Regulations
The telecommunications environment in Kenya continues to be shaped significantly by the actions of Government and the Regulators, as it does in most other telecoms markets.

We continue to contribute to the discussion on emerging legislation and regulations as we prepare to comply with the same. An event to observe in the near term include the enactment of the National Payment Systems (NPS) regulation.

NPS provides that Mobile service providers may interoperate their mobile money transfer platforms. The regulation has called for the creation of a Payment System Management Body (PSMB) to run all payment systems and create rules for interchange and interoperability. While these provisions are not restrictive to our business, we are closely engaging with regulators in the development and implementation thereof.

We continue to engage with Communications Authority of Kenya (CAK) on the debate and development of a framework around sharing of infrastructure, following the renewal of our two licences. These engagements have included a push to review the methodology of carrying out quality of service measurements.

In addition, we launched the Best Network in Kenya initiative successfully and are currently embedding it in all our technology processes. Key to Quality of Service (QoS) and the deployment of new technologies is spectrum. We are pursuing negotiations with Government to acquire adequate spectrum to achieve desired QoS and deliver new technologies such as LTE.

Competition
We continually monitor the competitor market affecting our different segments. With the granting of Mobile Virtual Network Operators (MVNO) licences to three new operators, we see potential new competition in the financial services, voice and SMS arenas. The success of the three operators will be largely dependent on the tactics they employ and how they leverage on existing strengths such as brand, customer base and existing product offering.

We are mindful of the competition from global players such as Google and WhatsApp, who offer instant messaging and voice services. With the push by county governments to offer free WiFi, we expect to see such services becoming popular and eroding mobile data and SMS revenue. By creating SMS bundled offerings and data bundled offerings such as ‘Chattitude’, we are able to ensure we give customers what they need while simultaneously securing our revenue.

Our ability to offer a superior product offering and customer experience on fixed data continues to improve as we begin to reap the benefits of laying our own fibre, enabling us to compete effectively with others in the enterprise market. 770 km has been completed under our fibre roll-out programme with 640 km on-going in key metro areas in Kenya.

Financial Inclusion
Financial inclusion and the drive towards cashless payments is a key objective of the Government. With M-PESA and the launch of Lipa na M-PESA, a new frontier for growth has been opened which will augment person to person payments and enhance business to consumer payments.

Economic Growth prospects
Kenya has maintained a stable macroeconomic environment despite challenges of financing the new devolved system of governance and a rising wage bill. While the full economic impact of a devolved government is yet to be felt, there have been some changes in tax and levies both at a national and county government level. At a national level the VAT net was widened to include previously exempt items while at a county level we have had a few counties review fees and levies for the various approvals and services they provide. We continue to closely monitor and react proactively to macro-economic indicators ensuring both the business and our customers are cushioned from adverse effects.

OPERATIONAL RISKS
Security
Against the backdrop of general insecurity involving robbery with violence, kidnapping and poaching, last year brought with it an upsurge in terrorism attacks and attempts in the country. Our security operations have responded to this risk by proactively gathering intelligence, reinforcing our security measures countrywide for our staff, contractors and installations. In addition, we re-evaluated how we manage security at our public events and will continue to do so going forward.

To ensure we have the adequate resources to do so, we have invested in both personnel and equipment to support our efforts. With a view to ensuring our continued readiness to manage these risks, we will continue to invest in security training and awareness as well as maintenance and improvement of our security infrastructure and tools.
Ethics and compliance

Our ethics programme was enhanced to include a compliance function, which is charged with process and control improvement as well as ensuring compliance with Regulations, Laws and Safaricom policies. We are engaged with not only our staff, but also widening our scope to work with our suppliers, dealers and agents to embed a culture of enhanced compliance in the years to come.

In promoting the right ethical culture, we rolled out an intensive and interactive ethics awareness programme for our staff.

We adopted an ecosystem approach towards ethics management, which recognises that the promotion of the right ethical culture requires all stakeholders to have the same ethical picture, for example, dealers need to know what they can and cannot do while seeking business.

We conducted several awareness sessions with our M-PESA agents, dealers and suppliers throughout the year. During these sessions we advised them about the emerging security and fraud trends in the country as well as what they can do to secure their businesses better to manage the risks they face. In the coming year we plan to partner with them further in promoting the right culture.

In line with our ongoing commitment to delighting our customers, we collaborate with law enforcement authorities to tackle crime that affect our products and services, especially our mobile money services. This will assist in enhancing the efficiency and effectiveness of investigations involving such crimes. These efforts have led to a reduction of fraud and also increased awareness amongst staff in dealing with ethical dilemmas and reporting unethical conduct.

Information Security and Business Continuity

To ensure security and a world class standard in managing our operational risks in information security and business continuity, Safaricom was the first company in Africa to attain both ISO 22301 Business Continuity (voice, data, SMS and cloud services) and ISO 27001 Information Security (Cloud services) certification.

The ISO 27001 certification is an independent confirmation to our customers that we have implemented appropriate processes and controls relating to our Cloud services to protect their information.

The ISO 22301 certification is a benchmark of excellence for business continuity planning. Our attainment of this certification confirms our commitment to serving our customers with minimal interruption.

Crisis Management

A mature business continuity programme contains effective incident escalation processes and ensure that critical incidents are handled and managed appropriately as a crisis. We have a fully formed Crisis Management Team (CMT) at Safaricom, whose members participate in regular refresher training and awareness.

In addition, we test our business continuity readiness annually with scenario testing across cross-functional teams with CMT participation. These measures and enhancements enable us to proactively monitor and manage risks within Safaricom.

Throughout the year, significant internal audit effort was directed towards assurance on significant and ongoing company wide projects. This was with a view to supporting project efficiency, pre-implementation reviews and data migration assurance.

A continuous audit and control monitoring tool was implemented to support continuous assurance on operating effectiveness of key automated controls in Enterprise Resources Planning (ERP) and core network systems.

INTERNAL AUDIT

The Internal Audit function is mandated to provide assurance on the internal control environment and deepen good governance practices and support the organisation to achieve best in class controls through continuous engagement.

The objectivity of Internal Audit is enhanced through governance support from the Board Audit Committee to which the function directly reports. The Board Audit Committee’s terms of reference were updated in the year and approved by the Board of Directors.

During the financial year under review, 32 planned audit reviews were conducted to appraise the adequacy, design and operating effectiveness of controls. In addition, three special reviews were completed at management’s request.

An audit scoring system was developed and implemented in the year to provide an indication of the health of controls maturity by division, and to drive controls improvement.