



# NATIONAL COMMUNICATIONS SECRETARIAT

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ANNUAL REPORT AND FINANCIAL  
STATEMENTS FOR THE  
YEAR ENDED 30TH JUNE 2013



**ANNUAL REPORT AND FINANCIAL  
STATEMENTS FOR THE YEAR ENDED**

**30TH JUNE 2013**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

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## CORPORATE INFORMATION

**Incorporation:** The National Communications Secretariat was established by Section 84 of the Communications Act, 1998.

**Principal Activities:** The Function of the Secretariat is clearly defined in the Kenya Communications Act, Section 84(2) of 1998 as to advise the Government on adoption of a communication policy which -

1. Promotes the benefits of technological development to all users of postal and telecommunication facilities;
2. Fosters national security, economic prosperity and the delivery of critical social services through posts and telecommunications;
3. Facilitates and contributes to the full development of competition and efficiency in the provision of services both within and outside Kenya; and
4. Fosters full and efficient use of telecommunication resources including effective use of radio spectrum by the Government in a manner which encourages the most beneficial use thereof in the public interest.

**Employees:** Currently the Secretariat has 16 members of staff.

**Budget:** The Secretariat is funded in accordance with section 19 of Kenya Communications Act of 1998. Kshs 56,081,962 was received as the disbursed budgetary allocation for the year ended 30 June 2013 from CCK through the Ministry of Information and Communications.

**Senior Management:**

Charles O. Ngesa	Communications Secretary and Communications Economics Expert
Eng. Daniel O. Obam	Communications Radio Technology Expert
Joseph N. Kihanya	Communications Legal Expert
Eng. Vincent Adul	Communications Technology Expert

**Head Office:**

Transcom House 9<sup>th</sup> Floor Community  
NAIROBI.

**Auditors:**

Auditor-General  
P.O. Box 30084 -00100  
NAIROBI.

**Bankers:**

Kenya Commercial Bank Ltd  
Capital Hill Branch  
NAIROBI.

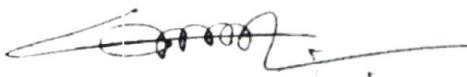
## STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2013

The Accounting Officer is responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Secretariat as at the end of the financial year and of its operating results for that year. The Accounting Officer maintains proper accounting records which disclose with reasonable accuracy the financial position of the Secretariat. It is the duty of Accounting Officer to safeguard the assets of the Secretariat.

The Accounting Officer accepts responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards and requirements of the Government Financial Regulations and Procedures.

The Accounting Officer is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the secretariat and its Income and Expenditure. The Accounting Officer further confirm the accuracy and completeness of the accounting records maintained by the Secretariat which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

**Signed by:**



**Charles O. Ngesa**  
**Communications Secretary**  
**National Communications Secretariat**



**Joseph Tiampati Ole Musuni**  
**Principal Secretary**  
**Ministry of Information, Communications  
and Technology**

Date: 16/01/2014

Date: 16/01/2014



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMUNICATIONS SECRETARIAT FOR THE YEAR ENDED 30 JUNE 2013

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Communications Secretariat set out on pages 6 to 14, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows 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 20 of the Public Audit Act, 2003. 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.

#### Management's Responsibility for the Financial Statements

Management of National Communication Secretariat is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### Auditor-General's Responsibility

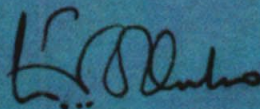
My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Secretariat as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Information and Communications Act, Cap 411A of the Laws of Kenya.



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

**Nairobi**

**20 January 2014**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>Kshs</b>	<b>Kshs</b>
Income	<b>2</b>	56,081,962	60,000,000
Other Income		91,763	1,670
	<b>4</b>	<b>56,173,725</b>	<b>60,001,670</b>
Staff Costs		43,360,514	40,574,430
Administrative Costs	<b>5</b>	11,856,097	19,001,564
Depreciation Costs	<b>3</b>	1,922,547	276,025
Audit Costs	<b>7</b>	158,400	120,000
Total Expenses		57,297,556	59,972,019
<b>Operating (Deficit)/Surplus</b>		<b><u>(1,123,833)</u></b>	<b><u>29,651</u></b>

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013**

<b>Non - Current assets</b>		<b>2013</b>	<b>2012</b>
		<b>Kshs</b>	<b>Kshs</b>
Property Plant and Equipment	<b>3</b>	<u>5,432,412</u>	<u>812,667</u>
		<b><u>5,432,412</u></b>	<b><u>812,667</u></b>
<b>Current Assets</b>			
Receivables and Prepayments	<b>8</b>	7,204,954	556,112
Cash and Bank	<b>9</b>	<u>4,782,624</u>	<u>11,717,292</u>
		<b><u>11,987,578</u></b>	<b><u>12,273,404</u></b>
<b>TOTAL ASSETS</b>		<b><u>17,419,990</u></b>	<b><u>13,086,071</u></b>
Financed by:			
<b>Current liabilities and Reserves</b>			
Accounts Payable	<b>10</b>	9,419,981	8,035,426
Revaluation Reserve	<b>3</b>	4,073,196	
Accumulated Reserves	<b>11</b>	<u>3,926,813</u>	<u>5,050,645</u>
<b>TOTAL LIABILITIES AND RESERVES</b>		<b><u>17,419,990</u></b>	<b><u>13,086,071</u></b>

The Accounts from pages 6 to 14 were approved by Management and were Signed on Management's behalf by:-



**Charles O. Ngesa**  
Communications Secretary  
National Communications Secretariat



**Joseph Tiampati Ole Musuni**  
Principal Secretary  
Ministry of Information, Communications  
and Technology

Date: 16/01/2014

Date: 16/01/2014

**STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 30 JUNE 2013**

	Accumulated Fund Kshs	Retained Surplus Kshs	Accumulated Reserves Kshs
As At 30 June 2011	8,382,221	(3,361,227)	<b>5,020,994</b>
Net Deficit for the year	-	29,651	29,651
<b>As At 30 June 2012</b>	<b>8,382,221</b>	<b>(3,331,576)</b>	<b>5,050,645</b>
As At 30 June 2012	8,382,221	(3,331,576)	5,050,645
Net Surplus for the year	-	(1,123,833)	(1,123,833)
<b>As At 30th June 2013</b>	<b>8,382,221</b>	<b>(4,455,409)</b>	<b>3,926,813</b>

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2013**

		<b>2013</b>	<b>2012</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Operating activities</b>			
Surplus / (Deficit) in operations		(1,123,833)	29,651
<b>Adjustments</b>			
Depreciation	6	1,922,547	276,025
Increase/Decrease in Accounts Receivable	8	(6,648,842)	196,543
Increase/Decrease in Accounts Payable	10	<u>1,384,555</u>	<u>(551,872)</u>
<b>Net cash from operating activities</b>		<b><u>(4,465,573)</u></b>	<b><u>(49,653)</u></b>
<b>Investing activities</b>			
Purchase of fixed assets	3	<u>(2,469,096)</u>	-
<b>Net cash from investing activities</b>		<b><u>(2,469,096)</u></b>	-
<b>Financing Activities</b>			
<b>Net Increase / (Decrease in cash and cash equivalents)</b>		<b><u>(6,934,669)</u></b>	<b><u>(49,653)</u></b>
Opening Cash and Cash Equivalents		<u>11,717,292</u>	<u>11,766,945</u>
<b>Closing cash and cash equivalents</b>		<b><u>4,782,623</u></b>	<b><u>11,717,292</u></b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:-

#### a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards and comply with Government Financial Regulations and procedures.

#### b) Revenue Recognition

Revenue is recognized when the recurrent government grants are received and credited in the Statement of Comprehensive Income. Any amount of the recurrent grants that is not received is recognized as accrued income in the books of accounts.

#### c) Property and Equipment

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:-

Motor Vehicles	25.0 %
Furniture, Fittings and Equipment	12.5 %
Computers	30.0 %

#### d) Retirement Benefit Obligations

The Secretariat operates a Gratuity Scheme for its employees. The applicable rate is 31% of basic salary and accrued over a period of three years.

The provision for gratuity for the year ended 30 June 2013 has been debited in the Statement of Comprehensive Income while the gratuity outstanding has been reflected in the Statement of Financial Position as at 30 June 2013 as accounts payable.

#### e) Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in the presentation of final accounts.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Continued)

### f) Incorporation

The National Communication Secretariat was established by Section 84 of the Kenya Communications Act, 1998.

### g) Currency

The accounts are presented in Kenyan Shilling.

### h) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash at hand and bank deposits.

### 2. Revenue

An amount totaling to Kshs. 56,081,962 was received from the Ministry of Information and Communications. In addition an income of Kshs 91,763.80 was interest earned from the NCS Gratuity savings account during the financial year ended 30 June 2013.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Continued)

### 3 Property, Plant and Equipment

	Motor Vehicles Kshs	Furniture, Fittings & Equipment Kshs	Computers Kshs	Total Kshs
<b>Cost</b>				
<b>As at 1 July 2011</b>	8,438,262	1,249,750	2,575,128	12,263,140
Additions	-	-	-	-
Disposals	-	-	-	-
<b>As at 30 June 2012</b>	<b>8,438,262</b>	<b>1,249,750</b>	<b>2,575,128</b>	<b>12,263,140</b>
<b>Depreciation</b>				
As at 1 July 2011	8,438,262	417,635	2,318,551	11,174,448
Disposal	-	-	-	-
Charge for the Year	-	156,219	119,806	276,025
<b>As at 30 June 2012</b>	<b>8,438,262</b>	<b>573,854</b>	<b>2,438,357</b>	<b>11,450,473</b>
<b>Net Book Value as at 30 June 2012</b>	<b>-</b>	<b>675,896</b>	<b>136,771</b>	<b>812,667</b>
<b>Cost</b>				
<b>As at 1 July 2012</b>	<b>8,438,262</b>	<b>1,249,750</b>	<b>2,575,128</b>	<b>12,263,140</b>
Revaluation	4,073,196	-	-	4,073,196
Additions	-	663,380	1,805,716	2,469,096
Disposals	-	-	-	-
<b>As at 30 June 2013</b>	<b>12,511,458</b>	<b>1,913,130</b>	<b>4,380,844</b>	<b>18,805,432</b>
<b>Depreciation</b>				
As at 1 July 2012	8,438,262	573,854	2,438,357	11,450,473
Disposal	-	-	-	-
Charge for the Year	1,018,299	239,141	665,107	1,922,547
<b>As at 30 June 2013</b>	<b>9,456,561</b>	<b>812,995</b>	<b>3,103,464</b>	<b>13,373,020</b>
<b>Net Book values as at 30 June 13</b>	<b>3,054,897</b>	<b>1,100,135</b>	<b>1,277,380</b>	<b>5,432,412</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**  
(Continued)

	<b>30 June 2013</b>	<b>30 June 2012</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>4. Staff Costs</b>		
Salaries and Allowances	32,381,599	30,355,855
Leave allowances	268,000	302,000
Other Allowance	-	60,000
Gratuity - Provision	6,751,900	7,191,604
Medical	3,922,615	2,634,171
NSSF	<u>36,400</u>	<u>30,800</u>
<b>TOTAL</b>	<b><u>43,360,514</u></b>	<b><u>40,374,430</u></b>
<b>5. Administrative Costs</b>		
Travelling - Local	1,283,953	853,912
External travelling, Visa fees and Air ticket	6,456,982	14,703,691
Tuition fees - Local	1,204,136	464,505
Tuition fees - External	243,189	184,684
Stakeholder's Conferences	3,933	-
Research and Assistants	73,000	-
Postage, Telephone and Internet	679,013	805,789
Bank Charges	50,715	38,450
Repairs and Maintenance	96,050	76,088
Newspapers, Books & Magazines	13,920	315,980
Office entertainment	477,127	398,080
Motor Vehicles running Expenses	898,989	1,025,366
Printing and Stationery	<u>345,090</u>	<u>135,019</u>
<b>Total Administrative Costs</b>	<b><u>11,856,097</u></b>	<b><u>19,001,564</u></b>
<b>6. Depreciation Costs</b>	1,922,547	276,025

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
2013  
(Continued)**

	<b>30 June 2013</b>	<b>June 2012</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>7. Audit fees</b>	139,200	120,000
<b>Under provision of audit fees</b>	<u>19,200</u>	<u>          </u>
	<b><u>158,400</u></b>	<b><u>120,000</u></b>
<b>8. Accounts Receivable</b>		
Staff Debtors	846,432	359,552
Ministry of Information and Communication	<u>6,358,522</u>	<u>196,560</u>
<b>Total Accounts Receivable</b>	<b><u>7,204,954</u></b>	<b><u>556,112</u></b>
<b>9. Cash and Cash Equivalents:</b>		
Bank-NCS Current A/C	2,721,402	11,717,292
Bank-NCS Gratuity A/C	<u>2,061,223</u>	<u>          </u>
	<b><u>4,782,625</u></b>	<b><u>11,717,292</u></b>
<b>10. Accounts Payable</b>		
Provision for Audit fees	139,200	120,000
Staff Gratuity	<u>9,280,781</u>	<u>7,915,426</u>
<b>Total Accounts Payable</b>	<b><u>9,419,981</u></b>	<b><u>8,035,426</u></b>
<b>11. Accumulated Reserves:</b>		
Reserves	4,346,211	5,050,645
<b>12. Gratuity Payment:</b>	5,383,545	7,743,475

# NOTES

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# NOTES

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**National Communications Secretariat**  
Transcom House, Community (9th Floor)  
P.O. Box 10756-00100 Nairobi, Kenya.  
Tel: 020 271 9953



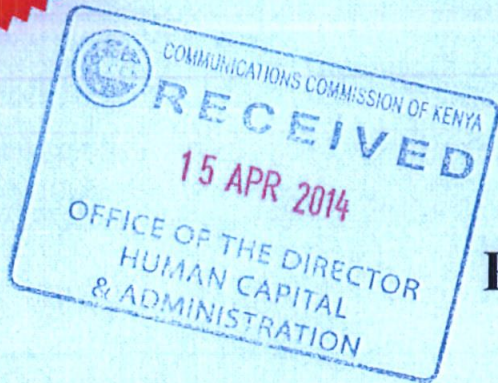
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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
THE COMMUNICATIONS COMMISSION OF  
KENYA**

**FOR THE YEAR ENDED  
30 JUNE 2013**



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# Communications Commission of Kenya

## Corporate Information

### 1. Activities

The principal activity of the Commission is the licensing and regulation of the communications sector on behalf of the Government of Kenya. The Communications Commission of Kenya was established in 1998 by an Act of parliament through *Kenya Information and Communications Act, 1998 (Cap 411A)*.

### 2. Registered Office

CCK Centre  
Waiyaki Way  
PO Box 14448 - 00800  
Nairobi

### 3. Secretary

John Omo  
Wayaki Way  
P.O Box 14448 - 00800  
Nairobi

### 4. Auditors

Auditor - General  
P.O Box 49384 - 00100  
Nairobi

### 5. Bankers

Kenya Commercial Bank  
Sarit Centre Branch  
P O Box 30081 - 00800  
Nairobi

Co-op Bank  
Westlands Branch  
P O Box ,66589 - 00800  
Nairobi

Citibank NA  
P O Box 30071- 00100  
Nairobi

### 6. Results

The Statement of Comprehensive Income for the year are set out on page 4

## 7. Directors

1. Hon. Eng. Philip Okundi - Appointed Chairman on 31/10/2008 to 20/10/2011, Renewal of his appointment on 25/10/2011 to 3/09/2012
2. Mr. Bedan N. Gituku - Appointed as a Director on 06/02/2012 to 13/09/2012  
Appointed as Chairman on 14/09/2012.
3. Mr. Francis W. Wangusi - Appointed Director-General on 21/08 2012
4. Dr. Bitange Ndemo - Ministry of Information. & Communications  
(Permanent Secretary)
5. Mr. Joseph Tiampati Ole Musuni - Ministry of Information Communications &  
Technology (Principal Secretary)
6. Mr. Joseph Kinyua - Ministry of Finance Member (Permanent Secretary)
7. Mr. Mutea Iringo - Ministry of Internal Security & Provincial  
Administration
8. Mr. Kariithi Njogu - Appointed (2<sup>nd</sup> term of office) on 01/10/2009 to  
30/09/2012
9. Mr. Peter Ldhituachi Simani - Appointed on 21/02/2011
10. Mr. Aloys Ang'asa - Appointed on 21/02/2011
11. Dr. Monica J. Kerrets-Makau - Appointed on 21/02/2011
12. Beatrice A. Opee - Appointed on 06/02/2012
13. Samuel Kamrkor Rutto - Appointed on 18/12/2012

### Alternate Directors

1. Mr. Amb. Bruce Madete - Ministry of Information & Com.
2. Mr. Henry Rotich - Ministry of Finance Member up to 14/05/2013
3. Mr. Christopher Kariuki - Ministry of Internal Security.

## 8. Corporate Governance

The Board of Directors regards corporate governance as critical to the success of the Commission. The Board is responsible for ensuring proper and sound corporate governance as set out in the *Kenya Information and Communications Act, 1998 (Cap 411A)*. The Act vests the Board with the twin functions of decision making and oversight.

The Board acknowledges the importance of good corporate governance in building a competitive and vibrant ICT industry and enhancing stakeholder confidence in the regulatory environment. To this end, the Board provides leadership and strategic direction for the Commission in fulfilment of its statutory mandate.

The business of the Board is conducted in accordance with best regulatory practices anchored in principles of accountability and transparency as well as compliance with relevant laws and regulations. In this context, the Commission discharges its mandate based on strong corporate governance principles through application of high and consistent ethical standards.

## 9. Auditors

The Auditors, Messrs, Auditor - General will continue in office in accordance with Section 20 of the *Kenya Information and Communications Act, 1998*

By Order of the Board

  
John Omo  
Secretary

Communications Commission of Kenya

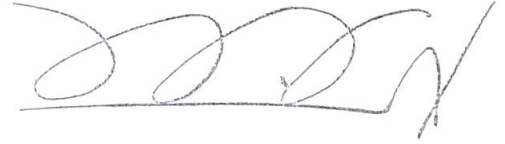
Statement of Directors Responsibility as at 30 June 2013

The State Corporations Act (CAP 446) requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial affairs of the Commission as at the end of the financial year and the operating results for that year. It also requires the directors to ensure the Commission keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission. They are also responsible for safe guarding the assets of the Commission.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and in the manner required by the State Corporations Act. The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Commission and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements as well as adequate systems of internal financial controls.

Nothing has come to the attention of the directors to indicate that the Commission will not continue as a going concern for at least the next twelve months from the date of this statement.

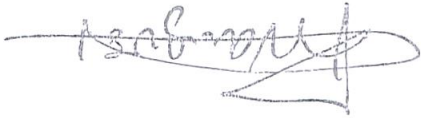
Bedan N. Gituku



Chairman

Date: 24/03/2014

Francis W. Wangusi, MBS



Director General

Date 24/03/2014

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS COMMISSION OF KENYA FOR THE YEAR ENDED 30 JUNE 2013

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Communications Commission of Kenya set out on pages 4 to 16, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

#### **Management's Responsibility for the Financial Statements**

Management of Communications Commission of Kenya is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

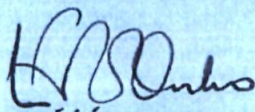
My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Information and Communications Act, Cap 411A of 2009.



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

**Nairobi**

**8 April 2014**

**Communications Commission of Kenya**  
**Statement of Comprehensive Income**  
**For the Year Ended 30 June 2013**

	Notes	2013 Kshs'000	2012 Restated Kshs'000
Income	2	7,303,270	8,781,256
Operating expenses	3	1,783,471	1,782,572
<b>Surplus for the year</b>		<u>5,519,799</u>	<u>6,998,684</u>
Provision Surplus Remittance at 90%		4,967,819	6,298,815
<b>Net surplus</b>		551,980	699,868

The income and expenditure account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 4 to 16.

Communications Commission of Kenya  
Statement of Financial Position as at 30 June 2013

	Note	2013 Kshs'000	2012 Kshs'000
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	8	1,504,483	1,421,403
		<u>1,504,483</u>	<u>1,421,403</u>
<b>Current Assets</b>			
Trade Receivables	5	918,648	529,511
Cash and cash equivalent	6	9,848,129	10,763,784
		<u>10,766,777</u>	<u>11,293,295</u>
<b>TOTAL ASSETS</b>		<u><u>12,271,260</u></u>	<u><u>12,714,699</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Owners equity	9	741,965	741,965
Revaluation reserve	16	380,681	380,681
Retained surplus		5,603,012	5,058,732
		<u>6,725,658</u>	<u>6,181,378</u>
<b>Current Liabilities</b>			
Provisional Surplus Remittance at 90%	18	4,964,232	6,295,228
Trade and other Payables	7	581,370	238,093
		<u>5,545,602</u>	<u>6,533,321</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>12,271,260</u></u>	<u><u>12,714,699</u></u>

The accounts set out on pages 1 to 16 were approved by the Board of Directors on 24/03/2014 and were signed on it's behalf by:

Chairman  
Bedan N. Gituku

Director- General  
Francis W. Wangusi, MBS

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 4 to 16.

Communications Commission of Kenya  
Statement of Changes in Owners Funds and Reserves  
For the Year Ended 30 June 2013

	Note	Owners Equity Kshs'000	Revaluation Reserve Kshs'000	Retained Surplus Kshs'000	Total Reserves Kshs'000
Restated At 30 June 2012		741,965	380,681	4,358,863	5,481,509
Changes in Equity 2012/2013					
Surplus for the year		-	-	699,868	699,868
At 30 June 2012		<u>741,965</u>	<u>380,681</u>	<u>5,058,732</u>	<u>6,181,378</u>
Directors Fees Paid for 2011/12	17	-	-	(7,700)	(7,700)
Restated Balance as at 30th June 2012		<u><u>741,965</u></u>	<u><u>380,681</u></u>	<u><u>5,051,032</u></u>	<u><u>6,173,678</u></u>
Changes in Equity 2012/2013					
At 1st. July 2012		741,965	380,681	5,051,032	6,173,678
Surplus for the year		-	-	551,980	551,980
At 30 June 2013		<u><u>741,965</u></u>	<u><u>380,681</u></u>	<u><u>5,603,012</u></u>	<u><u>6,725,658</u></u>

**Communications Commission of Kenya**  
**Statement of Cash Flow**  
**For the Year Ended 30 June 2013**

	Notes	<u>2013</u> Kshs'000	<u>2012</u> Kshs'000
<b>Cash flows from operating activities</b>	<b>10(a)</b>	<b>4,322,822</b>	<b>5,897,738</b>
Provisinal surplus at 90% Remittance to Treasury Paid		(6,298,815)	(3,850,567)
Directors Honaroria paid		(7,700)	-
		<u>(6,306,515)</u>	<u>(3,850,567)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment & Changes in WIP		(168,476)	(59,415)
Proceeds from Sale of asserts		1,768	3,748
Interest received		1,234,747	1,172,534
<b>Cash flows from investing activities</b>		<u>1,068,039</u>	<u>1,116,867</u>
<b>Net increase/decrease in cash and cash equivalentents</b>		<u>(915,654)</u>	<u>3,164,038</u>
Cash and cash equivalentents at the beginning of the year		10,763,783	7,599,745
<b>Cash and cash equivalentents at the end of the year</b>	<b>10(b)</b>	<u><u>9,848,129</u></u>	<u><u>10,763,783</u></u>

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements as set out on pages 4 to 16

# Communications Commission of Kenya

## Notes to the Financial Statements

For the Year Ended 30 June 2013

### Detailed Income and Expenditure Account

	2013 Kshs.	2012 Kshs.
<b>INCOME</b>		
Annual frequency license fees	5,285,103,951	6,865,656,880
Annual operating license fees	609,722,359	718,131,761
Type approval	1,891,143	6,765,579
Interest Income	1,234,747,142	1,172,533,767
Other income	32,077,524	19,896,952
Foreign Exchange Gain / Loss	(489,450)	(2,195,961)
Bad & Doubtfull debts Recovery	140,217,521	467,218
<b>Total Income</b>	<b>7,303,270,190</b>	<b>8,781,256,196</b>
<b>EXPENDITURE</b>		
Salaries and allowances	637,002,061	604,730,934
Training expenses	112,782,452	79,963,516
Medical expenses	26,414,108	29,619,297
Traveling expenses	-	124,951,401
Enforcement & Compliance	19,591,777	-
Repairs and maintenance	42,205,713	31,853,428
Computer software	14,649,930	12,909,037
Corporate affairs	312,569,547	209,317,064
Consumer affairs	5,276,271	72,551,071
Utilities	14,382,574	20,656,027
Postage and telephone	12,416,866	13,048,818
Rent and rates	8,225,226	2,010,700
Professional fees-Consultancy	40,311,196	68,921,230
Audit fees	1,788,480	1,490,400
Legal fees	21,090,896	50,179,806
Security	33,687,663	25,724,669
Bank Charges	1,375,166	1,418,177
Insurance	11,139,470	10,784,469
Printing & stationery	21,355,882	18,646,983
House keeping	5,284,181	6,212,283
Periodicals & publications	3,905,415	4,276,945
Staff welfare	39,945,206	22,737,841
Uniforms /Protective clothing	-	65,300
Transport expense	11,299,383	9,921,439
Subscriptions	90,772,104	62,771,035
Corporate Social responsibility	32,578,839	20,403,754
UPU-Council of Administration	2,189,797	7,439,926
Universal Service Obligation	24,489,780	41,560,427
National Communications Secretariat	80,000,000	65,000,000
Communications Appeals Tribunal	-	-
Directors emoluments	32,350,382	29,913,931
Depreciation	85,365,276	85,967,921
Broadcasting Advisory Council	1,962,354	5,407,053
USAC	907,988	-
Digital Migration Facilitation Kenya-DTC	36,155,058	42,117,429
<b>Total Expenditure</b>	<b>1,783,471,039</b>	<b>1,782,572,311</b>
<b>Surplus for the year</b>	<b>5,519,799,150</b>	<b>6,998,683,885</b>
Provsion Remittance to Treasury @ 90%	4,967,819,235	6,298,815,496
<b>Retained Surplus for the Year</b>	<b>551,979,915</b>	<b>699,868,388</b>

# Communications Commission of Kenya

## Notes to the Financial Statements

### For the Year Ended 30 June 2013

#### 1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### (a) Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

##### (b) Income recognition

Income is recognised upon issuance of licence for annual operating and / or payment of frequency licence fees. Type approval and other fees are recognized as and when realised. The net Interest income includes interest realised on government securities, placements, and bank balances.

##### (c) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognised in the income and expenditure statement for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of transaction.

##### (d) Property, plant and equipment

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Depreciation is charged on a straight line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives:

**Communications Commission of Kenya**  
**Notes to the Financial Statements (Continued...)**  
**For the Year Ended 30 June 2013**

**(d) Property, plant and equipment**

▪ Buildings and improvements	40 years
▪ Plant & machinery	10 years
▪ Radio equipment	10 years
▪ Computers	3 years
▪ Motor vehicles	5 years
▪ Office furniture and fittings	8 years
▪ Office equipment	5 years

**(e) Trade debtors**

Trade receivables are stated at original invoiced amounts, less an estimate made for doubtful receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified through the provision for bad and doubtful debts account.

**(f) Employee benefits**

Post-employment benefits

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

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

**(g) Taxation**

No Corporation tax payable during the year but remittance provision has been made at a rate of 90% on the audit certified surplus for the year.

**Communications Commission of Kenya**  
**Notes to the Financial Statements (Continued...)**  
**For the Year Ended 30 June 2013**

**(h) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held with the banks and investment in Government Securities net of any bank overdrafts.

**(i) Dividends / Surplus**

The Commission during the year has proposed payment of surplus to the Treasury in line with the Finance Act 2010 on remittance of 90% of audited Net surplus.

Communications Commission of Kenya  
Notes to the Financial Statements (Continued...)  
For the Year Ended 30 June 2013

	2013 Kshs'000	2012 Kshs'000
<b>2. Income</b>		
Annual frequency license fees	5,285,104	6,865,657
Annual operating license fees	609,722	718,132
Type approval fees	1,891	6,766
Interest Received	1,234,747	1,172,534
Other income	171,806	18,168
	<u>7,303,270</u>	<u>8,781,256</u>

**3. Surplus From Operations**

Operating surplus is arrived at after charging:

Total staff costs	637,002	604,731
Depreciation	85,365	85,968
Directors' emoluments fees	32,350	29,914
Auditors' remuneration	1,788	1,490
Other Operational Costs	1,026,965	1,060,469
<b>Total</b>	<u>1,783,471</u>	<u>1,782,572</u>

The average number of staff in employment during the year were:

	2013	2012
Management Committee staff	12	10
Frequency Spectrum Management Division	25	23
Licencing, Compliance and Standards Division	25	21
Competition, Tariffs and Market Analysis Division	13	10
Multi Media Services Department	10	
Others	102	88
<b>Total</b>	<u>187</u>	<u>152</u>

Communications Commission of Kenya  
Notes to the Financial Statements (Continued...)  
For the Year Ended 30 June 2013

	2013 Kshs'000	2012 Kshs'000
<b>4. Net Finance Income</b>		
Interest income	1,234,747	1,172,534
Bank charges	(1,375)	(1,418)
<b>Net finance income</b>	<u>1,233,372</u>	<u>1,171,116</u>
<b>5. Trade and Other Receivables</b>		
Trade Receivables	868,306	620,220
Accumulated Provision for bad and doubtful debts	(244,491)	(384,708)
<b>Total trade Receivables</b>	<u>623,816</u>	<u>235,512</u>
Prepaid expenses	51,984	61,808
Provisional Surplus Remittance at 90%	-	-
Other Receivables	242,848	232,193
	<u>918,648</u>	<u>529,512</u>
<b>6. Cash and Cash Equivalents</b>		
Cash in hand and at bank	9,758,129	9,413,784
Cash equivalent (Treasury Bills)	90,000	1,350,000
	<u>9,848,129</u>	<u>10,763,784</u>
<b>7. Trade and Other Payables</b>		
Provision Surplus Remittance at 90%	4,964,232	6,298,815
Trade payables	246,558	166,476
Advance income	288,913	40,981
Accruals- Directors fees	-	-
Audit Fees- accrued	1,788	1,490
Remittances/Staff Payables	44,110	29,145
	<u>5,545,602</u>	<u>6,536,908</u>

**Communications Commission of Kenya**  
**Notes to the Financial Statements (Continued...)**  
**For the Year Ended 30 June 2013**

**8. Property, Plant and Equipment**

	Land, Kshs'000	Buildings and Improvements Kshs'001	Plant and Machinery Kshs'000	Motor Vehicles Kshs'000	Equipment, Furniture and Fittings Kshs'000	Work In Progress Kshs'000	Total Kshs'000
<b>Cost / Valuation</b>							
At 1 July 2012	698,723	399,166	12,452	79,471	554,098	75,714	1,819,624
Additions	-	428	-	5,110	72,190	90,748	168,476
W.I.P Completed	-	21,356	-	-	2,858	(24,214)	-
Disposals	-	-	-	(3,150)	(1,889)	-	(5,039)
	<u>698,723</u>	<u>420,950</u>	<u>12,452</u>	<u>81,431</u>	<u>627,257</u>	<u>142,248</u>	<u>1,983,060</u>
<b>Accumulated Depreciation</b>							
At 1 st. July 2012	-	54,019	6,735	49,706	287,760	-	398,220
Charge for the period	-	10,714	1,141	9,558	63,951	-	85,365
Eliminated on disposals	-	-	-	(3,150)	(1,858)	-	(5,008)
At 30 June 2013	-	<u>64,733</u>	<u>7,876</u>	<u>56,114</u>	<u>349,853</u>	-	<u>478,577</u>
<b>Carrying Amount</b>							
At 30 June 2013	<u>698,723</u>	<u>356,216</u>	<u>4,576</u>	<u>25,317</u>	<u>277,404</u>	<u>142,248</u>	<u>1,504,483</u>
At 30 June 2012	<u>698,723</u>	<u>345,147</u>	<u>5,717</u>	<u>29,765</u>	<u>266,337</u>	<u>75,714</u>	<u>1,421,403</u>

**Communications Commission of Kenya**  
**Notes to the Financial Statements (Continued...)**  
**For the Year Ended 30 June 2013**

**9. Owners Equity**

Owners equity is comprised of the net of assets and liabilities vested to Communications Commission of Kenya by the Government of Kenya following the split of the defunct Kenya Posts and Telecommunications Corporation through Legal Notice Number 155 of 5 November 1999.

**10. Notes to the Cash Flow Statement**

**a) Reconciliation of Net surplus to cash flow from Operating activities**

	2013 Kshs'000	2012 Kshs'000
<b>Net surplus</b>	<b>5,519,799</b>	<b>6,998,684</b>
Adjustments for:		
Depreciation of property, plant & equipment	85,365	85,968
Staff Gratuity paid		(3,504)
Loss/Gain on sale of assets	(1,737)	(3,446)
Foreign Exchange Gain or Loss	-	2,196
Amortisation of Pension	9,824	10,102
Interest received	(1,234,747)	(1,172,534)
	<u>4,378,504</u>	<u>5,917,465</u>
<b>Operating surplus before working capital changes</b>		
Decrease in prepaid Remittance	-	-
Increase in loans & advances(Other Receivables)	(10,655)	(45,678)
Increase in Trade Receivables	(388,304)	(25,988)
Increase in Advance Income	247,932	21,114
Increase in trade Payables	80,082	40,615
Decrease in Other Payables	15,263	(9,792)
<b>Net Working Capital Changes</b>	<u>(55,682)</u>	<u>(19,727)</u>
	<u>4,322,822</u>	<u>5,897,738</u>
<b>Net cash flow from Operating activities</b>		

**b) Cash and cash equivalents**

Cash in hand and at bank	9,758,129	3,164,039
Treasury Bills	90,000	2,547,760
	<u>9,848,129</u>	<u>5,711,799</u>

**Communications Commission of Kenya**  
**Notes to the Financial Statements (Continued...)**  
**For the Year Ended 30 June 2013**

**11. Investments**

The Commission has no investments in immovable properties / any investments during the Financial Year 2012/2013

**12. Remittance of 90% of certified Audited net surplus to Treasury**

The Commission paid Kshs.6.298 billion as per the Finance Act 2010 during the year to the Government which was as per certified audited accounts for the year ended 30 June 2012.

**13. Contingent Liabilities**

There are ongoing litigations out of the ordinary course of the business of the Commission. The litigations are part heard and, accordingly, no contingent liabilities are anticipated in respect of the same that may be quantified.

**14. Incorporation**

The Commission is incorporated in Kenya under the Kenya Communications Act, 1998

**15. Currency**

The accounts are presented in Kenya Shillings (Kshs.)

**6. Revaluation Reserve**

The Commission valued its assets seven years ago. This was done by a professional valuer. The valuation due during the year was delayed due unavoidable processes but will be done in the next financial year.

**7. The Comparative items have been restated by the following amounts**

	2012 Kshs.'000'
Retained Surplus as at 30th. June 2012	5,058,732
Payment of Directors Honoraria for the year	(7,700)
Restated Net Surplus as at 30th. June 2012	<u><u>5,051,032</u></u>

**18. 90% of Net surplus Remittance to Treasury**

The Commission during the year has proposed to remit 90% of its audited net surplus to Treasury in accordance with the Finance Act 2010

	Kshs.'000'
% of Surplus	4,967,819
Prepaid remittance Financial year 2011-12	3,587
Remittance to treasury	<u><u>4,964,232</u></u>

**Communications Commission of Kenya**  
**Trial Balance for the Year Ended 30 June 2013**

Code	Account Description	Dr Kshs.	Cr Kshs.
100000	Frequency spectrum management fees		5,285,103,951
100001	Annual operating license fees		609,722,359
100002	Application fees		1,055,482
100004	Rent income		4,241,000
100005	Interest income		1,450,993,521
100006	Sale of tender documents		1,055,000
100009	Disposal of assets		1,736,679
100010	Other income		23,989,363
100011	Type approval		1,891,143
100014	Bad and Doubtful Debts Recovery		140,217,521
100012	Foreign Exchange Gain/Loss	489,450	-
2000	Salaries and allowances	637,002,061	
20010			
	Enforcement & Compliance	19,591,777	
20020	Training	112,782,452	
20030	Medical expenses	26,414,108	
30000	Repairs and maintenance	42,205,713	
30020	Computer software	14,649,930	
30030	Corporate affairs	312,569,547	
300400	Consumer Affairs	5,276,271	
4000	Utilities	14,382,574	
40010	Postage and telephone	12,416,866	
40020	Rent	7,080,357	
40030	Rates	1,144,868	
40040	Professional fees-Consultancy	40,311,196	
400402	Audit fees-Accrued	1,788,480	
400403	Legal fees	21,090,896	
40040	Finance costs	1,375,166	
40040	Security	33,687,663	
40050	Insurance	11,139,470	
40060	Printing and stationery	21,355,882	
40070	House keeping	5,284,181	
40080	Periodicals and publications	3,905,415	
40090	Staff welfare	39,945,206	
5000	Motor vehicle running costs	11,299,383	
50010	Subscriptions	90,772,104	
500201	Social responsibility	32,578,839	
500202	Universal Service Obligation	24,489,786	
300306	Universal Postal Union-Congress	2,189,797	
500400	National Communications Secretariat	80,000,000	
50050	Directors fees and allowances	32,350,382	
500602	DTC Allowances	36,155,058	
500620	Universal Advisory Council	907,988	
500620	Broadcasting Advisory Council	1,962,354	
600001	Land	698,723,154	
600002	Residential Buildings and improvements	133,400,496	
600003	Non-Residential Buildings and improvements	287,549,191	
600004	Radio equipment	2,860,000	
600005	Office furniture & fittings	27,654,994	
600006	Office equipment	38,388,380	
600007	Plant and Machinery	12,451,918	
600008	Computers	85,708,452	
600009	Motor vehicles	81,430,921	
600011	Radio Monitoring Network	287,879,234	
600013	Telecommunications Equipment	132,978,681	
600014	Sports Equipment	3,881,351	
500016	TV& Radio Logger	47,905,520	
50030	W.I.P	142,247,812	
600100	Accumulated depreciation		478,577,130
300100	Depreciation charge for the year	85,365,276	
7002	Trade debtors	868,306,366	
700300	Provision for bad debts - B/S		244,490,579
700427	Other debtors	242,847,826	
	Cash and Cash equivalents	9,758,129,069	
700700	Treasury bills	90,000,000	
00702	Prepaid Expenses	51,984,188	
000002	Remittance to Treasury 90%	3,587,236	
800100	Owners equity		741,964,632
900203	Retained surplus		5,051,032,320
0205	Revaluation reserve		380,681,334
03	Creditors		246,541,866
800600-80	Staff payables/ Remittances		44,110,310
800501	Accruals		1,788,480
0750	Advance Income		288,912,986
0751	Disposal of Assets Deposits		16,000
800001	Tax payable/ Receivable	216,246,379	
	<b>Total</b>	<b>14,998,121,656</b>	<b>14,998,121,656</b>