amount includes broadband allowance totalling Kshs. 3,362,333 paid to Directors</p>	<p>9.1.1 The Board approved the provision of working tools for both staff and Board. Annex 18 - The policy on working tools</p>	D/LS	Response provided	
10	<p>Unauthorised Employee Costs i. The statement of Financial performance as at 30 June 2018 reflects a figure of Kshs. 1,140,209,000 as employee costs. Included in this amount is a figure of travel and other allowances of Kshs. 117,310,000 and Housing benefits and other allowances of Kshs. 123,979,000 which was spent and there was no budgetary allocation as no budget approvals by the full Board meeting were produced for</p>	<p>10.1 Employee costs spent without board approval and over expenditure of Kshs. 25,707,000</p> <p>10.2 The budget reallocation was to cater for emergency medical and were approved by the board on case by case</p>	<p>10.1.1 Budgets are approved on a “3-year” rolling basis. The FY 2017/18 budget was approved by the board on 27th October 2016, and subsequently by The National Treasury. Annex 19 - The Board extracts and The National Treasury approval for Budget FY 2017/18 Annex 20 – Board approvals for medical assistance</p>	D/HCA & D/FA	Response provided	

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>audit verification.</p> <p>ii. The statements of financial performance and note 9 of the financial statements reflects contribution to pensions and medical actual expenditure of Kshs. 89,807,000 although the budgetary allocation was of Kshs. 64,100,000 resulting in over expenditure of Kshs. 25,707,000 for which no budgetary re-allocation and approvals by the full Board were made available for audit review.</p> <p>In view of the foregoing, the accuracy, legality and propriety of the expenditure could not be confirmed.</p>					

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
11	<p>Other Income The statement of Financial performance as at 30 June 2018 reflects a figure of Kshs. 4,093,000 in respect of other income out of which Kshs. 4,093,000 relate to staff rent. However, no documentation was provided to support the rentals income from the staff such as the rental agreements and even the detailed breakdown of who paid what amounts.</p> <p>Under the circumstances, it was not possible to confirm the accuracy and propriety of other incomes of Kshs. 4,163,000 as at 30 June 2018.</p>	<p>11.1 Documentation was provided to support the rentals income from the staff</p>	<p>11.1.1 The Authority has staff quarters which house staff. Staff members who are housed in the Authority's residential houses pay a monthly rent to the Authority.</p> <p>Annex 21- The schedule of the rent income received together with sample list of staff who paid during the financial year 2017/18.</p>	D/FA	Response provided	
12	<p>Budget The figures of approved budget presented for audit compared to the amounts reflected in the Statement of Comparison of budget and actual amounts had variances in some account balances as highlighted below:</p>	<p>12. No explanation provided for the budget variance</p>	<p>12.1.1 there was no budget over spent in FY 2017/2018. Further, the figure includes an amount of Kshs. 7702 million with respect to bad debts provision that's a non-budgeted item.</p> <p>Annex 22- The table of budget variance explanations.</p>	D/FA	Response provided	

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Basis of Qualified Opinion					Key Issues	Management Response	Focal Point	Current Status	Time frame
Account Balance	Amount of Budget as reflected in the Statement of Comparison of Budget and Actual (Kshs.)	Amount Reflected in the Approved Budget (Kshs.)	Variance (Kshs)						
Employee costs/personal emoluments	1,155,238,000	1,140,388,000	14,900,000						
General expenses/operating and administrative expenses	2,463,449,000	2,471,849,000	(8,400,000)						
	Overall difference		6500000						

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	No explanation was provided for the variances.					
13	Prior Year Issues The following prior year issues were yet to be addressed as at the time of the audit.					
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</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>1.3.1.1 The Communications Authority of Kenya through its procurement plan of 2016/217 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</p>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>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 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>disabilities</p>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<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>1.3.2 Contract between the Authority and M/s Sum Decorators of Kshs. 13,302,560 the Authority was not availed.</p>	<p>1.3.2.1 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>1.3.2.2 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>			

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	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>1.3.2.3 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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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
		<p>1.3.3 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>1.3.3.1 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>1.3.3.2 The bids were evaluated and M/s Unicore 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>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
			<p>1.3.3.3 Upon acceptance of the offer, which had terms and conditions of engagement, the Authority issued two purchase orders to M/s Unicore which were signed by the Director General as per PPADA Section135.(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 Kikao 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>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>1.4 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>1.4.1 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>1.4.1.1 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>1.4.1.2 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>1.4.1.3 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>1.4.1.4 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>			

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	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>1.4.1.5 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>1.4.1.6 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>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
		<p>1.4.2 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>1.4.2.1 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 gives away that were needed for various corporate and consumer forums.</p> <p>1.4.2.2 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>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
			<p>1.4.2.3 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>1.4.2.4 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>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>1.5 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>1.5.1 Supply of additional brochures worth Kshs.9,292,500 and Kshs.5,683,485 through direct payment.</p>	<p>1.5.1.1 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>1.5.1.2 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>			

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	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>1.5.1.3 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>1.5.1.4 The award for design and printing of brochures was therefore through an open tender and not direct procurement method.</p> <p>1.5.1.5 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>			

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	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>1.5.2 total of 139,250 child online brochures worth Kshs. 12,323,625 were still lying in store unutilized</p>	<p>1.5.2.1 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.</p> <p>Annex 18 – Management approval to postpones consumer education campaigns</p> <p>1.5.2.2 The brochures are distributed through the following distribution channels. The Authority increased distribution to (2) new</p>			

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	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" data-bbox="999 759 1693 1396"> <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>1055</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>1659</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>3190</td> <td>69,</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	1055	105,000	105,000	19,740	116,580	2016/2017	13-Oct-16	1659	40,300	40,300	105,120	51,760	2017/2018	11-Apr-	3190	69,	-	51,760	-			
FY	LPO date	LP O No.	Quantity Ordered	Quantity Delivered	Quantity Distributed	Quantity in Stock																																			
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2017/2018	11-Apr-	3190	69,	-	51,760	-																																			

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	Basis of Qualified Opinion	Key Issues	Management Response				Focal Point	Current Status	Time frame			
				18		600 **						
			Total			246 ,22 0	176,620	176 ,62 0	0			
			<p style="text-align: center;">** Order cancelled</p> <p>Phase II of campaign conducted FY 2017/2018 and all the brochures issued.</p>									

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p style="text-align: center;">1.6 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>1.6.1 Disclaimer on the Manufacturers Authorization on warranty of the products supplied</p>	<p>1.6.1.1 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>1.6.1.2 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 style="text-align: center;">Annex 20 - Manufacturers Authorization Form template & the Suppliers authorization form</p>			

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	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>1.6.2 Supplier was awarded all the five (5) lots contrary to (3) lots specified in the invitation to tender</p>	<p>1.6.2.1 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>1.6.2.2 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>			

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	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>1.6.2.3 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>1.6.2.4 The computers were delivered and installed as per the contract specifications</p>			

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	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>			

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	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>			

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	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>			

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
		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	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. Annex 29 – FC Talanta sponsorship renewal correspondence to the Ministry of Sports, Culture and the Arts			

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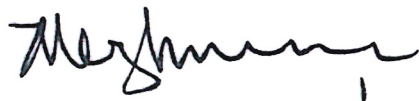
	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
3	<p>Directors Expenses 3.1 Irregular Payments to Directors Included in the director's expenses figure of Kshs. 47,211,000 under note 10 is an amount of Kshs. 1,656,000 in respect of board welfare. The amount 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 (i) 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 totaling 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>			

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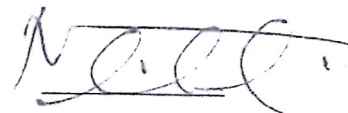
	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>3.2 Irregular Disposal of MacBook laptops and IPADS to Directors Examination of available record revealed that Authority assets including macbook laptops and IPADs held by the former directors were un-procedurally 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>			

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	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.			



Ag. Director General
Date: 24th September 2020



Chairman of the Board
Date: 24th September 2020

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