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CLERK AT THE TABLE:	IMZOFU MWALU

**THE AUDITOR-GENERAL**

**ON**

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

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

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

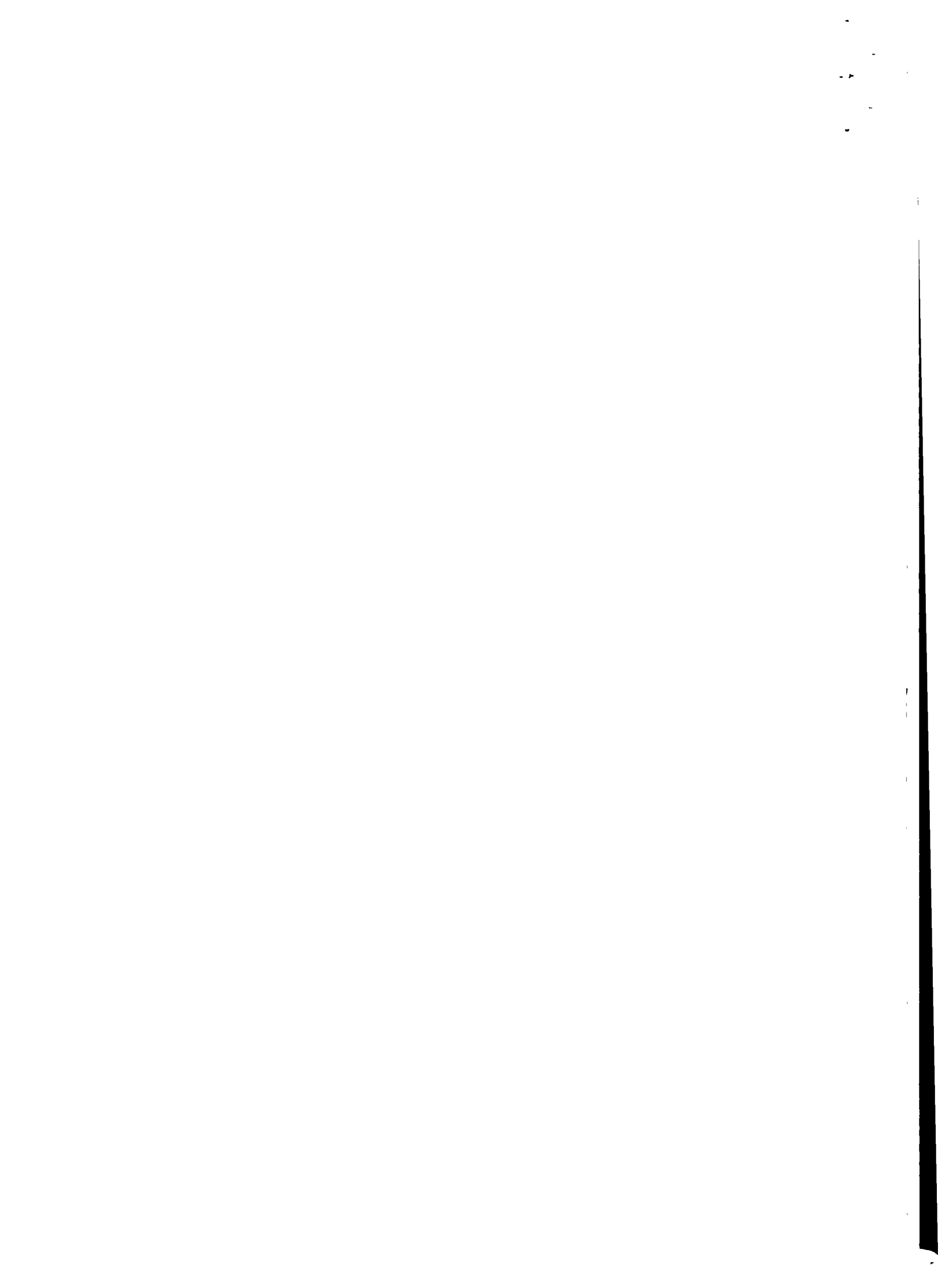
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**UNIVERSAL SERVICE FUND  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED**

**JUNE 30, 2022**

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**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 Financial Statements**  
**For the Year Ended 30 June 2022**

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**I. KEY FUND 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:

- a) 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;
- b) 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;
- c) Support the development of information and communication technologies including related human capacity building and technological innovation;
- d) Provide support for the introduction and expansion of communication services to schools, health facilities and other organizations serving public needs; and
- e) 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; among others:

- 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
- c) The conduct of research and other relevant studies in information technologies that will enable access to communication services by all in Kenya.

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**KEY FUND 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
- Management

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Director General	Mr. Ezra Chiloba (appointed on 28 <sup>th</sup> September 2021)
2.	Head of Legal Services	Mrs. Mercy Wanjau, MBS (Acting Director-General from 22 <sup>nd</sup> August 2020 until 28 <sup>th</sup> September 2021)
3.	Head of Corporate Services	Mr. Christopher Wambua (Deployed to a special Assignment)
4.	Ag. Head of Corporate Services	M/s. Patricia Muchiri
5.	Head of Finance & Accounts	CPA Joseph Kimanga
6.	Ag. Head of Procurement	M/s. Jane Rotich
7.	Head of Risk Mgt & Internal Audit	CPA Rosalind Murithi
8.	Head of Human Capital & Administration	Mr. Juma Kandie
9.	Head of Universal Service Fund	Mr. Christopher Kemei
10.	Head of Frequency Spectrum Management	Mr. Tom Olwero – Retired in 19 <sup>th</sup> April 2022
11.	Ag. Head of Frequency Spectrum Management	Mr. Mohammed Haji (from 20 <sup>th</sup> April 2022)
12.	Head of Licencing Compliance and Standards	Mr. Matano Ndaro
13.	Head of IT & ERM	Mr. Michael Katundu

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No.	Designation	Name
14.	Head of Multimedia Services	Eng. Leo K. Boruett
15.	Ag. Head of Competition, Tariffs and Market Analysis	CPA Mawell M. Mosoti (retired on 28 <sup>th</sup> August 2021)
16.	Ag. Head of Competition, Tariffs and Market Analysis	Dr. James Njeru (from 28 <sup>th</sup> August 2021)
17.	Head of Cyber Security	Mr. Vincent Ngundi
18.	Head of Innovation and Research Development	Dr. Gilbert Mugeni

**(e) Fiduciary Oversight Arrangements**

The key fiduciary oversight arrangements include:

- Audit and Risk Committee
- Finance committee
- Parliamentary Oversight Committees

**(f) Universal Service Fund Headquarters**

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

**(g) Universal Service Fund Contacts**

Telephone: (254) 703 042 000  
E-mail: info@ca.go.ke  
Website: www.ca.go.ke

**(h) Universal Service Fund Bankers**

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

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**KEY FUND INFORMATION AND MANAGEMENT (Continued)**

- ii. NCBA Bank Plc  
Westlands Branch  
P.O. Box 30437 00100  
Nairobi, Kenya

**(i) Independent Auditors**

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

## **II. THE BOARD OF DIRECTORS**



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

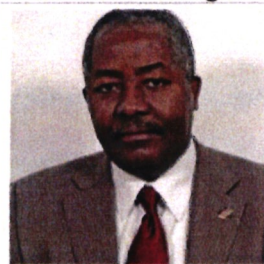
Until his appointment, Capt. Kibe was the immediate former Director General of the Kenya Civil Aviation Authority (KCAA) where he had served for over six years. He is a visionary leader with a 42 year stellar career spanning management, training, policy development and implementation. He has proven track record in providing strategic leadership at senior level in the corporate and government sectors.

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

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

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

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



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

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

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

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**Mr Ezra Chiloba** born in 1978, is the Director General 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*.



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

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



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

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

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

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

Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.



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



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

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

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

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

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

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

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

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

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



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

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

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

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



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

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

Ms.Chite was recently appointed as the CEO at StepWise Inc, which is an Enterprise that uses the power of technology to train and equip persons from historically underprivileged communities, particularly women, youth and Persons with Disabilities, to compete and succeed in the 4th

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

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

Some of her business and industry accolades and engagements include:

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

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



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

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

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

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juvenile gangs, radicalization and drug abuse. He is dedicated to creating a better space for the youths and future generations.

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



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

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



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

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

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

**ALTERNATE BOARD DIRECTORS**



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

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

He holds MBA in Human Resource Management from the University of Nairobi and currently pursuing his Doctor in Business Administration at the Catholic University of Eastern Africa. He also holds a Bachelor of Education (Arts) degree from Moi University, Higher National Diploma in HRM, and Practitioners Diploma in Executive Coaching from Academy of Executive Coaching

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and an Advanced Certificate in Strategic HR Management from Cornell University, USA. Mr. Guyo is a member of the Institute of Human Resource Management (IHRM) - Kenya, and HR Council member for the Kenya Institute of Management. He was appointed effective 17<sup>th</sup> July 2020. He resigned on 2<sup>nd</sup> February 2022.



**Prof. Dulacha Galgalo** born 1966 is Director, Financial and Sectoral Affairs Department at the National Treasury. Prior to secondment to the National Treasury, he worked at the Central Bank of Kenya – long career spanning over 20 years. At CBK, he served as Head of Academic Division at the Kenya School of Monetary Studies (KSMS). He also worked in two key departments: Research and Bank Supervision that are responsible for price stability and financial system stability respectively. Early in his career at CBK, he worked in the Banking Department dealing with currency issuance. Previously on secondment from CBK, at inception of the Commission of Revenue Allocation (CRA), he served as Policy advisor. He completed his PhD study at the

University of Western Australia, Master of Business Administration and Bachelor of Commerce Degrees at the University of Nairobi. He taught in universities in Kenya and Australia. Barako is widely published and his areas of research interests are financial reporting, financial regulation and financial stability as well as interdisciplinary research. He is a Fellow of the Institute of Public Accountants, Australia as well as member of the Accounting and Finance Association of Australia and New Zealand (AFAANZ). He is also a practicing member of the Institute of Chartered Investment and Financial Analysts of Kenya (ICIFA) as well as Kenya Institute of Management (KIM). He served in various boards: Chairman of Council, Dedan Kimathi University of Technology; Chairman of Council, Meru University of Science and Technology; Treasurer of Council, Moi University; and board member: Agricultural Finance Corporation (AFC), Capital Markets Authority (CMA) and National Social and Security Fund (NSSF), Safaricom PLC and Kenya Ports Authority. He was appointed effective 2<sup>nd</sup> February 2022.



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

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

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

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

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

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

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

She was appointed effective 3<sup>rd</sup> May 2019.

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**III. MANAGEMENT TEAM**



**Mr Ezra Chiloba** born in 1978, is the Director General 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*.



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

2021. She holds a Masters degree in Law (LLM) from the University of Cape Town, Bachelors in Law (LLB) from the University of Nairobi. She also holds a Postgraduate Certificate in Regulation of Telecommunications in Developing and Transitional Economies. She is a Certified Governance Auditor with ICPSK, an Associate of the Chartered Institute of Arbitrators, Council Member of the Institute of Certified Secretaries (Kenya), board member of the SOS Children's villages and an Advocate of the High Court of Kenya. She is also an Eisenhower Fellow.



**CPA Joseph Kimanga** is the Director, Finance & Accounts, He holds a Masters degree in Business Administration (Finance) and a Bachelor of Education (Arts) degree in Economics & Business Studies. He is a Certified Public Accountant of Kenya-CPA (K).

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

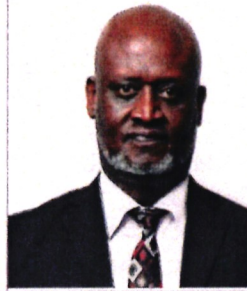
Kenya - CPA (K).



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



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



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



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

Regulation of Telecommunications.



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



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




Executive Masters Degree in Business Administration



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

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

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	<p><b>CPA Maxwell Mogaka Mosoti</b> is the Ag. Director, Competition, Tariffs and Market Analysis. He is a Certified Public Accountant of Kenya. He holds a Bachelor of Business Administration degree and Master of Science in Finance degree from the University of Nairobi. Mr. Mosoti retired on 28<sup>th</sup> August 2021</p>		<p><b>Mrs. Jane Rotich</b> is the Ag. Assistant Director, Procurement. She holds two Masters degree in Business Administration (Strategic Procurement) and, a Masters degree in Business Administration. She also holds a Bachelor of Arts degree and a Postgraduate diploma in Purchasing and Supplies.</p>
	<p><b>Mr. Vincent Ngundi</b> is the Assistant Director, Cyber Security and E-Commerce. He holds a Bachelor of Science degree in Computer Science, and a Global Executive MBA.</p>	<p><b>Dr. Gilbert Mugeni</b> is the Ag. Assistant Director, Innovation and Research Department.</p>	
<p><b>Dr. James Njeru</b> is the Ag. Director, Competition, Tariffs and Market Analysis.</p>		<p><b>Mr. Mohammed Haji</b> is the Ag. Director, Director, Frequency Spectrum Management</p>	
<p><b>M/s. Patricia Muchiri</b> is the Ag. Director, Consumer and Public Affairs</p>			

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**IV. CHAIRMAN'S STATEMENT**

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

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

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

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

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

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

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

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

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

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



**Capt. Gilbert Kibe,  
Chairman of the Board**

## **V. REPORT OF THE DIRECTOR GENERAL**

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

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

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

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

In line with consumer protection, the Authority monitored quality of service for the three (3) mobile network operators across 44 counties to ensure that the services provided by the operators meet the set quality parameters. The level of compliance for Airtel Networks Kenya Limited, Safaricom PLC

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and Telkom Kenya Limited was recorded as 78.6 per cent, 95.0 per cent and 71.4 per cent, respectively against a required threshold of 80.0 per cent. We also embarked on a SIM cards validation exercise to weed out illegally registered and unregistered SIM cards from the network operators.

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

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

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

  
Ezra Chiloba  
**Director General**

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**VI. STATEMENT OF THE UNIVERSAL SERVICE FUND'S PERFORMANCE  
AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2020/21**

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

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

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

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

## **VII. CORPORATE GOVERNANCE STATEMENT**

### **a) Fiduciary Oversight Arrangements**

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

#### **i. Finance Committee**

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

#### **ii. Audit and Risk Committee**

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

#### **iii. Staff and Administration Committee**

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

#### **iv. Technical Committee**

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

#### **v. Broadcasting Standards Committee**

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

#### **vi. Universal Service Advisory Council**

The term of office of the Members of the Council expired on 9<sup>th</sup> August 2020, hence did not meet during the financial year 2021/2022.

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

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

\*Data relates to:

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

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***(c) Board and Members' Performance***

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

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

***(d) Members Trainings and Induction***

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

***(e) Board Succession Plan***

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

***(f) Process of Appointment and Removal of Directors***

Following the enactment of the Miscellaneous Amendment Act, 2018, the Appointment of the Chairman of the Board rests with the President, while the Members of the Board are appointed by the Cabinet Secretary. The Act was challenged in court and declared unconstitutional for want of concurrence by the Senate before enactment, amongst other grounds (*Petition No. 284 of 2019 and 383 of 2019 (Consolidated), Senate and 4 others Vs. Speaker of the National Assembly and Others*). The position however still obtains as at the date of reporting, as the court contemporaneously suspended the decision for nine (9) months with effect from 30<sup>th</sup> October, 2020. Previously, both the Chairman and the Board Members were competitively recruited.

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

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

***(g) Roles and functions of the Board***

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

***(h) Conflict of Interest***

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

***(i) Board remuneration***

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

***(j) Governance audit***

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

***(k) Ethics and conduct***

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

## VIII. MANAGEMENT DISCUSSION AND ANALYSIS

### Operational and Financial Performance

The revenue earned during the financial year FY2021/22 was Kshs. 2.65 billion compared to Kshs. 2.45 billion in FY 2020/21. This comprised of Universal Service Fund Levy of Kshs. 1.68 billion and Finance income of Kshs. 0.972 billion. The operating and capital expenditure incurred for the same period was Kshs. 0.713 billion compared to Kshs. 0.339 billion in FY 2020/21.

### Key projects

The Authority conducted ICTs Access Gaps Study in 2016. The study identified two priority projects to be undertaken by Universal Service Fund. The two 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 (202) sub-locations 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 roll out of Government Service Automation projects in the National Police Service, sites in Voice Infrastructure projects Phase I and 101 sites in Voice Infrastructure projects Phase II completion rate of 97% and 35% respectively as tabulated below:

Project	Total Projects	Total completion to date	Overall Completion rate (%)
Voice Infrastructure Project Phase I (Sub locations)	No. 78	76	97%
Voice Infrastructure Project Phase II (Sub locations)	No. 101	35	35%
Government Services Automation (Phase I)	Kshs. 250m	Kshs. 109.75m	44%

Due to security operations during the year, there were two incomplete Voice Infrastructure Project sub locations are outlined as follows:

1. Lopet in West Pokot project.
2. Elkayo in Turkana the project was completed hence Completion of Voice Infrastructure Phase I.

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**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

**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)
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 and when they fall due. Payment for the vendors was done promptly; consequently, the Fund does not have material arrears as at 30<sup>th</sup> June 2022.

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Communications Authority of Kenya (CA) seeks to mainstream its environmental sustainability goals by aligning them to our strategy of putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. The Authority therefore continues to comply with applicable environmental laws and regulations.

CA's Environmental sustainability( ES) involves making decisions and taking actions that are in the interest of protecting the natural world, with emphasis on preserving the capability of the environment to support human life. The Authority recognizes that some of its operations and those of its licensees such as the telecommunication companies have impacts on the environmental, social and economic aspects at the national and regional level and hence the need to mainstream environmental sustainability objectives in all its operations and activities.

Below is an outline of the organization's policies and activities that promote sustainability:

### **(i) Sustainability strategy and profile**

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

- Goal 6: Ensure availability and sustainable management of water and sanitation for all
- Goal 13: Take urgent action to control climate change and its impact
- Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat diversification and halt and reserve land degradation and halt biodiversity loss.
- Goal 17: Strengthen the means of implementation and revitalize the global partnerships for sustainable development

The Authority engages in development practices that are sustainable, and prudently utilises resources to ensure waste and cost reduction, while ensuring quality and value for money.

**(ii) Environmental performance**

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

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

Environmental mainstreaming, raise comprehensive awareness on ecological growth, climate mitigation and pollution control in the corporate sector

**(iii) Employee welfare**

The Authority is an equal opportunity employer with a gender ratio of 46:54 female to male ration. As part of its affirmative action, the Authority has prioritized disability mainstreaming by making its work place accessible to persons with disabilities. As a regulator in ICT, the Authority has incorporated a participatory approach in making regulations where industry and public stakeholders are widely consulted. In the Authority's current strategic plan (2018-2022), the 3<sup>rd</sup> Key Result Area (KRA) is anchored on Developing Capacity in order to ensure that the Authority's employees are well skilled and motivated to deliver on the Mandate.

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

**(iv) Industry practises**

**a. Responsible competition practise**

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

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

**b. Responsible supply chain and supplier relations**

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

**c. Responsible marketing and advertisement**

The Authority consider sound corporate governance, ethical conduct, robust risk management and regulatory compliance to be fundamental to our commercial sustainability. In this regard, the Authority usually adheres to that to all advertising and marketing standards ,code of ethics and rules government pertaining to placements of advertisements.

**d. Product stewardship**

The consumer protection mandate of the Authority is spelt out in the Kenya Information and Communications Act, 1998 and associated regulations. The Authority heavily relies on this legal anchor to empower, protect and create a confident ICT consumer.

The Authority undertook various initiatives to ensure that all licensed ICT service providers: establish appropriate customer care and complaints handling mechanisms; provide safe and secure communication services encompassing child online protection; provide information on their products and services, charges, terms and conditions; safeguard of all consumer information and confidentiality; enabled consumers to have access to emergency services.

During the year, various regulatory interventions were undertaken with a view to empower and protect consumers as well as create an enabling environment.

**(v) Consumer Research, Education and Empowerment**

The Authority continued to implement consumer education programmes which empowered consumers with information, knowledge and skills to enable them make informed decisions on use of ICTs. These programmes were executed under the following thematic areas:

**(vi) The Authority's re-designed consumer education and empowerment programme**

Authority re-designed its consumer education and empowerment programme so as to enrich ICT consumer digital experiences in Kenya. This was aimed at having a confident and empowered consumer who actively participates and exercises their rights and freedoms in the digital economy. The re-designed Consumer Education and empowerment programme shall enable the Authority understand and establish ICT consumers' lived experiences, increase collaborations with organizations in consumer empowerment activities and empower consumers with information and tools.

**(vii) The Authority's Child Online Protection Programme**

The Authority has in place a Child Online Protection Programme dubbed "Be The COP" that was launched in 2015. The first phase of the programme saw the Authority launch a campaign that targeted parents, guardians and teachers with a view to increase their level of awareness of the dangers that exist online and to provide them with information on how they can encourage responsible internet usage. The campaign also sought to trigger the development of initiatives in Child Online Protection in Kenya.

**(viii) Corporate Social Responsibility/Community engagements**

The Authority carried out a number of Corporate Social Responsibility (CSR) activities aimed at giving back to the society. These included; sponsorship of the Talanta Football Club, a flagship project aims at nurturing talent of young underprivileged boys, while also enabling them to earn a living through football. The Authority also sponsored golf events in five clubs, sponsorship for the Kenya Editor's Guild Annual Convention 2020, Media Council of Kenya (MCK) Annual Journalism Excellence Award, the First Mathare Film, Cultural and Youth Talent Festival, Sports Personality of the Year Awards (SOYA), The Kenya Internet Governance Forum and participation in the Kalasha awards among others.

During the financial year the Authority equipped schools with ICT Services, including provision of Computers & Printers to schools in the following constituencies: Belgut, Kabarnet, Gem, Gatundu North, Lari, Kuria East, Kuria West, Ndia, Mbooni Marakwet West, Ainamoi, Eldama Ravine, Meru, Nakuru, Dagoretti South, Kilifi, Bumula Constituency, Kieni, West Pokot, South Imenti, Embu, Ainabkoi, Chaka, Ol'kalau,

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It further provided internet connectivity to schools in the following Constituencies: Mbooni West, Ndia, Belgut, Eldama Ravine, Gatundu North, Lari, Marakwet West and Kuria West.

The Authority further supported Schools in Baringo & Isiolo County with Water Tanks to assist schools in both county's access clean water and keep the children in school.

In complementing the government's efforts in fighting the Covid-19 Pandemic, the Authority offered diverse support to Mathew-Twenty Five a Community Based Organization.

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**X. REPORT OF THE DIRECTORS**

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

**(i) Principal activities**

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

**(ii) Results**

The results of the Fund for the year ended June 30, 2022, are set out on page 38 to page 62.

**(iii) Directors**

The members of the Board of Directors who served during the year are shown on page (vi) to page (xiii). During the year 2022, **Sen. Kembi Gitura, MGH** resigned on 8<sup>th</sup> February 2022 and **Capt. Gilbert Kibe** was appointed with effect from 13<sup>th</sup> May 2022.

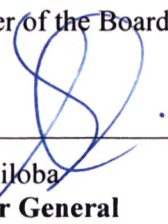
**(iv) Surplus remission**

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, 2022.

By Order of the Board

  
\_\_\_\_\_  
Ezra Chiloba  
Director General

19/09/2022  
Date

## **XI. STATEMENT OF DIRECTORS RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and *Section 19 KICA* require the Directors to prepare financial statements in respect of that *Communications Authority of Kenya-Universal Service Fund*, which gives 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, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- (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. 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, 2022, and of the *Fund's* financial position as at that date.

**Communications Authority of Kenya Universal Service Fund**  
**Annual Financial Statements**  
**For the Year Ended 30 June 2022**

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The Directors further confirms the completeness of the accounting records maintained for the *Fund*, which have been relied upon in the preparation of the *Fund's* financial statements as well as the adequacy of the systems of internal financial control.

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 16<sup>th</sup> September 2022 and signed on its behalf by:



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Ezra Chiloba

**Director General**



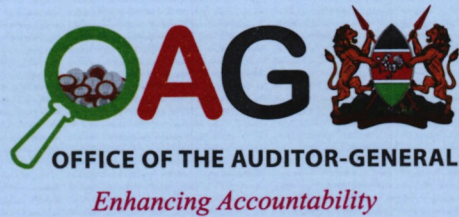
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Capt. Gilbert Kibe

**Chairman**

# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS AUTHORITY OF KENYA - UNIVERSAL SERVICE FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Communication Authority of Kenya - Universal Service Fund set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I

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*Report of the Auditor-General on Communications Authority of Kenya - Universal Service Fund for the year ended 30 June, 2022*

have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Communications Authority of Kenya - Universal Service Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Information and Communications Act, Cap 411A (Revised in 2009) of the Laws of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Specific Provision for Bad and Doubtful Debts**

As previously reported, the statement of financial performance reflects a specific provision for bad and doubtful debts of Kshs.38,771,000 as disclosed in Note 11 to the financial statements. This is an amount owed by Telkom Kenya Limited. However, Telkom Kenya Limited vide letter Ref.TKL/RA/CA/(LIC) dated 21 December, 2020 confirmed Nil amount being owed to the Authority. Further, The National Treasury vide letter Ref. TNT/ZZ/331/02 dated 29 June, 2020 and 22 June, 2021 committed to provide Telkom Kenya Limited the money required to cover frequency spectrum fees for financial years 2019/2020 and 2020/2021. However, no amounts to cover the debt have been received by the Authority.

In the circumstances, the accuracy and completeness of the general provisions for bad and doubtful debts of Kshs.38,771,000 could not be confirmed.

#### **2. Long Outstanding Receivables from Non-Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.38,441,000 as disclosed in Note 13(a) to the financial statements. Included in this balance is USF Levy receivables of Kshs.404,547,000 that includes an amount of Kshs.206,566,095 that has been outstanding for a period of more than two (2) years. No effort appears to have been put in place by the Management to recover the debts.

In the circumstances, the recoverability of the debt amount of Kshs.206,566,095 could not be confirmed.

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

### **Key Audit Matters**

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

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,622,118,000 and Kshs.2,655,896,000 respectively resulting to an over-collection of Kshs.33,778,000. Further, the Fund spent Kshs.713,736,000 against an approved budget of Kshs.1,536,573,000 resulting to an under-expenditure of Kshs.822,837,000 or 54% of the budget. In addition, the statement reflects budgeted revenue of Kshs.2,622,118,000 against budgeted expenditure of Kshs.1,536,573,000 resulting in an unbalanced budget by Kshs.1,085,545,000. This is contrary to Regulation 33(e) of the Public Finance Management (National Government) Regulations, 2015 which provides that the total budget revenue shall cover total budget expenditure.

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

### **2. Unresolved Prior Year Audit Issues**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although, Management has provided explanation on the progress made on the recommendations by the auditors, the matters have remained unresolved.

## **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, I confirm that, nothing 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**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

## **Basis for Conclusion**

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

## **Responsibilities of Management and the Board of Directors**

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

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

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

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

The Board of Directors is responsible for overseeing the 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**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 April, 2023


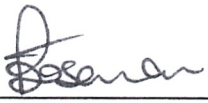

**Communications Authority of Kenya Universal Service Fund  
Annual Financial Statements  
For the Year Ended 30 June 2022**

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**XIII. STATEMENT OF FINANCIAL PERFORMANCE**

		<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
		<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
<b>Revenue from Non-exchange transactions</b>			
USF Levy	6	1,683,445	1,628,985
<b>Revenue from Exchange transactions</b>			
Finance Income	7	972,451	822,012
<b>Total Revenue</b>		<b>2,655,896</b>	<b>2,450,997</b>
<b>Operating Expenses</b>			
Project Costs	8	620,512	295,294
Administrative Expenses	9	34,502	2,564
Audit Fees	10	464	464
Provision for Bad & Doubtful Debts - General	11(a,b)	0	1,126
Provision for Bad & Doubtful Debts - Specific	11(a,b)	38,771	40,174
<b>Total Expenses</b>		<b>694,249</b>	<b>339,621</b>
<b>Surplus for the Period</b>		<b>1,961,647</b>	<b>2,111,375</b>

The Notes set out on pages 6 to 26 form an integral part of these Financial Statements.

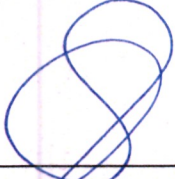
		
Director General Ezra Chiloba	Director Finance & Accounts CPA. Joseph M. Kimanga ICPAK Membership No:4341	Chairman of the Board Capt. Gilbert Kibe
Date: 19/09/2022	Date: 20/09/2022	Date: 21/09/2022

**Communications Authority of Kenya Universal Service Fund**  
**Annual Financial Statements**  
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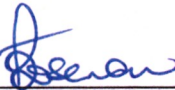
**XIV. STATEMENT OF FINANCIAL POSITION**

<b>Assets</b>		<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
<b>Current Assets</b>		<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Cash & Cash Equivalents	12	15,105,838	13,015,162
Receivables from Non-Exchange transactions	13	38,441	90,665
Receivables from Exchange transactions	14	<u>37,421</u>	<u>28,010</u>
<b>Total Current Assets</b>		<b>15,181,701</b>	<b>13,133,837</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	15(a)	5,868	-
Intangible Assets	15(b)	<u>13,227</u>	-
<b>Total Non-Current Assets</b>		<u>19,095</u>	-
<b>Total Assets</b>		<b>15,200,795</b>	<b>13,133,837</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	16	273,806	283,213
Advance Income	17	<u>7,111</u>	<u>223</u>
<b>Total Liabilities</b>		<b>280,917</b>	<b>283,437</b>
<b>Net Assets</b>		<b>14,919,878</b>	<b>12,850,400</b>
<b>Accumulated Fund</b>	18	<u><u>14,919,878</u></u>	<u><u>12,850,400</u></u>


The Financial Statements set out on pages 1 to 26 were signed on behalf of the Board of Directors by

  
 Director General  
 Ezra Chiloba

Date: 19/09/2022

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

Date: 20/09/2022

  
 Chairman of the Board  
 Capt. Gilbert Kibe

Date: 21/09/2022

**Communications Authority of Kenya Universal Service Fund**  
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**XV. STATEMENT OF CHANGES IN NET ASSETS**

	NOTE	Retained Earnings Kshs ('000)	Total Kshs ('000)
	_____	_____	_____
<b>As at July 1, 2021</b>		12,850,400	12,850,400
Surplus/ Deficit for the year	18	1,961,647	1,961,647
<b>As at June 30, 2022</b>		<b>14,812,047</b>	<b>14,812,047</b>
<b>As at July 1, 2020</b>		10,739,025	10,739,025
Surplus/ Deficit for the year	18	2,111,375	2,111,375
<b>As at June 30, 2021</b>		<b>12,850,400</b>	<b>12,850,400</b>


The Changes in Net Assets statement is to be read in conjunction with notes to and forming part of the Financial Statements as set out on pages 6 to 26.

**Communications Authority of Kenya Universal Service Fund  
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**XVI. STATEMENT OF CASH FLOWS**

	NOTE	FY 2021-2022 Kshs ('000)	FY 2020-2021 Kshs ('000)
<b>Operating Activities</b>			
Cash generated from/(used in) Operations	18	2,110,162	2,201,732
<b>Net Cash generated from/(used in) Operations</b>		<b>2,110,162</b>	<b>2,201,732</b>
<b>Investing Activities</b>			
Acquisition of Assets	15(a,b)	(19,486)	0
<b>Net Cash generated from/(used in) investing activities</b>		<b>(19,486)</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>		13,015,162	10,813,431
<b>CASH AND CASH EQUIVALENTS AT END</b>		<b>15,105,838</b>	<b>13,015,162</b>


The Cash flow statement is to be read in conjunction with notes to and forming part of the Financial Statements as set out on pages 6 to 26.

  
Director General  
Ezra Chiloba

Date: 19/09/2022

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

Date: 20/09/2022

  
Chairman of the Board  
Capt. Gilbert Kibe

Date: 21/09/2022

**Communications Authority of Kenya Universal Service Fund**  
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**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Approved Budget	Adjustments	Final Budget	Actual Year Ended	Performance Difference	Utilization
	FY 2021-2022	FY 2021-2022	FY 2021-2022	FY 2021-2022	FY 2021-2022	FY 2021-2022
	Kshs ('000)	Kshs ('000)	Kshs ('000)	Kshs ('000)	Kshs ('000)	(%)
<b>Revenue from non-exchange transactions</b>						
USF Levy	1,760,195	-101,389	1,658,806	1,683,445	24,639	101.5%
Interest Income	<u>630,630</u>	<u>332,682</u>	<u>963,312</u>	<u>972,451</u>	<u>9,139</u>	<u>100.9%</u>
<b>Total Revenue</b>	<b>2,390,825</b>	<b>231,293</b>	<b>2,622,118</b>	<b>2,655,896</b>	<b>33,778</b>	<b>101.3%</b>
<b>Expenses</b>						
Project Costs	1,413,515	43,041	1,456,556	620,512	836,044	42.6%
Other Expenses	<u>44,524</u>	<u>35,493</u>	<u>80,017</u>	<u>93,223</u>	<u>(13,206)</u>	<u>116.5%</u>
<b>Total Expenses</b>	<b>1,458,039</b>	<b>78,534</b>	<b>1,536,573</b>	<b>713,736</b>	<b>822,837</b>	<b>46.4%</b>
	=====	=====	=====	=====	=====	=====
<b>Surplus/Deficit</b>	932,786	152,759	1,085,545	1,942,160	-789,059	

**Budget Notes**

1. Interest income positive performance due to the significant collection realized throughout the financial year
2. Project costs affected by processes/requirements of starting Voice Phase III
3. Other Expenses include the implementation of Access Gap Studies & prov. of bad debts

**XVIII. 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 Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is licensing and regulation of the information and communication technology (ICT) sector on behalf of the Government of Kenya.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The Authority's financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, and financial instruments at fair value, impaired assets at their estimated recoverable amounts and liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

**Communications Authority of Kenya Universal Service Fund**  
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Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.  Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.  Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).  Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>There was no impact on the financial statements</p>

**ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p>

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Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p>There Universal Service Fund was established specifically to extend universal service access to ICT services, hence the entirety of the financial statements represents social benefits.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

**iii. Early adoption of standards**

The Authority did not have early adoption of any new or amended standards in year 2021/2022.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(i) 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.

###### **ii) Revenue from exchange transactions**

###### **Interest income**

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

##### **(ii) 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.

##### **(iii) Taxes**

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Authority operates and generates taxable income. The 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.

##### **(iv) Property, plant and equipment**

All property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be

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

<b>Tangible Assets</b>	<b>Useful life</b>	<b>Rate</b>
▪ Computers	3 years	33.3%
▪ ICT Software & systems	5 years	20%

**(v) Financial instruments**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through statement of performance. financial performance, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

**(vi) 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.

**(vii) 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.

**(viii) 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.

**(ix) 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, 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.

**(x) Contingent liabilities**

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

**(xi) 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 Authority 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.

**(xii) 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.

**(xiii) Changes in accounting policies and estimates**

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

**i) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the prevailing rate of exchange on the date of the transaction. Bank balances denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from this running balance in the cashbook and the bank balance, are recognized in the statement of financial performance in the period in which they arise.

**j) Related parties**

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

**k) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits and liquid investments with an original maturity of twelve months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**l) Budget information**

The Quarter budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority as well as the

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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.

**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, 2022.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to legislations, market or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**b) 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**6. REVENUE FROM NON-EXCHANGE TRANSACTIONS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
USF Levy - Broadcasting Sector	75,297	86,570
USF Levy - Telecommunications Sector	1,563,556	1,538,631
USF Levy - Postal & Courier Sector	<u>44,592</u>	<u>3,784</u>
	<u>1,683,445</u>	<u>1,628,985</u>

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

**7. REVENUE FROM EXCHANGE TRANSACTIONS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Cash Investments and fixed deposits	1,144,060	963,312
Withholding Tax 15% Deducted at Source	<u>(171,609)</u>	<u>(141,300)</u>
	<u>972,451</u>	<u>822,012</u>

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

**8. PROJECT COSTS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Education Broadband Connectivity Program	27,941	153,908
Voice Infrastructure Projects	543,087	69,253
Government Services Automation Projects	37,621	72,133
E-Resource Centers	<u>11,863</u>	<u>0</u>
	<u>620,512</u>	<u>295,294</u>

**9. ADMINISTRATIVE EXPENSES**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Bank Charges	47	57
Universal Access Gap Studies	34,063	2,507
Depreciation Charges	168	0
Amortization Charges	<u>224</u>	<u>0</u>
	<u>34,502</u>	<u>2,564</u>

**10. AUDIT FEES**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Audit Fees	<u>464</u>	<u>464</u>
	<u>464</u>	<u>464</u>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. (A) PROVISIONS ON BAD & DOUBTFUL DEBTS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Bad & Doubtful debts Provision - General	0	1,126
Bad & Doubtful debts Provision - Specific	<u>38,771</u>	<u>40,174</u>
	<u>38,771</u>	<u>41,300</u>

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.

**12(a). CASH & CASH EQUIVALENTS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Current Accounts	14,546,450	9,023,000
Call Deposits	559,388	769,485
Fixed Deposits	<u>(0)</u>	<u>3,222,677</u>
	<u>15,105,838</u>	<u>13,015,162</u>

**12(b). CURRENT ACCOUNTS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Cooperative Bank of Kenya A/c No. 01136154597800	11,064,595	9,021,494
NCBA Bank PLC A/c No. 7910850017	<u>3,481,855</u>	<u>1,506</u>
	<u>14,546,450</u>	<u>9,023,000</u>

**12(c). ON CALL DEPOSITS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Cooperative Bank-CALL	<u>559,388</u>	<u>769,485</u>
	<u>559,388</u>	<u>769,485</u>

**12(d). FIXED DEPOSITS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
NCBA Bank PLC-FIXED	<u>(0)</u>	<u>3,222,677</u>
	<u>(0)</u>	<u>3,222,677</u>
<b>GRAND TOTAL</b>	<u>15,105,838</u>	<u>13,015,162</u>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. (a) RECEIVABLES FROM NON EXCHANGE  
TRANSACTIONS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
USF Levy Receivables	404,547	424,819
Accum. Provisions for Bad & Doubtful Debts	(373,476)	(334,704)
Related Party - Assets & Prepayments	<u>7,370</u>	<u>550</u>
	<u>38,441</u>	<u>90,665</u>

Related Party - Assets are 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. RECEIVABLES FROM EXCHANGE  
TRANSACTIONS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Accrued Interest	<u>37,421</u>	<u>28,010</u>
	<u>37,421</u>	<u>28,010</u>

**15. PROPERTY, PLANT & EQUIPMENT**

	<b>Computers</b>	<b>Total</b>
	<b>Kshs('000)</b>	<b>Kshs('000)</b>
<b>Cost</b>		
As At 1July 2020	-	-
<b>Additions</b>	-	-
Disposals	-	-
Transfers/Adjustments	-	-
As At 30th June 2021	-	-
Additions	6,036	-
Disposals	-	-
Transfer/Adjustments	-	-
<b>As At 30th June 2022</b>	<b>6,036</b>	-
<b>Depreciation And Impairment</b>		
At 1July 2020	-	-
Depreciation	-	-
Impairment	-	-
Transfers/ Adjustments	-	-
As At 30 June 2021	-	-
<b>Depreciation</b>	168	-
Disposals	-	-
Impairment	-	-
Transfer/Adjustment	-	-
<b>As At 30th June 2022</b>	<b>168</b>	-
<b>Net Book Values</b>		
As At 30th June 2021	-	-
As At 30th June 2022	<b>5,868</b>	-

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**NOTES OF THE FINANCIAL STATEMENTS (Continued)**

<b>15.(a) PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Property, Plant & Equipment - Cost	6,036	0
Accumulated Depreciation	<u>(168)</u>	<u>0</u>
	<u>5,868</u>	<u>0</u>

**15. INTANGIBLE ASSETS**

<b>Description</b>	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
<b>Cost</b>	-	-
<b>At beginning of the year</b>	-	-
Additions	13,451	-
At end of the year	13,451	-
Additions—internal development	-	-
<b>At end of the year</b>	<b>13,451</b>	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	224	-
At end of the year	224	-
Impairment loss	-	-
<b>At end of the year</b>	<b>224</b>	-
<b>Net Book Values</b>	<b>13,227</b>	-

<b>15.(b) INTANGIBLE ASSETS</b>	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Intangible Assets - Cost	13,451	0
Accumulated Amortization	<u>(224)</u>	<u>0</u>
	<u>13,227</u>	<u>0</u>

**16. TRADE AND OTHER PAYABLES**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Accounts Payables	273,806	282,606
Accruals	0	580
Related Party - Liability	<u>(0)</u>	<u>27</u>
	<u>273,806</u>	<u>283,213</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17. ADVANCE INCOME**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Payments Received in Advance	<u>7,111</u>	<u>223</u>
	<u>7,111</u>	<u>223</u>

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

**18. ACCUMULATED FUND**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Accumulated Fund B/fwd	12,958,231	10,739,025
Surplus for the Period	<u>1,961,647</u>	<u>2,111,375</u>
	<u>14,919,878</u>	<u>12,850,400</u>

**19. CASH GENERATED FROM OPERATIONS**

	<b>FY 2021-2022</b>	<b>FY 2020-2021</b>
	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
<b>a) Cash generated from/(used in) operations</b>		
Surplus before remittances	1,961,647	2,111,375
<b>Non Cash adjustments:</b>		
Depreciation and Amortisation	392	
Retained Earnings	<u>107,831</u>	<u>0</u>
	<u>2,069,869</u>	<u>2,111,375</u>
<b>b) Changes in Working Capital adjustments</b>		
Increase/Decrease in Receivables from Non Exchange Transactions	52,223	6,541
Increase/Decrease in Receivables from Exchange Transactions	(9,410)	303,265
Increase/Decrease in Receivables Trade & Other Payables	(9,407)	(212,183)
Increase/Decrease in Receivables Advance Income	<u>6,887</u>	<u>(7,267)</u>
<b>Net Working Capital Changes</b>	<u>40,293</u>	<u>90,356</u>
<b>Net cash flows from operating activities</b>	<u>2,110,162</u>	<u>2,201,732</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. FINANCIAL RISK MANAGEMENT

The Communications Authority of Kenya Universal Service Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The key approach to risk management is to provide reasonable assurance to stakeholders that the organization's business is adequately controlled. The Fund does not hedge any risks. The Fund's financial risk management objectives and policies are detailed below:

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

Description	Total Amount	Fully Performing	Past Due	Impaired
	Kshs ('000)	Kshs ('000)	Kshs ('000)	Kshs ('000)
<b>At 30 June 2022</b>				
Receivables from Non-exchange transactions	38,441	30,753	7,688	-
Receivables from exchange transactions	37,421	37,421	-	-
Bank Balances	<u>15,105,838</u>	<u>15,105,838</u>	-	-
<b>Total</b>	<b><u>15,181,701</u></b>	<b><u>15,174,012</u></b>	<b><u>7,688</u></b>	<b><u>-</u></b>
<b>At 30 June 2021</b>				
Receivables from Non-exchange transactions	90,665	72,532	18,133	-
Receivables from exchange transactions	28,010	28,010	-	-
Bank Balances	<u>13,015,162</u>	<u>13,015,162</u>	-	-
<b>Total</b>	<b><u>13,133,837</u></b>	<b><u>13,115,704</u></b>	<b><u>18,133</u></b>	<b><u>-</u></b>

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The credit risk associated with these receivables is minimal. 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.

The credit risk associated with these receivables is minimal. 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.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund. Balances due within 12 months equal their carrying balances.

Description	Less Than (1) Month	Between (1-3) Months	Over (5) Months	Total
<b>At 30 June 2022</b>	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Trade & Other Payables	219,045	54,761	-	273,806
Advance Income & Prepayments	-	6,887	223	7,111
<b>Total</b>	<b><u>219,045</u></b>	<b><u>61,649</u></b>	<b><u>223</u></b>	<b><u>280,917</u></b>
<b>At 30 June 2021</b>	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>	<b>Kshs ('000)</b>
Trade & Other Payables	226,571	56,643	-	283,213
Advance Income	-	-7,267	7,490	223
<b>Total</b>	<b><u>226,571</u></b>	<b><u>49,376</u></b>	<b><u>7,490</u></b>	<b><u>283,437</u></b>

**(iii) Market risk**

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an on-going basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

market prices, such as interest rate and foreign exchange rates which will affect the Fund'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.

Overall responsibility for managing market risk rests with the Audit and Risk Committee of the Board. The Communications Authority of Kenya's Risk Management and Internal Audit Department is responsible for the development of detailed risk management policies

(subject to review and approval by Audit and Risk Committee) and for the day-to-day implementation of those policies. There has been no change to the Fund'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 Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund'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.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables; in particular, foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year on institutions that offer favourable interest rates.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(iv) Capital Risk Management**

The objective of the Fund's capital risk management is to safeguard the Board's ability to continue as a going concern. The Fund's structure comprises of the following funds:

Description	FY 2021-2022	FY 2020-2021	FY 2019-2020
	Kshs ('000)	Kshs ('000)	Kshs ('000)
Accumulated Fund	14,919,878	12,850,400	10,739,025
<b>Total Funds</b>			
Cash & Bank balances	15,105,838	13,015,162	10,813,431
Net debt/(excess cash and cash equivalents)			
<b>Gearing</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

**21. RELATED PARTY BALANCES**

The Universal Service Fund transactions involve an interaction with the related parties below:

- a) Top Management; and
- b) Communications Authority of Kenya.

**a) Top Management Remuneration and Advances**

During the reporting period, the Authority administered the Fund; consequently, there was neither remuneration nor loans issued from the Fund to the top management.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**b) Communications Authority of Kenya**

During the year, some contributors to the Fund made payment of the USF levy to Communications Authority of Kenya's (CA) bank account. To minimize such balances, this money is transferred to the Fund periodically. As at the end of the year, there were USF Levy amounts paid to CA bank account that had not been transferred to the USF levy.

On the other hand, some CA licensees make payment of the license fees to the Fund. The same is transferred to the Authority periodically. As at the end of the year, there were license Fees amounts paid to the Fund bank account that had not been transferred to the Authority as indicated below:

Description	FY 2021-2022	FY 2020-2021
	Kshs ('000)	Kshs ('000)
Amount Receivable from CA	561	550
Amount Payable to CA	-0	27

**22 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

During the year under review, there were no activities that gave rise to contingent liabilities expected hence none has been provided for.

**23 CAPITAL COMMITMENTS**

During the year under review, the following contracts were contracted and shall continue to be implemented in the following year.

Description	FY 2021-2022	FY 2020-2021	FY 2019-2020
	Kshs ('000)	Kshs ('000)	Kshs ('000)
Authorised for	0	0	0
<b>Authorised and contracted for</b>			

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24 DIVIDENDS/SURPLUS REMISSION**

The purpose of the Fund is to facilitate access of ICT services to areas considered as Underserved. The Fund has applied for exemption from surplus / Tax remittance to the Minister to allow the Fund's Resources to be utilized to provide ICT universal access to Kenyans.

**25 EVENTS AFTER THE REPORTING PERIOD**

The Fund is monitoring the effects of COVID-19 on its operations. However, there were no material adjusting and non- adjusting events after the reporting period.

**26 ULTIMATE AND HOLDING FUND**

The Universal Service Fund is established by the Kenya Communications (Amendment) Act, 2009, and derives its authority and accountability from Kenya Information and Communications Act, 1998 (Cap 411A). Its ultimate parent is the Government of Kenya.

**27 CURRENCY**


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

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**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of the issue 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.

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Time frame:
01/USF	<p><b>Provisions for Bad and Doubtful Debts</b></p> <p>The statement of financial performance and the corresponding Note 11 to the financial statements reflects an amount of Kshs. 41,300,000 as provision for bad and doubtful debts, included in the provision is an amount of Kshs.53,565,000 owed by Telkom Kenya Limited which comprise general and specific provisions of Kshs.13,391,000 and Kshs.40,174,000 respectively. However, Telkom Kenya Limited vide letter Ref.TKL/RA/CA/(LIC) dated 21 December 2020 confirmed Nil amount being owed to the Authority. Further, The National Treasury vide letter Ref.TNT/ZZ/331/02 dated 29 June 2020 and 22 June 2021 committed to provide Telkom Kenya Limited the of money required to cover frequency spectrum fees for financial years 2019/2022 and 2020/2021.</p> <p>In the circumstances, the accuracy, and fair statement of the reported provisions for bad and doubtful debts balance of Kshs.41,300,000 for the year ended 30<sup>th</sup> June 2021 could not be confirmed.</p>	<p>The Authority is following up the matter with Ministry of Information &amp; Youth Affairs as well as The National Treasury.</p>	Director/F&A	Pending	30 <sup>th</sup> June 2022

  
Director General  
Date: 19/09/2022

  
Chairman of the Board  
Date: 21/09/2022

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

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

**APPENDIX III: INTER-ENTITY TRANSFERS**

During the Financial year 2021/2022, the Communications Authority of Kenya Universal 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 Universal Fund did not receive any transfers from other government entities; therefore, records of the same are not provided.

