

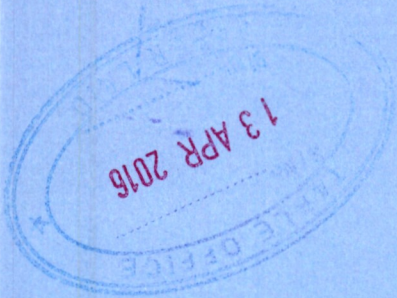
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OFFICE OF THE AUDITOR-GENERAL

*Paper laid by the
LOM on 13/2/2016 (cm)*



REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COMMUNICATIONS AUTHORITY OF KENYA**

**FOR THE YEAR ENDED
30 JUNE 2015**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
- 4 MAR 2016
RECEIVED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30 JUNE 2015**

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

2019年12月

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 Communication 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

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 June 30, 2015 are set out on page 1 to 18.

COMMUNICATIONS AUTHORITY OF KENYA

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COMMUNICATIONS AUTHORITY OF KENYA

II. Directors



Mr. Ngene B. Gituku is the Chairman of the Board of Directors of the Communications Authority of Kenya. Prior to his appointment, he served as the immediate Chairman of the Board of the then Communications Commission of Kenya (CCK). He holds a BSc. Degree in Mathematics and Meteorology from the University of Nairobi and Diploma in Marketing. He 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 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).



Mr. Joseph Tiampati ole Musuni is the Principal Secretary, 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.



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

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



Amb. Dr. Monica Juma is 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



Mr. Mutea Iringo, who was the Principal Secretary in the Ministry of Interior and Coordination of National Government between 7th June 2013 and 13th August 2014. During that period, he was served in the Communications Authority of Kenya Board in his capacity as Principal Secretary in the Ministry of Interior and Coordination of National Government.

He holds a Masters Degree in International Studies and a Bachelor's Degree from the University of Nairobi.



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 for a period of three years.



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).



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.

Prof. Obonyo holds a PhD in Mass Media and Communications from Temple University Philadelphia, USA. He also holds a Post Graduate Diploma in Tertiary Education from Potchefstroom University for Christian Higher Education, South Africa. He was, until recently, the Chairman of the Media Council of Kenya. He currently serves as a member of the Advisory Council to Kenya National Commission to UNESCO specializing on communications. He was appointed to the position on 20th May 2014 for a three-year term.



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 to the position on 20th May, 2014 for a three-year term.



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 to the position on 20th May 2014 for a period of three years.



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 for a three-year term.



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 to the position on 20th May, 2014 for a three-year term.

Alternate Board Directors



Mr. John Njoroge is a Chief Economist at the Ministry of Interior and Coordination of National Government. He holds a Masters and Bachelor's degree in Economics from the University of Nairobi.

He has over 24 years experience in Security, Education, 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 Coordination of National Government.



Mr. Henry Mungasia is the Director of Administration at the Ministry of Information, Communications and Technology. He is a Bachelor of Arts (Hons) graduate.

Mr. Mungasia has undertaken several courses in Advanced Public Administration. He served on the CA board as the Alternate Director to the Principal Secretary in Ministry of Information, Communications and Technology.



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.

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).



Mrs. Peris Nkonge is the Director, Finance and Accounts at the Communications Authority of Kenya (CA).

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 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.



Mr. Juma Kandie is the Director, Human Capital & Administration at the Communications Authority of Kenya (CA).

He has over 14 years experience in human resource management and administration.

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.

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.



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. 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)



Mr. Mutua Muthusi is the Director, Consumer and Public Affairs, Communications Authority of Kenya (CA).

He has over 23 years experience in communication and public relations discipline.

He holds a Masters of Business Administration degree, a Post Graduate diploma in Mass Communication as well as Bachelor of Arts degree

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).



Mr. Michael Katundu is the Director, Information and Technology at the Communications Authority of Kenya (CA) with over 14 years experience in computing technology.

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.

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.



Mr. Stanley Kibe is the Director, Frequency Spectrum Management at the Communications Authority of Kenya.

He holds a B.Sc. Electrical Engineering (Telecoms& Microwave).

Mr.Kibe has 33 years experience in the area of radiocommunications. He has attended several courses in leadership, spectrum management and procurement, among others.

Mr.Kibe has held various leadership positions regionally and globally and currently represents Kenya at the International Telecommunications Union (ITU) as a member of the on the Radio Regulations board (RRB)

He retired on 17th May, 2015.



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 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.



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.



Eng. Leo Boruett is the Director, Multimedia Services at the Communications Authority of Kenya (CA). He has over 23 years experience in engineering. A registered engineer, he also a Masters of Business Administration and Master of Philosophy degrees and well as a Bsc. in Electrical Engineering.

He has attended several courses spanning across technology, management, among others, including Leading Change, Strategy through to Implementation, and New Technologies in Broadcasting, Corporate Governance, and Enabling Frameworks for ICT Development- The Singapore Experience as well as Competition Mergers & Acquisition. Eng. Boruett is a member of the Communications Authority of Kenya (CA) Tender Committee a Board Member, of the Communications Sacco, a Member Institute of Electrical and Electronic Engineers (IEEE) and has served as the chair of the International Telecommunication Union - Radio Regulations Board (RRB)

IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, Management and staff of the Communications Authority of Kenya (CA), I am pleased to present to you the Authority's Financial Statement for the year ended 30th June, 2015 as required by Section 20 of the Kenya Information and Communications Act, 1998(KICA).

The Communications Authority of Kenya continued operating within its independence and the wider mandate as enshrined in the Constitution of Kenya 2010. During the year under review, the Authority set up mechanisms to achieve and deliver on its statutory mandate to the people of Kenya. Key among them was the review of the sector regulations to encompass the various sub-sectors in the industry. A total of 10 regulations underwent review in consultation with stakeholders and the public at large, which ensured that both the players and consumers took part in the development of policies that regulate the industry. These Regulations are set to be promulgated during the next financial year.

The Authority, amid numerous challenges, spearheaded the completion of the Digital Migration on 30th March 2015, three months before the global deadline of 17 June 2015.. The experience presented us with important lessons in stakeholder engagement, which we shall employ in future on matters that require extensive engagement. Going forward, the Authority is planning on how best to make optimum use of the digital dividends.

The ICT sector continues to expand, including its contribution to national development. According to the 2015 Economic Survey, the information and communication sector contributed 13.4 per cent of the growth of GDP. Despite this expansion, there are areas that still do not have access to basic ICT services. In line with our corporate Vision of ensuring access and use of information and communications services by all in Kenya by 2018, the Authority has brought the Universal Service Fund (USF) into operation. The Fund shall finance roll out of ICT services and projects in un-served and underserved areas. By 30th June 2015, a total of KES2.67billion had been collected from licensees as USF levies.

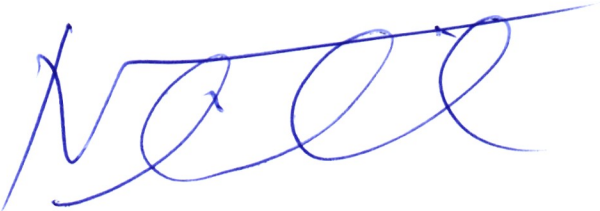
Given the critical role that ICTs play in the economy today, the Authority is cognizant of its need to keep abreast with changing needs of the market and at the same time create an environment that encourages investments in the sector. In this regard, the Authority, during the year, involved industry players and other stakeholders in the review of the regulatory frameworks, including the Unified Licensing Framework (ULF) and the postal/courier market structure. Further, the Authority also consulted stakeholders on postal/courier security management framework and Quality of Service parameters. In the broadcasting sector, the Authority engaged stakeholders on the programming code and complaints handling procedure for Free To Air TV and radio services.

On the international platform, Kenya was re-elected to the ITU Council during the 2014 ITU Plenipotentiary Conference. In addition, Kenya's Mr. Stanley Kibe was elected as the ITU Radio Regulations Board Chairman. These positions not only raise the country's profile as an ICT leader, but also put us in a position where we can drive the Kenyan and East African ICT agenda on a global level.

In summary, the year 2014-15 has been marked with key milestones in growing the ICT sector. I wish to express my appreciation to the Director General and the Staff at the

Authority for the hard work that was undertaken during the year. I look forward to an even more exciting 2015-16 in the ICT sector.

Ngene B. Gituku

A handwritten signature in blue ink, appearing to read 'Ngene B. Gituku', written in a cursive style.

V. REPORT OF THE DIRECTOR GENERAL

The year 2014/15 witnessed continued growth in the ICT sector with regard to increased access to services, deployment of innovative services and review of the sector legal framework.

In collaboration with the Government and other stakeholders, the Authority successfully migrated the country to digital TV broadcasting ahead of the global deadline of 17 June 2015. The switch off of the analogue signal was carried out in three phases starting in Nairobi and its environs on 30th December 2013, major towns across the country on 2nd February 2015 and in the remaining sites on 30th March 2015.

The migration process was bedeviled with major challenges, including lengthy and numerous lawsuits as well as public misinformation by resistant industry players. To address these challenges, the Authority successfully presented its case in court and eventually got the green light to fully migrate the country. On communication, the Authority aggressively used social media, roadshows and radio to engage with the public and create awareness on the migration process.

During the year under review, the Authority initiated the revision of the ICT sector regulations with a view to aligning them with revised ICT sector law enacted in December 2013. The regulations were also reviewed with the aim of addressing emerging challenges in the industry. In particular, the “Fair competition and equality of treatment Regulations” were revised to provide an enabling framework to adequately address the issue of effective competition in the ICT market, including abuse of dominance. The Authority further made a budgetary provision to carry out a study to assess competition in the industry in the 2015/2016 financial year.

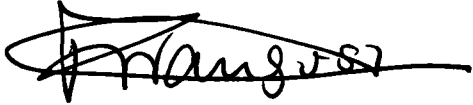
During the year under review, one of the four Mobile Virtual Network Operators (MVNOs) licensed in the previous year commenced operations with the introduction of thin-SIM technology. This alternative technology was met with resistance from other players in the market ostensibly on the grounds that the technology could introduce vulnerabilities in their networks and at the same time interrupt and intercept communication. The matter was taken to court for resolution and is still in abeyance.

Overall, the ICT sector recorded a positive growth of 13.4% during the year under review compared to 12.3% in 2013. Mobile and Internet penetration were recorded at 83.98% and 69% respectively.

With the increased access to the Internet, the number of cyber crimes in the country has been on the upswing. To build on its networks of dealing with cybercrime, the Authority, during the year, joined the Forum for Incident Response and Security Teams (FIRST)- an international confederation of trusted CIRTs who cooperatively handle computer security incidents and promote incident prevention programmes.

To enhance provision of services across the country, the Authority opened offices in Eldoret- to cover the Western Region- and in Mombasa- to cover the Coast Region. The offices provide a wide range of services including processing licence applications, and handling of consumer related issues.

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

A handwritten signature in black ink, appearing to read 'Francis W. Wangusi', with a long horizontal stroke extending to the right.

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

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.

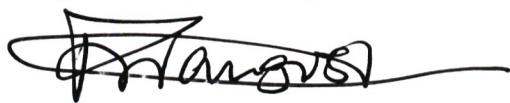
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on 30 June 2015. This responsibility includes: (i) maintaining 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 2015, 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 28th September 2015 and signed on its behalf by:



Director General


Chairman

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS AUTHORITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Communications Authority of Kenya set out on pages 1 to 18, which comprise the statement of financial position as at 30 June 2015 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management 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 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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

*Communications Authority of Kenya – Annual Report and Financial Statements for the year ended
30 June 2015*

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2013/2014 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 to 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 Bill 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 totaling 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 totaling Kshs.69,963,922.75. In the circumstances, it has not been possible to confirm that Kshs.69,963,922.75 is a proper charge to public funds.

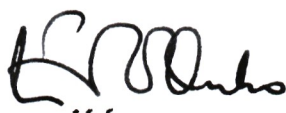
2. Unsupported Board Sitting Allowances

As previously reported in 2013/14, examination of Board of Directors' records revealed that sitting allowances totalling Kshs.11,594,000 in 2013/14 (Kshs.27,530,000 – 2014/2015) was paid to various Board of Directors in that year, out of which sitting allowances totaling Kshs.6,942,000 was not supported by notices of the meeting, agenda for the meeting and the respective Board minutes. Although the management has explained that the Board of Directors are invited to participate in official events where no minutes are taken such as stakeholders consultation forums, performance contract negotiation and signing, meeting with staff management and Ministry officials, official events such as shows and staff parties, no evidence of such invitation was availed for audit review.

In the circumstances, it has not been possible to confirm that the unsupported sitting allowance totaling Kshs.6,942,000 was a proper charge to public funds.

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 the Communications Authority of Kenya as at 30 June 2015, 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 Laws of Kenya.



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

Nairobi

08 March 2016

Communications Authority of Kenya
Statement of Financial Performance
For the Year Ended 30 June 2015

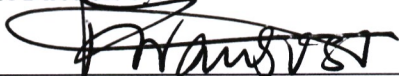
	Note	2015 Kshs'000	2014 Restated Kshs'000
Revenue from non-exchange transactions			
License Fees	3	<u>7,764,828</u>	<u>6,318,816</u>
Revenue from exchange transactions			
Finance income	4	963,030	933,882
Other Income	5	<u>5,643</u>	<u>9,517</u>
		968,673	943,399
Total revenue		<u>8,733,501</u>	<u>7,262,215</u>
Expenses			
Employee costs	6	978,997	777,682
Directors Expenses	7	74,879	28,584
Depreciation and Amortization Expense	26	133,252	107,207
Repairs and maintenance	8	70,290	89,976
General expenses	9	<u>1,523,068</u>	<u>1,230,978</u>
Total Expenses		<u>2,780,486</u>	<u>2,234,427</u>
Other gains/(losses)			
Gain on sale of assets	10	320	613
Gain on foreign exchange transactions		(350)	1,986
Surplus before tax		<u>5,952,984</u>	<u>5,030,387</u>
Corporation tax 30%	11	1,785,895	1,509,116
Dividend/Remittance Surplus	23(b)	3,135,114	-
Surplus for the period		<u>1,031,975</u>	<u>3,521,271</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 18.

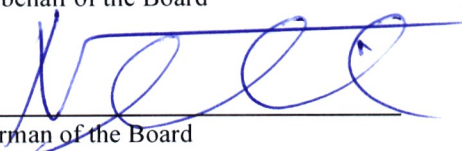
Communications Authority of Kenya
Statement of Financial Position
As at 30 June 2015

		2015	2014
	Note	Kshs'000	Kshs'000
ASSETS			
Current Assets			
Cash and cash equivalents	12	9,176,664	10,376,490
Receivables from non-exchange	13	1,794,740	894,079
Receivables from exchange transactions	14	463,370	423,382
Deferred Tax	11	-	315,054
Total Current Assets		<u>11,434,774</u>	<u>12,009,005</u>
Non Current Assets			
Property, plant and equipment	17	2,475,574	1,612,460
Total Non-Current Assets		<u>2,475,574</u>	<u>1,612,460</u>
TOTAL ASSETS		<u>13,910,347</u>	<u>13,621,465</u>
LIABILITIES			
Current Liabilities			
Provisional Dividend/Remittance Surplus	23(b)	3,135,114	-
Trade and other Payables from exchange transactions	15	402,117	2,714,532
Payments received in advance	16	13,832	674,543
Deferred Tax liability	11	94,919	-
Total Current Liabilities		<u>3,645,982</u>	<u>3,389,075</u>
TOTAL LIABILITIES		<u>3,645,982</u>	<u>3,389,075</u>
Net Assets		<u>10,264,365</u>	<u>10,232,390</u>
Owners Equity	18	741,965	741,965
Revaluation reserve	23 (a)	-	380,681
Accumulated Surplus	23(b)	9,522,400	9,109,744
Total Net assets and Liabilities		<u>10,264,365</u>	<u>10,232,390</u>

The Financial Statements set out on pages 1 to 18 were signed on behalf of the Board of Directors by:



Director General
Francis W. Wangusi, MBS



Chairman of the Board
Bedan N. Gituku

Date: 28th September 2015.

Date: 28th September 2015.

Communications Authority of Kenya
Statement of Changes in Net Assets
For the Year Ended 30 June 2015

	Note	Owners Equity Kshs'000	Revaluation Reserve Kshs'000	Accumulated Surplus Kshs'000	Total Reserves Kshs'000
At July 1, 2013		741,965	380,681	5,604,890	6,727,536
Accrual Adjustment 2012/13				298	298
Directors Fees 2012/13				(11,250)	(11,250)
Remittance Adjustments				(3,587)	(3,587)
Tax recoverable transferred to tax account				(1,877)	(1,877)
At June 30, 2014		741,965	380,681	5,588,473	6,711,119
Total Comprehensive Income				3,521,271	3,521,271
					-
At July 1, 2014		741,965	380,681	9,109,744	10,232,390
Transfer of revaluation reserve			(380,681)	380,681	-
Contributions to Universal Service Fund				(1,000,000)	(1,000,000)
Surplus after 30% corporation tax			-	4,167,089	4,167,089
Dividends 2013/2014				(1,000,000)	(1,000,000)
Remittance Surplus				(2,135,114)	(2,135,114)
At 30 June 2015		741,965	-	9,522,400	10,264,365

Communications Authority of Kenya
Statement of Cash Flow
For the Year Ended 30 June 2015

	Note	<u>2015</u> K shs'000	<u>2014</u> K shs'000
OPERATING ACTIVITIES			
Cash generated from/(used in) Operations	19(a)	<u>199,290</u>	<u>6,585,746</u>
Provisional surplus Remittance to Treasury Paid		-	(4,964,232)
Taxation Paid		(1,375,923)	(1,822,293)
		<u>(1,375,923)</u>	<u>(6,786,525)</u>
Net Cash generated from/(used in) Operations		<u>(1,176,633)</u>	<u>(200,778)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(986,544)	(205,361)
Proceeds from disposal of assets		320	618
Interest received		963,030	933,882
Net cash generated from/(used in) Investing activities		<u>(23,194)</u>	<u>729,140</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(1,199,827)</u>	<u>528,361</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,376,490	9,848,129
CASH AND CASH EQUIVALENTS AT END OF YEAR	19(b)	<u>9,176,664</u>	<u>10,376,490</u>

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements as set out on pages 6 to 18

Communications Authority of Kenya
Statement of Comparison of Budget and Actual Amounts
For the Year Ended 30 June 2015

	Original Budget	Re-Allocations	Final Budget	Actual on Comparable Basis	Performance Difference
	2014-2015	2014-2015	2014-2015	2014-2015	2014-2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Revenue					
Internally Generated Revenue	7,614,398	-	7,614,398	7,764,828	(150,430)
Recurrent	606,309	-	606,309	968,642	(362,333)
Total Revenue	8,220,707	-	8,220,707	8,733,470	(512,763)
Operating Expenses					
Personnel Emolument	916,706	-	916,706	915,767	939
Board Expenses	82,452	(3,000)	79,452	74,879	4,573
Operating/Administration Expenses	1,997,939	13,000	2,010,939	1,586,298	424,641
Repairs and Maintenance	78,168	(10,000)	68,168	70,290	(2,122)
Depreciation	229,879	-	229,879	133,252	96,627
Total Operating Expenses	3,305,144	-	3,305,144	2,780,486	524,658
Operating Profit (Loss)	4,915,563	-	4,915,563	5,952,984	(1,037,421)
Finance Charges	-	-	-	-	-
Corporation Tax 30%	2,482,769	-	2,482,769	1,785,895	696,874
Net Earnings	2,432,794	-	2,432,794	4,167,089	(1,734,295)
Distribution to National Exchequer	-	-	-	3,135,114	(3,135,114)
Retained Earnings	2,432,794	-	2,432,794	1,031,975	(4,869,409)



Communications Authority of Kenya

Notes to the Financial Statements

For the Year Ended 30 June 2015

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 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 2015

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 2015

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 2015

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 2015

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) 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 2015.

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2015

	2015	2014
	Kshs'000	Kshs'000
3. Revenue from non-exchange transactions		
Annual frequency license fees	5,674,631	5,556,103
Annual operating license fees	2,085,668	759,749
Application Fees	2,506	1,063
Type approval fees	2,023	1,901
	<u>7,764,828</u>	<u>6,318,816</u>
4. Revenue from exchange transactions		
Cash Investments and fixed deposits	1,131,940	1,140,503
Taxes	(168,909)	(206,620)
	<u>963,030</u>	<u>933,882</u>
5. Other income		
Sale of tender documents	295	866
Staff Rent	4,187	4,412
Postal Development	-	33
Penalties	1,161	4,206
	<u>5,643</u>	<u>9,517</u>
6. Employee costs		
Employee related costs - salaries and wages	681,145	522,842
Contribution to pensions and medical	129,606	100,006
Travel and other allowances	78,967	71,065
Housing benefits and allowances	89,279	83,770
Total Employee Costs	<u>978,997</u>	<u>787,506</u>
7. Directors Expenses		
Sitting allowance	27,530	11,594
Monthly fees	1,181	726
Telephone allowance	5,010	65
Traveling Expenses	24,155	11,316
Board Welfare	5,506	726
Training-Directors	11,497	4,156
Total	<u>74,879</u>	<u>28,584</u>

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2015

	2015	2014
	K.shs'000'	K.shs'000'
8. Repairs and Maintenance		
Property	49,620	69,807
Equipment	14,812	14,884
Motor Vehicles	5,857	5,285
Total Repairs and Maintenance	70,290	89,976
9. General expenses		
Training	177,773	125,897
Enforcement & Compliance	13,689	13,021
Computer software	34,316	33,064
Corporate affairs	9,094	14,865
Consumer Affairs	94,239	68,690
Advertising	104,826	104,008
Meetings and conferences	247,726	205,553
Exhibitions	49,181	59,941
Utilities	21,473	23,274
Postage and telephone	13,095	23,253
Rent and Rate	7,980	7,058
Consultancy fees	111,833	80,689
Accrued- Audit fees	1,491	1,491
Legal fees	115,054	44,819
Bank charges	2,687	1,707
Security	32,316	37,042
Insurance	20,338	15,802
Printing and stationery	24,759	22,539
House keeping	7,492	6,659
Periodicals and publications	5,380	6,544
Staff welfare	46,486	33,524
Transport Expense	23,033	15,698
Subscriptions	89,224	87,567
Sporting Activites	28,298	21,034
Corporate Social responsibility	34,726	31,794
Universal Service Obligation	3,711	22,020
National Communications Secretariat	80,000	80,000
Communications Appeals Tribunal	-	485
DTC Allowances	98,705	39,943
Universal Advisory Council	24,144	2,996
Total general expenses	1,523,068	1,230,978
10. Gain on sale of assets		
Disposal of assets	320	613

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2015

	2015	2014
	K shs'000	K shs'000
11. Deferred Tax Account		
At the beginning of the Year	(315,054)	(1,877)
Income tax charge for the year 30% Surplus before Tax	1,785,895	1,509,116
Income tax paid during the year	(1,375,923)	(1,822,293)
At end of the year	<u>94,919</u>	<u>(315,054)</u>
12. Cash and Cash Equivalents		
Bank	8,176,129	9,876,055
Cash-on-Hand	535	436
Cash equivalent (Treasury Bills)	1,000,000	500,000
	<u>9,176,664</u>	<u>10,376,490</u>
13. Receivables from non-exchange transactions		
Treasury receivables	424,020	-
Licensee fee receivables	1,615,211	1,138,570
Accumulated Provision for bad and doubtful debts	(244,491)	(244,491)
Total non-current receivables	<u>1,794,740</u>	<u>894,079</u>
14. Receivables from exchange transactions		
Deposits	9,691	3,476
Pension Prepaid	29,470	39,294
Other Receivables	424,208	380,612
Total receivables	<u>463,370</u>	<u>423,382</u>
15. Trade and Other Payables		
Trade payables	271,767	266,534
Remittance to treasury	-	2,359,220
Universal Service Fund Levy	77,726	56,766
Accrued Expenses	3,118	1,491
Employee Remittances	49,506	30,522
	<u>402,117</u>	<u>2,714,532</u>
16. Payments received in advance		
Annual frequency license fees	10,285	5,380
Annual operating license fees	3,547	669,163
	<u>13,832</u>	<u>674,543</u>

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2015

17. Property, Plant and Equipment

	Freehold Land Kshs'000	Buildings and Civil Works Kshs'000	Plant and Machinery Kshs'000	Motor Vehicles Kshs'000	Computers & Related Equipment Kshs'000	Office Equipment, Furniture and Fittings Kshs'000	Capital Work In Progress Kshs'000	Total Kshs'000
At 1 July 2013	698,723	420,950	12,452	81,431	85,708	541,548	142,248	1,983,060
Additions	-	872	3,588	30,627	58,999	32,684	78,591	205,361
Transfers/Adjustments	-	95,076	-	-	-	7,079	(102,154)	-
Disposals	-	-	-	-	-	(2,854)	-	(2,854)
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
Revaluations	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(478)	(477)	-	(956)
At 30 June 2015	698,723	594,531	21,168	135,725	212,515	714,590	793,904	3,171,155
Depreciation and Impairment								
At 1 July 2013	-	64,733	7,876	56,114	52,886	296,967	-	478,577
Depreciation	-	10,286	1,228	11,290	17,485	57,094	-	97,383
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(2,854)	-	(2,854)
At 30 June 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
Net Book Values								
At 30 June 2015	698,723	504,371	10,637	54,981	106,264	306,695	793,904	2,475,574
At 30 June 2014	698,723	441,878	6,935	44,653	74,337	227,249	118,684	1,612,460

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended 30 June 2015

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

	2015 Kshs'000	2014 Kshs'000
Surplus for the year before tax	5,952,984	5,030,387
Adjustments for:		
Depreciation of property, plant & equipment	123,429	97,383
Loss/Gain on sale of assets	(320)	(613)
Foreign Exchange Gain or Loss	350	(1,986)
Amortisation of Pension	9,824	9,824
Directors Honoraria	-	(11,250)
Universal Service Fund Contributions	(1,000,000)	-
Remittance Adjustment	-	(3,587)
Interest Received	(963,030)	(933,882)
	(1,829,747)	(844,112)
Working capital adjustments	4,123,237	4,186,275
Increase in receivables from exchange transactions	(49,812)	(137,764)
Increase in receivables from non-exchange transactions	(900,661)	(270,263)
Decrease in payments received in advance	(660,711)	385,630
Decrease in trade and other payables	(2,312,764)	2,421,868
Net Working Capital Changes	(3,923,947)	2,399,471
Net cash flows from operating activities	199,290	6,585,746
b) Cash and cash equivalents		
Cash in hand and at bank	8,176,664	9,876,490
Treasury Bills	1,000,000	500,000
	9,176,664	10,376,490

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended June 30 2015

20. Investments

The Authority has no investments in immovable properties / any investments during the Financial Year 2014/2015

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

The Authority paid 1.375 Billion corporation tax as per Public Financial Management Act 2012 during the year to KRA which was as per certified audited accounts for the year ended June 30 2014.

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

	2015 Kshs.'000'	2014 Kshs.'000'
At June 30, 2013 (As per note 24 below)	9,109,744	5,588,473
Surplus after 30% corporation tax	4,167,089	3,521,271
Dividends 2013/2014	(1,000,000)	-
Remittance Surplus	(2,135,114)	-
Contributions to Universal Service Fund	(1,000,000)	-
Revaluation reserve - transfer	380,681	-
Net Surplus as at June 30 2014	9,522,400	9,109,744

24. Contribution to Universal Service Fund

During the year, the Authority contributed Kshs 1,000,000,000 to Universal Service Fund

25. Short Term Deposits

	2015 Kshs.'000'	2014 Kshs.'000'
Kenya Commercial Bank	2,650,000	3,064,983
Citi Bank	-	-
Cooperative Bank	4,850,000	4,230,000
Total	7,500,000	7,294,983

Communications Authority of Kenya
Notes to the Financial Statements (Continued...)
For the Year Ended June 30 2015

26. Depreciation and Amortization Expense

	2015	2014
		Restated
	Kshs.'000'	Kshs.'000'
Deprecitaion for the year	123,429	97,383
Pension Amortization	9,824	9,824
	<u>133,252</u>	<u>107,207</u>

27. Events after the reporting period

There are no material non-adjusting events after the reporting date.