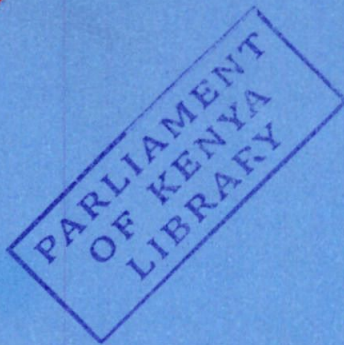


REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 09 APR 2015 Wednesday

TAKEN  
BY:

Hon. Nancy Wago, MP  
Deputy Majority Party Whip

CLERK-AT  
THE-TABLE:

Halima Ahmed

**THE AUDITOR-GENERAL**

**ON**

**COMMUNICATION AUTHORITY OF KENYA  
UNIVERSAL SERVICE FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



Revised 30<sup>th</sup> June 2024



---

**COMMUNICATIONS AUTHORITY OF KENYA – UNIVERSAL SERVICE FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2024**

---

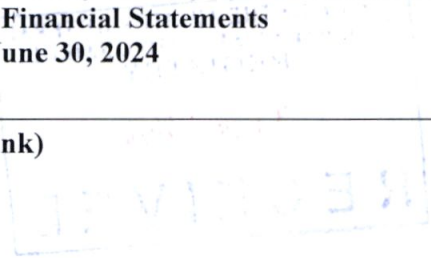
**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)**

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**



---

**(Leave this page blank)**



**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

<b>Table of Contents.....</b>	<b>Page</b>
1. Acronyms and Definition of Key Terms.....	4
2. Key Entity Information and Management.....	5
3. The Board of Directors/Council.....	10
4. Key Management Team.....	17
5. Chairman’s Statement.....	20
6. Report of the Director General/Chief Executive Officer.....	22
7. Statement of Performance against Predetermined Objectives for FY 2023/24.....	24
8. Corporate Governance Statement.....	27
9. Management Discussion and Analysis.....	32
10. Environmental and Sustainability Reporting.....	35
11. Report of the Directors.....	38
12. Statement of Directors Responsibilities.....	39
13. Report of the Independent Auditor for the Financial Statements of (Communications Authority of Kenya – Universal Service Fund (CA-USF).....	41
14. Statement of Financial Performance for the year ended 30 June 2024.....	1
15. Statement of Financial Position as at 30 June 2024.....	2
16. Statement of Changes in Net Assets for the year ended 30 June 2024.....	3
17. Statement of Cash Flows for the year ended 30 June 2024.....	4
18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024.....	5
19. Notes to the Financial Statements.....	6
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	23
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY.....	25
APPENDIX III: INTER-ENTITY TRANSFERS.....	25
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	25

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**



**1. Acronyms and Definition of Key Terms**

---

**A: Acronyms**

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management are directly entrusted with the responsibility of financial resources of the organization.

**Comparative Year-** Means the prior period.

## **2. Key Entity Information and Management**

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

The Universal Service Fund (USF) was established through Section 84J of the Kenya Information and Communications Act of CAP 411A-Revised 2009 and the Kenya Information and Communications (Universal Access and Service) Regulations of 2010. The Universal Service Fund is domiciled in Kenya at CA Centre, Waiyaki Way, Westlands.

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

The principal activity of USF is to support widespread access to, support capacity building and promote innovation in information and communications technology services. The core objectives of USF include:

- i. Encourage efficient access to and use of communications systems and services throughout the Republic of Kenya, focusing on rural, remote and under-served areas in order to promote social and economic development.
- ii. Ensure reasonable availability and affordability of basic and advanced communications systems and services to persons with disabilities, at the household and individual levels, particularly where the market is unable to deliver such services in a financially viable manner.
- iii. Support the development of information and communication technologies including related human capacity building and technological innovation.
- iv. Provide support for the introduction and expansion of communication services to schools, health facilities and other organizations serving public needs; and
- v. Facilitate development of and access to, a wide range of local and relevant content. The funds from USF are applied in activities that support national communications development programmes including:
  - a) Funding universal service programmes and projects.
  - b) Identifying, approving, scheduling and financing private sector and local community investments in universal service provision projects; and

**Key Entity Information and Management (Continued)**

**(c) Key Management**

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

- Board of Directors
- Universal Service Advisory Council
- Director General/CEO
- Management

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Director General/CEO	Mr. David Mugonyi, EBS (Appointed on 15th January 2024)
2	Director General/CEO	Mr. Ezra Chiloba (resigned on 18th October 2023)
3	Director/ Corporate Communications	Mr. Christopher Wambua (Appointed Ag. Director General 18th September 2023 to 14th January 2024)
4	Director/ Finance & Accounts, also covering Human Resources & Administration (up to 6th November 2023)	CPA Joseph M. Kimanga (up to 12th June 2024)
5	Ag. Director/ Finance & Accounts	Mr. Dominic Ooko (Appointed 12th June 2024)
6	Director/ Human Resources & Administration	CHRP Reginah Jemutai
7	Ag. Director/ Human Resources & Administration	Mr. Kipngetich Rotich (up to 31st December 2023)
8	Director/ Internal Audit & Risk Assurance	FCCA Rosalind Murithi
9	Director/ Universal Access and Service Strategy and Coordination	Mr. Christopher Kemei
10	Director/Telecom, Postal and Courier, and Electronic Transaction Licensing	Mr. Matano Ndaró
11	Director/ Multimedia Licensing and Content Regulation	Eng. Leo K. Boruett
12	Director/ Frequency Assignment and Licensing	Mr. Mohammed Haji

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

No.	Designation	Name
13	Director/Legal Services & Corporation Secretary	CS. Lydia Sitienei (Appointed on 1 <sup>st</sup> December 2023)
14	Ag. Director/Legal Services, Regulatory Affairs & Governance	Dr. Japheth Odhiambo (up to 30 <sup>th</sup> November 2023)
15	Director/ Supply Chain Management	Mr. Peter Mwangi
16	Ag. Director/ Supply Chain Management	Ms. Jane Rotich (up to 20 <sup>th</sup> November 2023)
17	Director/ Information, Communications, and Technology	Mr. Martin Mirero
18	Ag. Director/ Information, Communications, and Technology	Mr. Joseph Nzano (up to 1 <sup>st</sup> November 2023)
19	Ag. Director/Public Education & Awareness	Ms. Patricia Muchiri
20	Ag. Director/ Research, Planning & Quality Management	Dr. James Njeru
21	Ag. Director/ Cyber Security Management and Monitoring	Dr. Vincent Ngundi
22	Ag. Director/ Compliance & Enforcement	Mr. Peter Ikumilu
23	Ag. Director/ Competition Management	Mr. Lukas Musembi
24	Ag. Director/Monitoring, Inspection & Regional Coordination	Mr. Titus Cheptoo

**(e) Fiduciary Oversight Arrangements**

The Board of Directors have the responsibility of acting in the best interest of the Fund. 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 (4) 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

**(f) Entity Headquarters**

Universal Service Fund  
P. O Box 14448 - 00800 CA Centre, Waiyaki  
Way Nairobi, KENYA



**Key Entity Information and Management (Continued)**

**(g) Entity Contacts**

Telephone: (254) 703 042 000

E-mail: [info@ca.go.ke](mailto:info@ca.go.ke)

Website: [www.ca.go.ke](http://www.ca.go.ke)

**(h) Fund's Bankers**

**i) Co-operative Bank of Kenya**

Westlands Branch

P.O. Box 66589 – 00800

Nairobi, Kenya

**ii) NCBA Bank Plc**

Westlands Branch

P.O. Box 30437 - 00100

Nairobi, Kenya

**iii) Kenya Commercial Bank**

Sarit Centre Branch

P O Box 30081 - 00800

Nairobi, Kenya

**iv) Equity Bank Limited**

Fourways Branch,

P. O. Box 75104 - 00200

Nairobi, Kenya

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

**Key Entity Information and Management (Continued)**

**(i) Independent Auditor**

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

**(j) Principal Legal Adviser**

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



### 3. The Board of Directors/Council



**Ms. Mary W. Mungai, CBS** born 1965, is the Chairperson of the Board of Directors of the Communications Authority of Kenya (CA) having been appointed on 2nd December 2022.

She is an experienced Chief Executive Officer with over 30 years of success in various industries. She is the owner and CEO of multiple businesses with over 500 direct employees, over 1000 direct and indirect employees and revenues of over \$30 million annually.

Ms. Mungai is a decisive and strategic leader with skills in strategic leadership, financial management, business operations and strategy, communication and delegation, and risk management. She has grown her companies rapidly from scratch through aggressive new market strategies and cultivated a performance-driven company culture to lead industry innovations.

She has served as a Board Member in several entities, including as a Board Member of Kenyatta National Hospital for seven (7) years, where she served as Chair of Finance and all Purposes Committee, and as Chair of Corporate Strategy and Enterprise Committee. She also has interest in the hospitality industry and the real estate.



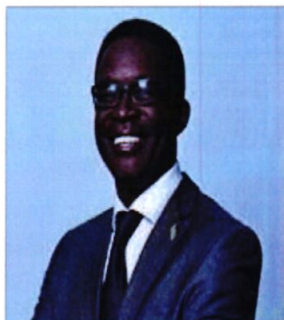
**Mr. David Mugonyi, EBS** is the Director General/CEO of the Communications Authority of Kenya, appointed on 15th January 2024. With over 20 years of leadership experience in public service, media, and strategic communications, Mr. Mugonyi previously served as the Head of the Presidential Communication Service, where he played a pivotal role in developing and implementing communication strategies at the highest levels of government. His expertise in perception and reputation management has been instrumental in shaping effective communication practices. Prior to his role in the Presidential Communication Service, Mr. Mugonyi served as the head of the parliamentary press unit, further honing his skills in strategic communication and media relations. He holds a Master's Degree in International Journalism from City University in the United Kingdom, a Bachelor's Degree in Education from the University of Nairobi, and a Postgraduate Diploma in Mass Communication from the same institution.



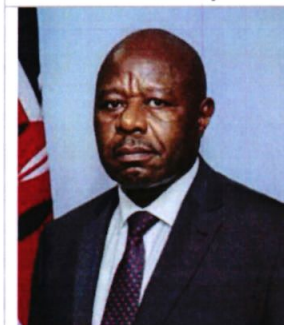
**Mr. Christopher Wambua** is the Director, Corporate Communications. He holds a master's degree in international studies, a postgraduate diploma in Mass Communications, a post-graduate diploma in Public Relations from the Chartered Institute of Public Relations and a degree in Education. Mr. Wambua was appointed Ag. Director General on 18th September 2023

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---



**Mr. Ezra Chiloba** born in 1978, is the Director General/CEO of the Communications Authority of Kenya, having been appointed on 28th September 2021. Prior to this appointment, he served as Principal Partner at Chil & Kemp Strategies Ltd, a Strategy Management Company, where he focused on strategy and risk management, policy and regulatory analysis, and leadership and management effectiveness. Mr. Chiloba also served as the Chief Executive Officer/Commission Secretary of the Independent Electoral and Boundaries Commission (IEBC) between 2015 – 2018. In this role, he was responsible for the management and administration of an unparalleled large-scale and complex national election programme. He has also worked with other reputable international and local organizations including the UN. His experience spans over 15 years in public sector management including policy, legislation, financial management, stakeholder management, risk management and leadership. He has also served as a Board Member of the Youth Enterprise Development Fund. Mr. Chiloba is an all-round public sector leader who is inspired by the idea that a progressive society is dependent on a facilitative government. He also has a deep appreciation of the communication industry; its global and local challenges and opportunities for social-economic growth. He holds an MSc in Major Programme Management (MMPM) from the University of Oxford (UK) and an MA in Public Policy (MPP) from the Central European University (Hungary). He graduated with a Bachelor of Laws degree from the University of Nairobi and was admitted to the Roll of Advocates of the High Court in Kenya. In 2015, he was named among the Top 40 under 40 Men by the Business Daily. Mr. Chiloba resigned on 18th October 2023.



**Prof. Edward Kisiang'ani**, born in 1965, is the Principal Secretary, State Department for Broadcasting and Telecommunications, Ministry of Information, Communications, and the Digital Economy.

He serves on the CA Board in his capacity as the Principal Secretary for the time being responsible for matters relating to broadcast, electronic, print and all other types of media. He holds a PhD degree in Archaeology and Political Studies from Kenyatta University. Prof. Kisiang'ani has over 20 years of work experience and has extensive university experience in teaching History and Political Studies.



**Dr. Chris Kiptoo**, CBS born in 1967, is the Principal Secretary for The National Treasury and Economic Planning. He serves on the CA Board in his capacity as the Principal Secretary for the time being responsible for matters relating to finance. He holds a Ph.D in International Macroeconomics Finance specialization from the University of Nairobi.

He has several years experience in economic policy analysis particularly on areas related to: International Trade and Finance issues including BoP and exchange rate developments; Monetary policy, real sector and public finance issues; Policy and programme developments originating from multilateral and regional organizations; Interrelations among macroeconomic accounts as well as macroeconomic modelling and forecasting issues. Dr Kiptoo is an accredited Fellow of the Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI) in the field of Macroeconomic Management. He is also an Associate of Kenya Chartered Institute of Bankers (A.K.I.B).

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---



**Dr. Raymond Omollo**, born in 1979, is the Principal Secretary for Ministry of Interior and National Administration. He serves on the CA Board in his capacity as the Principal Secretary for the time being responsible for matters relating to internal security. He holds a Ph.D in Applied Statistics from the University of Nairobi.

He has over 16 years of experience and previously served as a non-executive board member at Consolidated Bank of Kenya and Managing Director of the Lake Basin Development Authority (LBDA) since 2019.

Dr. Omollo is a statistician and research professional and has previously worked in the non-profit Research and Development organization management industry with a keen focus in Data Management, Statistical Data Analysis, Epidemiology, and Statistical Modeling.

#### **INDEPENDENT DIRECTORS**



**Mr. Eric Langat** Born in 1958, Mr. Langat holds of a Bachelor of Science degree in from the University of Eastern Africa Baraton.

He joined the defunct Kenya Posts and Telecommunications Corporation (KPTC) in 1985 and later the Postal Corporation of Kenya (PCK) where he served in various managerial positions. He is currently in private business and is also a Board Member of a privately-owned tea factory. He was appointed to the CA board on 24th February 2023. He serves as the Chairperson of the Finance, Planning and Strategy Committee.



**Mr. Okeng'o Joel Nyambane** , born in 1989, is a highly motivated and strategic professional with a strong background in law and political science. He holds a Bachelor of Law and Bachelor of Political Science degrees from the Catholic University of East Africa. He is highly skilled in legal research, analysis and writing, and he possesses a keen understanding of political systems and policies. In addition, Mr. Okeng'o is a highly effective communicator as well as collaborator with excellent interpersonal skills. His strategic thinking and problem-solving abilities have enabled him to overcome challenges and achieve his goals. He is committed to making a positive impact in society through his work and he is constantly seeking new opportunities to learn and grow. He was appointed to the Board on 24<sup>th</sup> February 2023 for a period of three (3) years. He serves as the Chairperson of the Board Audit & Risk Assurance Committee.



**Ms. Christine Bhoke Nchamah** Born in 1979, Ms. Nchamah is a community developer, entrepreneur and politician with a passion for women's rights and empowerment. She holds a Bachelor of Arts degree in Community Development and a Diploma in Community and Social Development from Kisii University. Ms. Christine has a track record of advocating for vulnerable members of society and turning ideas into reality. She served as a board member of Lake Basin Development Authority from 2019-2022 and was the Secretary of Kuria West Constituency from 2013-2022. In addition, she chaired the Kuria West Women Sacco from 2015-2020. Christine's love for lending a helping hand to the less

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

fortunate in the community is evident in her work. She was appointed on 24<sup>th</sup> February 2023 for a period of three (3) years. She serves as the Chairperson to the People & Culture Committee.



**Mr. Paul Mureithi** Born in 1958, Mr. Mureithi is a board member after being appointed on 17th July 2021. He has 25 years' experience in telecommunications having worked in Telkom Kenya Limited. He has worked in cable network, fibre optic planning and construction in Nairobi Central and Nairobi North region as a Senior Manager. He is a Director of Tymstar Motors Limited, Tymtrack Limited, Mweiga Homes Limited, Dualway Properties Limited among others. Mr. Mureithi has a wealth of experience in Various Engineering Departments since 1978. He has served a technical trainee in Kenya Telkom's KRTS and KCCT Communications

Engineering Schools, rising through the ranks as Senior Technician, Assistant Engineer, Senior Engineer, Senior Sectional Engineer and Assistant Manager Engineering in charge of Kiambu County, Westlands, Kileleshwa, Parklands and Muthangari Telephone Exchanges. He worked in the defunct Kenya Posts, Telecommunications, and Telkom (K) Ltd for Twenty-Five (25) years. He was appointed to the Board on 24th March 2023, for a period of three (3) years. He serves as the Chairperson of the Technical & Broadcasting Standards committee.



**Dr. Musangi J. Mutua** Born in 1962, Dr. Musangi is an accomplished professional with extensive experience in public sector management, specializing in human capital management and organizational development. Dr. Musangi has held significant roles in various organizations, including the Directorate of Personnel Management, Post Office Savings Bank and East African Portland Cement Company, leading the Human Resource departments.

She holds a PhD in Business Administration (Strategic Management) from the University of Nairobi, a master's in public administration from University of Canberra, Australia, a Higher Diploma in Human Resource Management from Institute of Human Resource Management (IHRM) and a Bachelor of Arts in Government from the University of Nairobi. Dr. Musangi is a Chartered Human Resource Professional (CHRP) and a certified member of the Institute of Human Resource Management (IHRM) and Kenya Institute of Management (KIM). She has published research on business process outsourcing strategies and the performance of Kenyan state corporations. She was appointed to the Board on 27<sup>th</sup> June 2024 for a period of three (3) years.



**Ms. Ummu Bunu Ahmad**, born in 1988, is a finance professional with a Bachelor of Business Administration, specializing in Finance and Banking. She currently holds the position of Acting Branch Manager and Relationship Manager at Gulf African Bank in Lamu, Kenya. With a strong background in financial services, Ms. Bunu is committed to driving business growth and enhancing customer relationships within her assigned market segments. She was appointed to the Board on 27th June 2024 for a period of three (3) years.

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---



**Dr. Kochei K Albert**, born in 1978, Dr. Kochei is a CEO and lead consultant at LFE Corporate Solutions, offering consultancy services and research in areas such as business coaching, leadership, project management and financial development. He has a Bachelor of Commerce in Accounting, a master's in environmental economics, and is currently pursuing a master's in management and leadership. He has previously worked as an internal auditor at World Vision Kenya and as a political and economic resilience program manager at the International Centre for Livelihood and Environmental Protection. Albert is an active member of Strathmore University alumni and has been a speaker at leadership seminars in Canada and Ethiopia. He served in the Board from 24th

March 2023 to 27th June 2024



**Ms. Tonia Mutiso**, born in 1973 is a lawyer by training with over 23 years of experience in Law, Human Resources and Marketing within the technology sector. Currently, she is the Managing Partner & Co-CEO of Tellistic Technology Services, a capacity building, data analytics and software engineering firm. Formerly the Chief Marketing Officer for GE Healthcare Africa where she drove growth for the company across Africa through investments in the private and public sector, she also served in various roles at Microsoft Corporation for a period spanning 20 years. Her most recent role at the Microsoft was as the Chief Marketing Officer for Microsoft

4Afrika where she focused on empowering African youth, catalysing the startup ecosystem and enabling small and growing business to spur economic growth across Africa. In addition, Tonia serves on the boards of Echo Mobile and talent and human capital startup, Fuzu. She served in the Board from 24th March 2023 to 27th June 2024.



**Ms. Sarah Kabira**, born in 1983, Ms. Kabira is a senior Telecommunications Professional offering over 15 years of progressive experience in the field of Information Technology. Out of which Eight (8) years are in leadership positions in the ICT and telecommunication industry. She is the Managing Director of Techminds Technologies Limited, an ICT Services firm. Formerly worked in leadership positions in the ICT and telecommunication industry in the United Kingdom and Kenya. Sarah is in the leadership of the Women's Mentorship Network, a mentorship network focused on increasing the spend and capacity

building of Women owned companies. Sarah holds a Master of Philosophy in Technology Policy at Judge Business School, Cambridge University and Bachelor of Science in Computer Science at University of Nairobi (First Class Honors). She has previously been named IEEE Woman Engineer of the Year and received a Shell Chevening Scholarship (Cambridge University). She served in the Board from 26th May 2023 to 27th June 2024.

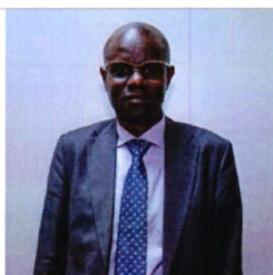
**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

**ALTERNATE DIRECTORS**



**Mr. Waweru Kimani**, born in 1963, Mr. Kimani is an Alternate Board Director from the Ministry of Information, Communications and the Digital Economy. He has a distinguished career in public service with leadership roles across various government departments. He holds a Bachelor of Arts degree in Public Administration and Political Science from the University of Nairobi and a Master of Business Administration in Strategic Management from Jomo Kenyatta University of Agriculture and Technology. Mr. Kimani served as Deputy Ambassador to Beijing, China, from 2018 to 2022, strengthening bilateral relations. Currently, as Director of Administration at the Ministry, he oversees administrative functions and leads initiatives to advance Kenya's digital transformation and economic development. He was appointed to the Board on 9th January 2024.



**Mr. Frederick Muhul**, born in 1978, Mr. Muhul is a seasoned career civil servant with experience spanning over a decade in various capacities in different government agencies. He holds a Master of Business Administration, Bachelor of Commerce and Bachelor of Laws from the University of Nairobi. Mr. Muhul is also a Certified Public Accountant of Kenya, a Certified Secretary of Kenya and a holder of Postgraduate Diploma in Law from the Kenya School of Law. He is also a member of the Law Society of Kenya (LSK), Institute of the Certified Public Accountants of Kenya (ICPAK), Institute of the Certified Secretaries of Kenya (ICS) and the Institute of Internal Auditors (IIA). Mr. Muhul was appointed to the Board as the Alternate Director to the Principal Secretary State Department for Interior and National Administration. Mr. Muhul is a highly skilled, dedicated and pragmatic person whose passion is to make a difference for the people of Kenya. He joined the Board on 7th February 2023.



**Ms. Juliana Nashipae Yiapan, MBS**, born in 1969, was appointed to the CA Board of Directors on 3rd May 2019 as the Alternate Director to the Principal Secretary, State Department of Broadcasting and Telecommunications, Ministry of Information, Communications and the Digital Economy (MoICDE). She has a Master of Business Administration (Public Service) from The University of Birmingham, UK, Master of Arts in Political Science and Public Administration as well as a Bachelor of Arts Degree in Government, both from the University of Nairobi. She has over 20 years' experience in Public Service more specifically at MoICDE, Office of the President and Office of the Deputy President, in various senior positions. She ceased membership to the Board in December 2023.

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---



**Mr. Christopher Kirigua**, born in 1976, served as Director General of the Directorate of Public Private Partnerships (PPP) at the National Treasury and Economic Planning. A seasoned investment banker, Christopher worked in the private sector for over 20 years, prior to joining public service in December 2020. He also chaired a government and private sector initiative, focused on post-covid economic recovery strategies for the Country. Christopher has successfully delivered policy reforms through the new 2021 PPP Act which repealed and replaced the 2013 PPP law. He was appointed to the Board on 7<sup>th</sup> February 2023. He ceased membership to the Board in 2024

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

**4. Key Management Team**



**Mr. David Mugonyi, EBS** is the Director General/CEO of the Communications Authority of Kenya, appointed on January 15, 2024. With over 20 years of leadership experience in public service, media, and strategic communications, Mr. Mugonyi previously served as the Head of the Presidential Communication Service, where he played a pivotal role in developing and implementing communication strategies at the highest levels of government. His expertise in perception and reputation management has been instrumental in shaping effective communication practices. Prior to his role in the Presidential Communication Service, Mr. Mugonyi served as the head of the parliamentary press unit, further honing his skills in strategic communication and media relations. He holds a

Master's Degree in International Journalism from City University in the United Kingdom, a Bachelor's Degree in Education from the University of Nairobi, and a Postgraduate Diploma in Mass Communication from the same institution.



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

responsible for the management and administration of an unparalleled large-scale and complex national election programme. He has also worked with other reputable international and local organizations including the UN. His experience spans over 15 years in public sector management including policy, legislation, financial management, stakeholder management, risk management and leadership. He has also served as a Board Member of the Youth Enterprise Development Fund. Mr. Chiloba is an all-round public sector leader who is inspired by the idea that a progressive society is dependent on a facilitative government. He also has a deep appreciation of the communication industry; its global and local challenges and opportunities for social-economic growth. He holds an MSc in Major Programme Management (MMPM) from the University of Oxford (UK) and an MA in Public Policy (MPP) from the Central European University (Hungary). He graduated with a Bachelor of Laws degree from the University of Nairobi and was admitted to the Roll of Advocates of the High Court in Kenya. In 2015, he was named among the *Top 40 under 40 Men* by the *Business Daily*. Mr. Chiloba resigned on 18<sup>th</sup> October 2023

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**



**Mr. Christopher Wambua** is the Director, Corporate Communications.



**CPA Joseph M. Kimanga** is the Director, Finance & Accounts, and covering Human Resources & Administration Department



**CHRP Reginah Jemutai** is the Director Human Resource & Administration.



**Mr. Dominic Ooko** is the Ag. Director Finance and Accounts.



**FCPA Rosalind Murithi** is the Director, Internal Audit & Risk Assurance.



**Mr. Matano Ndaro** is the Director, Telecom, Postal and Courier and Electronic Transaction Licensing.



**Eng. Leo K. Boruett** is the Director, Multimedia Licensing and Content Regulation.



**Mr. Christopher Kemei** is the Director, Universal Access and Services Strategy and Coordination.













**Ms. Lydia Sitienei** is the Director Legal Services and Corporation Secretary



**Mr. Peter Mwangi** is the Director, Supply Chain Management.

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

	<p><b>Mr. Martin Mirero</b> is the Director Information, Communications, and Technology.</p>		<p><b>Ms. Jane Rotich</b> was the Ag. Director, Supply Chain Management up to 20<sup>th</sup> November 2023.</p>
	<p><b>Dr. Vincent Ngundi</b> is Ag. Director, Cyber Security Management and Monitoring.</p>		<p><b>Dr. James Njeru</b> is the Ag. Director, Research, Planning &amp; Quality Management.</p>
	<p><b>Ms. Patricia Muchiri</b> is the Ag. Director, Public Education and Awareness and Acting Director Corporate Communications.</p>		<p><b>Mr. Mohammed Haji</b> is the Director, Frequency Assignment and Licensing.</p>
	<p><b>Dr. Japheth Odhiambo</b> was the Ag. Director Legal Services, Regulatory Affairs and Governance up to 30<sup>th</sup> November 2023.</p>		<p><b>Mr. Joseph Nzano</b> was the Ag. Director Information, Communications, and Technology up to 1<sup>st</sup> November 2023.</p>
	<p><b>Mr. Lukas Musembi</b> is the Ag. Director Competition Management.</p>		<p><b>Mr. Peter Ikumilu</b> is the Ag. Director Compliance &amp; Enforcement.</p>
	<p><b>Mr. Titus Cheptoo</b> is the Ag. Director Monitoring, Inspection &amp; Regional Coordination.</p>		



## **5. Chairman’s Statement**

On behalf of the Board of Directors, Management, and staff of the Communications Authority of Kenya (CA), I am pleased to present to you the Fund’s Annual Report for the year ended 30th June 2024 as required by Section 22 (1) of the Kenya Information and Communications Act, 1998.

As the regulator of the ICT sector, the Authority is cognizant of the central role that the sector plays as a key enabler of growth in all other sectors of the economy and as one of the foundations of national transformation and realization of both Vision 2030 and the Bottom-up Economic Transformation Agenda (BETA).

During the FY 2023/24, the Authority, commenced implementing its 5th Strategic Plan 2023-2027, whose vision is to ensure Digital Access for All by creating a Sustainable Digital Society through Responsive Regulation. In line with this strategic direction, the Authority continued with its efforts to increase the coverage and penetration of ICT services, bridging the digital divide, and ensuring that everyone in Kenya, regardless of their location, has access to affordable and reliable ICT services. Towards this end, the Authority facilitated rapid growth of the sector and supported realization of BETA by fast-tracking ICT related regulatory and universal access initiatives.

A competitive and robust ICT sector contributes to the national economy and has the potential to transform traditional economies into digital economies. It also enhances consumer choice as well as availability of diverse and more affordable ICT services. In this regard, the Authority continued to implement forward-looking regulation to foster competitive and efficient markets in the ICT sector. Additionally, the Authority also undertook several consumer protection and empowerment initiatives in a bid to safeguard the rights and interests of consumers.

In a bid to enhance this capacity of the Authority to deliver on its mandate, this year saw the reconstitution of the of the Universal Service Advisory Council, charged with the responsibility of providing strategic policy guidance to the Authority for the administration and

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

implementation of the Universal Service Fund. Further, key leadership changes were instituted during year such as entry of Mr. David Mugonyi, as the Director General in January 2024 as well as filling up of several positions at Management level. These changes are intended streamline operations, increase productivity, and respond to customers' ever-changing needs.

I would like to express my sincere gratitude to the Ministry of Information, Communication and the Digital Economy, ICT service providers, strategic partners and all other stakeholders for your continued invaluable support to the Authority as it strives to ensure digital access for all.

I further wish to acknowledge the dedicated service and commitment of the members of the Board, Management and the Staff of the Authority for their invaluable contribution and enthusiasm in supporting the organization's mandate.



**Ms. Mary Mungai, CBS  
Chairperson of the Board**



## **6. Report of the Director General/Chief Executive Officer**

The Authority is committed to enhancing the country's ICT sector by promoting connectivity, protecting consumers, fostering competitive markets, and improving its capacity organizational efficiency and effectiveness.

Connectivity - In support of BETA, under the Digital Superhighway and Creative Economy pillar, the Authority, in collaboration with the Information and Communications Technology Authority (ICTA), facilitated the roll-out of 252.958 km out of a targeted 2,500 km of last-mile of fibre optic network infrastructure. The Authority also continued to bridge the digital divide by improving access to ICT services in unserved and underserved areas through deploying cellular mobile infrastructure in nine (9) additional sub-locations across four counties.

In the year, mobile subscriptions increased by 3.7 per cent to 68.8 million subscriptions indicating a penetration of 133.7 per cent. Active mobile money subscriptions increased by 1.8 million to 39.8 million, while total mobile data and Internet subscriptions reached 52.5 million, of which 73.2 percent was on mobile broadband. 4G technology recorded the highest number of subscriptions, thus indicating increasing demand for faster internet speeds among consumers. Kenya's fixed data and internet subscriptions have surged, with a 178.7 percent increase in demand for 100 Mbps, largely due to the Starlink satellite network's deployment.

The Authority issued 62 new broadcasting licenses, bringing the total number of licensees to 702 as of 30th June 2024. This has increased the diversity and plurality of broadcast content increased. The advancement of broadcast technology has significantly expanded the availability of television channels, offering improved picture quality and wider coverage. This progress has driven increased adoption of both free-to-air (FTA) and subscription TV services. As of June 30, 2024, DTT subscriptions accounted for 71.1 percent of the total TV subscriptions. The number of TV subscriptions rose by 2.7 percent to 6.3 million, whereas DTH subscriptions rose by 2.4 percent to 1.78 million. Cable broadcasting subscriptions rose by 4.3 percent to 59,576.

The Authority, through the National Public Key Infrastructure (NPKI), manages the issuance of

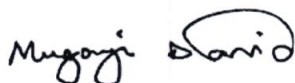
**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

digital certificates to Electronic Certification Service Providers (E-CSPs). During the reference period, the Authority licensed and accredited four (4) entities, allowing them to offer digital certification services to the public. Digital certification services enhance cyber readiness and resilience by providing secure encrypted communications, verifying user and device identities and protecting data integrity.

Further, we continued to adapt our regulatory frameworks to keep pace with technological advancements, promote innovation under emerging technologies, and encourage healthy competition. In this regard, the Authority commenced implementation of a Regulatory Sandbox framework that provides a test environment for local ICT solutions before they are rolled out to the market. We see this catapulting the growth of the local ICT startups that generate solutions to our everyday challenges. The Sandbox also provides a mentorship space for young innovators, ensuring they mature in the ecosystem in a structured manner.

These achievements would not have been realized without the dedication of staff as well as strategic and policy guidance received from the Board of Directors and our parent Ministry of Information, Communication and Digital Economy.



**David Mugonyi, EBS  
Director General/CEO**

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**



**7. Statement of Performance against Predetermined Objectives for FY 2023/24**

The Communications Authority of Kenya develops its annual work plans based on the above Key Result Areas, strategic objectives and strategic initiatives. The Corporate Annual Work Plan for FY 2023/24 had a total of 59 activities scheduled for implementation.

Assessment of the Board’s performance against its annual work plan (AWP) is done on a quarterly basis with best performance being recorded in the third quarter with an implementation of 27.2 per cent of the (AWP) while the first quarter recorded the lowest score with an implementation status of 13.4 per cent. The second and fourth quarter accounted for 19.8 per cent and 16.8 per cent implementation of the Annual Work Plan respectively.

The overall status of implementation of the Annual Work Plan for the FY 2023/24 was 77.4 percent. Out of the 59 activities scheduled for implementation, 32 activities were finalized 100 percent, 12 activities were at a middle stage of completion with a score between 58 percent and 99 percent while 15 activities were still at initial stages of implementation with a score below 50 percent as indicated in the table below:

**Status of implementation of the Annual Workplan as at 30th June 2024**

Activity	Implied Tasks	Output	KPIs	Target FY 2023/24	Achievement as at 30 <sup>th</sup> June 2024	Score (%)
1.1.1.1.1 Facilitate the rollout of basic and broadband wireless networks and services in all remaining unserved and underserved	Roll out of Passive cellular mobile network infrastructure in 75 sub-locations  Roll out of Active cellular mobile network infrastructure in 50 sub-locations	Basic and wireless broadband network coverage	% Population Coverage	98	<p><b>Passive Infrastructure</b></p> <ul style="list-style-type: none"> <li>Reviewed designs for passive infrastructure across 65 sub-locations.</li> <li>Facilitated acquisition of 7 Sites by Seal Towers Ltd under phase 2.</li> <li>Passive infrastructure rolled out in 16 sublocations.</li> </ul> <p><b>Active Infrastructure</b></p> <ul style="list-style-type: none"> <li>Approved the active designs for five sub-locations submitted by Airtel and one for Safaricom Limited.</li> <li>The 9 Sub locations have been activated and are on air.</li> </ul>	19.6

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

1.1.1.2.1 Facilitate the rollout of high-capacity national digital connectivity (superhighway) infrastructure in unserved and underserved areas	Monitor progress and prepare reports on the rollout of the 2,500 kms of fibre optic network infrastructure	Increased Rollout of Fiber Optic Cable Infrastructure	No. of KMs	500	During the year, the Authority monitored the progress of the rollout of the fiber optic network infrastructure. As of 30th June 2024, 1205.932 km of optic fiber network has been installed, of which 610.1324 Km has been inspected and accepted. The end-year progress report was developed and submitted to management.	100
1.1.1.2.4 Facilitate digitalization of basic public services	Support establishment of LAN cabling infrastructure in select Court stations of the Judiciary	Digitalized public institutions	No. of MDAs	1	Installation of a Local Area Network (LAN) in 43 selected court stations in the Republic of Kenya done awaiting inspection and acceptance. The negative variance is attributed to the failure to complete inspection and acceptance within the FY 2023/24.	90
1.1.2.2.1 Support the implementation of relevant content and	Facilitate the development of digital educational content in	Relevant Local Content and Applications	% Level of	Implementation 100	<b>KICD-</b> The Authority undertook a verification exercise to review the corrections of the learning areas as submitted by the	80

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**



Activity	Implied Tasks	Output	KPIs	Target FY 2023/24	Achievement as at 30 <sup>th</sup> June 2024	Score (%)
applications to serve the unserved and underserved communities.	collaboration with KICD for 20 learning areas and adaptation of 10 Grade 6 learning areas				publishers, to KICD. The Council approved 16 learning areas for publishing. The Authority has further facilitated the integrated digital adaptation of 12 grade 6 learning areas for students with hearing and visual disabilities.	
	Facilitate the digitization of local agricultural content in collaboration with KALRO for 16 value chains in local languages (vernacular)				<p><b>KALRO</b> - Agricultural Digital Content developed in English, for 16 value chains and translated into 9 (nine) local languages (i.e., Swahili, Kamba, Luo, Luhya (Isukha), Taita, Kikuyu, Somali and Kalenjin (Kipsigis). Validation of developed Agricultural content undertaken.</p> <p>Computing Devices and Assistive technologies delivered awaiting inspection and acceptance. Contract for LAN, building works, furniture and signage in the 7 AICs was signed on 22nd April 2024 and an inception meeting held.</p>	

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

**8. Corporate Governance Statement**

The Authority, through its Board of Directors is committed to implementing and adhering to good corporate governance and best practice. The Board considers that good governance, achieved through an ethical culture, competitive performance, effective control, and legitimacy, can create value, and enhance Digital Access for All.

The Board applies good governance practices to promote strategic decision making for the organisation to balance short-, medium and long-term outcomes to reconcile interests of its stakeholders and the society to create sustainable shared value. To that end, sound governance practices, based on accountability, transparency, ethical management, and fairness, are entrenched across the Authority with a vision of Digital Access for All, which reflects its commitment to ensuring that all Kenyans have access to affordable, reliable, and high-quality communication services.

**Board meetings attendance from 1 July 2023 to 30 June 2024**

Board Member	Full Board	Special Board	Full Board Recruitment – interviews	People and Culture Committee	Technical and Broadcasting Standards Committee	Finance, Planning and Strategy Committee	Board Audit and Risk Assurance Committee	Ad-Hoc USF	Total Number of Meetings Attended
Ms. Mary Mungai	15	10	2	-	-	-	-	-	27
Mr. Waweru Kimani	4	2	1	7	1	3	-	-	18
Mr. Fredrick Muhul	10	6	3	8	-	2	4	-	33
Dr. Musangi J. Mutua	-	-	-	-	-	-	-	-	0
Mr. Eric Langat	12	8	1	-	9	10	-	2	42
Ms. Bhoke Christine	14	8	3	17	-	9	-	-	51
Mr. Joel Nyambane	15	6	-	4	9	-	4	-	38
Ms. Ummu Bunu Ahmed	-	-	-	-	-	-	-	-	0
Mr. Paul Mureithi	15	7	2	-	10	1	5	-	40
Dr. Albert Kochei	12	9	3	12	-	11	-	2	49
Ms. Tonia Musyoka	14	8	4	12	7	-	-	1	46
Mr. Christopher Kirigua	5	5	-	-	1	2	3	-	16
Ms. Sarah Kabira	13	8	2	5	3	-	4	2	37



**a) Fiduciary Oversight Arrangements**

The Board of Directors have the responsibility of acting in the best interest of the Authority. They are expected to act with due professional care and make good decisions; ensuring there is no conflict of interest. To enhance efficiency and effectiveness, the Board constituted (4) standing committees with clearly defined terms of reference relating to key areas of the Authority. The committees operate on delegated authority without diluting the Board's accountability

**(i) Finance, Planning & Strategy Committee**

The Finance, Planning and Strategy Committee is established in fulfilment of the requirements of Section 7(f) KICA. The primary purpose of the Committee is to give recommendations and advise the Board on financial management strategies and objectives to foster growth and development of the Authority. The Committee plays a pivotal role in overseeing the financial health and strategic planning of the Authority and is responsible for ensuring that the Authority's financial resources are managed efficiently and effectively, aligning financial planning with the Authority's strategic objectives, and ensuring that robust financial controls are in place.

**(ii) Board Audit and Risk Assurance Committee**

The Board Audit and Risk Assurance Committee is established in fulfilment of the requirements of Section 7(f) KICA and the *Mwongozo* Code of Governance for State Corporations. The primary purpose of the Committee is 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 Committee plays a critical role in ensuring the integrity of the Authority's financial reporting, the effectiveness of internal controls, and the strength of its risk management practices in order to enhance accountability and transparency across the Authority's operations.

**(iii) People and Culture Committee**

The People and Culture Committee is established in fulfilment of the requirements of Section 7(f) KICA. The primary purpose of the Committee is to assist the Board and management in development and oversight of human resources strategies and policies so that they: -

1. Align with the Authority's purpose, culture and strategy.

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

2. Comply with the Authority’s performance management framework.
3. Comply with legal and regulatory requirements; and
4. Remain appropriate to change.

**(iv) Technical and Broadcasting Standards Committee**

The Committee is established in fulfilment of the requirements of Section 7(f) KICA. The primary purpose of the Committee is to assist the Board by providing recommendations and advise on Technical, Regulatory and Broadcasting matters in the ICT sector to ensure effective regulation and standardization of technical and broadcasting services. The Committee is also charged with the responsibility of overseeing the implementation of Universal Service Fund (USF), ensuring equitable access to ICT and broadcasting services across Kenya

**b) Board and Members’ Performance**

The Board operates under a Board Charter that outlines its governance framework and guides its activities. The Board Performance Evaluation for the FY 2022/23 was conducted by the State Corporations Advisory Committee (SCAC) on 6th July 2023. The overall rating was a score of 85.9%, which was good performance for the Board. The following is a summary of the performance evaluation results for the year 2022/23.

S/No.	Name	Position	Raw Score	% Score
1	Ms. Mary W. Mungai	Chairperson	4.68	93.56
2	Mr. Fredrick Muhul Raongo	Member	4.66	93.22
3	Mr. Eric Langat	Member	4.77	95.44
4	Ms. Bhoke Christine	Member	4.65	92.90
5	Mr. Joel Nyambane	Member	4.72	94.44
6	Mr. Paul Mureithi	Member	4.71	94.11
7	Dr. Albert Kochei	Member	4.77	95.44
8	Ms. Tonia Musyoka	Member	4.84	96.89
9	Mr. Christopher Kirigua	Member	4.6	92.00
10	Ms. Sarah Kabira	Member	4.9	98.00
11	Ezra Chiloba	DG/CEO	4.27	85.48
12	George Kariuki Njamwitha	CS	4.33	86.53
13	Rosalind Rima Murithi	D/IARA	4.91	98.29

**c) Process of Appointment and Removal of Directors**

The Appointment of the Chairman of the Board rests with the President, while the Members of the Board are appointed by the Cabinet Secretary. Section 6(2) of the Kenya Information and Communications Act (KICA) provide that in appointing the members of the Board under



subsection (1)(e), the Cabinet Secretary shall ensure-

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

**d) Roles and functions of the Board**

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

**e) Conflict of Interest**

During the year under review, the Authority maintained a Conflict-of-Interest Register in line with its Policy. At the commencement of every meeting, Board Members were required to declare both verbally and by signing in a Conflict of Interest Register any conflicts or potential conflicts of interest they may have had in relation to particular items of business. As a practice, Board Members abstain from discussion or decisions on matters in which they have an interest,

**f) Board Remuneration**

The Board of Directors are paid fees and allowances as remuneration for conducting official business that they may be called upon to undertake. Subject to Section 10 (1) of the State Corporations Act, Chapter 446 Laws of Kenya, allowances for members of the Board are paid out of the funds of the Authority. These include 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.

**g) Governance Audit**

During the financial year under review, the Authority's Governance Audit was conducted by M/S Robson Harris Advocates LLP. The purpose of the Audit was to ensure that the Authority conforms to the highest standards of good governance. The governance audit covered the parameters articulated in the Mwongozo Code. The Authority implemented the recommendations of the Audit as contained in the Governance Audit Report dated 18th October 2023. This was to ensure all governance standards, codes, internal controls and policies are continuously complied with and in line with the best practice.

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

**h) Ethics and conduct**

The Authority has a Code of Conduct and Ethics, applicable to both members of staff and Board Members. The Code of Conduct and Ethics focuses on ethical conduct and integrity at the workplace. It defines Authority's commitment to the highest standards of behaviour so as to contribute to the achievement of the national development goals. The Code sets out expectation for individual behaviour necessary to meet these standards and includes requirements and guidance to help you carry out your role with integrity and in compliance with the law. Upon appointment, all Board members are required to accept, by signature, the terms of the Code of Conduct and Ethics, and agree to abide by its provisions which forms part of their Board appointments.

**i) Multiple Directorships**

Board Members are prohibited from holding such position in more than two (2) State Corporations at any one time to ensure effective participation in the Board. All Board members are, upon appointment, required to sign a declaration of other directorship indicating other directorship held in other State Corporations and public entities as prescribed. During the year under review, no Member held more than two such positions.



## 9. Management Discussion and Analysis

### Operational and Financial Performance

Total revenue for FY 2023/24 showed significant improvement, reflecting a robust financial performance compared to the previous year, increasing to Kshs 4.52 billion from Kshs. 3.30 billion in 2022/2023 representing 37% year on year growth and a realization rate of 162% of the year budget of Kshs 2.79 billion. This is largely attributable to growth in the levy and interest income.

Total expenditure for FY 2023/24 increased by 794% to Kshs 1.44 billion from Kshs. 162.42 million. The budget absorption of the year was 21% of the year budget of Kshs. 7.08 billion. The low expenditure was due to delay in completion of the voice projects and Digital superhighway projects and cessation of government services automation projects (occurrence book automation and ministry of health).

### Key projects

The Fund conducted ICTs Access Gaps Study in 2016. The study identified two priority projects to be undertaken by Universal Service Fund. The two (2) projects are: Voice Infrastructure and Services and Education Broadband Connectivity projects. The objective of the Voice Infrastructure and Services Projects is to close coverage gaps in mobile network infrastructure and services identified. The study prioritized closing of voice gaps in within the unserved areas of Kenya. The objective of the education broadband connectivity project is to deliver Internet connection to selected public secondary schools.

**During the year, the Fund continued the rollout of several projects as tabulated below:**

No.	Project	Objective	Intervention	Budget	Status
1	Cellular Infrastructure and services project - Phase 2 (Passive)	Enable voice and data connectivity in gap areas	Deploy infrastructure in 101 sub-locations	Ksh 746 million	57/101 sub-locations completed - (Ongoing)
2	Cellular Infrastructure and services project - Phase 3 (Passive)	Enable voice and data connectivity in gap areas	Deploy infrastructure in 68 sub-locations	Ksh 928 million	6/68 sub locations on air (Ongoing)

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

No.	Project	Objective	Intervention	Budget	Status
3	Cellular Infrastructure and services project - Phase 3 (Active)	Enable voice and data connectivity in gap areas	Deploy infrastructure in 68 sub-locations	Ksh 900.6 million	3/68 sub locations on air (Ongoing)
4	Educational Portal and Curriculum Development - <b>KICD</b>	Facilitate access to educational content	Deploy portal and develop digital educational content starting with learners in grade 6	Ksh 380 million	Ongoing
5	Digitization & Dissemination of Agricultural - <b>KALRO</b>	Facilitate access to agricultural content	Deploy infrastructure and digitalize content	Ksh 88.1 million	Ongoing
6	Automation of the Judiciary	Enhance access to justice; transparency, efficiency and effectiveness in the delivery of justice	Deploy LAN in 43 court stations	Kshs. 250 million	Ongoing nearing completion
7	Digital Educational Content & Devices for Learners with Special Needs (PWDs) - <b>KIB</b>	Facilitate access to education content by learners with print impairments (PWDs)	Convert educational content into a format accessible by learners with print impairment and supply assistive learner devices	Ksh 390 million	Ongoing

**Compliance with statutory requirements**

The Fund has complied with statutory requirements and there are no known non-compliance issues that may expose the Fund. In addition, there are no ongoing litigations, and no contingent liabilities are anticipated therefore none has been provided for in the financial statements.

**Major risks facing the Fund**

The risks faced while implementing the USF projects are those associated with project implementation:

No.	Risk	Mitigation Measures
1	Inadequate projects sustainability models	Enforcing project governance encompassing inclusion of project sustainability mechanisms and prior signing of Memorandum of Understanding (MoU)

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

<b>No.</b>	<b>Risk</b>	<b>Mitigation Measures</b>
2	Low funds absorption for USF	Consider expansion of the Fund's project procurement and implementation methods to facilitate expedited awards and pace of project implementation.
3	Reliance on a few operators whose contribution is over 70% of the total Fund	Explore other sources of Funding for USF projects.

**Material arrears in statutory and other financial obligations**

The Fund has continued to honor its financial obligations as they fall due. Payments to vendors were made promptly; consequently, the Fund does not have any material arrears as of June 30, 2024.

### **10. Environmental and Sustainability Reporting**

The Authority's Board and Management are committed to the 2030 Sustainable Development Goals (SDGs), focusing on:

- Goal 6: Sustainable water and sanitation
- Goal 13: Climate change action
- Goal 15: Terrestrial ecosystem management
- Goal 17: Strengthening global partnerships for sustainability

The Authority promotes sustainability by managing resources wisely, reducing waste, and ensuring quality and value for money in its development practices.

#### **i) Environmental performance**

The Authority supports environmental sustainability through its Environmental Policy by:

- **Planning:** Holding quarterly meetings and submitting reports to the National Environmental Management Authority (NEMA).
- **Audits:** Conducting environmental audits to guide sustainability measures and staff training.
- **Pollution Control:** Implementing waste management practices with segregation bins and recycling initiatives.
- **Ecological Enhancement:** Engaging in CSR activities like tree planting and planting trees at remote stations.
- **Partnerships:** Collaborating with the East African Communications Organisation (EACO), the International Telecommunication Union (ITU), NEMA, and other bodies on green ICT initiatives.
- **Awareness:** Running training and sensitization programs on environmental issues.

#### **ii) Employee welfare**

The Authority's strong institutional capacity underpins its pursuit of performance excellence. By investing in resources, expertise, and technology, and aligning with strategic goals, the Authority fosters innovation and enhances its capabilities. This approach ensures high standards of performance. Key to this success is the recruitment, development, and retention

of talented employees through training and professional development programs.

**a. Human Resource Establishment**

As of June 30, 2024, the Authority had 369 employees, with a 49:51 female-to-male ratio. This includes 222 permanent and 147 contractual staff. During the year, 11 new staff were hired, 22 joined on secondment, and 13 staff members left.

**b. Organizational Learning**

The Authority provided training in five areas: Management skills, Regulatory and Technical capacity, Organizational development, Career/professional development, and Performance Contracting, to enhance staff competency and service delivery.

**c. Industry Practices**

The Authority, guided by the Constitution of Kenya, ensures fair competition across ICT sectors, manages frequency spectrum and numbering resources, and protects consumers. It follows the Mwongozo Code, its Code of Conduct, and supports cybersecurity through the Kenya Computer Incident Response Team (Ke-CIRT).

**d. Responsible Supply Chain and Supplier Relations**

The Authority's Service Charter outlines service quality expectations and ensures good practices with suppliers, including honoring contracts and adhering to payment practices.

**e. Responsible Marketing and Advertisement**

The Authority upholds corporate governance and ethical standards in marketing and advertising, adhering to all relevant codes and regulations.

**f. Product Stewardship**

Under the Kenya Information and Communications Act, 1998, the Authority ensures ICT providers establish customer care mechanisms, offer safe services, and protect consumer information, including child online protection.

**g. Consumer Research, Education, and Empowerment**

The Authority safeguards ICT consumers by providing information on product quality, effective customer care, and secure communication services.

**h. Consumer Empowerment**

The Authority’s program enhances consumer rights through education, distributing advisories during outreach activities, corporate events, and online platforms.

**i. Child Online Protection Programme**

The Authority’s “Huwezi Tucheza, Tuko CyberSmart” program promotes online safety for children through partnerships and events, addressing issues such as cyberbullying and internet safety.

**j. Corporate Social Responsibility/Community Engagements**

The Authority supports CSR initiatives, including aiding the Cerebral Palsy Society, constructing educational facilities, and sponsoring youth football and sports events, reflecting its commitment to social impact.



**11. Report of the Directors**

The Directors submit their report along with the audited financial statements for the year ended June 30, 2024, which reflect the state of the Fund’s affairs.

**i) Principal activities**

The principal activities of the Entity are Universal Access to ICT services

**ii) Results**

The results of the Entity for the year ended June 30, 2024, are set out on page 38 to page 78

**iii) Directors**

The members of the Board of Directors who served during the year are shown under part III above. During the year **Ms. Mary Wambui Mungai, CBS** was appointed with effect from December 2nd, 2022.

**iv) Dividends/Surplus remission**

In accordance with Regulation 219(2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the draft financial statements after the end of each financial year. The Fund is not required to make any remittance to the Consolidated Fund.

**v) Auditors**

The Auditor-General is responsible for the statutory audit of the fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the fund for the year/period ended June 30, 2024.

By Order of the Board

.....

David Mugonyi, EBS  
**Director General/CEO**

## **12. Statement of Directors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, Kenya Information and Communications Act of 1998 (CAP 411A) require the Directors to prepare financial statements in respect of that fund, which give a true and fair view of the state of affairs of the fund at the end of the financial year/period and the operating results of the fund for that year/period. The Directors are also required to ensure that the fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the fund. The Directors are also responsible for safeguarding the assets of the fund.

The Directors are responsible for the preparation and presentation of the fund's financial statements, which give a true and fair view of the state of affairs of the fund for and as at the end of the financial year (period) ended on June 30, 2024. 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 Entity; (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 fund ; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – Kenya Information and Communications Act of 1998 (CAP 411A). The Directors are of the opinion that the fund's financial statements give a true and fair view of the state of fund's transactions during the financial year ended June 30, 2024, and of the fund's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the fund, which have been relied

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024**

---

upon in the preparation of the funds' financial statements as well as the adequacy of the systems of internal financial control.

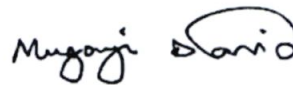
In preparing the financial statements, nothing has come to the attention of the Directors to indicate that the fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The fund's financial statements were approved by the Board on 27 September 2024 and signed on its behalf by:



.....  
Ms. Mary Wambui Mungai, CBS  
**Chairperson of the Board**



.....  
David Mugonyi, EBS  
**Director General/CEO**

# REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

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

## **REPORT OF THE AUDITOR-GENERAL ON COMMUNICATION AUTHORITY OF KENYA - UNIVERSAL SERVICE FUND FOR THE YEAR ENDED 30 JUNE, 2024**

---

### PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Communications Authority of Kenya – Universal Service Fund set out on pages 1 to 24, which comprise the statement

---

*Report of the Auditor-General on Communications Authority of Kenya – Universal Services Fund for the year ended 30 June, 2024*

of financial position as at 30 June, 2024, and the statement of financial performance, Statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Communication Authority of Kenya – Universal Service Fund as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Information and Communications Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Failure to Include Infrastructure Assets Costs in the Property, Plant and Equipment**

The statement of financial position and as disclosed in note 14(a) to the financial statements, reflects property, plant and equipment balance of Kshs.1,844,000. However, a review of the statement of financial performance reflects project costs amounting to Kshs.1,371,416,000 which includes Kshs.686,328,000 for the Digital Superhighway Project (DSHP) support. This project related costs have been expensed in the financial statements instead of being capitalized under property, plant and equipment. This is contrary to IPAS 17 paragraph 21 stipulates that infrastructure assets meet the definition of property, plant, and equipment and should be accounted for in accordance with this Standard. Examples of infrastructure assets include road networks, sewer systems, water and power supply systems, and communication networks.

Further, it is not clear which entity will take charge for the ownership and sustainability of the infrastructure assets for the project upon handing over of the completed projects by the various implementing contractors since this is a Joint project between Universal Service Fund and the Information and Communication Technology Agency (ICTA).

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.1,844,000 could not be confirmed.

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

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,798,080,000 and Kshs.4,524,158,000 respectively, resulting in over collection of revenue Kshs.1,726,078,000 or 62% above the budget. Similarly, the Fund spent Kshs.1,448,659,000 against actual receipt of Kshs.4,524,158,000 resulting to under absorption of Kshs.3,075,499,000 or 68% of actual receipts.

The under absorption affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Issues**

In the audit report of the previous year, several issues were raised under Report on Financial Statements. However, the issues are yet to be deliberated by the Public Investment Committee (PIC).

### **Other Information**

The Management is responsible for the other information set out on page i to xl which comprise of Key Entity Information and Management, Chairman's Statement, Report of the Director General, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and sustainable Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

# 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 effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Digital Superhighway Project Support**

#### **1.1 Delay in Project Implementation.**

The government started the implementation of the Digital Super Highway project where 2,500 Kms of optical fibre network connectivity was to be rolled out in the unserved and underserved locations mainly the Ministries, Counties, Departments and Agencies with a focus on health facilities, police stations, courts, schools and other organizations serving critical public needs through the Universal Service Fund (USF) at an estimated cost of Kshs.5 billion. The total amounts of funds committed for project as at 31 March, 2023 was Kshs.3,334,456,038 or 67% resulting to a balance of Kshs.1,665,477,056 or 33%.

The project duration was three (3) years as per the technical cooperation agreement between the Communications Authority of Kenya and Information and Communication Technology Authority (ICTA) dated 26 March, 2023.

However, a review of a status report issued on 18 March, 2024, one year later, on backbone links revealed that 18 suppliers out of the 34 listed had not started the works and scored 0% although they had already been issued with LPOs while 4 suppliers scored below 50% on progress of work. No explanation was provided for the delay in the implementation of the contracts.

In the circumstances, the Management was in breach of the Technical Cooperation Agreement and the project may not be completed within the scheduled time.

#### **1.2 Conflict of Interest**

A review of the backbone and metro projects contracts revealed that one (1) of the board members is the managing director of an ICT services firm that was awarded a contract for Thika East Segment 1 at a contract sum of Kshs.42,546,036 and Masii - Tawa Law courts at a contract sum of Kshs.63,018,256. The aggregate sum for the two contracts awarded to the company is Kshs.80,564,292. Therefore, procurement process of the contracts amounting to Kshs.80,564,292 through framework contacts may not be fair, transparent and competitive.

In the circumstances, Management was in breach of law.

## **2.0 E-Resource Centres for the Visually Impaired**

### **2.1 Irregular Award of the Contract**

The Fund through the Authority procured the services for the provision of supply, delivery and installation of software for visually impaired (Dolphin Supernova screen reader & Magnifier) quality support through open tender. The winning bidder was awarded at contract sum of Kshs.24,001,458. The above services were implemented in 17 libraries under the Kenya National Library Service (KNLS) in the Counties. The contract was effective from 21 July, 2021 for a period five (5) years. Accumulated payments as at the time of audit in December, 2024 was Kshs.17,917,994; which includes an amount of Kshs.2,889,000 which was paid during the year under review as per service level agreement.

A review of the procurement documents revealed that the awarded contractor had not complied with the specifications and was disqualified from technical capacity stage. However, under unclear circumstances the firm proceeded to the financial evaluation stage and was irregularly awarded the tender. This is contrary to the provisions of Section 86 (1)(d) of the Public Procurement and Asset Disposal Act of 2015.

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

### **2.2 Lack of Value for money for the project**

A field inspection in five counties, namely, Narok, Kisii, Baringo, Uasin-Gishu and Nandi to confirm completion and application of the software revealed that there very few users in the libraries and most libraries had internet and electricity challenges thereby affecting the uptake of the software.

In the circumstances, the objectives of the project may not be achieved and thus the value for money on the expenditure could not be confirmed.

## **3.0 School Based Program (KICD) - Local Purchase Order Issued after Delivery**

The statement of financial performance reflects Kshs.1,371,416,000 under project costs as disclosed under Note 8 to the financial statements which includes school-based program – KICD expenditure of Kshs.193,638,000. Review of the documentation provided revealed that payments totalling Kshs.9,895,000 to different conference facilities whose purchase orders were raised after the services had already been offered. This was contrary to Section 106(5) of the Public Procurement and Asset Disposal Act, 2015 which requires a procuring entity while procuring through a request for quotations to place a purchase order with the person submitting the successful quotation and the person submitting the successful quotation to confirm the purchase order in writing’.

In the circumstances, the management was in breach of the law

The audit was conducted in accordance with the ISSAI 3000 and ISSAI 4000. The Standards require 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and those Charged with Governance**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

## **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

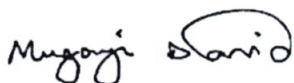
**31 December, 2024**

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024.**

**14. Statement of Financial Performance for the year ended 30 June 2024**

	NOTE	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
<b>Revenue from non-exchange transactions</b>			
USF Levy	6	2,087,763	1,955,809
<b>Revenue from Exchange transactions</b>			
Interest Income	7	2,436,395	1,352,400
<b>Total Revenue</b>		<b>4,524,158</b>	<b>3,308,209</b>
<b>Expenses</b>			
Project Costs	8	1,371,416	110,041
Administrative Expenses	9	8,205	9,751
Audit Fees	10	464	464
Bad & Doubtful Debts	11	68,575	42,165
<b>Total Expenses</b>		<b>1,448,659</b>	<b>162,421</b>
<b>Surplus for the Period</b>		<b>3,075,498</b>	<b>3,145,788</b>

The notes set out on pages 1 to 23 form an integral part of these Financial Statement

 Mugonyi David





Director General  
Mr. David Mugonyi, EBS

Ag. Director Finance & Accounts  
CPA. Dominic Ooko  
ICPAK Membership No:6250

Chairperson of the Board  
Mrs. Mary W. Mungai, CBS

Date: 27 September 2024

Date: 27 September 2024

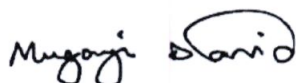
Date: 27 September 2024

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024.**

**15. Statement of Financial Position as at 30 June 2024**

	NOTE	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	12	21,986,971	18,119,714
Receivables from non-Exchange transactions	13	142,789	63,758
<b>Total Current Assets</b>		<b>22,129,760</b>	<b>18,183,472</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	14(a)	1,844	3,856
Intangible Assets	14(b)	19,118	25,276
<b>Total Non-Current Assets</b>		<b>20,962</b>	<b>29,132</b>
<b>Total Assets</b>		<b>22,150,722</b>	<b>18,212,604</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	15	863,751	494
Advance Income	16	2,378	3,015
<b>Total Liabilities</b>		<b>866,129</b>	<b>3,509</b>
<b>Net Assets</b>		<b>21,284,593</b>	<b>18,209,095</b>
<b>Accumulated Fund</b>	17	<b>21,284,593</b>	<b>18,209,095</b>

The notes set out on pages 1 to 23 form an integral part of these Financial Statement

 Mugonyi David

Director General  
Mr. David Mugonyi, EBS

Date: 27 September 2024



Ag. Director Finance & Accounts  
CPA. Dominic Ooko  
ICPAK Membership No:6250

Date: 27 September 2024



Chairperson of the Board  
Mrs. Mary W. Mungai, CBS

Date: 27 September 2024



**16. Statement of Changes in Net Assets for the year ended 30 June 2024**

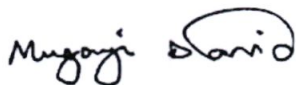
	NOTE	Retained Earnings Kshs ('000)	Total Kshs ('000)
<b>As at July 1, 2023</b>		18,209,095	18,209,095
Surplus/ Deficit for the year	17	3,075,498	3,075,498
<b>As at June 30, 2024</b>		<b>21,284,593</b>	<b>21,284,593</b>
<b>As at July 1, 2022</b>		15,063,307	15,063,307
Surplus/ Deficit for the year	17	3,145,788	3,145,788
<b>As at June 30, 2023</b>		<b>18,209,095</b>	<b>18,209,095</b>

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024.**

**17. Statement of Cash Flows for the year ended 30 June 2024**

	NOTE	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
<b>Operating Activities</b>			
Cash generated from/ (used in) Operations	18	3,867,257	3,031,225
<b>Net Cash generated from/ (used in) Operations</b>		<b>3,867,258</b>	<b>3,031,225</b>
<b>Investing Activities</b>			
Acquisition of Assets	14(a,b)	0	(17,341)
<b>Net Cash generated from/ (used in) investing activities</b>		<b>0</b>	<b>(17,341)</b>
<b>Cash and Cash Equivalents at Beginning of the Period</b>		<b>18,119,714</b>	<b>15,105,830</b>
<b>Cash and Cash Equivalents at Beginning of the Period</b>	18	<b>21,986,971</b>	<b>18,119,714</b>

The notes set out on pages 1 to 23 form an integral part of these Financial Statement



Director General  
Mr. David Mugonyi, EBS

Date: 27 September 2024



Ag. Director Finance & Accounts  
CPA. Dominic Ooko  
ICPAK Membership No:6250

Date: 27 September 2024



Chairperson of the Board  
Mrs. Mary W. Mungai, CBS

Date: 27 September 2024

**Communications Authority of Kenya – Universal Service Fund  
Annual Report and Financial Statements  
for the year ended June 30, 2024.**



**18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024**

	<b>Original Budget FY 2023/24 Kshs ('000)</b>	<b>Adjustments Kshs ('000)</b>	<b>Final Budget FY 2023/24 Kshs ('000)</b>	<b>Actual on comparable basis Kshs ('000)</b>	<b>Performance difference</b>	<b>% Utilization</b>
USF Levy	1,777,095	0	1,777,095	2,087,763	310,667	117%
Interest Income	1,020,985	0	1,020,985	2,436,395	1,415,410	239%
<b>Total Revenue</b>	<b>2,798,080</b>	<b>0</b>	<b>2,798,080</b>	<b>4,524,158</b>	<b>1,726,077</b>	<b>162%</b>
<b>Expenses</b>						
Project Costs	6,993,548	0	6,993,548	1,371,416	5,622,132	20%
Other Costs	86,712	0	86,712	77,244	9,468	89%
<b>Total Expenses</b>	<b>7,080,260</b>	<b>0</b>	<b>7,080,260</b>	<b>1,448,659</b>	<b>5,631,601</b>	<b>20%</b>

**Budget note**

1. Actual Revenue from Telecommunications services and Postal and Courier all exceeded budget mostly due to newly onboarded licensees and increase in compliance levels of existing licensees. However, Broadcasting fell short of the budget due to decline in revenue posted by licensees as result of decline in advertising income, increased competition from the online streaming and changing consumer tastes and preferences.
2. Positive performance of interest income was due to increase in interest rates and longer investing periods.
3. Expenses include project costs, capital expenditure, and bad debt provisions. The low spending is mainly due to delays in two key projects: the Digital Superhighway, hindered by slow implementation, and the Voice Infrastructure project, where aerial site surveys and security support are expected to resolve delays

## **19. Notes to the Financial Statements**

### **1. General Information**

Communications Authority of Kenya – Universal Service Fund is established by and derives its authority and accountability from Kenya Information and Communications Act, 1998 (Cap 411A). The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya.

### **2. Statement of Compliance and Basis of Preparation**

The fund 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, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined 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 fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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.

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

*i) New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There were no new and amended standards issued in the financial year.

*ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024*

Standard	Effective date and impact:
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The new standard has no impact on the Authority’s financial statements.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**Communications Authority of Kenya – Universal Service Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024**

Standard	Effective date and impact:
	<p>The amendments will have an impact on the Authority’s disclosures, but not on the measurement, recognition or presentation of any items in the Authority’s financial statements.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The amendments will have an impact on the Authority’s disclosures, but not on the measurement, recognition or presentation of any items in the Authority’s financial statements.</p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

**Communications Authority of Kenya – Universal Service Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024**

Standard	Effective date and impact:
	The new standard has no impact on the Authority’s financial statements.
IPSAS 47- Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The impact for the adoption of the new standards and interpretations on Authority are still being assessed.</p>
IPSAS 48- Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The impact for the adoption of the new standards and interpretations on Authority are still being assessed.</p>
IPSAS 49- Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The new standard has no impact on the Authority’s financial statements.</p>

**i) Early adoption of standards**

The fund did not early – adopt any new or amended standards in the financial year.

**Notes to the financial statements (continued)**

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange**

**Transactions Levy**

The Fund recognizes revenues at the rate of 0.5% of licensable revenue. The income is recognised upon issuance of an operating license.

**i. Revenue from exchange transactions**

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

**a) Budget information**

The 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 Fund 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.

**b) Taxes**

**Current income tax**

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 Fund operates and generates taxable income. The Fund 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.

**c) Property, plant and equipment**

The fund's property, plant and equipment are presented and their carrying amounts reported. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over the estimated useful life as follows:

- i. Computers 3 years

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**a. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Authority does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**b. 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.

**c. Impairment of financial assets**

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. A financial asset or a Fund 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.

**d. Financial liabilities**

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.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**e. Provisions**

Provisions are recognized when the fund 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 fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**f. Contingent liabilities**

The Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**g. Contingent assets**

The fund 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 Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**h. 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.

**i. Changes in accounting policies and estimates**

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



**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**j. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors 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 the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**k. Related parties**

The fund regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the 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 highly 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. Comparative figures**

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

**n. 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, 2024.

**Notes to the financial statements (continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the fund'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. State all judgements, estimates and assumptions made:

**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 Entity 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 market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Disclosure Statement on the Government Digitalization Transformation Agenda (GoDTA) Digital Infrastructure Assets**

The Government initiated the Digital Superhighway project to expand optical fiber network connectivity to underserved public service locations.



**Roles and Responsibilities as specified in the Memorandum of Understanding (MOU) and Technical cooperation Agreement (TCA):**

**Communications Authority of Kenya (CA):**

- Provides funding and approves budgets through the Universal Service Fund (USF).
- Manages payments against project milestones.

**Information and Communication Technology Authority (ICTA):**

- Develops, procures, and maintains digital infrastructure.
- Recognizes the digital infrastructure assets as the operational entity to ensure sustainability over the lifetime of the project.

In compliance with IPSAS 45, digital infrastructure assets are capitalized by ICTA, given the flow of economic benefits and reliable cost measurement.

**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.

**Communications Authority of Kenya – Universal Service Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

<b>6. Revenue from Non-Exchange Transactions</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
USF Levy - Broadcasting Sector	77,723	80,962
USF Levy - Telecommunications Sector	1,963,775	1,849,499
USF Levy - Postal & Courier Sector	46,265	25,348
<b>Total</b>	<b>2,087,763</b>	<b>1,955,809</b>

The Levy is derived from Licensable services at the rate of 0.5% in the broadcasting, multimedia, telecommunications, electronic commerce, postal and courier services

<b>7. Revenue from Exchange Transactions</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
Cash Investments and fixed deposits	2,866,372	1,591,058
Withholding Tax 15% Deducted at Source	-429,977	-238,658
<b>Total</b>	<b>2,436,395</b>	<b>1,352,400</b>

Interest income relates to income earned from term and call deposits is calculated using effective interest method.  
The withholding income tax is deducted at source

<b>8. Project Costs</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
School Based Program - KICD	193,638	0
Voice Infrastructure Projects	213,159	108,733
Government Services Automation	213,707	0
E-Resource Centres	2,889	1,308
Digital Content Development (KIB & KALRO)	61,693	0
DSHP-Digital Superhighway Project Support	686,328	0
Access Geo-Portal	0	2,400
<b>Total</b>	<b>1,371,416</b>	<b>112,441</b>

The Projects costs are recognized including project management cost related to the specific project

<b>9. Administrative Expenses</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
Bank Charges	35	48
Access Geo-Portal	0	2,400
Depreciation Charges	2,012	2,012
Amortization Charges	6,158	5,291
<b>Total</b>	<b>8,205</b>	<b>7,351</b>

<b>10. Audit Fees</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
Audit Fees	464	464
<b>Total</b>	<b>464</b>	<b>464</b>

<b>11. Bad and Doubtful Debts</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
Bad & Doubtful debts Provision	21,565	0
Bad & Doubtful debts Provision - Specific	47,010	42,165
<b>Total</b>	<b>68,575</b>	<b>42,165</b>

The Bad Debts Provision is as per the Policy (1Year - 25%, 1-2 Years - 50% & 2-3 Year - 100%). The specific provision relates to a Licensee's outstanding fees that Management is pursuing.

**Communications Authority of Kenya – Universal Service Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

12(a). Cash & Cash Equivalents	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
Current Accounts	21,986,971	18,119,714
<b>Total</b>	<b>21,986,971</b>	<b>18,119,714</b>

12(b). Current Accounts	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
Cooperative Bank of Kenya A/c No. 01136154597800	13,123,090	11,504,951
NCBA Bank PLC A/c No. 7910850017	10,292	2,210,303
Equity Bank PLC A/c	4,649,426	4,122,959
KCB Bank PLC A/c 1316224023	4,204,163	281,501
<b>Total</b>	<b>21,986,971</b>	<b>18,119,714</b>

13. Receivables from non-exchange transactions	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
USF Levy Receivables	552,164	473,137
Accum. Provisions for Bad & Doubtful Debts	-484,215	-415,640
Related Party - Assets	74,839	6,261
<b>Total</b>	<b>142,789</b>	<b>63,758</b>

Related Party - Assets refer to Licensee's inadvertently depositing Levy in the Authority's bank accounts instead of the Fund's bank accounts; this position is regularly reconciled and settled.

14(a). Property, Plant and Equipment	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
<b>Description</b>	<b>Computers</b>	<b>Computers</b>
<b>Cost</b>	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
As At 1st July 2024	6,036	6,036
<b>Cost As At 30th June 2024</b>	<b>6,036</b>	<b>6,036</b>
<b>Depreciation And Impairment</b>		
As At 1st July	2,179	168
Depreciation of the year @ 33.33%	2,012	2,012
<b>Acc. Dep As At 30th June</b>	<b>4,191</b>	<b>2,179</b>
<b>Net Book Values</b>		
<b>NBV As At 30th June 2024</b>	<b>1,844</b>	<b>3,856</b>

14(b). Intangible Assets	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
At beginning of the year	30,791	13,451
Additions	0	17,341
<b>Cost As At 30th June 2024</b>	<b>30,791</b>	<b>30,791</b>
<b>Amortization and impairment</b>		
At beginning of the year	5,515	513
Amortization of the year @ 20%	6,158	5,002
<b>Amort. As At 30th June 2024</b>	<b>11,674</b>	<b>5,515</b>
<b>Net Book Values</b>		
<b>NBV As At 30th June 2024</b>	<b>19,118</b>	<b>25,276</b>

**Communications Authority of Kenya – Universal Service Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

<b>15. Trade and Other Payables</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
Accounts Payables	738,854	464
Related Party - Liability	124,897	30
<b>Total</b>	<b>863,751</b>	<b>494</b>

Related Party - Liability refer to Licensee's inadvertently depositing License Fees in the Fund's bank accounts instead of the Authority's bank accounts and project costs made for the Fund; this position is regularly reconciled and settled.

<b>16. Advance Income</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
Payments Received in Advance	2,378	3,015
<b>Total</b>	<b>2,378</b>	<b>3,015</b>

Payments received in advance refer to License fees paid in advance and are retained in the Licensee account until utilized in subsequent period billing.

<b>17. Accumulated Fund</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
Retained Earnings B/fwd	18,209,095	15,063,307
Surplus for the Period	3,075,498	3,145,788
<b>Total</b>	<b>21,284,593</b>	<b>18,209,095</b>

<b>18. Cash Generated from Operations</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
<b>a) Cash generated from/(used in) operations</b>		
Surplus before remittances	3,075,498	3,145,788
<b>Non-Cash adjustments:</b>		
Depreciation and Amortisation	8,170	7,303
Provision of Bad and Doubtful Debts	68,575	42,165
Retained Earnings	0	13,664
	<b>3,152,243</b>	<b>3,208,920</b>
<b>b) Changes in Working Capital adjustments</b>		
Increase/Decrease in Receivables from Non-Exchange Transactions Excl Provision of Bad Debts (Note 13)	-147,605	-68,087
Increase/Decrease in Receivables from Exchange Transactions (Note 14)	0	37,421
Increase/Decrease in Receivables Trade & Other Payables (Note 15)	863,257	-143,547
Increase/Decrease in Receivables Advance Income (Note 16)	-637	-3,482
<b>Net Working Capital Changes</b>	<b>715,015</b>	<b>-177,695</b>
<b>Net cash flows from operating activities</b>	<b>3,867,258</b>	<b>3,031,225</b>

**Notes to the financial statements (continued)**

**19. Financial Risk Management**

**(i) Credit risk**

The Fund 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.

<b>(i) Credit Risk Management</b>	<b>June 2024 Kshs ('000)</b>	<b>Audited June 2023 Kshs ('000)</b>
<b>Description At 30 June 2024</b>		
Receivables from non-exchange transactions	142,789	63,758
<b>Total</b>	<b>142,789</b>	<b>63,758</b>

**20. (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.

**Communications Authority of Kenya - Universal Service Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

(ii) Liquidity Risk management	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
<b>Description</b>		
<b>At 31 December 2023</b>		
Trade & Other Payables	863,751	494
Advance Income	2,378	3,015
<b>Total</b>	<b>866,129</b>	<b>3,509</b>

**20(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) 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.

**b) 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 entity capital structure comprises of the following funds:

(iii) Capital Risk management	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
Accumulated Fund	21,284,593	18,209,095
<b>Total Funds</b>		
Cash & Bank balances	21,986,971	18,119,714
Net debt/(excess cash and cash equivalents)		
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**Communications Authority of Kenya - Universal Service Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**21. Related Party Transactions**

During the Funds' operations, the Fund enters into transactions with related parties. These entities have ability to exercise significant influence over its operating and financial decisions. These include,

- i. Communications Authority of Kenya,
- ii. The National Government,
- iii. The Ministry of Information Communications and Technology,
- iv. The National Treasury,
- v. Board of directors,
- vi. Management.

**Communications Authority of Kenya**

The Authority manages the Fund as stipulated in the KICA Act and occasionally licensees make payment to either bank accounts or project costs paid on behalf of the Fund. This position is regularly reconciled and settled.

	June 2024 Kshs ('000)	Audited June 2023 Kshs ('000)
Amount Receivable from CA	74,839	6,261
Amount Payable to CA	124,897	30

**22. Contingent Assets and Contingent Liabilities**

There are no on-going litigations out of the ordinary course of the business of the Authority.

**23. Surplus Remission**

In accordance with the Public Financial Management Act 2012 Regulations 2015 the Fund is established for access to underserved and unserved areas. Hence, does not remit tax.

**24. Events after the Reporting Period**

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

**25. Ultimate and Holding Entity**

The Fund is under vested under Communications Authority of Kenya by the Government of Kenya as stipulated in the KICA Act.

**26. Currency**

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

**Communications Authority of Kenya - Universal Service Fund**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024**

**APPENDIX I: 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.

Ref	Issue/Observations from Auditor	Management comments	Status: (Resolved/Not Resolved)	Time frame
1	<p><b>Unsupported Provision for Bad and Doubtful Debts</b></p> <p>The statement of financial performance reflects an amount of Kshs.42,165,000 in respect of provision for specific bad and doubtful debts due from Telkom Kenya Limited and as disclosed in Note 11 to the financial statements. However, Correspondences between the Authority and The National Treasury revealed that The National Treasury has acknowledged and committed to Telkom Kenya debt amounting to Kshs. 101,635,000 while the outstanding debts for financial years 2021/2022 and 2022/2023 amounting to Kshs. 107,925,000 out of total receivables of Kshs. 473,137,000 had not received commitment from the National Treasury.</p> <p>In the Circumstances, the accuracy, completeness and adequacy of the specific provision of bad doubtful debts amounting to Kshs. 42,165,000 could be confirmed.</p>	<p>In line with the finance policies and procedures manual the general provision for impairment were provided as follows: debt aged 1 year (25%), debt aged between 1 and 2 years (75 %) and debt aged above 2 years (100%).</p> <p>However, the specific provision for impairment was also done in the year 2019/20, 2020/2021, 2021/2022 and 2022/2023 in effect addressing the nature of the debt owed by Telkom Kenya Limited based on the International Public Sector Accounting Standards (IPSAS).</p> <p>The chronology and circumstances under which the specific provision for impairment had arrived include:</p> <p>i. The National Treasury correspondences received in June 2020 and October 2021 stated that the funds would be made available to Telkom Kenya and not specific</p>	Not resolved	In progress

**Communications Authority of Kenya - Universal Service Fund  
Annual Report and Financial Statements  
For the year ended June 30, 2024**

Ref	Issue/Observations from Auditor	Management comments	Status: (Resolved/Not Resolved)	Time frame
		<p>on the amount outstanding, the due date and the procedures for the Authority to obtain the funds availed to Telkom Kenya.</p> <p>ii. Management demanded the committed funds from the National Treasury with a copy to Telkom Kenya Limited.</p> <p>iii. Management has continued to unsuccessfully pursue the debt with Telkom Kenya</p> <p>The Authority has not collected the outstanding amount since the undertaking by The National Treasury has not been honoured and in this regard the Authority made the decision to provide for the impairment as highlighted above.</p>		



Director General/CEO  
Date: 27 September 2024



Chairperson of the Board  
Date: 27 September 2024



**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

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

**APPENDIX III: INTER-ENTITY TRANSFERS**

During the Financial year 2019/20, the Communications Authority of Kenya – Universal Service Fund 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.