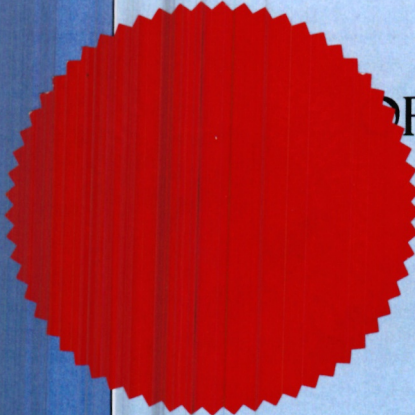


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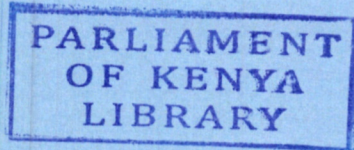


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*Paper Laid by the
Leader of the Majority
Party Hon Aden
Diale on 29/11/2017
IBM*

REPORT



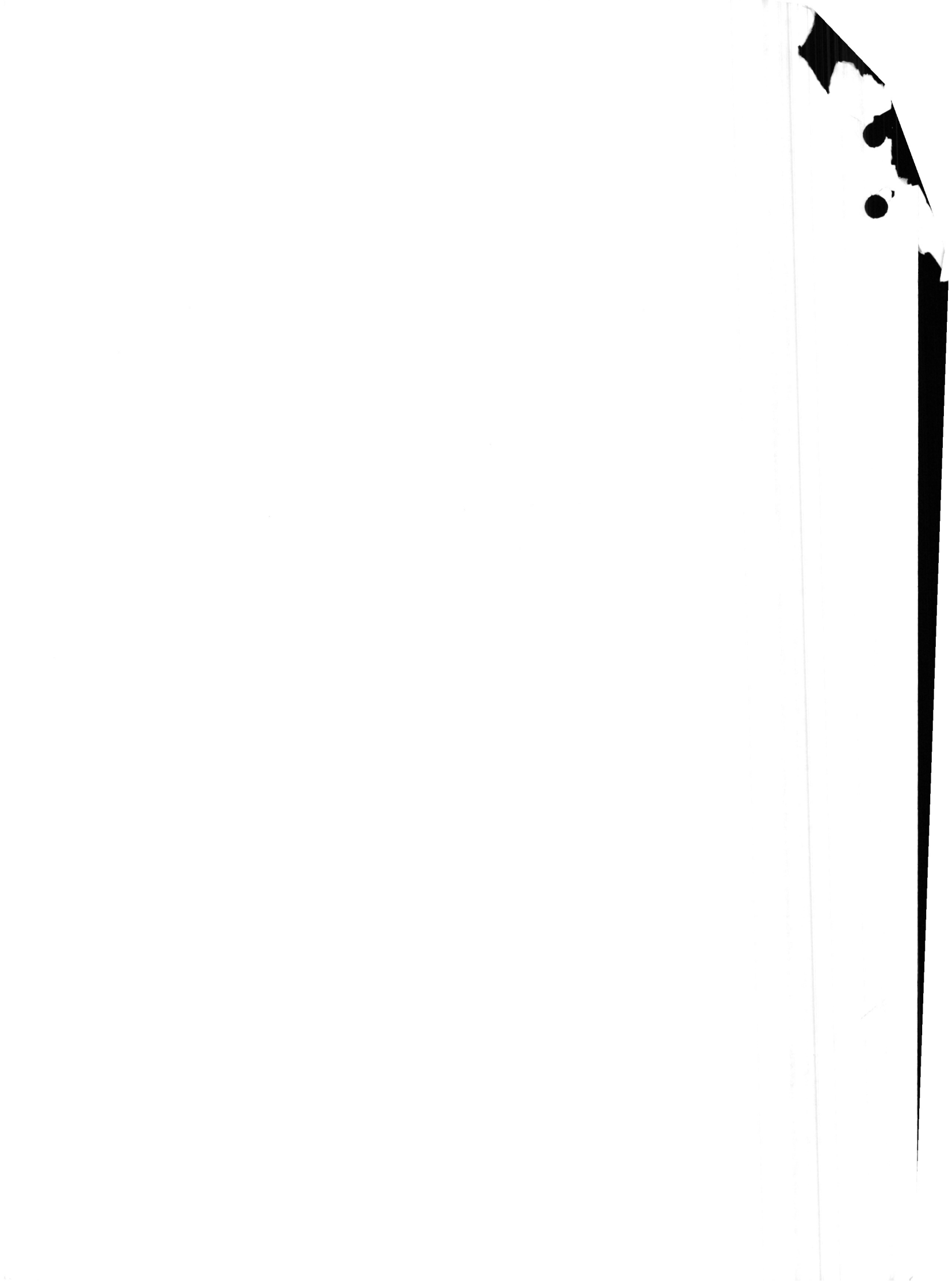
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MINISTRY OF INFORMATION,
COMMUNICATIONS AND TECHNOLOGY**

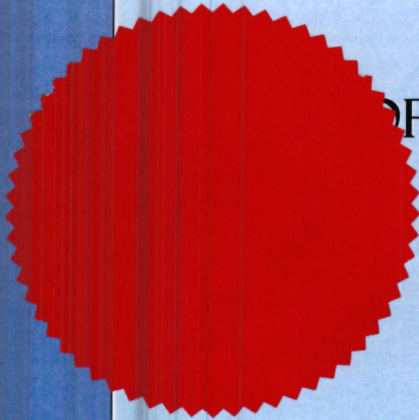
**FOR THE YEAR ENDED
30 JUNE 2016**



REPUBLIC OF KENYA

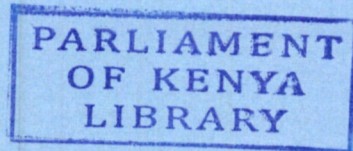


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Paper Laid by the
Leader of the Majority
Party Hon Aden
Diale on 29/11/2017

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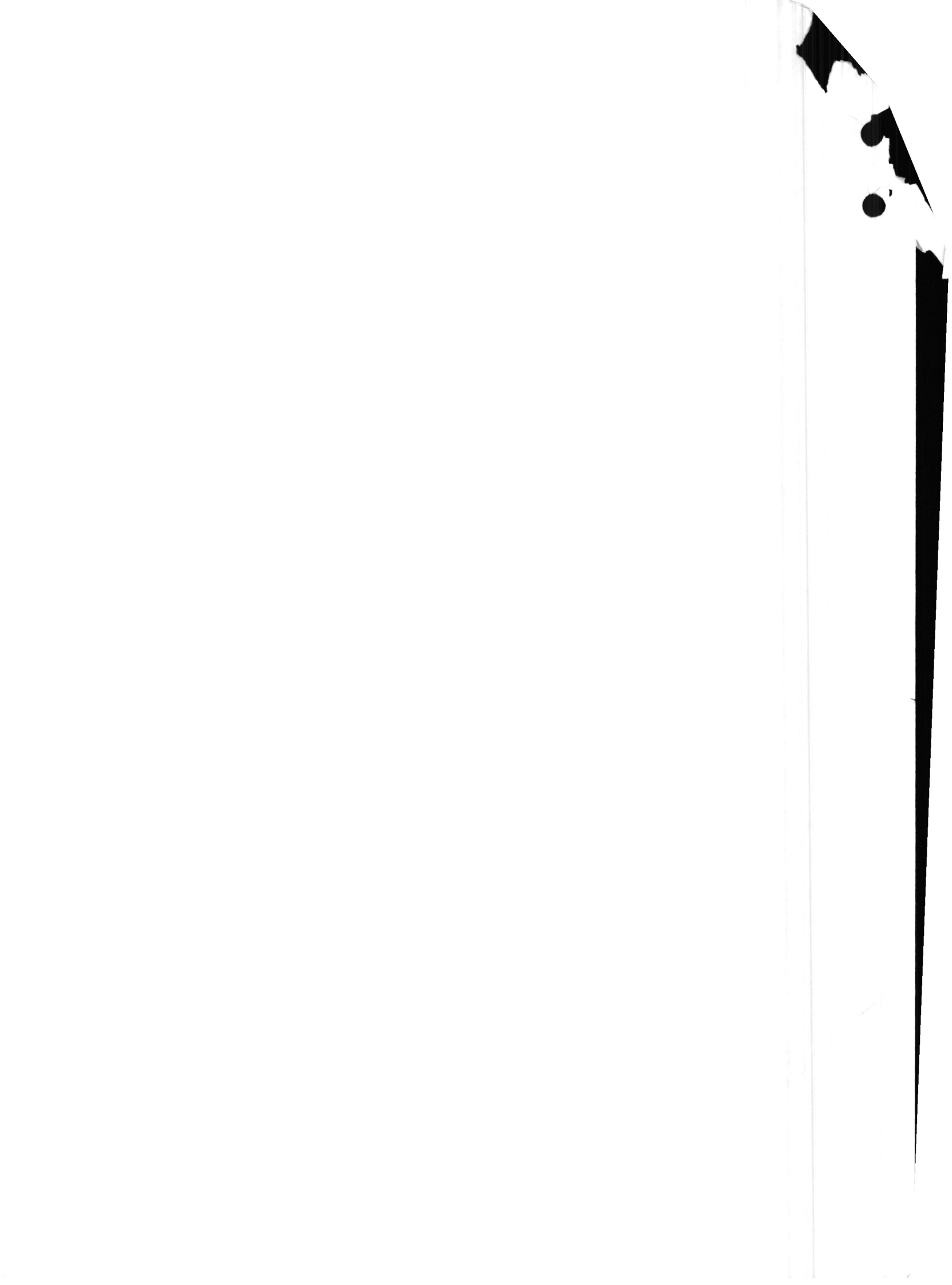
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MINISTRY OF INFORMATION,
COMMUNICATIONS AND TECHNOLOGY

FOR THE YEAR ENDED
30 JUNE 2016



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REPUBLIC OF KENYA



MINISTRY OF INFORMATION COMMUNICATION AND TECHNOLOGY

REPORTS AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2016**

Prepared in accordance with the Cash Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY
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1. KEY MINISTRY'S INFORMATION AND MANAGEMENT

1.1. Background Information

The Ministry was formed on May 2013 through the Executive Order No. 2/2013 of May 2013, to undertake the following functions: -

- Information Communications Technology (ICT),
- Broadcasting
- Language management policies
- Public communications
- Promotion of e-government
- ICT training and standards development and administration
- Development of national communications capacity and infrastructure
- Provision of public relations services
- Promotion of software development industry
- Fibre optics infrastructure development and management
- Policy on software licensing regime
- ICT Agency
- Provision of ICT consulting to other government departments
- Provision of advisory services on acquisition of ICT and telecommunication services and equipment
- Government ministries and departments
- Telecommunication services
- Development of national communication capacity
- Infrastructure and dissemination of public information through Kenya Broadcasting Corporation (KBC)
- Mass media capacity building at Kenya Institute of Mass Communications (KIMC)
- Regulatory services through the Communications Authority of Kenya (CA)
- Postal Corporation of Kenya (PCK)
- National Communications Secretariat (NCS)

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- Multimedia Appeals Tribunal
- Kenya Year Book Editorial Board (KYEB)
- Konza Technopolis Development Authority (KOTDA)
- Infrastructure development through the ICT Authority

At the Cabinet level the Ministry is represented by the Cabinet Secretary for ICT, who is responsible for the general policy and strategic direction of the Ministry.

1.2. Vision:

Kenya as a globally competitive knowledge-based economy

1.3. Mission:

To improve the quality of life of Kenyans by ensuring the availability of accessible, universal, affordable, modern and high quality ICT facilities and services within the Country.

1.4. Key Management

The Ministry is composed of two major sub-sectors, namely information and broadcasting, and communications. The information and broadcasting sub-sector is responsible for gathering and dissemination of news and information through radio and television, production and dissemination of features, training of mass media personnel, information marketing, advertising and image building. Through press accreditation, it also regulates the activities of local and foreign journalists to ensure upholding of mass media communication professionalism and ethics.

The information and broadcasting sub-sector is made up of two main departments:

- a) The Department of Information
- b) The Department of Public Communications

Specialised activities under the sub-sector are performed by Semi-Autonomous Government Agencies (SAGAs), which include the Kenya Broadcasting Corporation (KBC), the Kenya Yearbook Editorial Board, Kenya Institute of Mass Communications and the Media Council of Kenya. The communications sub-sector comprises the telecommunications, ICTs and the postal services. The main departments are:

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- a) The Department of Telephone services; and
- b) Directorate of Communications

Specialised services under this sub-sector are performed by the Communication Authority of Kenya, the National Communications Secretariat, the Communications Multimedia Appeal Tribunal, and the Postal Corporation of Kenya, the Kenya ICT Authority, The East African Marine System (TEAMS) and the proposed Fibre Optic National Network (FONN). The ministry also has support sections and units which includes

- Administration
- Human Resource Management
- Human Resource development
- Finance
- Accounts
- Information Technology Services Unit.
- Supply Chain Management
- Central Planning and Project Monitoring Unit
- Legal Unit
- HIV/Aids Control Unit

1.4.1. Key management personnel

The Key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were;

S/N	Designation	Name
1.	Cabinet Secretary	Joe Mucheru
2.	Accounting Officer	Eng. Victor Kyalo Sammy Itemere
3.	Director of Administration	Henry Mung'asia
4.	Director of Information	Paul Gwaro Ogaro
5.	Director of Public Communications	Dennis Chebitwey
6.	Director KIMC	Hirram Mucheke
7.	Chief Finance Officer	Mugambi Kimathi
8.	Chief Economist	Samuel Kiptorus

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9.	Senior Assistant Accountant General Principal Accountant	Vincent Luke Kirwa Edith K. Nkanata
10.	Director HRM	Wilfred Amolo
11.	Director HRMD	Winnie Macharia
12.	Assistant Director SCM	Mbaka Omwega

1.4.2. Fiduciary Oversight Arrangement

The following Ministerial Committees provided the fiduciary oversight arrangements;

1.4.2.1. Ministerial Budget Implementation Committee

- To review and consider the cash flow plan
- To review the utilization of cash limits
- To review and recommend reallocation of expenditures
- To prepare budget for Ministry in consultation

1.4.2.2. Ministerial Audit Committee

- Review and approve the internal audit work plan and forward it to PS for funding
- Review the internal and external filing, recommendation and proposed corrective and preventative action where necessary
- Review the systems established to ensure sound public financial management and internal control as well as compliance with policies, rules, regulations and procedures

1.4.2.3. Ministerial Parliamentary Liaison Office

- Coordination between Executive and Legislature
- Follow-up on implementation of Parliament Resolution
- Coordination, compilation, submission of Ministerial Statement

1.4.2.4. Ministry Headquarters

P. O. Box 30025
G.P.O 00100
Nairobi, Kenya
Telephone: (254) 4920000/100
E-mail: mailinformation.go.ke
Website: www.Information.go.ke

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1.4.2.5. Ministry's Bankers

1. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

2. Kenya Commercial Bank (Districts Bank Accounts)

1.4.2.6. Auditors

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP, 00100

Nairobi, Kenya

1.4.2.7. Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P. O. Box 40112

City Square, 00200

Nairobi, Kenya

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2. FORWARD BY THE CABINET SECRETARY

During the 2015/16 financial year the ministry implemented a total of four (4) programmes and eleven (11) sub-programmes. The Ministry was allocated a total of **17,693 Million** for both recurrent and development expenditure.

The table below summarizes the budget performance against actual amounts for current year based on economic classification and programmes.

2.1. Summary of Expenditure by Programme, Sub-Programme and Economic Classification

Expenditure Classification	Approved Estimates (Net) 2015/16 (KShs Million)	Actual Expenditure 2015/16 (KShs Million)
PROGRAMME 1: GENERAL ADMINISTRATIVE SERVICES		
Current Expenditure	833	
Compensation of Employees	202.43	
Use of Goods and Services	549.43	
Current grants and transfers to the other levels of Government	81.05	
Social Benefit		-
Other recurrent	114.1	
Capital Expenditure	1,112	
Acquisition of non- financial assets	58	
Capital grant and transfers to other levels	521	
Other development	533.00	
TOTAL FOR PROGRAMME 1	2,064.7	2,005.7
PROGRAMME 2 : INFORMATION AND COMMUNICATION SERVICES		
Current Expenditure	1,761	
Compensation of Employees	265	0
Use of Goods and Services	640	
Current grants and transfers to the other levels of Government	828	
Social Benefit		
other recurrent	28	
Capital Expenditure	1,389	

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Expenditure Classification	Approved Estimates (Net) 2015/16 (KShs Million)	Actual Expenditure 2015/16 (KShs Million)
acquisition of non-financial assets	218	-
Capital grant and transfers to other levels	1,160	
other development	10	-
TOTAL FOR PROGRAMME 2	3,145	1,870.6
PROGRAMME 3 ICT AND MASS MEDIA SKILLS DEVELOPMENT		
Current Expenditure	200	
Compensation of Employees		-
Use of Goods and Services		-
Current grants and transfers to the other levels of Government	200	200
Social Benefit		
other recurrent		
Capital Expenditure	122	122
acquisition of non-financial assets		-
Capital grant and transfers to other levels	122	122
other development		
TOTAL FOR PROGRAMME 3	322	322
PROGRAMME 4: INFRASTRUCTURE DEVELOPMENT		
Current Expenditure	91	91
Compensation of Employees	-	
Use of Goods and Services	-	
Current grants and transfers to the other levels of Government	91	
Social Benefit	-	
other recurrent		
Capital Expenditure	12,071	
acquisition of non-financial assets	8,081	
Capital grant and transfers to other levels	813	
other development	3,178	
TOTAL FOR PROGRAMME 4	12162	11,826
TOTAL EXPENDITURE	17,693.50	16,024

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The resources allocated to the Ministry during the 2015/16 Financial Year were spent in implementing various programmes and projects that enabled the Ministry to register the **key** achievements.

On average the overall percentage resource utilization level was **91.4%** as at June, 2016. The variance was attributed to late approval and release of supplementary budget leading to accumulation of pending Bills of KShs 1,392 Million which will be paid using the 2016/17 FY budget.

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3. KEY ACHIEVEMENTS

The Ministry of Information and Communications key achievement focuses on projects implementation during 2015/16 Financial Year. During the 2015/16 FY the ministry targeted to formulate, review and implement various policies, legal, regulatory and institutional frameworks; provide affordable information and communication services to the people of Kenya; build national ICT Infrastructure and develop and strengthen ICT and mass media skills and capacity.

The ministry was allocated a total of KShs 17,693.5 million for both Development and Recurrent budget. However, by 30th June 2016 the ministry had absorbed KShs 16,174 million which is 91.4% of the allocated budget. The variance is attributed to untimely release of exchequer and delay in acquisition of Way Leaves for the laying of the fibre Optic.

The Ministry used the funds to implement four major budget programmes that include; General Administration and Support Services, Information and Communication Services, ICT Infrastructure development and Mass media skills development. These programmes comprised of 8 Sub programmes as shown in the table below.

3.1. Programme and Sub-Programme expenditures

	Approved	Actual
Programme/Sub-Programme expenditure	2015/16	2015/16
Programme 1: General Administration Services		
S.P 1.1 General Administration Services	2064.7	2005.7
Total for programme 1:	2064.7	2005.7
Programme 2: Information and Communication Services		
S.P 2.1: News And Information Services	2,540.9	1,497.5
S.P 2.2: Brand Kenya Initiative	49.4	49.9
S.P 2.3: Media Regulatory Services	67.6	67.4
S.P 2.4:E -Government Services	486.8	255.7
Total for programme 2:	3144.6	1870.5
Programme 3: Mass Media Skills Development		
S.P3.1: Mass Media Skills Development	322	321.9
Total for programme 3	322	321.9
Programme 4.0: ICT Infrastructure Development		
S.P4.1: ICT Infrastructure Connectivity	11,505	11,178.3
S.P4.1: Ict And BPO Development	657.2	647.6

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	Approved	Actual
Programme/Sub-Programme expenditure	2015/16	2015/16
Total for programme 4.0	12,162	11,826
Total for the Vote	17,693.50	16,024.1

3.1.1. General Administration Services

During the year the ministry developed and reviewed several policies and legal frameworks including National Public Communication Policy, National ICT Policy and National Language policy 2015 among others. These policy and legal frameworks have facilitated growth and development of the ICT Sector.

3.1.2. Information and Communication Services

The ministry continued to inform and entertain Kenyans through public broadcasting services where KBC and the Kenya News Agency provided news and features for print and electronic media. The Kenya Yearbook Editorial Board published various yearbooks highlighting progress and achievement of implementation of government programmes and vision 2030 projects.

The Ministry through the media regulatory services was able to resolve most of the reported media disputes. In addition, the subsector monitored media content to conform to set regulatory guidelines, developed Curriculum for middle mass media training colleges and accredited journalists practising in Kenya.

The Government Advertising Agency was operationalized with a responsibility of authorizing public sector advertising and implementing sectoral standards, procedures, guidelines and managing consolidated Government advertising funds.

3.1.3. Mass Media Skills Development

The Ministry through the Kenya Institute of Mass Communications trained over 400 mass media personnel thereby boosting the national talent pool on mass media skills.

3.1.4. ICT Infrastructure Development

The ministry rolled out 820KM of the National Optic Fibre Backbone Infrastructure (NOFBI) although delay in acquisition of way leaves affected the progress. The ministry also completed 8.1 KM of access

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roads at Konza Technocity and has initiated the construction of Konza Office Complex. The ministry through the ICT Authority distributed **11,000** learner digital devices covering 150 schools to public primary schools in Kenya under the digital literacy programme.

	Project Title	Project Location	Project Cost (KES)	30 th June 2016	Progress Achieved 2015/16	The Socio Economic Impact
1.	NOFBI Phase II	National wide	7.2 B	6,000km of fibre Backbone Net- work covering all 47 Counties	<ul style="list-style-type: none"> • 80% Complete • Planned another 3,000km 	<ul style="list-style-type: none"> • Reduced cost of doing business • Bridging the digital divide • Spurring of ICT development in rural areas
2.	Digital Literacy Programme	National wide	250 M	11,000 devices covering 150 schools	<ul style="list-style-type: none"> • Two contractors identified to implement the program and cover 21 and 26 counties respectively • Successful proof of concept completed covering 150 schools (3 schools in each of the 47 counties and additional 9 special needs education schools) • Actual roll out now in progress • Class 1 and 2 content ready and available online (http://kicdinteractivecontent.ac.ke) • 62,000 teachers trained (Head teacher and two teachers in every school) • 12,440 schools connected to electricity and 	1) Increased digital literacy for the nation from the onset

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					metered and will be covered first during implementation. Present progress in electrification	
3.	Migration from Medium Wave to FM radio Transmission-KBC	National wide	6 B	50% Complete	The following stations have been installed and commissioned: Limuru, Timboroa, Kapenguria, Kisii, Nyamnia (Yala), Vuria, Malindi, Lamu, Garsen, Nyambene, Kitui, Garissa, Kisumu, Nyeri, Mazeras, Kapsimotwa, Nyadundo	1) Sector development, industry, Education, Health, cultural, enhance development framework.
4.	Analogue to Digital TV Broadcast Migration	National wide	1.2 B	65 Free to air TV stations	<ul style="list-style-type: none"> • 80% Complete • 20 Transmitters delivered • 10 installed and are on air • 10 Installed and awaiting programme link equipment. • 6 Awaiting payment and commissioning at the manufacturer's industries. • Digital Transmission for Unserved Areas (APD-Financed by GOK and Spain • All transmitters (10) delivered. • Site preparations for installations on-going. 	1) Sector development, industry, Education, Health, cultural, enhance development framework.

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3	E-Government County Connectivity (CCP)	28 Counties	2.6B	Integrate National and County Government ICT Connectivity	14%	All Kenyans
4	IBM Research Laboratory	Catholic University of East Africa	850M	Enhancing ICT research and Innovation	100%	All Kenyans
5.	Konza Technology City – phase 1 consultancy and infrastructure development Sustainable, world class technology hub	Machakos/ Makueni	40 B	<p>Cadastral Survey Completed</p> <p>Access Roads for Phase 1A done</p> <p>Construction of Konza Complex started</p> <p>Advertisement of Phase I out to cover all horizontal infrastructure requirements</p>	<ul style="list-style-type: none"> • The 4.1 km Auto-boulevard (Main Road) completed and in use • 7 boreholes drilled, equipped and are in use • Water and Energy Master Plan completed and in use • Provision of trunk fiber connectivity to KTC is 70% complete • The 8.1 km Access Roads to individual parcels at KTC constructed and in use • MDP2 Deliverables achieved; Construction and sustainability guidelines under implementation. • Designs and Tender for proposed Konza Office Complex awarded and Construction works commenced • Upgrade and rehabilitation of KTC Site Office ongoing 	<p>1) Konza Gross Regional Product will be 2% of GDP annually</p> <p>2) Generation of at least 17,000 direct jobs</p>

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					<ul style="list-style-type: none"> • Designs and Tender for proposed Konza Innovation Park awarded and construction is to commence soon • Provision of bulk clean water from Nol-Turesh Main Supply has been completed and bulk water now available for construction works and residential purposes. • Provision of power with redundancies from three power stations/ supply lines is underway. Two independent sources already constructed. • Signing of Lease with KAIST University, as one of the Anchor Tenants to construct a Research University. • Land disposition Plan to guide parcel lease to investors is underway 	
6.	Presidential Digital Talent Programme (PDTP)	National wide	250	<p>Completed 1st Round of 100 trainees</p> <p>Currently on-boarding 2nd round of 400 trainees</p>	<ul style="list-style-type: none"> • 1st group in progress to graduate in March 2016, Second preparation in progress 	1) Workforce development for effective and efficient service delivery leveraging on ICT

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7	Five Storey Hostel with a capacity of 305 beds-Phase I	KIMC South B, Nairobi.	138M	The facility to house trainees on residential training.	305 Students	100% completed in 2013/14
8	Five Storey fully furnished with a capacity of 405 beds-Phase II	KIMC South B, Nairobi.	188.3M	The hostel is to house 405 trainees on residential training	405 Students	100%
9	Modernization and Operationalization of Library	KIMC South B, Nairobi.	92M	Automation of library facilities and services	800 Students	30%
10	Integrated Media Monitoring System	Media Council of Kenya- Upper Hill, Britax Centre	33.9	System monitors 80% of print and electronic media in Kenya due to the current capacity to ensure conformity with provisions with code of conduct	All Kenyans	100%
11	Modernization of Kenya News Agencies	47 Counties	179M	Timely dissemination of News items for informed citizenry	All Kenyans	30%
12	Five Storey Hostel with a capacity of 305 beds-Phase I	KIMC South B, Nairobi.	138M	The facility to house trainees on residential training.	305 Students	100% completed in 2013/14
13	Government Adverting Agency	Nairobi, Teleposta Towers 11 th Floor	130M	Centralize Government Advertisements and reduce cost	All Kenyans	50%

The ministry successfully migrated from Analogue to Digital TV Broadcast where the roll out of public digital infrastructure project has achieved 80% completion rate while implementation of the KBC migration from Medium Wave to FM radio Transmission is 50% Complete as at 30th June 2016. Digital

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TV Transmission for unserved areas is progressing well where installations of equipment for 10 sites is currently on-going.

During the implementation of these programmes the Ministry encountered challenges among them litigation cases for Digital Migration, delayed exchequer for committed payments and funding constraints for some state corporations. The ministry continued to implement the above programmes and sub-programmes in the current 2016/17 Financial Year.

In conclusion, it is observed that the absorption capacity for ministry is very good at 91.4% of the allocated. The ICT sector registered an annual growth rate of 8.4% in 2015 which is a good indicator wealth creation with digital broadcasting providing new investment opportunities due to increased demand for broadcast content. The Broadcast Content Policy will ensure 60% of programmes aired in Kenya are locally produced.

It is recommended that the subsector be adequately funded to enable the achievement of the planned programmes.

3.1.5. Summary of Projects implementation

	Project Title	Project Location	Project Cost (KES)	30 th June 2016	Progress Achieved 2015/16	The Socio Economic Impact
1	NOFBI Phase II	National wide	7.2 B	6,000km of fibre Backbone Net- work covering all 47 Counties	<ul style="list-style-type: none"> • 80% Complete • Planned another 3,000km 	<ol style="list-style-type: none"> 1) Reduced cost of doing business 2) Bridging the digital divide 3) Spurring of ICT development in rural areas
2	Digital Literacy Programme	National wide	250 M	11,000 devices covering 150 schools	<ul style="list-style-type: none"> • Two contractors identified to implement the program and cover 21 and 26 counties respectively • Successful proof of concept completed covering 150 schools (3 schools in each of the 47 counties and additional 9 special needs education schools) • Actual roll out now in progress • Class 1 and 2 content ready and available online (http://kicdinteractivecontent.ac.ke) • 62,000 teachers trained (Head teacher and two teachers in every school) • 12,440 schools connected to electricity and metered and will be covered first during implementation. Present progress in electrification 	<ol style="list-style-type: none"> 1) Increased digital literacy for the nation from the onset
3	Migration from Medium Wave to FM	National wide	6 B	50% Complete	The following stations have been installed and commissioned: Limuru, Timboroa, Kapenguria, Kisii, Nyamninia	<ol style="list-style-type: none"> 1) Sector development, industry, Education, Health, cultural,

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	Project Title	Project Location	Project Cost (KES)	30 th June 2016	Progress Achieved 2015/16	The Socio Economic Impact
	radio Transmission-KBC				(Yala), Vuria, Malindi, Lamu, Garsen, Nyambene, Kitui, Garissa, Kisumu, Nyeri, Mazaras, Kapsimotwa, Nyadundo	enhance development framework.
4	Analogue to Digital TV Broadcast Migration	National wide	1.2 B	65 Free to air TV stations	<ul style="list-style-type: none"> • 80% Complete • 20 Transmitters delivered • 10 installed and are on air • 10 Installed and awaiting programme link equipment. • 6 Awaiting payment and commissioning at the manufacturer's industries.. • Digital Transmission for Unserved Areas (APD-Financed by GOK and Spain • All transmitters (10) delivered. • Site preparations for installations on-going. 	1) Sector development, industry, Education, Health, cultural, enhance development framework.
5	E-Government County Connectivity (CCP)	28 Counties	2.6B	Integrate National and County Government ICT Connectivity	14%	All Kenyans
6	IBM Research Laboratory	Catholic University of East Africa	850M	Enhancing ICT research and Innovation	100%	All Kenyans
7	Konza Technology City – phase 1 consultancy and infrastructure development	Machakos/ Makeni	40 B	Cadastral Survey Completed Access Roads for Phase 1A done	<ul style="list-style-type: none"> • The 4.1 km Auto-boulevard (Main Road) completed and in use • 7 boreholes drilled, equipped and are in use • Water and Energy Master Plan completed and in use 	1) Konza Gross Regional Product will be 2% of GDP annually 2) Generation of at least 17,000 direct jobs

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	Project Title	Project Location	Project Cost (KES)	30 th June 2016	Progress Achieved 2015/16	The Socio Economic Impact
	Sustainable, world class technology hub			<p>Construction of Konza Complex started</p> <p>Advertisement of Phase I out to cover all horizontal infrastructure requirements</p>	<ul style="list-style-type: none"> • Provision of trunk fiber connectivity to KTC is 70% complete • The 8.1 km Access Roads to individual parcels at KTC constructed and in use • MDP2 Deliverables achieved; Construction and sustainability guidelines under implementation. • Designs and Tender for proposed Konza Office Complex awarded and Construction works commenced • Upgrade and rehabilitation of KTC Site Office ongoing • Designs and Tender for proposed Konza Innovation Park awarded and construction is to commence soon • Provision of bulk clean water from Nol-Turesh Main Supply has been completed and bulk water now available for construction works and residential purposes. • Provision of power with redundancies from three power stations/ supply lines is underway. Two independent sources already constructed. • Signing of Lease with KAIST University, as one of the Anchor Tenants to construct a Research University. • Land disposition Plan to guide parcel lease to investors is underway 	

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	Project Title	Project Location	Project Cost (KES)	30 th June 2016	Progress Achieved 2015/16	The Socio Economic Impact
8	Presidential Digital Talent Programme (PDTP)	National wide	250	Completed 1st Round of 100 trainees Currently on-boarding 2nd round of 400 trainees	<ul style="list-style-type: none"> 1st group in progress to graduate in March 2016, Second preparation in progress 	1) Workforce development for effective and efficient service delivery leveraging on ICT
9	Five Storey Hostel with a capacity of 305 beds-Phase I	KIMC South B, Nairobi.	138M	The facility to house trainees on residential training.	305 Students	100% completed in 2013/14
10	Five Storey fully furnished with a capacity of 405 beds-Phase II	KIMC South B, Nairobi.	188.3M	The hostel is to house 405 trainees on residential training	405 Students	100%
11	Modernization and Operationalization of Library	KIMC South B, Nairobi.	92M	Automation of library facilities and services	800 Students	30%
12	Integrated Media Monitoring System	Media Council of Kenya- Upper Hill, Britax Centre	33.9	System monitors 80% of print and electronic media in Kenya due to the current capacity to ensure conformity with provisions with code of conduct	All Kenyans	100%
13	Modernization of Kenya News Agencies	47 Counties	179M	Timely dissemination of News items for informed citizenry	All Kenyans	30%
14	Five Storey Hostel with a capacity of 305 beds-Phase I	KIMC South B, Nairobi.	138M	The facility to house trainees on residential training.	305 Students	100% completed in 2013/14

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY**Reports and Financial Statements**

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	Project Title	Project Location	Project Cost (KES)	30th June 2016	Progress Achieved 2015/16	The Socio Economic Impact
15	Government Adverting Agency	Nairobi, Teleposta Towers 11 th Floor	130M	Centralize Government Advertisements and reduce cost	All Kenyans	50%

4. CROSS-SECTOR LINKAGES AND EMERGING ISSUES / CHALLENGES

4.1. Cross-Sector Linkages

The Kenya Vision 2030 clusters the Broadcasting and Telecommunications (B&T) sub-sector among enablers to spur economic growth and development across all other sectors of economy. The sub-sector cuts across all sectors by enabling communications and provision of information for production process. The subsector plays a key role in connecting government and the citizens and thus promotes efficiency, transparency and accountability in service delivery in the two levels of government.

The sub-sector provides universal access to information and data and therefore offers support to all other sectors as follows.

- Facilitates real time production of data, trade and sharing of research.
- Facilitates inter-regional exchange of information, trade and regional integration.
- Promotes accountability, transparency and efficiency in service delivery in all sectors.
- Interlinks operations of the National and County Governments to achieve the devolution agenda through communications...
- Promotes transparency, accountability, efficiency in business transactions.
- Enhances public and private sector micro-banking services and offers a quick turnaround in the economy.
- Supports disaster management, search and rescue services and emergency services by spreading information.

4.2. Emerging Issues

The growth and developments in the sector has seen emergence of other factors that complicate the operations and regulation of the subsector. As an enabler, the subsector should be strengthened to cope with the emerging issues.

- Increased IT enabled services requiring review of policy and legal frameworks,
- Increased demand on bandwidth and for Quality of Service (QoS),
- Challenges of cyber security,
- Implementation of regional integration projects which require harmonization of ICT policies in the international and regional fora,
- Content in the era of media convergence and globalization;
- Global partnership on Child online Protection and changing consumer preferences.

4.3. Challenges

The sub-sector is faced with various challenges that need to be addressed to ensure smooth implementation of its programmes. These include:-

- Conformity to freedom of access to information and data protection delayed due long period taken to enact the bill.
- Cost of communications still not affordable by all Kenyans
- Adaptation to rapid technological advancement and innovations in subsector.
- Weak policy, legal and regulatory framework to guide the growth and development subsector.
- Inadequate human and financial capacity for research and development in the subsector.
- Digital divide between the rural and urban areas limiting equal access to information.

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5. RECOMMENDATIONS

In order to sustain growth and development in the sector it is recommended that the government should:

- Continually evaluate the performance of ICT policy and legal frameworks in line with changing technology and emerging issues
- Allocate sufficient resources to implement National ICT infrastructures and Public Mass Media establishments, facilities and equipment's.
- Invest in innovation hubs in unserved and underserved areas to tap creative minds and develop them to commercialize their innovations.



JOE MUCHERU
CABINET SECRETARY

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

Reports and Financial Statements

For the year ended June 30, 2016

I. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government entity shall prepare financial statements in respect of that Ministry. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Ministry of Information, Communications and Technology is responsible for the preparation and presentation of the Ministerial financial statements, which give a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year ended on 30 June, 2016.

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 Ministry of Information Communications and Technology
- (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 Ministry of Information Communications and Technology selecting and applying appropriate accounting policies; and
- (v) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Ministry accepts responsibility for the financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Ministry of Information Communications and Technology financial statements give a true and fair view of the state of

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Ministry of Information Communications and Technology transactions during the financial year ended June 30, 2016, and of the Ministry of Information Communications and Technology financial position as at that date. The Accounting Officer charge of the Ministry of Information Communications and Technology further confirms the completeness of the accounting records maintained for the Ministry of Information Communications and Technology, which have been relied upon in the preparation of the Ministry of Information Communications and Technology financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Ministry of Information Communications and Technology confirms that the Ministry of Information Communications and Technology has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Ministry of Information Communications and Technology funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Ministry of Information Communications and Technology financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Ministry of Information, Communications and Technology's financial statements were approved and signed by the Accounting Officer on 30 September 2016.



ENG VICTOR NZIOKI KYALO
PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Ministry of Information, Communications and Technology (Vote 132) set out on pages 28 to 52, which comprise the statement of assets as at 30 June 2016, the statement of receipts and payments, statement of cash flows, summary statement of appropriation for recurrent and development combined and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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.

Management's Responsibility for the Financial Statements

The Accounting Officer – Ministry of information, Communication and Technology is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Report of the Auditor-General on the Financial Statements of Ministry of Information Communications and Technology for the year ended 30 June 2016

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Accounts Receivables – Outstanding Imprest

As disclosed in note 14 to the financial statements, the accounts receivables balance of Kshs.52,172,575 includes a suspense and clearance figure of Kshs.47,525,728 whose nature and supporting analysis was not availed for audit review. The accounts receivables balance also includes temporary imprests totalling Kshs.2,972,251 due from various officers some of which date back to August 2015. This is contrary to section 93(5) of the Public Finance Management Regulations which requires that a holder of temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station. The ministry was therefore in breach of the law.

In the circumstances, it has not been possible to confirm that the accounts receivables balance of Kshs.52,172,575 as at 30 June 2016 is fairly stated.

2.0 Repetitive Employment and Retention of Casuals

As disclosed in note 7 to the financial statements, compensation of employees figure of Kshs.434,092,363 includes an amount of Kshs.7,335,791 relating to basic wages of temporary employees. However examination of supporting documents indicate that the Ministry hired and retained the same casual workers during the year under review and previous years contrary to Section E21 (1) of the laid down labour laws and code of regulations, which states that an Authorized Officer or Principal Secretary will be responsible for approving of the hiring of casual workers after ascertaining there is need to hire them and that funds are available within their budgetary provision. Further, Section E23(2) of the code of regulations states that the casual workers should be hired on piece/time rated jobs and should be paid in accordance with minimum wage guidelines issued by the Government from time to time.

In addition, the ministry did not maintain a muster roll or a register to record attendance of the casual workers and therefore it was not possible to ascertain whether those who were paid did the jobs they were assigned.

Further, available information indicate that the casuals were assigned with Integrated Financial Management Information Systems (IFMIS) numbers and paid through the G-Pay system. It is not clear and management has not explained the circumstances under which casuals were given IFMIS numbers and under which authority this was done.

In the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs.7,335,790 for the year ended 30 June 2016.

3.0 Partitioning and Refurbishment work to 9 and 11 floors Teleposta Towers

The Ministry through restricted tendering awarded a tender for partitioning and refurbishment of 9 and 10 floors of Teleposta Towers to the lowest bidder at a contract sum of Kshs.12,720,769. The tender was however awarded contrary to section 29(3) of the Public Procurement and Disposal Act 2005 on use of restricted tendering which requires the entity to:-

- i. Obtain written approval of its tender committee and
- ii. Record in writing the reasons for using the alternative procurement procedure.

Further, Section 73(2) of the Public procurement and Disposal Act 2005 provides that a procurement entity may use restricted tendering if the following conditions are satisfied:-

- Competition for contract, because of the complex or specialized nature of the goods, works or services is limited to prequalified contractors;
- The time and cost required to examine and evaluate a large number of tenders would be disproportionate to the value of the goods, works or services to be procured; and
- There is only a few known suppliers of the goods, works or services as may be prescribed in the regulation.

In addition, the contract price was varied by Kshs.2,819,786 representing 22.16% of the contract sum which is over 15% allowable in the procurement laws. Further, the contract duration was varied from sixteen (16) weeks to twenty two (22) weeks with completion date being 13 August 2015. However, available information indicate that the project was completed and handed over on 7 January 2017 seventy seven (77) weeks later. This was done in breach of Public Procurement and Disposal Regulation 2006 section 31 which provides that for the purposes of section 47(b) of the Act, any variation of a contract shall be effective only if the price or quantity variation is to be executed within the period of the contract.

Perusal of the Bill of quantities indicated that the following was included of which no documentary evidence was provided for audit verification to show how the amounts were spent:-

	<u>Kshs</u>
Provide for project management expenses	200,000
Provide for contingencies	500,000
Preliminary expenses	<u>400,000</u>
TOTAL	<u>1,100,000</u>

The ministry was therefore in breach of the public procurement law and regulations thereby casting doubts as to whether the citizens obtained value for money.

4.0 Tender for Renovation and Refurbishment Works on the Ministry's Stand-Nairobi Show Ground

The ministry through restricted tendering awarded the tender to renovate and refurbish its stand at the Nairobi show ground to the lowest bidder at a cost of Kshs.5,472,730. The tender was however awarded contrary to section 29(3) of the Public Procurement and Disposal Act 2005 on use of restricted tendering which requires the entity to:-

- i. Obtain the written approval of its tender committee and
- ii. Record in writing the reasons for using the alternative procurement procedure.

Further, Section 73(2) of the Public procurement and Disposal Act 2005 provide that a procurement entity may use restricted tendering if the following conditions are satisfied:- Competition for contract, because of the complex or specialized nature of the goods, works or services is limited to prequalified contractors; the time and cost required to examine and evaluate a large number of tenders would be disproportionate to the value of the goods, works or services to be procured and that there is only a few known suppliers of the goods, works or services as may be prescribed in the regulations. In addition, examination of the bill of quantities indicates that the following items were included in the bill of quantities but no supporting documents were provided for audit verification;

	<u>Kshs</u>
Project management stationery and expenses	250,000
Allow for contractor's profits and overheads 10%	25,000
Insurance for employees'	50,000
Allow for electrical works	500,000
Allow for drainage and Mechanical works	800,000
Allow for landscaping	500,000
Allow for contingencies	300,000
TOTAL	<u>2,425,000</u>

Although the contract was to be for a duration of six (6) weeks, no minutes to show the date when the contractor took possession of the site, the commencement and completion dates and whether site inspections were being carried out were availed for audit review.

In the circumstances, it has not been possible to ascertain if the work was completed within the contract period and the propriety of expenditure totalling Kshs.5,472,730 for the year ended 30 June 2016 could not be confirmed.

5.0 Tender for Tilling Works to the Department of Information at Uchumi House

The ministry through restricted tendering awarded a contract for tilling works at the Department of Information at Uchumi House 5 floor to the lowest bidder at a cost of Kshs.4,850,204. The contract was however awarded contrary to section 29 (3) of the Public Procurement and Disposal Act 2005 on use of restricted tendering which requires the entity to:-

- i. Obtains written approval of its tender committee and
- ii. Record in writing the reasons for using the alternative procurement procedure.

Further, Section 73(2) of the Public Procurement and Disposal Act 2005 provides that a procurement entity may use restricted tendering if the following conditions are satisfied:-

Competition for contract, because of the complex or specialized nature of the goods, works or services is limited to prequalified contractors; the time and cost required to examine and evaluate a large number of tenders would be disproportionate to the value of the goods, works or services to be procured, and there is only a few known suppliers of the goods, works or services as may be prescribed in the regulation.

In view of the above, the Ministry was in breach of the law and value for money could not be established.

6.0 Unresolved Prior Year Matters

6.1 Legal fees

As previously reported, information available at the ministry indicates that on 18 September 2006 the Government of Kenya was sued in the High Court of Justice (Queens Bench Division) England on Anglo leasing related contracts. The Ministry of Information, Communications and Technology with the authority of the Attorney General single sourced and appointed a law firm to represent the Ministry in the High Court of Justice (Queens Bench Division London). The appointment of the Law firm was done on the understanding that the Ministry would be responsible for ensuring that reasonable professional fees were agreed upon, taxed and paid. The Ministry deposited Kshs.4,000,000 in the Advocates account in respect of legal fees. Thereafter the Legal firm with the authority of the Ministry engaged the services of another Law firm in England for the purpose of defending the Government of Kenya. Documents available indicate that the Kenyan Law firm filed a bill of costs before the Commercial Court at Mililani on 22 December 2009 against the Attorney General on behalf of the Ministry of Information, Communications and Technology. The Ministry filed its submission on 14 November 2011 opposing the said bill of costs. The matter was heard and a ruling delivered on 13 February 2013 dismissing the bill of costs and awarded the applicant the Kenyan Law firm Kshs.4,000,000 that was earlier deposited in their account as sufficient for the advisory work done for the Ministry on Anglo Leasing related contracts.

The law firm which was aggrieved by the Commercial Court's decision, filed an appeal in the High Court on 7 March 2013 and judgement was made on 31 October 2013 stating that the award of the Commercial Court of Kshs.4,000,000 was inordinately low and subsequently awarded the law firm Kshs.25,000,000 as reasonable instructions fee for the legal services rendered by the Kenyan Law Firm. Although the Ministry paid Kshs.25,000,000 to the Attorney General for onward transmission to the Law firm, no evidence of any contractual agreement between the Ministry and the law firm was availed for audit review. In the absence of the contractual agreement, it has not been possible to establish how the fee of Kshs.25,000,000 was arrived at. In the circumstance, the propriety of expenditure of Kshs.25,000,000 paid to the law firm could not be ascertained.

6.2 Transfers to Other Government Units

6.2.1 Transfer of Grants to Kenya Yearbook Editorial Board

As previously reported, examination of available records in the ministry indicates that a total of Kshs.83,198,400 was paid to Kenya Yearbook Editorial Board as grants for the financial year ended 30 June 2015. However examination of payment vouchers indicates that additional amount of Kshs.34,800,000 was paid as assistance to undertake various activities by the Kenya Yearbook Editorial Board vide payment vouchers No 419 and 501 for Kshs.27,000,000 and Kshs.7,800,000 respectively. The payments were done contrary to the Public Finance Management Regulations 2015 Section 71 (5) which provide that a National government entity is not allowed to give another National government entity cash donations to augment the budgetary resources of a designated department.

In addition, funds appropriated and approved for specific programs by the ministry of Information, Communications and Technology were paid to Kenya Yearbook Editorial Board contrary to Sections 54 of the Public Finance Management Regulation 2015 which state that except as provided for in the Act and these Regulations, an accounting officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for the purpose other than those activities. Further, review of records at the Kenya Year Book Editorial Board indicates that the funds were not in the approved budget for the financial year ended 30 June, 2015 and the procurement plan for the year did not include the goods and services procured. The Ministry was therefore in breach of the Law and no satisfactory explanations has been provided on how the amount of Kshs.34,800,000 was utilized as at the date of this report.

6.2.2 Unclear Transfer of Grants to Ministry Departments

As previously reported, the statement of receipts and payments for the year ended 30 June 2015 reflects Kshs.2,435,625,509 under grants and transfers to other Government Units. Included in the figure of Kshs.2,435,625,509 are grants totalling Kshs.110,000,000 transferred to two (2) Ministry Departments - Government Advertising Agency (GAA) Kshs.83,000,000 and Kenya Institute of Mass Communication (KIMC) Kshs.27,000,000 without budgetary provisions and approval contrary to Section 31 (1)

of the Public Finance Management Regulations 2015 which states that the accounting officer shall ensure that the draft estimates relating to her/his department are prepared in conformity with the Constitution and the Public Finance Management Act, 2012 and its Regulations. It was however observed that the two (2) Departments; Government Advertising Agency and Kenya Institute of Mass Communications were still Departments operating under the Ministry of Information, Communications and Technology and therefore do not qualify for grants. It is not clear and the Ministry has not explained the circumstances under which Kshs.110,000,000 was transferred to its two (2) internal departments and how the monies were utilized. In the circumstances, it has not been possible to confirm the propriety, regularity and validity of Kshs.110,000,000 transferred to the two (2) Ministry's internal departments as at the date of this report.

6.3. Acquisition of Assets

6.3.1 Un-authorized Expenditure on Purchase of Motor Vehicles

As previously reported, records available at the Ministry indicates that a total of Kshs.104,335,548 was spent on Purchase of Motor vehicles during the year under review against a budgetary provision of Kshs.91,200,000 resulting in unauthorized over expenditure of Kshs.13,135,548. The Ministry through letter ref. No. RES112/14/01/28 dated 23 January 2015 obtained authority from the Principal Secretary, National Treasury for purchase of 12 four wheel drive vehicles at a total cost of Kshs.70,695,190 to be distributed as follows:-

- i) 4 (four) vehicles to National Optic Fiber backbone Infrastructure (NOFBI),
- ii) 4 (four) for county connectivity project and
- iii) 4 (four) for Kenya Transparency Communication Infrastructure Project (KTCIP).

However the ministry disregarded the National Treasury authority to purchase twelve (12) vehicles and instead without authority, went ahead to procure twenty three (23) vehicles at a total cost of Kshs.104,335,548 resulting into an additional and unapproved expenditure of Kshs.13,135,548, as at 30 June 2015. In the circumstances, the propriety of over expenditure totalling Kshs.13,135,548 on motor vehicles has not been ascertained as the date of this report.

6.3.2 Agency and Disbursement Fees to Huawei Technologies Ltd

As reported in the previous year, examination of payment vouchers revealed that the ministry paid Kshs.28,218,313 to Huawei Technologies Ltd in 2014/2015 financial year in respect of agency fees. A review of the matter during the year under review revealed that the Ministry made a further payment of Kshs.6,716,103 to the firm all totalling to Kshs.34,934,416 as at 30 June 2016. Although Huawei Tech. (K) Ltd were contracted

to provide project management services on behalf of the Government of the Republic of Kenya through the Ministry Contract No. 00Y404131300200 of 7 July 2010, no documentary evidence was availed to show how the firm was identified and awarded the contract and how the contract price was arrived at. Scrutiny of Ministry records also indicate that the goods were cleared on 28 December 2013, while reimbursement and claim documents were presented in March 2015. No explanation has been provided as to why the documents took over a year before the same were lodged with the Ministry for payment. Further, no documentary evidence indicating that the goods and services were verified and inspected by an independent inspection team was availed for audit review.

In the circumstances, it has not been possible to confirm the propriety of expenditure totalling Kshs.34,934,416 as at 30 June 2016.

6.4 Kenya Institute of Mass Communications (KIMC)

6.4.1 Construction of Men's Hostel at KIMC

As previously reported, examination of the ministry records indicates that a Contract No. D32/01/2012-2013 for the proposed erection and completion of Men's hostels at the Kenya Institute of Mass Communication was awarded to a Construction Company at a contract sum of Kshs.188,858,602. However, scrutiny of the contract documents revealed that the contractor did not provide the following goods and services which were included in the bill of quantities:

	<u>Kshs.</u>
1. 2 No. Laptop Computers-Toshiba or other equal and approved	250,000
2. Project Management expenses:	
-Technical training of the MoPW	206,000
-Project management expenses	1,030,000
-Clerk of works allowances	154,500
-Airtime KES.5000×1person×6×12months	370,800
3. Performance bond	1,000,000
4. Provision of site office for project manager	<u>500,000</u>
TOTAL	<u>Kshs. 3,511,300</u>

Further, it was noted that although the Contractor was required to provide a performance bond of 5% of the contract sum or Kshs.1,000,000, the amount was irregularly provided for in the bill of Quantities and charged to the Ministry contrary to contract agreement. No satisfactory explanation has been provided as to why the contractor failed to provide for the performance bond as required and it is doubtful if public resources totalling Kshs.4,511,300 may not have gone into waste.

6.4.2 Failure to Deduct Withholding Tax on Payments to Contractor

As previously reported, examination of Ministry records revealed that the ministry failed to deduct and remit to Kenya Revenue Authority withholding tax totalling Kshs.5,665,758 upon payment to the contractor contrary to the Income Tax Act CAP 470 Section 35 (3) (f) which provides for deduction of withholding tax from resident Companies at the rate of 3% of the contract fees. No satisfactory explanation has been provided for the above anomaly and the Ministry was therefore in breach of Income Tax Laws.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Ministry of Information, Communications and Technology as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector accounting Standards (Cash Basis) and comply with Public Finance Management Act, 2012.

Other matter

Budgetary Controls and Performance

The Ministry of Information, Communications and Technology had a total budget of Kshs.17,693,497,869 voted for the financial year 2015/2016 comprising of Kshs.2,999,400,303 for Recurrent Vote and Kshs.14,694,097,566 for Development Vote respectively. The budget absorption in the Ministry was as follows:

	Budgeted Allocation 2015/2016	Actual Expenditure 2015/2016	Under Absorption	Absorption in %
	Kshs	Kshs	Kshs	
Recurrent	2,999,400,303	2,684,936,800	314,463,503	90%
Development	14,694,097,566	13,337,841,127	1,356,256,439	91%
TOTAL	<u>17,693,497,869</u>	<u>16,022,777,927</u>	(1,670,719,942)	

It has not been explained why the Ministry did not fully utilize the budget allocation as at June 30 June 2016

Recurrent Vote

The budget performance analysis for recurrent budget totalling Kshs.2,999,400,303 is as detailed below:

RECURRENT VOTE				
Revenue/Expense Item	Final Budget	Actual expenditure	Budget Utilisation Difference	% utilization
	Kshs	Kshs	Kshs	
RECEIPTS				
Tax Receipts	4,000,000	4,000,000	-	100%
Exchequer releases	2,819,400,303	2,661,100,000	-158,300,303	90%
Proceeds from Sale of Assets	164,000,000	83,982,886	-80,017,114	51%
Administrative Fees and Charges	12,000,000	12,000,000	-	100%
Other Receipts	-	56,125,284	56,124,284	0%
Total Receipts	2,999,400,303	2,761,082,896	-238,317,417	92%
PAYMENTS				
Compensation of Employees	467,400,000	434,092,363	(33,307,6370	93%
Use of goods and services	1,172,371,429	948,269,693	-224,101,726	81%
Transfers to Other Government Units	1,198,467,353	1,167,950,754	-30,516,599	97%
Other grants and transfers	1,750,000	50,000	-1,700,000	3%
Social Security Benefits	16,300,000	16,500,000	200,000	101%
Acquisition of Assets	143,111,521	118,073,980	-25,037,541	82%
Grand Total	2,999,400,303	2,684,936,800	-316,463,503	90%

The management explained that under-collection from sale of assets was due to an adjustment to allow for the collection of AIA in supplementary which was adjusted late in the month of June 2016, whereas the funds collected prior to the introduction of the budget line were collected in Deposits account. In addition, records availed for audit review indicate that Kshs.1,172,371,429 under Recurrent Vote was for use of goods and services. However as at the end of the financial year 2015/2016 only Kshs.948,269,693 had been spent representing 81% absorption. It is not clear why the Ministry did not spend Kshs.224,101,726 allocated for goods and services. Further, it was also noted that Kshs.1,750,000 and Kshs.143,111,521 were allocated under other grants and transfers and acquisition of assets respectively out of which only Kshs.50,000 and Kshs.118,073,980 equivalent to 3% and 82% respectively had been spent as at 30 June 2016. The under absorption of the approved budget is an indication of activities not implemented by the Ministry which implies non delivery of planned goods and services to the Kenyan citizens for the year ended 30 June 2016.

Development vote

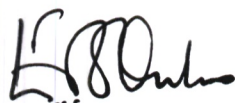
The ministry had a budget allocation of Kshs.14,694,097,566 under Development Vote for the year 2015/2016. The under collection of proceeds from foreign borrowing of

58% was due to non-submission of documents to support the transfers to projects not operated from the ministry. As at 30 June 2016 only Kshs.13,337,841,127 had been spent representing 91% of the budget allocation. Under payment of transfers to other Government units was due to non-collection of proceeds from foreign borrowings for the APD for Digital terrestrial DVB TZ project. Records availed for audit review indicate that Kshs.10,811,125,457 had been allocated for acquisition of assets and only Kshs.10,268,786,759 had been utilized representing 95% of the budget allocation resulting in under expenditure of Kshs.45,381,140 as detailed below:-

Development Vote

Revenue/Expense Item	Final Budget	Actual Expenditure	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	Kshs	Kshs	Kshs	Kshs
RECEIPTS				
Exchequer releases	11,594,097,566	11,548,716,426	-45,381,140.00	99%
Proceeds from Foreign Borrowings	3,100,000,000	1,793,075,323	-1,306,924,677	58%
Total Receipts	14,694,097,566	13,341,791,749	-1,352,305,817	99%
Payments				
Compensation of Employees	-			
Use of goods and services	1,267,692,676	1,252,972,482	-14,720,194	99%
Transfers to Other Government Units	2,615,279,433	1,816,081,886	-799,197,547	69%
Acquisition of Assets	10,811,125,457	10,268,786,759.00	-542,338,698	95%
Grand Total	14,694,097,566	13,337,841,127	(1,356,256,439)	91%

The under absorption of the development budget is an indication that planned development activities were not fully realized thereby affecting delivery of goods and services to the citizens.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

19 May 2017

Report of the Auditor-General on the Financial Statements of Ministry of Information Communications and Technology for the year ended 30 June 2016

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

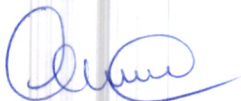
Reports and Financial Statements

For the year ended June 30, 2016

II. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
RECEIPTS			
Tax Receipts	2	4,000,000	-
Exchequer Releases	3	14,209,816,426	6,374,302,010
Proceeds from Foreign Borrowings	4	1,793,075,323	1,148,374,149
Proceeds from Sale of Assets	5	83,982,886	80,190,600
Administrative Fees and Charges	6A	12,000,000	12,000,000
Other Receipts	6B	<u>56,125,284</u>	<u>2,288,812</u>
TOTAL RECEIPTS		<u>16,158,999,919</u>	<u>7,617,155,571</u>
PAYMENTS			
Compensation of Employees	7	434,092,363	568,912,664
Use of goods and services	8	2,201,242,175	1,661,782,921
Grants & Transfers to Other Government Units	9	2,984,032,640	2,435,625,509
Other grants and transfers	10	50,000	1,049,660
Social Security Benefits	11	16,500,000	22,766,241
Acquisition of Assets	12	10,386,860,739	2,926,854,800
TOTAL PAYMENTS		<u>16,022,777,917</u>	<u>7,616,991,795</u>
SURPLUS/DEFICIT		<u>136,222,002</u>	<u>163,776</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry of Information, Communications and Technology financial statements were approved on 30 September 2016 and signed by:



ENG VICTOR NZIOKI KYALO
PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY
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III. STATEMENT OF ASSETS AS AT 30TH JUNE 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	140,431,930	11,325,197
Cash Balances	13B	64,485	429,633
Total Cash And Cash Equivalents		140,496,415	11,754,830
Accounts Receivables - Outstanding Imprests, Salary Advances and District suspense	14	52,172,575	1,312,661
TOTAL FINANCIAL ASSETS		192,668,990	13,067,491
LESS: FINANCIAL LIABILITIES			
Deposits/Accounts Payable	15	53,896,852	10,517,355
NET FINANCIAL ASSETS		138,772,138	2,550,136
REPRESENTED BY			
Fund balance b/fwd.	17	2,550,136	2,386,360
Surplus/Deficit for the year		136,222,002	163,776
Prior year adjustments		-	-
NET FINANCIAL POSITION		<u>138,772,138</u>	<u>2,550,136</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry of Information, Communications and Technology financial statements were approved on 30 September, 2016 and signed by:



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PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY**Reports and Financial Statements****For the year ended June 30, 2016****STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2016**

		2015 - 2016	2014 - 2015
		Kshs	Kshs
Receipts for operating income			
Tax Receipts	2	4,000,000	-
Exchequer Releases	3	14,209,816,426	6,374,302,010
Proceeds from Sale of Assets	5	83,982,886	80,190,600
Administrative Fees and Charges	6A	12,000,000	12,000,000
Other Receipts	6B	56,125,284	2,288,812
		<u>14,365,924,596</u>	<u>6,468,781,422</u>
Payments for operating expenses			
Compensation of Employees	7	(434,092,363)	(568,912,664)
Use of goods and services	8	(2,201,242,175)	(1,661,782,921)
Grants & Transfers to Other Government Units	9	(2,984,032,640)	(2,435,625,509)
Other grants and transfers	10	(50,000)	(1,049,660)
Social Security Benefits	11	(16,500,000)	(22,766,241)
		<u>(5,635,917,178)</u>	<u>(4,690,136,995)</u>
Adjusted for:			
Changes in Receivables	18	(50,859,914)	(91,156,911)
Changes in Payables	18	43,379,497	(10,517,355)
Adjustment to Cash flow equivalents B/F in 14/15	16	9,204,694	
Net cash flow from operating activities		8,731,731,695	1,686,661,128
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	12	10,386,860,739)	(2,926,854,800)
Net cash flows from Investing Activities		10,386,860,739)	(2,926,854,800)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	1,793,075,323	1,148,374,149

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY
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Net cash flow from financing activities	1,793,075,323	1,148,374,149
NET INCREASE IN CASH AND CASH EQUIVALENT	137,946,279	(101,024,217)
Cash and cash equivalent at BEGINNING of the year	2,550,136	103,574,353
Cash and cash equivalent at END of the year	140,496,415	2,550,136

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry of Information, Communications and Technology financial statements were approved on 30 September, 2016 and signed by:



ENG VICTOR NZIOKI KYALO
PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

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For the year ended June 30, 2016

IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	D	e=d-c	f=d/c %
RECEIPTS						
Tax Receipts	4,000,000	-	4,000,000	4,000,000	-	100%
Exchequer releases	8,092,629,866	6,320,868,003	14,413,497,869	14,209,816,426	(203,681,443)	99%
Proceeds from Domestic Borrowings	400,000,000.00	(400,000,000.00)	-	-	-	0%
Proceeds from Foreign Borrowings	3,400,000,000	(300,000,000)	3,100,000,000	1,793,075,323	(1,306,924,677)	58% ^①
Proceeds from Sale of Assets	80,000,000	84,000,000	164,000,000	83,982,886	(80,017,113)	51% ^②
Administrative Fees and Charges	12,000,000	-	12,000,000	12,000,000	-	100%
Other Receipts	-	-	-	56,125,284	56,125,284	0% ^③
Total Receipts	11,988,629,866	5,704,868,003	17,693,497,869	16,158,999,929	(1,534,497,940)	91%
Payments						
Compensation of Employees	467,400,000	-	467,400,000	434,092,363	(33,307,637)	93%
Use of goods and services	2,223,270,520	201,793,585	2,440,064,105	2,201,242,175	(238,821,920)	90%
Transfers to Other Government Units	3,412,529,433	401,217,353	3,813,746,786	2,984,032,640	(829,714,145)	78%

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Other grants and transfers	1,750,000	-	1,750,000	50,000	(1,700,000)	3% ⁽⁴⁾
Social Security Benefits	24,300,000	(8,000,000)	16,300,000	16,500,000	(200,000)	101% ⁽⁵⁾
Acquisition of Assets	5,859,379,913	5,019,857,065	10,954,236,978	10,386,860,739	(567,376,239)	94%
Grand Total	11,988,629,866	5,704,868,003	17,693,497,869	16,022,777,927	(1,670,719,942)	91%

Notes

1. The under collection of proceeds from foreign borrowing was due to non-submission of documents to support the transfers to projects not operated from the ministry.
2. Under collection from sale of Assets was due to an adjustment to allow for the collection of AIA in supplementary which was adjusted late in June, whereas the funds collected prior to the introduction of the budget line were collected in Deposits account.
3. Other receipts were receipts not classified in the budget and are broken down in note 6B
4. Under expenditure of other grants and transfers were funds budgeted for ESAMI trainings, however due to disruption of activities in the MHRAC for more than half of the financial year during the change of top management, they were not able to approve enough training programs to use up the funds.
5. Over expenditure of social security benefits was due to reduction of the budgeted gratuity figures after expenditure had already occurred.

The Ministry of Information, Communications and Technology financial statements were approved on 30 September, 2016 and signed by:



ENG VICTOR NZIOKI KYALO
PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

Reports and Financial Statements

For the year ended June 30, 2016

V. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
RECEIPTS						
Tax Receipts	4,000,000	-	4,000,000	4,000,000	-	100%
Exchequer releases	2,949,532,300	130,131,997	2,819,400,303	2,661,100,000	(158,300,303)	90%
Proceeds from Sale of Assets	80,000,000	84,000,000	164,000,000	83,982,886	(80,017,114)	51% ⁽¹⁾
Administrative Fees and Charges	12,000,000	-	12,000,000	12,000,000	-	100%
Other Receipts	-	-	-	56,125,284	56,124,284	0% ⁽²⁾
Total Receipts	3,045,532,300	214,131,997	2,999,400,303	2,761,082,896	(238,317,417)	92%
PAYMENTS						
Compensation of Employees	467,400,000	-	467,400,000	434,092,363	(33,307,637)	93%
Use of goods and services	1,241,921,844	(84,550,415)	1,172,371,429	948,269,693	(224,101,726)	81%
Transfers to Other Government Units	1,191,250,000	7,217,353	1,198,467,353	1,167,950,754	(30,516,599)	97%
Other grants and transfers	1,750,000	-	1,750,000	50,000	(1,700,000)	3% ⁽³⁾
Social Security Benefits	24,300,000	(8,000,000)	16,300,000	16,500,000	200,000	101%
Acquisition of Assets	118,910,456	39,201,065	143,111,521	118,073,980	(25,037,541)	82%
Total	3,045,532,300	(46,131,997)	2,999,400,303	2,684,936,800	(316,463,503)	90%

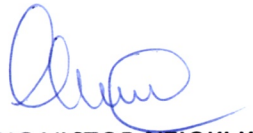
MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

Reports and Financial Statements

For the year ended June 30, 2016

1. Under collection from sale of Assets was due to an adjustment to allow for the collection of AIA in supplementary which was adjusted late in June, whereas the funds collected prior to the introduction of the budget line were collected in Deposits account.
2. Other receipts were unclassified in the Budget and are broken down in note 6B
3. Under expenditure of other grants and transfers were funds budgeted for ESAMI trainings, however due to disruption of activities in the MHRAC for more than half of the financial year during the change of top management, they were not able to approve enough training programs to use up the funds.

The Ministry of Information, Communications and Technology Financial Statement were approved on 29 September, 2015 and signed by:



ENG VICTOR NZIOKI KYALO
PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

Reports and Financial Statements

For the year ended June 30, 2016

VI. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
RECEIPTS						
Exchequer releases	5,143,097,566	6,451,000,000	11,594,097,566	11,548,716,426	(45,381,140.00)	99%
Proceeds from Foreign Borrowings	3,800,000,000	(700,000,000)	3,100,000,000	1,793,075,323	(1,306,924,677)	58% ⁽¹⁾
Total Receipts	8,943,097,566	5,751,000,000	14,694,097,566	13,341,791,749	(1,352,305,817)	99%
Payments						
Compensation of Employees			-			
Use of goods and services	981,348,676	286,344,000	1,267,692,676	1,252,972,482	(14,720,194)	99%
Transfers to Other Government Units	2,221,279,433	394,000,000	2,615,279,433	1,816,081,886	(799,197,547)	69%
Acquisition of Assets	5,740,469,457	5,070,656,000	10,811,125,457	10,268,786,759.00	(542,338,698)	95%
Grand Total	8,943,097,566	5,751,000,000	14,694,097,566	13,337,841,127	(1,356,256,439)	91%

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

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For the year ended June 30, 2016

1. The under collection of proceeds from foreign borrowing was due to non-submission of documents to support the transfers to projects not operated from the ministry.
2. Under payment of transfers to other Government units was due to non-collection of proceeds from foreign borrowings for the APD for Digital terrestrial DVB TZ project which was to then be transferred to ICTA.

The Ministry of Information Communications and Technology Financial Statements were approved on 30 September 2015 and signed by;



ENG VICTOR NZIOKI KYALO
PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

Reports and Financial Statements

For the year ended June 30, 2016

SUMMARY STATEMENT OF PROVISIONINGS

- Details of General Accounts On Vote

	2015 - 2016	2014 - 2015
	Kshs	Kshs
GAV Provisioning account balance	1,670,719,942	1,579,156,949
Total	1,670,719,942	1,579,156,949

- Details of Exchequer Account

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Exchequer Provisioning account balance	203,681,433	1,627,379,910
Total	203,681,433	1,627,379,910



ENG VICTOR NZIOKI KYALO
PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY
Reports and Financial Statements
For the year ended June 30, 2016

VII. NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

I. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Ministry of Information, Communications and Technology and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

II. Recognition of revenue and expenses

The Ministry of Information Communications and Technology recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Ministry of Information, Communications and Technology. In addition, the *entity* recognises all expenses when the event occurs and the related cash has actually been paid out by the *entity*.

III. In-kind contributions

In-kind contributions are donations that are made to the Ministry of Information Communications and Technology in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services.

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Where the financial value received for in-kind contributions can be reliably determined, the Ministry of Information Communications and Technology includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

IV. Cash and cash equivalents

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

V. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

VI. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY
Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

VII. Non-current assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the Ministry of Information Communications and Technology fixed asset register a summary of which is provided as a memorandum to these financial statements.

VIII. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Ministry of Information Communications and Technology at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

IX. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Ministry of Information and Communication and Technology's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Ministry of Information Communications and Technology actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

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.

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

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For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

XI. Subsequent events

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY
Reports and Financial Statements
For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TAX RECEIPTS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Taxes on Goods and Services	4,000,000	-
Total	4,000,000	-

3. EXCHEQUER RELEASES

Total Exchequer Releases Quarter 1	1,995,599,490	1,021,812,200
Total Exchequer Releases Quarter 2	982,000,000	2,046,000,000
Total Exchequer releases Quarter 3	1,849,443,353	1,975,450,000
Total Exchequer Releases Quarter 4	9,382,773,583	1,331,039,810
Total	14,209,816,426	6,374,302,010

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PROCEEDS FROM FOREIGN BORROWINGS

These are donor funded projects operated by ICT Authority funded by World Bank- NOFBI

Name of Donor	Date received	Amount in foreign currency	2015 - 2016	2014 - 2015
			Kshs	Kshs
Foreign Borrowing-Direct Payments	-	-	1,793,075,323	1,148,374,149
			<u>1,793,075,323</u>	<u>1,148,374,149</u>

5. PROCEEDS FROM SALE OF ASSETS

Receipts from Sale of Inventories, Stocks and Commodities	80,000,000	80,000,000
Receipts From sale of non-Produced Assets Collected as AIA	3,982,886	190,600
TOTALS	<u>83,982,886</u>	<u>80,190,600</u>

6.

a. ADMINISTRATIVE FEES AND CHARGES

Administrative Fees and Charges	12,000,000	12,000,000
TOTALS	<u>12,000,000</u>	<u>12,000,000</u>

b. OTHER REVENUES

Transfer from Communications Authority	40,000,000	-
Recovery from Media Council of Kenya	4,000,000	-
Transfer From ICT Authority	10,000,000	-
Other receipts not Classified Elsewhere	2,125,284	2,288,812
TOTAL	<u>56,125,284</u>	<u>2,288,812</u>

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY
Reports and Financial Statements
For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. COMPENSATION OF EMPLOYEES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic salaries of permanent employees	273,642,970	395,180,755
Basic wages of temporary employees	7,335,791	2,700,840
Personal allowances paid as part of salary	126,175,620	171,031,069
Other Allowances	26,937,982	
Total	<u>434,092,363</u>	<u>568,912,664</u>

8. USE OF GOODS AND SERVICES

Utilities, supplies and services	7,269,593	20,416,598
Communication, supplies and services	45,181,039	332,938,735
Domestic travel and subsistence	67,775,004	50,230,286
Foreign travel and subsistence	31,661,862	21,923,714
Printing, advertising and information supplies & services	307,905,143	15,378,941
Rentals of produced assets	98,902,653	88,456,229
Training expenses	179,662,000	14,378,716
Hospitality supplies and services	74,529,708	52,615,429
Specialised materials and services	22,501,504	59,412,635
Office and general supplies and services	17,698,840	21,550,070
Fuel Oil and Lubricants	21,571,425	23,121,684
Other Operating Expenses	1,258,094,106	800,627,814
Routine Maintenance vehicles	17,746,541	11,386,797
Routine maintenance – other assets	50,742,757	149,352,272
Total	<u>2,201,242,175</u>	<u>1,661,782,921</u>

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There was a significant increase in Advertising Expenditure as the Government Advertising Agency became fully operational, and all Government ministerial advertisements were rechanneled to the Government Advertising Agency.

Training Expenses also increased significantly due to the introduction of Digital Talent Program with a budget of 172 million shillings for the financial year 2015/2016. The program was run by ICT Authority.

9. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200)	2,984,032,640	2,435,625,509
TOTAL	<u>2,984,032,640</u>	<u>2,435,625,509</u>

10. OTHER GRANTS AND TRANSFERS

Despcrition		
Membership dues and subscriptions to international organizations (2620100)	50,000	1,049,660
TOTAL	<u>50,000</u>	<u>1,049,660</u>

11. SOCIAL SECURITY BENEFITS

TOTAL	<u>16,500,000</u>	<u>22,766,241</u>
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12. ACQUISITION OF ASSETS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
<u>Non-Financial Assets</u>		
Construction of Buildings	-	70,848,000
Refurbishment of Buildings	-	30,769,472
Construction and Civil Works	1,513,000	11,165,687
Purchase of Vehicles and Other Transport Equipment	209,735,950	27,034,948
Overhaul of Vehicles and Other Transport Equipment	424,802	3,024,081
Purchase of Household Furniture and Institutional Equipment	368,120	2,041,907
Purchase of Office Furniture and General Equipment	28,959,879	9,385,674
Purchase of Specialised Plant, Equipment and Machinery	5,334,399,722	1,157,372,466
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	39,312,489
Research, Studies, Project Preparation, Design & Supervision	2,665,191,521	1,241,696,261
<u>Financial Assets</u>		
Domestic Public Non-Financial enterprises	<u>2,146,267,745</u>	<u>334,203,815</u>
Total	<u>10,386,860,739</u>	<u>2,926,854,800</u>

Of the 10 billion spent on acquisition of assets, 2.1 billion were direct transfers to ICTA by the Donor (World Bank) through NOFBI project, 2.6 billion were transfers to ICTA through the Ministry for KTCIP project and 5.3 billion were transfers to ICTA through the ministry for purchase of ICT and Networking equipment (The Laptop Project). Only 356 million was spent within the ministry.

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13. A: BANK ACCOUNTS

Name of Bank, Account No. & currency	Account Type	2015 - 2016	2014 - 2015
		Kshs	Kshs
CENTRAL BANK NRB, NO.1000181575	RECURRENT	57,321,445	683,434
CENTRAL BANK NRB, NO.1000181788	DEVELOPMENT	29,213,632	307,312
CENTRAL BANK NRB, NO.1000182253	DEPOSIT	<u>53,896,852</u>	<u>10,334,451</u>
Total		<u>140,431,930</u>	<u>11,325,197</u>

13.B: CASH IN HAND

Cash in Hand – Held in domestic currency	64,485	429,633
Total	<u>64,485</u>	<u>429,633</u>

13.C Analysis of Cash in hand:

Notes	64,480	429,633
Coins	<u>5</u>	-
Total	<u>64,485</u>	<u>429,633</u>

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14. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Temporary Imprests (Annex 1)	2,972,251	208,250
Salary Advance, Fridge advance and Training Levy (Annex 2)	1,674,596	963,539
Suspense and Clearances	<u>47,525,728</u>	<u>140,872</u>
Total	<u>52,172,575</u>	<u>1,312,661</u>

15. ACCOUNTS PAYABLE

Description	2015-2016	2014-2015
Deposits (Annex 3)	53,896,852	10,334,451
AP Liabilities	-	182,904
Total	<u>53,896,852</u>	<u>10,517,355</u>

16. PRIOR YEAR ADJUSTMENTS (cash flow statement)

This adjustment is because the Net cash and cash equivalents in cash flow for the FY 14/15 was matched to the net Financial Position instead of the Net cash and cash equivalents as shown in the balance sheet. This is to correct the position. (See statement of Assets and Liabilities and Cash Flow)

	2015-16	2014-15
Cash and cash equivalents for the year (see statement of Assets)	11,754,830	-
Less: cash and cash equivalents as reported in cash flow statement	(2,550,136)	-
	-	-
Total Adjustment to cash and equivalents B/F	<u>9,204,694</u>	<u>00</u>

The error is now corrected

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. FUND BALANCE BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank Balances	11,325,197	10,589,465
Cash Balances	429,633	515,317
Accounts Receivable	1,312,661	92,469,571
Accounts Payable	(10,517,355)	-
Prior Year Adjustments	-	<u>(101,187,992)</u>
Total	<u>2,550,136</u>	<u>2,386,360</u>

18. CHANGES IN RECEIVABLES/PAYABLES

	2015-2016	2014-2015	2013-2014	▲ IN 2015-2016	▲ IN 2014-2015
Receivable Balance	52,172,575	1,312,661	92,469,571	50,859,914	(91,156,911)
Payable Balance	53,896,852	10,517,355	-	43,379,497	10,517,355

The closing bank balances were adjusted for as all cash in the accounts at the end of the financial year were surrendered to Treasury, starting the year with a nil balance. The clearance accounts were adjusted for as they will be spent in the year they are claimed.

19. PENDING BILLS

As at the closure of the financial year 2015/16 there were pending bills amounting to Ksh1.392 million that will be taken up by the State Department of ICT and Innovation from the financial year 2016/17 (see attached Appendix 1).

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20. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
927	Personal Emoluments	Due to payments made to officers outside the IPPD system	DDHRM	Resolved	
928	General Account on vote-Long outstanding balances	Long outstanding balances can only be cleared upon being granted authority by the National Treasury	PAC	Not resolved	Treasury to guide upon the receipt of Parliamentary Accounts Committee Report
929	Unanalyzed balances	Balances have been analysed	PAC	Resolved	
930	Pay master General Account	Paymaster General Account has been reconciled	PAC	Resolved	
931	Accuracy of the development Appropriation Account	Pending bills were as a result of late delivery of goods and services and non-receipt of exchequer	PAC	Resolved	
932	Under collection of Appropriation –in –Aid	Payments made to international organisations by the National Treasury but confirmation of receipts had not been communicated to Ministry by the time	PAC	Resolved	

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		accounts were prepared. Donor not approving and signing the work programme			
933	Under expenditure	This was due to various reasons <ul style="list-style-type: none"> ➤ non remittance of funds by United Nation International children Emergency Fund (UNICEF) ➤ District Expenditure Returns ➤ Lack of approval of work plan by UNDP ➤ Late submission of certified works certificate by contractors ➤ Delay of commencement of procurement process ➤ Late submission of invoiced by suppliers 	PAC	Resolved	
934	Unrecognized paymaster General account	The paymaster General account was reconciled	PAC	Resolved	
935	Long outstanding balances	Long outstanding balances can only be cleared after the recommendation of the taskforce report by the External Auditor.	PAC	unresolved	Treasury to guide upon the receipt of Taskforce Report from the External Auditor
936	Unsupported balances	Balances have been analysed and supported	PAC	Resolved	
937	Un-reconciled paymaster General balances	The paymaster General account was reconciled	PAC	Resolved	
938	Unsupported revenue balances	Balances have been analysed and supported	PAC	Resolved	

Guidance Notes:

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939	Unsupported loan balances	Details of outstanding loan are maintained by the National Treasury which were availed	PAC	Resolved	
936	Unsupported balances	Balances have been analysed and supported	PAC	Resolved	
937	Un-reconciled paymaster general balances	The paymaster General account was reconciled	PAC	Resolved	
938	Unsupported revenue balances	Balances have been analysed and supported	PAC	Resolved	

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Ministry of Information Communication and Technology responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



ENG VICTOR NZIOKI KYALO
PRINCIPAL SECRETARY



EDITH KAINDA NKANATA (MRS)
PRINCIPAL ACCOUNTANT

MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY

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ANNEX 1 - OUTSTANDING IMPRESTS

<i>NAME OF OFFICER OR INSTITUTION</i>	<i>DATE IMPREST TAKEN</i>	<i>AMOUNT TAKEN KSHS</i>	<i>AMOUNT SURRENDERED (KSHS)</i>	<i>BALANCE (KSHS)</i>
Sammy Ashihudu Shehemi Itemere	29.05.16	368,714.00	30.06.16	368,714.00
Victor Kyalo	30.01.16	91,000.00	29.02.16	91,000.00
Brown Ingabo Otuya	18.08.15	67,200.00	07.09.15	67,200.00
Katherine Wanjiru Getao	13.06.16	179,911.60	30.06.16	179,911.06
Dennis Chebitwey Kuko	07.09.15	67,200.00	30.09.15	67,200.00
Grace Wanjiku Kuria	03.05.16	10,000.00	20.05.16	10,000.00
Henry Masambaga Mung'asia	30.06.16	176,400.00	30.06.16	176,400.00
Abraham Ondeng Ogaye	29.02.16	142,040.00	09.03.16	142,040.00
Kiplimo Tuwei	11.04.16	20,000.00	30.06.16	20,000.00
David Mwangi Gachini	11.03.16	10,000.00	24.06.16	10,000.00
Hamisi Ali Kibila	18.04.16	4,900.00	30.06.16	4,900.00
Joyce Wanjiru Kihumba	07.08.15	15,000.00	30.06.16	15,000.00
Joseph Ole Tiampati Musuni	28.08.15	400.00	07.09.15	400.00
Wilfred Fredrick Otieno Amolo	25.05.16	168,000.00	30.06.16	168,000.00
Daniel Long'or Lengelech	27/08/15	19,600.00	28.09.15	19,600.00
Mary Matilda Muleshe Ngaruma	18.08.15	62,000.00	29.03.16	62,000.00

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Lydia Jeruto Rotich	25.06.16	51,800.00	30.06.16	51,800.00
Joseph Wakaba Mucheru	20.06.16	227,189.20	29.06.16	227,189.20
Mary Awuor Malaki	06.11.15	64,400.00	09.11.15	64,400.00
Joan Muthoni Imbolokonye	24.05.16	3,000.00	24.06.16	3,000.00
James Pharaoh Uhuru Ochichi	06.08.15	36,000.00	07.09.15	36,000.00
Wycliffe Philip Buhere	06.08.15	75,600.00	28.08.15	75,600.00
Stephen Muriuki	06.08.15	63,000.00	20.08.15	63,000.00
Daniel Opiyo Adhiambo	06.08.15	63,000.00	20.08.15	63,000.00
Charity Njambi Kimani	07.09.15	8,500.00	24.08.15	8,500.00
Julius Muniu Gachunga	17.12.15	3,500.00	28.12.15	3,500.00
Daniel Kinuthia Mwangi	21.04.16	126,000.00	21.04/16	126,000.00
Nicholas Osiko Otieno	29.12.15	27,300.00	12.04.16	27,300.00
Masayo Pelela	25.09.15	148,896.00	08.10.15	148,896.00
Sarah Robert Moguku	18.04.16	5,000.00	29.04.16	5,000.00
Paul Gichuki Macharia	08.09.15	6,000.00	11.09.15	6,000.00
Kennedy Odhiambo Ogola	12.08.15	14,000.00	18.08.15	14,000.00
Justus Nyamolo Omuga	07.08.15	63,000.00	20.08.15	63,000.00
Augustus Munyoki	30.06.16	84,000.00	30.06.16	84,000.00
Moses Mogusu Nyandika	07.01.16	10,500.00	13.01.16	10,500.00

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Samuel Scout Oyaro	16.12.15	53,400.00	17.12.15	53,400.00
Robert Osano Osano	25.06.16	67,200.00	30.06.16	67,200.00
Violet Asiko Mulwa	25.06.16	207,200.00	30.06.16	207,200.00
Rodney Mosomi Omari	29.07.15	98,400.00	27.10.15	98,400.00
George Karanja Chege	06.08.15	63,000.00	20.08.15	63,000.00
Total		2,972,250.80		2,972,250.26

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ANNEX 2 - ANALYSIS OF PENDING STAFF ADVANCES

SALARY ADVANCES

Name of Staff	P/NO	Original Amount	Date Issued	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
		a	b	c	d=a-c		
SALARY ADVANCE							
1. SAMMY ASHIHUNDU ITEMERE	2015061031	1,311,750	21.03.16	327,938	983,812		
2. BROWN OTUYA	1983097434	391,800	10.03.16	32,650	359,150		
3. WILFRED AMOLO OTIENO	1983091111	309,906	05.10.15	205,562	104,344		
4. NYAMBURA CHEGE KIBACHIA	1985022354	91,760	04.11.15	61,176	30,584		
5. NELLY CHEPKEMOI KOSGEI	2011011860	65,160	21.03.16	21,270	43,440		
6. ANDREW CHERUIYOT ARAP KIRUI	1990112164	45,880	15.02.16	19,116	26,753		
7. SAMUEL MUKARA	2006001151	28,406	13/14	0	28,406		
8. JUSTUS KYALO KEESI	1988129155	130,580	11.09.15	119,191	10,889		
9. LUCY NJERI NJOROGE	1986020949	10,144	13/14	0	10,144		
10. JENEFFER ORIMBA	1986019697	8,000	26.04.16	2,000	6,000		
11. JAPHETH LUILU	1991000093	15,270	29.10.15	10,184	5,086		
12. ISAAC CHALINGA	1985102162	20,289	16.10.15	15,207	5,072		
13. ROBERT MUNGA CHIFULO	2012035502	14,520	16.02.16	4,840	9,680		

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Name of Staff	P/NO	Original Amount	Date Issued	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
Sub-Total		2,443,465		819,134	1,623,350		
TRAINING LEVY							
1. CHARLES WANJOHI NDERITU					13,787		
2. DANIEL MWANGI WANGEMA					5,350		
3. JOSEPH GITAU NG'ANGA					16,051		
4. EJAKAIT MELECHEZEDECK ENCH					5,350		
5. MUTISO BERNARD					10,698		
Sub-Total					51,236		
Grand Total					1,674,596		

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ANNEX 3 - ANALYSIS OF ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2015	Comments
	a	b	c	d=a-c		
Construction of buildings and Civil Works						
1. ALBATORS GENERAL CONSTRUCTION	196,845		-	196,845	196,845	
2. BAYER EAST AFRICA	251,000		-	251,000	251,000	
3. CACTUS TRADING COMPANY	959,197		-	959,197	-	
4. HIGHPOINT AGENCIES	1,923,963		961,931	961,931	741,392	
5. INTERLINK INDUSTRIES	891,433		-	891,433	891,433	
6. JOYLER ENTERPRISES	547,156		273,578	273,578	-	
7. KOMAG ENTERPRISES	193,124		-	193,124	193,124	
8. SARAWET AGENCIES	1,527,444		-	1,527,444	1,527,444	
9. SKILLMAN CONSTRUCTION COMPANY	5,473,466		-	5,473,466	5,473,466	
10. START GENERAL CONTRACTORS	555,933		242,570	313,423	70,913	
11. WIDEVIEW TRADERS	602,210		-	602,210	602,210	
12. YORK INVESTMENTS	358,355		-	358,355	358,355	
Sub-Total	13,480,126		1,478,079	12,002,006	10,306,182	
Supply of Services						
13. Huawei	1,000,000		982,175	17,825	28,267	
14. Anti – Counterfeit Agencies	630,205		-	630,205	-	
15. Competition Authority of Kenya	483,522		-	483,522	-	
16. Co-operative Bank of Kenya	75,862		-	75,862	-	
17. EPZ Authority	918,825		-	918,825	-	