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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COMMUNICATIONS AUTHORITY OF
KENYA -UNIVERSAL SERVICE FUND**

**FOR THE YEAR ENDED
30 JUNE 2015**





**COMMUNICATIONS
AUTHORITY OF KENYA**

OFFICE OF THE AUDITOR GENERAL
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UNIVERSAL SERVICE FUND

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)**

COMMUNICATIONS AUTHORITY OF KENYA

UNIVERSAL SERVICE FUND

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I. Key Fund Information

a) Universal Service Fund

The Universal Service Fund (USF) was established through Section 84J of the Kenya Information and Communications Act of CAP 411A-Revised 2009 and the Kenya Information and Communications (Universal Access and Service) Regulations of 2010. Kenya Information and Communications Act of CAP 411A-Revised 2009 Section 102A under Fourth Schedule subsections (I) to (II) established a Council known as the Universal Service Advisory Council (USAC). The Advisory Council is to advise the Authority and provide strategic policy guidance for the administration and implementation of the Universal Service Fund and perform any other functions as the Board, may from time to time assign. The Council (USAC) was appointed in May 2014 and the Universal Service Fund effectively started its operations with effect from July 2014.

Object of the Fund

The object of the Fund shall be to support widespread access to, support capacity building and promote innovation in information and communications technology services and to:

- a) Encourage efficient access to and use of communications systems and services throughout the Republic of Kenya, focusing on rural, remote and under-served areas in order to promote social and economic development;
- b) Ensure reasonable availability and affordability of basic and advanced communications systems and services to persons with disabilities, at the household and individual levels, particularly where the market is unable to deliver such services in a financially viable manner;
- c) Support the development of information and communication technologies including related human capacity building and technological innovation;
- d) Provide support for the introduction and expansion of communication services to schools, health facilities and other organizations serving public needs; and
- e) Facilitate development of and access to, a wide range of local and relevant content.

Purpose of the Fund

- a) The funds from the Fund may be applied in activities that support national communications development programmes including, among others-
- b) Funding universal service programmes and projects;
- c) Identifying, approving, scheduling and financing private sector and local community investments in universal service provision projects; and
- d) The conduct of research and other relevant studies in information technologies that will enable access to communication services by all in Kenya.

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b) Registered Office

CA Centre
Waiyaki Way
PO Box 14448 - 00800
Nairobi

c) Legal Advisor

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

d) Auditor

Auditor - General
Anniversary Towers, University Way
P.O. Box 30084
Nairobi, Kenya

e) Banker

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

f) Results

The results (statement of financial performance) of the Authority for the year ended June 30, 2015 are set out on page 1 to 9.

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II. Directors Communications Authority of Kenya



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).

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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

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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).

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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.

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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 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.

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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.Munga'sia 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.

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III. Universal Service Advisory Council



Ms. Catherine Ngahu is the Chairperson of Universal Service Advisory Council (USAC). She holds Masters in Business Administration, Bachelor of Education (Hons) from University of Nairobi and professional certificate in ICT-Assisted Development from the International Centre for Parliamentary Studies in UK. She also studied enterprise development as a Business Research Fellow at Wharton Business School, University of Pennsylvania.

Ms. Ngahu is a business research and strategy consultant and has been a senior lecturer at the University of Nairobi, School of Business for many years. She has published in the areas of marketing strategy, quality management, and technology policy and practice in Africa. She is a member of Marketing and Social Research Association, Institute of Directors and a Fellow of the African Leadership Initiative. Her Board memberships include: AAR Insurance; Eveready East Africa and ACTIL

She is the former chairperson of the Kenya ICT Board and was awarded ‘the Elder of the Order of the Burning Spear’ (EBS) by the President of the Republic of Kenya in 2011 for devoted service.

She was appointed to the Universal Service Advisory Council in May 2014 for a three-year term.




Mr. Samuel Mutungi has over 30 years’ experience in ICT and corporate business leadership. He has served in various key executive management positions at Co-Operative Bank of Kenya including Director Operations, Director Retail Banking, Director Corporate Banking and Chief Manager ICT. He also represented the bank at the Kenya Bankers Association, Kenya Institute of Bankers and Private / Public Initiative among other forums. Prior to working in the banking industry, he worked for Glaxo E.A. Ltd as Computer Services Manager. He has also served as a lecturer at Kenya Polytechnic.

He holds a M.Sc. degree in Business Systems Analysis & Design from City University, London and a Bachelor of Education degree in Mathematics and Business Studies from the University of Nairobi. He also holds a Diploma in Electronic Data Processing from Dawson College, Montreal Canada.

Mr. Mutungi has over the years been recognized for his



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| | <p>exemplary service. Some of the professional awards he has received include; Fellow Member of the Computer Society of Kenya (FCSK); Fellow Member of the Kenya Institute of Bankers (FKIB) and the Who is Who Award (1999) after assisting manage the 1998 Nairobi Bomb Blast Disaster.</p> <p>Samuel is a committed Christian, an ardent golfer and is involved in various community improvement initiatives via schools, churches and Meru Elders, <i>Njuri Ncheke</i>. He is currently the President of the Rotaract Club of Ngong Hills.</p> <p>He runs an ICT and Banking consultancy in Nairobi. He was appointed to the Universal Service Advisory Council in May 2014 for a three-year term.</p> |
|  | <p>Ms. Rhoda Masaviru has vast working experience spanning over 34 years, most of which was in the postal sector, both in Kenya and at the African continental level, where she held senior positions, among them Secretary General and Assistant Secretary General of the Pan African Postal Union (PAPU). She also served as a Manager in the defunct Kenya Posts & Telecommunications Corporation and its Successor, Postal Corporation of Kenya, heading key strategic areas that contributed 80% of the postal revenue.</p> <p>Prior to this, she taught Economics and Geography at Kirangari and Upper Hill High Schools. She also served as a Cooperative officer with the then Ministry of Cooperatives, supervising cooperative societies.</p> <p>Ms. Masaviru holds a Master of Arts degree in Population Studies, University of Nairobi, Kenya and a Bachelor of Education degree (Upper Second Class Honours) in Economics and Geography, University of Nairobi, Kenya. She also holds a Certificate of Advanced Study (CAS) Degree Programme in Entrepreneurship Development, as part of a PhD programme, offered by the University of Illinois, Urbana-Champaign, USA, in collaboration with Kenyatta University.</p> <p>In 2012, she was awarded <i>Order of the Grand Warrior (OGW)</i> by His Excellency the President of the Republic of Kenya, for exemplary service to the Nation.</p> <p>In recognition of her efforts to spearhead development of reform strategies and commercialization of postal enterprises in Africa, Rhoda was honoured with the prestigious ID World</p> |


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| | <p>Award on 19th March 2012 during the ID World Conference.</p> <p>Ms. Masaviru is currently working with the County Government of Kakamega as the Chairperson of the County Public Service Board.</p> <p>She was appointed to the Universal Access Advisory Council in May 2014 for a three year term</p> |
|  | <p>Amb. Wellington Pakia Godo has served in the Kenya government for over three decades. He started off as a District Officer under the office of the President. He has risen through the ranks and served as a Permanent Secretary in various areas including the Office of the Vice President and the Ministry of regional Development; Ministry of Health; Ministry of Tourism and Wildlife; and the Ministry of Gender, Sports, Culture and Social Services.</p> <p>He also served as the Permanent Representative in the Kenya Mission to the United Nations Environmental Programme (UNEP).</p> <p>Amb. Godo holds a Master of Social Science Degree from the University of Birmingham, United Kingdom and a Bachelor of Arts Degree from the University of Nairobi where he majored in Government and Sociology. He also holds a Diploma in Development Finance from the University of Birmingham, United Kingdom.</p> <p>He is a businessman with interests in the trims and hospitality industry. He was appointed to the Universal Service Advisory Council in May 2014 for a three-year term.</p> |
|  | <p>Ms. Josephine Towett is an ICT Business expert with experience spanning 20 years in various functional areas that include Sales and Marketing, Market research, Customer service and capacity building. She holds a Master's degree in Business Administration and a Bachelor's degree in Political Science and Linguistics from the University of Nairobi. She is also vastly trained locally and internationally in various areas in Telecommunications as well as ICT policy and regulation and is currently completing a research thesis for a Masters degree in Policy and Regulation at the University of Witwatersrand, South Africa.</p> <p>Josephine started her career in the communications industry</p> |


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| | <p>in the Postal department of the defunct Kenya Posts and Telecommunications where she trained and served as an Assistant Postal Controller and later moved to Telkom Kenya where she served in customer service unit at the then Safaricom Business Unit and at Telemart as an Assistant manager in charge of sales of customer premises equipment and Telecommunications wiring services.</p> <p>She rose through the ranks to start and head the Market research unit at Telkom where she spearheaded various market research projects that informed Business planning. Josephine is also well versed in ICT capacity building, Research and Consultancy having joined the African Advanced Level Telecommunication institute (AFRALTI) a regional capacity building intergovernmental organisation where she managed and facilitated various capacity building and consultancy projects for ICT organisations in the region. While at AFRALTI she pioneered policy and regulation courses for the Postal and courier sector and was appointed to chair the International Telecommunication Union (ITU) centre of excellence project for a period of two years.</p> <p>Currently she is the principal consultant at Alvory consulting.</p> <p>She was appointed a member of the Universal Advisory Council (USAC) in May 2014 for a period of three years.</p> |
|  | <p>Kennedy J. Okong'o is a PMP® certified Project Manager experienced in Commercial Planning, Network Roll-out & Operations Strategy with a working experience in the ICT sector gained in Africa, Europe and Asia;</p> <p>He holds a Bachelor of Science in Geomatic Engineering and Geo-Information Systems and a Master of Science in ICT Policy and Regulation, all from Jomo Kenyatta University of Agriculture and Technology, a Master of Business Administration (Information Systems) from University of Nairobi and is currently pursuing a PhD in Information Systems at the University of Cape Town, South Africa.</p> <p>He has experience in both private and public sectors. He has consulted for Telephone Systems International, headquartered in New Jersey, USA; previously worked for Geomaps International, Celtel, Orange, Emirates Telecommunication Corporation in UAE, Tamin Telecom in Iran, Qtel Group in Asia and UN ICT Task Force in various capacities as Network roll-out Analyst, e-Government Project Manager,</p> |



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| | <p>Geomarketing Manager, Rural Telecom Development Fund Manager and ICT Policy Expert. His interest is in ICT4D and the integration of the next generation technologies for public sector transformation and economic renaissance in the developing countries.</p> <p>He was appointed a Member of Universal Service Advisory Council of Communication Authority of Kenya on 9th May 2014 for a three year term.</p> |
|  | <p>Mr. Longole Wangiros James is a participation specialist with over 10 years' experience working with International NGOs, quasi Government and Government institutions. His sectoral expertise includes Private Sector Development, Peace building, and general humanitarian and development work, with a geographical focus on pastoralist communities of the Great Horn of Africa.</p> <p>He currently works with the Transition Authority as the County Transition Coordinator for Turkana based in Lodwar. Before joining Transition Authority (TA), James was a Senior Programme Manager for World Vision Kenya supporting integrated development initiatives in Turkana County.</p> <p>His other previous roles include Peace building Programme Officer with Oxfam GB covering Uganda, Kenya, Ethiopia and Sudan; Justification Coordinator for Northern Uganda Social Action Fund - a Post conflict World Bank/GoU stabilization framework aimed at regaining and consolidating peace and laying foundations for recovery and development in the 18 districts of Northern Uganda.</p> <p>James also worked as a Consultant for various Regional and International organizations notably IGAD, EC/AH Consulting, Fellowship for African Relief (Al Geneina in North Western Darfur), Terre des Hommes and Diocese of Lodwar. He is the technical convener of <i>Making Change Happen – Challenges for Peace building practice</i> initiative in Karamoja Cluster. He also served as the Chairman of the Board for Namoruputh Secondary School in Loima Sub-County.</p> <p>James holds a Master's Degree in Sociology and, a Post Graduate Diploma in Conflict Management and Peace Studies from Makerere and Gulu Universities respectively. He has undertaken certificate level trainings in pastoralism and Policy Options in East Africa, and Environmental Safeguards</p> |

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| | <p>and Community Driven Development by the World Bank. He is a continuing student with the University of South Africa in International Politics.</p> <p>He was appointed to the Universal Service Advisory Council in May 2014 for a three-year term.</p> |
|  | <p>Mr. Nixon Mageka Gecheo is a Governance and ICT for Development (ICT4D) expert with over 10 years ICT experience and two years experience consulting for large donor, private and public sector organisations. He has worked as the Chief ICT Officer at the Ombudsman office, Project Manager at African Regional Centre for Computing (ARCC) and IT Consultant for East African Business Council in Arusha. He has been involved in Public Sector Reforms and the role of Information Technology in corporate and government.</p> <p>He has also worked as an independent consultant in the area of development including GIZ, UNMG projects that mainly covered responsive and accountable government through ICTs and complaints handling and management systems. Nixon holds a Masters in Communication Management (MCM) from Kigali Institute of Science and Technology, Rwanda. The MCM Programme was designed and developed by the International Telecommunication Union (ITU) and United Kingdom Telecommunication Academy (UKTA). Nixon also holds BSc. in Information Technology from Jomo Kenyatta University of Science and Technology.</p> <p>He was appointed to the Universal Service Advisory Council in May 2014 for a three-year term.</p> |
|  | <p>Mr. Michael M. Itote is a Certified Public Accountant (CPA) and a Certified Public Secretary (CPS) with over 25 years of experience.</p> <p>Mr. Itote has served as the chairman of the Institute of Certified Public Accountants of Kenya (ICPAK) from 2009 to 2011. He has been a member of the Institute since 1987 where he has served in various committees and panels.</p> <p>He is also a Member of the Institute of Certified Public Secretaries of Kenya (ICPSK), the Institute of Internal Auditors (IIA) and the Institute of Directors, Kenya.</p> <p>He served on the Board of Trustees of KCA University from November 2008 to June 2009 where he was also a member of</p> |

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| | <p>the Governing Council.</p> <p>Mr. Itote holds a BSc. Accountancy from the United States International University Africa.</p> <p>He is currently a Director / Principal Consultant of Management Audit Consulting Ltd, a specialist provider of consulting services in Enterprise Risk Management, Internal Control, Internal Auditing and other Corporate Governance Support Services. He is also an experienced Trainer in these fields.</p> <p>He is also a Partner with the Auditing and Assurance Services firm of Maina Itote and Kimathi, Certified Public Accountants, Kenya.</p> <p>Mr. Itote was appointed to the Universal Service Advisory Council in May 2014 for a period of three years.</p> |
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IV. Management 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 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).

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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), (2008-2011), member of the African Advanced Level telecommunications Institute (AFRALTI) Governing Council, and Board Member – Institute of Human Resources Management (IHRM) (2010-2012), among others.

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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. 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. 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.

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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.

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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)

COMMUNICATIONS AUTHORITY OF KENYA

UNIVERSAL SERVICE FUND

V. Corporate Governance

The Board of Directors regards corporate governance as critical to the success of the Fund. 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 administration of the fund. To this end, the Board provides leadership and strategic direction for the fund in fulfilment of its statutory mandate.

The business of the Board is conducted in accordance with best fund management practices anchored in principles of accountability and transparency as well as compliance with relevant laws and regulations.

Auditors

The Auditors, Messrs, Auditor - General is responsible for the statutory audit of the fund in accordance with the with Section 84(O) of the Kenya Information and Communications Act, 1998

By Order of the Board



Francis Wangusi, MBS
Director General
COMMUNICATIONS AUTHORITY OF KENYA



VI. Statement of Directors' Responsibilities

Section 84(O) of the Kenya Information and Communications Act of 1998 (CAP 411A), Public Financial Management act of 2012 and the Public Audit Act, require the Directors to prepare financial statements in respect of that fund, which give a true and fair view of the state of affairs of the fund at the end of the financial year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the operations of the fund. The Directors are also responsible for safeguarding the assets funds of the fund.

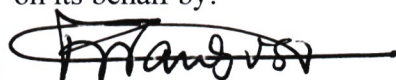
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the fund as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial 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 fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the funds 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, PFM act and the Public Audit Act. The Directors are of the opinion that the fund's financial statements give a true and fair view of the state of Funds transactions during the financial year ended June 30, 2015, and of the funds financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the fund, which have been relied upon in the preparation of the funds financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The funds 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 UNIVERSAL SERVICE FUND FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Communications Authority of Kenya-Universal Service Fund set out on pages 1 to 9, which comprise the statement of financial position as at 30 June 2015, statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management 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.

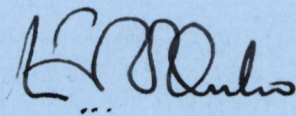
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Communications Authority of Kenya-Universal Service Fund as at 30 June 2015, and 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

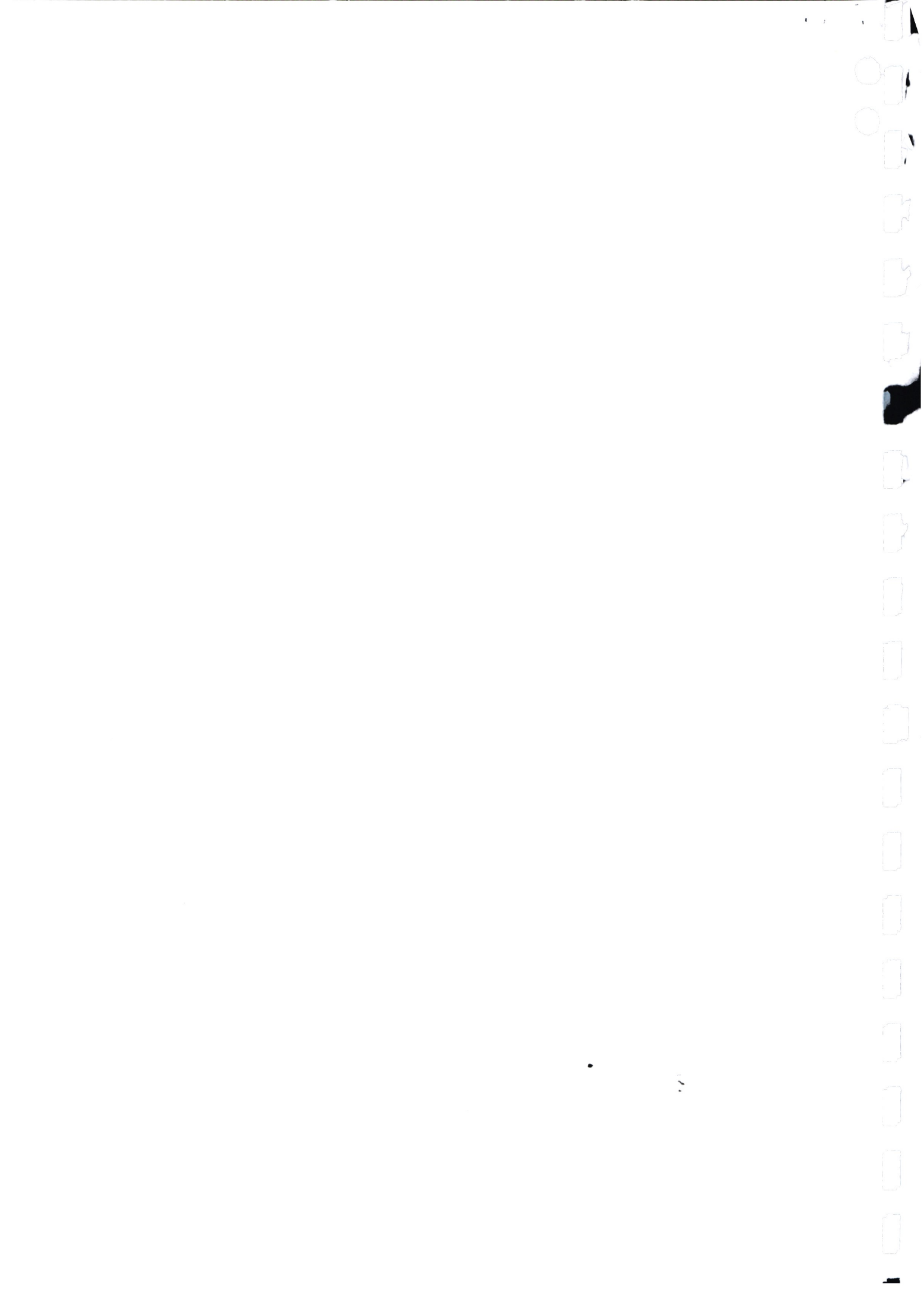
3 March 2016

COMMUNICATIONS AUTHORITY OF KENYA

Universal Service Fund Statement of Financial Performance For the Year Ended 30 June 2015

| | | 2014/2015 |
|---|------|-----------------------------|
| | Note | Kshs'000 |
| Revenue from non-exchange transactions | | |
| USF Levy | | 1,989,770 |
| Contributions | | <u>1,000,000</u> |
| | 3 | <u>2,989,770</u> |
| Revenue from exchange transactions | | <u> </u> |
| Finance income | 4 | <u>73,197</u> |
| Total revenue | | <u>3,062,967</u> |
| Expenses | | |
| Bank Charges | | 2 |
| Tax Expenses | | <u>10,980</u> |
| Total Expenses | 5 | <u>10,982</u> |
| | | <u> </u> |
| Surplus before tax | | 3,051,985 |
| Taxation | | - |
| | | <u> </u> |
| Surplus for the period | | <u>3,051,985</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 5 to 9

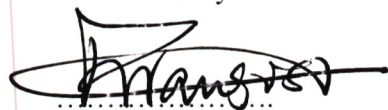


COMMUNICATIONS AUTHORITY OF KENYA

Universal Service Fund
Statement of Financial Position
As at 30 June 2015

| | Note | 2014/2015 Kshs'000 |
|--|------|-------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 7 | 2,702,956 |
| Receivables from non-exchange transactions | 6 | <u>349,029</u> |
| Total Current Assets | | <u>3,051,985</u> |
| TOTAL ASSETS | | <u>3,051,985</u> |
| LIABILITIES | | |
| | | <u>-</u> |
| NET ASSETS | | <u>3,051,985</u> |
| Accumulated Surplus | | <u>3,051,985</u> |
| TOTAL NET ASSETS/LIABILITIES | | <u>3,051,985</u> |

The Financial Statements set out on pages 1 to 9 were signed on behalf of the Board of Directors by:



Director General
Francis W. Wangusi, MBS
Date 28th September 2015



Chairman of the Board
Bedan N. Gituku
Date 28th September 2015

COMMUNICATIONS AUTHORITY OF KENYA

Universal Service Fund

Statement of Changes in Net Assets

For the Year Ended June 30, 2015

| | Accumulated Surplus Kshs'000 | Total Reserves Kshs'000 |
|----------------------------|---|--|
| At July 1, 2013 | - | - |
| Total Comprehensive Income | 3,051,985 | 3,051,985 |
| At 30 June 2015 | 3,051,985 | 3,051,985 |

COMMUNICATIONS AUTHORITY OF KENYA

**Universal Service Fund
Statement of Cash Flow
For the Year Ended June 30 2015**

| | | <u>2014/2015</u> Kshs'000 |
|---|----------|--------------------------------|
| OPERATING ACTIVITIES | | |
| Cash generated from/(used in) Operations | 8 | <u>2,640,739</u> |
| Taxation Paid | | (10,980) |
| Interest received | | 73,197 |
| | | <hr/> |
| Net Cash generated from/(used in) Operations | | <u>2,702,956</u> |
| | | <hr/> |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 2,702,956 |
| | | <hr/> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | - |
| | | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 8 | <u><u>2,702,956</u></u> |

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements as set out on pages 5 to 10

COMMUNICATIONS AUTHORITY OF KENYA

Universal Service Fund Notes to the Financial Statements For the Year Ended June 30 2015

1. Statement of compliance and basis of preparation

The Fund 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 (Ksh 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

USF Levy and Contributions

The fund recognizes revenues from USF levy upon issuance of licence for annual operating and payment of contributions. 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 fund and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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

COMMUNICATIONS AUTHORITY OF KENYA

Universal Service Fund

Notes to the Financial Statements (Continued...)

For the Year Ended June 30 2015

b) 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.

c) 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.

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.

d) Nature and purpose of reserves

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

e) Related parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. The Authority is the principal administrator of the fund and guided by the USF Advisory council.

COMMUNICATIONS AUTHORITY OF KENYA

Universal Service Fund

Notes to the Financial Statements (Continued...)

For the Year Ended June 30 2015

f) 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 the Fund's commercial bank account at the end of the financial year.

g) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

COMMUNICATIONS AUTHORITY OF KENYA

Universal Service Fund

Notes to the Financial Statements (Continued...)

For the Year Ended June 30 2015

| | 2014/2015 |
|--|-------------------------|
| | Kshs'000 |
| 3. Revenue from non-exchange transactions | |
| USF Levy | 1,989,770 |
| Contributions - Communications Authority | <u>1,000,000</u> |
| | <u>2,989,770</u> |
| <p>In May 2014, USF levy invoices of Kshs. 805 million were issued to licensees.</p> | |
| 4. Revenue from exchange transactions | |
| Cash Investments and fixed deposits | <u>73,197</u> |
| | <u>73,197</u> |
| 5. Expenses | |
| Bank Charges | 2 |
| Taxes - Withholding tax on deposits | <u>10,980</u> |
| | <u>10,982</u> |
| 6. Receivables from non-exchange transactions | |
| Licensee fee receivables | 271,303 |
| Communications Authority | <u>77,726</u> |
| Total non-current receivables | <u>349,029</u> |
| 7. Cash and Cash Equivalents | |
| Fixed Deposits | 2,702,217 |
| Current A/C | <u>739</u> |
| Total | <u>2,702,956</u> |

COMMUNICATIONS AUTHORITY OF KENYA

Universal Service Fund

Notes to the Financial Statements (Continued...)

For the Year Ended June 30 2015

8. Notes to the Statement of Cash Flow

a) Cash generated from/(used in) operations

| | 2014/2015 Kshs'000 |
|---|-------------------------|
| Surplus for the year before tax | 3,051,985 |
| Adjustments for: | |
| Interest Received | (73,197) |
| Taxes Paid | 10,980 |
| | <u>(62,217)</u> |
| Working capital adjustments | <u>2,989,768</u> |
| Decrease/Increase in receivables from non-exchange transactions | (349,029) |
| Net Working Capital Changes | <u>(349,029)</u> |
| Net cash flows from operating activities | <u>2,640,739</u> |

9. Investments

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

10. Taxation

The purpose of the fund is to facilitate access of ICT services to areas considered as underserved and therefore the need for the fund to apply for tax exemption to the Minister in order avoid tax payments that may accrue since its inception.

11. Contingent Liabilities

There are no activities that are contingent liabilities expected hence none has been provided for.

12. Events after the reporting period

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

