REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COMMUNICATIONS AUTHORITY OF KENYA

FOR THE YEAR ENDED
30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON COMMUNICATIONS AUTHORITY OF KENYA 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 set out on pages 1 to 52, 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 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 (KICA), 1998 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.20,523,442,000 as disclosed in Note 21 to the financial statements. However, the following audit observations were made:

1.1 Overstatement of the Value of Freehold Land

The property, plant and equipment balance of Kshs.20,523,442,000 include freehold land of Kshs.15,957,281,000 as reflected in Note 21(a) to the financial statement and contained in the valuation report of 30 June, 2018. The Authority's headquarters in Nairobi has a titled land whose size measures approximately 5.592 hectares. Review of documents revealed that the National Government compulsory acquired 1.123 hectares of this parcel of land to facilitate the expansion of the James Gichuru – Rironi road. The Authority contracted a private valuer who valued the parcels of land and the property therein at Kshs.642,515,220. The remaining parcel of land ought to go through vesting and acquiring of a new title deed for the remaining 4.469 hectares. However, Management has not adjusted the reported balances to reflect the dispatch of parcel of land that was compulsorily acquired. Further, the Authority has not followed up on a vesting order for necessary changes in the title documents.

In the circumstances, the accuracy, ownership and completeness of property, plant and equipment balance of Kshs.20,523,442,000 could not be confirmed.

1.2 Lack of Ownership Documents for Land in Garissa County

As previously reported, the valuation report received on 30 June, 2018 includes a monitoring station in Garissa County with property development which includes two security houses and an old equipment house. However, the land where these developments sit is unregistered and, therefore, lacks evidence to show that the land is owned by the Authority.

A physical inspection by the audit team conducted in August, 2025 revealed several maintenance and security deficiencies, including a leaking ceiling in the security house, old furniture requiring replacement, worn out walls which requires repainting, a low-capacity septic tank, non-functional Closed-Circuit Television (CCTV) monitoring equipment and screens, a cracked water tank base, and a leaking overhead slab at the sentry post. In addition, the land is unfenced thus allowing unrestricted livestock grazing by local residents.

Further, as a result of the land being unregistered it was not valued and was excluded in the financial statements for the year under review leading to understatement of the property, plant and equipment balance of Kshs.20,523,442,000 by unknown amount.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.20,523,442,000 could not be confirmed.

2. Long Outstanding Accounts Receivables

The statement of financial position reflects receivables from non- exchange transactions balance of Kshs.290,113,000 as disclosed in Note 19 to the financial statements. The balance is net of cumulative provisions for bad and doubtful debts (general and specific), amounting to Kshs.7,116,519,000 which includes Telkom Kenya Ltd debt provision of Kshs.4,921,257,137. The Authority has engaged with The National Treasury since June, 2020, seeking their assistance to allocate resources to Telkom Kenya Limited (TKL) for the settlement of regulatory fees. The National Treasury provided commitments in June, 2020 and October, 2021 but these funds were not disbursed then. At the time of audit in the month of October, 2025 no evidence was provided to confirm that money had been received from The National Treasury.

Further, review of the ageing analysis schedule disclosed in Note 19 (b) to the financial statement revealed that a balance of Kshs.5,466,095 or 74% of the total receivables from non-exchange transactions which had been outstanding for more than two (2) years as at 30 June, 2025 as summarized below:

Details	Amount (Kshs)	Percentage of Total Receivables from Non-Exchange Transactions
Less than 1 year	866,576,000	12%
Between 1-2 Years	1,073,962,000	14%
Over 2 years	5,466,095,000	74%
Total	**7,406,632,000**	**100%**

In the circumstances, the recoverability of the receivables from the non-exchange transactions balance of Kshs.290,113,000 could not be confirmed.

3. Unsupported Loan Receivables from Employees

The statement of financial position reflects non-current receivables from exchange transactions balance of Kshs.628,886,000 as disclosed in Note 20(c) to the financial statements. These relate to staff receivables such as outstanding loan receivables from

Authority's Car Loan and Mortgage Scheme, outstanding imprest, salary advance and other staff debtors. However, loan principal balance of Kshs.15,130,080 were not supported by individual loan statements and evidence of loan repayment. Further, the Authority did not provide list of exited staff who have outstanding loans.

In the circumstances, accuracy, validity and completeness of non-current receivables from exchange transactions balance of Kshs.628,886,000 could not be confirmed.

4. Stalled Information, Communications and Technology Project

The statement of financial position, as disclosed in Note 21(a) to the financial statements, reflects property, plant and equipment with a carrying amount of Kshs.20,523,442,000. Included in this balance, is work in progress amounting to Kshs.2,663,849,000 relating to ICT projects out of which Kshs.21,739,798 relate to payments towards the design, supply, installation, testing, commissioning and training of the Device Management System solution in August, 2016 with a contractual delivery timeline of twenty (20) weeks. However, the project has stalled and remained unimplemented eight (8) years later due to various court cases.

In the circumstances, value for money for on the project investment of Kshs.21,739,798 may not be realized.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Communications Authority of Kenya 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 total revenue final budget and actual on a comparable basis of Kshs.12,992,209,000 and Kshs.13,752,813,000 respectively resulting in an over collection of revenue Kshs.760,604,000 or 6% of the approved budget. Similarly, the Authority spent Kshs.9,138,229,000 against actual receipts of Kshs.13,752,813,000 resulting in under-utilization of Kshs.4,614,584,000 or 34% of actual receipts.

The under-utilization 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 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 Authority in 2024/2025 revealed that the following six (6) issues remained unresolved:

	Financial Year	Audit Issue
1	2023/2024	Property Plant and Equipment- Overstatement of the Value of Freehold Land (CA HQ Nairobi)
2	2023/2024	Lack of Ownership Documents for Land in Garissa County
3	2023/2024	Existing Charge on Land in Trans-Nzoia County
4	2023/2024	Long Outstanding Accounts Receivables
5	2023/2024	Delay in Implementation of Supply, Delivery, Implementation and Maintenance of a Licensing Management System and the Associated Hardware

Other Information

The Management is responsible for the Other Information set out on page iv to xlviii which comprise of Key Authority Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Director General/Chief Executive Officer, 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 Authority'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 and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

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. Non-Compliance with Kenya Information Communication Authority Broadcasting Regulations, 2009

Regulation 10 of the Kenya Information and Communications (Broadcasting) Regulations, 2009 requires that no person shall own directly or indirectly more than one broadcast frequency or channel for radio or television broadcasting in the same coverage area. Audit review of the radio frequency revealed non-compliance with Regulation 10 of the Kenya Information and Communications (Broadcasting) Regulations, 2009.

Further, audit review conducted a sampled comparative analysis of two (2) leading nationwide radio broadcaster one with thirteen (13) radio stations registered under one company name and another with six (6) radio stations registered with various company names in the Authority's books. It revealed that the broadcaster with six (6) radio stations registered under different company names was billed substantially lower fees due the application of the billing formula which factors in the number of radio stations per coverage area. This resulted in an under-charging the broadcaster by Kshs.12,350,000 for sampled locations. The broadcaster thus circumvented the Authority's billing formula resulting in undue advantage compared to other broadcasters who have presented radio stations under one company name.

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

2. Non-Compliance With Tenure Staggering Requirements

Gazette Notice No. 15498, Vol. CXXV-No.243 dated 15 November, 2023 indicates that the Council Chairperson and eight (8) other members of the Universal Service Advisory Council (USAC) were all appointed on the same day, for a uniform term of three years effective from 15 November, 2023. This simultaneous appointment means their terms will end concurrently, violating the staggered tenure requirement under the Section 2 of the Fourth Schedule of KICA Act, 1998.

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

3. Non-Compliance with the Law on One-Third of Basic Salary Rule

Review of payroll records for the month of June 2025 revealed that forty-three (43) employees received less than one-third (1/3) of their basic salaries. This is contrary to Section 19(3) of the Employment Act ,2012 which provides that the total amount of all deductions that may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds(2/3) of such wages of his additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employer or employees or any trade or industry.

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

4. Non-Compliance with Staffing Requirement of Persons with Disabilities

An analysis of the payroll data for the period under review revealed that the Communications Authority of Kenya had only eight (8) staff members falling under Persons with disabilities (PWD) category, representing approximately 2.2% of the total workforce of three hundred-eight (358). This was contrary to Section B.23(1) of Human Resource Policies and Procedures Manual for the Public Service, 2016 and Section 4(f) the Persons with Disabilities Act, 2025 which requires every national government entity to promote the inclusion and integration of persons with disability in the public service and put in place measures to ensure that at least five per centum (5%) of the employment positions are filled by persons with disabilities;

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

5. Idle and Unoccupied Director General's Official Residence

A physical verification of the official residence allocated to the Director General revealed that the house has remained unoccupied for a prolonged period. No official justification or documentation was provided to explain the continued non-occupancy of the residence. In the absence of occupancy and without documented justification, it was not possible to confirm that the Communications Authority of Kenya is deriving value for money from the investment made in constructing and maintaining this official residence.

In the circumstances, the efficiency and effectiveness in the utilization of public resources is in doubt.

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 and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and 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 Authority'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 Authority's 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