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THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2025**



**COMMUNICATIONS
AUTHORITY OF KENYA**

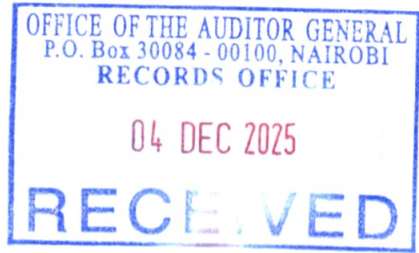
COMMUNICATIONS AUTHORITY OF KENYA – UNIVERSAL SERVICE FUND (USF)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

**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 (USF)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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1. Acronyms and Definition of Key Terms

A: Acronyms

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
USF	Universal Service Fund
CA	Communication Authority of Kenya
ICT	Information and Communication Technology
TV	Television
KICA	Kenya Information and Communications Act
KPLC	Kenya Power & Lighting Company
ICTA	Information and Communications Technology Authority
ERM	Enterprise Risk Management
CSR	Corporate Social Responsibility

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

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2. Key Fund Information and Management

(a) Background information

The Communications Authority of Kenya was incorporated/ established in 1998 by an Act of parliament through *Kenya Information and Communications Act, 1998 (Cap 411A)*. The Fund is domiciled in Kenya with its headquarters in CA Centre, Waiyaki Way, and has regional offices in Mombasa; Eldoret; Kisumu; and Nyeri.

(b) Principal Activities

The principal activity of the Authority is facilitating the development of the information and communications sectors including broadcasting, cybersecurity, multimedia, telecommunications, electronic commerce, postal and courier services on behalf of the Government of Kenya. The Vision of the Authority is: A Digitally Transformed Nation. Its mission is “Building a connected society through enabling regulation, partnership, and innovation.

(c) Key Management

The Fund’s day-to-day management is under the following key organs:

No.	Designation	Name
1.	Chairperson of the Board of Directors	Mr. Charles Karondo (effective from August 2025)
2.	Chairperson of the Board of Directors	Ms. Mary W. Mungai, EBS (until August 2025)
3.	Board of Directors	Mr. Eric Langat
4.	Board of Directors	Mr. Okeng’o Joel Nyambane
5.	Board of Directors	Ms. Christine Bhoke Nchamah
6.	Board of Directors	Mr. Paul Mureithi
7.	Board of Directors	Dr. Musangi J. Mutua
8.	Board of Directors	Ms. Ummu Bunu Ahmad
9.	Board of Directors	Hon. Daniel Kipkogei Rono
10.	Alternate Board Director	Mr. Waweru Kimani
11.	Alternate Board Director	Mr. Frederick Muhul
12.	Alternate Board Director	Mr. Henry Mutwiri Riungu
13.	Chairperson of the Universal Service Advisory Council	Hon. James E.O. Ongwae, EGH
14.	Universal Service Advisory Council	Ms. Lily Cherono Koech
15.	Universal Service Advisory Council	Dr. Ferdinand Chirure Nyongesa

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No.	Designation	Name
16.	Universal Service Advisory Council	Ms. Elizabeth Limagur
17.	Universal Service Advisory Council	Dr. Amos Omolo
18.	Universal Service Advisory Council	Ms. Frida Mutuma
19.	Universal Service Advisory Council	Patrick Mwati CPA (K), CPS (K)
20.	Universal Service Advisory Council	Mr. Benjamin Kiptanui Rop
21.	Universal Service Advisory Council	Mr. Francis Parsimey Gitau
22.	Director General/CEO	Mr. David Mugonyi, EBS
23.	Director/Legal Services & Corporation Secretary	CS. Lydia Sitienei
24.	Director/ Competition Management, Consumer Protection & Corporate Communications Department	Mr. Christopher Wambua
25.	Director/ Human Resources & Administration	CHRP Reginah Jemutai
26.	Director/ Internal Audit	FCPA Rosalind Murithi
27.	Director/ Universal Access and Service Strategy and Coordination	Mr. Christopher Kemei (until December 2024)
28.	Director/ Licensing & Compliance	Mr. Matano Ndaro
29.	Director/ Multimedia Licensing and Content Regulation and Universal Service Fund (USF)	Eng. Leo K. Boruett (USF effective December 2024)
30.	Director/ Standards & Resource Management	Mr. Mohammed Haji
31.	Director/ Supply Chain Management	Mr. Peter Mwangi
32.	Director/ Information, Communications, and Technology	Mr. Martin Mirero
33.	Director/ Multimedia Licensing and Content Regulation and Universal Service Fund (USF)	Eng. Leo K. Boruett (USF effective December 2024)
34.	Director/ Standards & Resource Management	Mr. Mohammed Haji
35.	Director/ Supply Chain Management	Mr. Peter Mwangi
36.	Director/ Information, Communications, and Technology	Mr. Martin Mirero
37.	Director/ Cyber Security	Dr. Vincent Ngundi
38.	Ag. Director/ Finance & Accounts	Mr. Dominic Ooko
39.	Director/ Strategy, Research & Project	Dr. James Njeru Management (Until May 2025)
40.	Director/Consumer Protection & Advocacy, Public Education and Awareness	Ms. Patricia Muchiri (Until November 2024)

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No.	Designation	Name
41.	Ag. Director/ Compliance & Enforcement	Mr. Peter Ikumilu Management (Until May 2025)
42.	Ag. Director/ Competition Management	Mr. Lukas Musembi Management (Until May 2025)
43.	Ag. Director/Monitoring, Inspection & Regional Coordination	Mr. Titus Cheptoo Management (Until May 2025)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General/CEO	Mr. David Mugonyi, EBS
2.	Director/Legal Services & Corporation Secretary	CS. Lydia Sitienei
3.	Director/ Competition Management, Consumer Protection & Corporate Communications Department	Mr. Christopher Wambua
4.	Director/ Human Resources & Administration	CHRP Reginah Jemutai
5.	Director/ Internal Audit	FCPA Rosalind Murithi
6.	Director/ Universal Access and Service Strategy and Coordination	Mr. Christopher Kemei (until December 2024)
7.	Director/ Licensing & Compliance	Mr. Matano Ndaro
8.	Director/ Multimedia Licensing and Content Regulation and Universal Service Fund (USF)	Eng. Leo K. Boruett (USF effective December 2024)
9.	Director/ Standards & Resource Management	Mr. Mohammed Haji
10.	Director/ Supply Chain Management	Mr. Peter Mwangi
11.	Director/ Information, Communications, and Technology	Mr. Martin Mirero
12.	Director/ Cyber Security	Dr. Vincent Ngundi
13.	Ag. Director/ Finance & Accounts	Mr. Dominic Ooko
14.	Director/ Strategy, Research & Project	Dr. James Njeru Management (Until May 2025)

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No.	Designation	Name
15.	Director/Consumer Protection & Advocacy, Public Education and Awareness	Ms. Patricia Muchiri (Until November 2024)
16.	Ag. Director/ Compliance & Enforcement	Mr. Peter Ikumilu Management (Until May 2025)
17.	Ag. Director/ Competition Management	Mr. Lukas Musembi Management (Until May 2025)
18.	Ag. Director/Monitoring, Inspection & Regional Coordination	Mr. Titus Cheptoo Management (Until May 2025)

(e) Fiduciary Oversight Arrangements

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

Universal Service Advisory Council

The Universal Service Advisory Council in Kenya advises the Communications Authority Kenya Board on managing the Universal Service Fund. Its main functions include guiding policies, overseeing fund allocation, and ensuring the rollout of communication services to underserved and marginalized communities, promoting transparency and inclusivity in expanding ICT access nationwide.

Finance, Planning, and Strategy Committee

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

Board Audit and Risk Assurance Committee

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

People and Culture Committee

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

Technical and Broadcasting Standards Committee

The Technical and Broadcasting Standards Committee is established mainly to give recommendations and advise to the Board on Technical, Regulatory and Broadcasting matters in the ICT sector. This committee is established vide KICA (Amendment) Act, 2013, section 7 (f) establishes the committee and such other committees as may be necessary to carry out its functions.

Key Fund Information and Management (Continued)

(f) Fund's Headquarters

P. O Box 14448 - 00800
CA Centre, Waiyaki Way
Nairobi, Kenya

(g) Fund's Contacts

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

(h) Fund's Bankers

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

2. NCBA Bank Plc
Westlands Branch
P.O. Box 30437 – 00100
Nairobi, Kenya

3. Kenya Commercial Bank
Sarit Centre Branch
P O Box 30081 – 00800
Nairobi, Kenya

4. Equity Bank Limited
Fourways Branch,
P. O. Box 75104 – 00200
Nairobi, Kenya

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Key Fund Information and Management (Continued)

(i) Independent Auditor

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors



Mr. Charles Karondo, born in 1991, is the Chairperson of the Board of Directors of the Communications Authority of Kenya (CA) appointed on August 8th, 2025, is an accomplished governance leader with extensive experience and a proven track record in public administration, institutional transformation, and strategic leadership. He has consistently championed governance reforms, organizational efficiency, and advanced citizen-focused service in Kenya's public sector.

He previously served as the Board Chairman of Athi Water Works Development Agency, where he oversaw reforms that enhanced governance and service delivery. His exemplary leadership earned him the Champions of Governance Award – Chairman of the Year by the Institute of Certified Secretaries (ICS).

Mr. Karondo holds a Master's degree in Human Resource Management and a Bachelor of Business Management (HR option). He is an alumnus of the Leadership Development Program at the Kenya School of Government and a Certified Professional Mediator accredited by the Mediation Training Institute, with expertise in negotiation, conflict resolution, and stakeholder engagement. His appointment as Chairman of the Communications Authority of Kenya reflects his proven leadership and commitment to strengthening national institutions. He is dedicated to steering the Authority's governance agenda while supporting Kenya's digital transformation, fostering innovation, and promoting inclusive access to communication services for all citizens.



Ms. Mary W. Mungai, EBS, born in 1965, is the Chairperson of the Board of Directors of the Communications Authority of Kenya (CA) having been appointed on 2nd December 2022.

She is an experienced Chief Executive Officer with over 30 years of success in various industries. She is the owner and CEO of multiple businesses with over 500 direct employees, over 1000 direct and indirect employees and revenues of over \$30 million annually.

Ms. Mungai is a decisive and strategic leader with skills in strategic leadership, financial management, business operations and strategy, communication and delegation, and risk management. She has grown her companies rapidly from scratch through aggressive new market strategies and cultivated a performance-driven company culture to lead industry innovations.

She has served as a Board Member in several entities, including as a Board Member of Kenyatta National Hospital for seven (7) years, where she served as Chair of Finance and all Purposes Committee, and as Chair of Corporate Strategy and Enterprise Committee. She currently runs Purma Holdings, a company formed in 1996, among others. She also has interest in the hospitality industry and the real estate.

Ms. Mungai is also the proprietor of The Glee Hotel, a five-star postmodern hospitality facility in the heart of Kenya's capital, Nairobi, providing a world-class experience.

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She holds a Bachelors degree in Business Administration from the Kenya Methodist University and a Diploma in Clearing & Forwarding from the Kenya Institute of Clearing and Forwarding. She was replaced on August 8th, 2025.



Mr. David Mugonyi, CBS, born in 1972, is the Director General/CEO of the Communications Authority of Kenya, appointed on 15th January 2024. With over 20 years of leadership experience in public service, media, and strategic communications, Mr. Mugonyi previously served as the Head of the Presidential Communication Service, where he played a pivotal role in developing and implementing communication strategies at the highest levels of government.

His expertise in perception and reputation management has been instrumental in shaping effective communication practices. Prior to his role in the Presidential Communication Service, Mr. Mugonyi served as the head of the parliamentary press unit, further honing his skills in strategic communication and media relations. He holds a Master's Degree in International Journalism from City University in the United Kingdom, a Bachelor's Degree in Education from the University of Nairobi, and a Postgraduate Diploma in Mass Communication from the same institution.



Mr. Stephen Motari Isaboke, EBS, born in 1968, is a former technology media, oil & gas, and renewable energy consultant in Kenya and the United Arab Emirates (UAE). He is an experienced and multi-disciplinary business executive with over twenty-five years' leadership in senior management and executive levels.

He has previously served as the Group Executive Director of Regulatory and Government Affairs for the Africa Region at MultiChoice Africa Holdings, based in Dubai, UAE. He has previously held senior leadership positions responsible for Kenya and East Africa for MultiChoice Group, Kenya Shell (Royal Dutch Shell PLC) Sara Lee and Unilever. He has also held non-executive directorships in various companies and served in the management board of the national football team, Harambee Stars.

Mr. Isaboke holds a Bachelor of Commerce B.Com (Hons) degree in Business Administration from the University of Nairobi, a Post-graduate Diploma in Marketing from the Chartered Institute of Marketing (CIM), United Kingdom, and a Master of Business Administration (MBA) degree in strategic management from the University of Nairobi. He is a fellow of the Chartered Institute of Marketing FCIM (UK) and a Member of the Institute of Directors (IoD) Kenya. He was appointed on April 23rd, 2025

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Prof. Edward Kisiang'ani, born in 1965, is the Principal Secretary, State Department for Broadcasting and Telecommunications, Ministry of Information, Communications, and Digital Economy.

He serves on the CA Board in his capacity as the Principal Secretary. He holds a PhD degree in Archaeology and Political Studies from Kenyatta University. Prof. Kisiang'ani has over 20 years of work experience and has extensive university experience in teaching History and Political Studies. He was appointed on 2nd November 2022 and replaced on March 30th, 2025.



Dr. Chris Kiptoo, CBS born in 1967, is the Principal Secretary for The National Treasury and Economic Planning. He serves on the CA Board in his capacity as the Principal Secretary. He holds a Ph.D in International Macroeconomics Finance specialization from the University of Nairobi.

He has several years experience in economic policy analysis particularly on areas related to: International Trade and Finance issues including BoP and exchange rate developments; Monetary policy, real sector and public finance issues; Policy and programme developments originating from multilateral and regional organizations;

Interrelations among macroeconomic accounts as well as macroeconomic modelling and forecasting issues. Dr Kiptoo is an accredited Fellow of the Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI) in the field of Macroeconomic Management. He is also an Associate of Kenya Chartered Institute of Bankers (A.K.I.B). He was appointed on 2nd November 2022.



Dr. Raymond Omollo, born in 1979, is the Principal Secretary for Ministry of Interior and National Administration. He serves on the CA Board in his capacity as the Principal Secretary. He holds a Ph.D in Applied Statistics from the University of Nairobi.

He has over 16 years of experience and previously served as a non-executive board member at Consolidated Bank of Kenya and Managing Director of the Lake Basin Development Authority (LBDA) since 2019. Dr. Omollo is a statistician and research professional and has previously worked in the non-profit Research and Development organization management industry with a keen focus in Data Management, Statistical Data Analysis, Epidemiology, and Statistical Modeling. He was appointed on 2nd November 2022.

INDEPENDENT BOARD DIRECTORS



Mr. Eric Langat, born in 1958, holds a Bachelor of Science degree from the University of Eastern Africa, Baraton.

He joined the defunct Kenya Posts and Telecommunications Corporation (KPTC) in 1985 and later the Postal Corporation of Kenya (PCK) where he served in various managerial positions in operations management, sales and marketing, logistics, strategy, and international postal affairs. In his long experience in the communication sector, spanning a period of over 30 years, he served as a Regional Postal Manager, Head of Courier/EMS, Logistics, and Property Management.

Mr. Langat also served in the international postal affairs where he was the technical advisor to the Chairman of the Universal Postal Union's Council of Administration from 2007 to 2012 and subsequently as advisor to the Director General of the International Bureau of the Universal Postal Union in Bern, Switzerland in 2013.

Mr. Langat was also a member of a Task force appointed to study challenges facing the designated operator (PCK) and recommend to the Minister for ICT a Revamping strategy for the Corporation. He also served as a member of the Steering Committee that was appointed by the Ministry of ICT to spearhead the Setting up of the National Addressing System for Kenya, representing the postal and courier sector until 2018.

He is currently in private business and is also a Board Member of a privately owned tea factory. He was appointed to the CA board on 24th February 2023 for a period of three (3) years. He is the chair of the Finance, Planning and Strategy Committee and a member of the Technical and Broadcasting Standards Committee.



Mr. Okeng'o Joel Nyambane, born in 1989, is a highly motivated and strategic professional with a strong background in law and political science. He holds a Bachelor of Law and Bachelor of Political Science degrees from the Catholic University of East Africa where he developed a comprehensive understanding of legal and political systems.

Throughout his academic career, Mr. Nyambane has demonstrated exceptional dedication and hard work. His ability to think critically and strategically has allowed him to excel in both his studies and his professional pursuits. He is highly skilled in legal research, analysis, and writing, and he possesses a keen understanding of political systems and policies.

In addition to his academic achievements, Mr. Nyambane has a proven track record of success in the workplace. He is a highly effective communicator and collaborator, and he possesses excellent interpersonal skills. His strategic thinking and problem-solving abilities have enabled him to overcome challenges and achieve his goals. Overall, Joel is a highly skilled and dedicated professional with a passion for law and politics. He is committed to making a positive impact on society through his work, and he is constantly seeking new opportunities to learn and grow.,

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He was appointed to the CA board on 24th February 2023 for a period of three (3) years. He is the chair of the Board Audit and Risk Assurance Committee and a member of the Technical and Broadcasting Standards Committee.



Ms. Christine Bhoke Nchamah, born in 1979, is a community developer, entrepreneur, and politician with a passion for women's rights and empowerment. She holds a Bachelor of Arts degree in Community Development and a Diploma in Community and Social Development from Kisii University.

Ms. Christine has a track record of advocating for vulnerable members of society and turning ideas into reality. She served as a board member of Lake Basin Development Authority from 2019-2022 and was the Secretary of Kuria West Constituency from 2013-2022.

In addition, she chaired the Kuria West Women Sacco from 2015-2020. Christine's love for lending a helping hand to the less fortunate in the community is evident in her work.

She was appointed to the CA board on 24th February 2023 for a period of three (3) year. She is the Chair of the People and Culture Committee and a member of the Finance, Planning and Strategy Committee.



Mr. Paul Mureithi, born in 1958, has been a board member since his appointment on 17th July 2021. He has 25 years' experience in telecommunications having worked in Telkom Kenya Limited. He has worked in cable network, fiber optic planning and construction in Nairobi Central and Nairobi North region as a Senior Manager.

Mr. Mureithi has a wealth of experience in various Engineering Departments since 1978. He has served as a technical trainee in Kenya Telkom's KRTS and KCCT Communications Engineering Schools, rising through the ranks as Senior Technician, Assistant Engineer, Senior Engineer, Senior Sectional Engineer, and Assistant Manager Engineering in charge of Kiambu County, Westlands, Kileleshwa, Parklands and Muthangari Telephone Exchanges.

He worked in the defunct Kenya Posts and Telecommunications Corporation (KPTC) and Telkom (K) Ltd for twenty-five (25) years.

He is a Director of Tymstar Motors Limited, Tymtrack Limited, Mweiga Homes Limited, Dualway Properties Limited, among others.

He was appointed to the CA board on 24th March 2023 for a period of three (3) years. He is the chair of the Technical and Broadcasting Standards Committee and a member of the Board Audit and Risk Assurance Committee.

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Dr. Musangi J. Mutua, born in 1962, is an accomplished professional with extensive experience in public sector management, specializing in human capital management and organizational development.

Dr. Musangi J. Mutua was appointed a member of the Board on 27th June 2024. Prior to this appointment, she served as the Chair of Council of Masinde Muliro University of Science and Technology-MMUST between 2020-2023 and the Chair of Council of Pwani University between 2017-2020.

She was the inaugural Chair of the Human Resource Committee of the University of Eldoret Council between 2013- 2017 while a member of the Governing Council. Dr. Musangi has a wide experience in Public Sector Management, specifically she is hands-on in matters Human Capital management and Organizational Development having served at the Directorate of Personnel Management-DPM, Post Office Savings Bank- Postbank and the East African Portland Cement Company-EAPCC heading the Human Resource Docket.

Dr. Musangi is well versed with corporate governance having been a member of Board of Directors among others, Central Agricultural Board, Kitui Teachers College and Kitui County Assembly Service Board. She has exceptional skills in Team leadership, Operational and People management.

Dr. Musangi is a Chartered Human Resource Professional- CHRP and holds a PhD in Business Administration specializing in Strategic Management from the University of Nairobi. She holds a Masters in Public Administration, Higher Diploma in Human Resource Management and Bachelor of Arts Degree - BA Government. She has attended programs leading to course certificates in Corporate Governance, Performance Management, Finance for Non-Finance Managers, National Cohesion and National Values, Transformation of Public Sector Management, Labour Laws, Human Resource Development among others. Dr. Musangi has published in the field of Business Process Outsourcing strategy and performance of Kenyan State Corporations among other publications in peer review journals.

Dr. Musangi is a full member of the Institute of Human Resource Management-IHRM and The Kenya Institute of Management-KIM. She is a Human Resources Management Practitioner Certified by the Institute of Human Resource Management-IHRM. Her appointment was revoked on August 8th, 2025. She was a member of the People and Culture Committee and the Board Audit and Risk Assurance Committee.

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Ms. Ummu Bunu Ahmad, born in 1988, is a finance professional with a Bachelor of Business Administration, specializing in Finance and Banking. She currently holds the position of Acting Branch Manager and Relationship Manager at Gulf African Bank in Lamu, Kenya. With a strong background in financial services, Ms. Bunu is committed to driving business growth and enhancing customer relationships within her assigned market segments. She was appointed to the Board on 27th June 2024 for a period of three (3) years. She is a member of the Finance, Planning and Strategy Committee and the Technical and Broadcasting

Standards Committee.



Hon. Daniel Kipkogei Rono, born in 1963, was appointed to the Board of Directors of the Communications Authority of Kenya (CA) on 3rd October 2024 for a term of three years. A seasoned Administrator and Director, Hon. Rono boasts over 38 years of experience in leadership and business management spanning public service and the private sector, where is an accomplished entrepreneur.

From 2017 to 2022, Hon. Rono represented Keiyo South Constituency as a Member of the National Assembly (MNA) for a term. He is now the Director of Maestro Properties Limited. He has held other positions including as Chairman of the Board of Directors at the Kenya Medical Supplies Authority (KEMSA), Independent Director of Chemelil Sugar Company, Managing Director of Maestro Properties Limited, Manager at Dubai Bank Ltd, Bay Forex Bureau, Standard Chartered Bank and a secondary school teacher during my entry into the job arena.

Hon. Rono is passionate about leveraging opportunities for investment and wealth creation for the people of Kenya. Between 2015-2016, he served in the caretaker board of the United Assurance while it was under Statutory Management and currently sits on the board of the Africa Merchant Assurance Company Ltd. He holds a Bachelor's Degree in Business Administration from Riara University, a Bachelor's Degree and Diploma in International Hospitality and Management both from the University of Sunderland, and a Diploma in Business Education (Banking, Law and Economics). He was appointed on October 4th, 2024. He is a member of the People and Culture Committee and the Finance, Planning and Strategy Committee

ALTERNATE BOARD DIRECTORS



Mr. Waweru Kimani, born in 1963, is an Alternate Board Director from the Ministry of Information, Communications and the Digital Economy. He has a distinguished career in public service with leadership roles across various government departments. He holds a Bachelor of Arts degree in Public Administration and Political Science from the University of Nairobi and a Master of Business Administration in Strategic Management from Jomo Kenyatta University of Agriculture and Technology. Mr. Kimani served as Deputy Ambassador to Beijing, China, from 2018 to 2022, strengthening

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bilateral relations. Currently, as Director of Administration at the Ministry, he oversees administrative functions and leads initiatives to advance Kenya's digital transformation and economic development. He was appointed to the Board on 9th January 2024. He is a member of the Finance, Planning and Strategy Committee and the Technical and Broadcasting Standards Committee.



Mr. Frederick Muhul, born in 1978, is a seasoned career civil servant with experience spanning over a decade in various capacities in different government agencies. He holds a Master of Business Administration, Bachelor of Commerce and Bachelor of Laws from the University of Nairobi. Mr. Muhul is also a Certified Public Accountant of Kenya, a Certified Secretary of Kenya and a holder of Postgraduate Diploma in Law from the Kenya School of Law. He is also a member of the Law Society of Kenya (LSK), Institute of the Certified Public Accountants of Kenya (ICPAK), Institute of the Certified Secretaries of Kenya (ICS) and the Institute of Internal Auditors (IIA). Mr. Muhul was appointed to the Board as the Alternate Director to the Principal Secretary State Department for Interior and National Administration. Mr. Muhul is a highly skilled, dedicated and pragmatic person whose passion is to make a difference for the people of Kenya. He joined the Board on 7th February 2023. He is a member of the People and Culture Committee and the Board Audit and Risk Assurance Committee.



Mr. Henry Mutwiri Riungu, born in 1969, is a financial professional with over 26 years of experience, Mr. Mutwiri has served in senior positions at the National Treasury, including as a Senior Finance Officer, Deputy Head of the World Bank Division in Resource Mobilization Department, Chief Intergovernmental Fiscal Relations Officer and Chief Investment Officer. He is currently the Assistant Director for Investment in the National Treasury under the Department of Government Investment in Public Enterprises (GIPE) in the Directorate of Public Investment & Portfolio Management (PIPM).

For over a decade, he was instrumental in reviewing financing and credit agreements for mobilization grants and donations, facilitating and monitoring the implementation of donor-funded projects and undertaking policy analysis on external resources mobilization to inform policy development. He also served as a member of Kenya Negotiating Delegation for external resources with development partners specifically the World Bank.

In his current position as the Assistant Director for Investment in the National Treasury, he is responsible for coordinating the review of state corporations' annual budgets, corporate plans and other strategic undertaking for approval by the National Treasury. He also assists in the evaluation of government investments in public enterprises, managing National Government On-lent and guaranteed loans to state corporations and other entities, including how to manage contingent liabilities and other fiscal risks relating to state corporations and government investments.

He has served as an alternate Board Member in various State Corporations cutting across various sectors namely banking, water, social services, leather processing and regulatory agencies.

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Mr. Mutwiri holds an MBA in Finance from Maseno University, a Post Graduate Diploma in Finance from KCA University and a Bachelor of Commerce degree from the University of Nairobi. He has attended various short-term external trainings on public financial management conducted in Tanzania, Malawi, South Africa, Britain, Denmark, and the United States of America. He was appointed on July 22nd, 2024. He is a member of the Finance, Planning and Strategy Committee and the Board Audit and Risk Assurance Committee.



Ms. Lydia Sitienei is the Director Legal Services and Corporation Secretary. She is a Certified Secretary and a member of the Institute of Certified Secretaries, Member No. 3062.

4. Universal Service Advisory Council



Hon. James E.O. Ongwae, EGH, born in 1952, was appointed the Chairman of the Universal Service Advisory Council on 15th November 2023 for a period of three years.

Prior to his appointment to the Universal Service Advisory Council, he was the Governor of the County Government of Kisii from March 2013 to August 2022. He has over 35 years of experience in public service where he has served in various capacities. He has served as Permanent Secretary, of the Ministry of Agriculture, Chief Executive Officer/Secretary of the Teachers Service Commission, Permanent Secretary/Director of Personnel Management, Office of the President, as

well as Programme Director, of the Civil Service Reform Programme, where he was in charge of all government reform initiatives.

He was also a Chief Management Analyst, Management Consultancy Services, Office of the President. Hon. Ongwae has served as a board member of the following state corporations: Member of the Board of the Commission of Adult Education; Member of the Board of the Commission of Higher Education; Member of the Board of the Kenya National Examination Council; Member of the Board of the Directorate of Industrial Training; Member of the Council of the University of Nairobi; Member of the Council of Maseno University; Member of the Council of Jomo Kenyatta University of Agriculture and Technology; Member of the Council of Egerton University; and Associate Member of Kenya Institute of Management (KIM).

He holds a Masters in Public Policy and Administration from the Institute of Social Studies—The Hague, Holland; a Post Graduate Diploma in Management (East and Southern Management Institute—Arusha, Tanzania); and a Bachelor of Arts Degree in Economics, Government, and Sociology (University of Nairobi, Kenya)



Ms. Lily Cherono Koech, born in 1969, was appointed as a member of the Universal Service Advisory Council (USAC) on 15th November 2023 for a period of three years.

She is a Certified Public Accountant (CPA) with vast experience spanning over 20 years in business strategy, financial management, audit and accounting. Among other responsibilities, Lily is the customer fulfilment specialist at NCR Kenya Ltd. Additionally, she serves as a trustee in the Company's Provident Fund where she oversees financial and strategic management.

She has also previously served as a finance analyst at AT&T Global Solutions (Kenya) Ltd. Lily currently serves as a member of the University Council of Tom Mboya University, where she is the chairperson of the Finance Planning and Investment committee. She is also a member of the Executive and Human Resource Committee.

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As a council member, she contributed to the governance and policy formulation and guide the University to the award of Charter in 2022.

She holds a Master of Business Administration (MBA) degree in Strategic Management and Finance from Daystar University and a Bachelor of Commerce degree from Poona University. She is also a member of the Institute of Certified Accountants of Kenya (ICPAK).



Dr. Ferdinand Chirure Nyongesa, born in 1958, was appointed to the Universal Service Advisory Council (USAC) on 15th November, 2023 for a period of three years.

He has over 30 years of experience in the telecommunications field, straddling the industry and academia. In industry, Dr. Nyongesa worked at the Directorate of Civil Aviation (DCA) as aeronautical telecommunications engineer where he installed and maintained air navigation equipment at airports, at Kenya Pipeline Company as tele-control and instrumentation engineer where he operated and maintained the Supervisory Control and Data Acquisition (SCADA) system for quality control and product accounting, at the National Communication Secretariat as a resource expert in research where he developed a framework for carrying out research in various ICT sectors and was involved in finalising the national ICT policy. He has practised as a telecommunications equipment/wiring engineer.

In academia, Dr. Nyongesa has taught Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenyatta University (KU), Egerton University, and at Masinde Muliro University of Science and Technology (MMUST). He has published widely in wireless communications centred on Dedicated Short Range Communication (DSRC) frequency at 5.9 GHz for high-speed mobile-to-mobile communications without use of base stations.

He was extensively involved in the upgrade of JKUAT to degree status from certificate and diploma college, in introduction of a Bachelor's degree in Telecommunications and Information Technology at Kenyatta University, in the establishment of the Department of Electrical and Communications Engineering as the founder Chairman at Masinde Muliro University of Science and Technology (MMUST) and in the introduction of the MSc in Electrical Engineering programme as a co-ordinator and academic leader also at MMUST.

He holds a PhD in Electrical Engineering earned at Tshwane University of Technology (TUT), South Africa, an MSc in Communication Engineering – University of Bradford/University of Manchester Institute of Science and Technology and a BSc (Physics) University of Nairobi.

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Ms. Elizabeth Limagur, born in 1974, was appointed as a member of the Universal Service Advisory Council (USAC) on 15th November 2023 for a period of three years.

She has over 18 years of experience in Public Communication, Public Relations and Mass media; especially radio broadcasting for peace and development, with a focus on media for peace, health and development. As a conflict resolution expert, she has facilitated numerous cross-border peace-building initiatives in Kenya, Uganda, Sudan and refugee camps in Uganda and Kenya.

Ms. Limagur previously served as the head of the Governor's Press Service for Turkana County Government between 2020 to 2023, where she was instrumental in providing policy direction on media and publicity. She has held other positions in public service, including as a Governing Council Member for Turkana University College (a constituent college of Masinde Muliro University of Science and Technology) for three years, and a Board Member/Director of the Media Council of Kenya for three years.

She has also served as a member of the Multi-Agency Secretariat (MAS, Elemi Triangle), Kenya International Boundaries Office (KIBO), under the Office of the President of Kenya for one year.

She holds a Master of Arts degree in Conflict Management from the University of Nairobi and a Bachelors degree in Mass Communication/Media Studies from Makerere University, Uganda.



Dr. Amos Omolo, born in 1968, was appointed as a member of the Universal Service Advisory Council (USAC) on 15th November, 2023 for a period of three (3) years.

He is an experienced legal expert specializing in international business law and advisory services. He has extensive experience in providing strategic legal counsel for businesses engaged in global operations, focusing on areas such as international trade law, cross-border transactions, and dispute resolution.

His previous roles include consulting for organizations like the International Finance Corporation and the World Business Law Institute in Paris, which have deepened his understanding of global business dynamics.

Dr. Omolo's commitment to legal excellence is reflected in his professional memberships, including the Law Society of Kenya and the International Bar Association. He has also contributed to academia as a senior lecturer in business law at Riara University and has published several papers on legal and governance issues.

Dr. Omolo holds a Bachelor of Laws, a Master of International Business, and a PhD in International Business. He is currently a post-doctoral researcher at Henley Business School, University of Reading, where he explores the economics of international business and arbitration.



Ms. Frida Mutuma, born in 1971, was appointed as a member of the Universal Service Advisory Council (USAC) on 15th November 2023 for a period of three years.

With over 25 years of experience in the corporate sector, Ms. Mutuma has held various managerial positions, excelling in organizational change, business development, and revenue growth across diverse industries.

She possesses expertise in contract negotiation, strategic planning, stakeholder management, private-public collaboration, and project management. Throughout her extensive career, Ms. Mutuma has been instrumental in numerous high-profile projects, providing strategic direction and fostering sustainable growth.

She has advised on high-level strategic initiatives in both the public and private sectors, with a focus on water and rain management and agricultural technology public policy design. Notably, she played a pivotal role in the Change Management training for the implementation of the National Land Information and Management Systems project (2010) under the Ministry of Lands, funded by SIDA. An enthusiast of fintech, Ms. Mutuma is actively involved in the fintech community, advocating for economic empowerment through the adoption of digital technologies and digital market opportunities. She collaborates with fintech startups to develop innovative solutions that enhance business efficiency and customer experience. Currently, Ms. Mutuma is engaged in private business ventures and serves as a board member of the privately-owned global HR and Strategy Consulting firm, Three Rivers HR Group.

Her expertise continues to contribute significantly to the strategic growth and development of various organizations, specializing in implementing change management processes and fostering sustainable growth. Additionally, she is an independent author on Amazon.

She holds a Bachelor of Commerce degree from Kenyatta University and a postgraduate certification in Project Management from the University of California, Irvine. She is currently pursuing a Master of Business Administration (MBA) with a concentration in Strategic Management and Business Analytics.



Patrick Mwati CPA (K), CPS (K), born in 1956, was appointed as a member of the Universal Service Advisory Council on 15th November, 2023 for a period of three years.

Mr. Mwati is a seasoned financial manager with extensive training and a wealth of experience as a Public Accountant and a Public Secretary for over 40 years.

He has served in public and private sector at senior management and Board level positions. His early career started in the defunct Kenya Posts and Telecommunications Corporation (KPTC) where he served for five (5) years before joining the civil service as an accountant for another five (5) years.

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Mr. Mwati is currently the Group Finance Director of Crown Paints Kenya PLC, a leading regional paint manufacturing company with operations in Uganda, Tanzania, and Rwanda. As a Group Finance Director and member of the company's corporate board, he is centrally involved in the financial, strategic and leadership of the group, all-around operations including digitization, training, and mentorship.



Mr. Benjamin Kiptanui Rop, born in 1989, was appointed as a member of the Universal Service Advisory Council (USAC) on 15th November 2023 for a period of three years.

He is a dynamic and accomplished professional with a diverse background spanning business management, purchasing and supplies, and community service. Mr. Rop has served as the Managing Director of Belitra Enterprises Limited, a successful general contracting and supply company. Prior to this, he worked as a Personal Assistant in the Office of the Senator for Uasin Gishu County from April 2013 to July 2017.

He has also held positions as a Clearing and Forwarding Agent at Morgan Air Cargo, an Office Assistant at Onesmus Lagat & Co. Advocates, and a Presiding Officer for the Interim Independent Electoral Commission in 2010.

In addition to his professional accomplishments, Benjamin is deeply committed to community service. From 2010 to 2014, he actively contributed to the Africa Arise Organisation, demonstrating his passion for making a positive impact on society.

He holds a Bachelor's degree in Purchasing and Supplies Management from Kisii University Eldoret and a Diploma in Business Management from Moi University Eldoret.



Mr. Francis Parsimei Gitau, born in 1965, was appointed a member of the Universal Service Advisory Council (USAC) on 15th November 2023 for a period of three years.

Mr. Gitau is a distinguished urban development expert with over 30 years of experience in integrated project management across various sectors, including urban planning, real estate, and infrastructure.

Mr. Gitau is currently the Research and Strategy Director for the Senate Committee on Trade, Industrialization, Investment, and Tourism, where he prepares critical bills and statements addressing urban development challenges in Kenya. He has also served as the Manager for the Municipality of Kajiado, where he played a pivotal role in formulating municipal charters and operational manuals.

As a lead consultant, Gitau conceptualized the Maasai City project in Rongai, a 200-acre smart and green city initiative aimed at sustainable urban development. His previous roles include overseeing major infrastructure projects, such as the upgrading of 1,450 kilometres of road in Narok County, which earned him recognition for excellence in infrastructure development. Gitau is recognized for his ability to mobilize communities and forge partnerships towards common developmental goals.

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He has served as the Secretary-General for all Municipalities in Kenya, providing him with a comprehensive understanding of the urban agenda and its impact on national economic growth. His leadership extends to various boards, including the Nairobi Metropolitan Transport Authority, where he chaired the HR and Audit Committees.

His contributions have been acknowledged through several awards, including the Chevening Scholarship for his involvement in community development. Gitau's commitment to societal transformation and sustainable urban development continues to shape Kenya's urban landscape.

He holds a Master of Urban Management from the University of Nairobi, a postgraduate diploma in Housing Policy and Practice from Sheffield Hallam University, UK and a BSc. In Building Construction Technology from Jomo Kenyatta University of Agriculture and Technology.

5. Key Management Team



Mr. David Mugonyi, EBS, is the Director General/CEO of the Communications Authority of Kenya, appointed on January 15, 2024. With over 20 years of leadership experience in public service, media, and strategic communications, Mr. Mugonyi previously served as the Head of the Presidential Communication Service, where he played a pivotal role in developing and implementing communication strategies at the highest levels of government. His expertise in perception and reputation management has been instrumental in shaping effective communication practices. Prior to his role in the Presidential Communication Service, Mr. Mugonyi served as the head of the parliamentary press unit, further honing his skills in strategic communication and media relations. He holds a Master's Degree in International Journalism from City University in the United Kingdom, a Bachelor's Degree in Education from the University of Nairobi, and a Postgraduate Diploma in Mass Communication from the same institution.



Mr. Christopher Wambua is the Director, Competition Management, Consumer Protection & Corporate Communications. He holds a Master's in International Studies and a Postgraduate Diploma in Mass

Communication, a Postgraduate Diploma in Public Relations from CIPR, and a Bachelor's in Education.



Ms. Lydia Sitienei is the Director, Legal Services and Corporation Secretary. She holds a Master's Degree in public policy & management. Bachelor of Laws Degree; Postgraduate Diploma in Law from the Kenya School of

Law. She is a member of the Institute of Certified Secretaries of Kenya (ICSK) and the Law Society of Kenya (LSK).



CHRP Reginah Jemutai is the Director, Human Resource & Administration. She holds a Master's degree in Business Administration (Human Resource

Management option) and is a Certified Human Resource Professional (Kenya) as well as a member of the Institute of Human Resource Management (IHRM).



FCPA. Rosalind Murithi is the Director, Internal Audit. She holds a Master's of Business Administration in Finance and a Bachelor of Commerce degree. She is a Certified Public Accountant

– CPA (K).

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Mr. Christopher Kemei is the Director, Universal Access and Services Strategy and Coordination until December 2024.

BSc. in Physics.

He holds an MSc. in Operational Telecommunications and a



Mr. Matano Ndaro is the Director, Licensing and Compliance. He holds a bachelor's degree in economics and a postgraduate training in ICT Regulation in Developing & Transitional Economies from the University of Westminster in the United Kingdom.

Westminster in the United Kingdom.



Eng. Leo K. Boruett, Director, Multimedia Licensing and Content Regulation; additionally appointed as Director, Universal Service Fund, effective December 2024.

He holds a BSc. in Electrical and Electronics Engineering, an Executive Master's Degree in Business Administration, and an MSc. in Project Management.



Mr. Mohammed Haji is the Director, Standards and Resources Management. He holds a Bachelor of Technology Degree and a Master of Science Degree in Telecommunications and Information Systems. He is

a member of the Engineers Board of Kenya (EBK), the Institute of Engineers of Kenya (IEK), Institute of Electrical and Electronics Engineers (IEEE).



Mr. Dominic Ooko is the Ag. Director, Finance and Accounts. He holds a Bachelor of Commerce and is a member of the Institute of Certified Public Accountants of

Kenya (ICPAK).



Mr. Peter Mwangi is the Director, Supply Chain Management. He holds a Master's degree in Strategic Management and a Postgraduate Diploma in Purchasing and Supplies from the Chartered Institute

of Purchasing and Supply (CIPS), UK.



Mr. Martin Mirero is the Director, Information, Communications, and Technology. He holds an MSc in Computer Science (Distributed Information Systems), an MBA, and a BSc in Computer Science (Hons).

He is a member of the Information Systems Audit and Control Association (ISACA) and the Institute of Electrical and Electronics Engineers (IEEE).



Ms. Patricia Muchiri is the Director, Consumer Protection & Advocacy, Public Education and Awareness, until November 2024. She holds a Master's of Science in Marketing and a Bachelor of Arts, Political

Science and English Literature.

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Dr. James Njeru is the Director, Research, Planning & Quality Management until May 2025. He holds a PhD in Agricultural Economics.



Dr. Vincent Ngundi is Director, Cyber Security. He holds a Bachelor of Science degree in Computer Science, a Global Executive MBA, and a PhD.



Mr. Peter Ikumilu is the Ag. Director Compliance & Enforcement until May 2025. He holds a Master's degree in Communications Management, an MBA, and a Bachelor of Technology.



Mr. Lukas Musembi is the Ag. Director, Competition Management until May 2025. He holds a Master's degree in Economics and a Bachelor of Arts in Economics.



Mr. Titus Cheptoo is the Ag. Director Monitoring, Inspection & Regional Coordination until May 2025.

He holds a Master's degree in Operational

Communications and a BSc. in Electrical & Electronics Engineering.



Mr. Joseph Kirui is the Ag. Director Research, Planning & Quality Management. He holds an MBA and a Bachelor of Arts in Economics and Philosophy. He is a member of the Institute of

Certified Public Accountants of Kenya (ICPAK).

6. 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 Fund's Annual Report for the year ended 30th June 2025 as required by Section 22 (1) of the Kenya Information and Communications Act, 1998.

As the regulator of the ICT sector, the Authority is cognizant of the central role that the sector plays as a key enabler of growth in all other sectors of the economy and as one of the foundations of national transformation and realization of both Vision 2030 and the Bottom-up Economic Transformation Agenda (BETA).

During the FY 2024/25, the Authority, commenced implementing its 5th Strategic Plan 2023-2027, whose vision is to ensure *Digital Access for All* by creating a *Sustainable Digital Society through Responsive Regulation*. In line with this strategic direction, the Authority continued with its efforts to increase the coverage and penetration of ICT services, bridging the digital divide, and ensuring that everyone in Kenya, regardless of their location, has access to affordable and reliable ICT services. Towards this end, the Fund facilitated rapid growth of the sector and supported realization of BETA by fast-tracking ICT related regulatory and universal access initiatives.

A competitive and robust ICT sector contributes to the national economy and has the potential to transform traditional economies into digital economies. It also enhances consumer choice as well as availability of diverse and more affordable ICT services. In this regard, the Authority continued to implement forward-looking regulation to foster competitive and efficient markets in the ICT sector. Additionally, the Authority also undertook several consumer protection and empowerment initiatives in a bid to safeguard the rights and interests of consumers.

I would like to express my sincere gratitude to the Ministry of Information, Communication and the Digital Economy, ICT service providers, strategic partners and all other stakeholders for your continued invaluable support to the Fund as it strives to ensure digital access for all.

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I further wish to acknowledge the dedicated service and commitment of the members of the Board, Management and the Staff of the Authority for their invaluable contribution and enthusiasm in supporting the organization's mandate.



Mr. Charles Karondo
Chairperson of the Board

7. Report of the Director General/Chief Executive Officer

The Authority is committed to enhancing the country's ICT sector by promoting connectivity, protecting consumers, fostering competitive markets, and improving its capacity organizational efficiency and effectiveness.

As part of advancing the country's Bottom-up Economic Transformation Agenda, particularly the Digital and Creative Economy pillar, the Fund, through the Universal Service Fund (USF) continued facilitation of deployment of ICT infrastructure across the country.

In light of the facilitative role, the Fund deployed 1,500km of last mile fibre connectivity across unserved and unserved areas of the country, bringing the total fibre deployed to 2, 161 out of the targeted 2,500km.

In the education sector, the Fund finalized the digitization of education content in collaboration with the Kenya Institute of Curriculum Development, that will see availability of high-quality education content to learners across the country.

At the same time, to enhance access to mobile network connectivity across the country, the Fund deployed cellular mobile infrastructure in 52 sub-locations across 12 Counties. In the financial year under review, the Fund formally launched the Local Area Network (LAN) connectivity project that has connected 42 law courts across the country, enhancing access to justice, and embarking remote court proceedings in various parts of the country.

In the year, mobile subscriptions stood at 76.1 million, with the mobile penetration rate now at 145.3 per cent, mobile money subscriptions at 45.3 million, while data subscriptions stood at 57.1 million. The total number of mobile phones connected to mobile networks stood at 74.9 million out of which 42.3 million were smartphones and 32.6 million feature phones, pushing the mobile phone penetration at 143.0 percent.

The ICT sector in Kenya continues to demonstrate steady growth fueled by expansion of mobile network infrastructure across the country, and increased uptake in both smart and featurephones

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which can be attributed to the increased availability of mobile devices.

The advancement of broadcast technology has significantly expanded the availability of television channels, offering improved picture quality and wider coverage. This progress has driven increased adoption of both free-to-air (FTA) and subscription TV services.

The Authority, through the National Kenya Computer Incident Response Team (National KE-CIRT) continues to safeguard the country's cyber space through continuous monitoring and investment in new capabilities for detection and prevention of cyber threats.

Given that the Authority oversees a rapidly changing ICT ecosystem, we continue to adapt our regulatory frameworks to keep pace with technological advancements, promote innovation under emerging technologies, and encourage healthy competition. The ongoing review of the sector law and regulations seeks to ensure the Authority is responsive to emerging realities in the local and global ICT landscape

These achievements would not have been realized without the dedication of staff as well as strategic and policy guidance received from the Board of Directors and our parent Ministry of Information, Communication and Digital Economy.



David Mugonyi, EBS
Director General/CEO

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8. Statement of Performance against Predetermined Objectives for FY 2024/2025

The Authority’s 5th Strategic Plan 2023-2027 has four (4) Strategic Goals (SGs), seven (7) Key Result Areas (KRAs), 17 Strategic Objectives (SOs), 36 Strategies and 104 Key Activities to be implemented from the FY 2023/24 to the FY 2027/28. These SGs are:

- (a.) SG1: Promotion of Meaningful Connectivity to ICT Services;
- (b.) SG 2: Empowerment and Protection of Consumers of ICT Services;
- (c.) SG 3: Fostering of Competitive ICT Markets and Emerging Technologies; and
- (d.) SG 4: Enhancement of Organizational Efficiency and Effectiveness.

The Authority develops its annual work plans based on the above Key Result Areas, Strategic Objectives and Strategies. The Corporate Annual Work Plan for FY 2024/25 had a total of 89 activities scheduled for implementation.

Assessment of the Board’s performance against its Annual Work Plan (AWP) is done on a quarterly basis with best performance being recorded in the third quarter with an implementation of 25.65 per cent of the (AWP) while the first quarter recorded the lowest score with an implementation status of 16.28 per cent. The second and fourth quarter accounted for 19.55 per cent and 16.87 per cent implementation of the Annual Work Plan respectively.

The overall status of implementation of the Annual Work Plan for the FY 2024/25 was 78.35 percent. Out of the 89 activities scheduled for implementation, 55 activities were finalized 100 percent, 11 activities were at a middle stage of completion with a score between 58 percent and 99 percent while 23 activities were still at initial stages of implementation with a score below 50 percent. The table below is an extract of the USF planned activities.

Status of implementation of the USF Annual Workplan as at 30th June 2025

Strategic Goal	Strategic Objectives	Key Activity	Implied Task	Output Indicator	Target FY 2024/25	Score (%)	Achievement as at 30 th June 2025
1. Promotion of Meaningful Connectivity	1.1. Increase Broadband	1.1.1.1.1. Facilitate the rollout of basic	• Rollout of passive and active cellular mobile network infrastructure	No of sub-locations	100.00	47.33	• The Authority rolled out passive infrastructure in 59 out of a target of 81 sub-locations.

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Strategic Goal	Strategic Objectives	Key Activity	Implied Task	Output Indicator	Target FY 2024/25	Score (%)	Achievement as at 30 th June 2025
Full Connectivity to ICT Services	Broadband Coverage and Usage	Land and broadband wireless networks and services in all remaining unserved and underserved areas	in 81 and 88 sub-locations, respectively.				<ul style="list-style-type: none"> Active infrastructure was rolled out in 21 out of 88 sub-locations.
		1.1.1.1.2. Undertake monitoring of the rollout obligations for broadband	<ul style="list-style-type: none"> Monitor the rollout of services under license obligations for the identified sub-locations and the 38 sub-locations carried forward from the previous FY. 	% Level of Compliance	100.00	100.00	<ul style="list-style-type: none"> By the end of January 2025, Safaricom reported 100% coverage of its 563 sub-locations, though four (4) remained inactive and eight were destroyed due to insecurity. Airtel reported full coverage of 40 sub-locations and partial coverage of 29, leaving 33 yet to be covered, with six being inaccessible due to security concerns.
		1.1.1.2.1. Facilitate the rollout of high-capacity connectivity (superhighway) infrastructure in unserved and underserved areas.	<ul style="list-style-type: none"> Monitor progress and prepare reports on the rollout of the 1,315 kms of fibre optic network infrastructure (ICTA) Provide funding for 1,500 last mile sites (KPLC). 	No. of KMs Rolled Out No. of sites	100.00	77.44	<ul style="list-style-type: none"> During the year, the Authority rolled out 1,008.4 km of fibre optic network against a target of 1,315.4 km. A total of 3,604.08 km of fibre optic infrastructure was deployed out of the 9,757.8 km targeted, providing connectivity to 1,173 out of 3,868 government institutions.
		1.1.1.2.4 Facilitate digitalization of basic public services	<ul style="list-style-type: none"> Finalize the establishment of Local Area Network (LAN) cabling infrastructure in 43 Court stations of the Judiciary. 	No. of courts	100.00	98.00	<ul style="list-style-type: none"> The Authority facilitated the deployment, Inspection and acceptance of the LAN cabling infrastructure in 42 Court stations.
	Increase Digital Terrestrial Television Population Coverage and Usage	1.1.2.1.2. Harmonize identification of channels in DTT Networks	<ul style="list-style-type: none"> Monitor DTT Population Coverage 	% Level of DTT Coverage.	93.00	92.01	<ul style="list-style-type: none"> The DTT coverage improved to 92.01 percent, up from 91.91 percent in the previous FY.
		1.1.2.2.1. Support the implementation of relevant content and applications to serve the unserved and	<ul style="list-style-type: none"> Finalize the development of digital educational content for 16 learning areas and the Open Education Resource Portal in collaboration with KICD. 	% Level of Completion	100.00	100.00	<ul style="list-style-type: none"> Content for 16 learning areas was developed and uploaded to the portal, and the portal itself was completed at 100 percent. In addition, a mobile application was developed and is now available on both the App Store and Play Store.

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Strategic Goal	Strategic Objectives	Key Activity	Implied Task	Output Indicator	Target FY 2024/25	Score (%)	Achievement as at 30 th Jun 2025
		underserved communities.	<ul style="list-style-type: none"> Finalize the digitization of Agricultural content within 7 Agricultural Information Centers (AICs) and dissemination of the developed agricultural content in collaboration with KALRO. 	% Level of Completion	100.00	100.00	<ul style="list-style-type: none"> A total of 16 agricultural value chains were digitized and disseminated to 2,590,160 farmers across 29 counties, 5,237 of whom received content in seven (7) local languages, while 2,584,923 accessed contents in English and Kiswahili.

9. Corporate Governance Statement

The **Communications Authority of Kenya**, through its **Board of Directors**, remains firmly committed to upholding **good corporate governance** and aligning with **international best practices**. The Board recognizes that strong governance—grounded in **ethical leadership, effective oversight, competitive performance, and institutional legitimacy**—is essential for creating long-term value and advancing the Authority’s vision of **Digital Access for All**.

In promoting sound governance, the Board ensures that strategic decisions are guided by a balanced consideration of short-, medium-, and long-term outcomes, while aligning the interests of stakeholders, society, and the broader ICT ecosystem. Principles of **accountability, transparency, ethical conduct, and fairness** are embedded across the Authority’s operations to support inclusive, affordable, and high-quality communication services for all Kenyans.

a) Board Charter

The Board Charter was reviewed and aligned to the *Mwongozo* Code of Governance and approved by the Board on 17th May 2024. The conduct of the Board is governed by the terms of the Board Charter ensuring that its role is independent from that of Management and that there is no conflict of interest affecting the duties of the Directors to the Authority. The Board has delegated the responsibility for the day-to-day business of the Authority to the Director General.

b) Process of Appointment and Removal of Directors

The Appointment of the Chairperson of the Board rests with the President, while the Members of the Board are appointed by the Cabinet Secretary. Section 6(2) of the Kenya Information and Communications Act, Cap 411 (KICA) provides that in appointing the members of the Board under subsection (1)(e), the Cabinet Secretary shall ensure-

- (a) that the appointees to the Board reflect the interests of all sections of society;
- (b) equal opportunities for persons with disabilities and other marginalized groups; and
- (c) that not more than two-thirds of the members are of the same gender.

Section 6D of the Act also provides on how members may vacate office.

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During the financial year 2024/2025, the CA Board was fully constituted. As at 30th June 2025, the Board had a membership of eleven (11) excluding the Director General. The members of the Board of Directors who served during the year are shown on page viii to xiv.

During the year, the Cabinet Secretary, National Treasury, appointed Mr. Henry Mutwiri as the Alternate Member vide a letter dated 22nd July, 2024. Mr. Mutwiri came in to replace the former Alternate director Mr. Christopher Kirigua, MBS. Further, the Cabinet Secretary for Information, Communications and the Digital Economy appointed Mr Daniel Rono to the Board for a period of three (3) years with effect from 4th October 2024.

c) Roles and Functions of the Board

The Board of Directors has the oversight role on the governance of the Authority in the discharge of its responsibilities. It provides strategic direction and guidance for the Authority. The specific powers of the Board are provided for under section 7 of KICA CAP 411.

The Board exercises leadership and good judgment in directing the Authority so as to achieve its objectives. The Board is responsible for ensuring that the Authority is financially viable and properly managed so as to protect and enhance its interests from time to time. The Directors personally strive to ensure that the Board fulfils its key purpose of ensuring that the Authority is able to achieve its objectives. The detailed roles and functions are provided in the Approved Board Charter.

d) Induction, Training and Development

Three Board members i.e., Dr. Musangi J. Mutua, Mr. Henry Mutwiri and Ms. Ummu Bunu Haji were taken through an induction program organized by the Authority and the State Corporation Advisory Committee (SCAC) from 28th to 30th October 2024 in Nairobi, Hon. Daniel Rono attended Management induction at the CA Centre on 15th October, 2024. Dr. Musangi J. Mutua and Hon. Daniel Rono attended the board induction programme organized by SCAC from 9th to 11th December 2024. Mr Henry Mutwiri also attended the Strategic Leadership and Governance Course from 30th June to 4th July 2025.

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e) Board and Members' Performance

The Board operates under a Board Charter that outlines its governance framework and guides its activities. The Board Performance Evaluation for the FY 2024/25 was conducted by the State Corporations Advisory Committee (SCAC) on 4th July 2024. The overall rating was a score of 95.48%, which was very good performance for the Board. The following is a summary of the performance evaluation results for the financial year 2024/25:

f) Number of Board Meetings Held and Attendance

The table below indicates the number of Board Meetings and attendance by each of the Directors;

Board meetings attendance from 1st July 2024 to 30th June 2025

Board Member	Full Board	Special Board	Full Board Recruitment – interviews	People and Culture Committee	Technical and Broadcasting Standards Committee	Finance, Planning and Strategy Committee	Board Audit and Risk Assurance Committee	Total No. of Meetings Attended
Ms. Mary Mungai	7	4	5	-	-	-	-	16
Mr. Waweru Kimani	7	3	5	24	7	1	-	47
Mr. Fredrick Muhul	7	4	0	24			6	41
Dr. Musangi J. Mutua	6	4	5	23	-	-	3	41
Mr. Eric Langat	7	4	5	-	8	7	-	31
Ms. Bhoke Christine	7	4	5	24		7	-	47
Mr. Joel Nyambane	7	4	5	-	8	-	5	29
Ms. Ummu Bunu Ahmed	6	4	5	-	3	6	-	34
Mr. Paul Mureithi	7	4	5	-	8		6	29
Mr. Henry Mutwiri	6	3	5			5	5	24
Mr. Daniel Rono	4	3	5	16		3		31
George Ombua (ISC Representative)	1	-	-	-	-	-	-	1

g) Succession Plan

The Board reviewed, evaluated, and approved the overall Authority structure, the assignment of senior management responsibilities and plans for senior management development and succession.

h) Conflict of Interest Policy

During the year under review, the Authority maintained a Conflict-of-Interest Register in line with its Policy. At the commencement of every meeting, Board Members were required to declare both verbally and by signing in a Conflict of Interest Register any conflicts or potential conflicts of interest they may have had in relation to particular items of business. As a practice, Board Members abstain from discussion or decisions on matters in which they have an interest.

i) Board Remuneration

The Board of Directors are paid fees and allowances as remuneration for conducting official business that they may be called upon to undertake. Subject to Section 10 (1) of the State Corporations Act, Chapter 446 Laws of Kenya, allowances for members of the Board are paid out of the funds of the Authority. These include sitting allowances or other remuneration as the Board may, within the scales of remuneration specified from time to time by the State Corporations Advisory Committee and the Salaries and Remuneration Commission, approve.

j) Ethics and Conduct

The Authority has a Code of Conduct and Ethics, applicable to both members of staff and Board Members. The Code of Conduct and Ethics focuses on ethical conduct and integrity at the workplace. It defines Authority's commitment to the highest standards of behaviour so as to contribute to the achievement of the national development goals. The Code sets out expectations for individual behaviour necessary to meet these standards and includes requirements and guidance to help staff and Board members to carry out their role with integrity and in compliance with the law. Upon appointment, all Board members are required to accept, by signature, the terms of the Code of Conduct and Ethics, and agree to abide by its provisions which forms part of their Board appointments.

k) Governance Audit

During the financial year under review, the Authority's Governance Audit was conducted by M/S Robson Harris Advocates LLP with the Final Audit Report received at the end of the financial year. The governance audit covered the parameters articulated in the *Mwongozo* Code of Governance for State Corporations. The Authority will implement the recommendations of the Audit as contained in the Governance Audit Report dated 30th June 2025. The audit was conducted to ensure all governance standards, codes, internal controls and policies are continuously complied with and in line with the best practice.

l) Communications Policy

The Authority has developed a Corporate Communication Policy which sets a benchmark for the Authority's interactions with employees, the media, government bodies, and the wider society and is designed to bolster organisational efficiency and effectiveness. The objectives of the policy are to:

- a) Ensure that corporate communication is well coordinated, effectively managed and responsive to the diverse information needs of the public, consumers, investors, media and all other interested parties.
- b) Provide guidance and structure in disseminating corporate information to and in dealing with a wide array of the public.
- c) Ensure that CA's reputation is properly managed through positive communication and portrayal.
- d) Ensure that CA, as a public body, is visible, accessible and accountable to the public.

m) Terms of Reference of Committees

The Board Committees are guided by the respective Committee Charters which outline the purpose, objectives and membership of the committee; duties and responsibilities; guidelines of the committee as well as reporting requirements.

n) Multiple Directorships

Board Members are prohibited from holding such position in more than two (2) State Corporations at any one time to ensure effective participation in the Board. All Board members are, upon appointment, required to sign a declaration of other directorship indicating other directorship held in other State Corporations and public entities as prescribed. During the year under review, no Member held more than two such positions.

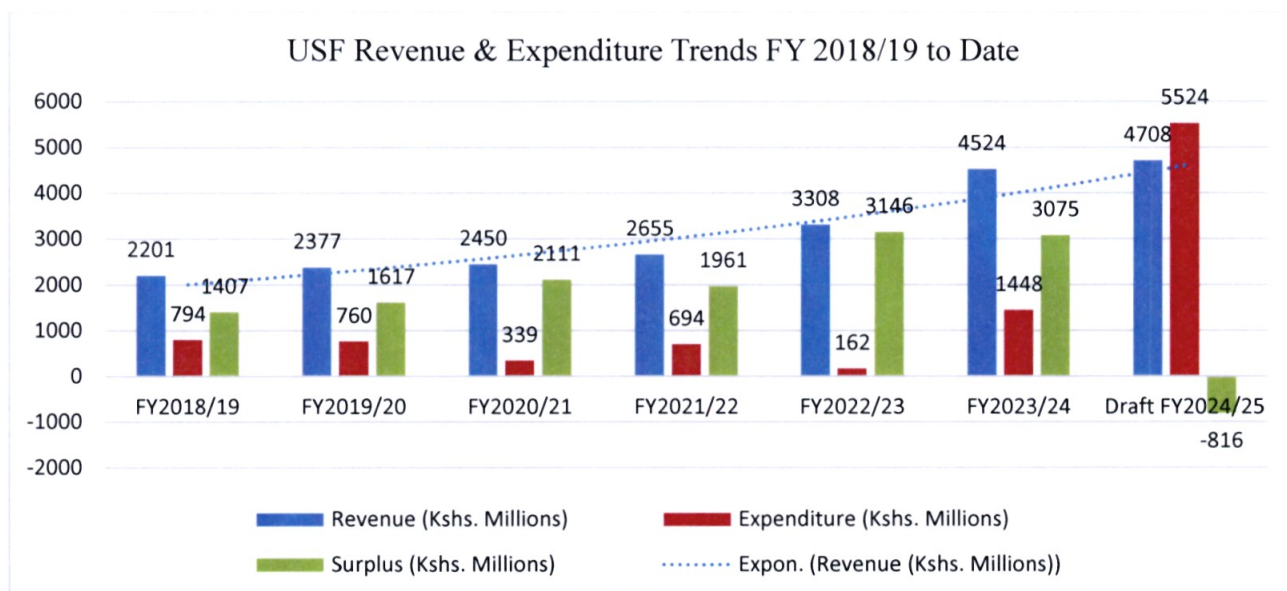
o) Related Party Transactions

The Authority has transactions with related parties as defined under IPSAS 20, including entities controlled or significantly influenced by key management personnel. All transactions were conducted on terms equivalent to those prevailing in arm's-length transactions. Disclosures include the nature of the related party relationships, the types and amounts of transactions undertaken during the year, and any outstanding balances at the reporting date. These disclosures are made to provide transparency and ensure accountability in accordance with IPSAS requirements.

10. Management Discussion and Analysis

Operational and financial performance

The Universal Service Fund (USF) continued to fulfill its mandate of promoting access to communications services across underserved areas. Revenues reflected steady growth, primarily from the levy of licensed operators and finance income. Expenditures were applied within approved budgets, mainly towards connectivity and access projects. Overall, the trend highlights sustained revenue inflows alongside prudent utilization of resources to advance universal access objectives.



In the FY 2024/25, **total revenue** stands at Kshs. 4.70 billion, 122% of the revised budget of Kshs. 3.84 billion and a 4% year-on-year increase from KShs 4.52 billion in FY 2023/24.

In the FY 2024/25, **total expenditure** amounted to KShs 5.55 billion, equivalent to 43% revised budget utilization Kshs. 12.94 billion, which is 281% higher than the prior year, in line with the scale-up in USF project spending, driven by project costs for the Digital Superhighway KPLC and ICTA projects.

Key projects

The Fund conducted ICTs Access Gaps Study in 2021 and launched the USF Strategy 2023-2027, in an endeavour to ensure the application of evidence-based interventions in the mission of enabling a universally connected society through the development of ICT networks and services, in 2021, the

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Authority undertook various network coverage baseline studies in the Postal and Courier, Broadcasting, and Telecommunications subsectors besides extensive consultations with the ICT industry.

The Strategy has identified three strategic issues to be handled in the next five years. These include the Rollout of infrastructure and services to close the remaining gaps while guaranteeing quality and sustainability, Digital Skills and Relevant Local Content to enhance ICT impact, and Institutional Capacity to enhance administration and management of USF to effectively and efficiently execute the projects envisaged in the Strategy.

During the year, the Fund continued the rollout of several projects as tabulated below:

No.	Project	Objective	Intervention	Budget	Status
1	Cellular Infrastructure and services project - Phase 2 (Passive)	Enable voice and data connectivity in gap areas	Deploy infrastructure in 101 sub-locations	Ksh 1.12 million	The project is at 73% with work ongoing.
2	Cellular Infrastructure and services project - Phase 3 (Passive)	Enable voice and data connectivity in gap areas	Deploy infrastructure in 68 sub-locations	Ksh 1.82 billion	40% of the sub locations have been surveyed and works are currently ongoing. To date the project is implemented in 50% of the sub locations
3	Cellular Infrastructure and services project - Phase 4 (Active)	Enable voice and data connectivity in gap areas	Deploy infrastructure in 313 sub-locations	Ksh 3.4 billion	The project has started following the award of tender in June 2025.
4	Educational Portal and Curriculum Development - KICD	Facilitate access to educational content	Deploy portal and develop digital educational content starting with learners in grade 6	Ksh 380 million	The project has been fully implemented, including the acquisition of learning content for 16 learning areas
5	Digitization & Dissemination of Agricultural - KALRO	Facilitate access to agricultural content	Deploy infrastructure and digitalize content	Ksh 88.1 million	Implementation completed in seven (7) Agricultural Information Centers. The project is ongoing
6	Digital Educational Content & Devices for Learners with Special Needs (PWDs) - KIB	Facilitate access to education content by learners with print impairments (PWDs)	Convert educational content into a format accessible by learners with print impairment and supply assistive learner devices	Ksh 390 million	Ongoing

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No.	Project	Objective	Intervention	Budget	Status
7	Digital Superhighway Project Phase I (ICTA)	Facilitate the rollout of high-capacity national digital connectivity (superhighway) infrastructure	Funding of the 2,500 kms of fibre optic network infrastructure (ICTA)	Kshs. 5 billion	To date, a total of 2,161/2,500KM of optic fibre infrastructure has been deployed
8	Digital Superhighway Project Phase II (KPLC)	Facilitate the rollout of high-capacity national digital connectivity (superhighway) infrastructure	Funding for 3,800 last mile sites (KPLC).	Kshs. 5 billion	Designs for 267 out of 273 sites have been received and processed
9	Centers of Excellence/Digital Hubs Project	Facilitate the implementation of ICT Digital Hubs	Construction and Equipping of Centers of Excellence (COE) and Standard Digital Hubs (SDH)	Kshs. 2.8 billion	The ICT Digital Hubs project constructions is in progress at 43 sites while the computer devices are in the process of acquisition

Compliance with statutory requirements

The Fund has complied with statutory requirements and there are no known non-compliance issues that may expose the Authority to potential contingent liabilities. There are ongoing litigations out of the ordinary course of the business of the Fund.

Major risks

The Fund developed and implemented the ERM framework as per guidelines based on ISO 31000 International Standard — Risk Management Principles and Treasury Circular No. 3.2009, Institutional Risk Management Framework. Further in FY 2024/25 the Fund undertook a risk assessment review of the authority strategic/operational risks.

Key corporate risks

The Authority undertakes risk assessment on a continuous basis. In the course of the year, the following key corporate risks, associated risk levels as well as risk treatment options were identified.

Our top ten (10) risks

1. Inadequate content regulation leading to failure to detect non-compliance with content standards; 16
2. Failure to effectively manage interconnection between licensees; 15

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3. Inadequate USF Project Models (project designing); 16
4. Delays in the completion implementation of the ICT Roadmap 2018 -2023; 16
5. Inability to recover ICT Systems and Services following a disaster or major disruption at the Authority; 16
6. Inadequate monitoring and analysis of cyber threats intelligence and cyber incidence; 16
7. Inadequate digital forensic capacity to address rising cybercrime; 16
8. Regulatory Gaps arising out of delays in review of the regulatory instruments; 15
9. Low funds absorption and 16
10. Failure to effectively prosecute and resolve cases arising from enforcement activities 16

The Authority uses a 5 by 5 Risk Matrix as shown below to rate its risks.

Risk Map of the Top Ten (10) Risks

Likelihood	Almost Certain	5	5	10	15	20	25
	Likely	4	4	8	12	16	20
	Possible	3	3	6	9	12	15
	Unlikely	2	2	4	6	8	10
	Rare	1	1	1	3	4	5
			1	2	3	4	5
			Insignificant	Minor	Moderate	Major	Fundamental
			Consequence				

Material arrears in statutory/financial obligations

The Authority has continued to honour its financial obligations as and when they fall due. Remittance of statutory deductions, payment for supplies, staff payments and payments of other dues was done promptly; consequently, the Authority does not have material arrears as at 30th June 2025.

11. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The Authority's Board and Management are committed to the 2030 Sustainable Development Goals (SDGs), focusing on:

- Goal 6: Sustainable water and sanitation
- Goal 13: Climate change action
- Goal 15: Terrestrial ecosystem management
- Goal 17: Strengthening global partnerships for sustainability

The Authority promotes sustainability by managing resources wisely, reducing waste, and ensuring quality and value for money in its development practices.

ii) Environmental performance

The Fund supports environmental sustainability through its Environmental Policy by:

1. **Planning:** Holding quarterly meetings and submitting reports to the National Environmental Management Authority (NEMA).
2. **Audits:** Conducting environmental audits to guide sustainability measures and staff training.
3. **Pollution Control:** Implementing waste management practices with segregation bins and recycling initiatives.
4. **Ecological Enhancement:** Engaging in CSR activities like tree planting and planting trees at remote stations.
5. **Partnerships:** Collaborating with the East African Communications Organisation (EACO), the International Telecommunication Union (ITU), NEMA, and other bodies on green ICT initiatives.
6. **Awareness:** Running training and sensitization programs on environmental issues.

iii) Employee welfare

The Fund does not directly hire staff but relies entirely on the Authority's established hiring policy and institutional capacity to ensure performance excellence. The Authority's recruitment follows clear policies aligned with the Public Service Commission (PSC) Act and Regulations (2020), which emphasize gender balance and equitable employment. These policies are regularly reviewed to enhance inclusivity and effectiveness.

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As of June 30, 2025, the Authority employed 371 staff with a nearly balanced gender ratio of 49% female to 51% male. During the year, it onboarded 136 employees on permanent and pensionable terms, while 13 staff exited. The Authority supports staff development through structured training programs in management, regulatory, and technical skills, organizational development, career growth, and performance contracting. It also ensures a safe work environment by complying with the Occupational Safety and Health Act (OSHA) of 2007 through continuous safety training and risk management.

iv) Market place practises

a) Responsible Competition Practices

The Authority, guided by the Constitution of Kenya, ensures fair competition across ICT sectors, manages frequency spectrum and numbering resources, and protects consumers. It follows the Mwongozo Code, its Code of Conduct, and supports cybersecurity through the Kenya Computer Incident Response Team (Ke-CIRT).

b) Responsible Supply Chain and Supplier Relations

The Authority's Service Charter outlines service quality expectations and ensures good practices with suppliers, including honouring contracts and adhering to payment practices.

c) Responsible Marketing and Advertisement

The Authority upholds corporate governance and ethical standards in marketing and advertising, adhering to all relevant codes and regulations.

d) Product Stewardship

Under the Kenya Information and Communications Act, 1998, the Authority ensures ICT providers establish customer care mechanisms, offer safe services, and protect consumer information, including child online protection.

v) Corporate Social Responsibility

As a responsible corporate citizen, the Authority seeks to foster positive impact and contribute to the wellbeing and sustainable development of the society. The Authority's Corporate Social Responsibility and Investment (CSRI) Policy seeks to make a positive investment on people, cultures,

and local communities in which it operates, by supporting social causes in various areas of need. These programmes range from enhancing digital literacy, environmental conservation, youth empowerment, sports and recreational activities, community engagements and national events

vi) Consumer Research, Education, and Empowerment

The Authority safeguards ICT consumers by providing information on product quality, effective customer care, and secure communication services. The Authority's enhances consumer rights through education, distributing advisories during outreach activities, corporate events, and online platforms. The Authority handles consumer complaints while empowering consumers with information to make informed decisions.

vii) Consumer Empowerment

The Authority's program enhances consumer rights through education, distributing advisories during outreach activities, corporate events, and online platforms.

viii) Child Online Protection Programme

The Authority's Child Online Protection (COP) programme promotes online safety for children through partnerships and events, addressing issues such as cyberbullying and internet safety. Some of the notable events include participation at the Kenya Music Festivals, the Kenya National Drama and Film Festivals which provide an avenue to engage diverse audiences and learners on safe online practices

12. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the *Fund's* affairs.

i) Principal activities

The principal activity of the Fund is facilitating the development of the information and communications sectors including broadcasting, cybersecurity, multimedia, telecommunications, electronic commerce, postal and courier services on behalf of the Government of Kenya.

ii) Results

The results of the Fund for the year ended June 30, 2025, are set out on page 1 to 34

iii) Directors

The members of the Board of Directors who served during the year are shown under part III above. **Mr. Charles Karondo** was appointed with effect from August 8th, 2025 to the Board as Chairperson, replacing **Ms. Mary Wambui Mungai, CBS** who had been appointed on 2nd December 2022.

iv) Surplus remission

The Fund is not required to make any remittance to the Consolidated Fund.

v) Auditors

The Auditor-General is responsible for the statutory audit of the Communications Authority of Kenya USF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, section 3, which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



David Mugonyi, EBS

Director General/CEO

13. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, Kenya Information and Communications Act of 1998 (CAP 411A) require the Directors to prepare financial statements in respect of the 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 Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the KICA Act, PFM Act, 2012 and Public Audit Act, 2015. The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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In preparing the financial statements, nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on August 28th, 2025 and signed on its behalf by:



Mr. Charles Karondo
Chairperson of the Board



.....
David Mugonyi, EBS
Director General/CEO

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS AUTHORITY OF KENYA - UNIVERSAL SERVICE FUND (USF) FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Communications Authority of Kenya - Universal Service Fund set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Communications Authority of Kenya - Universal Service Fund as at 30 June, 2025 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, 1998 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Failure to Capitalize Projects' Assets

The statement of financial position and as disclosed in Note 14 to the financial statements to the reflects property, plant and equipment of a Nil balance. However, review of the Fund financial records and physical verification during the year under review revealed various infrastructure assets under various projects which have not been capitalized as per Paragraph 34 of IPSAS 45 requirements which classifies various assets as part of property, plant and equipment that require capitalization.

Further, Note 8 to the financial statements reflects project costs of Kshs.5,501,878,000 that has not been capitalized. Similarly, project costs of previous financial years since the inception of the Fund have not been capitalized.

In the circumstances, the accuracy and completeness of the property, plant and equipment Nil balance could not be confirmed.

2.0 Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions amounting to Kshs.115,575,000 net of an accumulated provision for bad and doubtful debts of Kshs.525,158,000. Included in that figure and as disclosed in Note 13 to the financial statements is an amount of Kshs.596,811,000 relating to USF levy receivables. Audit review of the receivables ageing analysis disclosed in Note 13(b) to the financial statements revealed arrears totalling Kshs.417,768,000 or 70% of these receivables had been outstanding for more than two (2) years as at the time of audit.

In the circumstances, the accuracy, completeness and recoverability of USF levy receivables balance of Kshs.596,811,000 could not be confirmed.

3.0 Undisclosed Contingent Liabilities

On 21 April, 2017, the Communications Authority of Kenya entered into a contract with a company to supply, install, test, commission and maintain internet connectivity for selected secondary schools under Tender No. CA/PROC/OT/05/2016-2017 for a contract

sum of Kshs.310,062,724. In January, 2021, the Authority unilaterally suspended payments, breaching the contract. Despite multiple formal demands, no justification or substantive response was provided. It was observed that when the company issued a dispute notice under Clause 21 of the contract; the Authority took no action contrary to the agreed dispute resolution mechanism. The total outstanding principal sum at the point of conflict was Kshs.185,880,411.

The matter proceeded to arbitration, and on 18 December, 2024, the tribunal awarded Kshs.243,571,264 to the company. The award was affirmed by the High Court (Arbitration Case No. E015 of 2025) on 23 June, 2025. The Authority neither appealed nor settled the award, resulting in interest accruals and increased financial exposure. Additionally, the Authority incurred Kshs.23,011,000 in arbitration fees and Kshs.3,000,000 in legal fees (exclusive of VAT), which were neither planned nor budgeted. However, the award amount of Kshs.243,571,264 have not been disclosed as contingent liabilities in the financial statements.

It was further observed that despite the on-going legal and financial dispute, the company continues to provide services to the Authority.

In the circumstances, the accuracy and completeness of the Notes to the financial statement could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.3,846,739,000 and Kshs.4,708,341,000 respectively, resulting in over collection of revenue by Kshs.861,603,000 or approximately 22% of the budget. Similarly, the Fund spent Kshs.5,554,447,000 against approved budget of Kshs.12,914,943,000 resulting to an under expenditure or underperformance of Kshs.7,360,496,000 or 57% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, the Report on Lawfulness and Effectiveness in use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Fund in 2024/2025 revealed that the following six (6) issues remained unresolved:

	Financial Year	Audit Issue
1	2023/2024	Failure to Include Infrastructure Assets Costs in the Property, Plant and Equipment
2	2023/2024	Digital Superhighway Project Support - Delay in Project Implementation
3	2023/2024	Conflict of Interest
4	2023/2024	E-Resource Centres for the Visually Impaired Irregular Award of the Contract
5	2023/2024	Lack of Value for Money for the Project – Library Software
6	2023/2024	School Based Program (KICD) - Local Purchase Order Issued after Delivery

Other Information

Management is responsible for the Other Information set out on page iv to li which comprise of Key Fund Information and Management, The Board of Directors, Universal Service Advisory Council, Key Management Team, Chairman's Statement, Report of the Director General, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I

conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregular Award of the Contract on E-Resource Centres for the Visually Impaired

The Fund through the Authority procured the services for the provision of supply, delivery and installation of software for visually impaired (Dolphin Supernova Screen Reader and Magnifier) quality support through open tender. The winning bidder was awarded at contract sum of Kshs.24,001,458. The above services were implemented in 17 libraries under the Kenya National Library Service (KNLS) in the Counties. The contract was effective from 21 July, 2021 for a period five (5) years. Accumulated payments as at the time of audit was Kshs.17,917,994; which includes an amount of Kshs.2,889,000 which was paid during the year under review as per service level agreement.

A review of the procurement documents revealed that the awarded contractor had not complied with the specifications and was disqualified from technical capacity stage. However, under unclear circumstances the firm proceeded to the financial evaluation stage and was irregularly awarded the tender. This is contrary to the provisions of Section 86 (1)(d) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

2. Irregular Award of Contracts to Companies Owned by Board Members

Audit review of the bidders company ownership document, CR 12 and resume of board members, revealed that two companies in which the Board Chairperson and a Board member of Communications Authority of Kenya had controlling interest in, were awarded contracts by ICT Authority (delegated procurement authority) in the Digital Super Highway Project Funded by the Universal Service Fund. The companies were awarded framework contracts with local purchase orders issued amounting to Kshs.483,803,865 for the year under review. Specifically, the Board chairperson and a member were awarded Contracts worth Kshs.401,643,050 and Kshs.82,160,815 respectively. Documents availed for audit review revealed that the said Board Members were either Managing Directors, or shareholders of the companies at the point of tender opening and evaluation on

28 February, 2023 and 28 March, 2023 respectively. Consequently, the Authority was in breach of the law by awarding the contract to companies owned by Board members.

Although the chairperson and the board member later resigned from their respective companies after the companies were awarded contracts, there is no evidence of relinquishing control by sale or transfer to third parties. Further, transfer form, stock transfer deed, allotment form, affidavit, CR 10 and CR 29 from the registrar of companies supporting the resignations of the board members before award of contracts were not provided for audit review.

This is contrary to Section 59 of the Public Procurement and Asset Disposal Act, 2015 and Section 16(5) and (6) of the Leadership and Integrity Act (Cap 185) which prohibits a state or public officer from awarding or influencing award of a contract to himself or herself, a corporation, private company, partnership or other body in which the officer has a substantial or controlling interest

In the circumstances, Management was in breach of the law.

3. Non-Compliance With the Contracts' Terms

ICT Authority entered into a contract with Kenya Power and Lighting Company Limited for design, supply, delivery, installation and commissioning of optic fibre cables network and assorted works (framework contract) contract No. Employer/ICTA/DP/051/2023-2024 signed on 28 June, 2024 for Digital Super Highway Project. The budgeted amount was Kshs.5,000,000,000 and Kshs.1,501,078,000 was paid during the year under review as disclosed in Note 8 to the financial statement. However, at the time of tender opening on 6 March, 2024, the tax compliance certificate submitted for evaluation had expired on 27 February, 2024 making KPLC non-responsive to the mandatory tender requirements. As such, the procurement process ought to have been terminated due to non-provision of a valid tax compliance certificate thus making the direct procurement irregular. Also, KPLC did not furnish to the employer (ICT Authority) a performance security equivalent to 10% of the local service order within fourteen (14) days according to Section 13.1.1 of the contract.

Further, according to Section 19.1 of the contract, all subcontractors are supposed to be approved by the employer (ICT Authority). Evidence of approval of the sub-contractors was not provided for audit review.

In addition, KPLC awarded a Nia Fibre a contract to supply optic fibre cable through a direct procurement. However, a test and inspection results for the optic fibre cable to ascertain whether it has met the ITU- T G. 652 standards were not provided for audit review in accordance with Section 23.4 of the contract.

It was also noted that the KPLC contract was varied to include ADSS Optical Fibre Cable 24 Cores which was not in the initial contract without approval. The cable was included in the price negotiation table but it was not in the original contract.

This is contrary to provisions of Section 79(1) of the Public Procurement and Asset Disposal Act, 2015 on responsiveness of tenders which requires that a tender is responsive if it conforms to all the eligibility and other mandatory requirements in the tender documents.

In the circumstances, Management was in breach of the law.

4. Evaluation Irregularities and Omission of Contract Safeguards – Digital Superhighway – Backbone and Metro Connectivity (Framework Contract)

The statement of financial performance reflects projects costs of Kshs.5,501,878,000 and as disclosed under Note 8 to the financial statement out of which Kshs.3,000,178,000 relate to Digital Superhighway Project Support – ICT Authority – Phase 1. Included in this amount is payments for the Digital Superhighway – Backbone and Metro Connectivity (Framework Contract), Tender No. ICTA/OT/02/2023-2024. Audit review of the bidders' tender documents submitted and evaluation reports revealed irregularities. In Lot 8, bidder 14 was declared non-responsive for failing to provide a valid National Construction Authority (NCA) certificate and valid Communications Authority (CA) certificate. However, an examination of the submitted bid documents confirmed that the NCA certificate was duly registered and the CA certificate were valid as at the bid submission date.

Further, the executed contracts did not include retention provisions which exposes the project to risks of non-performance or inadequate rectification of defects.

This is contrary to provisions of Section 79(1) of the Public Procurement and Asset Disposal Act, 2015 on responsiveness of tenders which requires that a tender is responsive if it conforms to all the eligibility and other mandatory requirements in the tender documents.

In the circumstances, Management was in breach of the law.

5. Irregular award of Contract to Non-Responsiveness Bidders for the Supply, Delivery, Installation and Commissioning of Local Area Network in Selected Court Stations in the Republic of Kenya

The Authority invited open tenders under Tender No. CA/PROC/SCM/20/2023-2024 to bid on the supply, delivery, installation and commissioning of Local Area Network in selected Court Stations in Kenya on 31 October, 2023 for a total project cost of Kshs.217,473,389. Thirty-two (32) firms submitted their bid documents as at the tender closing date, 29 November, 2023. The bidders were subjected to an evaluation process and the lowest bidders were selected and awarded per Lot. However, an audit review of the procurement process revealed that the technical mandatory compliance evaluation stage required all responsive bidders to comply with all requirements by providing an explanation of compliance to all data sheet/brochures with specific page numbers. Examination of the winning bidders' documents revealed that; Lot 1 and Lot 4 winning bidder 10, Lot 2 winning bidder 29 and Lot 3 winning bidder 6 provided data sheets as required. However, the details provided in the data sheets could not be confirmed in terms of ownership and specification of the item descriptions through demonstrations.

This is contrary to provisions of Section 79(1) of the Public Procurement and Asset Disposal Act, 2015 on responsiveness of tenders which requires that a tender is responsive if it conforms to all the eligibility and other mandatory requirements in the tender documents.

In the circumstances, Management was in breach of the law.

6. Irregular Award of Tender for Digital Super Highway – Last Mile and Public WiFi (Framework Contract)

The statement of financial performance reflects projects costs of Kshs.5,501,878,000 and as disclosed under Note 8 to the financial statement out of which Kshs.3,000,178,000 relate to digital superhighway project support – ICT Authority – Phase 1 procured through Tender No: ICTA/OT/11/2022–2023 Digital Super Highway – Last Mile and Public WiFi (Framework Contract). The tender was divided into eight (8) regional lots, each awarded to at least one bidder. However, some bidders were evaluated responsive and awarded contracts despite the tender documents submitted and evaluation reports revealing that the winning bidders had failed to meet key eligibility, technical, and statutory requirements. The non-compliances were noted across lots as follows:

- i. In Lot 2, bidder 12 and Lot 3 bidder 20, submitted network designers that lacked the required degree qualifications in Electrical/Civil Engineering or ICT, and did not demonstrate proficiency in Google Earth and AutoCAD applications.
- ii. In Lot 4 – bidder 66, one network designer had a degree in Information Technology instead of Electrical Engineering or equivalent. Fibre technicians and riggers did not meet the minimum experience threshold of three years or lacked required certifications in fibre installation, Gigabit Passive Optical Network (GPON), or work-at-height training. The bidder also did not provide proof of financing capacity of at least Kshs.10 million and also failed to show ownership or lease agreements for key equipment such as Optical Time-Domain Reflectometer (OTDRs) and splicing machines. The project manager had an MBA in Finance, a BBA in Accounting, and a Diploma in ICT, which did not meet the stipulated criteria.
- iii. In Lot 5 – bidder 51, the network designers lacked the required degree qualifications in Electrical/Civil Engineering or ICT, and did not demonstrate proficiency in Google Earth and AutoCAD applications. The bidder also lacked a commitment letter to deploy the minimum required casual labour force. Similarly, bidder 69, the project manager proposed held a degree in Psychology and not the required Engineering or ICT qualification.
- iv. In Lot 7 – bidder 71 had project managers without the required degrees in ICT or Engineering and lacked PMP or equivalent certification.
- v. In Lot 8 – bidder 27 did not provide a valid ICT Authority accreditation certificate in the required category.
- vi. During the evaluation stage, the committee contacted the references provided by all bidders. However, no feedback was received for bidder 6 (lot 8) and bidder 53 (lot 5).

In addition, it was observed that the executed contract lacked provisions for retention which exposes the project to risks of non-performance or inadequate rectification of defects.

This is contrary to provisions of Section 79(1) of the Public Procurement and Asset Disposal Act, 2015 on responsiveness of tenders which requires that a tender is responsive if it conforms to all the eligibility and other mandatory requirements in the tender documents.

In the circumstances, Management was in breach of the law.

7. Delayed Completion of Projects and Contract Irregularities for USF Phase II Telecommunications Voice Infrastructure Project

The statement of financial performance reflects projects costs of Kshs.5,501,878,000 and as disclosed under Note 8 to the financial statement out of which Kshs.322,545,000 relate to cellular infrastructure projects. Audit review revealed that Authority entered into contractual arrangements with Network Facility Providers (NFP) Tier 1 and Tier 2 on 11 February, 2021, following a competitive tendering process for the provision of Telecommunication Cellular Mobile Network Infrastructure and Services in unserved and underserved areas of Kenya under the Universal Service Fund (USF) Phase II. The contract involved three contractors responsible for the rollout of passive infrastructure, and three Mobile Network Operators responsible for implementing the active components of the project.

Review of project documentation revealed significant delays and coordination challenges in the rollout. One of the contracts was initially set for sixty-one (61) months, including a twenty-four (24) month deployment and construction period, but was later extended by an additional six (6) months. Under the agreement, the contractor was to complete deployment of Base Transceiver Station (BTS) sites within thirty (30) months from the commencement date (by 10 October, 2023). However, a status report from a mobile network operator implementing the active phase (Ref. R&PP/USF/2/02-25/1, dated 3 February, 2025) indicated that the contractor failed to implement passive infrastructure on ten (10) sites in time, forcing mobile network operator to redirect active equipment to other projects to avoid incurring unnecessary storage charges.

Similarly, another contractor was required to complete BTS site construction within thirty-three (33) months from commencement (by 10 January, 2024). However, according to the same mobile network operator status report, construction had not begun on seven (7) sites allocated to the contractor. This directly impeded the implementation of active infrastructure and delayed integration into the mobile network operator's network.

In the circumstances, the value for money on the project investment amounting to Kshs.322,545,000 could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in

the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Integrate Revenue Collection Platforms with the Accounting System

During the year under review, the Fund recorded license revenue totalling Kshs.2,343,539,000 from the broadcasting, telecommunications, and postal and courier sectors, as disclosed in Note 6 to the financial statements for the year ended 30 June, 2025. However, it was observed that the billing process is initiated manually within the ERP system, after which customers are prompted by the cash office via the Autom8 application to settle their invoices through the e-Citizen platform. Further, it was observed that the e-Citizen payment platform is not integrated with the ERP system. Consequently, payments received through e-Citizen are manually matched to customer invoices and receipted in the system by officers in the cash office.

In the absence of automated integration considering the huge volume of transactions, the effectiveness of internal controls surrounding the licensing and revenue collection process could not be confirmed.

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

Responsibilities of the Management and Board of Directors

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 maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related

to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 December, 2025

Communications Authority of Kenya – Universal Service Fund (USF)
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for the year ended June 30, 2025.

15. Statement of Financial Performance for the year ended 30 June 2025

	NOTE	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Revenue from non-exchange transactions			
USF Levy	6	2,343,539	2,087,763
Revenue from Exchange transactions			
Interest Income	7	2,364,802	2,436,395
Total Revenue		4,708,341	4,524,158
Expenses			
Project Costs	8	5,501,878	1,371,416
Administrative Expenses	9	11,162	8,205
Audit fees provision	10	464	464
Bad & Doubtful Debts	11	40,943	68,575
Total Expenses		5,554,447	1,448,659
Surplus for the Period		(846,106)	3,075,498

The notes set out on pages 6 to 29 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by



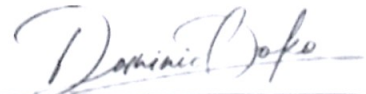
Chairperson of the Board
Mr. Charles Karondo

Date: August 28th, 2025



Director General
Mr. David Mugonyi, EBS

Date: August 28th, 2025



Ag. Director/Finance & Accounts
CPA. Dominic Ooko
ICPAK M/No: 6250

Date: August 28th, 2025

Communications Authority of Kenya – Universal Service Fund (USF)
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16. Statement of Financial Position as at 30 June 2025

	NOTE	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Assets			
Current Assets			
Cash & Cash Equivalents	12	22,088,655	21,986,971
Receivables from non-Exchange transactions	13	115,575	142,789
Total Current Assets		22,204,230	22,129,760
Non-Current Assets			
Property, Plant & Equipment	14(a)	0	1,844
Intangible Assets	14(b)	12,959	19,118
Total Non-Current Assets		12,960	20,962
Total Assets		22,217,189	22,150,722
Liabilities			
Current Liabilities			
Trade & Other Payables	15	1,771,868	863,751
Advance Income	16	6,756	2,378
Total Liabilities		1,778,624	866,129
Net Assets		20,438,565	21,284,593
Accumulated Fund	17	20,438,565	21,284,593

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Chairperson of the Board
Mr. Charles Karondo

Date: August 28th, 2025



Director General
Mr. David Mugonyi, EBS

Date: August 28th, 2025



Ag. Director/Finance & Accounts
CPA. Dominic Ooko
ICPAK M/No: 6250

Date: August 28th, 2025

Communications Authority of Kenya – Universal Service Fund (USF)
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17. Statement of Changes in Net Assets for the year ended 30 June 2025

	Retained Earnings	Total
	KShs ('000)	KShs ('000)
As at July 1, 2023	18,209,095	18,209,095
Surplus/(Deficit) for the year	3,075,498	3,075,498
As at June 30, 2024	21,284,593	21,284,593
As at July 1, 2024	21,284,593	21,284,593
Surplus/(Deficit) for the year	(846,106)	(846,106)
Prior Year adjustments	78	78
As at June 30, 2025	20,438,565	20,438,565

18. Statement of Cash Flows for the year ended 30 June 2025

	Notes	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Cash flows from operating activities			
Receipts			
USF Levy		2,303,093	1,931,011
Interest income		2,364,802	2,436,395
Total receipts		4,667,895	4,367,406
Payments			
Project Costs		4,492,264	499,693
Administrative Expenses		983	456
Related Party Transfers		72,966	0
Total payments		4,566,213	500,149
Net cash flows from/(used in) operating activities	18	101,682	3,867,257
Net increase/(decrease) in cash & Cash equivalents			
Cash and cash equivalents at 1 July	12	21,986,972	18,119,715
Cash and cash equivalents at 30 June	12	22,088,655	21,986,972

**Communications Authority of Kenya – Universal Service Fund (USF)
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19. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs ('000)	Kshs ('000)	Kshs ('000)	Kshs ('000)	Kshs ('000)	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
USF Levy	1,513,334	0	1,513,334	2,343,539	(830,206)	155%
Interest Income	2,333,405	0	2,333,405	2,364,802	(31,397)	101%
Total Income	3,846,739	0	3,846,739	4,708,341	(861,603)	122%
Expenses						
Project Costs	13,689,867	(830,900)	12,858,967	5,501,878	7,357,089	43%
Other Costs	55,977	0	55,977	52,569	3,408	94%
Total Expenditure	13,745,843	0	12,914,943	5,554,447	7,360,496	43%
Surplus/ (Deficit)	(9,899,105)	0	(9,068,205)	(846,106)	(8,222,099)	9%

Budget notes

1. The changes between the original and final budget was due to budget revisions.
2. The variation in projects costs was due to delayed completion of projects due to budget approval delays, security challenges and non responsive tenders.

Budget Reconciliation

Description of Particulars	Amount in Kshs Kshs ('000)
Actual Surplus (Statement of Budget & Actuals)	(846,106)
Adjustments to reconcile to net cash from operating activities	
- Non-cash items (depreciation/provisions etc.)	
Depreciation	8,002
Provisions	40,943
Prior year adjustment	78
- Working capital timing/classification differences	898,765
Net cash from operating activities	101,682
Opening cash and cash equivalents at 01 July	21,986,972
Closing cash and cash equivalents at 30 June	22,088,655

**Communications Authority of Kenya – Universal Service Fund (USF)
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20. Notes to the Financial Statements

1. General Information

Communications Authority of Kenya (CA) is established by and derives its authority and accountability from Kenya Information and Communications Act, 1998. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority is responsible for facilitating the development of the information and communications sectors including broadcasting, cybersecurity, multimedia, telecommunications, electronic commerce, postal and courier services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**Communications Authority of Kenya – Universal Service Fund (USF)
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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025*

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Fund. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The new standard has no impact on the Fund’s financial statements.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. The amendments will have an impact on the Fund’s disclosures, but not on the measurement, recognition or presentation of any items in the Fund’s financial statements.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g.

**Communications Authority of Kenya – Universal Service Fund (USF)
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Standard	Effective date and impact:
	<p>valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The amendments will have an impact on the Fund’s disclosures, but not on the measurement, recognition or presentation of any items in the Fund’s financial statements.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. 1. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The new standard has no impact on the Fund’s financial statements.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an Fund shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The impact for the adoption of the new standards and interpretations on Fund are still being assessed.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The impact for the adoption of the new standards and interpretations on Fund are still being assessed.</p>

**Communications Authority of Kenya – Universal Service Fund (USF)
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Standard	Effective date and impact:
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The new standard has no impact on the Fund’s financial statements.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the Fund’s financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p>The new standard has no impact on the Fund’s financial statements.</p>

iii. Early adoption of standards

The Fund did not early – adopt any new or amended standards in the financial year.

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and fines

The Fund recognizes revenues from fees and fines when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. 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.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Fund recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Fund's right to receive payments is established.

b) Budget information

The original budget for the Current FY was approved by the National Treasury on 24th July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record any additional appropriations of on the 2025 budget.

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

c) Taxes

Current income tax

The PFM Regulations 2015 section 219 require National government entities referred to under regulation 211(3) and (4) to remit, ninety per centum (90%) of their surplus funds reported in the audited financial statements after the end of each financial year. The fund is not required to remit the surplus.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

d) Property, plant and equipment

All property, plant and equipment are stated at cost 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 Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Tangible Assets	Useful Life	Rate
▪ Computers	3 years	33.3%

e) Leases

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

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible Assets	Useful Life	Rate
▪ ICT General Office Software	3 years	33.3%

g) Research and development costs

The Fund expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Fund can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when

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development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one Fund and a financial liability or equity instrument of another Fund. At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

i) Financial assets

Classification of financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Fund's management model for financial assets and the contractual cash flow characteristics of the financial asset.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Fund classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Fund manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note 19.

j) Financial liabilities

Classification

The Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows; finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Fund.

l) Provisions

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

m) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Fund recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Fund will incur in fulfilling the present obligations represented by the liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

n) Contingent liabilities

The Fund 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.

o) Contingent assets

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p) Nature and purpose of reserves

The Fund establishes and maintains reserves in line with its approved policies: a Revaluation Reserve arising from remeasurement of capital assets under the Asset Revaluation & Impairment Policy and Accumulated Surpluses/Deficits maintained under the Reserve & Distribution Policy.

q) Changes in accounting policies and estimates

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

r) Employee benefits

Retirement benefit plans

The Fund provides retirement benefits for its employees. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors 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 the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

t) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u) Related parties

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

v) Service concession arrangements

The Fund analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

w) Cash and cash equivalents

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

x) Comparative figures

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

y) 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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Fund'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.

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 Fund 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 Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Fund.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) 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.

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	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
6. Revenue from Non-Exchange Transactions		
USF Levy - Broadcasting Sector	55,400	77,723
USF Levy - Telecommunications Sector	2,241,826	1,963,775
USF Levy - Postal & Courier Sector	46,314	46,265
Total	2,343,539	2,087,763

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

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
7. Revenue from Exchange Transactions		
Cash Investments and fixed deposits	2,782,623	2,866,372
Withholding Tax 15% Deducted at Source	(417,821)	(429,977)
Total	2,364,802	2,436,395

Interest income relates to income earned from term and call deposits is calculated using effective interest method. The withholding income tax is deducted at source.

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
8. Project Costs		
School Based Program - Kenya Institute of Curriculum Development (KICD)	128,615	193,638
Cellular Infrastructure Projects	322,545	213,159
Government Services Automation - Judiciary Automation Project	7,461	213,707
E-Resource Centres	2,326	2,889
Digital Content Development (Kenya Institute for the Blind (KIB) & Kenya Agricultural Research Organization (KALRO))	36,012	61,693
Public Postal Services Projects	6,861	0
Digital Superhighway Project Support-Information Communication Technology Authority (ICTA) (Phase 1)	3,000,178	686,328
Digital Superhighway Project Support-Kenya Power Lighting Company (KPLC) (Phase 2)	1,501,078	0
Education Broadband Project Provision	493,141	0
Centers of Excellence/ICT Hubs Project - Konza Technopolis Development Authority (KOTDA)	3,661	0
Total	5,501,878	1,371,414

The Projects costs are recognized including project management cost related to the specific project.

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Notes to the Financial Statements (Continued)

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
9. Administrative Expenses		
Bank Charges	60	35
Access Geo-Portal	3,100	0
Depreciation Charges	1,844	2,012
Amortization Charges	6,158	6,158
Total	11,162	8,205

The variation is due to the maintenance for the Geo-portal that is used to map the USF project sites that was implemented.

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
10. Audit Fees provision		
Audit Fees provision	464	464
Total	464	464

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
11. Bad and Doubtful Debts		
Bad & Doubtful debts Provision	4,433	21,565
Bad & Doubtful debts Provision - Specific	36,510	47,010
Total	40,943	68,575

The Bad Debts Provision is as per the Policy (1Year - 25%, 1-2 Years - 50% & 2-3 Year - 100%). The specific provision relates to a Licensee's outstanding fees that Management is pursuing.

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
12(a). Cash & Cash Equivalents		
Current Accounts	22,088,655	21,986,971
Total	22,088,655	21,986,971

The variation is mainly attributed to timing differences in disbursements and receipts, as well as prudent cash flow management. These funds remain available to support ongoing operations and short-term obligations.

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
12(b). Current Accounts		
Cooperative Bank of Kenya A/c No. 01136154597800	11,205,089	13,123,090
NCBA Bank PLC A/c No. 7910850017	10,284	10,292
Equity Bank PLC A/c 0010283899523	4,454,995	4,649,426
KCB Bank PLC A/c 1316224023	6,418,287	4,204,163
Total	22,088,655	21,986,971

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Notes to the Financial Statements (Continued)

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
13. Receivables from non-exchange transactions		
USF Levy Receivables	596,811	552,164
Accum. Provisions for Bad & Doubtful Debts	(525,158)	(484,215)
Related Party - Assets	43,922	74,839
Total	115,575	142,789

Related Party - Assets refer to Licensee's inadvertently depositing Levy in the Authority's bank accounts instead of the Fund's bank accounts; this position is regularly reconciled and settled. The significant decrease in related party balances is mainly due to changes in the opening balance.

13. (b) Ageing Analysis for Receivables from non-exchange transactions

Description

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Less than 1 year	89,522	113,746
Between 1- 2 years	89,522	91,659
Over 2 years	417,768	346,759
Total	596,811	552,164

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
14.(a) Property, Plant & Equipment		
Property, Plant & Equipment - Cost	6,036	6,036
Accumulated Depreciation	(6,036)	(4,191)
Total	0	1,844

The ICT Equipment were revalued by Syagga & Associates professional valuers. These amounts were adopted by the Board on July 1st, 2018.

	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
14.(b) Intangible Assets		
Intangible Assets - Cost	30,791	30,791
Accumulated Amortization	(17,832)	(11,674)
Total	12,959	19,118

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Notes to the Financial Statements (Continued)

	FY 2024/25 Kshs ('000)	FY 2023/24 Kshs ('000)
14. (a) Property, Plant & Equipment		
Description	Computers	Computers
Cost		
As At 1st July	6,036	6,036
Cost As At 30th June	6,036	6,036
Depreciation And Impairment		
As At 1st July	4,191	-
Depreciation of the year @ 33.33%	1,844	4,191
Acc. Dep As At 30th June	6,036	4,191
Net Book Values		
NBV As At 30th June	0	1,844
	FY 2024/25 Kshs ('000)	FY 2023/24 Kshs ('000)
14. (b) Intangible Assets		
Description	Software	Software
Cost		
At beginning of the year	30,791	30,791
Cost As At 30th June	30,791	30,791
Amortization and impairment		
At beginning of the year	11,674	-
Amortization of the year @ 20%	6,158	11,674
Amort. As At 30th June 2024	17,832	11,674
Net Book Values		
NBV As At 30th June	12,959	19,118

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Notes to the Financial Statements (Continued)

	FY 2024/25	FY 2023/24
	KShs ('000)	KShs ('000)
15. Trade and Other Payables		
Accounts Payables	1,720,072	738,854
Related Party - Liability	51,796	124,897
Total	1,771,868	863,751

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

	FY 2024/25	FY 2023/24
	KShs ('000)	KShs ('000)
16. Advance Income		
Payments Received in Advance	6,756	2,378
Total	6,756	2,378

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

	FY 2024/25	FY 2023/24
	KShs ('000)	KShs ('000)
17. Accumulated Fund		
Retained Earnings B/fwd	21,284,593	18,209,095
Surplus for the Period	(846,106)	3,075,498
Prior Year Adjustments	78	0
Total	20,438,565	21,284,593

Prior year adjustment relates to recognition of licensee invoice.

	FY 2024/25	FY 2023/24
	KShs ('000)	KShs ('000)
18. Cash Generated from Operations		
a) Cash generated from/(used in) operations		
Surplus before remittances	(846,106)	3,075,498
Non Cash adjustments:		
Depreciation and Amortisation	8,002	8,170
Provision of Bad and Doubtful Debts	40,943	68,575
Retained Earnings	78	0
Non-Cash adjustments	49,023	76,745
b) Changes in Working Capital adjustments		
Increase/Decrease in Receivables from Non Exchange Transactions Excl Provision of Bad Debts (Note 13)	(13,729)	(147,605)
Increase/Decrease in Receivables Trade & Other Payables (Note 15)	908,117	863,257
Increase/Decrease in Receivables Advance Income (Note 16)	4,378	(637)
Net Working Capital Changes	898,765	715,015
Net cash flows from operating activities	101,682	3,867,258

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Notes to the Financial Statements (Continued)

19. Financial Risk Management

The Fund’s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Fund’s financial risk management objectives and policies are detailed below:

i) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund’s management based on prior experience and their assessment of the current economic environment.

19. (i) Credit Risk Management

Description	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Receivables from non-exchange transactions	115,575	142,789
Total	<u>115,575</u>	<u>142,789</u>

Financial Risk Management

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

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**19. (ii) Financial Risk
Management**

Description	Total Amount	Fully Performing	Past Due	Impaired
	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)
At 30 June 2025				
Receivables from non-exchange transactions	596,811	59,681	537,130	0
Cash and cash equivalents	22,088,655	22,088,655	0	0
Total	22,685,466	22,148,336	537,130	0
At 30 June 2024				
Receivables from non-exchange transactions	552,164	55,216	496,948	0
Cash and cash equivalents	21,986,971	21,986,971	0	0
Total	22,539,136	22,042,188	496,948	0

The Licensees under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from Public Sector related entities. The board of directors sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund's directors, who have built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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19. (iii) Liquidity Risk Management

Description	Total Amount Kshs (000)	Less than 1 Month Kshs (000)	Between 1-3 Months Kshs (000)	Over 6 Months Kshs (000)
At 30 June 2025				
Trade payables and other payables	1,771,868	1,683,274	53,156	35,437
Payments received in advance	6,756	6,148	270	338
Total	1,778,624	1,689,422	53,426	35,775
At 30 June 2024				
Trade payables and other payables	863,751	820,563	25,913	17,275
Payments received in advance	2,378	2,164	95	119
Total	866,129	822,727	26,008	17,394

iii) Market risk

The *Fund* has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Fund's exposure to market risks or the way it manages and measures the risk.

iv) Foreign currency risk

The *Fund* has no transactional currency exposures.

v) Capital Risk Management

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

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19. (v) Capital Risk Management

Description	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Accumulated Fund	20,438,565	21,284,593
Total funds	20,438,565	21,284,593
Less: Cash and bank balances	22,088,655	21,986,971
Net debt/(excess cash and cash equivalents)	22,088,655	21,986,971
Gearing	1.1	1.0

20. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Fund* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Fund*, holding 100% of the *Fund*'s equity interest.

Other related parties include:

- i) Communications Authority of Kenya
- ii) Key management.
- iii) Board of directors.

Description	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Amount due to CA	51,796	124,897
Amount receivable from CA	43,922	74,839

21. Provisions

Description	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Principal sum of arbitral award and demands	426,285	0
Accrued interest	66,856	0
Total	493,141	0

Included in project costs is Kshs 493,141,000 (broadband service provision, damaged equipment, arbitral fees, and interest accrued to June 30th, 2025, relating to an arbitral award and demands for settlement against the Authority in relation to the Education Broadband Project.

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22. Capital Commitments

Description	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Authorised and contracted for	342,710	0
Total	342,710	0

These are the material commitments for Works in Progress at the end of the year that are disclosed in the notes for budget execution and financial planning to help compare actual vs. budgeted performance

23. Owner's Equity

Description	FY 2024/25 KShs ('000)	FY 2023/24 KShs ('000)
Surplus for the Period	(846,106)	3,075,498

24. Administrative support from the Communications Authority of Kenya

Consistent with IPSAS 1 (presentation), IPSAS 20 (related parties) and IPSAS 23 (non-exchange revenue), the Fund discloses that the Communications Authority (a related party) provides administrative support including staff, governance and oversight, office accommodation, utilities, so levy proceeds are preserved for program delivery; under the current policy no recharge is made, therefore no corresponding expense or in-kind revenue is recognized in these financial statements.

25. Events after the Reporting Period

Subsequent to the reporting date June 30th, 2025, a new Chairperson **Mr. Charles Karondo** was appointed for a three-year term commencing on August 8th, 2025, while the appointment of **Dr. Musangi J. Mutua** was revoked. This is a non-adjusting event under IPSAS 14 and does not affect the amounts recognized for the year ended June 30th, 2025.

26. Ultimate And Holding Authority

The Fund is operated under the Communications Authority of Kenya a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Information Communication and the Digital Economy (MOIDE). Its ultimate parent is the Government of Kenya.

27. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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21. Appendices

Appendix 1: Implementation Status of Auditor-General’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>Failure to Include Infrastructure Assets Costs in the Property, Plant and Equipment</p> <p>The statement of financial position and as disclosed in note 14(a) to the financial statements, reflects property, plant and equipment balance of Kshs.1,844,000. However, a review of the statement of financial performance reflects project costs amounting to Kshs.1,371,416,000 which includes Kshs.686,328,000 for the Digital Superhighway Project (DSHP) support. This project related costs have been expensed in the financial statements instead of being capitalized under property, plant and</p>	<p>The Authority signed a Memorandum of Understanding (MoU) with ICTA on December 11, 2022, which, among other provisions, states the following, as detailed in Annex 1. Paragraph (B): Specific Roles of the Parties and Areas of Cooperation</p> <ol style="list-style-type: none"> 1. Par. (1) The ICTA shall champion and support the technical aspects of projects under the MoU, including but not limited to the development of digital infrastructure and digital services. 2. Par. (3) Through the USF, CA shall facilitate funding for projects in support of GoDTA under the MoU to the extent that the same are aligned to the USF mandate and strategic direction. <p>The Authority signed a Technical Cooperation Agreement (TCA) with ICTA on April 17, 2023, which, among other provisions, states the following, as detailed in Annex 2. Article II: The obligations of ICTA included the following:</p> <ol style="list-style-type: none"> i.Par. 4(b) Develop the Project Design for the rollout of the fiber optic infrastructure and establishment of connectivity to the identified beneficiary institutions. i.Par. 4(c) Develop the Terms of Reference and specifications of the project components including fiber and equipment specifications among other requirements necessary to facilitate sourcing/procurement processes. ii.Par. 4(e) Undertake procurement of the project components in full compliance with Public Procurement and Asset Disposal Act, 2015 	Resolved (ICTA has been advised)	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>equipment. This is contrary to IPAS 17 paragraph 21 stipulates that infrastructure assets meet the definition of property, plant, and equipment and should be accounted for in accordance with this Standard. Examples of infrastructure assets include road networks, sewer systems, water and power supply systems, and communication networks.</p> <p>Further, it is not clear which Fund will take charge for the ownership and sustainability of the infrastructure assets for the project upon handing over of the completed projects by the various implementing contractors since this is a Joint project between Universal Service Fund and the Information and Communication Technology Agency (ICTA).</p> <p>In the circumstances, the accuracy and completeness of property, plant and</p>	<p>iii.Par. 4(g) Provide secure structures where necessary to house the project outputs for all the equipment procured as part of the project.</p> <p>iv.Par. 4(i) Make all necessary arrangements to ensure project sustainability to covers operational costs (repairs, replacement and other maintenance costs) for the life of the project</p> <p>Article III: The obligations of CA included the following:</p> <p>i.Par. 5(a) Allocate the financial resources from USF and approve budgets to meet the project costs</p> <p>ii.Make payments against delivery of agreed project milestones as identified in the contractual arrangements with contractors under the project.</p> <p>To recognize an asset in the financial statements under IPSAS (International Public Sector Accounting Standards), IPSAS 45, paragraph 4, states that an item of Property, Plant, and Equipment shall be recognized if, and only if, as detailed in Annex 3.</p> <p>i. Future Economic Benefits: Under the TCA and MOU, ICTA is expected to recognize the assets since they house the project equipment (<i>TCA, Par. 4(g)</i>), ensure project sustainability over the life of the project (<i>TCA, Par. 4(i)</i>) e.t.c. Therefore, future economic benefits, sustainability or service potential associated with the infrastructure will flow to ICTA.</p> <p>ii. Measurement Reliability: ICTA is responsible for the project design, procurement, and specifications, housing (termination) of the equipment, ensuring that the cost or value of the infrastructure can be measured reliably.</p> <p>Funding Role: As outlined in the MOU and TCA, CA/USF is responsible for facilitating funding up to Kshs. 5 billion, against a total GODTA project outlay of over Kshs. 100</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	equipment balance of Kshs.1,844,000 could not be confirmed.	billion and making payments against project milestones. This implies that CA's role is primarily financial support rather than ownership of the assets. Additionally, the Joint Project Implementation Committee (JPIC) has already planned for completed segments handovers to ICTA to enable them to undertake the project maintenance as envisioned in the governance documents. Disclosure: Management has included Note 5 in the updated financial statements to indicate the ownership of the digital infrastructure, ensuring transparency and proper accountability, as detailed in Annex 4		



**David Mugonyi, EBS
Director General/Fund Administrator**

Date: August 28th, 2025

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Appendix II: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Amount (Kshs.)	Source of Funds	Implementing Partners
Tree Planting – Ngong Forest	Rehabilitation and conservation of degraded sections of Ngong Forest through indigenous tree planting.	<ul style="list-style-type: none"> - Restore forest cover - Enhance biodiversity - Contribute to climate change mitigation 	<ul style="list-style-type: none"> - Site preparation and demarcation - Procurement of seedlings - Tree planting exercise - Maintenance and watering - Community sensitization 	3.5 Million	CA Environmental Conservation Budget	Kenya Forest Service (KFS), Community Forest Association (CFA), Ministry of Environment
Tree Planting – Kaptagat	Afforestation and restoration in Kaptagat Forest to increase carbon sequestration and protect water catchment areas.	<ul style="list-style-type: none"> - Increase forest cover in line with national targets - Protect water catchment areas - Promote community participation in environmental conservation 	<ul style="list-style-type: none"> - Mapping and allocation of planting sites - Seedling production and procurement - Tree planting and staking - Post-planting care (watering, weeding, replacement) - Awareness and education campaigns 	1 Million		Kenya Forest Service (KFS), Elgeyo Marakwet County Government, Local Community Groups

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Appendix III: Reporting on Disaster Management Expenditure

Programme	Sub-programme	Disaster Type	Category of Disaster-related Activity (Response / Recovery / Mitigation / Preparedness)	Expenditure Item	Amount (Kshs.)	Comments
ICT Infrastructure Resilience	Network Continuity & Redundancy	Cyber-attack	Response	Procurement of firewall upgrade & intrusion prevention licenses	40 Million	Acquisition to prevent breach
ICT Infrastructure Resilience	Emergency Power Systems	Power outage	Preparedness	Installation of UPS & generator capacity upgrade	50 Million	To ensure uninterrupted service during outages
Regulatory Operations Continuity	Remote Work Enablement	Pandemic	Recovery	Purchase of secure VPN licenses and laptops	10 Million	To facilitate staff productivity during office closure