

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
COMMUNICATIONS AUTHORITY OF
KENYA

FOR THE YEAR ENDED
30 JUNE 2016

*Paper laid by
the Hon on*

TABLE OFFICE
SY/NO: 14/6/2017
14 JUN 2017
SIGN: [Signature]
PAPER LAID



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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2016

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

COMMUNICATIONS AUTHORITY OF KENYA

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COMMUNICATIONS AUTHORITY OF KENYA

I. Key Authority Information

a) The Mandate and Activities

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

b) Registered Office

CA Centre
Waiyaki Way
PO Box 14448 - 00800
Nairobi

c) Parent Ministry

Ministry of Information Communications and Technology
P. O. Box 30025 – 00100
Nairobi

d) Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 - 00200
Nairobi, Kenya

e) Auditors

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

f) Bankers

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

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

Citibank NA
P O Box 30071- 0010
Nairobi

g) Results

The results (Statement of financial performance) of the Authority for the year ended 30 June 2016 are set out on page 1 to 19.

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II. Directors



Mr Ngene B. Gituku is the Chairman of the Board of Directors of Communications Authority of Kenya. Prior to his appointment, he served as the immediate Chairman of the Board of Communications Commission of Kenya (CCK).

He has served as Board member at Kenya Broadcasting Corporation (KBC) and Kenya Pipeline Company (KPC). At KBC he was instrumental in introducing automated systems to increase the efficiency of the Corporation. He championed the restructuring of KBC to improve its financial position.

At the Kenya Pipeline Company, as the Chairman of the Project Planning Committee of the Board, he initiated the construction of Jet A-1 tanks in Kisumu and Eldoret. Through his leadership, KPC was also able to construct additional tanks at the Kipevu Oil Terminal in Mombasa to enhance the importation of refined oil products.

Mr. Gituku earlier worked at a multinational computer company (NCR Kenya Ltd) and later joined the Nation Media Group as a Marketing Assistant where he rose to the position of Assistant Advertising Manager in 1985. In 1987, he joined the Standard Group of Newspapers as a Group Circulation Manager. He later left to establish his own business.

He holds a BSc. Degree in Mathematics and Meteorology from the University of Nairobi and Diploma in Marketing. Mr. Gituku was appointed to the position on 23rd May 2014 for a three-year term.





Mr. Francis Wangusi is the Director General of the Communications Authority of Kenya (CA). He has been in the position since 2012 and currently serving his second term. Mr. Wangusi has over 33 years experience in the ICT sector. He has presided over landmark projects that have revolutionized the sector, the most recent being the successful transition to digital broadcasting in Kenya.

He has previously served as Director in the departments of Broadcasting and Licensing Compliance & Standards respectively in the organization. Prior to joining the Authority, he had served as a Senior Lecturer in the Department of Telecommunication Engineering at the Multimedia University College of Kenya.

In 2013, Mr. Wangusi was honoured with a presidential award of the *Moran of the Order of the Burning Spear (MBS)* in recognition of his role in spearheading growth of the ICT

COMMUNICATIONS AUTHORITY OF KENYA

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| | <p>sector.</p> <p>Mr. Wangusi is currently pursuing a PhD in Management. He holds a Masters Degree in Space Sciences (Satellite Communications); BSc degree (Telecommunications Engineering); Chartered Engineer-UK Certificate and Global Executive Masters Degree in Business Administration (GEMBA).</p> |
|  | <p>Mr. Sammy Itemere is the Principal Secretary in the ICT Ministry in charge of Broadcasting and Telecommunications with oversight role in the State Parastatals that include, Kenya Broadcasting Corporation (KBC), Postal Corporation of Kenya (PCK), Communications Authority of Kenya (CA) and Kenya Institute of Mass Communications (KIMC). Prior to the appointment in December 2015, Mr. Itemere was Senior Partner at Business Persons Mentor Limited, a Consultancy firm dealing with Business Development, Strategy formulation, Partnerships growth, Training and up-skilling.</p> <p>A career banker, he has a wealth of experience spanning over 20 years in running Retail, Corporate, Enterprise Banking as well as Bank operations. He was Country Managing Director of KCB South Sudan limited a subsidiary of KCB Group which is the largest Regional Bank. He has also held senior positions in Imperial, ECK, Barclays and Credit banks. Mr. Itemere holds a BA Economics (Hons) and MBA (Marketing Option) from University of Poona, India</p> |
|  | <p>Dr. Kamau Thugge is the Principal Secretary at the National Treasury. He was appointed to this position on 7th June 2013. He serves in the Communications Authority of Kenya Board in his capacity as Principal Secretary at the National Treasury.</p> <p>Dr. Thugge holds a Doctorate of Philosophy (PhD) in Economics from Johns Hopkins University, Master in Economics from Johns Hopkins University, USA and Bachelors of Arts (Economics) from Colorado College, USA.</p> |

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Dr. Karanja Kibicho is the Principal Secretary State Department of Interior before current appointment on 24th November 2015, he served as the Permanent Secretary in the Ministry of Foreign Affairs and international trade, Ministry of Transport Industrialization and Ministry of Industrialization.

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 attended various short courses in management, leadership and capacity development skills. He has also attended short courses in Public Procurement and Disposal Regulations, implementation of ISO 9001:2008, Budgeting and Procurement, and HIV/AIDS in workplaces among others.

Other courses attended include those Mines and Mineral Processing, National Metallurgical Laboratories, Jamshedpur, India; and Experimental Methods in Fluid Mechanics, Tottori University, Japan. Dr. Kibicho has taught in various institutions of higher learning in Kenya and outside the country. They include Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as the chairman and senior lecturer in the department of Mechanical Engineering. He has served as an external examiner at the University of Dares Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.

He has published over 20 peer refereed papers in engineering journals and conference proceedings besides supervising many engineering projects at BSc, MSc and PhD levels. Dr. Kibicho has served as a management trainee in the Kenya Tea Development Authority (KTDA), production engineer at the Auto-Springs Manufacturers and participated in various GoK Taskforces. Besides being a member on various bodies in his capacity as the Permanent Secretary, he is the chairman to Gathuthi-ini Hope Foundation and a BOG member of various institutions of learning among other social responsibilities.

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Mr. Christopher Guyo is a seasoned Human Resource professional with over 18 years experience. He is currently the HR and Administration Director at the DIB Bank Kenya Ltd (In-Formation), a Subsidiary of Dubai Islamic Bank - UAE.

He has vast experience and competency in various fields of HR including Reward and remuneration, Employee Relations, Performance management, and Policy and strategy formulation. His other areas of expertise include Talent Development and management, Leadership development, learning and training management, expatriate administration, Employee Value Proposition development, Diversity and Inclusion.

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 was appointed to the board of the Communications Authority of Kenya (CA) in April,2016 for a period of three years.

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

Mr.Guyoy 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 to the CA board on 29th April 2016 for a period of three years.



Mr. Paul Kukubo is a consultant with vast experience in the local and regional ICT sector.

He is a consultant on Technology Value Addition and Inclusion working across East Africa and South Africa. He helps organizations in efforts to deploy technology across value chains. Mr. Kukubo is a Member of the Board of Directors of BRCK, an integrated hardware and software company that designs and engineers a rugged, self-powered, mobile WiFi device, which connects people and things to the Internet in areas of the world with poor infrastructure. He serves as Chairman of Rafica Company Ltd, a software technology solutions company and Collabmed Ltd a Healthcare Technology Company.

He was the first Chief Executive Officer of the Kenya ICT Board (now ICT Authority), where he is credited for developing key international and local partnerships that fostered Kenya's rise as a technology innovation hub. He was also instrumental in the establishment of the Konza Techno City, billed as Kenya's *Silicon Savannah*.

Mr. Kukubo founded 3mice, one of East Africa's pre-eminent digital solutions companies and later served as CEO of the East African Exchange (EAX), the first regional commodity exchange in Africa, meant to transform the governance of Africa's agricultural sector.

Mr. Kukubo holds Global MBA from United States International University (USIU-Africa) and a Bachelor of Arts in Economics and Sociology from the University of Nairobi.

A former chairman of the Marketing Society of Kenya, Mr. Kukubo is also a member of the International Association of Business Analysis and has previously served a chairman of the National ICT Master Plan committee, the Task Force on Creative Industries and a board member of Multimedia University. During early 2016, he served as a member of the Kenya Presidential National Task force on Coffee Sub-sector reforms.

He was feted the Moran of the Order of the Burning Spear (MBS) for his contribution to ICT growth by President Mwai Kibaki in 2012. He also scooped the Thought Leadership award in 2012, in Cape town, South Africa.

He was appointed to the Communication Authority of Kenya (CA)'s board on 29th April 2016 for a period of three years.

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

He has vast experience in the ICT industry having worked as an engineer at the then Voice of Kenya (now KBC), Kenya Railways, Kenya Power, Amarco and Umeme Services.

He holds a Master of Science (Msc.) degree in Software Systems Technology from Sheffield University, UK and a Bsc. in Electrical and Electronics Engineering from the University of Nairobi.

Mr.Kitur has attended short courses in Public Procurement and Corporate Governance, among others.

He was appointed to the CA Board on 29th April 2016 for a term of three years.



Mr. Mugambi Nandi is an advocate of the High Court of Kenya, with many years experience in corporate and commercial law. He is the Managing Partner at KN Associates LLP, Advocates, where he specializes in mergers & acquisitions, private equity, capital market transactions and energy law.

He has previously served as a Board Member of the Privatization Commission of Kenya, and currently sits on a number of boards, including Mayfair Bank Limited (In formation) and Seriani Asset Managers Limited (In formation) and Phoenix Players Limited.

Mugambi holds a Bachelor of Laws and a Master of Business Administration degree, from the University of Nairobi, and a Diploma in Financial Management from the ACCA.

He was named Company Secretary of the Year 2011 by the Institute of Certified Public Secretaries of Kenya.

He was appointed to the board of the Communications Authority of Kenya (CA) in 29th April 2016 for a period of three years.

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Ms. Patricia Kimama has over 19 years' experience in career spanning the banking, telecommunication and water industries. She has held roles in business, project and operational management.

She is currently the Head of Cash Management and E-Channels at the Commercial Bank of Africa where she is charged with the responsibility of driving the Group's strategy for Non Funded Income streams from Cash management and E-Channels.

Prior to joining the Banking industry, she worked extensively in the telecommunications and water engineering industries in various capacities including retail Management, customer experience management, Contact Centre management, Dealer and MPesa business management, operations and sales management.

She is a dedicated change leader with a passion for operational excellence and superior customer experiences.

She holds' a Masters in Business Administration (Strategic Management) from Daystar University. She also holds a Masters Certificate in Project Management from George Washington University as well as Senior Management Leadership training from Strathmore University.

She was appointed to the CA Board on 29th April 2016 for a period of three years.



Prof. Levi Obonyo 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. He started his career as a news correspondent in various media houses and later worked as an editor for magazines before joining academia. For over 20 years, Prof. Obonyo has taught media studies at university level in several institutions. 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 has, and continues to serve in several boards. He is a columnist, has published many articles in academic journals, chapters in books, and co-authored *Journalists and the rule of law*. He joined the CA Board in May 2014 and reappointed in 29th April 2016 for a further term of three years.

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Ms. Kentice Tikolo 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. She earlier worked as public relations officer for a number of parastatals and NGOs, where she rose through the ranks to the manager corporate communications at the Kenya Civil Aviation Authority.

She previously served in various roles, including scientific research, administrative and management positions in several multi-cultural settings. 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.

A board member of the Global Alliance for PR & Communication Management, Kentice is the immediate past Chairman of the Public Relations Society of Kenya (PRSK), and a member of the Media, Arts & Entertainment board of Machakos County (Machawood). She is also a member of the Chartered Institute of Public Relations (CIPR), Federation of African Public Relations Association (FAPRA) and sits on the committee of the Media in Environment, Science, Health and Agriculture (MESHA). She is credited for conceptualizing and implementing the Beyond Zero initiative for the Office of the First Lady, which kicked off with the First Lady's Half-Marathon in 2014. She was appointed to the Communications Authority of Kenya's Board on 29th April 2016 for a period of three years.

Alternate Board Directors



Mr. John M. Njoroge is a Chief Economist at the Ministry of Interior and Correction services. He holds a Master's and Bachelor's Degrees in Economics from the University of Nairobi. He has attended various courses up to Diploma both locally and internationally.

He has over 26 years experience in Security, Education, ICT, Economic Development, Gender Mainstreaming, Budget Formulation and Execution,

Monitoring and Evaluation issues. He serves on the CA Board as an Alternate Director to the Principal Secretary, Ministry of Interior and Correctional Services.

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Ms. Judy Munyinyi Mumo is the Acting Secretary for Information and the alternate to the Principal Secretary, State Department of Broadcasting and Telecommunications, Ministry of Information, Communications and Technology (ICT), at the CA Board.

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

Until her appointment to the current position, Ms. Munyinyi was Director of Research in the Presidential Strategic Communications Unit (PSCU), based at State House, Nairobi. Among her notable achievements in that role was serving as the media lead for the Global Entrepreneurship Summit/and the visit of US President Barack Obama to Kenya in July 2015. She managed all aspects of media engagement, including hosting an energy panel discussion with key energy sector leaders, which was broadcast across Africa.

She has held senior editorial positions in media houses in Kenya, starting off in television as a Business News Anchor and diversifying into newspaper and magazine production, digital content management and corporate communications.

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

She is a member of the Association of Media Women in Kenya (AMWIK) and a Fellow of the International Volunteers Leadership Programme, USA.



Ms. Beatrice Gathirwa is the Senior Deputy Accountant General/ Director Investment in the Department of Government Investment and Public Enterprises at the National Treasury. She is a Certified Public Accountant and holds an MBA from Moi University.

She is a member of the Institute of the Certified Accountants of Kenya and is also a member of the secretariat of the Public Accounting Standards Board.

She serves on the CA Board as the Alternate Director to the Principal Secretary, National Treasury.

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FORMER BOARD MEMBERS



Amb. Dr. Monica Juma is formerly the Principal Secretary in the Ministry of Interior and Coordination of National Government. She was appointed to this position on 25th June 2013.

She serves in the Communications Authority of Kenya Board in her position as Principal Secretary in the Ministry of Interior and Coordination of National Government.

Amb. Dr. Juma holds a Doctorate of Philosophy (PhD) from the University of Oxford, Master of Arts (MA) and Bachelor of Arts (BA) from the University of Nairobi and Certificate in Refugees Studies from Oxford University. She was appointed to this position on 14th August 2014 and transferred from this position on 24th November 2015.



Mr. Joseph Tiampati ole Musuni is formerly the Principal Secretary (PS), Ministry of Information, Communications and Technology (MoICT). He serves in the Communications Authority of Kenya Board as Principal Secretary in the Ministry of ICT a position he has held since 25th June 2013.

He holds an executive MBA from Eastern and Southern Africa Management Institute /Maastricht School of Management and a Bachelor of Science (Hons) Degree in Mathematics from the University of Nairobi. Ceased to be the PS of MoICT on 24th November 2015.



Ms. Beatrice A. Opee is a Telecommunications Specialist with extensive ICT regulatory experience. She holds a Master of Science degree in Telecommunications from the State University of New York Institute of Technology (SUNYIT) and a Bachelor of Science degree in Computer Science from Middle Tennessee State University (MTSU). She has worked closely with Federal Communications Commission (FCC) on behalf of various New York state public safety agencies.

Ms. Opee served as a Board Member of the former Communications Commission of Kenya between February 2012 and April 2014. She was appointed as a member of the Communications Authority of Kenya Board of Directors on 20th May 2014 and ceased to be a board member on 5th February 2016.

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Eng. Wilbert Kipsang Choge was appointed to the CA board on 20th May 2014 for a three-year term. He has vast experience in the telecommunications and ICT sector having worked for the defunct Kenya Posts and Telecommunications Corporation (KP&TC).

He holds a M.Sc. in Telecommunications and a B.Sc. (Hons.) in Electronics from Manchester University (UK). He was appointed as a member of the Communications Authority of Kenya Board of Directors on 20th May 2014 and ceased to be a board member on 5th February 2016.



Mr. Peter Mutie is a communications specialist with experience spanning over two decades. He has served as the Chief Executive Officer of Kenya Film Commission and is also a founder member of Brand Kenya and Media Council of Kenya.

He holds a Master in Business Administration (MBA), BA (Econ) and a Post Graduate Diploma in Mass Communication. He was appointed as a member of the Communications Authority of Kenya Board of Directors on 20th May 2014 and ceased to be a board member on 5th February 2016.



Eng. Hellen Kinoti is a telecommunications expert and has been part of the transformation in the ICT sector in Kenya for close to three decades. She worked for the defunct Kenya Posts and Telecommunications Corporation (KP&TC) and Telkom Kenya Limited.

Eng. Kinoti holds a Master's degree in Business Administration (MBA) from the University of Free State (UOFS), South Africa and a Bachelor's degree- Electrical Engineering from University of Nairobi. She is a member of Institution of Engineers of Kenya (IEK), Engineers Registration Board (ERB) and the Kenya Society of Electrical and Electronic Engineers (KSEEE). She was appointed as a member of the Communications Authority of Kenya Board of Directors on 20th May 2014 and ceased to be a board member on 5th February 2016.

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Dr. Ken Nyaundi is a legal practitioner with experience spanning over two decades. He has over the years distinguished himself in civil litigation, commercial transactions, property and conveyance and public law, particularly international human rights and constitutional issues. He is also a chartered arbitrator.

He holds a Master of Laws in Public International Law, from the University of Cape Town, South Africa. He also holds a Doctorate of Philosophy (PhD) in International Law from the University of Cape Town in South Africa. He was appointed to the position on 20th May, 2014 and ceased to be a board member on 5th February 2016.



Ms. Grace Munjuri has wide experience in incorporating Communications for Brand Positioning, Public Relations, Media Relations, Government & Stakeholder Relations, Marketing and Communication for Advocacy. She has served in the Media Council of Kenya as a council member. She is the current Vice Chair of the Public Relations Society of Kenya (PRSK).

She holds a Master of Arts degree in Corporate Communications from Daystar University, and Bachelor of Commerce (Marketing) degree from Kenyatta University. She was appointed as a member of the Communications Authority of Kenya Board of Directors on 20th May 2014 and ceased to be a board member on 5th February 2016.



Mr. Brown Ingabo Otuya, MBS was the Secretary of Administration Ministry of Information, Communication and Technology and the Alternate to the PS MoICT. He Held a Master of Arts in International Studies and a Bachelor of Arts degree from the University of Nairobi

He served on the CA Board as the Alternate Director to the Principal Secretary, Ministry of Information Communication and Technology.

He received the presidential award of Moran of the Order of the Burning Spear – Third Class (MBS) – 12th December, 2009

He passed on the 6th of April 2016.

III. MANANGEMENT TEAM



Mr. Francis Wangusi is the Director General of the Communications Authority of Kenya (CA). He has been in the position since 2012 and currently serving his second term. Mr.Wangusi has over 33 years experience in the ICT sector. He has presided over landmark projects that have revolutionized the sector, the most recent being the successful transition to digital broadcasting in Kenya.

He has previously served as Director in the departments of Broadcasting and Licensing Compliance & Standards respectively in the organization. Prior to joining the Authority, he had served as a Senior Lecturer in the Department of Telecommunication Engineering at the Multimedia University College of Kenya. In 2013, Mr. Wangusi was honoured with a presidential award of the *Moran of the Order of the Burning Spear (MBS)* in recognition of his role in spearheading growth of the ICT sector. Mr.Wangusi is currently pursuing a PhD in Management. He is holds a Masters Degree in Space Sciences (Satellite Communications); BSc degree (Telecommunications Engineering); Chartered Engineer-UK Certificate and Global Executive Masters Degree in Business Administration (GEMBA).





CPA Maxwell Mogaka Mosoti is the Ag. Director, Finance and Accounts at the Communications Authority of Kenya (CA). He is Certified Public Accountant of Kenya and has been a registered member of the Institute of Certified Public Accountant (ICPAK) for over 18years. He also holds a licence as a practicing accountant with ICPAK. He has over 29 years' experience in financial management, financial reporting and budgeting management.

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

He is currently the Chairman of the Business Process Reengineering and Automation Committee (BPRAC), A member of Communications Licencing Committee (CLC), A Member of the Finance and Administration Committee of Pan-African Postal Union (PAPU), He is also a Trustee of the CCK Staff retirement pension benefits

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| | <p>scheme. He was also nominated as an advisor to the Public Sector Accounting Standard Committee of ICPAK. He also holds other community leadership position.</p> |
|  | <p>Mrs. Peris Nkonge is the former Director, Finance and Accounts at the Communications Authority of Kenya (CA). She retired on 15th January, 2016.</p> <p>She is a certified public Accountant, Mrs. Nkonge has over 33 years experience in financial management. Mrs. Nkonge is currently pursuing a Master of Business Administration (MBA) degree. She holds a Bachelor of Commerce degree and has also attended several courses in in financial management, leadership and management of public enterprises. She holds within the Authority include the Management Representative for ISO 9001: 2008, Vice Chairperson, Communications Authority of Kenya (CA) Tender Committee and a Board Member of the Communications Sacco.</p> |
|  | <p>Mr. Juma Kandie is the Director, Human Capital & Administration at the Communications Authority of Kenya (CA).</p> <p>He has over 14 years experience in human resource management and administration.</p> <p>He holds Msc.in Human Resource Management, a Bachelor of Commerce degree as well as a Post Graduate Certificate in Strategy. Mr.Kandie has attended numerous courses in the areas of management of human capital, procurement as well as leadership.</p> <p>He has served in various capacities including as chairman of the Executive Council of the Commonwealth Telecommunications Organization (2012-2014), chairman of the Programme for Development & Training- Commonwealth Telecommunications Organization (CTO), (2008-20110), member of the African Advanced Level telecommunications Institute (AFRALTI) Governing Council, and Board Member – Institute of Human Resources Management (IHRM) (2010-2012), among others.</p> |

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Mr. John Omo is the Director, Legal Services at the Communications Authority of Kenya. He has over 14 years experience in legal practice.

He holds a Masters of Laws degree, a Bachelors of Law degree as well as Diplomas in Law and Legal Practice Ethics.

He has attended a number of courses in legal practice, public procurement and telecommunications regulation.

Mr.Omo has served as a committee member of the African Telecommunications Union (ATU) as well member of the Tender Committee at the CA.



Mr. Joseph Kirui is the Acting Director, Risk Management and Internal Audit. He is a Certified Public Accountant and a member of the Institute of Certified public Accountants. He is also a member of the Institute of Internal Auditors. He has over 25 years' experience in Accounting, audit and Risk.

Mr Kirui has completed a Masters in Business Administration. He holds a Bachelor of Arts degree in Economics and Philosophy. He has attended various courses in his areas of specialty and other relevant areas.



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

He has over 23 years experience in the telecommunications sector. He holds an Msc.in Operational Telecommunications, and Bsc.in Physics. He has also attended various courses telecommunication regulation, procurement, and management of public enterprises, among others.

He sits on the Communications Authority of Kenya Tender Committee as well as the Communications Licensing Committee (CLC)

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Mr. Tom Mbadi Olwero is the Acting Director in charge of Frequency Spectrum Management Department at the Communications Authority of Kenya (CA). He holds a B.Sc. (Hons.) Electrical Engineering (Light Current option) and is currently finalising a Masters of Business Administration (Management).

Mr. Olwero has over 31 years experience in the ICT sector in ICT Regulation, Planning and Engineering, Licensing, Homologation. He has attended several specialized professional courses in ICT, Leadership, Change Management (Leading Change, Strategy through to implementation) among others, and has participated in several ITU Radiocommunication meetings and World conferences and ITU Development sector meetings both internationally and locally.

Mr. Olwero previously worked for 14 years with the defunct Kenya Posts and Telecommunications Corporation where he was involved with planning, installation and commissioning of telecommunication systems. He has also worked for 18 years with the CA. He has been Chairman of the Staff Matters Committee and the Procurement Committee. He is a member Engineers Board of Kenya (IEK), Institute of Engineers of Kenya (IEK), Institute of Electrical and Electronic Engineers US (IEEE), The Institution of Engineering and Technology (IET).





Mr. Matano Ndaro is the Director, Competition, Tariffs and Market Analysis at the Communications Authority of Kenya (CA). He has over 23 years experience in telecommunication market regulation.

He is currently pursuing a Masters of Business Administration degree and holds a Bachelor of Arts degree in Economics as well as a Post Graduate Diploma in Regulation of Telecommunications. Mr. Ndaro has attended a number of trainings ranging from competition regulation, procurement as well as leadership.

He has served in various capacities within the region and globally, including: chairman of the International Telecommunication Union (ITU) Regional Tariff Group 4 Africa, 2000-2004), Vice Chairman – ITU-T Study Group 3 on Interconnection (2004 – 2012), Vice chairman, Telecommunications Standardization Advisory

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| | <p>Group, ITU-T (2012-to date), chairman, East African Communication Organization (EACO) Working Group 8 on Pricing and Industry Analysis (2013 to date), among others.</p> |
|  A portrait of Mr. Mutua Muthusi, a middle-aged man with short dark hair, a mustache, and glasses. He is wearing a dark suit jacket, a white shirt, and a red and white striped tie. He is looking slightly to the right of the camera with a neutral expression. | <p>Mr. Mutua Muthusi is the Director, Consumer and Public Affairs, Communications Authority of Kenya (CA).</p> <p>He has over 23 years experience in communication and public relations discipline.</p> <p>He holds a Masters of Business Administration degree, a Post Graduate diploma in Mass Communication as well as Bachelor of Arts degree</p> <p>He has attended diverse trainings in communications as well as leadership. Mr.Muthusi is a member of the Communications Authority of Kenya Tender Committee, as past chair of the Kenya Communications Sports Organization (KECOSO) Governing Council as well as a member of the Public Relations Society of Kenya (PRSK).</p> |
|  A portrait of Mr. Michael Katundu, a middle-aged man with short dark hair. He is wearing a grey suit jacket, a white shirt, and a red tie with a white polka-dot pattern. He is looking directly at the camera with a neutral expression. | <p>Mr. Michael Katundu is the Director, Information and Technology at the Communications Authority of Kenya (CA) with over 14 years experience in computing technology.</p> <p>He is a holder of a MSc. in Computer Science and a BSc.in Computer Science. He has attended several capacity building courses in Information and Communications Technology (ICT) and leadership. He has over 21 years in the ICT sector.</p> <p>He holds several leadership positions at the national, regional and global levels, including Chairperson of the East African Communications Organization (EACO) Cyber-security committee and Chairperson to the International Telecommunications Union (ITU) Cyber-security Regional Group for Africa.</p> |

COMMUNICATIONS AUTHORITY OF KENYA



Eng. Leo K. Boruett is the Director, Multimedia Services at the Communications Authority of Kenya (CA) and has over 25 years experience in the communications sector. During his career, he has contributed to the development of regulatory aspects in the areas of frequency spectrum management and broadcasting.

Eng. Boruett is a Registered Engineer with the Engineers Board of Kenya (EBK), and a Corporate Member of Institution Of Engineers of Kenya (IEK). He has a Masters of Business Administration, Master of Philosophy, and a BSc. in Electrical & Electronic Engineering. He has also attended several courses spanning across technology, regulation and management, and has served as a Vice Chairman in the International Telecommunication Union Radiocommunication Bureau (ITU-R) Study Group 1.



Mrs. Joyce Nyanamba is the Assistant Director, Procurement, at the Communications Authority of Kenya (CA).

She has over 8 years experience in procurement.

She holds a Master of Business Administration, a Bachelor of Education in Arts as well as a member of the Chartered Institute of Procurement and Supply

She has also attended various courses in procurement and leadership. She sits on the board of the Kenya Institute of Supplies Management (KISM) as well as the Secretary of the Tender Committee at the Communications Authority of Kenya.

COMMUNICATIONS AUTHORITY OF KENYA



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

Mr. Ngundi has over 10 years experience in the ICT industry, mainly in information security, ICT regulation and Internet governance and management.

Mr. Ngundi holds a Bachelor of Science degree in Computer Science and is currently finalizing a Masters degree in the same field, both from the University of Nairobi. He is a Certified Information Systems Security Professional (CISSP), a Certified Ethical Hacker (CEH), a Certified Security Analysts (ECSA) and a Project Management Professional (PMP). Mr. Ngundi is a Commonwealth Fellow.

He has served in various capacities including chair of the National KE-CIRT/CC Cybersecurity Committee (NKCC), chair of the AfriNIC Policy Development Process Moderator Group (PDP-MG), member of the ICANN Address Supporting Organization Address Council (ASO-AC), a member of Kenya's national IPv6 taskforce and member of the East Africa Internet Governance Forum (IGF) steering committee.

IV. CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Authority's Financial Report for the year ended 30th June 2016 on behalf of the Board of Directors, Management and staff of the Communications Authority of Kenya (Authority) and in accordance with Section 20 (1 & 2) of the Kenya Information and Communications Act, 1998.

As the ICT Sector regulator, the Authority has continued to create an enabling environment that has seen the continued growth of the sector. The Authority, as part of its strategic objective as contained in the Strategic Plan and Performance Contract for the year 2015/2016, embarked on and concluded the review and development of Regulations which were uploaded to the Authority's website. During the year 2015/2016, three (3) sets of regulations were reviewed and three new sets of regulations developed as envisaged under the Kenya Information and Communications Act, 1998 as amended in 2013.

The Authority is entrusted with the responsibility of managing Radio Spectrum, which is a scarce natural resource that must be managed prudently for the benefit of the country. The use of radio spectrum is very dynamic and as a regulator we are continuously investing in progressive tools to enable us keep up with this dynamism. The Authority upgraded the Spectrum Management and Monitoring System (SMMS). With the upgrade of the SMMS, the Authority now owns an integrated tool for Spectrum Planning, Technical Analysis, International Coordination and Notification, in support of frequency allocation, assignment and licensing. To enhance the Authority's capabilities for Monitoring and Measurement of the technical parameters of emissions of radio communication stations, the SMMS has also been upgraded and expanded to eight V/U/SHF Fixed Monitoring and Direction Finding Stations, three HF Fixed Monitoring Stations and four V/U/SHF Mobile Monitoring and Direction Finding Stations installed aboard the vehicles. Most importantly, this upgrade is expected to improve the Authority's service delivery to radio spectrum users through effective planning and efficient processing of radio spectrum application licenses and faster resolution of radio interference complaints.

This year also saw the launch of an automated mail quality measurement system that opens a digital approach to monitoring quality of service for the postal sector in Kenya. The Radio Frequency Identification (RFID) System determines Quality of Service (QoS) by monitoring test letters containing transponders at key points in post offices in the mail processing pipeline. It is noteworthy that Kenya is the first country in Africa to use RFID based mail measurement technology for regulatory purposes under the coordination of the UPU. This feat was achieved through signing of a cooperation agreement between the UPU and the Authority.

It is also notable that the Authority has not only created an enabling environment that has seen more players enter the ICT market, but also facilitated the roll out of the requisite infrastructure that has enhanced business in the ICT sector. As a result, the uptake of Internet has grown exponentially. Other factors fuelling the fast growth and uptake of Internet in Kenya include a conducive policy, legal and regulatory framework, and an aggressive government strategy to improve international Internet connectivity, which has in turn made internet more affordable and accessible. The increasingly affordable smart devices, growth and popularity of social media and adoption of online services by both the private and public sectors also support this scenario. According to the Access Gap Study, that was commissioned by the Authority, Report released in April 2016, 94.4 per cent of the Kenyan

COMMUNICATIONS AUTHORITY OF KENYA

population has access to 2G network services whereas 78 per cent of the population has access to 3G services. The expansion of 3G services in the country explains the enormous use of mobile data/Internet services. The international Internet bandwidth leased and used has also increased as a result of increased demand for faster and more reliable data/Internet services. This is expected to rise even more in the coming year as most businesses and institutions strive to offer their goods and services on e-platforms.

In conclusion, the milestones achieved in the year 2015-2016 shows the Authority's commitment towards transformation of the lives of Kenyans through the continuous facilitation of an enabling environment for provision of quality services in the ICT sector. This will greatly benefit consumers as well as further the growth and increased contribution of the sector towards the country's GDP.

I commend the determination of the Board, Management and members of Staff at the Authority for their resilience to deliver and the achievements thereof. I look forward to an even more exhilarating 2016-17 in the ICT sector.



Ngene B. Gifuku

V. REPORT OF THE DIRECTOR GENERAL

The year 2015/16 witnessed continued growth in the ICT sector with regard to increased access to services. The exponential growth that we have witnessed in the ICT sector in Kenya is due to the progressive regulations that allow for consultations and constant engagement with all players in the ICT industry.

During the year under review, the total number of broadband subscription stood at 10.9 million subscribers for FY 2015/16 up from 5.3 million recorded in the previous year. This 104 per cent growth was attributed to mobile broadband subscriptions, which grew by a similar margin.

Internet users were estimated at 37,716,579 in the year under review, up from 29,672,419 recorded the previous year, representing a 27 per cent growth and 85 per cent penetration. The growth in the number of subscribers can be attributed to increased roll out of broadband infrastructure and increased appetite for OTT services. Noteworthy, mobile data internet subscription grew by 35 per cent to record 26,758,789 up from 19,809,709 subscribers recorded during the FY 2014/15.

There was also an increase in mobile cellular network coverage enabling more Kenyans to have access to mobile telephony. The number of 2G and 3G transceivers deployed increased by 2.8 per cent and 60 per cent respectively.

Mobile penetration increased in the FY 2015/16 to stand at 90 per cent, up from 84 per cent recorded at the end of FY 2014/15, edging closer to the global penetration rate, which stood at 98.6 per cent at the end of 2015. Kenya's mobile penetration rate is still higher than the average continental penetration rate of Africa, which stood at 76.2 per cent

However, in the year 2015/16, growth in the information and communications sector declined by nearly 50 per cent to stand at 7.3 per cent in 2015 from 14.3 per cent recorded in 2014. The slowdown in growth in the ICTs was mainly attributed to the reduced growth in the telecommunications sub-sector. This was mainly as a result of the exit of one Mobile Network Operator (MNO) in the industry.

During the year under review, the Authority initiated the process of procuring a Numbering Resource Management System (NMS). This system will automate and ensure data integrity in the process of allocation, reservation, assignment and reclamation of numbering resources. The system will provide an online platform for service providers to submit and track their applications for numbering resources. The installation and commissioning of the NMS is expected to be completed within FY 2016/17. The Authority also assigned numbering resources to telecommunication service providers. A total of 11 Mobile National Destination Codes (NDCs) were assigned to Mobile Service Providers to facilitate mobile telephony services and trial 4G services.

The Authority revised the Procedures and Guidelines for the provision of Mobile Number Portability services, in consultation with service providers and the public. The purpose of this revision was to enhance consumer experience in the porting process and align provision of these services to the current global trends and practices. The revised MNP Procedures and Guidelines are available on the Authority's website.

In order to facilitate the uptake of digital broadcasting services, the Authority reviewed the

COMMUNICATIONS AUTHORITY OF KENYA

Broadcasting Signal Distribution tariffs that are prescribed in the Determination No. 1 of 2013 on Cost-Based Terrestrial Digital Broadcasting Signal Distribution Tariff. The revised tariffs are expected to be implemented in the FY 2016/17.

During the year under review, the Authority installed and deployed a new Spectrum Management and Monitoring System (SMMS) increasing the country's capacity in spectrum management and monitoring. The system expanded the geographical area under spectrum monitoring and automated frequency management and administration processes leading to improved efficiency and accuracy in frequency licensing and billing data.

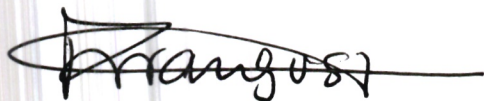
The Authority implemented an automated mail Quality of Service monitoring system which uses Radio Frequency Identification (RFID) System technology to monitor test mail delivery timelines between the Post Offices. The system was installed in 20 Post offices across the country.

During the year under review, the Authority developed the Programming Code for Free-To-Air Broadcasting services in Kenya as required under Section 46H of KICA. The Programming Code sets standards for the time and manner of programmes to be broadcast by various free-to-air broadcasting service providers.

In addition, the Authority developed a Complaints Handling Procedure which sets out the steps to be taken by broadcasters, consumers of broadcast services and the Authority with respect to making, receiving, handling and resolving of broadcast related complaints

In order to mitigate the effects of cyber-crime activity in Kenya, and in line with Kenya's ICT Sector Policy, KICA and the National Cyber security Strategy, the Authority established the Kenya Computer Incident Response Team – Coordination Centre (National KE-CIRT/CC). This is a multi-government agency collaboration established to expedite responses to cyber-attacks and coordinate resolution of cybercrime activities. This is Kenya's trusted point of contact for coordinating response to cyber-attacks and remediation of cyber-security incidents.

These and other milestones captured in this Annual Report could not have been realized without the support of a dedicated staff and management. I wish to appreciate the Board of Directors and the Ministry of Information, Communications and Technology for their continued support.



Francis W. Wangusi, MBS

VI. Corporate Governance

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

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

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

Auditors

The Auditors, Messrs, Auditor - General is responsible for the statutory audit of the Authority in accordance with the with Section 20 of the Kenya Information and Communications Act, 1998

By Order of the Board



**Francis Wangusi, MBS
Director General
COMMUNICATIONS AUTHORITY OF KENYA**

VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 20(2) of the Kenya Information and Communications Act of 1998 (CAP 411A), Public Financial Management Act of 2012 and the State Corporations Act (CAP 429), require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

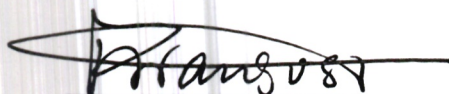
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on 30 June 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the KICA Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended 30 June 2016, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 29th September 2016 and signed on its behalf by:


Director General


Chairman



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS AUTHORITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Communications Authority of Kenya set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2016, 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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

Report of the Auditor-General on the Financial Statements of Communications Authority of Kenya for the year ended 30 June 2016

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Disputed Contract Payments

As reported in 2014/2015 audit report, on 29 November 2002, the Authority awarded the tender for supply and installation of demountable office partitions to a firm at a contract sum of Kshs.45,195,200. The Authority also awarded the tender for supply and installation of carpets and vertical window blinds on a sub-contract agreement with the first firm at a tender sum of Kshs.12,619,846, resulting in a total contract sum of Kshs.57,865,046. Although the project was supposed to be completed on 14 July 2003, it was completed one year later on 23 June 2004. The payments to the contractor were based on work done as per the project quantity surveyor's, the Architect's valuations and the Architect's certificates. After the final payment of Kshs.1,286,319.45 in September 2005, the contractor raised a dispute claiming Kshs.1,277,961.90 being interest on delayed settlement of interim certificate No.6. The management has explained that the delay had been occasioned by a dispute over the material used by the contractor, which the project manager noted differed from those specified in the Bills of Quantities.

Further, on 5 December 2006 the contractor wrote to the Authority(Commission) claiming Kshs.51,378,300.40 in respect of purported losses and expenses incurred on the project due to delay of 45 days. The Authority disputed the claim and the contractor subsequently lodged an arbitration claim before an arbitrator. Consequently the Arbitrator ruled that the Authority was to pay Kshs.47,284,879.45 for the claims and costs of arbitration of Kshs.2,783,370 all totalling Kshs.50,068,249.45, failure to which the amount shall attract simple interest at a rate of 18% per annum until payment is made in full. On 5 March 2015 the Board approved release of Kshs.51,860,882.75 held in the Escrow account and undertook to pay other outstanding sums of money amounting to Kshs.18,103,040 all totalling Kshs.69,963,922.75. A review of the matter during the year under review revealed unchanged position.

In the circumstances, it has not been possible to confirm that Kshs.69,963,922.75 is a proper charge to public funds.

2.0 Receivables from Non-exchange Transactions

2.1 Unexplained Reduction in Provision

As disclosed in note 13 to the financial statement the receivables from non-exchange transactions balance of Kshs.1,764,813,000 was arrived at after a provision for bad

and doubtful debts of Kshs.194,079,000. The provision of kshs.194,079,000 was also arrived at after unexplained reduction of Kshs.50,412,000 from previous years' figure of Kshs.244,491,000. Consequently, the authenticity of the reduction in provision of Kshs.50,412,000 could not be confirmed.

2.2 Off setting Provision Balances

The provision for bad and doubtful debts figure of Kshs.194,079,000 was arrived after netting off debit opening balances totalling Kshs.400,982,954 contrary to International Public Sector Accounting Standards (IPSAS) No.1 (48) which states that assets and liabilities, revenue and expenses, shall not be offset unless required or permitted by an IPSAS. The Corporation was therefore in breach of the accounting standards.

2.3 Bad Debts Written Off

The provision for bad and doubtful debts of Kshs.194,079,000 was arrived at after writing off debts totalling Kshs.127,550,078 without National Treasury approval in line with Section 69(2) of Public Finance Management Act, 2012 which states that an accounting officer for a national government entity, may with approval of the Cabinet Secretary write off a loss. Therefore, the Corporation was in breach of the law.

2.4 Long Overdue Debts

Further, the receivables from non-exchange transaction balance of Kshs.1,764,813,000 includes debts totaling Kshs.1,522,226 which has remained unpaid since the year 2000 and whose supporting schedule was not availed for audit review.

In the circumstances, it has not been possible to confirm that the provision for bad and doubtful debts figure of Kshs.194,079,000 is adequate and that the receivables from non-exchange transactions balance of Kshs.1,764,813,000 as at 30 June 2016 is fairly stated.

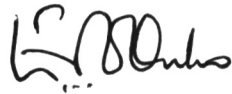
3. Understated Revenue

As disclosed in note 4 to the financial statements the revenue from exchange transactions figure of Kshs.1,010,963,370 was arrived at after netting off withholding tax totaling Kshs.227,855,383 at source by three (3) commercial banks; out of which only Kshs.17,216,509 was supported by tax certificate from Kenya Revenue Authority. The balance of Kshs.210,638,874 has not been supported by tax certificates from Kenya Revenue Authority contrary to Income Tax Act which clearly states that the payee must be furnished with withholding tax certificate for any tax withheld and paid on their behalf. In the absence of the withholding tax certificates, it has not been possible to confirm that withholding tax totalling Kshs.210,638,874 was remitted to Kenya Revenue Authority.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the

financial position of Communication Authority of Kenya as at 30 June 2016, 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 of the Laws of Kenya.



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

Nairobi

07 June 2017

Communications Authority of Kenya
Statement of Financial Performance
For the Year Ended 30 June 2016

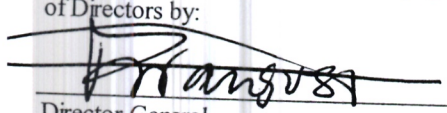
| | | 2016 | 2015 |
|---|------|------------------|------------------|
| | Note | Kshs'000 | Kshs'000 |
| Revenue from non-exchange transactions | | | |
| License Fees | 3 | <u>6,613,933</u> | <u>7,764,828</u> |
| Revenue from exchange transactions | | | |
| Finance income | 4 | 1,010,964 | 963,030 |
| Other Income | 5 | 198,319 | 5,643 |
| | | <u>1,209,283</u> | <u>968,673</u> |
| Total revenue | | <u>7,823,216</u> | <u>8,733,501</u> |
| Expenses | | | |
| Employee costs | 6 | 1,173,479 | 978,997 |
| Directors Expenses | 7 | 52,213 | 74,879 |
| Depreciation and Amortization Expense | 25 | 305,956 | 133,252 |
| Repairs and maintenance | 8 | 99,838 | 70,290 |
| General expenses | 9 | 1,912,904 | 1,523,068 |
| Total Expenses | | <u>3,544,390</u> | <u>2,780,486</u> |
| Other gains/(losses) | | | |
| Gain on sale of assets | 10 | 774 | 320 |
| Gain on foreign exchange transactions | 27 | (46) | (350) |
| Impairment loss | 28 | (36,227) | - |
| Surplus | | <u>4,243,328</u> | <u>5,952,984</u> |
| Corporation tax 30% | 11 | - | 1,785,895 |
| Dividend/Remittance Surplus | 21 | 2,828,586 | 3,135,114 |
| Surplus for the period | | <u>1,414,742</u> | <u>1,031,975</u> |

The income and expenditure account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 19.

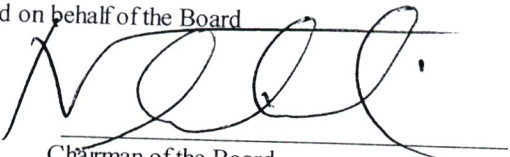
Communications Authority of Kenya
Statement of Financial Position
As at 30 June 2016

| | | 2016 | 2015 |
|---|--------|-------------------|-------------------|
| | Note | Kshs'000 | Kshs'000 |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 12 | 10,278,052 | 9,176,664 |
| Receivables from non-exchange transactions | 13 | 1,764,813 | 1,794,740 |
| Receivables from exchange transactions | 14 | 477,425 | 463,370 |
| Total Current Assets | | <u>12,520,290</u> | <u>11,434,774</u> |
| Non Current Assets | | | |
| Property, plant and equipment | 17 | 2,471,647 | 2,475,574 |
| Intangible Assets | 17 | 281,994 | - |
| Total Non-Current Assets | | <u>2,753,641</u> | <u>2,475,574</u> |
| TOTAL ASSETS | | <u>15,273,931</u> | <u>13,910,347</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Provisional Dividend/Remittance Surplus | 21 | 2,828,586 | 3,135,114 |
| Trade and other Payables from exchange transactions | 15 | 588,367 | 402,117 |
| Payments received in advance | 16 | 82,952 | 13,832 |
| Deferred Tax liability | 11 | - | 94,919 |
| Total Current Liabilities | | <u>3,499,905</u> | <u>3,645,982</u> |
| TOTAL LIABILITIES | | <u>3,499,905</u> | <u>3,645,982</u> |
| Net Assets | | <u>11,774,026</u> | <u>10,264,365</u> |
| Owners Equity | 18 | 741,965 | 741,965 |
| Revaluation reserve | 23 (a) | - | - |
| Accumulated Surplus | 23(b) | 11,032,061 | 9,522,400 |
| Total Net assets and Liabilities | | <u>11,774,026</u> | <u>10,264,365</u> |

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Directors by:


 Director General
 Francis W. Wangusi, MBS.

Date 29/09/2016

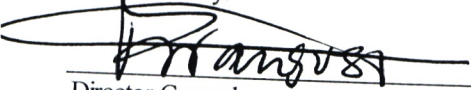

 Chairman of the Board
 Bedan N. Gituku

Date 29/09/2016

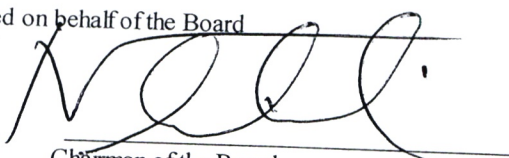
Communications Authority of Kenya
Statement of Financial Position
As at 30 June 2016

| | | 2016 | 2015 |
|---|--------|-------------------|-------------------|
| | Note | Kshs'000 | Kshs'000 |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 12 | 10,278,052 | 9,176,664 |
| Receivables from non-exchange transactions | 13 | 1,764,813 | 1,794,740 |
| Receivables from exchange transactions | 14 | 477,425 | 463,370 |
| Total Current Assets | | <u>12,520,290</u> | <u>11,434,774</u> |
| Non Current Assets | | | |
| Property, plant and equipment | 17 | 2,471,647 | 2,475,574 |
| Intangible Assets | 17 | 281,994 | - |
| Total Non-Current Assets | | <u>2,753,641</u> | <u>2,475,574</u> |
| TOTAL ASSETS | | <u>15,273,931</u> | <u>13,910,347</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Provisional Dividend/Remittance Surplus | 21 | 2,828,586 | 3,135,114 |
| Trade and other Payables from exchange transactions | 15 | 588,367 | 402,117 |
| Payments received in advance | 16 | 82,952 | 13,832 |
| Deferred Tax liability | 11 | - | 94,919 |
| Total Current Liabilities | | <u>3,499,905</u> | <u>3,645,982</u> |
| TOTAL LIABILITIES | | <u>3,499,905</u> | <u>3,645,982</u> |
| Net Assets | | <u>11,774,026</u> | <u>10,264,365</u> |
| Owners Equity | 18 | 741,965 | 741,965 |
| Revaluation reserve | 23 (a) | - | - |
| Accumulated Surplus | 23(b) | 11,032,061 | 9,522,400 |
| Total Net assets and Liabilities | | <u>11,774,026</u> | <u>10,264,365</u> |

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Directors by:


 Director General
 Francis W. Wangusi, MBS.

Date 29/09/2016


 Chairman of the Board
 Bedan N. Gituku

Date 29/09/2016

Communications Authority of Kenya
Statement of Changes in Net Assets
For the Year Ended 30 June 2016

| | Note | Owners Equity Kshs'000 | Revaluation Reserve Kshs'000 | Accumulated Surplus Kshs'000 | Total Reserves Kshs'000 |
|---|-------|------------------------------|------------------------------------|------------------------------------|-------------------------------|
| At July 1, 2014 | | 741,965 | 380,681 | 9,109,744 | 10,232,390 |
| Transfer of revaluation reserve | 23(b) | | (380,681) | 380,681 | - |
| Contributions to Universal Service Fund | 23(b) | | | (1,000,000) | (1,000,000) |
| Surplus after 30% corporation tax | | | - | 4,167,089 | 4,167,089 |
| Dividends 2013/2014 | 21 | | | (1,000,000) | (1,000,000) |
| Remittance Surplus | 21 | | | (2,135,114) | (2,135,114) |
| At 30 June 2015 | | 741,965 | - | 9,522,400 | 10,264,365 |
| Transfer from tax not payable | 11 | | | 94,919 | 94,919 |
| At July 1, 2015 | | 741,965 | - | 9,617,320 | 10,359,284 |
| Surplus | | | - | 4,243,328 | 4,243,328 |
| Remittance Surplus | 21 | | | (2,828,586) | (2,828,586) |
| At 30 June 2016 | | 741,965 | - | 11,032,061 | 11,774,026 |

Communications Authority of Kenya
Statement of Cash Flow
For the Year Ended 30 June 2016

| | Note | <u>2016</u> K shs'000 | <u>2015</u> K shs'000 |
|---|-------|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | | |
| Cash generated from/(used in) Operations | 19(a) | 3,811,571 | 199,290 |
| Provisional surplus Remittance to Treasury Paid | | (3,147,721) | - |
| Taxation Paid | 11 | - | (1,375,923) |
| | | (3,147,721) | (1,375,923) |
| Net Cash generated from/(used in) Operations | | 663,849.70 | (1,176,633) |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 17 | (574,200) | (986,544) |
| Proceeds from disposal of assets | 10 | 774 | 320 |
| Interest received | 4 | 1,010,964 | 963,030 |
| Net cash generated from/(used in) Investing activities | | 437,538 | (23,194) |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 1,101,388 | (1,199,827) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 19(b) | 9,176,664 | 10,376,490 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 19(b) | 10,278,052 | 9,176,664 |

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements as set out on pages 6 to 19

Communications Authority of Kenya
Statement of Comparison of Budget and Actual Amounts
For the Year Ended 30 June 2016

| | Original Budget | Re-Allocations | Final Budget | Actual on Comparable Basis | Performance Difference |
|---|------------------|----------------|------------------|----------------------------------|---------------------------|
| | 2015-2016 | 2015-2016 | 2015-2016 | 2015-2016 | 2015-2016 |
| Revenue | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| Internally Generated Revenue | 6,489,530 | - | 6,489,530 | 6,613,933 | (124,403) |
| Recurrent | 1,004,370 | - | 1,004,370 | 1,173,784 | (169,414) |
| Total Revenue | 7,493,900 | - | 7,493,900 | 7,787,718 | (293,818) |
| Operating Expenses | | | | | |
| Personnel Emolument | 1,182,648 | - | 1,182,648 | 1,117,797 | 64,851 |
| Board Expenses | 55,000 | - | 55,000 | 52,213 | 2,787 |
| Operating/Administration Expenses | 2,209,773 | - | 2,209,773 | 1,968,585 | 241,188 |
| Repairs and Maintenance | 76,697 | - | 76,697 | 99,838 | (23,141) |
| Depreciation | 326,035 | - | 326,035 | 305,956 | 20,079 |
| Total Operating Expenses | 3,850,153 | - | 3,850,153 | 3,544,390 | 305,763 |
| Operating Profit (Loss) | 3,643,747 | - | 3,643,747 | 4,243,328 | (599,581) |
| Finance Charges | - | - | - | - | - |
| Corporation Tax | - | - | - | - | - |
| Net Earnings | 3,643,747 | - | 3,643,747 | 4,243,328 | (599,581) |
| Distribution to National Exchequer | 3,261,553 | - | 3,261,553 | 2,828,586 | 432,967 |
| Retained Earnings | 382,194 | - | 382,194 | 1,414,742 | (166,613) |

Communications Authority of Kenya

Notes to the Financial Statements

For the Year Ended 30 June 2016

1. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Kshs 000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

License Fees

The Authority recognizes revenues from license fees when Income is recognised upon issuance of licence for annual operating and / or payment of frequency licence fees. Type approval and other fees are recognized as and when realised. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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

Other Income

Type approval, penalties and other fees are recognized as and when realised. This recognition is when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Communications Authority of Kenya

Notes to the Financial Statements (Continued...)

For the Year Ended 30 June 2016

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. 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.

Income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Property, plant and equipment

All property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit 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:

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

Communications Authority of Kenya

Notes to the Financial Statements (Continued...)

For the Year Ended 30 June 2016

e) Financial instruments

Financial assets

Initial recognition and measurement

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are stated at original invoiced amounts, less an estimate made of Losses arising from impairment and are recognized in the surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

i) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

f) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

g) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. All reserves are stated and outlined as per IPSAS 17 and IPSAS 1.

h) Changes in accounting policies and estimates

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

i) Employee benefits

Post-employment benefits

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

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

Communications Authority of Kenya

Notes to the Financial Statements (Continued...)

For the Year Ended 30 June 2016

j) 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 as income or expenses in the period in which they arise.

k) Related parties

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

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests to authorised public officer's institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

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

n) 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.

Communications Authority of Kenya

Notes to the Financial Statements (Continued...)

For the Year Ended 30 June 2016

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for bad debtors based on long outstanding non-payment and various cancellations and revocation.

o) Intangible assets

Intangible assets acquired are initially recognized at cost. The cost of intangible assets acquired is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful life of the intangible assets is assessed as either finite or indefinite. The rates of amortization used are based on the following estimated useful lives:

- Software 3 years

p) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

q) 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 30 June 2016.

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2016

| | 2016 | 2015 |
|--|------------------|------------------|
| | K shs'000 | K shs'000 |
| 3. Revenue from non-exchange transactions | | |
| Annual frequency license fees | 5,569,607 | 5,674,631 |
| Annual operating license fees | 1,040,420 | 2,085,668 |
| Application Fees | 1,739 | 2,506 |
| Type approval fees | 2,167 | 2,023 |
| | <u>6,613,933</u> | <u>7,764,828</u> |
| 4. Revenue from exchange transactions | | |
| Cash Investments and fixed deposits | 1,238,819 | 1,131,940 |
| Taxes | (227,855) | (168,909) |
| | <u>1,010,964</u> | <u>963,030</u> |
| 5. Other income | | |
| Sale of tender documents | 74 | 295 |
| Staff Rent | 4,178 | 4,187 |
| Postal Development | - | - |
| Penalties | 194,068 | 1,161 |
| | <u>198,319</u> | <u>5,643</u> |
| 6. Employee costs | | |
| Employee related costs - salaries and wages | 805,396 | 681,145 |
| Contribution to pensions and medical | 172,269 | 129,606 |
| Travel and other allowances | 94,528 | 78,967 |
| Housing benefits and allowances | 101,286 | 89,279 |
| Total Employee Costs | <u>1,173,479</u> | <u>978,997</u> |
| 7. Directors Expenses | | |
| Sitting allowance | 16,763 | 27,530 |
| Monthly fees | 960 | 1,181 |
| Telephone allowance | 3,114 | 5,010 |
| Traveling Expenses | 19,091 | 24,155 |
| Board Welfare | 2,352 | 5,506 |
| Training-Directors | 9,933 | 11,497 |
| Total | <u>52,213</u> | <u>74,879</u> |

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2016

| | 2016 | 2015 |
|--------------------------------------|------------------|------------------|
| | Kshs'000' | Kshs'000' |
| 8. Repairs and Maintenance | | |
| Property | 33,998 | 49,620 |
| Equipment | 58,119 | 14,812 |
| Motor Vehicles | 7,721 | 5,857 |
| Total Repairs and Maintenance | 99,838 | 70,290 |
| 9. General expenses | | |
| Training | 143,122 | 177,773 |
| Enforcement & Compliance | 75,735 | 13,689 |
| Computer software | 46,064 | 34,316 |
| Corporate affairs | 48,800 | 9,094 |
| Consumer Affairs | 202,450 | 94,239 |
| Advertising | 76,420 | 104,826 |
| Meetings and conferences | 247,670 | 247,726 |
| Exhibitions | 68,143 | 49,181 |
| Utilities | 35,653 | 21,473 |
| Postage and telephone | 13,187 | 13,095 |
| Rent and Rate | 13,350 | 7,980 |
| Consultancy fees | 207,657 | 111,833 |
| Accrued-Audit fees | 1,491 | 1,491 |
| Legal fees | 59,603 | 115,054 |
| Bank charges | 2,516 | 2,687 |
| Security | 64,087 | 32,316 |
| Insurance | 20,653 | 20,338 |
| Printing and stationery | 16,877 | 24,759 |
| House keeping | 9,962 | 7,492 |
| Periodicals and publications | 6,354 | 5,380 |
| Staff welfare | 90,638 | 46,486 |
| Transport Expense | 19,953 | 23,033 |
| Subscriptions | 105,661 | 89,224 |
| Sporting Activities | 26,165 | 28,298 |
| Corporate Social responsibility | 39,016 | 34,726 |
| Universal Service Obligation | 97,195 | 3,711 |
| National Communications Secretariat | 120,000 | 80,000 |
| Communications Appeals Tribunal | - | - |
| DTC Allowances | 16,657 | 98,705 |
| Universal Advisory Council | 37,825 | 24,144 |
| Total general expenses | 1,912,904 | 1,523,068 |
| 10. Gain on sale of assets | | |
| Disposal of assets | 774 | 320 |

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2016

| | 2016 | 2015 |
|---|-------------------|------------------|
| | K shs'000 | K shs'000 |
| 11. Deferred Tax Account | | |
| At the beginning of the Year | 94,919 | (315,054) |
| Income tax charge for the year 30% Surplus before Tax | - | 1,785,895 |
| Income tax paid during the year | - | (1,375,923) |
| Transfer to Retained earnings | (94,919.10) | - |
| At end of the year | <u>-</u> | <u>94,919</u> |
| 12. Cash and Cash Equivalents | | |
| Bank | 8,838,052 | 8,176,129 |
| Cash-on-Hand | - | 535 |
| Cash equivalent (Treasury Bills) | 1,440,000 | 1,000,000 |
| | <u>10,278,052</u> | <u>9,176,664</u> |
| 13. Receivables from non-exchange transactions | | |
| Treasury receivables | 436,626 | 424,020 |
| Licensee fee receivables | 1,522,266 | 1,615,211 |
| Accumulated Provision for bad and doubtful debts | (194,079) | (244,491) |
| Total non-current receivables | <u>1,764,813</u> | <u>1,794,740</u> |
| 14. Receivables from exchange transactions | | |
| Deposits | 7,563 | 9,691 |
| Pension Prepaid | 19,647 | 29,470 |
| Amount due from USF | 452 | - |
| Other Receivables | 449,762 | 424,208 |
| Total receivables | <u>477,425</u> | <u>463,370</u> |
| 15. Trade and Other Payables | | |
| Trade payables | 514,968 | 271,767 |
| Remittance to treasury | - | - |
| Universal Service Fund Levy | - | 77,726 |
| Accrued Expenses | 4,898 | 3,118 |
| Employee Remittances | 68,501 | 49,506 |
| | <u>588,367</u> | <u>402,117</u> |
| 16. Payments received in advance | | |
| Annual frequency license fees | 61,384 | 10,285 |
| Annual operating license fees | 21,567 | 3,547 |
| | <u>82,952</u> | <u>13,832</u> |

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2016

17. Property, Plant and Equipment and Intangible Assets

| | Freehold Land Kshs'000 | Buildings and Civil Works Kshs'000 | Plant and Machinery Kshs'000 | Motor Vehicles Kshs'000 | Computers & Related Equipment Kshs'000 | Office Equipment, Furniture and Fittings Kshs'000 | Intangible Assets | Capital Work In Progress Kshs'000 | Total Kshs'000 |
|------------------------------------|------------------------------|---|---------------------------------------|-------------------------------|---|---|----------------------|--|-------------------|
| At 1 July 2014 | 698,723 | 516,898 | 16,040 | 112,058 | 144,708 | 578,457 | - | 118,684 | 2,185,567 |
| Additions | - | 77,633 | 5,129 | 23,667 | 68,285 | 136,611 | - | 675,219 | 986,544 |
| Transfers/Adjustments | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | (478) | (477) | - | - | (956) |
| At 1 July 2015 | 698,723 | 594,531 | 21,168 | 135,725 | 212,515 | 714,590 | - | 793,904 | 3,171,155 |
| Additions | 171,174 | 19,491 | - | - | 12,596 | 809,348 | 355,494 | (793,903) | 574,200 |
| Revaluations | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - |
| At 30 June 2016 | 869,897 | 614,022 | 21,168 | 135,725 | 225,111 | 1,523,938 | 355,494 | 0 | 3,745,355 |
| Depreciation and Impairment | | | | | | | | | |
| At 1 July 2014 | - | 75,019 | 9,104 | 67,404 | 70,371 | 351,208 | - | - | 573,107 |
| Depreciation | - | 15,141 | 1,427 | 13,339 | 36,358 | 57,163 | - | - | 123,429 |
| Impairment | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | (478) | (476) | - | - | (954) |
| At 30 June 2015 | - | 90,160 | 10,531 | 80,744 | 106,251 | 407,895 | - | - | 695,582 |
| Depreciation | - | 17,244 | 2,519 | 18,550 | 51,330 | 132,989 | 73,500 | - | 296,132 |
| Impairment | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - |
| At 30 June 2016 | - | 107,404 | 13,050 | 99,294 | 157,582 | 540,885 | 73,500 | - | 991,714 |
| Net Book Values | | | | | | | | | |
| At 30 June 2016 | 869,897 | 506,619 | 8,119 | 36,430 | 67,529 | 983,054 | 281,994 | 0 | 2,753,641 |
| At 30 June 2015 | 698,723 | 504,371 | 10,637 | 54,981 | 106,264 | 306,695 | - | 793,904 | 2,475,574 |

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2016

18. Owners Equity

Owners equity of Kshs 741,965,632 is comprised of the net of assets and liabilities vested to Communications Authority of Kenya by the Government of Kenya following the split of the defunct Kenya Posts and Telecommunications Corporation through Legal Notice Number 155 of 5 November 1999.

19. Notes to the Statement of Cash Flow

a) Cash generated from/(used in) operations

| | 2016 Kshs'000 | 2015 Kshs'000 |
|--|-------------------------|---------------------------|
| Surplus before remittances | 4,243,328 | 5,952,984 |
| Adjustments for: | | |
| Depreciation of property, plant & equipment | 296,132 | 123,429 |
| Loss/Gain on sale of assets | (774) | (320) |
| Foreign Exchange Gain or Loss | 46 | 350 |
| Amortisation of Pension | 9,824 | 9,824 |
| Impairment Loss | 36,227 | - |
| Universal Service Fund Contributions | - | (1,000,000) |
| Remittance Adjustment | - | - |
| Interest Received | (1,010,964) | (963,030) |
| | <u>(669,509)</u> | <u>(1,829,747)</u> |
| Working capital adjustments | <u>3,573,818</u> | <u>4,123,237</u> |
| | | |
| Increase in receivables from exchange transactions | (22,487) | (49,812) |
| Decrease in receivables from non-exchange transactions | 29,927 | (900,661) |
| Increase in payments received in advance | 69,120 | (660,711) |
| Increase in trade and other payables | 161,193 | (2,312,764) |
| | <u>237,752</u> | <u>(3,923,947)</u> |
| Net Working Capital Changes | <u>237,752</u> | <u>(3,923,947)</u> |
| | | |
| Net cash flows from operating activities | <u>3,811,571</u> | <u>199,290</u> |
| | | |
| b) Cash and cash equivalents | | |
| | | |
| Cash in hand and at bank | 8,838,052 | 8,176,664 |
| Treasury Bills | 1,440,000 | 1,000,000 |
| | <u>10,278,052</u> | <u>9,176,664</u> |

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended June 30 2016

20. Investments

The Authority has no investments in immovable properties / any investments during the Financial Year 2015/2016

21. Taxation and Remittance of certified Audited net surplus to Treasury

The remits 90% of the surplus of the Audited financial statements to The National Treasury as per the guidelines provided by the Public Financial Management Act

| | 2016 Kshs.'000' | 2015 Kshs.'000' |
|------------------------------------|-------------------------|-------------------------|
| Accrued - Surplus | 4,243,328 | 4,167,089 |
| Licensee fee receivables | (1,328,187) | (1,370,721) |
| Treasury receivables | (436,626) | (424,020) |
| Recovered-Licensee fee receivables | 664,359 | - |
| Surplus | <u>3,142,873</u> | <u>2,372,349</u> |
| Dividends 2013/2014 | | 1,000,000 |
| Remittance surplus (90%) | <u>2,828,586</u> | <u>2,135,114</u> |
| Dividend/Remittance Surplus | <u><u>2,828,586</u></u> | <u><u>3,135,114</u></u> |

22. Contingent Liabilities

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

23. Revaluation Reserve and Accumulated Surplus

(a) Revaluation Reserve

The Authority valued its assets in 2006. This was done by a professional valuer. The valuation due during the year was delayed due unavoidable processes but will be done in the next financial year.

(b) Accumulated Surplus

| | 2016 Kshs.'000' | 2015 Kshs.'000' |
|--|--------------------------|-------------------------|
| At June 30, 2013 (As per note 24 below) | 9,617,320 | 9,109,744 |
| Surplus after 30% corporation tax | 4,243,328 | 4,167,089 |
| Dividends 2013/2014 | - | (1,000,000) |
| Remittance Surplus | (2,828,586) | (2,135,114) |
| Contributions to Universal Service Fund | - | (1,000,000) |
| Revaluation reserve - transfer | - | 380,681 |
| Net Surplus as at June 30 2014 | <u><u>11,032,061</u></u> | <u><u>9,522,400</u></u> |

24. Short Term Deposits

| | 2016 Kshs.'000' | 2015 Kshs.'000' |
|-----------------------|-------------------------|-------------------------|
| Kenya Commercial Bank | 4,151,577 | 2,650,000 |
| Citi Bank | - | - |
| Cooperative Bank | 4,309,070 | 4,850,000 |
| Total | <u><u>8,460,647</u></u> | <u><u>7,500,000</u></u> |

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| 25. Depreciation and Amortization Expense | 2016 | 2015 |
|--|-----------------------|-----------------------|
| | Kshs.'000' | Kshs.'000' |
| Depreciation for the year | 296,132 | 123,429 |
| Pension Amortization | 9,824 | 9,824 |
| | <u>305,956</u> | <u>133,252</u> |

26. Events after the reporting period

There are no material non-adjusting events after the reporting

| 27. Gain on foreign exchange transactions | 2016 | 2015 |
|---|--------------------|---------------------|
| | Kshs.'000' | Kshs.'000' |
| Losses arising from translation of USD bank balance | (46) | (350) |
| | <u>(46)</u> | <u>(350)</u> |

The Authority is exposed to foreign exchange risk arising from currency exposures, primarily, with respect to the US dollar. The US dollar strengthened significantly against the Kenya shilling and other world currencies. During the financial year the exposure of the Authority was reduced resulting in reduction of the foreign exchange loss.

| 28. Impairment loss | 2016 | 2015 |
|----------------------------|------------------------|-------------------|
| | Kshs.'000' | Kshs.'000' |
| | (36,227) | - |
| | <u>(36,227)</u> | <u>-</u> |

The impairment loss relates to Local Loop Operators (LLO) and satellite tracking. The LLO services never picked up in advent of the unified license regime that rendered the LLO service unviable. The affected firms thus terminated their intentions to roll out services under LLO.

