

**MINUTES OF THE 50<sup>TH</sup> KENIC BOARD MEETING HELD ON 4<sup>TH</sup> MAY, 2011 AT 7.30 A.M. AT THE KENIC BOARDROOM**

**PRESENT**

Mr. Sammy Buruchara(Chairman)  
Mr. Ali Hussein  
Mr. Michael Katundu  
Mr. Charles Nduati  
Prof. Meoli Karshorda  
Mr. Moses Kemibaro  
Mr. David Wambua (Ag. CEO-Secretary)

**ABSENT WITH APOLOGIES**

Mr. Charles Njoroge  
Ms. Alice Munyua  
Mrs. Lucky Kulecho

**PRESENT**

The Chairman called the meeting to order at 7.45a.m. on the realization of a quorum.

**MINUTE 437/50/2011 NOTICE OF MEETING**

Notice of the meeting was taken as read.

**MINUTE 438/50/2011 AGENDA**

The agenda was proposed by the Chairman and seconded by Mr. Ali Hussein and adopted .

**MINUTE 439/50/2011 CONFIRMATION OF THE MINUTES OF THE 49<sup>TH</sup> BOARD MEETING**

The Minutes of the 49<sup>th</sup> Board meeting were not presented for confirmation due to the restricted agenda.

**MINUTE 440/50/2011 DISCUSSION OF THE Ag. CEO PERFORMANCE CONTRACT**

The Chair of the Human Resources committee informed the meeting that the performance contracts for all staff, including that of the Ag. CEO had been concluded and presented during the 7<sup>th</sup> Human Resources committee held on

7<sup>th</sup> April, 2011. He further noted that he had played his role of informing the Chairman the deliberations of the meeting and the need to sign the contract with the Ag. CEO. He further noted that the Chairman had raised some concerns that may have been overlooked during the meeting that required further discussion by the Board.

Among the issues included the role of Ag. CEO during the acting period vis-a-vis his mandate as the Marketing and Communications Manager.

The Chairman noted that a performance contract was a legal document that was used to hold management accountable and should therefore be clear, explicit and negotiated. He further noted that carrying out two roles by an employee may compromise performance hence the need to have the matter to be deliberated further.

The Chair of the Finance Committee in his contribution, noted that the performance contract was about the office and not the holder, reiterating that the issues that were being raised were pertinent. He however noted that the Ag. CEO had not indicated to the Board that he was incapable of performing the two roles.

He added that the targets set for the Ag. CEO should be for the period he will be acting to ensure that when the position is substantively filled, the process of signing the performance contract is not repeated. He also noted that it was important for the Human resources committee to discuss the performance expectations during the acting period over and above his substantive role.

The Chairman noted that the performance contract should be signed with the person taking over the office to avoid request for revision of the targets when the position is filled.

Prof. Karshoda observed that the role of an employee acting in any position is to keep the office functional both administratively and operationally. He noted that the performance contract signed with such staff should be for the short and medium term goals. The scope what is expected of the Ag. CEO, should therefore be reduced to allow him also focus on the marketing and communication roles. He proposed that a few roles of the CEO should be added, with a few of marketing removed to create a balance. The meeting recommended that the Ag. CEO should sign performance contracts with other staff and draft a letter outlining the role to be played during the acting period for discussion with the Chair of the Human Resources committee, which should then be forwarded to the Chairman for signing.

The Chair of the HR committee also updated the meeting on the CEO recruitment process by reporting that the process would take a period not exceeding 3 months.

### **MINUTE 441/50/2011 UPDATE REPORT BY THE FINANCIAL COMITEE**

The Chair of the Finance Committee presented the March 2011 financial report and gave the following highlights;

- ☒ That the month of March realized a surplus of Kshs. 548,941 against a loss of Kshs 1,705,193 during the same period last year. This was a positive variance of 132.19 %. The overall margin for the month was a positive variance of 18% compared to -161% in 2010.
- ☒ The income realized during the month of March was Kshs. 2,990,433 compared to Kshs. 1,059,020 realized in March 2010 which was a positive variance of 182.38%
- ☒ New domains registered during the month were valued at Kshs.1,231,945 compared to Kshs. 403,880 in 2010 which was a positive variance of 205.03 %
- ☒ Domain renewals during the month were valued at Kshs. 1,541,780 compared to Kshs. 453,587 realized in 2010, which was a positive variance of 239.91 %

He noted that compared to the same period last year, the month of March had shown a good performance.

He gave highlights of the income statement for the first quarter of the year 2011, against budget and highlighted the following:

- ☒ The income projection for the period was Kshs. 21,834,481 against an actual realization of Kshs. 8,549,928 which was a negative variance of 400%
- ☒ The total expenditure for the quarter stood at Kshs. 8,480,771 against a target of Kshs. 12,865,128 which was a positive variance of 34.08%
- ☒ Staff costs increased by 77% during the quarter due to increase in salaries, medical, insurance expenses, and other allowances. This, he noted was an incentive to ensure staff achieved targets set out in the strategic plan.

While noting the variances against the set the targets, he observed some of the reasons that attributed to the short falls as follows;

- ☒ Delay in the recruitment of the Marketing and Communications Manager

- ☒ Delay in the implementation of planned activities such as enhancement of the website and recruitment of an advertising agent
- ☒ Failure to commence partnerships with organizations identified such as KENET and Safaricom among others

He however pointed that the Board had directed management to deliver growth that is commensurate with the increased expenditure.

**MINUTE 442/50/2011 PRESENTATION OF AUDITED ACCOUNTS FOR THE YEAR 2010**

The Chair of the Finance committee reported that the audited accounts had been presented by the auditor and requested the Board to adopt them. The accounts were adopted and signed.

**MINUTE 62/50/2011 INVESTMENT REPORT FOR THE QUARTER**

The Chair of the Finance committee presented the report for the period noting that the investment at Amana Capital had grown at an average of Kshs. 48,000 month on month during the period.

He also also noted that the Old Mutual investment had declined by -4.87 % during the quarter , and proposed that the account be closed and the funds transferred to Amana Capital, noting that it was not in line with KeNIC's investment policy of maintaining the principal under all circumstances..

Management was asked to draft a Board resolution to Old Mutual to be signed by the Chairman, asking them to transfer the funds failure to which legal action would be considered..

**MINUTE 443/50/2011 INTERNAL AUDIT EVALUATION REPORT**

The Chair of the Finance committee informed the meeting that 4 firms had been shortlisted and evaluated to provide internal audit services for KeNIC;

The evaluation committee carried out the evaluations with the financial score being as tabulated below;

No.	Firm	Kshs.	Score ( Out of 30%)
1	BDO East Africa	1398550	3.54
2	G & A Associates	165000	30
3	Deloitte	1124550	4.4
4	PKF	2204000	2.25

He presented a summary of the overall evaluation as follows:

No.	Firm	Technical(out of 70)	Financial ( Out of 30 % Score	Total( Out of 100%)	Ranking
1.	BDO East Africa	60	3.54	63.54	2
2.	G & A Associates	45	30	75	1
3.	Deloitte	50	4.4	54.4	3
4	PKF	50	2.25	52.25	4

It was observed that the firm that had been evaluated as the most responsive by the evaluation committee ,G & A Associates, had not quoted for 4 audits as specified in the RFP document and they were therefore declared non-responsive . The Board however directed that G&A Associates be contacted to provide the cost of 4 audits, and if still found to be the lowest bidders, they be engaged to provide the service.

#### **MINUTE 444/50/2011 UPDATE ON KENIC TAX EXEMPTION REPORT**

The Chair of the Finance committee informed the meeting that a letter addressed to the Permanent Secretary, Ministry of Information and Communication from the Treasury declining a request by KeNIC to be exempted from tax had been received.

He noted that since KeNIC was still selling domains and making revenues out of it, and considering the size of the organisation, he proposed that the matter be put to rest in the interim.

It was however observed after deliberations that the request was a policy intervention issue rather than a tax exemption issue, hence a renewed appeal should be lodged through the office of the Permanent Secretary, Ministry of Information and Communication to further consider the exemption. It was observed that an increase in domain names would translate in to websites which would lead to increased commerce, hence higher revenues for the government.

It was further recommended that KeNIC should commission a study on the cost benefit analysis of reducing tax on domains, vis-a-vis increase in uptake of domains and how it would translate in to higher revenues for the government. This information would be used as a basis for making a repeat request in the next budget cycle. The consultant should demonstrate knowledge on ICT issues, economics , finance and lobbying. The meeting recommended that management should

schedule a meeting with Kenya Institute of Policy Analysis and Research(KIPPRA) to discuss the possibility of carrying out the study.

#### **MINUTE 445/50/2011 UPDATE ON TAX CONSULTANCY**

The Chair of the Finance committee informed the meeting that the process of recruiting a tax consultant had been put on hold until such a time KeNIC would be in need of such services, and also as a cost cutting measure.

#### **MINUTE 446/50/2011 REVIEW OF THE BUDGET**

The Chair of the Finance committee informed the meeting that cost cutting measures would be put in place and reported that the Finance committee had recommended the following;

1. Regular review of how funds were being spend
2. Benchmarking trips to UK,Canada, Australia and Brazil to study how to scale up the activities of KeNIC be put on hold until next year but review as the year progressed
3. International travel be for essential travel only
4. A review of the budgeted items with the exception of top line revenues and salaries be carried out.
5. A review of the marketing budget with a focus on on-line marketing.

#### **MINUTE 446/50/2011 SUMMARY UPDATE REPORT OF THE MARKETING COMMITTEE**

The Chair of the Marketing committee gave a report on the evaluation of presentations done by shortlisted advertising agencies following a request for proposals sent out for advertising agency and branding services.

He informed the meeting that 5 firms had been shortlisted and given a brief of branding and communications requirements and subsequently making presentations to the Marketing and Communications Committee on 31st March, 2011. The firms shortlisted included the following;

- Nick Creations Limited
- Media edge Interactive Limited
- Corporate Talk Group
- Red Sky and;
- Express DDB Kenya Limited

He reported that upon evaluation, the firms were ranked as follows;

No	Firm	Total Score	% Score	Position
1.	Media Edge Interactive	270.4	94.88%	1
2.	Corporate Talk Group	173	60.70%	2
3.	Express DDB Kenya	173	60.70%	2
4	Nick Creations	137	48.07%	3

Upon deliberation, the meeting recommended that all the agencies shortlisted should send their financial proposals to enable the Board make an informed decision on the agency to be appointed.

#### **MINUTE 67/50/2011 INTERNET GOVERNANCE FORUM 2011 UPDATE**

The Ag. CEO gave an update on the 2011 Internet Governance Forum( IGF) preparations,informing the meeting that KeNIC would play the role of the secretariat of the global event. He further noted that KeNIC would be hosting the Kenya IGF scheduled on 5th July, 2011, and participate in the East Africa IGF on 22nd and 23rd July, 2011.

The meeting recommended that management should come up with budget items to be supported by KeNIC, for consideration and approval by the Board.

#### **MINUTE 67/50/2011 ANY OTHER BUSINESS**

Prof. Karshorda informed the meeting that KENET was partnering with Google and the Kenya National Examination Council(KNEC) to have all the 32,000 schools in Kenya register domain names, and had discussions with KeNIC management regarding pricing structure.

He further noted that KENET was partnering with the university community to register .ke domain name to over 20,000 students, a project aimed at reaching out to students while still in college or alumni who have been out for at least a year.

The meeting recommended that management should come up with a proposal of the partnership for consideration and approval by the Board.

There being no other business, the meeting ended at 11.30 a.m.

Confirmed on this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

\_\_\_\_\_  
**Sammy Buruchara**  
**Chairman**

\_\_\_\_\_  
**David Wambua**  
**Secretary**