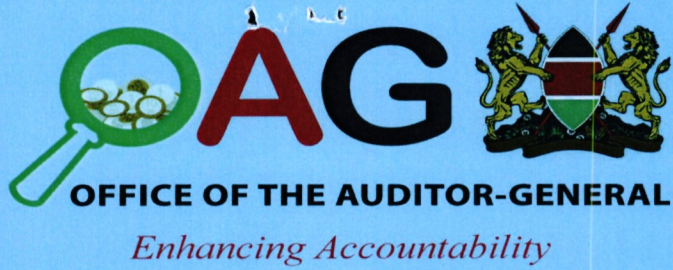


REPUBLIC OF KENYA



REPORT

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THE AUDITOR-GENERAL

ON

**COMMUNICATIONS AUTHORITY
OF KENYA**

**FOR THE YEAR ENDED
30 JUNE, 2019**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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**COMMUNICATIONS
AUTHORITY OF KENYA**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Mr. Francis Wangusi
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	Mr. John Omo retired on 31 st December 2019
	Director, Legal Services	Ms. Mercy Wanjau effective 1 st January 2019
6.	Ag. Director Universal Service Obligation and Funding	CPA. Maxwell Mosoti
7.	Director, Human Capital & Administration	Mr. Juma Kandie
8.	Director, Frequency Spectrum Management	Mr. Tom Olwero
9.	Director, Licensing, Compliance & Standards	Mr. Christopher Kemei
10.	Director, Competition, Tariffs & Market Analysis	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.

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

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; (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 has served as Board member at Kenya Broadcasting Corporation (KBC) and Kenya Pipeline Company (KPC).

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

Mr. Gituku was re-appointed to the position on 18th April 2018 for a three-year term.



Dr. Karanja Kibicho (Born in 1967) is the Principal Secretary State Department of Interior.

He holds a doctorate in Mechanical Engineering from the University of Cape Town, South Africa, a Masters of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering.

Dr. Kibicho has taught in various institutions of higher learning, including Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as the chairman and senior lecturer in the department of Mechanical Engineering. He has served as an external examiner at the University of 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.



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).



Mr. Jerome Ochieng is the Principal Secretary for ICT and Innovation. 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 at the Information, Communication 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 Public Procurement Oversight Authority for 6 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.



Dr. Kamau Thugge is the Principal Secretary at the National Treasury. He was appointed to this position on 7th June 2013. He serves in the Communications Authority of Kenya Board in his capacity as Principal Secretary at the National Treasury.

Dr. Thugge holds a Doctorate of Philosophy (PhD) in Economics from Johns Hopkins University, Master in Economics from Johns Hopkins University, USA and Bachelors of Arts (Economics) from Colorado College, USA



Mr. Paul Kukubo, MBS (Born in 1967) is a consultant with vast experience in the local and regional ICT sector.

Mr. Kukubo holds Global MBA from United States International University (USIU-Africa) and a Bachelor of Arts in Economics and Sociology from the University of Nairobi. A former chairman of the Marketing Society of Kenya, Mr. Kukubo is also a member of the International Association of Business Analysis and has previously served a chairman of the National ICT Master Plan committee, the Task Force on Creative Industries and a board member of Multimedia University.

He was appointed to the Communication Authority of Kenya (CA)'s board on 29th April 2016 for a period of three years and exited CA Board upon expiry of the term on 29th April 2019. He served as the Chairperson of Technical committee.



Mr. David Kitur (Born in 1963) is businessman and an engineer with interests in the technology industry. He is the Executive Director of Microlan Africa.

He has vast experience in the ICT industry having worked as an engineer at the then Voice of Kenya (now KBC), Kenya Railways, Kenya Power, Amarco and Umeme Services. He holds a Master of Science (MSc.) degree in Software Systems Technology from Sheffield University, UK and a BSc. in Electrical and Electronics Engineering from the University of Nairobi.

Mr.Kitur has attended short courses in Public Procurement and Corporate Governance, among others. He was appointed to the CA Board on 29th April 2016 for a term of three years and exited CA Board upon expiry of the term on 29th April 2019.



Mr. Christopher Guyo (Born in 1967) is a seasoned Human Resource professional with over 22 years' experience. He has vast experience in Oil & Gas Industry (Caltex/Chevron Oil Kenya Ltd and Kenya Petroleum Refineries) and Banking sector (Barclays Bank, Dib Bank Kenya and Postbank) having served in various senior management capacities. He is currently the Senior Technical Advisor to the CS – Labour and Social Protection.

He holds MBA in Human Resource Management from the University of Nairobi and currently pursuing his Doctor in Business Administration at the Catholic University of Eastern Africa.

He also holds a Bachelor of Education (Arts) degree from Moi University, Higher National Diploma in HRM, and Practitioners Diploma in Executive Coaching from Academy of Executive Coaching and an Advanced Certificate in Strategic HR Management from



Mr. Mugambi Nandi (Born in 1971) is an advocate of the High Court of Kenya, with many years' experience in corporate and commercial law. He is the Senior Partner at KN Law LLP, Advocates & Notaries Public, where he specializes in mergers & acquisitions, private equity, capital market transactions and energy law. He was cited as a Recognized Practitioner in Corporate and Commercial Law rankings for Kenya by Chambers Global in 2017 and 2018. He holds a Bachelor of Laws degree and a Master of Business Administration degree from the University of Nairobi, and a Diploma in Financial Management from the ACCA.

He currently sits on a number of boards, including Mayfair Bank Limited. He has previously served on the Boards of the Privatization Commission, Seriani Asset Managers Limited and Council for Kenyatta University. He was appointed to the Board of Communications Authority of Kenya in April 2016 for a period of three years and exited CA Board upon expiry of the term on 29th April 2019.

Cornell University, USA.

He was appointed to the CA board on 29th April 2016 for a period of three years and exited CA Board on resignation in September 2018. He served as the Chairperson of Staff and Administration Committee until September 2018.



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 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 years and exited CA Board upon expiry of the term on 29th April 2019. She served as the Chairperson Staff and Administration committee from October 2018.



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

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

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

He joined the CA Board in May 2014 and reappointed in 29th April 2016 for a further term of three years and exited CA Board upon expiry of the term on 29th April 2019. He served as the Chairperson of Finance committee.

ALTERNATE BOARD DIRECTORS



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 MBA in Ethno-Musicology from University of South Africa

(UNISA) and 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



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

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

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

She was appointed to the Communications Authority of Kenya's Board on 29th April 2016 for a period of three years and exited CA Board upon expiry of the term on 29th April 2019. She served as the Chairperson of Audit and Risk Management committee.



Ms. Judy Munyinyi Mumo (Born in 1971) is the Acting Secretary for Information and the alternate to the Principal Secretary, State Department of Broadcasting and Telecommunications,

Ministry of Information, Communications and Technology (ICT), at the CA Board.

She has over 15 years experience in communication, specifically in Government communication, print media, broadcast media, digital media and development communication.

Until her appointment to the current position, Ms. Munyinyi was Director of Research in the Presidential Strategic Communications Unit (PSCU), based at State House, Nairobi.

Communications Authority of Kenya
Draft Annual Report and Financial Statements
For the year ended June 30, 2019

Presidential Music Commission, 2006.

Mr. Wanjohi was appointed on 7th February 2018.

Ms. Munyinyi holds a Bachelor's Degree from Daystar University and is currently pursuing her Masters in Diplomacy and International Studies at the University of Nairobi.



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.

III. MANAGEMENT TEAM



Mr. Francis Wangusi, MBS is the Director General of the Communications Authority of Kenya.

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).



M/s Mercy Wanjau is the Director, Legal Services at the Communications Authority of Kenya.

Mercy is a graduate of the University of Nairobi (LLB) Hons., University of Cape Town (LLM) and the Strathmore Business School (AMP). She is a Certified Governance Auditor with ICPSK, an associate of the Chartered Institute of Arbitrators and an advocate of the High Court of Kenya.

She has previously served as a non-executive director at the ICT Board and the Council of Multi Media University. Currently, she serves on the Board of Trustees for SOS Villages Kenya. She is also an Eisenhower Fellow (USA).



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.



Mr. Christopher Kemei is the Director, Licensing, Compliance and Standards at the Communications Authority of Kenya.

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



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. Matano Ndaro is the Director, Competition, Tariffs and Market Analysis 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. 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.



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.



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).



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. 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.



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

Masters Degree in Business Administration



Mr. John Omo is the Director, Legal Services at the Communications Authority of Kenya.

He holds a Masters of Laws degree, a Bachelors of Law degree as well as Diplomas in Law and Legal Practice Ethics. Mr. Omo retired on 31st December 2018.





CPA Maxwell Mogaka Mosoti is the Ag. Director, Universal Service Obligation and Funding at the Communications Authority of Kenya (CA). He is Certified Public Accountant of Kenya and has been a registered member of the Institute of Certified Public Accountant (ICPAK) for over 18years. He has over 29 years' experience in financial management, financial reporting and budgeting management.

Mr. Mosoti holds a Master of Science in Finance degree from the University of Nairobi. He also holds a Bachelor of Business Administration degree and has also attended several courses in in financial management, leadership and management of public finances and financial reporting.

He is currently the Chairman of the Business Process Reengineering and Automation Committee (BPRAC). He is also Chairman of the CCK Staff retirement pension benefits scheme. He was also nominated as an advisor to the Public Sector Accounting Standard Committee of ICPAK. He also holds other community leadership position.

IV. CHAIRMAN'S STATEMENT

I am pleased to present to you, on behalf of the Board of Directors, Management and Staff of the Communications Authority of Kenya, the Annual Report for the year ended 30th June, 2019. This is in accordance with Section 22 (1) of the Kenya Information and Communications Act, 1998.

The Authority is the regulator of the Information and Communications Technology (ICT) sector, a key enabler of growth in all other sectors of the economy and one of the foundations of national transformation in the Vision 2030. The Authority is committed to supporting the realization of Vision 2030 that aims to create “a globally competitive and prosperous country with a high quality of life by 2030”. The Authority, in the first year of implementation of its strategic plan for the period 2018- 2023, facilitated rapid growth of the ICT sector and supported the realization of the Government’s Big 4 Agenda by fast-tracking ICT related regulatory and universal access initiatives. These initiatives supported access to universal health services; growth of the manufacturing sector; access to affordable housing, and achievement of food and nutrition security for all.

The Authority continued to ensure the achievement of universal access to ICT services by the citizens, institutions and businesses in Kenya, by implement the Education Broadband and The Voice Infrastructure Projects. These were geared towards bridging the gap in the provision of ICT services in the country. Additionally, The Authority continued to implement forward-looking regulation to foster competitive and efficient markets in the ICT sector. A competitive and robust ICT sector contributes to the national economy, and has the potential to transform traditional economies into digital economies.

The Authority has a responsibility to enhance online security, by addressing the threat of the rapid evolution of the global cyber threat landscape, which is fueled by cyber attackers ever evolving schemes. In this regard, the Authority enhanced the capabilities of the National KE-CIRT/CC, broadened multi-stakeholder engagement, undertook technical training for the local Sector Computer Incident Response Team (CIRTs), and promoted a national culture of cyber security through various public awareness and engagement activities. These initiatives enhanced Kenya’s proactive response to cyber threats.

CHAIRMAN'S STATEMENT (continued)

The Authority is committed towards transformation of the lives of Kenyans through the continuous facilitation of an enabling environment for provision of quality ICT services. This will greatly benefit consumers as well as further the growth and increased contribution of the sector towards the country's GDP.

I commend the guidance of the Board of Directors, leadership of the Management Committee and determination of members of Staff of the Authority for their resilience to deliver and the achievements thereof. I look forward to an even more exhilarating 2019-20 in the ICT sector.



Mr. Ngene Gituku
Chairman of the Board

V. REPORT OF THE DIRECTOR GENERAL

The year under review has seen noticeable changes in the country's ICT sector, key among them being the introduction of a new numbering level (0100) with a capacity of 100 billion numbers to cater for the envisioned Machine-to-Machine services. Ten million numbers in this new numbering level were assigned.

In cognizance of its role to enable seamless interconnectivity amongst telecommunication service providers and provision of end-user services. The Authority assigned nine mobile National Destination Codes (NDCs) to facilitate mobile telephony services, as well as one Central Office Code (CoC) for fixed telephony services. Other resources assigned included four (4) Short Codes and one Mobile Network Code for data services.

In order to increase competition among the service providers, as well as increase the customer choice, *wallet-to-wallet interoperability* of person-to-person (P2P) mobile money transfer was launched in Kenya. This enables customers of a mobile service provider to receive money sent to them from customers of a different service provider, directly into their mobile wallets.

During the year, more Kenyans continued to access ICT services with mobile telephony subscribers rising to 52,168,066 from 45,568,924 recorded in the previous year. This represented a growth rate of 14.48 per cent, which is slightly higher than 13.2 per cent exhibited in the previous year. The total broadband subscriptions grew by 8.08 percent to stand at 22.2 million up from 20.5 million recorded in the previous year. Mobile broadband and fixed broadband subscriptions grew by 8 per cent and 42 per cent, respectively.

Globally, mobile-cellular subscriptions grew from 7.81 billion in 2017 to 8.16 billion in 2018, which is equivalent to 107.0 subscriptions per 100 inhabitants. This was largely driven by significant growth in subscriptions in Asia-Pacific and Commonwealth of Independent States.

In a bid to promote the use and adoption of the dot KE country code top-level domain (ccTLD), the Authority, in consultation with the industry developed a Restricted and Reserved Name List (RRNL) for the Dot KE country code Top-Level Domain (ccTLD) namespace. This is aimed at curbing abusive domain name registrations, which may facilitate brand and identity theft among other forms of cybercrime.

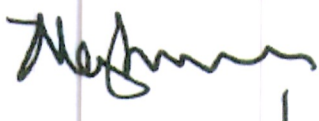
REPORT OF THE DIRECTOR GENERAL (Continued)

As the number of people accessing the internet grows, the number of cyber security incidences is also on the rise. During the year, the Authority undertook various activities aimed at enhancing the national cyber readiness and resilience. This entailed among others, the enhancement of the capabilities of the National KE-CIRT/CC, broadening multi-stakeholder engagement, technical training for the local Sector Computer Incident Response Team (CIRTs), and promoting a national culture of cyber security through various public awareness and engagement activities.

In its effort to empower consumers, the Authority availed consumer advisory information targeting users of mobile, internet and postal and courier services. In addition, the Authority availed information on e-waste and guidelines for the Child Online Protection (COP). The Authority also held a County ICT Consumer Forum dubbed '*Kikao Kikuu*' in Kisumu County. This forum provided a platform to engage ICT service providers, consumers of ICT and the County Government.

To guide its operations for the next five years, the Authority finalized the development of its 4th Strategic Plan 2018-23. The Strategic Plan which re-focuses the Authority's strategic direction for the period 2018-23 is aligned to the Vision 2030, MTP III, Big Four Agenda, Africa Union Agenda 2063 and the United Nations (UN) Sustainable Development Goals (SDGs).

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

VI. 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 (8) 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 term of 6 Board members expired on 29th April 2019 while one Director resigned in September 2018. The said Directors are yet to be replaced.

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;

- 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. Prior to reconstitution of Board Committees on 26th April 2018, the Finance Committee was previously Finance & Risk Management Committee.

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. Prior to reconstitution of Board Committees on 26th April 2018, the Audit & Risk Management Committee was previously the Audit Committee.

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.

VII. 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.

VIII. 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 2019, the total Revenue earned was Kshs. 9.38 billion against a revised budget of Kshs. 9.02 billion. This represents a positive variance of 5%. 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 5% of the total income earned as at end of the year.

The total Operating Expenditure for the period ended 30th June 2019 was Kshs. 4.12 billion compared to a budget of 4.30 billion. The resultant surplus was is Kshs.5.26 billion.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Key projects

The Authority's projects for the F/Y 2018/19 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 3rd Strategic plan 2018-2023.

Some of the major projects initiated during the year 2018/19 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 Installation And Configuration Of A High Availability Enterprise Class Storage	Strategic Objective: Modernizing Internal Systems and Processes	87,193
3.	Supply, Delivery, Installation, Configuration and Maintenance of IT Security Information and Event Management	Strategic Objective; Ensure Quality ICT Systems and Services	40,940

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 2018/19 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 2019.

IX. 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 East Africa Digital Farmers Conference & Exhibition, Connected Kenya Summit, Media Council of Kenya's Annual Journalism Excellence Awards (AJEA), Kalasha International Awards and the Annual PR Summit and gala hosted by the Public Relations Society of Kenya (PRSK). The Authority also sponsored the Western Kenya Creative Camp, an authoritative and dynamic art platform, that brought together more than 50 Youth drawn from colleges and theatre groups within Western Kenya region.

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 Endarasha Secondary School through equipping their computer laboratory with computers, printers, and internet connectivity. The Authority also supported a rehabilitation initiative at Friends Boys High School, Namwela in Bungoma County and constructed two classrooms at Meguarra Primary School in Kajiado County.

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 Mater Heart Run, an initiative meant to assist children with heart ailments. Further, in recognition of Kenyan sports men and women, the Authority supported the Sports Man of the Year Awards (SOYA). The Authority shall continue to forge public private sector partnerships to ensure that it uplifts the society.

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019, 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, 2019 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. During the year Director Christopher Huka Resigned in September 2018 whereas Directors Mugambi Nandi, David Kitur, Kentice Tikolo, Patricia Kimama, Prof Levy Obonyo and Paul Kukubo ended on 29th April 2019 after serving for a term of (3) years since 29th April 2016.

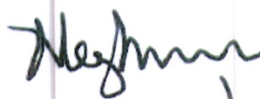
Dividends/Surplus remission

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 too audit on his behalf.

By Order of the Board



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Ag. Director General

Nairobi

Date: 30th September 2019

XI. 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, 2019. 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.

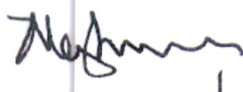
The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required 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, 2019, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 30th September 2019 and signed on its behalf by:



Ag. Director General



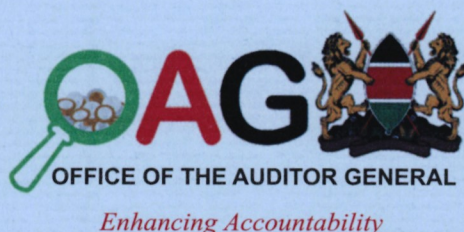
Director Finance & Accounts



Board Chairman

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS AUTHORITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse 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, 2019, 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, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Communications Authority of Kenya as at 30 June, 2019, 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 do not comply with the Kenya Information and Communications Act, Cap 411A of Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unexplained Restated Comparative Balances

The financial statements presented for audit includes restated comparative balances for 2018/2019 financial year as detailed below: -

Account details	Audited Balances for the year Ended 30 June, 2018 (Kshs.)	Comparative Balances in the Financial Statements (Kshs.)	Variance (Kshs.)
Statement of Financial Performance			
License Fees	7,620,184,000	7,635,830,000	(15,646,000)
Finance Income	1,298,357,000	1,297,301,000	1,056,000
Other Income	70,000	596,000	(526,000)

Account details	Audited Balances for the year Ended 30 June, 2018 (Kshs.)	Comparative Balances in the Financial Statements (Kshs.)	Variance (Kshs.)
Employee Costs	1,140,209,000	1,118,101,000	22,108,000
Remuneration of Directors	53,995,000	51,454,000	2,541,000
Depreciation and Amortization	376,498,000	459,636,000	(83,138,000)
Repairs and Maintenance	204,835,000	271,357,000	(66,522,000)
General Expenses	1,928,358,000	2,096,823,000	(168,465,000)
Gain on sale Of Assets	783,000	774,000	9,000
Gain/Loss on foreign Exchange Transactions	3,413,000	(1,782,000)	5,195,000
Bad Debts Recovered	-	86,639,000	(86,639,000)
Statement of Financial Position			
Cash and cash equivalents	12,903,177,000	12,896,166,000	7,011,000
Receivables from non-exchange transactions	863,537,000	969,640,000	(106,103,000)
Receivables from exchange transactions	574,798,000	574,792,000	6,000
Property, plant and equipment	2,980,782,000	3,040,148,000	(59,366,000)
Intangible Assets	834,408,000	677,196,000	157,212,000
Provisional Dividend	4,068,151,000	3,890,870,000	177,281,000
Trade and Other Payables	897,145,000	1,054,018,000	(156,873,000)
Payments received in advance	26,479,000	52,895,000	(26,416,000)
Accumulated surplus	12,422,963,000	12,418,194,000	4,769,000

The reasons for the restatements and details of the adjustments were not provided for audit review. Further, the differences were not reconciled or explained.

Under the circumstances, the accuracy and validity of the balances reflected in the financial statements for the year ended 30 June, 2019 could not be confirmed.

2. Receivables from Non-Exchange Transactions

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.1,112,216,000 under receivables from non-exchange transactions as at 30 June, 2019. The following observations were made:-

2.1. Third Party Confirmations

During the year under review, a sample of 100 licensees were circularized but only four responded. However, three respondents confirmed balances which differed with those in the Authority's records as detailed below:

Debtor	Balance as per Debtor Listing (Kshs.)	Balance Confirmed (Kshs.)	Variance (Kshs.)
Kenya Ports Authority	1,878,132	0	1,878,132
Telkom Kenya Limited	732,039,294	775,602,175	43,562,881
Smart Application International Limited	2,711,683	0	2,711,683
Total	736,629,109	775,602,175	

No reconciliations or explanations have been provided for the above variances.

Consequently, it was not possible to confirm the accuracy and fair statement of the reported receivables balance from exchange transactions of Kshs.1,112,216,000 as at 30 June, 2019.

2.2. Unsupported and Long Outstanding Debts

The receivables from non-exchange transactions balance of Kshs.1,112,216,000 is net of accumulated provision for bad and doubtful debts of Kshs.1,176,170,000. However, included in the latter balance is an amount of Kshs.318,413,690 relating to old debts which have been outstanding for over 20 years. The balance further includes an unsupported amount of Kshs.102,374,753 which has been outstanding from one of the security agencies. Although the debts have been provided for, no documents were provided to indicate how the Authority has been following up on the recovery of the debts.

In view of the foregoing, the accuracy and validity of the provision for bad and doubtful debts amounting to Kshs.1,176,170,000 as at 30 June, 2019 could not be confirmed.

3. Trade and Other Payables-Third Party Confirmation

The statement of financial position reflects a balance of Kshs.1,137,874,000 under trade and other payables which, as disclosed in Note 24 to the financial statements, includes trade payables of Kshs.268,414,000. The trade payables includes an amount of Kshs.4,178,830 owed to a construction company as at 30 June, 2019. However, confirmation from the construction company revealed that the Authority owed nothing as at 30 June, 2019.

Under the circumstances, the accuracy, validity and propriety of trade and other payables balance of Kshs.1,137,874,000 as at 30 June, 2019 could not be confirmed.

4. Revenue from Non-Exchange Transactions

The statement of financial performance reflects an amount of Kshs.8,525,314,000 being revenue from non-exchange transactions which, as disclosed in Note 6 to the financial statements, comprised of Kshs.7,111,816,000, Kshs.1,410,445,000, Kshs.2,995,000 and Kshs.58,000 in respect of annual frequency license fees, annual operating license fees,

application fees, and approval and registration fees, respectively. However, it was observed that forty (40) annual operating licenses for various operators invoiced at a total of Kshs.106,018,499 were not based on the most recent financial statements of the licensee.

Consequently, the accuracy and completeness of the reported revenue from non-exchange transactions of Kshs.8,525,314,000 for the year ended 30 June, 2019 could not be confirmed.

5. General Expenses

As disclosed in Note 14 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.1,962,978,000 in respect of general expenses. The following unsatisfactory issues were observed:

5.1. Unsupported Consultancy Services

The expenditure of Kshs.1,962,978,000 under general expenses includes an amount of Kshs.229,073,000 in respect of consultancy fees. Examination of this account indicated that amounts of Kshs.14,750,000 and Kshs.3,360,409 were paid for digital forensic and national addressing system and e-commerce trainings, respectively. However, documents supporting the procurement method used in the selection of the service providers were not provided for audit verification.

Consequently, the accuracy and propriety of the expenditure of Kshs.18,110,409 on consultancy for the year ended 30 June, 2019 could not be confirmed.

5.2. Corporate Affairs

The expenditure of Kshs.1,962,978,000 under general expenses also includes an amount of Kshs.44,334,000 in respect of corporate affairs out of which an amount Kshs.40,720,914 was paid as support for activities or sponsorship programmes that were not in the work plan for the Corporate Affairs Department. However, the selection criteria of the corporate affairs projects were not provided for audit review. Further, the amount of Kshs.40,720,916 was mis-posted to corporate affairs as there is a separate corporate social responsibilities account under the general expenses.

In view of the foregoing, the accuracy and propriety of the corporate affairs expenditure of Kshs.44,334,000 for the year ended 30 June, 2019 could not be confirmed.

6. Unresolved Prior Year Matters

Various prior year audit issues, as detailed under the progress on follow up of auditor's recommendations section of the financial statements remained unresolved as at 30 June, 2019. Management did not provide reasons for the delay in resolving the prior year audit issues.

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 adverse 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. I have determined that there were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter 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

Employee Costs-Acting Allowance

As disclosed in Note 10 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.1,196,080,000 under employee costs. Examination of this account revealed that an amount of Kshs.15,000,000 was paid as acting allowances for thirty-seven (37) officers who have been acting in positions that fell vacant, with some dating 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 validity of the acting allowance payments amounting to Kshs.15,000,000 could not be confirmed.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Internal Audit-Limitation of Expertise

The Internal audit reports presented for audit review did not cover key areas like broadcasting, frequency, broadband and IT, which represents the core business of the Authority. Due to the nature of the Authority's business and being a technical sector, the Internal auditors appeared to be limited in the requisite technical expertise and may therefore not give adequate and useful reports to guide in the operation of the Authority.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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

14 October, 2021

Communications Authority of Kenya
Draft Financial Statements
For the year ended June 30, 2019

XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Kshs'000	2018 Restated Kshs'000	2018 Audited Kshs'000
Revenue from non-exchange transactions				
License Fees	6	<u>8,525,314</u>	<u>7,635,830</u>	<u>7,620,184</u>
Revenue from exchange transactions				
Finance income	7	851,645	1,297,301	1,298,357
Rental Revenue from facilities	8	4,204	4,039	4,093
Other Income	9	2,931	596	70
		<u>858,780</u>	<u>1,301,937</u>	<u>1,302,519</u>
Total revenue		<u>9,384,094</u>	<u>8,937,767</u>	<u>8,922,703</u>
Expenses				
Employee costs	10	1,196,080	1,118,101	1,140,209
Remuneration of Directors	11	38,385	51,454	53,995
Depreciation and Amortization Expense	12	407,042	459,636	376,498
Repairs and maintenance	13	284,025	271,357	204,835
General expenses	14	1,962,978	2,096,823	1,928,358
Provision for Bad & doubtful debts	15	279,254	702,837	702,837
Total Expenses		<u>4,167,763</u>	<u>4,700,208</u>	<u>4,406,732</u>
Other gains/(losses)				
Gain on sale of assets	16	4	774	783
Gain/(Loss) on foreign exchange transactions	17	1,415	(1,782)	3,413
Bad Debts recovered/Reversal of Bad debt Provisions	17(b)	0	86,639	0
Surplus for the year		<u>5,217,750</u>	<u>4,323,189</u>	<u>4,520,167</u>
Remission to National Treasury	28	4,695,975	3,890,870	4,068,151
Net Surplus for the year		<u>521,775</u>	<u>432,319</u>	<u>452,017</u>

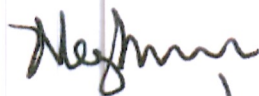
The notes set out on pages 6 to 32 form an integral part of these Financial Statements

Communications Authority of Kenya
 Draft Financial Statements
 For the year ended June 30, 2019

**XIII. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2019**

		2019	2018	2018
	Note	Kshs'000	Restated Kshs'000	Audited Kshs'000
ASSETS				
Current Assets				
Cash and cash equivalents	18	10,000,681	12,896,166	12,903,177
Receivables from non-exchange transactions	19	1,112,216	969,640	863,537
Receivables from exchange transactions	20	646,386	574,792	574,798
Total Current Assets		11,759,284	14,440,598	14,341,512
Non Current Assets				
Property, plant and equipment	21	19,198,932	3,040,148	2,980,782
Intangible Assets	22	752,150	677,196	834,408
Total Non-Current Assets		19,951,082	3,717,344	3,815,190
TOTAL ASSETS		31,710,366	18,157,942	18,156,702
LIABILITIES				
Current Liabilities				
Provisional Dividend/Remittance Surplus	23	8,586,845	3,890,870	4,068,151
Trade and other Payables from exchange transactions	24	1,137,874	1,054,018	897,145
Payments received in advance	25	49,544	52,895	26,479
Total Current Liabilities		9,774,263	4,997,783	4,991,774
TOTAL LIABILITIES		9,774,263	4,997,783	4,991,774
Net Assets		21,936,103	13,160,159	13,164,928
Owners Equity	26	741,965	741,965	741,965
Accumulated Surplus	26	5,177,816	12,418,194	12,422,963
Revaluation Reserve	27	16,016,322	-	-
Total Net assets and Liabilities		21,936,103	13,160,159	13,164,927

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



.....
 Ag. Director General
 Name: Mercy Wanjau

Date: 30th September 2019



.....
 Head of Finance
 Name: Joseph M Kimanga

ICPAK Member No. 4341

Date: 30th September 2019



.....
 Chairman of the Board
 Name: Ngene Gituku

Date: 30th September 2019

**XIV. STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Owners Equity Kshs'000	Revaluation Reserve Kshs'000	Accumulated Surplus Kshs'000	Total Reserves Kshs'000
At July 1, 2017		741,965	-	11,989,535	12,731,500
Surplus				4,520,167	4,520,167
Remittance to Treasury - Paid				(4,188,975)	(4,188,975)
At 30 June 2018		741,965	-	12,320,727	13,062,692
At July 1, 2017 Restated		741,965	-	11,989,415	12,731,500
Directors Fees				(3,540)	(3,540)
Surplus for the year				4,323,189	4,323,189
Remittance to Treasury - Provision	23			(3,890,870)	(3,890,870)
At 30 June 2018 Restated		741,965	-	12,418,194	13,160,278
At July 1, 2018		741,965	-	12,418,194	13,160,278
Surplus for the year				5,217,750	5,217,750
Prior year adjustments				237,848	237,848
Remittance to Treasury - Provision	23			(4,695,975)	(4,695,975)
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	5,177,817	21,936,103

**XV. STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 Kshs'000	2018 Restated Kshs'000	2018 Audited Kshs'000
OPERATING ACTIVITIES				
Cash generated from/(used in) Operations	28	5,154,830	4,189,746	4,280,696
Remittance to The National Treasury		(8,000,000)	(4,188,975)	(4,188,975)
Directors fees		0	(7,500)	(7,500)
Net Cash generated from/(used in) Operations		(2,845,170)	(6,728)	84,221
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	21	(820,870)	(776,692)	(875,172)
Proceeds from disposal of assets	16	4	774	783
Interest received	7	770,550	1,283,824	1,298,357
Net cash generated from/(used in) Investing activities		(50,316)	507,906	423,967
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,895,486)	501,178	508,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		12,896,166	12,394,988	12,394,988
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	10,000,681	12,896,166	12,903,176

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.

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage Variance	Note
	2018-2019 Kshs (000)	2018-2019 Kshs (000)	2018-2019 Kshs (000)	2018-2019 Kshs (000)	2018-2019 Kshs (000)	2018-2019 %	
Revenue							
Internally Generated Revenue	8,225,591	-	8,225,591	8,532,449	306,858	4%	
Recurrent	801,684	-	801,684	851,645	49,961	6%	
Other Income	-	-	-	1,419	1,419		1a
Total Revenue	9,027,275	-	9,027,275	9,385,513	358,238		
Operating Expenses							
Employee costs	1,241,290	-	1,241,290	1,196,080	45,210	3.6%	
Remuneration of Directors	57,750	-	57,750	38,385	19,365	34%	1
Depreciation and Amortization Expense	395,123	-	395,123	407,042	(11,919)	-3%	2
Repairs and maintenance	273,225	-	273,225	284,025	(10,800)	-4%	3
General expenses	2,333,488	-	2,333,488	1,962,978	370,510	16%	4
Provision for Bad & doubtful debts	-	-	-	279,254	(279,254)		5
Total Operating Expenses	4,300,876	-	4,300,876	4,167,763	133,113	3%	
Operating Profit (Loss)	4,726,400	-	4,726,400	5,217,750	225,125		
Finance Charges	-	-	-	-	-		
Corporation Tax	-	-	-	-	-		
Net Earnings	4,726,400	-	4,726,400	5,217,750	225,125		
Distribution to National Exchequer	4,253,760	-	4,253,760	4,695,975	442,216		
Retained Earnings	472,640	-	472,640	521,775	667,341		

Notes to the Budget:

- 1a. Non cash item no budget provision
- 1 The low absorption was due to expiry of term of directors on 29th April 2019
- 2 The increase due to new acquisitions and revaluation of assets
3. Warranty and maintenance for new equipment to begin in FY 2019/20
4. Cost savings and reschedule of procurement due to late budget approval
5. Non cash item as a provision

XVII. 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 2019

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:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 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> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

iii. Early adoption of standards

The Authority did not have early adoption of any new or amended standards in year 2019.

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 financial year 2018 have been restated to conform to the required changes in presentation due to data reconciliation and validation from 1st July 2017 due to automation of the financial system.

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, 2019.

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	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Annual frequency license fees	7,111,816	6,326,335	6,223,152
Annual operating license fees	1,410,445	1,305,517	1,392,103
Application Fees	2,995	3,492	2,359
Type approval & Registration fees	58	486	2,569
Total Revenue from Non-exchange Transactions	8,525,314	7,635,830	7,620,184

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	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Cash Investments and fixed deposits	998,359	1,522,972	1,524,017
Taxes	-146,714	-225,671	-225,660
Total Revenue from exchange Transactions	851,645	1,297,301	1,298,357

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

8 REVENUE RENTAL FROM FACILITIES

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Rental Income	4,204	4,039	4,093
Total Other Income	4,204	4,039	4,093

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 OTHER INCOME

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Sale of tender documents	71	22	13
Penalties	2,652	208	57
Other Income	208	366	
Total Other Income	2,931	596	70

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

10 EMPLOYEE COSTS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Employee related costs - salaries and wages	850,899	792,372	809,113
Contribution to pensions	101,097	87,511	89,807
Travel and other allowances	119,304	115,850	117,310
Housing benefits and allowances	124,779	122,367	123,979
Total Employee Costs	1,196,080	1,118,101	1,140,209

11 REMUNERATION OF DIRECTORS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Sitting allowance	10,013	12,231	13,164
Monthly fees	6,043	0	195
Telephone allowance	1,122	1,714	3,351
Traveling Expenses	17,975	26,625	19,599
Board Welfare	2,296	534	994
Training-Directors	936	7,288	16,692
Director fees	0	3,060	
Total Director emoluments	38,385	51,454	53,995

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Depreciation & Amortization for the year	407,042	459,636	366,674
Pension Amortization	0	9,823	9,823
	407,042	469,459	376,498

13 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Property	12,015	50,196	67,960
Equipment	266,774	214,870	131,137
Motor Vehicles	5,235	6,291	5,739
Total Repairs and Maintenance	284,025	271,357	204,835

14 GENERAL EXPENSES

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Training	141,965	142,746	139,766
Enforcement & Compliance	95,774	81,036	100,607
Computer software	120,814	143,038	119,774
Corporate affairs	44,334	44,637	36,221
Consumer Affairs	139,902	130,743	97,570
Medical Expenses	68,660	69,218	70,903
Advertising	45,560	104,867	74,820
Meetings and conferences	295,487	282,818	281,202
Exhibitions	6,147	52,481	54,970
Utilities	44,546	46,240	39,632
Postage and telephone	17,291	22,677	22,753
Rent and Rate	26,902	22,540	28,387
Consultancy fees	229,073	209,285	175,355
Accrued-Audit fees	1,491	1,491	1,491
Legal fees	37,305	61,538	63,613
Bank charges	2,022	1,949	1,946
Security	65,392	71,534	65,948
Insurance	24,418	35,377	26,591
Printing and stationery	8,165	18,634	25,977

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House keeping	7,189	10,372	9,277
Periodicals and publications	9,659	7,546	9,923
Staff welfare	120,778	141,195	77,515
Transport Expense	27,154	20,747	23,552
Subscriptions	65,462	100,251	106,055
Sporting Activities	28,191	17,673	19,444
Corporate Social responsibility	42,295	56,898	51,033
Universal Service Obligation	24,199	31,756	41,843
National Communications Secretariat	170,000	120,000	120,000
Communications Appeals Tribunal	2,680	-80	0
Digital Migration Expenses	1,193	860	0
Universal Advisory Council	48,932	46,754	42,190
Total general expenses	<u>1,962,978</u>	<u>2,096,823</u>	<u>1,928,358</u>

15 PROVISION FOR BAD & DOUBTFUL DEBTS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Bad & Doubtful Debts	<u>279,254</u>	<u>702,837</u>	<u>702,837</u>

This refers to general provisions on licensees based on the debt management policy, over 1 year 25%, 1-2 years 50%, Above 3 years 100%

16 GAIN ON SALE OF ASSETS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Proceeds from disposal	4	774	783
Total Gain on sale of assets	<u>4</u>	<u>774</u>	<u>783</u>

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	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Gain/Loss on foreign Exchange	-1,415	1,782	3,413
Total gain on foreign exchange transactions	<u>-1,415</u>	<u>1,782</u>	<u>3,413</u>

17(B) RECOVERY OF BAD DEBTS AND PROVISIONS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Recovery of Bad Debts/Reversal of Provisions	0	86,639	
Total recovery of bad debts	<u>0</u>	<u>86,639</u>	<u>0</u>

The Auditor General Report FY 2015/16 reported that the Authority had written off Bad debts without approval from The National Treasury. During the Public Investment Committee sitting of 4th August 2019 the Management resolved to write back the bad debts until approval from The National Treasury is granted.

18 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Current Account	5,318,050	99,969	148,135
Short term deposits	4,682,631	12,096,197	12,055,042
Treasury Bills	0	700,000	700,000
Petty Cash	0	0	0
Total Cash and Cash Equivalent	<u>10,000,681</u>	<u>12,896,166</u>	<u>12,903,177</u>

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18(A) CASH AND CASH EQUIVALENTS DETAILED ANALYSI

18 (a) Detailed Analysis			
Financial Institution and Account Number	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Kenya Commercial Bank (A/c Number 1106738608)			
Current Account	221,628	80,366	128,648
Fixed deposits	4,232,631	7,241,155	7,200,000
Sub-Total	4,454,259	7,321,521	7,328,648
Citibank N.A. (A/c Number 300042015)-KES			
Current Account	122,524	15,023	15,023
Treasury Bills	0	700,000	700,000
Fixed deposits	0	0	
Sub-Total	122,524	715,023	715,023
Citibank N.A. (A/c Number 300042007)-USD			
Current Account	218,601	4,070	3,953
Sub-Total	218,601	4,070	3,953
Co-operative Bank of Kenya (A/c Number 01136151735800)			
Current Account	4,755,296	510	510
Fixed deposits	450,000	4,855,042	4,855,042
Sub-Total	5,205,296	4,855,553	4,855,553

18(B) SHORT TERM DEPOSITS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Kenya Commercial Bank	4,232,631	7,241,155	7,200,000
Cooperative Bank	450,000	4,855,042	4,855,042
Treasury Bills	0	700,000	700,000
Total	4,682,631	12,796,197	12,755,042

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19 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Licensee fee receivables	2,288,386	1,866,556	1,760,453
Accumulated Provision for bad and doubtful debts	-1,176,170	-896,916	-896,916
Total non-current receivables	1,112,216	969,640	863,537

20 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Deposits	8,563	7,563	7,563
Pension Prepaid	0	0	0
Amount due from USF	6,504	9,923	9,923
Other Receivables	550,225	543,828	543,834
Accrued Interest	81,094	13,477	13,477
Total receivables from exchange transactions	646,386	574,792	574,798

21 PROPERTY, PLANT & EQUIPMENT

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Property Plant & Equipment	19,466,082	4,403,598	4,331,367
Accumulated depreciation	-267,150	-1,363,450	-1,350,585
Total non-current assets	19,198,932	3,040,148	2,980,782

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21(B) PROPERTY, PLANT & EQUIPMENT

	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
Assets at Cost								
At 1 July 2017	869,897	614,205	21,168	212,886	247,366	1,541,593	223,805	3,730,920
Additions	41,788	112,027	10,478	24,700	193,603	270,872	155,403	808,871
Revaluations								
Capitalized WIP	-2,639	-3,477	0	0		0	-202,092	-208,208
At 30 June 2018	909,046	722,755	31,646	237,586	440,969	1,812,465	177,116	4,331,582
At 1 July 2017	869,897	614,025	21,168	212,886	246,441	1,542,518	177,832	3,684,767
Additions	0	153,708	10,478	24,700	200,775	330,337	154,926	874,923
Revaluations								
Capitalized WIP							-156,092	-156,092
At 30 June 2018 (Restated)	869,897	767,733	31,646	237,586	447,216	1,872,855	176,665	4,403,598
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	708,464	19,466,082

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	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
Depreciation and Impairment								
At 1 July 2017	0	123,369	14,574	112,350	205,456	680,646	0	1,136,394
Depreciation	0	17,567	1020	28304	40942	126359	0	214,192
Impairment								
Capitalized WIP/Disposal								
At 30 June 2018	0	140,936	15,594	140,654	246,398	807,005	0	1,350,586
At 1 July 2017								
Depreciation	0	18,873	723	27,892	47,119	132,220	0	226,827
Impairment								
Capitalized WIP								
At 30 June 2018 (Restated)	0	142,242	15,297	140,242	252,575	812,866	0	1,363,221
Assets Retirement	0	-142,242	-15,297	-140,242	-252,575	-812,866		-1,363,223
Depreciation	0	25,108	4,581	28,574	64,614	144,273		267,150
Impairment								
Capitalized WIP								
At 30 June 2019	0	25,108	4,581	28,574	64,614	144,273	0	267,148
Net Book Values								
At 30 June 2019	15,957,281	979,828	41,230	114,298	151,294	1,246,537	708,464	19,198,934
At 30 June 2018 (Restated)	869,897	625,491	16,349	97,343	194,641	1,059,989	176,665	3,040,376
At 30 June 2018	909,046	581,818	16,052	96,931	194,572	1,005,460	177,116	2,980,996

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22 INTANGIBLE ASSETS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Intangible software	892,026	1,102,831	1,179,717
Accumulated depreciation	-139,876	-425,635	-345,309
Total non-current intangible assets	752,150	677,196	834,408

22(B) INTANGIBLE ASSETS

	2018-2019	2017-2018 Restated	2017-2018
Intangible Assets at Cost	Kshs (000)	Kshs (000)	Kshs (000)
Cost			
At the beginning of the year	918,235	394,641	923,396
Additions	0	523,594	821,933
Re-classifications to Fixed Assets	-304,374		
Sub-Total Asset Retirement	613,860		
Asset Revaluation	660,953		
At the end of the year	660,953	918,235	1,745,329
Works In Progress			
At the beginning of the year	169,243	574,729	
Additions WIP	61,830	84,560	
Asset Capitalized		-490,045	-565,612
At the end of the year	231,073	169,243	-565,612
Total Intangible at the end of the year	892,026	1,087,477	1,179,717
Amortization and Impairment			
At the beginning of the year	410,281	177,472	192,826
Reclassification to Fixed Assets	-224,283		-
Sub-Total Asset Retirement	185,999		
Amortization for the year	139,876	232,809	152,483
Amortization at the end of the year	139,876	410,281	345,309
Net Book Values at end of the Year	752,150	677,196	834,408

23 REMMITTANCE TO THE NATIONAL TREASURY

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Provisional Remittance to The National Treasury - Prior year	3,890,870		
Provisional Remittance to The National Treasury - Current year	4,695,975	3,890,870	4,068,151
Total Remittance to The National Treasury	8,586,845	3,890,870	4,068,151

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 TRADE AND OTHER PAYABLES

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Trade payables	268,414	878,167	691,358
Universal Service Fund Levy	-8,505	159,528	158,743
The National Treasury	252,125	0	0
Accrued Expenses	589,095	2,982	1,085
Employee Remittances	36,745	13,341	43,938
Accrued Taxes	0	0	2,022
Total trade and other payables	1,137,874	1,054,018	897,145

The Authority accrued contractual obligations totalling Kshs. 585,155,169 for the supply of ERP system Ksh. 68.4 million, Quality of Service system Ksh. 66.7 million and Radio Spectrum system Kshs. 449.9 million expected completion and payment within (12) months. The amounts due to the National Treasury relate to initial license fee Kshs. 252.1 million that was remitted paid after end of the year.

25 PAYMENTS RECEIVED IN ADVANCE

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Payments received in advance	49,544	52,895	26,479

26 ACCUMMULATED SURPLUS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Accumulated surplus at 1 July 2018	12,418,194	11,989,415	11,989,535
Surplus for the year	5,217,750	4,323,189	4,520,167
Prior year adjustments	237,847		
Payments from retained earnings		-3,540	-18,589
Additional Remittance to Treasury	-8,000,000		
Provisional Remittance Surplus (90%)	-4,695,975	-3,890,870	-4,068,151
Accumulated surplus at 30 June 2019	5,177,816	12,418,194	12,422,963

27 REVALUATION SURPLUS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
New value of Assets	19,364,357		
Original value of Assets	-3,348,035	0	0
Revaluation surplus at 30 June 2019	16,016,322	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 CASH GENERATED FROM OPERATIONS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Surplus before remittances	5,217,750	4,323,189	4,520,167
Adjustments for:			
Depreciation of property, plant & equipment	407,042	459,636	366,674
Loss/Gain on sale of assets	-4	-774	-783
Foreign Exchange Gain or Loss	-1,415	1,782	-3,413
Amortisation of Pension	0	9,823	9,824
Interest Received	-851,645	-1,297,301	-1,298,357
Increase in Provisions for bad debts	279,254	702,837	702,837
Bad Debts recovered/Reversal of Bad debt Provisions	0	-86,639	0
	5,050,982	4,112,554	4,296,950
Working capital adjustments			
(Decrease)/Increase in receivables from non-exchange transactions	-142,576	-106,103	-434,130
(Decrease)/Increase in receivables from exchange transactions	-71,595	6	-30,016
(Decrease)/Increase in payments received in advance	-3,351	26,416	7,054
(Decrease)/Increase in trade and other payables	321,370	156,873	440,838
Net Working Capital Changes	103,848	77,192	-16,254
Net cash flows from operating activities	5,154,830	4,189,746	4,280,696

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	Total Amount	Fully Performing	Past Due
	Kshs (000)	Kshs (000)	Kshs (000)
At 30 June 2019			
Receivables from non-exchange transactions	1,112,216	1,000,995	111,222
Receivables from exchange transactions	565,292	508,763	56,529
Total	1,677,509	1,509,758	167,751
At 30 June 2018 (Restated)			
Receivables from non-exchange transactions	969,640	872,676	96,964
Receivables from exchange transactions	561,315	505,183	56,131
Total	1,530,955	1,377,859	153,095
At 30 June 2018			
Receivables from non-exchange transactions	863,537	777,183	86,354
Receivables from exchange transactions	574,798	517,318	57,480
Total	1,438,335	1,294,501	143,833

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 2019			
Trade payables and other payables	1,137,874	1,024,086	113,787
Surplus Remittance	4,695,975	0	-
Total	5,833,849	1,024,086	113,787
At 30 June 2018 (Restated)			
Trade payables	1,054,018	948,616	105,402
Surplus Remittance	3,890,870	-	0
Total	4,944,888	948,616	105,402
At 30 June 2018			
Trade payables	897,145	807,430	89,714
Surplus Remittance	4,068,151	-	0
Total	4,965,295	807,430	89,714

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	2018-2019	2017-2018	2017-2018
	USD (000)	Restated USD (000)	USD (000)
At 30 June 2019			
Current Account Balance - Citibank	2,220	4,070	38

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

iv) 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 largely due to the net effect of the revaluation reserve of Kshs. 15.6 billion. The entity capital structure comprises of the following funds:

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Retained earnings	5,177,817	12,418,194	12,422,963
Capital reserve	16,758,287	741,965	741,965
Total funds	21,936,104	13,160,159	13,164,927
Total borrowings	0	0	0
Less: cash and bank balances	10,000,681	12,896,166	12,903,177
Net debt/(excess cash and cash equivalents)	0	263,993	261,750
Gearing	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 RELATED PARTY TRANSACTIONS

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

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

Government of Kenya

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

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Transactions with related parties			
a) Key management compensation			
Directors' emoluments	38,385	51,454	53,995
Compensation to the CEO	23,422	23,191	23,191
Compensation to key management	88,949	87,204	87,204
Loans to CEO and key Management	81,502	67,918	67,918
Sub-Total	232,258	229,767	232,308
b) Other Entities			
Amount due to CA-Universal Service Fund	-8,505	159,528	158,743
The National Treasury	252,125	0	0
Sub-Total	243,620	159,528	158,743
Amount receivable from USF	6,504	9,923	9,923
Sub-Total	6,504	9,923	9,923
Total	482,382	399,217	400,974

32 CAPITAL COMMITMENTS

Description	2018-2019	2017-2018 Restated	2017-2018
	Kshs (000)	Kshs (000)	Kshs (000)
Authorised for			599,960
Authorised and contracted for			0
Total			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="576 786 906 1256"> <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																		

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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="438 788 651 1258"> <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												
KCB Letter of Credit	46,385,767.23												
Total	128,647,841.39												

**Communications Authority of Kenya
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Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame												
		<p>Annex 2-KCB letter of credit documents</p> <p><i>Table 3: Summary KCB Bank Letter of Credit ledger balances</i></p> <table border="1" data-bbox="643 790 989 1261"> <thead> <tr> <th>Account Name</th> <th>Balance</th> </tr> </thead> <tbody> <tr> <td>KCB Letter of Credit as at 30th June 2017 (Euro)</td> <td>5,231,084.80</td> </tr> <tr> <td>44,214.77</td> <td></td> </tr> <tr> <td>KCB Letter of Credit dated 6th July 2017 (Euro)</td> <td>41,154,683.00</td> </tr> <tr> <td>344,968)</td> <td></td> </tr> <tr> <td>Total</td> <td>46,385,767.20</td> </tr> </tbody> </table>	Account Name	Balance	KCB Letter of Credit as at 30 th June 2017 (Euro)	5,231,084.80	44,214.77		KCB Letter of Credit dated 6 th July 2017 (Euro)	41,154,683.00	344,968)		Total	46,385,767.20			
Account Name	Balance																
KCB Letter of Credit as at 30 th June 2017 (Euro)	5,231,084.80																
44,214.77																	
KCB Letter of Credit dated 6 th July 2017 (Euro)	41,154,683.00																
344,968)																	
Total	46,385,767.20																

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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. 26,802,299.96. 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 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>Total PPE Adjustments</td> <td>PPE Capitalized &</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 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 Adjustments	PPE Capitalized &	208,208,058			
Asset Category	Description	Total																																									
Commercial Buildings	Kitale Station Boundary Wall	41,788,300																																									
Repairs Buildings	Kitale Station Boundary Wall	26,485																																									
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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 Tratz Enterprises Limited as indicated in below in Table 5.</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="443 689 660 1256"> <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="1177 763 1251 1256"> <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																											
	Total	2,639,140.00																											
Date	Invoice	Amount																											
30/06/18	5431	3,477,116.00																											

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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" data-bbox="400 1574 719 2116"> <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>	4.1 Unsupported expenditure Kshs. 2,631,195,000	4.1.1 The copies of the payments vouchers and documentary evidence were provided.	D/FA	Response provided																

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame																
5	<table border="1" data-bbox="368 1608 687 2114"> <thead> <tr> <th>Amount</th> <th></th> </tr> </thead> <tbody> <tr> <td>23,744,235</td> <td>Training</td> </tr> <tr> <td>615,960</td> <td>Enforcement</td> </tr> <tr> <td>57,543,215</td> <td>Computer software maintenance</td> </tr> <tr> <td>18,314,285</td> <td>Corporate affairs</td> </tr> <tr> <td>54,117,773</td> <td>Consumer affairs</td> </tr> <tr> <td>2,828,888</td> <td>Medical</td> </tr> <tr> <td>157,164,356</td> <td>Total</td> </tr> </tbody> </table> <p data-bbox="727 1599 858 2114">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> <p data-bbox="868 1727 895 2114">Payment Received in Advance</p> <p data-bbox="935 1576 999 2114">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 data-bbox="1211 1576 1385 2069">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>	Amount		23,744,235	Training	615,960	Enforcement	57,543,215	Computer software maintenance	18,314,285	Corporate affairs	54,117,773	Consumer affairs	2,828,888	Medical	157,164,356	Total	5.1 Explanation of the payments received in advance Kshs. 20,501,000	5.1.1 Advance payments may result from the following scenarios. 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 Table 8 below and as per sampled invoices	D/FA	Response provided	
Amount																						
23,744,235	Training																					
615,960	Enforcement																					
57,543,215	Computer software maintenance																					
18,314,285	Corporate affairs																					
54,117,773	Consumer affairs																					
2,828,888	Medical																					
157,164,356	Total																					

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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. 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. 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. 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. 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 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: 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="566 1612 1181 2105"> <thead> <tr> <th>Name</th> <th>Amount (Kshs.)</th> </tr> </thead> <tbody> <tr> <td>KCB pension-seconded staff</td> <td>11304</td> </tr> <tr> <td>HELB</td> <td>537</td> </tr> <tr> <td>COTU College</td> <td>20,850</td> </tr> <tr> <td>SACCO Shares</td> <td>6,383,480</td> </tr> <tr> <td>NSSF</td> <td>2,620,500</td> </tr> <tr> <td>Communication Workers Union</td> <td>72,612</td> </tr> <tr> <td>CCK Pension Scheme</td> <td>3,711,805</td> </tr> <tr> <td>Old Mutual</td> <td>42,860</td> </tr> <tr> <td>ICEA</td> <td>9,055</td> </tr> <tr> <td>SACCO Instant Loan</td> <td>82,634</td> </tr> <tr> <td>Communication Special savings</td> <td>5,113</td> </tr> <tr> <td>TOTAL</td> <td>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/L.S	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 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
Amount of Budget as reflected in the Statement of Comparison of Budget and Actual (Kshs.)	Amount Reflected in the Approved Budget (Kshs.)	Variance (Kshs)					
Account Balance							
Employee costs/personal emoluments	1,155,238,000	1,140,388,000	14,900,000				
General expense/s/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	Irregular Procurement Methods 1.1 Event Management Services 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. 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. 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	The tender award of Kshs. 13,302,560 through request for quotations method of procurement exceeding the allowable threshold of Kshs. 2 Million.	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" Annex 1-Procurement Plan indicating Event Management and related services reservation for Youth, Women, and persons with				

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

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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 items 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 give 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>			

**Communications Authority of Kenya
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For the year ended June 30, 2019**

	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>1.5.2 total of 139,250 child online brochures worth Kshs. 12,323,625 were still lying in store unutilized</p>	<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>1.5.2.1 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 postpone 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="778 584 1406 1267"> <thead> <tr> <th>FY</th> <th>LPO date</th> <th>LP O No.</th> <th>Quantity Ordered</th> <th>Quantity Delivered</th> <th>Quantity Distributed</th> <th>Quantity in Stock</th> </tr> </thead> <tbody> <tr> <td>2013/2014</td> <td>12-Apr-14</td> <td>240</td> <td>31,320</td> <td>31,320*</td> <td>-</td> <td>31,320</td> </tr> <tr> <td>2015/2016</td> <td>4-May-16</td> <td>105,000</td> <td>105,000</td> <td>740</td> <td>19,740</td> <td>116,580</td> </tr> <tr> <td>2016/2017</td> <td>13-Oct-16</td> <td>165,300</td> <td>40,300</td> <td>105,120</td> <td>51,120</td> <td>51,760</td> </tr> <tr> <td>2017/2018</td> <td>11-Apr-</td> <td>319,069</td> <td>-</td> <td>-</td> <td>51,760</td> <td>-</td> </tr> </tbody> </table>	FY	LPO date	LP O No.	Quantity Ordered	Quantity Delivered	Quantity Distributed	Quantity in Stock	2013/2014	12-Apr-14	240	31,320	31,320*	-	31,320	2015/2016	4-May-16	105,000	105,000	740	19,740	116,580	2016/2017	13-Oct-16	165,300	40,300	105,120	51,120	51,760	2017/2018	11-Apr-	319,069	-	-	51,760	-			
FY	LPO date	LP O No.	Quantity Ordered	Quantity Delivered	Quantity Distributed	Quantity in Stock																																			
2013/2014	12-Apr-14	240	31,320	31,320*	-	31,320																																			
2015/2016	4-May-16	105,000	105,000	740	19,740	116,580																																			
2016/2017	13-Oct-16	165,300	40,300	105,120	51,120	51,760																																			
2017/2018	11-Apr-	319,069	-	-	51,760	-																																			

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	Basis of Qualified Opinion	Key Issues	Management Response					Focal Point	Current Status	Time frame
			18		600 **					
Total				246,220	176,620	176,620	0			

** Order cancelled

Phase II of campaign conducted FY 2017/2018 and all the brochures issued.

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	Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
	<p>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 ease of reference). The Manufacturers Authorization Form was one of the forms that bidders had to submit during the tendering process as a documentary evidence of their eligibility to tender and that goods are from the eligible source. The tender document gave a sample format of the Manufacturer's Authorization letter but it was not mandatory that it had to match the sample word by word since manufacturers might have different formats of their Authorization letter. The purpose of the sample was to highlight on the basic requirements that were to be contained in the template.</p> <p>Annex 20 - Manufacturers Authorization Form template & the Suppliers authorization form</p>			

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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
		<p>2.3 The Authority did not notify Kenya Academy of Sports and the Ministry of Sports, Culture and Arts of the transfer of the funds</p>	<p>2.3.1 The Cabinet Secretary in the Ministry of Sports, Culture and the Arts was informed of the renewal of the Kshs 69,000,000 sponsorship and also invited to the occasion of the official announcement of the sponsorship renewal.</p> <p>Annex 29 – FC Talanta sponsorship renewal correspondence to the Ministry of Sports, Culture and the Arts</p>			

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Basis of Qualified Opinion	Key Issues	Management Response	Focal Point	Current Status	Time frame
<p>3</p> <p>Directors Expenses</p> <p>3.1 Irregular Payments to Directors</p> <p>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: 30th September 2019



Chairman of the Board
Date: 30th September 2019

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

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

APPENDIX III: INTER-ENTITY TRANSFERS

During the Financial year 2018/19, the Communications Authority of Kenya did not receive recurrent nor development grants, direct receipts nor direct payments from other entities.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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