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Deputy Leader of Majority Party

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# ANNUAL REPORT & FINANCIAL STATEMENTS 2022



## **Our Vision**

A vibrant, safe, secure and sustainable civil aviation system.



## **Our Mission**

To manage, promote and develop a sustainable, safe and secure civil aviation system through effective oversight, economic regulation of air transport, provision of air navigation services and delivery of quality training.

**KENYA CIVIL AVIATION AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDING**  
**JUNE 30, 2022**

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# 1. KEY AUTHORITY INFORMATION AND MANAGEMENT

## (a) Background information

Kenya Civil Aviation Authority was established under the Civil Aviation (Amendment) Act, 2002 on 24th October 2002. The Act received Presidential Assent and became effective on the same day, 24th October 2002. This Act amended the Civil Aviation Act (Cap.394) of the Laws of Kenya and established the Kenya Civil Aviation Authority (KCAA) as an autonomous corporate body that took over the functions of the Directorate of Civil Aviation (DCA) and the licensing of air services hitherto under Civil Aviation Board (CAB). The Civil Aviation Act (Cap 394) and the Civil Aviation (Amendment) Act, 2002 have now both been superseded by The Civil Aviation Act, 2013, as amended by the Civil Aviation (Amendment) Act 2016.

The Authority is domiciled in Kenya and has Stations in Nairobi, Mombasa, Kisumu, Malindi, Eldoret, Mua Hills, Poror, Mlolongo, Ngong, Lokichoggio, Diani, Wajir and Montreal, Canada.

At cabinet level, Kenya Civil Aviation Authority is represented by the Cabinet Secretary for Transport, Infrastructure, Housing, Urban Development and Public Works who is responsible for the general sector policy direction and bilateral agreements/arrangements.

## (b) Principal Activities

KCAA performs two broad key functions. The first one is to provide air navigation services in Kenya's Airspace (also referred to as the Nairobi Flight Information Region). The second is to regulate the aviation industry in Kenya. In addition to this, KCAA offers training for aviation personnel through the East African School of Aviation.

The mandate of the KCAA is essentially embedded in its functions/responsibilities, which are enumerated in the Civil Aviation Act 2013, as amended by the Civil Aviation (Amendment) Act 2016. These functions are:

- a. Licensing of air services.
- b. Provision of the air navigation services.
- c. Establishment and maintenance of a system of aircraft registration and the marking of civil aircraft;
- d. Securing sound development of the civil aviation industry in Kenya;
- e. Advising the Government on matters concerning civil aviation.
- f. Co-ordination and direction of search and rescue services;
- g. Facilitation and provision of all the necessary support for aircraft accident and incident investigations conducted by the investigator-in-charge;
- h. Carrying out investigations on incidents that are not classified as accidents and serious incidents;
- i. Safety, security, economic and technical regulation of civil aviation;
- j. Dealing with incidents of unlawful interference with aviation security;
- k. Certification of aircraft operators;
- l. Enforcement of approved technical standards of aircraft;
- m. Licensing and monitoring of aeronautical personnel;

- n. Provision of technical services for the design, installation, and modification of electronic, radio and other equipment used in the provision of air navigation services;
- o. Ensuring the integrity of the systems, equipment and facilities of the Authority;
- p. Issuance and dissemination of the publications referred to in the Act;
- q. Production of accurate, timely, comprehensive and relevant air transport information for planning and decision-making purposes;
- r. Approval, certification and licensing of aircraft maintenance organisations and regulation of aviation training institutions in Kenya;
- s. Establishment, management and operation of training institutions for purposes of the Authority;
- t. Registration of rights and interests in aircraft;
- u. Planning, development and formulation of the airspace master plan for the safe and efficient utilization of Kenyan airspace;
- v. Establishment, co-ordination and maintenance of state aviation safety and security programmes,
- w. Licensing, certification, registration and surveillance of aerodromes,
- x. Certification and surveillance of air navigation service providers,
- y. Licensing and certification of regulated agents,
- z. Implementing and enforcing the provisions of the Act, regulations and directives issued hereunder and treaties to which Kenya is a party,
- aa. Taking measures to minimize, to the extent possible, any disturbance to the environment from noise, vibration, atmospheric pollution or any other cause attributable to the use of aircraft for the purpose of civil aviation,
- ab. Performing economic oversight of air services, protecting consumer rights, environment and ensuring fair trading practices,
- ac. Giving effect to the Chicago Convention and other international agreements relating to civil aviation to which Kenya is party to; and
- ad. Performance of such other functions as may, from time to time, be conferred on it by the Cabinet Secretary or by any other written law.

KCAA carries out its functions in a manner consistent with the Chicago Convention on International Civil Aviation, Annexes to the Convention relating to international Standards and Recommended Practices (SARPs) and any amendment thereto or any other international conventions and protocols relating to civil aviation that Kenya is a party to.

KCAA is also expected to perform any obligations required by any agreement, treaty or arrangement between Kenya and any other country, inter-Governmental organization or any other body with respect to the safety, regularity and efficiency of air navigation and aviation safety and security in general.

The Act also stipulates that, in the discharge of its responsibility for aviation safety and security, the Authority should coordinate its activities with other agencies of Government, including the Kenya Airports Authority, the Department of Defence and the National Police Service.

**VISION**

A vibrant, safe, secure and sustainable civil aviation system.

**MISSION**

To manage, promote and develop a sustainable, safe and secure civil aviation system through effective oversight, economic regulation of air transport, provision of air navigation services and delivery of quality training.

**CORE VALUES**

**Excellence**

**Integrity**

**Resilience**

**Responsiveness**

**Professionalism**

**(c) Key Management**

The Authority's day-to-day management is under the following key organs:

- Director General
- Management Team

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

| No. | Designation  | Name                                       |
|-----|--|--|
| 1.  | Director General                                     | Capt. Gilbert M. Kibe<br>(up to 22/4/2022) |
| 2.  | Director General                                     | Mr. Emile N. Arao<br>(from 23/4/2022)      |
| 3.  | Director Corporate Services                          | CPA Joseph K. Chebungei                    |
| 4.  | Corporation Secretary                                | Mr. George Ombaso Mogaka                   |
| 5.  | Ag. Director Air Navigation Services                 | Mr. Ephantus Mainnah Kamau                 |
| 6.  | Ag. Director Aviation Safety Standard and Regulation | Mr. Nicholas N. Muhoya                     |
| 7.  | Director East African School of Aviation             | Dr. George K. M. M'Nchebere                |

**(e) Fiduciary Oversight Arrangements**

Fiduciary oversight on the Authority's activities are carried out by the following:

**Finance and Human Capital Committee**

This Committee is composed of five Directors of the Board including the Director General. Its main function is to review and monitor the Authority's financial matters on behalf of the Board, including review of the liquidity status, all the Authority's bank accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliations. It also ensures compliance with the financial reporting requirements and proper keeping of all the financial records of the Authority.

**Audit, Risk and Governance Committee**

This Committee is composed of four Directors of the Board and Head of Internal Audit and Review as its Secretary. Its main function is to consider and make recommendations to the Board all matters relating to Internal and External Audits, Risk Management and Governance inclusive of Performance Contract reporting.



## Public Investments Committee

This is a Parliamentary Committee that consists of a Chairman, Vice Chairman and not more than sixteen other Members. The functions of the Committee are to examine the reports and accounts of public investments, to examine the reports, if any, of the Auditor General on the public investments and to examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

### (f) Headquarters

Aviation House  
Jomo Kenyatta International Airport  
P. O. Box 30163  
GPO 00100  
Nairobi, Kenya

### (g) Contacts

Telephone: (254) 20 6827470-5  
Email: [info@kcaa.or.ke](mailto:info@kcaa.or.ke)  
Website: [www.kcaa.or.ke](http://www.kcaa.or.ke)

### (h) Bankers

#### National Bank of Kenya

Jomo Kenyatta International Airport Branch  
P.O. Box 30763 - 00100  
Nairobi, Kenya

#### Commercial Bank of Africa

Swissport Branch Community  
Jomo Kenyatta International Airport  
P. O. Box 30437 - 00100  
Nairobi, Kenya

#### Stanbic Bank Kenya

Industrial Area Branch  
P. O. Box 30550 - 00100  
Nairobi, Kenya

#### Kenya Commercial Bank

Jomo Kenyatta International Airport Branch  
P.O. Box 19065-00501  
Nairobi, Kenya

#### Standard Chartered Bank

Kenyatta Avenue Branch  
P. O. Box 30001 - 00100  
Nairobi, Kenya

#### Equity Bank Ltd

Corporate Branch  
P. O. Box 75104  
Nairobi, Kenya

#### Commercial Bank

Haile Selassie Avenue Branch  
P. O. Box 58992 - 00200  
Nairobi, Kenya

#### CIBC Bank

1155 Boul. Rene-Levesque, Ouest  
Montreal, Quebec  
H3B 3Z4, Canada


### (i) Independent Auditors

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

### (j) Principal Legal Advisor

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

## 2. THE BOARD OF DIRECTORS

| Director's Name  | Director's Date of Birth, Key Qualifications and Work Experience   |
|--|--|
|  | <p><b>Date of Birth:</b> 1956</p> <p><b>Key Qualifications:</b> Msc. Highway Engineering, Bsc (Civil Engineering), Registered/Licensed Consulting Engineer (EBK), MIEK</p> <p><b>Work Experience:</b> Over 30 years' experience in Public and Private Sector in Development, Design, Procurement, Implementation, Maintenance and Management of Projects; Staff Recruitment, Placement, Training, Performance Based – Contracting and Job Evaluation.</p> <p>Director General / Chief Executive Officer (CEO) of Kenya Urban Roads Authority (KURA) from 1st December 2008 to 30th November 2014. Secretary to Board of Directors (KURA). Managing Director (Sunton Ltd), MD &amp; Senior Partner (Sungate Ltd), Senior Principal Superintending Engineer-Planning (Ministry of Roads and Public Works), Principal Superintending Engineer-Planning, Principal Superintending Engineer-Planning &amp; Technical Administration, Principal Superintending Engineer-Technical Administration, Principal Superintending Engineer-Maintenance, Chief Superintending Engineer-Maintenance, Chief Superintending Engineer-Trunk Roads, Chief Superintending Engineer-Technical Administration, Chief Superintending Engineer-Design, Superintending Engineer, Design Engineer (Ministry of Transport and Aerodromes).</p> <p>Extensive knowledge and experience in Donor funding and procurement procedures of various Multilateral and Bilateral Agencies including the World Bank, African Development Bank (AfDB), European Union, Japanese International Co-operation Agency (JICA), among others.</p> <p>Represented the Kenya Government in regional bodies, which included; East Africa Community, New Partnership for Africa's Development (NEPAD), Common Market for Eastern and Southern Africa (COMESA) among others. Registrar of Engineers Registration Board of Kenya for Seven years (1994-2001).</p> <p>He was re-appointed to the Board with effect from 7th August 2020 and is the Chair of the Board.</p> |

Eng. Joseph N. Nkadayo, MBS  
(Chairman of the Board)

**Director's Name****Director's Date of Birth, Key Qualifications and Work Experience**

Dr. Eng. Joseph K. Njoroge,  
CBS  
(Board Member)

**Date of Birth: 1958**

**Key Qualifications:** First Class Honours degree in Electrical Engineering, Master of Business Administration with a major in strategic management and a Doctor of Philosophy (PhD) in Strategic Management, all from the University of Nairobi. Chartered Electrical Engineer; a member of the Institution of Engineering and Technology, UK; a Registered Consulting Engineer; a Fellow of the Institution of Engineers of Kenya; member of Institute of Directors, Kenya; and trainer in Corporate Governance.

**Work Experience:** Principal Secretary State Department for Transport in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works.

He joined Kenya Power in 1980 and rose through the ranks to become the Managing Director from June 2007 up to June 2013 when he was appointed the Principal Secretary, Ministry of Energy and Petroleum. He was later transferred in the same capacity to the State Department for Energy in December 2015.

Dr. Eng. Joseph K. Njoroge has a wide experience in Leadership and Management at policy, business and operational levels gained while working at Energy and Petroleum public service delivery initiatives. As a result of demonstrated record of Public Service and effective role in National Development, Dr. Eng. Joseph K. Njoroge has earned the Presidential Honour awards of Moran of the Order of the Burning Spear (MBS) in 2009 and Chief of the Order of the Burning Spear (CBS) in 2015.

He serves as a Board member with effect from 29th September 2021 in his capacity as the Principal Secretary, State Department for Transport.



Dr. Julius M. Muia, PhD, CBS  
(Board Member)

**Date of Birth: 1960**

**Key Qualifications:** B.Com. (First Class Honours) Degree in Accounting from the University of Nairobi; Masters Degree and PhD in Finance from the same university; Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

**Work Experience:** Principal Secretary at The National Treasury; Principal Secretary at the State Department for Planning - The National Treasury and Planning. Director General, Vision 2030 Delivery Secretariat, Office of the President. This is Kenya's long-term policy framework that is premised on making Kenya a globally competitive, rapidly industrializing and upper middle-income economy by 2030; Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social

Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030.

He has over 25 years' experience in leadership in the private sector in Kenya and UK. He started his career as an auditor with PricewaterhouseCoopers in mid-1980's, and later worked as Head of Finance and Company Secretary in the hotel, manufacturing and banking sector. His other engagements include an adjunct faculty at Strathmore Business School; adviser on strategy and trainer on leadership. He serves as a non-executive board member in several companies and a number of not-for profit organizations.

He serves as a Board member with effect from 24th July 2019 in his capacity as the Principal Secretary to The National Treasury.

**Director's Name****Director's Date of Birth, Key Qualifications and Work Experience**

Dr. (Eng.) Karanja Kibicho, CBS  
(Board Member)

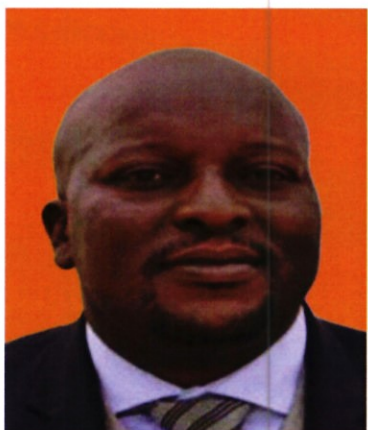
**Date of Birth: 29th July 1967**

**Key Qualifications:** Doctorate in Mechanical Engineering from the University of Cape Town, South Africa, Master of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering.

**Work Experience:** Principal Secretary State Department of Interior in the Ministry of Interior and Coordination of the National Government. Before current appointment, he served as the Principal Secretary in the Ministry of Industrialization. He also served Principal Secretary, Ministry of Foreign Affairs.

He has taught in various institutions of higher learning including Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as the chairman and senior lecturer in the department of Mechanical Engineering. He has served as an external examiner at the University of Dares Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.

He serves as a Board member in his capacity as the Principal Secretary for State Department of Interior.



Capt. Kiki Christopher Onyonka  
(Board Member)

**Date of Birth: 1st February 1975**

**Key Qualifications:** ATPL, CPL & Diploma in Aviation Management

**Work Experience:** Captain, Boeing 737-700/800-Kenya Airways, Captain, Embraer 170/190-Kenya Airways, Captain, Saab 340B-Kenya Airways, First Officer, Saab 340B-Kenya Airways, First Officer, Beech King Air 200-UNCAS.

He was re-appointment to the Board with effect from 24th January 2020. He is an independent member of the Board, Chair of the Audit, Risk and Governance Committee of the Board and member of the East African School of Aviation Committee of the Board.



Ms Carole Ayugi  
(Board Member)

**Date of Birth: 20th January 1977**

**Key Qualifications:** LLB(Hons)

**Work Experience:** Strong background in commercial and corporate field with focus on retirement benefits, real estate, intellectual property, mediation and arbitration. Managing Partner MMAN Advocates, Head of Department, Employment & Pension and Intellectual Property MMAN Advocates, Partner, Commercial Department, MMAN Advocates, Ag Chief Legal Officer / Company Secretary, Pan Africa Group of Companies, Associate, Conveyancing & Commercial Department Mboya Advocates.

She was re-appointed to the Board with effect from 6th October 2021 and she is an independent member of the Board, Chair of the East African School of Aviation Committee of the Board and member of the Licensing of Air Services and Technical Committee of the Board.



## Director's Name

## Director's Date of Birth, Key Qualifications and Work Experience



Mr. David Njathi  
(Board Member)

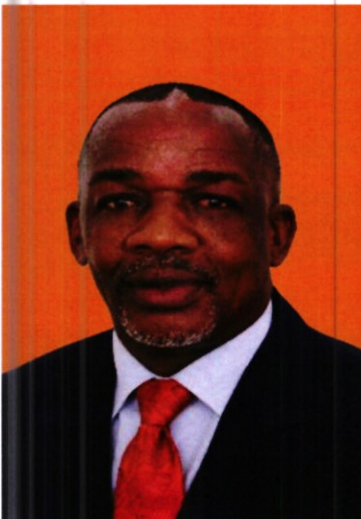
**Date of Birth:** 18th March 1956

**Key Qualifications:** Diploma in Aircraft Maintenance Technology at Hindustan Institute of Engineering Technology, Madras, India. Aircraft Maintenance Engineers License awarded by DCAA (now KCAA) in 1982. Aircraft Maintenance Engineers License awarded by Tanzania Civil Aviation Authority. Private Pilot's License awarded by DCAA (now KCAA) in 1992.

**Work Experience:** Director of Quality Assurance - Air Direct Connect Ltd; Director of Quality Assurance - DAC Aviation Ltd; Chairman of Castle Academy Board - Castle Academy Ltd; Quality Manager - Phoenix Aviation Ltd; Director of Maintenance - Air Traffic Ltd; Quality control Manager- Phoenix Aviation Ltd; Quality Manager - Everett Aviation Ltd; Chief Engineer- Transworld Safaris Ltd; Quality control Manager- CMC Aviation Ltd; Chief Engineer - Transworld Safaris Ltd; Learner Engineer/hangar supervisor - CMC Aviation Ltd.

He has attended several manufacturer's courses specific to aircraft types at the factory/ approved training facility as well as attended several quality management trainings. He was a member of a selected Aeronautical Society Committee to participate in the formulation of the Kenya Civil Aviation Regulations 2007. He coordinated Society members with various Technical institutions and schools to promote Aviation. Participated in negotiations to establish affiliation with Royal Aeronautical Society which resulted in the Society bringing in to Kenya captains of industries, senior test pilots and engineers from British aerospace to deliver talks and seminars to Society members, students and aviators.

He was appointed to the Board with effect from 6th October 2021. He is an independent member of the Board and a member of the Audit, Risks and Governance Committee of the Board and East African School of Aviation Committee of the Board.



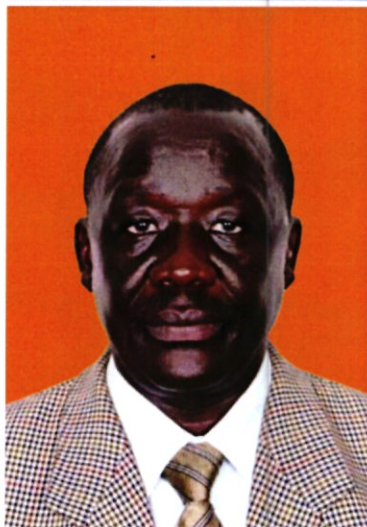
Capt. Bootsy Mutiso  
(Board Member)

**Date of Birth:** 28th October 1965

**Key Qualification:** Enrolled 2016, BA (Hons) Business Management University of Lincoln-UK, Diploma in Business and Professional Administration 2015- The City of Guilds of London Institute, Conversion (PPL, CPL, Multi/IR) Spartan School of Aeronautics (Tulsa USA)

**Work Experience:** Managing Director- Airside Solutions Limited, Managing Director/ Accountable Manager- Flex Air Charters, Director and Chairman of Technical Committee- Kenya Airports Authority, Air crew- World Food Programme (Sudan), Air crew- East African Safari Air, Air crew- Eagle Aviation, Air crew- Kenya Air Force (flying wing)

He was appointed to the Board with effect from 6th October 2021. He is an independent member of the Board and Chair of Licensing of Air Services and Technical Committee of the Board.

**Director's Name****Director's Date of Birth, Key Qualifications and Work Experience**

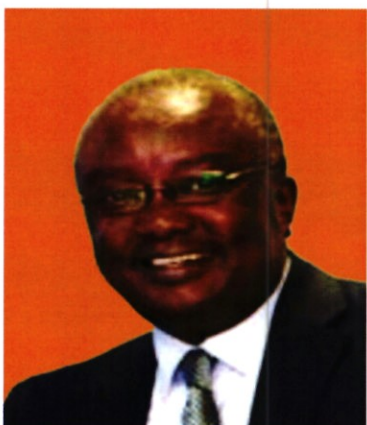
Eng. Luke K. Kittony, DSM  
(Board Member)

**Date of Birth: 14th September 1956**

**Key Qualifications:** Master of Business Administration, Aviation Option, Moi University; Licensed Aircraft Maintenance Engineer (AMEL) - KCAA; Type Rating on Large, Medium and Small body Aircraft; Diploma Aeronautical Engineering, City and Guilds, London; Member International Institute of Directors (IOD)- Kenya.

**Work Experience:** Deputy Executive Director - Technical at the East Africa Community (EAC) Civil Aviation Safety and Security Oversight Agency (CASSOA), Director Aviation Safety and Security Regulation KCAA, Chief Inspector and Technical Manager - Eagle Aviation, Principal Engineer Quality Systems at Kenya Airways, Warrant Officer in Charge F5 Maintenance, Kenya Air Force. Also served as a Director, Agricultural Finance Corporation (AFC) and as Chairman Board of Governors - Moiben Technical and Vocational College.

He was appointed to the Board with effect from 19th January 2022. He is an independent member of the Board, Chair Finance and Human Capital Committee of the Board and member of Licensing of Air Services and Technical Committee of the Board.

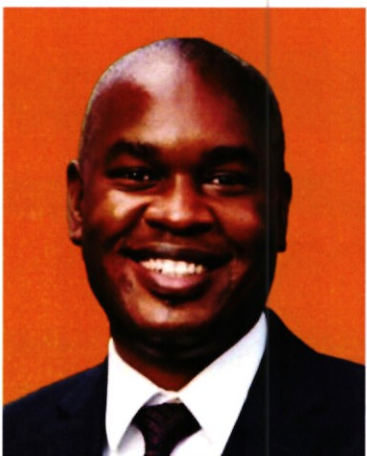


Capt. Gilbert Macharia Kibe  
(Director General - up to 22nd  
April 2022)

**Date of Birth: 13th January 1963**

**Key Qualifications:** MBA (Aviation Option) Moi University, KCAA CPL (Flight Instructor Rating, Instrument Rating, Multi-Engine Piston & Twin Turbine Rating), American FAA CPL (Single & Multi-Engine and Instrument Rating)

**Work Experience:** He was re-appointed as the DG KCAA on 23rd April 2019; KCAA Board Member (2003-2009); KCAA Chairman Aviation Security Committee (2003-2005); KCAA Chairman HR Committee of the Board (2005-2009); CEO Nairobi Flight Training LTD (2007-May 2015); Board Chairman Aero Kenya (1997-2008); Director Marketing Air Ltd Uganda (1994-2015); Board Chairman & Director Marketing & Sales- Eagle Air Uganda Ltd (1986-1997)



Mr. Emile Nguza Arao  
(Director General - from 23  
April 2022)

**Date of Birth: 17th April 1978**

**Key Qualifications:** Masters in Business Administration, Embry Riddle Aeronautical University, 2004; Bachelor of Science in Aircraft Engineering Technology, Embry Riddle Aeronautical University, 2002; Certificate in Electrical Engineering, 1998

**Work Experience:** DG KCAA with effect from 23rd April 2022. He served as the Executive Director-EAC CASSOA, Deputy Director-EAC CASSOA, Director/ Lead Aviation Consultant- Pine Group Ltd, Aviation Business Strategy, Safety and Operations Consultant—Skyward Express, Airline Pilot Contractor- Air Tec Africa/ Air Libya, Director of Safety/Project Certification Manager- OneJetOne Airways Kenya Ltd, Quality Manger/Pilot- Safarilink Aviation, Flight safety officer/Pilot-East African Safari Air Express, Airworthiness Inspector-KCAA, Program System Analyst, Dean Fellow/Graduate Assistant, Aircraft Mechanic, Apprentice/Aircraft Mechanic

**Director's Name****Director's Date of Birth, Key Qualifications and Work Experience**

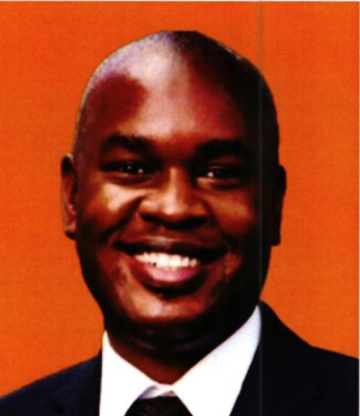
Mr. George Ombaso Mogaka  
(Corporation Secretary)

**Date of Birth: 16th December, 1971**

**Key Qualifications:** MBA (Strategic Management) - Maseno University and LLB - Nagpur University. Post Graduate Diploma in Law - Kenya School of Law, Advocate of the High Court of Kenya, Commissioner for Oaths and Certified Secretary of Kenya. Lead Auditor (QMS) and Certified Trustee (Pension Schemes). Member of the Law Society of Kenya and Institute of Certified Secretaries of Kenya.

**Work Experience:** Has over twenty-three (23) years post qualification work experience. Has previously worked at National Oil Corporation of Kenya, Kenya Sugar Research Foundation, Kenya Revenue Authority and Kenya Plant Health Inspectorate Service prior to joining Kenya Civil Aviation Authority on 16th June, 2020.

### 3. THE MANAGEMENT TEAM

| Name  | Key Qualifications & Main Area of Responsibility  |
|---|---|
|  <p data-bbox="208 846 526 943">Capt. Gilbert M. Kibe<br/>(Director General – up to 22 April 2022)</p>   | <p data-bbox="562 506 1464 645"><b>Key Qualifications:</b> MBA (Aviation Option) Moi University, KCAA CPL (Flight Instructor Rating, Instrument Rating, Multi-Engine Piston &amp; Twin Turbine Rating), American FAA CPL (Single &amp; Multi-Engine and Instrument Rating).</p> <p data-bbox="562 680 1464 786"><b>Main Area of Responsibility:</b> Overall Coordination and Direction of the Air Navigation Service Provision, Regulation of the Civil Aviation Industry, and Training of the Aviation Personnel in the Country.</p>   |
|  <p data-bbox="208 1429 526 1518">Mr. Emile Nguza Arao<br/>(Director General – from 23 April 2022)</p> | <p data-bbox="562 1010 1464 1149"><b>Key Qualifications:</b> Masters in Business Administration, Embry Riddle Aeronautical University, 2004; Bachelor of Science in Aircraft Engineering Technology, Embry Riddle Aeronautical University, 2002; Certificate in Electrical Engineering, 1998</p> <p data-bbox="562 1184 1464 1290"><b>Main Area of Responsibility:</b> Overall Coordination and Direction of the Air Navigation Service Provision, Regulation of the Civil Aviation Industry, and Training of the Aviation Personnel in the Country.</p>  |
|  <p data-bbox="208 2018 526 2076">Mr. George Ombaso Mogaka<br/>(Corporation Secretary)</p>             | <p data-bbox="562 1632 1464 1792"><b>Key Qualifications:</b> MBA (Strategic Management) - Maseno University and LLB - Nagpur University. Post Graduate Diploma in Law – Kenya School of Law, Advocate of the High Court of Kenya, Commissioner for Oaths and Certified Secretary of Kenya. Lead Auditor (QMS) and Certified Trustee (Pension Schemes). Member of the Law Society of Kenya and Institute of Certified Secretaries of Kenya.</p> <p data-bbox="562 1827 1464 1886"><b>Main Area of Responsibility:</b> Planning, organizing, leading and controlling provision of Board Secretarial and Legal Services in the Authority</p> |

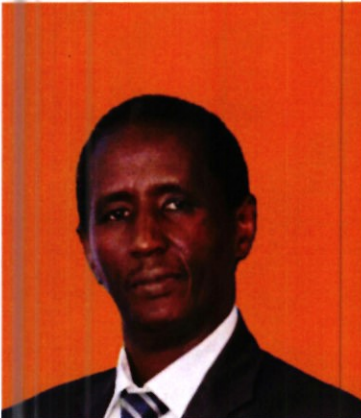


**Name****Key Qualifications & Main Area of Responsibility**

CPA Joseph C. Kiptoo  
(Director Corporate Services)

**Key Qualification:** Bachelor of Arts (Econ) from the University of Nairobi and an MBA from Moi University, CPA-K holder and is a member of ICPAK.

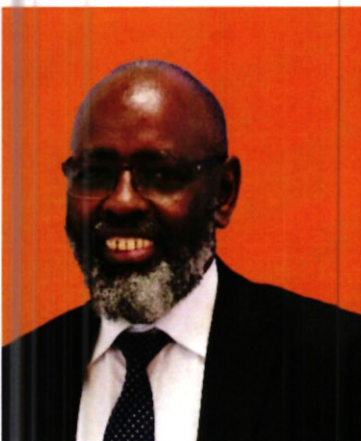
**Main Area of Responsibility:** Coordinate and direct the Corporate Services function of the Authority.



Nicholas Muhoya Ngatia  
(Ag. Director, Aviation Safety,  
Security and Regulation)

**Key Qualifications:** Masters of Science (MSc) in Aviation Safety from Florida Institute of Technology, Masters of Business Administration (EMBA) in Aviation Management from Moi University, Bachelor of Science (BSc) from University of Nairobi, Bachelor of Science (BSc) in Aviation Management from University of Dubuque-Iowa, USA, Higher National Diploma in Electrical and Electronic Engineering from Kenya Polytechnic, Licensed Aircraft Maintenance Engineer (AMEL), Certificate in Air Transport Business and Economics from University of Antwerp and International Negotiation Skills (IATA, Singapore). A member of the Aeronautical Society of Kenya.

**Main Area of Responsibility:** Management and Coordination of the regulation function of the Authority.



Mr. Ephantus Mainnah Kamau  
(Ag. Director, Air Navigation  
Services)

**Key Qualifications:**

Bachelor of Science Degree, Aircraft Accident Investigation Techniques and Management, Aerodrome Control Rating, Approach Control Rating, Approach Radar Control Rating, Area/Airways Control Rating, Area Radar Control Rating, Advanced Certificate of Education, Certificate of Education.

**Main Area of Responsibility:** Planning and Control of Operations of Air Navigation Services.

**Name****Key Qualifications & Main Area of Responsibility**

Dr. George K. M. M'Nchebere  
(Director East African School of  
Aviation)

**Key Qualifications:** PhD (Strategic Management), MBA (Strategic Management) and Bcom. (UON), a full member of Marketing society of Kenya (MSK) and Kenya Institute of Management (KIM).

**Main Area of Responsibility:** Management and Coordination of the Training Mandate of the Authority (EASA).



## 4. CHAIRMAN'S STATEMENT

I am pleased to present the Kenya Civil Aviation Authority's Annual Report and Financial Statements for the Financial Year 2021/2022. The Authority plays a critical role in promoting the growth of the civil aviation industry in Kenya and continued to work together with the Government to revive the industry following the devastating effects of Covid-19. The air transport industry's economic activity remained depressed, due to the uncertainty of the Covid-19 Pandemic, which created existential challenges and focus was done on remodelling the aviation business to make it fit for the new post-COVID world. I have been most impressed by the way our stakeholders and KCAA teams have evolved and worked together to ensure that the industry adapts to the situation and continues to experience recovery. In particular, the settling into the virtual way of working, has where appropriate, ensured continued provision of services without compromising on the quality of services and responsiveness to the needs of our clients.

Air transport is a key cause and facilitator of economic growth in Kenya by enabling the country's integration into the global economy, providing direct benefits for users and wider economic benefits through its positive impact on productivity and economic performance. The global economy is estimated to have grown by 5.9 percent in 2021 from a contraction of negative 3.1 percent in 2020. This was mainly due to the ongoing recovery from Covid-19 Pandemic which had significantly constrained economic activities. Global growth is projected to grow at 4.4 percent in 2022 reflecting expectations of a vaccine-powered strengthening of activity and additional policy support in a few large economies.

Economic growth in Kenya recorded 7.5 per cent in 2021 compared to a negative growth rate of 0.3 per cent in 2020 mainly due to the COVID 19 pandemic. The performance in other East African Community (EAC) countries during 2021 continued to record positive growth rate. Rwanda recorded 5.1 per cent growth, Tanzania 4.0 per cent growth, Uganda 4.7 per cent and Burundi 1.6 per cent. The overall growth rate for EAC countries was 4.9 percent in 2021 indicating a positive growth from 1 percent in 2020.

According to the World Bank Economic report released in June 2022, Kenya's real gross domestic product (GDP) is projected to grow by 5.5 percent in

2022 and 5.2 percent on average in 2023–2024. This growth rate, while still strong, will be a moderation following a remarkable recovery in 2021 from the worst economic effects of the pandemic. The impact of the war in Ukraine is weighing on the global economic recovery from the pandemic. Domestically, a key risk to the outlook is a further worsening of the current drought, which is having a devastating effect on food security and livelihoods in affected parts of the country and is necessitating increased social spending on food assistance

Macroeconomic data on recent estimates of demand shocks shows that traffic forecast will return to 2019 levels in 2023/2024 at low growth rate of 3.6% compared to 4.2% before Covid-19 based on ICAO global forecast. The global freight traffic is expected to remain at a growth rate of 3.5% similar to the pre Covid-19 level. With the implementation of the Covid-19 containment measures, the aviation industry is on a recovery path and is expected to remain on an upward trend. During 2021, global scheduled passengers increased to 2.3 billion from the lowest levels of 1.8 billion achieved during 2020. Passenger traffic in Kenya recorded a growth rate of 98.8 percent in 2021/2022 compared to the previous year, Cargo traffic recorded a growth rate of 6.4 percent compared to the last year, while aircraft movements recorded 44.4 percent growth this year compared to the previous financial year.

The Authority enhanced the levels of civil aviation oversight to encourage growth of the industry, undertook surveillance of the industry for compliance and assurance of safety to consumers in the wake of the COVID 19 pandemic. In addition, investments were also undertaken in infrastructure, equipment and facilities to improve air navigation services and aviation training. This has helped increase the contribution of the civil aviation sector to the economy. Indeed, contribution to the Gross Domestic Product recorded 0.5 percent in 2021 from 0.4 per cent in 2021. With continued growth of the industry, the contribution of civil aviation to the GDP is expected to rise in the coming years.

As a signatory to the Convention on Civil Aviation which established the International Civil Aviation Organization (ICAO) and a legal framework for regulating international civil aviation and air transport,

Kenya is obligated to administer aviation safety and security in line with the ICAO Standards and Recommended Practices. The Authority is therefore, guided in all its activities by ICAO SARPs to provide effective oversight of the industry. Among the key requirements is the establishment of an appropriate legal framework to govern the industry and the Authority during the year started a process aimed at developing a new Civil Aviation Act by merging the Civil Aviation Act No. 21 of 2013 and the Civil Aviation (Amendment) Act No.42 of 2016 as well as incorporating new emerging issues. The Authority also continued to implement Corrective Action Plans arising from the ICAO Universal Safety Oversight Audit (USOAP) conducted in July 2018.

ICAO conducted an audit on Kenya under Universal Security Audit Programme (USAP) from 16th to 27th May 2022, in which Kenya attained a level of Effective Implementation (EI) of 91.77% on average of the eight Critical Elements (CE) of an Aviation Security Oversight System. This was an improvement from the level of EI of 88% that was recorded from 2015 USAP audit. Currently, the global score on the average Effective Implementation (EI) of Critical Elements (CEs) stands at 71.86% with an African average of 61.90% and the Eastern and Southern African (ESAF) region at 65.61%. Kenya is now ranked second in Africa and has now already attained the target set by ICAO of achieving a score of 90% by 2030.

During the Financial Year 2021/22, the Board successfully implemented the 18th Performance Contract and achieved an overall implementation level of 86.05%. The Authority completed implementation of the third Strategic Plan that covered the period 2017/18 - 2021/2022 and which was aligned to the MTP III and the Big Four Agenda which was introduced by the Government after the general elections of 2017. The third plan focused on the key issues of aviation safety and security and the implementation of corrective action plans arising from the ICAO safety audit conducted during the second strategic plan period. Emerging areas of focus during the period were issues related to the environment and specifically the Carbon Offsetting Reduction Scheme for International Aviation (CORSIA), consumer protection and increased operation of the Unmanned Aircraft Systems (UAS). The Board also, prepared the fourth strategic plan that will run from financial year 2022/2023 to 2027/2028 during the year.

Kenya chose to retain an office in Montreal following the end of Kenya's term at the ICAO Council, in order to position itself at the global level. Through the appointment of a representative to ICAO, Kenya aims at improving its civil aviation system and also enhancing its participation, influence and contribution to global aviation. During the year, the representative continued to actively participate in ICAO activities and to contribute to the strategic direction of global aviation.

The Authority will endeavour to meet and exceed the expectations of its clients by working together as a team to ensure that standards are implemented and maintained at all levels. In doing so, KCAA will continue to be guided by the ICAO requirements and global best practices. The KCAA

management and staff shall remain pivotal in ensuring that the organisational mandate is implemented and the industry expanded at both local and international levels to contribute to the growth of the economy and provide socio-economic benefits to the citizens.

Three new members joined the KCAA Board following the end of term for the previous members during the last financial year. We welcome Mr. David Njathi, Capt. Bootsy Mutiso and Eng. Luke K. Kittony to the Board. The Authority also recruited Mr. Emile N. Arao as the new Director General to take over from Capt. Gilbert M. Kibe whose term ended after serving the Authority for seven years. We welcome Mr. Arao to KCAA as we thank Capt. Kibe for his distinguished service to the Authority and wish him well in his future endeavours.

In conclusion, I wish to express my sincere gratitude to the KCAA Board, Management and our hard working staff for their excellent work, dedication, and commitment despite the effects and challenges brought about by the Covid-19 pandemic. I wish to thank all the stakeholders for their support during the year and call for the same support in the next financial year.



**Mr. Brown Ondego, MBS**  
**Chairman, Board of Directors**  
**Kenya Civil Aviation Authority**



## 5. REPORT OF THE DIRECTOR GENERAL

Civil aviation is a critical catalyst for global and national development. Air transport in Kenya experienced a strong recovery in growth during the year, from the effects of the Coronavirus (Covid-19) pandemic. The industry has continued to regain growth steadily albeit from Covid-19 Pandemic. The recovery pace has improved due to increased vaccination of people worldwide and in Kenya. The Authority developed protocols and ensured compliance by air operators for the resumption of air transport operations for passengers during the year. Additionally, the Authority also continued to monitor operations to ensure adherence to the protocols and to support the stakeholders to make the right choices to sustain their businesses.

The overall performance during the year was positive growth in passenger traffic by 98.8% to reach 8.893 million passengers in FY 2021/2022 compared with 4.474 million the previous financial year. Aircraft movements increased by 44.4% from 207,924 in 2020/2021 to 300,234 in 2021/2022. Freight traffic increased by 6.4% from 357,180 tonnes in 2020/2021 to 380,157 tonnes in 2021/2022. The number of aircraft registered in Kenya increased by 1.5% to reach 1,624 aircraft in 2021/2022 from 1,600 Aircraft in the 2020/2021 financial year.

Kenya maintains high levels of aviation safety and security as evidenced by the results of both the ICAO audits and the continuous monitoring framework. Currently, the country retains the FAA IASA Category I status granted on 23rd February 2017 and continues to operate direct flights into the USA market. The Authority remains committed to ensuring that the gains made from this initiative are maintained and expanded to create more opportunities for business between the two countries. This will be achieved by ensuring that Kenya continues to work with the FAA to improve and sustain a safe civil aviation environment through implementation of corrective actions that arise from their missions and any other identified appropriate mitigation measures.

The Authority will continue to work with other states in Africa to implement the framework for opening up of air spaces to enable full exploitation of the African market by mainly African air operators. To achieve this, KCAA will continue to lobby for the implementation of the Single African Air Transport Market (SAATM) and for more states on the continent to join the initiative. At the EAC level, KCAA will continue to work with the other countries to open up the regional market and create opportunities for growth. At the same time, the Authority continues to promote the local airlines to

exploit the opportunities for market access negotiated under the current framework of Bilateral Air Services Agreements.

The implementation of the 2017/18 - 2021/22 Strategic Plan continued during the year with focus being the activities of the 5th year of the Plan. Using the Performance Contract (PC) concept that commits staff to implement their work plans drawn from the Strategic Plan, targets were incorporated in the PCs for the year and implemented. Implementation of the PC this year enabled the Authority to undertake projects to set up systems to ensure equity in the delivery of public services and the adaptability of public services to the needs of the users. The Authority also worked towards ensuring professionalism and ethics in service delivery. The PC for Financial Year 2021/22 was successfully implemented, and the final performance report submitted to the Government. Out of the 43 targets in the Performance Contract, the Authority achieved 37 of them which translates to 86.05% achievement level. Performance during the year was affected by delayed approval of the budget and procurement processes.

During the year the Authority developed the fourth Strategic Plan that will run from financial year 2022/2023 to 2027/2028. The initiatives contained in the Strategic Plan are aimed at improving the level of compliance with ICAO requirements by enhancing the capacity to provide oversight services through improved regulatory framework, increased number of skilled staff and automation of the regulatory services. The Authority will also ensure effective coordination and implementation of the State Safety and Security programmes as well as the Safety and Security Plans. The Authority also intends to improve the implementation of corrective actions arising from the safety and security audits and missions.

The Authority supported the "Big Four" initiative of improving market access by conducting inspections in Kenya's main airports to ensure compliance with regulations for safe operation of aircraft and facilitation of passengers and cargo. In health care, the Authority continued to play a critical role in support of the Universal Health Care Programme by facilitating medical emergency flights and special flights that were operated during the year to evacuate people from one country to another following the outbreak of Covid -19 pandemic.

KCAA recognises the need to have a regulatory system that the industry has trust in as it helps win co-operation and voluntary compliance. At the same time effort to improve technical capacity continued during the year

by recruiting more inspectors and conducting trainings for aviation safety and security inspectors locally and abroad. Well trained staff will act professionally and consistently while undertaking their duties. A total of 579 employees were trained during the period. Safety and security inspectorate staff continued to undertake certifications, approvals and other activities to ensure compliance by the air operators. The air operators have also continued to play their role to enable the country to achieve high levels of compliance. Majority of the air operators have already successfully undergone the re-certification process and KCAA urges the rest to make effort and undergo through the process.

To improve the regulatory framework, the Authority started developing a new Civil Aviation Bill that will be progressed during the next financial year, finalised and a new primary act promulgated. The new legal framework will be expected to provide an appropriate environment for the provision of oversight services and growth of the industry in Kenya. During the year, KCAA in consultation with the stakeholders completed the review of 30 sets of regulations and submitted them for approval by the Government. A process to develop six new regulations was also started during the year. These six regulations are on the following areas; Aerial Works-Agricultural Operations; Aerial Work- Operations; Aircraft Noise; Dangerous Goods; Consumer Protection and Aircraft Emissions. In addition, drafts were also developed for regulations on; Air Ambulance and Hot Air Balloons operations.

In order to enhance aviation safety in the region, KCAA completed the construction of the Regional Centre for Aviation Medicine (CAM) building at a cost of Ksh. 222.4 million and was handed over by the Contractor on 28th June 2022. The Centre will provide a facility for coordination of aviation medicine issues for personnel in the industry within the East African Community. The equipping and furnishing of the Centre started during the year and is expected to be completed and operations started during the next financial year.

To improve air navigation capacity and safety, the Authority focussed on increasing investments in equipment and systems and ensuring that timely and proper maintenance was carried out as required. The modernisation of equipment continued during the year in line with the KCAA Strategic Plan, Kenya's Air Navigation Master Plan and the Global Air Navigation Plan. Among the projects

implemented were a new Air Traffic Management system at JKIA and refurbishment of the electrical wiring and cabling at JKIA, Mua Hills, Stoni Athi and Ngong. Air traffic management was also improved by implementing operational and coordination procedures.

To improve aviation training services, the Authority focussed on increasing investments in training equipment and improving the quality of training and

student welfare. At the same time the East African School of Aviation (EASA) continued with the provision of aviation training during the year adhering to the government protocols on COVID-19. EASA embarked on the development of content for delivery of virtual courses amidst the COVID 19 pandemic and this helped in continuity of trainings. As a result of the various initiatives, the number of students trained at EASA grew from 2,050 in 2020/21 to 2,557 in 2021/22 a growth of 24.7%.

The Authority continued to recruit, train and to place staff at the appropriate levels of the existing organisational structure. The placement process was aimed at ensuring that all required skills were in place in the various Departments. At the same time, the Authority received approval from Government of a new organisational structure that will cater for the emerging needs attributed to the expansion of the industry. The future focus will be on implementing the recently approved organisational structure and institutionalizing a culture of accountability, excellence, fairness teamwork, integrity, honesty, transparency and promotion of values and principles of the public service in the delivery of services. This will help enhance capacity and achieve a transformation in the delivery of services to effectively focus on the needs of the stakeholders.

Financial stability is critical and the Authority will pursue initiatives aimed at increasing revenue while at the same time implementing financial austerity measures. Additionally, appropriate systems for managing the supply chain, improving quality, mitigating risks and improving project management process will be implemented. The Authority will pursue new initiatives to enhance corporate image and reputation, promote the rights of consumers of aviation services and ensure compliance with requirements for environmental protection.

In conclusion, I appreciate the Staff and Management for their contributions towards the tremendous achievements during the year. I also wish to express my gratitude to the Authority's Board of Directors for their excellent stewardship which enabled us realise excellent results and stakeholders for their continued support. I look forward to even a better performance during the 2022/2023 financial year.



**Emile N. Aro**  
**Director General**

## 6. STATEMENT OF PERFORMANCE OF KENYA CIVIL AVIATION AUTHORITY AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2021/2022

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives. Kenya Civil Aviation Authority has 8 strategic pillars and objectives within its 3rd Strategic Plan for the Financial Year 2017/2018 – 2021/22.

The Strategic Pillars are as follows:

- i. Pillar 1: Air transport, Aviation Safety and Security oversight
- ii. Pillar 2: Improving Air Navigation Services
- iii. Pillar 3: Business processes and systems
- iv. Pillar 4: Financial Sustainability and efficiency in

- v. Pillar 5: Adequate and competent human capital
- vi. Pillar 6: Customer Service
- vii. Pillar 7: Delivery of quality training
- viii. Pillar 8: Environmental Protection, Governance and Risk Management

Kenya Civil Aviation Authority develops its annual work plans based on the above 8 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The KCAA achieved its performance targets set for the financial year 2021-22 period for its 8 strategic pillars as indicated below:

| Strategic Pillar   | Objective   | Key Performance Indicators              | Activities  | Achievement  |
|--|---|---|---|--|
| <b>Pillar 1: Air transport, Aviation Safety and Security oversight</b> | Establish and maintain an effective safety and security oversight system. | % Level of aviation safety and security | <ol style="list-style-type: none"> <li>(a) Identifying key items affecting the Authority for inclusion in the Civil Aviation Act. Conduct stakeholder engagement meeting on various aspects.</li> <li>(b) Close outstanding corrective action plans (CAPs)</li> <li>(c) Implement Corrective Action Plans (CAPs) arising from FAA Missions</li> <li>(d) Undertake certifications and approvals</li> </ol> | <ol style="list-style-type: none"> <li>(a) The process of reviewing the Civil Aviation Act was started and a team comprising of KCAA officers, legal experts from the Attorney General's Office and Kenya Law Reform Commission appointed to review the current Acts and develop the Civil Aviation Act.</li> <li>(b) The Authority recruited four (4) Airworthiness Inspectors, 8 Flight ops Inspectors recruited. And two AVSEC Inspectors.</li> <li>(c) ICAO safety audit carried out and Kenya scored 78.4%.</li> <li>(d) During the year ICAO conducted an audit on Kenya on Universal Security Audit Programme (USAP) and Kenya attained a sustainability indicator of 91.77% on the average Effective Implementation (EI) of the eight Critical Elements (CE) of an Aviation Security Oversight System from 88% that was recorded from 2015 audit. Technical Guidance Material (TGM) were approved and implemented</li> <li>(f) Certifications and approvals of air operators conducted – licenses for 12,218 personnel were valid</li> </ol> |

| Strategic Pillar | Objective  | Key Performance Indicators                                      | Activities  | Achievement  |
|------------------|--|---|---|--|
|                  | Active participation in influencing national, regional and global aviation development | Number of Meetings attended and Papers presented                | <p>(a) Participate in ICAO and CASSOA meetings and present papers</p> <p>(b) Retain Kenya's office at ICAO headquarters</p> | <p>(a) The Authority participated in the AFCAC Meeting to prepare for the 41st ICAO Assembly and the National Air Transport Facilitation Meeting</p> <p>(b) Participated in regional and international forums/Workshops in the development of procedures and provide technical support and assistance to neighbouring countries e.g. International Flight Inspection Symposium (20-24th June 2022 in Durban South Africa, 2022 ICAO Global Aviation Dialogues on Long-term Aspirational Goal (LTAG-GLADs) CODEVMET regulatory documents Meeting, ICAO Virtual Seminar on Sustainable Aviation Fuels and CORSIA, ICAO virtual workshop seminar on CORSIA and verification, ICAO Meteorology Panel Round Table (17 May 2022), APIRG APCC Infrastructure and Information Management (IIM/SG) Subgroup, MET Project 1 Meeting</p> <p>(c) Government approved maintenance of Kenya's office at ICAO Headquarters and an officer was posted during the year.</p> <p>(a) Participated in ICAO Aviation week held in Abuja in May 2022 as a Steering Committee member of AFI Plan and AFISECFAL plan.</p> <p>(b) Moderated the ICAO AFI Environment Symposium held in Abuja.</p> |
|                  | Enhance compliance with legal and regulatory framework                                 | Number of Regulations and Technical Guidance Materials reviewed | <p>(a) Review regulations</p> <p>(b) Review Technical Guidance Materials</p>  | <p>(a) 30 safety related regulations were reviewed and submitted to Government for approval.</p> <p>(b) Technical Guidance Materials reviewed</p> <p>(c) The Authority implemented the State Safety Programme (SSP)</p> <p>(d) The Authority reviewed and implemented surveillance programme and surveillance plan.</p>  |





| Strategic Pillar                                   | Objective   | Key Performance Indicators                                     | Activities  | Achievement   |
|--|---|--|---|---|
|  | Develop a vibrant air transport system in Kenya.                | Number of Negotiations done to improve air transport access    | <ul style="list-style-type: none"> <li>(a) Conduct Bilateral Air Service Agreements</li> <li>(b) Conduct certifications and approvals</li> </ul>  | <ul style="list-style-type: none"> <li>(a) Review of the Licensing of Air Services Regulations has been completed.</li> <li>(b) Licensing of Air Services and Technical Committee (LASTC) Meeting was held on 12th April, 2022 and 32 applications were considered.</li> <li>(c) 36 Air Service Licences were issued during the year.</li> <li>(d) 700 Ad hoc Permits/Short term licences were issued</li> <li>(e) The thirteenth ICAO Air Services Negotiation (ICAN2021) was scheduled to be hosted by the Aeronautica Civil of Colombia from 6 to 10 December 2021.</li> </ul> |
| <b>Pillar 2: Improving Air Navigation Services</b> | Maintain and Modernise ANS systems                              | Equipment installed and level of availability of ANS equipment | <ul style="list-style-type: none"> <li>(a) Prepare routine maintenance schedule and implement</li> <li>(b) Refurbish/ replace of power supply and air conditioning units</li> </ul>   | <ul style="list-style-type: none"> <li>(a) Maintenance plans developed and implemented by the various stations</li> <li>(b) Refurbished the electrical power supply for the stations in JKIA tower, JKIA radar station, Mua hills radar station, Ngong hills and Stony Athi.</li> <li>(c) Implemented various operational procedures at airports.</li> </ul>  |
|  | Develop and implement Operational Performance Management system | Level of implementation of the system                          | Develop the operational performance management system matrix and create awareness   | Completed installation of air traffic management system at JKIA   |
| <b>Pillar 3: Business processes and systems</b>    | Implement business Processes Reengineering                      | Level of automation of business processes                      | <ul style="list-style-type: none"> <li>(a) Implementation of KCAA Business Continuity and Disaster Preparedness Strategy system</li> <li>(b) Complete user training of the ERP and Billing and revenue system as well as handhold users.</li> </ul> | <ul style="list-style-type: none"> <li>(a) Training for BCP champions was conducted.</li> <li>(b) Staff have been trained and continuous support provided.</li> </ul>   |

| Strategic Pillar  | Objective  | Key Performance Indicators  | Activities   | Achievement   |
|---|--|---|--|---|
|   | Raise the level of brand resonance and recognition                               | Number of activities carried out to raise brand resonance and recognition | <p>(a) KCAA initiated the "ASK THE AVIATOR" concept in order to increase competitive advantage</p> <p>(b) use webinars to have public discourse on identified subjects</p> | <p>(a) Participated at Eldoret ASK show. Participation in Kisumu ASK show put on hold after postponement due to Elections calendar. Plans for participation in Mombasa and Nairobi Show in the offing</p> <p>(b) KCAA participated in COYA awards and scooped awards, including CEO of the year (2nd runner up), Manager of the Year</p>  |
|   | Enhance knowledge of emerging issues and best practices in the Aviation Industry | Establish knowledge management system                                     | <p>(a) Periodic production of the Aviator Online</p> <p>(b) Allocate funds for research</p>  | <p>(a) Bulletin produced in time and circulated online to the staff</p> <p>(b) A Board Paper on IRD Policy was developed and is under process for approval.</p>   |
| <b>Pillar 4: Financial Sustainability and efficiency in supply chain management</b> | Achieve an annual growth rate of 5% in revenue during the plan period.           | % Growth in revenue   | Increase revenue collection  | <p>Developed charge rates for hire of EASA Chapel. The chapel has been operationalized and is being hired out to external clients.</p> <p>Review of the prices of EASA Products and Services was done. The report was presented to the EASA School Management Committee.</p> <p>Diversified the hospitality services - Re-opened the Poolside Restaurant and the swimming pool in January and started hiring the Dining Hall during the weekends to external clients for events</p> |
|   | Set debt portfolio ceiling at 35% of revenue during the plan period              | level of debt as a % of revenue   | Ensure timely payment of IDA debts on NCTIP and KTSSP projects with the National treasury  | Kshs. 186,020,493.00 was paid to the National Treasury & Planning for the IDA loan repayments (KTSSP & NCTIP)   |
|   | Ensure optimum utilization of assets   | Level of tilization of non- core assets                                   | Implementation of activities for Utilization of noncore assets   | <p>Assets at EASA such as the grounds, main hall and swimming pool were utilized by students.</p> <p>The Authority developed a draft leasing policy and have also engaged survey of Kenya, EACC, the Attorney General and both internal and external Counsel to assist with the recovery exercise for grabbed land.</p>   |
|   | Limit operational expenditure to 70% of annual total expenditure                 | Level of operational expenditure as a % of total expenditure              | Effectively manage operational expenditure   | <p>Implemented the project manual during the quarter</p> <p>Senior Management were sensitized on budget preparation during the period.</p>  |

| Strategic Pillar   | Objective   | Key Performance Indicators                              | Activities  | Achievement  |
|--|---|---|---|--|
|  | Enhance efficiency in supply chain management           | Measures implemented to improve supply chain management | <p>(a) Use of Market surveys in price comparisons</p> <p>(b) Conduct disposal of assets</p> <p>(c) Conduct stock taking</p> | <p>(a) Market surveys in price comparisons were used including those from PPRA for common stock items to ensure prices offered by bidders are competitive. PPRA price survey for common items published in July 2021 was shared with all procurement staff.</p> <p>(b) Procurement Officers were re-sensitized on inventory management based on PPADA 2015 &amp; PPADR 2020 during their Quarterly departmental staff meeting held on 25th October 2021.</p> <p>(c) Disposal was conducted through tendering</p> <p>(d) Stock taking was conducted during the year</p> |
| Pillar 5: Adequate and competent human capital                     | Review and implement the organizational structure       | Level of progress in the review process                 | (a) Get the new Organization Structure Approved by the relevant Govt. Organs  | The revised organization structure was approved by SCAC.   |
|  | Attract, manage and retain professional employees       | % of filled positions in the establishment              | <p>(a) Recruit new employees</p> <p>(b) Conduct interviews for promotions</p>   | The Authority recruited new employees and several staff promoted during the year   |
| Pillar 6: Customer Service   | Protect consumer rights and interests.                  | % of Consumers complaints managed                       | Manage complaints made against the organisation and industry  | Resolution of public complaints implemented as per guidelines and complaints reports sent to CAJ every quarter and feedback provided for quarter 1, 2, 3 and 4. The compliance certificate is expected at the end of the year  |
|  | Improve quality of customer service                     | Quality improvement measures implemented                | Implement measure to improve quality of services  | Internal audits for maintenance of QMS ISO 9001:2018 and external audit conducted, and Authority received recertification certificate from KEBS  |
| Pillar 7: Delivery of quality training                             | Build EASA capacity to provide global aviation training | Capacity improvements done during the year              | Improve training and non- training equipment and facilities   | <p>(a) Carried out feasibility study analysis for a modern hostel and conference centre.</p> <p>(b) Procured and installed equipment at the Laboratory</p> <p>(c) Procured and installed additional power plant Engine for training of Aircraft Maintenance Students</p>   |
| Pillar 8: Environmental Protection, Governance and Risk Management | Transform to a Risk Intelligent Authority               | Level of integration of risks to operations             | Conduct risks against the strategic objectives  | <p>Risks against the strategic objectives developed, mitigation plan developed, monitored and reported</p> <p>Develop a revised IRMF based on the new Strategic Plan</p>   |
|  | Upgrade governance structures                           | Implementation of Board Issues                          | <p>(a) Review board charter</p> <p>(b) Conduct governance trainings for the Board</p>                                       | <p>(a) Aligned Board Committees Charters to the functions of KCAA</p> <p>(b) Trainings on governance were conducted for directors of the Board and top management</p>  |

| Strategic Pillar | Objective   | Key Performance Indicators   | Activities  | Achievement  |
|------------------|---|--|---|--|
|                  | Improve Internal Audit to be a high performing assurance and compliant function | Capacity improvement in Internal Audit Function                      | <ul style="list-style-type: none"> <li>(a) Recruit staff</li> <li>(b) Upgrade the structure</li> <li>(c) Conduct training for staff</li> </ul>  | <ul style="list-style-type: none"> <li>(a) One more staff was recruited</li> <li>(b) Held continuous training of the Board and the ARGC on oversight</li> <li>(c) Trainings were conducted for audit staff</li> </ul>  |
|                  | Minimise adverse effects of aviation activities on environment                  | Measures implemented to minimize aircraft emission of carbon dioxide | <ul style="list-style-type: none"> <li>(a) Implement the Kenya State Action Plan on environmental protection for the aviation sector</li> <li>(b) Participate in ICAO Environment meetings</li> </ul> | <ul style="list-style-type: none"> <li>(a) Developed Final Draft 3rd Action Plan 2022-2028 by engaging the stakeholders' inputs and validation.</li> <li>(b) Continued to receive feedback from the stakeholders on the action plan activities for inclusion in the new plan</li> <li>(c) Compiled CO2 emissions and submitted to ICAO CCR system.</li> <li>(d) Kenya's focal points attended various meetings on environment.</li> <li>(e) Attended the Committee On Aviation Environmental Protection (CAEP) Steering Group Meeting in February 2022 (virtual).</li> </ul> |



## 7. CORPORATE GOVERNANCE STATEMENT

**C**orporate Governance is the process by which corporations are directed and controlled with the objective of increasing stake/shareholders value. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

At Kenya Civil Aviation Authority, the Board places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the Authority's activities. The Board has adopted the Code of Best Practice for Corporate Governance issued by the Centre for Corporate Governance (Kenya) as its benchmark in developing its corporate governance principles and further provided these principles in the KCAA Board charter.

### **Board of Directors and Board Meetings**

The composition of the Board is set out on pages viii–xiii. The Board has varied and extensive skills in the areas of aviation, finance, business management, governance and law. The Directors' responsibilities are set out in Civil Aviation Act no. 21 of 2013 read together with the Civil Aviation (amendment) Act of 2016 and include the policy direction and development of internal financial controls.

The Chairman of the Board provides the overall leadership to the Board without limiting the principle of collective responsibility for Board decisions. He acts as the link between the Board and the Director General and plays a leading role in consensus building between the Board members, the Director General and Senior Management. The Board has delegated the authority for day-to-day management to the Director General. It however retains the overall responsibility for decisions with regard to finances and operations of the Authority.

The Board meets at least once every quarter and has formal schedule of matters reserved for it. During the Financial year 2021-2022, the Board held a total of Ten (10) meetings. The quorum for the board meetings is six (6) members excluding the Director General.

The Board has appointed four (4) standing Committees to which it has delegated certain responsibilities with the chairpersons of the Committees reporting to it. The Committees are, Finance and Human Capital, Licensing of Air Services and Technical, Audit Risk and Governance and the Eastern African School of Aviation Committee and they consist of;

| <b>1. LICENSING OF AIR SERVICES AND TECHNICAL COMMITTEES (LASTC)</b> |   |
|--|---|
| <b>Chairperson</b>   | <b>Capt. Bootsy Mutiso</b>  |
| <b>Members</b>   | <ol style="list-style-type: none"> <li>1. Ms. Carole A. Ayugi</li> <li>2. Eng. Luke Kittony, DSM</li> <li>3. Mr. Nicholas E. Bodo</li> <li>4. Mr. Peter Thuku, EBS</li> <li>5. Mr. Emile N. Arao</li> </ol>   |
| <b>Number of meetings and agendas considered in FY 2021/2022</b>     | <p>The Committee is responsible for considering applications for air service licenses including variations thereof and issuing or denying such licenses; Considering all air transport/economic regulation matters; Providing guidance on air transport policy in Kenya in consultation with the parent ministry; Ensuring engineering standards and monitoring engineering projects; Monitoring air navigation (and other equipment) availability and serviceability; and, Monitoring the Aviation safety and aviation security oversight functions of KCAA, including the licensing of aviation personnel and all matters incidental to the functions of KCAA including examinations conducted by KCAA.</p> <p>During the year, the Committee had a total of 3 meetings. The meetings considered briefing of air services license applications, technical briefings from the technical departments of the Authority as well as holding virtual public hearings as per statutory requirements. The committee also considered technical directorate's quarterly reports and strategic requests.</p> |

| <b>2. EAST AFRICAN SCHOOL OF AVIATION COMMITTEE (EASA)</b>       |   |
|--|---|
| <b>Chairperson</b>   | <b>Ms. Carole Ayugi</b>   |
| <b>Members</b>   | <ol style="list-style-type: none"> <li>1. Capt. Kiki C. R. Onyonka</li> <li>2. Mr. David N. Njathi</li> <li>3. Mr. Emile N. Arao</li> </ol>   |
| <b>Number of meetings and agendas considered in FY 2021/2022</b> | <p>The Committee is responsible for considering on behalf of the Board all matters relating to the East African School of Aviation.</p> <p>The Committee held 3 meetings. The committee considered East African School of Aviation's reports which included academic reports, administrative reports, project reports, student welfare reports, EASA Policies, EASA land matters, the school annual investment plan and proposed projects for implementation in the year.</p> |



### 3. FINANCE AND HUMAN CAPITAL COMMITTEE (F&HCC)

|  |   |
|--|---|
| <b>Chairperson</b>   | <b>Eng. Luke Kittony, DSM</b>   |
| <b>Members</b>   | <ol style="list-style-type: none"> <li>1. Mr. Peter Thuku, EBS</li> <li>2. Mr. Nicholas E. Bodo</li> <li>3. Mr. Samuel M. Macharia</li> <li>4. Mr. Emile N. Arao</li> </ol>   |
| <b>Number of meetings and agendas considered in FY 2021/2022</b> | <p>The Committee is responsible for reviewing and monitoring the KCAA financial matters/position on behalf of the Board, including monitoring the implementation of Authority's financial strategic goals/objectives; liquidity status, all the Authority's banking facilities, recommending KCAA Budgets, Financial Statements and statutory reports; and Ensuring compliance with the financial reporting requirements and the proper keeping of all the financial records of the Authority.</p> <p>The Committee also monitors the implementation of KCAA Human Capital strategic goals/objectives; Considering and processing all human resource and administration matters that require to be processed through the Board, including recruitment, promotions and disciplinary action, as well as issues relating to staff training, development, remuneration, welfare and benefits;</p> <p>The committee held 4 meetings. The committee considered among other agenda's the Authority's Budget estimates, annual report and financial statements, quarterly financial statutory reports, the Authority's staff recruitment and approved employment contracts among other staff welfare matters.</p> |

### 4. AUDIT, RISK AND GOVERNANCE COMMITTEE (ARGC)

|  |   |
|--|---|
| <b>Chairperson</b>   | <b>Capt. Kiki C. Onyonka</b>  |
| <b>Members</b>   | <ol style="list-style-type: none"> <li>1. Mr. David N. Njathi</li> <li>2. Mr. Nicholas E. Bodo</li> <li>3. Mr. Samuel M. Macharia</li> <li>4. Mr. Emile N. Arao</li> </ol>  |
| <b>Number of meetings and agendas considered in FY 2021/2022</b> | <p>The Committee is responsible for considering and making recommendations to the Board on all matters relating to internal and external audits, Risk Management and Governance inclusive of Performance Contract Reporting.</p> <p>The committee held 5 meetings. The agendas considered included among others the implementation of institutional risk management framework, Internal and External Audit reports, reports on court and land matters, quarterly Board PC reports and Governance Policy documents</p> |

The quorum for each Committee is three (3) members excluding the Director General or his representative.

## Appointment of Board Members

There is a succession plan which has the tenure of service of the various Board members lapsing in phases. This allows the institutional memory held by longer serving Directors to carry on as new Directors take up the roles of Board members.

## Board Trainings

The Authority has an induction program and an annual training program. The program has so far achieved trainings for the Board members on Strategy on Scenario Planning, Gender Mainstreaming, Corporate Governance Leadership and Excellence among others. The trainings are undertaken on an ongoing basis with emphasis on new and emerging area of aviation oversight and requisite competencies for the Board of Directors.

## Board & Member Performance

There is in place a Board evaluation exercises undertaken annually by the State Corporations Advisory Committee (SCAC).

## Conflict of Interest

Directors are required to disclose all areas of conflict of interest to the Board during the adoption of agenda for any meeting and are excluded from voting on such areas. There is a conflict of interest register in place kept by the Corporation Secretary where all the declarations of conflicts of interests are recorded.

## Ethics, Conduct and Governance Audit

There is in place a Governance audit that takes place annually.

## Directors' Emoluments

The members of the Board are remunerated variously through allowances. The Chairman earns a monthly honorarium. All members other than the Director General earn travelling, accommodation, mileage, sitting and lunch allowances as per the prevailing Government guidelines contained in circulars.

The aggregate amount of emoluments paid to Directors for services rendered to the Authority during the Financial Year 2021-2022 are disclosed in note 18.15 to the financial statements.

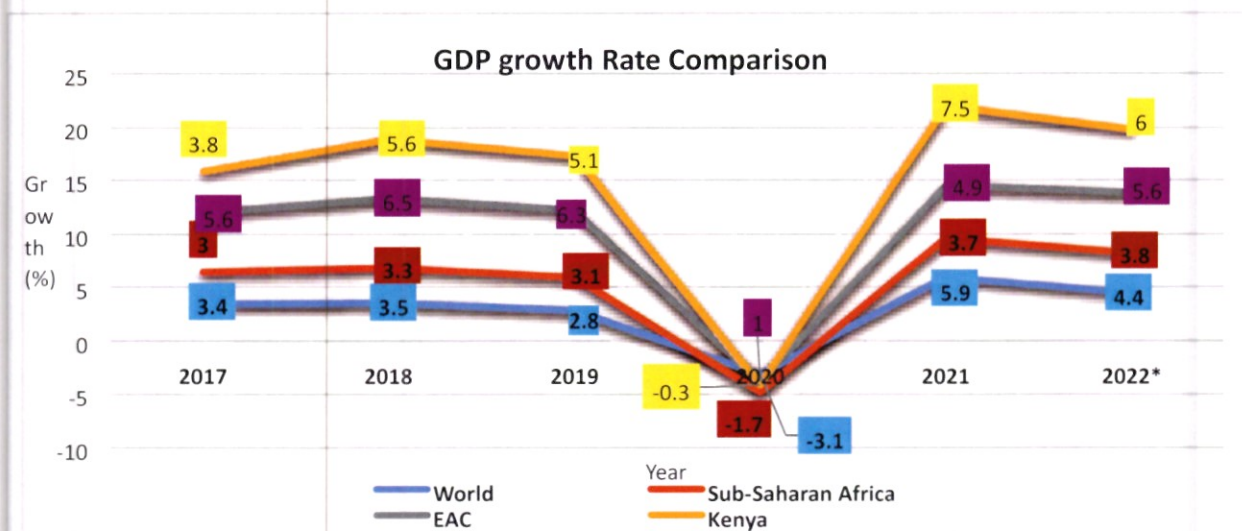




## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The World Economy is estimated to have grown by 5.9 percent in 2021 from a negative 3.1 percent in 2020. The Sub-Saharan African region grew by 3.7% in 2021 from a negative 1.7 percent in 2020 due to the impact of the Covid-19 pandemic. The EAC region is estimated to have grown by 4.9 percent in 2021 from a growth of one percent in 2020. Economic growth in Kenya recorded 7 percent growth in 2021 compared to a negative

growth rate of 0.3 percent in 2020 mainly due to the continued recovery from COVID -19 pandemic. This positive growth has impacted positively the growth of the civil aviation industry's performance during the year thereby affecting the Authority's financial performance. Passenger, freight, and aircraft traffic increased this financial year compared with the previous year. The trend of GDP growth rate comparison is shown below in figure 1



Source: Economic Survey, 2022

Macroeconomic data on recent estimates of demand shocks shows that traffic forecast will return to 2019 levels in 2023/2024 at low growth rate of 3.6% compared to 4.2% before COVID-19 based on ICAO Global forecast. The global freight traffic is expected to remain at a growth rate of 3.5% similar to the pre Covid19 level. With the implementation of the Covid-19 containment measures, the aviation industry is on a recovery path and is expected to remain on an upward trend. During 2021, global scheduled passengers increased to 2.3 billion from the lowest levels of 1.8 billion achieved during 2020. Passenger traffic in Kenya recorded a growth rate of 98.8 percent in 2021/2022 compared to last year, Cargo traffic recorded a growth rate of 6.43 percent compared to the last year, while Aircraft movements recorded 44.4 percent growth this year compared to the previous financial year.

According to the World Bank Economic report released in June, Kenya's real gross domestic product (GDP) is projected to grow by 5.5 percent in 2022 and 5.2 percent on average in 2023-

2024. This growth rate, while still strong, will be a moderation following a remarkable recovery in 2021 from the worst economic effects of the pandemic. The impact of the war in Ukraine is weighing on the global economic recovery from the pandemic. Domestically, a key risk to the outlook is a further worsening of the current drought, which is having a devastating effect on food security and livelihoods in affected parts of the country and is necessitating increased social spending on food assistance

The Authority enhanced the levels of effective implementation of compliance requirements, oversight capacity, surveillance of the industry and investments in air navigation services infrastructure and training equipment. This has helped increase the contribution of the civil aviation sector to the economy. Indeed, contribution to the Gross Domestic Product recorded 0.5 percent in 2022 from 0.4 per cent in 2021.

## Operational and Financial Performance

The Authority experienced an increase in financial performance during the year resulting from recovery from Covid-19 outbreak. Revenue earnings increased during the year from Kshs. 6.95 billion to Kshs. 4.60 billion due to increased earnings from air navigation services charges as a result of increased aircraft movements and air passenger service charges. On the other hand, recurrent expenditure increased from Ksh.4.93 billion to Kshs. 5.10 billion during the period under review. Overall, the financial results were a net surplus of Kshs. 1,931,107,787 compared to a deficit of Kshs. 3,260,193 the previous financial year before 90% remittance to National Treasury.

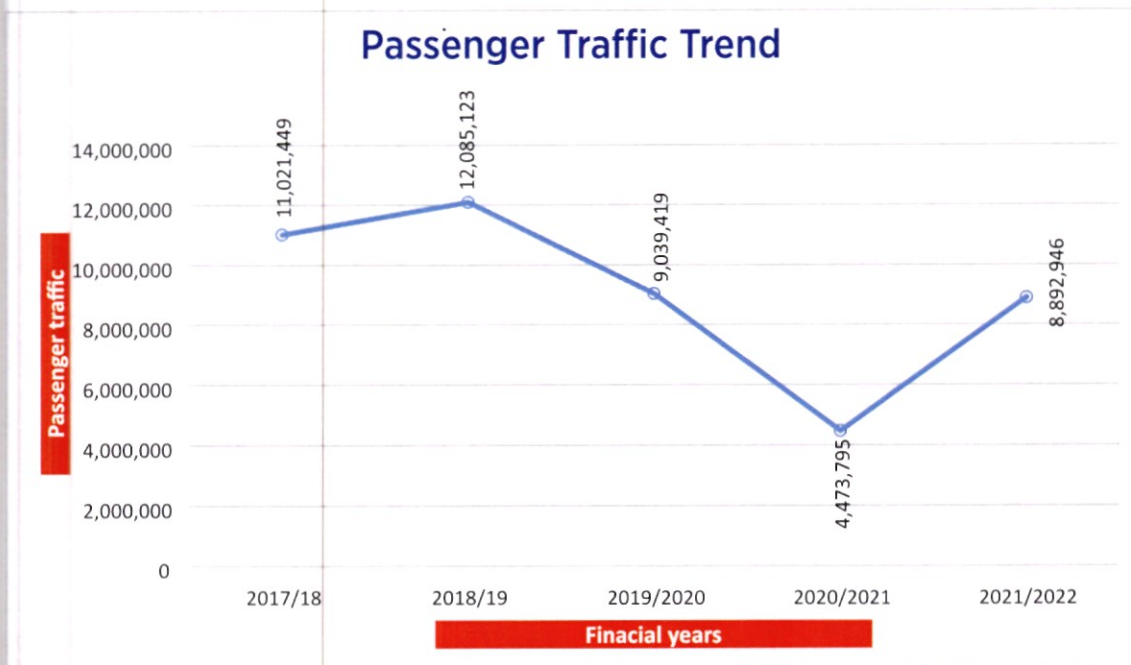
The performance of the industry during the financial year showed good recovery trend from Covid-19 pandemic. Given aviation is a critical catalyst for global and national development and contributes to job creation and trade with other countries, the recovery of the sector is important to the Kenyan economy.

There was an increase in domestic passengers by 77.16% and 138.97% for international passengers, compared to the previous year. Transit passenger traffic also increased by 75.09% compared to the previous year. The overall passenger traffic increased by 98.78% this year to reach 8.893 millions from 4.474 millions recorded last year. Freight traffic increased by 6.43% from 357,180 tonnes to 380,157 tonnes in the financial year. The five years' trend is shown in the table 1 and figure 2 & 3 below:

**Table 1: Passenger and Freight Traffic from 2017/18 to 2021/2022**

| Passenger and Freight Traffic Statistics |               |                       | 2017/18            | 2018/19            | 2019/2020          | 2020/2021          | 2021/2022          | Percent Change |
|--|---------------|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------|
| Passengers                               | Domestic      | Arrivals              | 2,211,345          | 2,485,849          | 1,821,760          | 1,386,059          | 2,464,507          | 77.81%         |
|  |               | Departures            | 2,097,203          | 2,361,538          | 1,728,472          | 1,386,839          | 2,447,967          | 76.51%         |
|  |               | <b>Total</b>          | <b>4,308,548</b>   | <b>4,847,387</b>   | <b>3,550,232</b>   | <b>2,772,898</b>   | <b>4,912,474</b>   | <b>77.16%</b>  |
|  | International | Arrivals              | 3,183,784          | 3,434,907          | 2,597,186          | 781,996            | 1,834,777          | 134.63%        |
|  |               | Departures            | 1,961,454          | 2,103,979          | 1,660,577          | 787,188            | 1,915,079          | 143.28%        |
|  |               | <b>Total</b>          | <b>5,145,238</b>   | <b>5,538,886</b>   | <b>4,257,763</b>   | <b>1,569,184</b>   | <b>3,749,856</b>   | <b>138.97%</b> |
|  | Transit       | Total arrivals        | 5,395,129          | 5,920,756          | 4,418,946          | 2,168,055          | 4,299,284          | 98.30%         |
|  |               | Total departures      | 4,058,657          | 4,465,517          | 3,389,049          | 2,174,027          | 4,363,046          | 100.69%        |
|  |               | Transit               | 1,567,663          | 1,698,850          | 1,231,424          | 131,713            | 230,616            | 75.09%         |
|  |               | <b>Total</b>          | <b>11,021,449</b>  | <b>12,085,123</b>  | <b>9,039,419</b>   | <b>4,473,795</b>   | <b>8,892,946</b>   | <b>98.78%</b>  |
| Total Freight (in kgs)                   | Domestic      | <b>Unloaded</b>       | 614,633            | 509,053            | 289,496            | 635,316            | 739,254            | 16.36%         |
|  |               | <b>Loaded</b>         | 952,193            | 1,354,314          | 766,276            | 472,652            | 211,428            | -55.27%        |
|  |               | <b>Total</b>          | <b>1,566,826</b>   | <b>1,863,367</b>   | <b>1,055,772</b>   | <b>1,107,968</b>   | <b>950,682</b>     | <b>-14.20%</b> |
|  | International | <b>Unloaded</b>       | 79,986,212         | 87,668,238         | 69,381,514         | 69,316,039         | 76,059,632         | 9.73%          |
|  |               | <b>Loaded</b>         | 249,775,234        | 278,596,556        | 280,247,243        | 286,756,259        | 303,146,663        | 5.72%          |
|  |               | <b>Total</b>          | <b>329,761,446</b> | <b>366,264,794</b> | <b>349,628,757</b> | <b>356,072,298</b> | <b>379,206,295</b> | <b>6.50%</b>   |
|  | Total         | <b>Total Unloaded</b> | 80,600,845         | 88,177,291         | 69,671,010         | 69,951,355         | 76,798,886         | 9.79%          |
|  |               | <b>Total Loaded</b>   | 250,727,427        | 279,950,870        | 281,013,519        | 287,228,911        | 303,358,091        | 5.62%          |
|  |               | <b>Total</b>          | <b>331,328,272</b> | <b>368,128,161</b> | <b>350,684,529</b> | <b>357,180,266</b> | <b>380,156,977</b> | <b>6.43%</b>   |

Source: KCAA-Planning, 2022

**Figure 2 : Traffic Trend from 2017/18 to 2021/2022**

Source: KCAA-Planning, 2022

**Figure 3: Total Freight Traffic Trend from 2017/18 to 2021/2022**

Source: KCAA-Planning, 2022

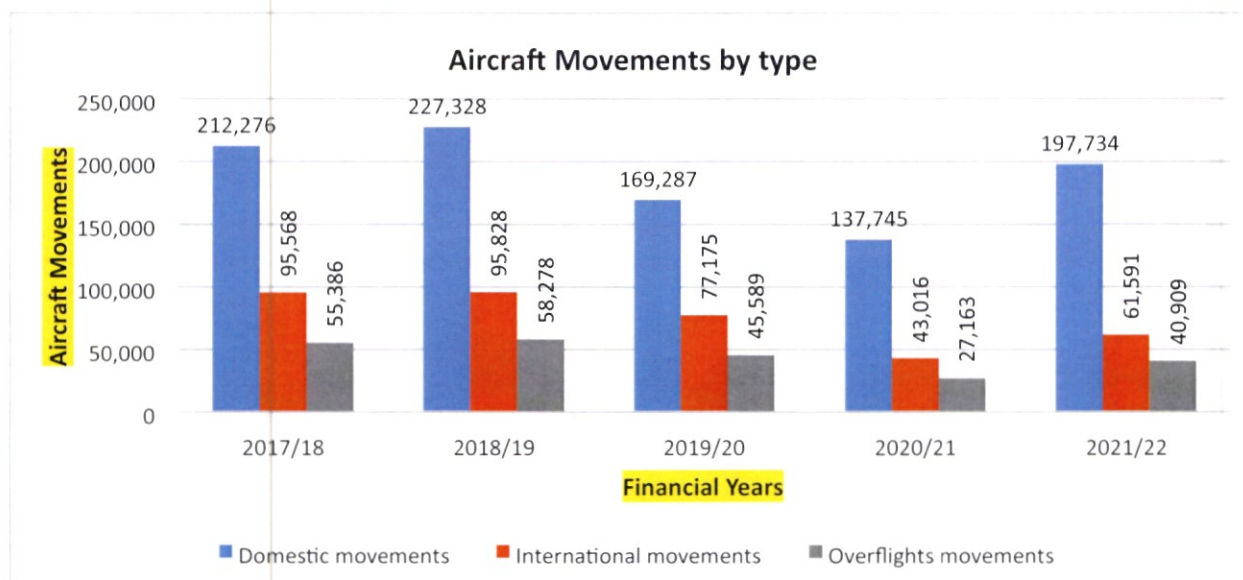
Aircraft movements increased by 44.4% from 207,924 in 2020/2021 to 300,234 in 2021/2022. The increase in aircraft traffic was mainly due to the recovery from Covid-19 pandemic and increased domestic use of aircraft during the political period. The aircraft movements trend during the last five years is reflected in table 2 and figure 4 below:

**Table 2: Aircraft Movements from 2017/18 to 2021/2022**

| Item                              | Movement       | 2017/18                  | 2018/19        | 2019/20        | 2020/21        | 2021/22        | %              |               |
|-----------------------------------|----------------|--------------------------|----------------|----------------|----------------|----------------|----------------|---------------|
| Aircraft Movements                | Domestic       | Landings                 | 105,768        | 112,868        | 83,928         | 68,856         | 99,508         | 44.52%        |
|                                   |                | Take-offs                | 106,508        | 114,460        | 85,359         | 68,889         | 98,226         | 42.59%        |
|                                   |                | <b>Total</b>             | <b>212,276</b> | <b>227,328</b> | <b>169,287</b> | <b>137,745</b> | <b>197,734</b> | <b>43.55%</b> |
|                                   | International  | Landings                 | 47,961         | 47,642         | 38,362         | 21,409         | 30,947         | 44.55%        |
|                                   |                | Take-offs                | 47,607         | 48,186         | 38,813         | 21,607         | 30,644         | 41.82%        |
|                                   |                | <b>Total</b>             | <b>95,568</b>  | <b>95,828</b>  | <b>77,175</b>  | <b>43,016</b>  | <b>61,591</b>  | <b>43.18%</b> |
|                                   | Total Landings | <b>Total Landings</b>    | <b>153,729</b> | <b>160,510</b> | <b>122,290</b> | <b>90,265</b>  | <b>130,455</b> | <b>44.52%</b> |
|                                   |                | <b>Total Take-offs</b>   | <b>154,115</b> | <b>162,646</b> | <b>124,172</b> | <b>90,496</b>  | <b>128,870</b> | <b>42.40%</b> |
|                                   |                | <b>Total</b>             | <b>307,844</b> | <b>323,156</b> | <b>246,462</b> | <b>180,761</b> | <b>259,325</b> | <b>43.46%</b> |
|                                   | Over flights   | <b>Total Over flight</b> | <b>55,386</b>  | <b>58,278</b>  | <b>45,589</b>  | <b>27,163</b>  | <b>40,909</b>  | <b>50.61%</b> |
| <b>Overall aircraft Movements</b> |                | <b>363,230</b>           | <b>381,434</b> | <b>292,051</b> | <b>207,924</b> | <b>300,234</b> | <b>44.40%</b>  |               |

Source: KCAA-Planning, 2022

**Figure 4: Aircraft Movements by Type from 2017/18 to 2021/2022**



Source: KCAA-Planning, 2022

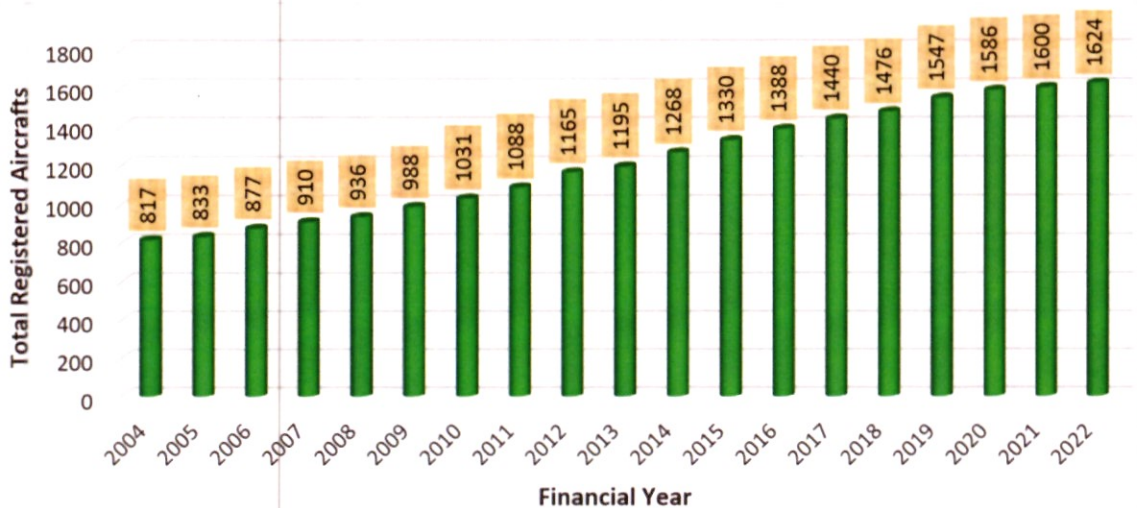
The number of aircraft registered in Kenya increased by 1.5% from the previous year. The number of registered aircraft has been growing steadily and currently the number of registered aircraft as at June 2022 was 1,624 as shown in table 3 and figure 5.

**Table 3: Aircraft Registered in Kenya from 2017/18 to 2021/2022**

| Financial Year            | 2017/18 | 2018/19 | 2019/20 | 2020/2021 | 2021/22 |
|---------------------------|---------|---------|---------|-----------|---------|
| Total Aircraft Registered | 1,476   | 1,547   | 1,586   | 1,600     | 1,624   |
| % Change                  | 2.5%    | 4.8%    | 2.5%    | 0.9%      | 1.5%    |
| New Aircraft Registered   | 48      | 87      | 48      | 29        | 56      |
| De-Registered Aircraft    | 12      | 16      | 9       | 15        | 32      |

**Source: KCAA-Planning, 2022**

**Figure 5: Total Aircrafts in the Register per Year 2004 to June 2022**



**Source: KCAA-Planning, 2022**

## Key Projects or Investments Decisions

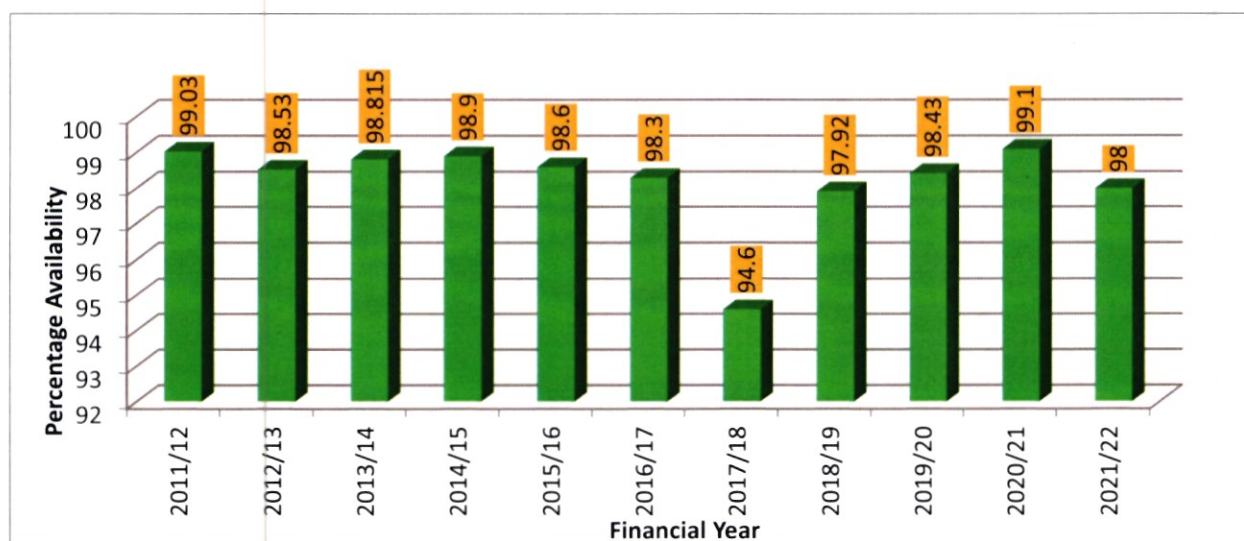
During the Financial Year 2020/21, the Authority continued with the implementation of projects aimed at modernising Air Navigation Services (ANS) and enhancing overall delivery of services. The refurbishment of the electrical wiring and cabling was completed during the year. The works were undertaken and completed at JKIA, Mua Hills, Stoni Athi and Ngong as targeted. A new Air Traffic Management System was also installed at JKIA. The consultancy for undertaking the work on maintenance of WGS 84 and Area 2 obstacle surveys for Kisumu Airport was awarded during the year and survey completed and the final report was prepared and submitted to the Authority. The construction of the Regional Centre for Aviation Medicine project at JKIA for the East African Community (EAC) agency responsible for civil aviation, the Civil Aviation Safety and Security Oversight Agency (CASSOA) was completed.

The implementation of the projects and the continued maintenance and periodic calibration of equipment contributed to overall average availability of air navigation services equipment of 98% during the year which was above the ICAO recommended level of 97%. It was however below the 99.1% achievement of 2020/21. The achievement was affected by the JKIA-Dar Es Salaam (DAR), Mombasa – Kilimanjaro (MSA-KIL), MSA-DAR tie lines which were disconnected due to billing issues, and MSA radar which was unserviceable due to fire outbreak. The systems have since been restored but availability continued to be affected by the unserviceable D-ATIS equipment at JKIA and Mombasa which is currently under replacement.

**Table 4: Overall Availability of ANS Equipment**

| Year                                       | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Overall Availability of ANS Equipment in % | 99.03   | 98.53   | 98.815  | 98.9    | 98.6    | 98.3    | 94.6    | 97.92   | 98.43   | 99.1    | 98      |

Source: KCAA-Planning, 2022

**Figure 6: Availability of the ANS equipment trend from June 2012 to June 2022**

Source: KCAA-Planning, 2022

Table 5 below represent statistics on the key regulatory services offered in the aviation industry over the last five years.

**Table 5: Key Statistics on Regulatory Services**

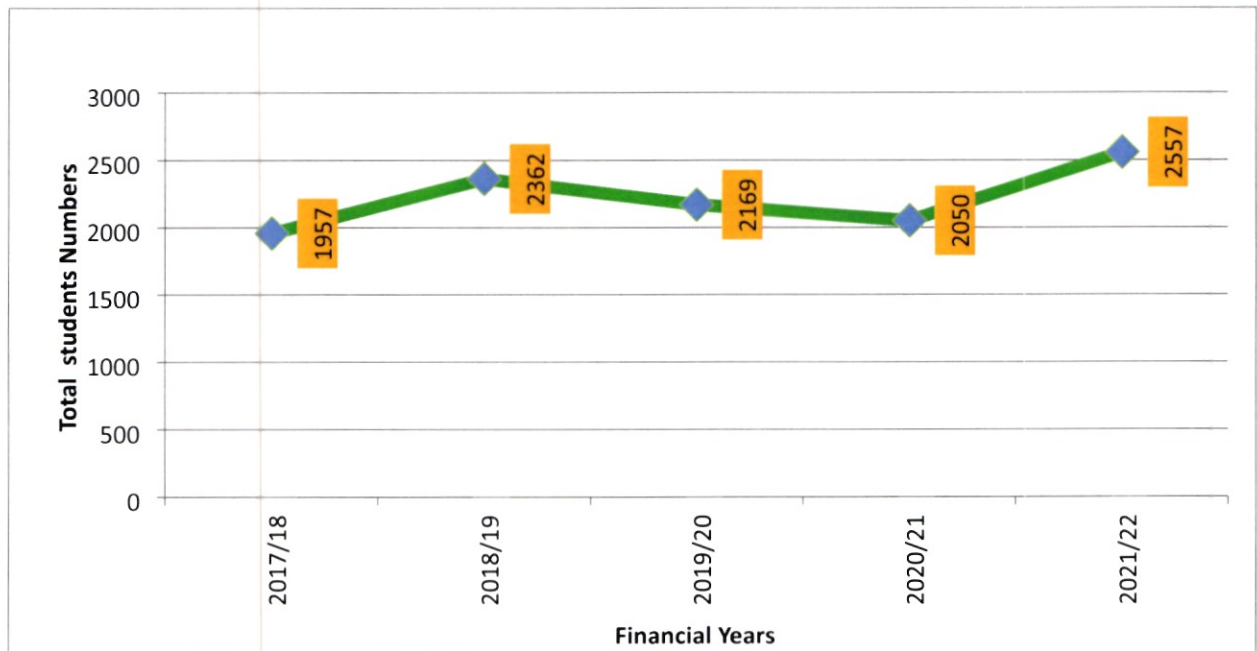
| Item                                       | Details/Year   | 2017/18 | 2018/19       | 2019/2020    | 2020/21      | 2021/22      |
|--|--|---------|---------------|--------------|--------------|--------------|
| Aviation Personnel Licences                | Air Transport Pilot Licence (ATPL)                                       | 1188    | 1375          | 1435         | 1453         | 1503         |
|  | Commercial Pilot Licence (CPL)   | 1687    | 1756          | 1829         | 1869         | 1969         |
|  | Private Pilot Licence (PPL)  | 1358    | 1351          | 1674         | 1783         | 1857         |
|  | Student Pilot Licence (SPL)  | 2918    | 2947          | 3236         | 3337         | 3492         |
|  | Cabin Crew Member Certificate (CMC)                                      | 2140    | 2270          | 2448         | 2464         | 2482         |
|  | Aircraft Maintenance Engineers (AMEL)                                    | 775     | 819           | 873          | 895          | 915          |
|  | <b>Total</b>   |         | <b>10,066</b> | <b>10518</b> | <b>11495</b> | <b>11801</b> |
| Valid Operational Licenses                 | Aircraft with Valid Certificate of Airworthiness (COA)                   | 804     | 807           | 735          | 782          | 852          |
|  | Air Operator Certificates (AOCs)   | 89      | 90            | 84           | 78           | 90           |
|  | Total Approved Maintenance Organisations (AMOs) (Both Local and Foreign) | 161     | 69            | 105          | 108          | 114          |
|  | Approved Training Organizations (ATOs)                                   | 22      | 22            | 19           | 19           | 17           |
|  | Flight Dispatcher Licence  | 211     | 311           | 317          | 298          | 373          |
|  | Scheduled International Airlines   | 79      | 79            | 80           | 80           | 80           |
| Aerodrome Category                         | International Class A  | 8       | 8             | 8            | 8            | 8            |
|  | Domestic (regional) Class B  | 23      | 23            | 23           | 23           | 23           |
|  | Class C Airstrips  | 440     | 440           | 440          | 440          | 510          |
|  | Class D Heliports/Helipads   | 20      | 20            | 20           | 20           | 20           |
|  | <b>Total</b>   |         | <b>491</b>    | <b>491</b>   | <b>491</b>   | <b>491</b>   |
| CAA Inspectors and Air Traffic Controllers | Air Traffic Controllers (ATCOs)  | 175     | 212           | 206          | 202          | 197          |
|  | Airworthiness Inspector  | 32      | 25            | 26           | 23           | 25           |
|  | Flight Operations  | 30      | 25            | 21           | 23           | 24           |
|  | Personnel Licensing  | 10      | 11            | 9            | 11           | 17           |
|  | Communication, Nav. & Surveillance (CNS)                                 | 1       | 1             | 1            | 1            | 2            |
|  | AIS/ Map, PANSOPS  | 1       | 2             | 2            | 2            | 3            |
|  | Air Traffic Management & Search & Rescue (ATM)                           | 2       | 2             | 2            | 2            | 4            |
|  | Aerodromes & Grounds Aids (AGA)  | 3       | 6             | 4            | 3            | 7            |
|  | Aviation Security  | 9       | 7             | 5            | 6            | 10           |
|  | Air Transport  | 9       | 10            | 10           | 9            | 11           |
|  | <b>Total</b>   |         | <b>272</b>    | <b>301</b>   | <b>286</b>   | <b>282</b>   |

Source: KCAA-Planning, 2022

The East African School of Aviation (EASA) which is a centre of excellence for aviation studies continued to provide quality training services to the local and international aviation industry. EASA continued with its modernisation programme towards the maintenance of the Centre of Excellence in aviation training status. By doing this, EASA aims at providing quality training that meets the demand of an evolving aviation industry both locally and in the region.

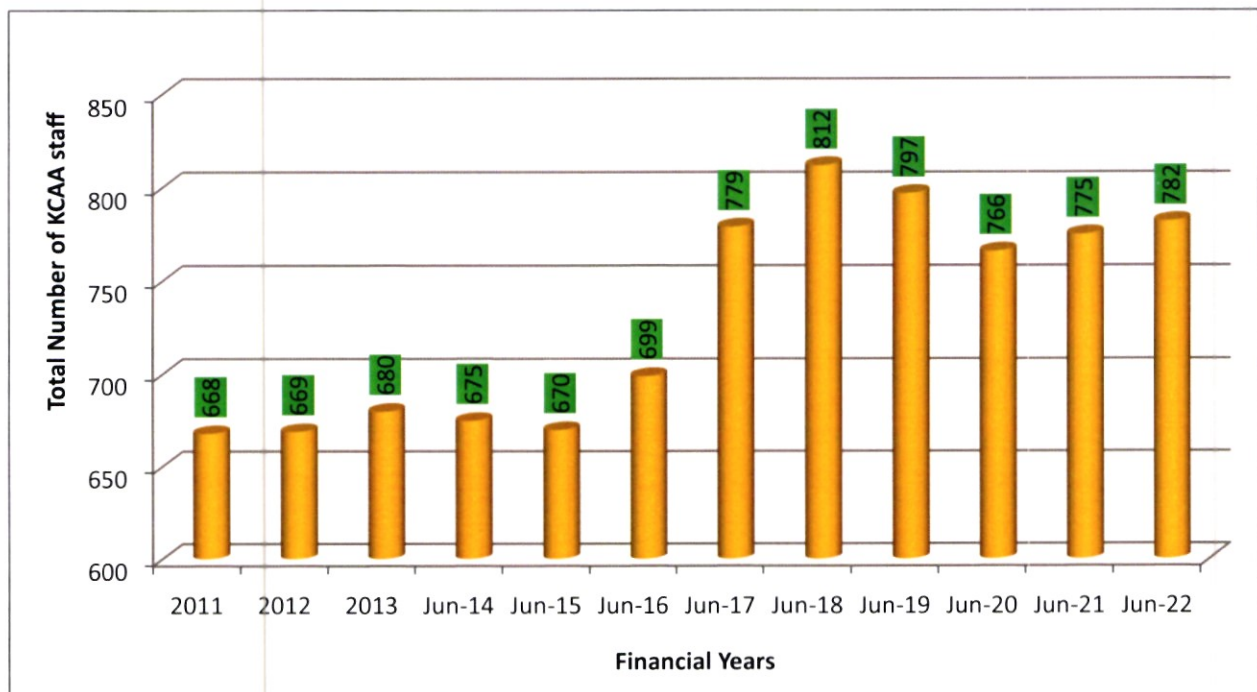
The number of students trained at EASA increased by 24.73% during 2021/22 which recorded 2,557 students compared to 2,050 trained during 2020/21 as shown in figure 7:

**Figure 7: East African School of Aviation Student Population trend as of June 2022**



Source: KCAA-Planning, 2022

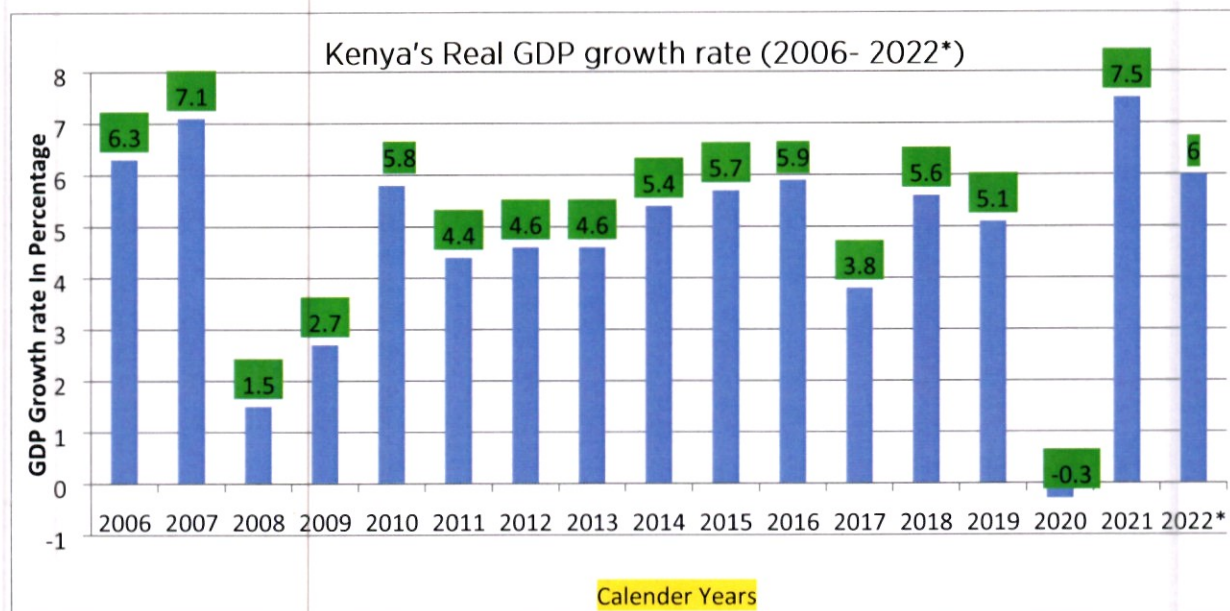
Staff numbers increased by 0.9% from 775 to 782 as at the end of financial year. This resulted to an overall increase of staff by 7 employees during the year. The number of staff as at June 2022 is as shown in Figure 8.





Kenya's economy continued to recover from Covid-19 pandemic, and it grew by 7.5% in 2021 compared to negative 0.3% growth rate in 2020 which affected the aviation industry output. The economy is projected to grow by 6% in 2022. The trend of the GDP is as shown in Figure 9.

**Figure 9: Kenya Real GDP growth rate from 2006 to 2022**



\*Projection

Source: Economic Survey, 2022

## Major Risks Facing KCAA

- Disruption in the provision of essential services due to the effects of the COVID-19 pandemic on the aviation industry.
- Ineffective project management
- Poor/failure to the coordination of search and rescue missions
- Failure to comply with ICAO SARPS and honour international obligations
- KCAA Failure to comply with laws, regulations, standards, policies, procedures
- Failure to achieve 100% implementation of Strategic Plan
- Ineffective Risk Management coordination activities
- Non implementation of organisation structure

## Compliance to Statutory Requirements

In the financial year ended 30th June 2022, the Authority was able to comply with the requisite statutory requirements. However, there have been one major long-standing court case. This is summarised below:

### **Nairobi HCCC Misc. Appl. No 1278 of 2004 & Court of Appeal No. 67 of 2010 Rufus Njuguna & 67 Others -v. - KCAA & 2 Others**

This is a case involving 68 former employees of the Directorate of Civil Aviation (the predecessor of KCAA) emanating from alleged dismissal of the said employees from public service and malicious prosecution.

The case was ruled in favor of the Plaintiffs but KCAA appealed against the judgment and the appeal proceeded for hearing on 7th January, 2014. The Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to High Court for assessment of total damages. The High Court delivered the ruling on assessment for 40 plaintiffs out of 67 plaintiffs. The judgment amount in total is approximately Kshs 154,841,140. The Claimants' application for review seeks an additional Kshs. 103,835,080/=. The application was heard on 12th June 2018. The ruling was slated for 28th September 2018 but was not read on the said date but would be delivered on Notice.

The matter was mentioned on 25th April 2019 for Claimants to update the Court on the issue of the Claimants' representation. The Court ordered that the Claimants sort out their issues on representation as it had not resolved the issue.

The matter was mentioned again on 12th June 2019 where Dr. Khaminwa and Mr. Mutai tentatively agreed to act alongside each other with respect to 2nd, 4th to 25th claimants on the condition that the incoming advocates lay no claim to Fees already earned. The Court then directed that the Claimants finalise on their representation and agree on how to proceed with regards to Mr. Mutai's Application to file a Notice of Appeal out of Time.

On 14th August, 2020, KCAA was served with a Preliminary Decree of Kshs. 152,071,216 and a Final Decree of Kshs. 28,229,748 for the wrongful dismissal and unlawful arrest of the former DCA employees. The amounts are salary arrears since 18th April, 2002.

There was an error on assessment on dues done by the court and the same is pending determination by the court. Meanwhile the Authority is liaising with the Advocates on record for parties to agree on the amount that is not disputed for purposes of payment by KCAA. The matter is being handled by Walker Kontos Advocates on behalf of KCAA. The matter will be coming up for hearing of our review application on 20th September 2022.

## Material Arrears in Statutory and Other Financial Obligations

The Authority reported a number of liabilities as at 30th June 2022. These major liabilities included;

|  |      |               |
|--|------|---------------|
| a) Trade Payables & Other Payables                   | Kshs | 851,136,170   |
| b) Employee Benefit Obligation                       | Kshs | 207,154,261   |
| c) Current Portion of Borrowings                     | Kshs | 182,324,356   |
| d) Current Provisions (90% Surplus, ANS VAT & Legal) | Kshs | 2,150,542,402 |



## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

**K**enya Civil Aviation Authority's (KCAA) is a going concern that exists to transform lives. This is what guides the Authority in delivering its strategy, which is founded on eight (8) pillars of putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence.

The Authority continues to play a leading role in the growth of a vibrant civil aviation system in Kenya through its mandate of planning, developing, managing, regulating and operating a safe, economically sustainable, and efficient civil aviation system (in accordance with the provisions of the Civil Aviation Act No.21 of 2013 as amended in 2016 and articulated in the Authority's Strategic Plan).

### i) Sustainability Strategy and Profile

The greatest challenge today is the elimination of poverty the latter of which remains an indispensable requirement for sustainable development, according to the United Nations. To reduce poverty and improve the quality of lives of the people, the United Nations developed the sustainable development goals and every country is expected to work towards achieving these goals. Civil Aviation industry is recognised as a major enabler for international trade and business and is expected to contribute towards reduction of poverty and improvement of livelihoods. People are at the centre of the development agenda and at KCAA, the strategy is to contribute towards the improvement of the lives of people in Kenya and beyond. The effective implementation of the Vision 2030, the Medium Term III, the Big Four Agenda and KCAA Strategic Plan 2018-2022 has contributed towards the transformation of the lives of the people the Authority interacts with. By extension, when people's livelihood is improved, diseases are bound to be eradicated.

The Authority's role as a regulatory authority responsible for air transport, aviation safety and security, air navigation and aviation training services is to contribute to international trade and business. The Air Service agreements between Kenya and other countries have helped to open up markets for Kenya's products, increased access for inputs and interactions across the globe. The main factors that

affect the growth of the civil aviation is economic growth and the increase in traffic. Global passenger traffic continued to expand during the year, In Africa the growth was mainly influenced by the emerging middle class which is growing rapidly.

Air transport is a key cause and facilitator of economic growth in Kenya by enabling the country's integration into the global economy, providing direct benefits for users and wider economic benefits through its positive impact on productivity and economic performance. The global economy is estimated to have grown by 5.9 percent in 2021 from a contraction of negative 3.1 percent in 2020. This was mainly due to the ongoing recovery from Covid-19 Pandemic which had significantly constrained economic activities. Global growth is projected to grow at 4.4 percent in 2022 reflecting expectations of a vaccinepowered strengthening of activity and additional policy support in a few large economies.

Economic growth in Kenya recorded 7.5 per cent in 2021 compared to a negative growth rate of 0.3 per cent in 2020 mainly due to the COVID 19 pandemic. The performance in other East African Community (EAC) countries during 2021 continued to record positive growth rate. Rwanda recorded 5.1 per cent growth, Tanzania 4.0 per cent growth, Uganda 4.7 per cent and Burundi 1.6 per cent. The overall growth rate for EAC countries was 4.9 percent in 2021 indicating a positive growth from 1 percent in 2020.

The global freight traffic is expected to remain at a growth rate of 3.5% similar to the pre Covid-19 level. With the implementation of the Covid-19 containment measures, the aviation industry is on a recovery path and is expected to remain on an upward trend. During 2021, global scheduled passengers increased to 2.3 billion from the lowest levels of 1.8 billion achieved during 2020. Passenger traffic in Kenya recorded a growth rate of 98.8 percent in 2021/2022 compared to the previous year, Cargo traffic recorded a growth rate of 6.4 percent compared to the last year, while aircraft movements recorded 44.4 percent growth this year compared to the previous financial year.

The Authority enhanced the levels of civil aviation oversight to encourage growth of the industry, undertook surveillance of the industry for compliance

and assurance of safety to consumers in the wake of the COVID 19 pandemic. In addition, investments were also undertaken in infrastructure, equipment and facilities to improve air navigation services and aviation training. This has helped increase the contribution of the civil aviation sector to the economy. Indeed, contribution to the Gross Domestic Product recorded 0.5 percent in 2022 from 0.4 per cent in 2021. With continued growth of the industry, the contribution of civil aviation to the GDP is expected to rise in the coming years.

During the Financial Year 2021/22, the Board successfully implemented the 18th Performance Contract and achieved an overall implementation level of 86.05%. The Authority completed implementation of the third Strategic Plan that covered the period 2017/18 - 2021/2022 and which was aligned to the MTP III and the Big Four Agenda. Emerging areas of focus during the period were issues related to the environment and specifically the Carbon Offsetting Reduction Scheme for International Aviation (CORSA), consumer protection and increased operation of the Unmanned Aircraft Systems (UAS). The Board also, prepared the fourth strategic plan that will run from financial year 2022/2023 to 2027/2028 during the year.

As an enabler, KCAA implements activities that are geared towards ensuring that the cost of doing business is reduced and that business and economic activities are supported so that people involved can improve their livelihoods and those that they serve. In undertaking and implementing the core mandate, the Authority is concerned with the people it relates to and serves.

The overall air transport performance during the year was positive growth in passenger traffic by 98.8% to reach 8.893 million passengers in FY 2021/2022 compared with 4.474 million the previous financial year. Aircraft movements increased by 44.4% from 207,924 in 2020/2021 to 300,234 in 2021/2022. Freight traffic increased by 6.4% from 357,180 tonnes in 2020/2021 to 380,157 tonnes in 2021/2022. The number of aircraft registered in Kenya increased by 1.5% to reach 1,624 aircraft in 2021/2022 from 1,600 Aircraft in the 2020/2021 financial year

During the year, KCAA in consultation with the stakeholders completed the review of 30 sets of regulations and submitted them for approval by the Government. A process to develop six new regulations was also started during the year. These six regulations are on the following areas; Aerial Works-Agricultural Operations; Aerial Work- Operations; Aircraft Noise; Dangerous Goods; Consumer Protection and Aircraft Emissions. In addition, drafts were also developed for regulations on; Air Ambulance and Hot Air Balloons

operations.

## ii) Environmental Performance

KCAA fully complies with international and domestic requirements on matters related to the environment. The Authority operates in line with the expectations of diverse global stakeholders, and therefore sees environmental management as a discipline through which the Authority integrates economic, environmental and social objectives without compromising the ability of future generations to meet their needs.

At the international level KCAA is working together with the global civil aviation community towards reductions of aircraft emissions. To this end, Kenya is participating in the Carbon Offsetting and reduction

Scheme for International Aviation (CORSA) in the pilot phase since 2021. The scheme aims at contributing to the global aspirations of keeping the global net Carbon Dioxide emissions from international aviation neutral from 2020 at the same level. This implies that aircraft will increasingly use efficient fuels and Air Navigation Service providers design routes that do not contribute to increased aircraft emissions.

A pilot project was implemented in Kenya with strong support from the International Civil Aviation Organisation (ICAO). It consisted of a ground-mounted photovoltaic system of 507kW solar power generation facility and mobile airport gate electric equipment. This innovative project was launched on 12th December 2018 at Moi International Airport in Mombasa, Kenya.

The facility provides pre-conditioned air (PCA) and compatible electricity that runs on solar energy to service aircraft during ground operations which eliminate carbon dioxide emissions from aircraft parked at the gate. The system has been in operation since April 2019, when the site acceptance tests were conducted and the system was commissioned.

The project installed an auxiliary power unit (APU) and a ground power unit (GPU) for use by aircraft at Moi International Airport that are powered by clean energy from solar. This has helped to reduce the use of fossil fuel (diesel) by powering the APU and GPU at the airport. The system has also helped to run onboard systems and interior cooling before aircraft depart for their next flight.

The solar facility has generated 737,014.86kWh annually on average with a total power generation of 2,472,310.92kWh as of June 2022. Thus, it has reduced

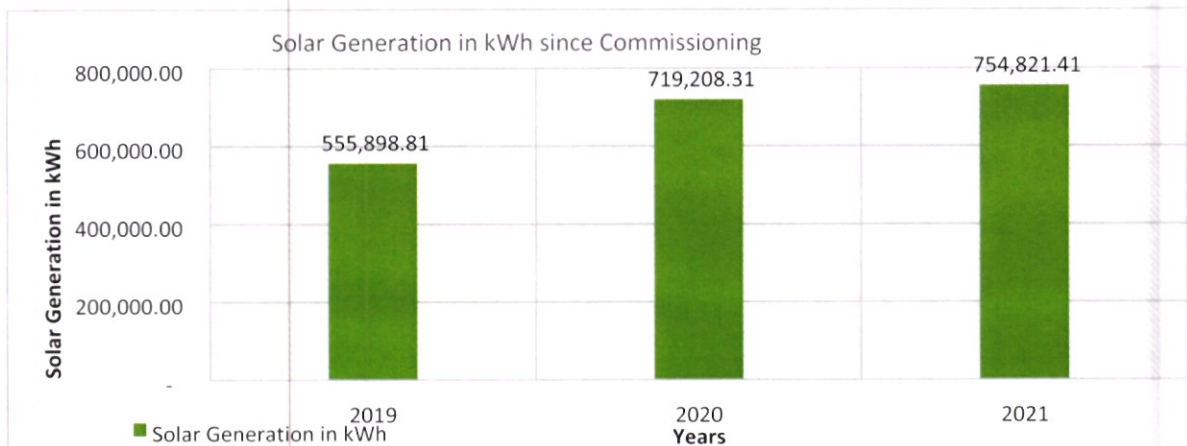
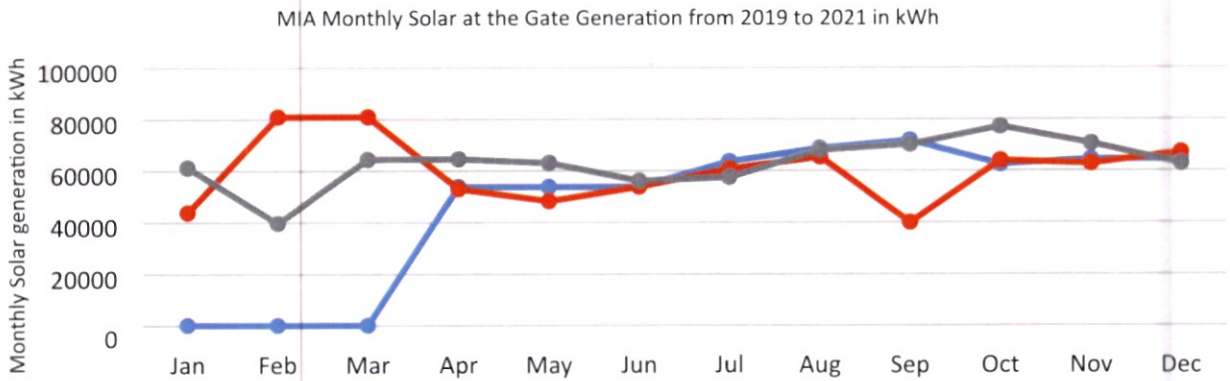


on average 704,225 tonnes of CO<sub>2</sub> annually. In total, the amount of carbon dioxide emissions reduced equalled 1,991,107 tonnes as of June 2022. The airport gate equipment serves more than 1,497 flights per year, with both GPU & PCA consuming 120,718,586 kWh as of June 2022, therefore demonstrating a concrete solution to reduce aviation carbon dioxide emissions.

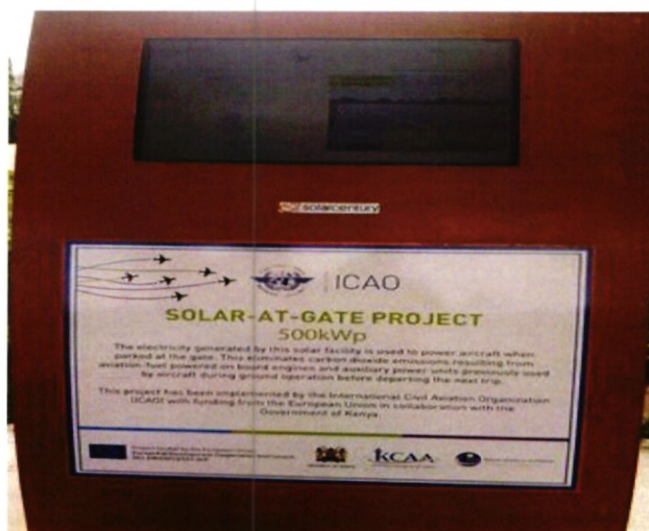
The Solar Pilot Project was implemented at Moi International Airport at a cost of USD 1,501,132.22 which was part of the € 6.5 million initiative entitled "Capacity Building for CO<sub>2</sub> Mitigation from International Aviation". This initiative targeted 14 African and Caribbean states. Twelve (12) States were from the African Region and two from the Caribbean Region. This project was implemented by

the International Civil Aviation Organisation (ICAO), the Kenya Civil Aviation Authority (KCAA), and the Kenya Airport Authority (KAA). It was funded by the European Union and the Government of Kenya

KCAA and the Kenyan aviation industry stakeholders developed the Kenya's Action Plan for the Reduction of Carbon Dioxide (CO<sub>2</sub>) Gas Emissions from Aviation in December 2015. This State Action Plan resulted into funding of the "solar-at-gate" projects in Mombasa, which was one of the mitigation measures selected. The project has further resulted into efficient operations at Moi International Airport, with savings of electricity charges at an average amount of USD 25,000 (Ksh 2.5 million) per month. Figures shows the trend in power generation per month and annually.



**Trend in power generation per month and annually**



### Solar Farm at MIA

Further KCAA implemented the following activities on environment during the year.

- Developed Final Draft 3rd aviation Action Plan on CO<sub>2</sub> reduction 2022-2028 by engaging the stakeholders' inputs and validation.
- Contributed to ICAO environment report on Chapter 6 on Climate Change and Mitigation.
- Data on carbon emissions collected and submitted to ICAO on CORSIA from KQ and Astral for the CORSIA emission for 2021. Carried out order of magnitude tests on the emissions reports received from Astral and KQ and submitted to ICAO.
- Presented CORSIA regulations for Stakeholder validation at Ole Sereni Hotel and developed the Technical Guidance Materials (TGMs) during the year.
- KCAA Participated in the following workings and meetings during the year on environment contribution:
  - Participated in meeting to prepare for Kenya position on SABSTA 56 that was held in Bonn Germany from 6th to 16th June 2022.
  - Participated in the 2050 emission Calculator Validation workshops on 21st and 22nd June 2022 at Emara Olesereni organised by Ministry of energy. The calculator is trying to quantify the total emission for six sectors including transport.
  - Participated in AFCAC capacity building on environment from 19th to 21st July 2021 that was held virtually.
  - Participated in CAEP LTAG TG workshop from July to December 2021 Virtually on the development of the long-term aspiration goal feasibility report.
  - Participated in the Sustainable Aviation Fuel tool kit development ambassador meetings that developed the SAF tool kit that was launched in COP 26 in Glasgow, UK.
  - Participated in the stock taking seminar from 31st August to 3rd September 2021
  - Participated in the clean skies for tomorrow's meeting organized by UK on 24th August 2021
- Trained ACT-CORSIA participants on 17th March 2022 virtually that included participants from Uganda, Seychelles, Rwanda and South Sudan.
- Participated in a Meeting between FAA-USA CAEP member and KCAA DG, CORSIA Focal point and Kenya CAEP member during COP26 Conference.
- Participated in on Committee of Aviation Environmental Protection (CAEP) steering group meeting (CAEP 12) virtually from 7th to 18th February 2022
- Participated in the NEMA air quality regulations review
- Participated in the United Nations Climate Change Conference 31st October 2021 to 12th November 2021, (COP 26) held in Glasgow, UK.
- Participated in AFCAC\_EU workshop on CORSIA from 14th to 16th June 2022 Virtually and made a presentation on the same.
- Attended green House gas emission Workshop organised by Ministry of Environment on Monitoring review and Verification (MRV) from 6th to 11th February 2022.

At the domestic level, the Aviation sector has strong regulatory framework and supervisory controls that monitor environment aspects. Internal and external audit programs are in place to ensure compliance with Health Safety and Environmental laws, regulations and policies. The Authority also ensures that waste generated by the activities of the Authority which is mainly office waste is disposed off in accordance with the regulations.

### iii) Employee Welfare

KCAA had a total number of 782 employees as at the end of the year with a turnover of 30 employees (Retirement- 22, Resignation - 4 and Demise - 4). Recruitment of staff is based on gender with the objective of at least achieving the one third gender requirement.



The Authority has a Human Resource Policy Manual which is the document that contains guidelines on Recruitment and Selection, Staff Training and Development, Staff Welfare, Employee Relations, Separation, Performance Management and Administration Services. The policy also provides details on remuneration, allowances and benefits that are payable to staff. Stakeholders are usually during the review and development of various policy documents that affect the industry the Authority regulates.

In order to improve the quality of staff, the Authority has put in place a training policy which is implemented to enhance skills. Most of the employees have skills and competencies which are developed over a period of time, this is achieved by attending various trainings, workshops and conferences that are aimed at improving skills and performance. The trainings are usually attended through both physical and virtual/online learning modes.

The Authority endeavoured to provide a work environment that is conducive to staff in the performance of their duties by ensuring that office spaces and work tools are provided as required. In addition, employee welfare systems are in place including Provision of staff tea and clean drinking water, medical health insurance, housing mortgage facility, pension scheme and car loan scheme. Further, the Authority has constructed houses for those working in remote areas such as Wajir and Poror to ensure that employees are comfortable and able to deliver. Further, the Authority has in place an OSHA Policy in compliance with the Occupational Health and Safety Act of 2007.

The Authority has continued to provide Personal Protective Equipment (PPE) including face masks, and hand sanitizers for use by staff while on duty. Members of staff continued to access COVID-19 medical cover benefits for both in-patient and out-patient services under the staff medical insurance cover. The Authority also continued to undertake periodic disinfection of the office premises.

The Authority has in place a performance management system that utilises performance contracts and appraisals to set targets, report progress, evaluate results and conduct rewards at the end of the year.

Meetings between management and staff are regularly held to provide information and receive feedback on various issues. Further, the Authority arranges sensitisation meetings to create awareness among staff on issues such as corruption prevention, gender mainstreaming, disability mainstreaming, prevention of HIV infections and alcohol and drug abuse. A staff wellness day is held once a year during which employees are sensitised on their health and an opportunity provided for medical check-ups.

## iv) Market Place Practices

### a) Responsible competition practice.

The Authority is responsible for the oversight of the civil aviation industry and the role includes the promotion and development of the industry. As a regulatory Authority, KCAA promotes fair and responsible competition among air operators. In undertaking its regulatory services on the licensing of air transport services, the Authority takes into consideration the size of the market and the current operators in each segment of the market among other factors before making its decision on the licensing of additional operators into the market. It ensures that fair competition is promoted among the air operators by balancing the approvals granted to operate in the market and also the frequencies of flights granted to the various operators in the various markets served. The Air Services licensing committee meetings are open to the public and individuals are free to bring any objections against any of the applicants for business licenses. This ensures that the licenses are issued after objective analysis and representation by all parties involved. The Authority also ensures that fares charged are able to recover the costs of operations and that airlines do not practice unfair competition through under-pricing with the objective of creating dominance and driving other operators out of the market.

### b) Responsible Supply chain and supplier relations

Supply Chain Department of Kenya Civil Aviation Authority is committed to efficient provision of quality goods, works and services at competitive rates to the satisfaction of our external and internal customers in accordance with Article 227 of the Constitution of Kenya, Public Procurement and Disposal Act (PPADA) 2015 and the Public Procurement and Disposal Regulations (PPADR) 2020.

The Authority conducts its supply chain processes competitively in a manner that promotes fairness, equitability, transparency, cost-effectiveness and accountability. The supply chain processes involve procurement of goods, works and Services, Contract management, Inventory management and disposal of obsolete/unserviceable assets. The Authority maintains mutual and seamless communications and the contacts for each of the parties are clearly indicated in the respective contracts.

All open tenders for goods, works and services are advertised through local dailies under Government Advertising Agency (GAA) and at the same time uploaded on KCAA's website: [www.kcaa.or.ke](http://www.kcaa.or.ke) and the Public Procurement Information Portal; [www.tenders.go.ke](http://www.tenders.go.ke) for public information and interested bidders. Further, all Request for Quotations (RFQ) are processed through a competitive process using registered suppliers for various categories.

The Authority uses the standard tender documents issued by the Public Procurement Regulatory Authority (PPRA) in processing all the stated supply chain functions in compliance with PPADA 2015 and PPADR 2020.

The tender documents are processed using various tender committees which include tender opening, tender evaluation, contract implementation team, Inspection & Acceptance Committee, Disposal Committee and other adhoc committees provided in the PPADA 2015. The committees comprise multi-function teams from various departments who adhere to the PPADA 2015 and KCAA code of conduct in carrying out their various mandates.

These processes are aimed at promoting strong customer relationship, continuous commitment to quality, cost-effective operations and flexibility for faster decision making while ensuring compliance with the procurement laws.

All supplier payments are processed after satisfactory performance/delivery, Inspections and Acceptance of goods, works and or Services as per the respective contract terms.

### **c) Responsible marketing and advertisement**

The Authority being a regulator and service provider of the aviation industry in Kenya regularly processes advertisements with regard to its policies, technical material sourcing including human capacity, i.e, vacancies, and stakeholder sensitization. The Authority has a training arm, the East African School of Aviation, which also advertises its training programmes regularly. The process of advertising is in line with GoK advisory where all advertisements are facilitated through the Government Advertising Agency. This is intended to achieve the economies of scale through bringing together all government advertising needs under one umbrella. Only on exceptional circumstances does KCAA go directly to other sources of media output.

### **d) Product stewardship**

The Authority has a Consumer Protection Unit that help process any complaints against the Authority or players in the industry. Individuals, suppliers and any other parties are free to launch complaints with the Authority and the Commission on Administrative Justice if they feel aggrieved by the decisions of the Authority. The Authority, therefore takes into consideration consumer interests in all its decisions.

### **v) Corporate Social Responsibility/Community Engagement**

The Authority's CSR initiatives play a major role in improvement of the Authority's corporate image and management of stakeholder expectations. KCAA

affirms its commitment to be a responsible corporate citizen by contributing to national building through the Corporate Social Initiatives, Sponsorship, Philanthropy and employee volunteering in accordance with the provisions of Mwongozo. CSR initiatives therefore play a major role in engagement with the key publics both inwardly and outwardly.

KCAA's approach towards CSR is focused on identifying and formulating projects guided by an elaborate policy, and in response to specific needs that go towards addressing challenges and providing opportunities to the community. In the reviewed period 2021-2022, KCAA through a CSR Committee, guided by an approved CSR Policy, undertook the following activities:

- a) Funding footbridge at spray race, cattle trough and water point in Namanga, Matapato South Ward, Kajiado County.
- b) Sponsorship of Civil Aviation Chaplaincy of Kenya to host international conference.
- c) Sponsorship of E/Ravine Marathon.
- d) Participation and Sponsorship of Aviation Community Golf Tournament.
- e) Sponsorship of Civil Aviation Day cocktail party at Emara Ole Sereni.
- f) Sponsorship of AWAK (Women Accountants of Kenya) dinner at Sarova Stanley.
- g) Sponsorship of 10th Annual Managing in heels dinner.
- h) Participating in Company of the Year Awards (CEYA, MEYA and COYA category).
  - i) Initiating X- mas gift basket for needy children.
  - j) Participation and sponsorship of 21st AAATO (Africa Aviation Training Organizations) meeting in Mombasa Kenya.
  - k) Sponsorship of CANSO Flight Ops workshop held in Zambia.
  - l) Sponsorship of Mwiki Football Club.
  - m) Sponsorship of Kayole Starlets Football Club.
  - n) Sponsorship of Real-Life K on phase two sponsorship.
  - o) Tree planting of more than 1,150 seedlings at Ngong Forest and Kapsaret Forest in Uasin Gishu County.
  - p) Sponsoring and participating in mater Heart Run Marathon.
  - q) Sponsorship of St. John Ambulance Road Walk in Ngong.
  - r) Sponsorship of KCAA Rugby Stomers'
  - s) Sponsorship of the 10th AFRAA (Africa Airlines Association) Conference at Emara Ole Sereni.
  - t) Sponsorship of Drone Tech and Data expo in Sarit Expo Center.
  - u) Sponsorship of Afrika Mashariki Transport Awards event organised by the Ministry of Transport to celebrate the industry key players.

In all our CSR initiatives, KCAA as much as possible, strives to play a major part in improvement of the Authority's corporate image and excellent stakeholder relationships.





## 10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Authority's affairs.

### i) Principal activities

The Kenya Civil Aviation Authority ("KCAA") was established on 24th October 2002 by the Civil Aviation (Amendment) Act, 2002, now superseded by the Civil Aviation Act 2013, as amended by Civil Aviation (Amendment) Act 2016, with the primary functions of the technical and economic regulation of civil aviation in Kenya, provision of air navigation services within the Nairobi Flight Information Region and Training in Aviation.

### ii) Results

The results of the Authority for the year ended June 30, 2022 are set out on page 1.

### iii) Directors

The members of the Board of Directors who served during the year are shown on page vii- xi. During the year 2021 - 2022 Mr. David Njathi and Capt. Bootsy Mutiso were appointed to the Board of Directors with effect from 6th October 2021 while Eng. Luke K. Kittony was appointed with effect from 19th January 2022. Capt. Gilbert M. Kibe retired as Director General with effect from 22 April 2022 and Mr. Emile N. Arao was appointed as Director General with effect from 23 April 2022.

### iv) Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act Regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of the financial year. The Authority did not make any surplus during the FY 2020 - 2021 and hence no remittance to the Consolidated Fund during the FY 2021 - 2022.

### v) Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

George O. Mogaka  
Corporation Secretary

.....  
Signature

25/5/2023.

.....  
Date

## 11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, requires the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. 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 Authority; (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 Authority; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

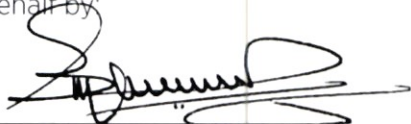
The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, Civil Aviation Act, 2013 (as amended in 2016) and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 22/09/ 2022 and signed on its behalf by:



Mr. Brown Ondego, MBS  
**Chairman of the Board**



Emile N. Arao  
**Director General**



## 12. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF KENYA CIVIL AVIATION AUTHORITY

### PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of Kenya Civil Aviation Authority set out on pages 1 to 53, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Civil Aviation Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Civil Aviation Act, Cap.394 of the Laws of Kenya and the Public Finance Management Act, 2012.

## Basis for Qualified Opinion

### 1.0. Inaccurate Air Passenger Service Charge

The statement of financial performance reflects air passenger service charge revenue of Kshs.1,948,615,345 which, as disclosed in Note 18.8 to the financial statements, comprises Kshs.953,040,170 earned in the earlier years, but received in the year under review and Kshs. 995,575,175 earned and received in the year under review. No satisfactory explanation was provided for recognizing this category of revenue on cash basis. Further, the revenue of 995,575,175 differs with an amount of 2,599,885,633 calculated below using data presented in table 1 on passenger and freight traffic, under management discussion and analysis, resulting in an unexplained variance of Kshs. 1,604,310,458.

| Flight Departures | Passengers | Air Passenger Service Charge APSC | KCAA Percentage | CBK Average Exchange Rate for the Financial Year | Amount Kshs.  |
|-------------------|------------|-----------------------------------|-----------------|--|---------------|
| International     | 1,915,079  | USD 50                            | 0.2             | 112.75   | 2,159,251,573 |
| Local             | 2,447,967  | Kshs.600                          | 0.3             |  | 440,634,060   |
| Expected APSC     |            |                                   |                 |  | 2,599,885,633 |

In addition, the schedule of air passengers charge provided for audit verification did not reflect details of the months the revenue related to, thus casting doubt on the completeness of the amounts. In the circumstances, the accuracy and completeness of air passenger service charge of Kshs. 1,948,615,345 could not be confirmed.

### 2.0. Unsupported Rental Revenue

The statement of financial performance reflects rental revenue amount of Kshs.36,469,093 which, as disclosed in Note 18.10 to the financial statements, includes Kshs. 33,190,126 earned in five (5) stations. However, the supporting rental revenue schedules for the five stations show revenue amounting to Kshs.31,587,326 resulting in an unexplained variance of Kshs.2,008,948 as detailed below:

| Station            | Amount as per Financial Statements (Kshs.) | Amount as per Supporting Summary (Kshs.) | Variance (Kshs.) |
|--------------------|--|--|------------------|
| Embakasi           | 940,000                                    | 938,374                                  | 1,626            |
| Nyali              | 3,690,000                                  | 3,555,000                                | 135,000          |
| Miritini Staff     | 3,952,500                                  | 2,596,000                                | 1,356,500        |
| EASA               | 21,990,700                                 | 21,677,952                               | 312,748          |
| Miritini-Non-Staff | 2,616,926                                  | 2,820,000                                | 203,074          |
| <b>Total</b>       | <b>33,190,126</b>                          | <b>31,578,326</b>                        | <b>2,008,948</b> |

In the circumstances, the accuracy and completeness of rental revenue of Kshs.36,496,093 could not be confirmed.

### 3.0. Inaccuracy of Employee Costs

The statement of financial performance reflects employee costs amount of Kshs. 2,633,177,091 an increase by Kshs. 102,288,490 from the Kshs. 2,530,888,601 reported in previous year. However, figure 8 on staff statistics trend, under management discussion and analysis, indicates that the overall increase of staff was by 7 employees (782 in June, 2022 – 775 in June, 2021), while staff list provided in support of staff statistics indicated there was an increase of 47 employees.

In the circumstances, the accuracy and completeness of the employee costs amount of Kshs.2,633,177,091 could not be confirmed.

### 4.0. Remuneration of Directors

The statement of financial performance reflects remuneration of Directors amount of Kshs.26,728,902, compared to Kshs.13,582,587 in the previous year. The expenditure includes an amount of Kshs.53,625, being tickets cancellation charges, which was a nugatory expenditure to the Authority, and Kshs. 1,645,318 paid to two Board Members for an overseas seminar that was to be held between 18 July, 2022 and 22 July 2022, which was outside the year under review. Management did not explain why the latter expenditure was accrued in the financial statements yet the service had not been incurred.

In the circumstances, the accuracy and propriety of remuneration of Directors' expenditure of Kshs.26,728,902 could not be confirmed.

### 5.0. Current Receivables from Exchange Transactions

The statement of financial position, and as disclosed in Note 18.24 to the financial statements, reflects current receivables from exchange transactions balance of Kshs.802,505,014 which comprises gross receivables balance of Kshs. 1,557,538,275 less provisions of Kshs 755,033,261. However, the following anomalies were noted:

#### 5.1. Balance Due from Kenya Revenue Authority

The gross balance of Kshs.1,557,538,275 includes domestic operators balance of Kshs.1,367,325,370 which further includes a balance of Kshs.1,196,111,022 receivable from Kenya Revenue Authority (KRA), being unremitted revenue collected by KRA on behalf of the Authority. Review of the supporting age analysis indicated that part of the latter balance had been outstanding for more than one year. It is not clear why KRA did not remit the balance to the Authority upon collection.

Further, and as indicated in the supporting schedule, the balance of Kshs. 1,196,111,022 due from KRA is net of an unsupported and unexplained negative adjustment of Kshs. 2,110,419,203.

In the circumstances, the accuracy and validity of balance due from KRA of Kshs. 1,196, 111 ,022 could not be confirmed.

#### 5.2. Balance Due from Kenya Airports Authority

Included in the domestic operator's balance of Kshs. 1,367,325,370 is a balance of Kshs 20,995,240 due from Kenya Airports Authority (KAA). However, records at KAA indicated that a balance of Kshs.980,066,777 was owed to Kenya Civil Aviation Authority as at 30 June, 2022, resulting in an unexplained variance of Kshs.959,111,537.

In the circumstances, the accuracy and completeness of the balance of Kshs.20,955,240 due from Kenya Airport Authority could not be confirmed.

#### 5.3. Debt Owed by the National Carrier (Kenya Airways)

In the audit report for the previous year, it was reported that a balance of Kshs.218,866,028 owed by the National Carrier - Kenya Airways, representing 21% of the receivables for that year had been outstanding for a long period. The amount has however, not been included in the current year balances.

Management did not provide supporting documentation showing how the debt was cleared from the Authority's records as the balance could not be traced in the supporting schedule for domestic operators

as at 30 June, 2022.

In the circumstances, the accuracy and completeness of the reported current receivables from exchange transactions could not be confirmed.

#### 5.4. Inadequate Bad Debts Provision Allowance

Review of the receivables age analysis indicates that the receivables gross balance of Kshs. 1,557,538,275 includes receivables totaling to Kshs. 1,404,943,062 that had been outstanding for more than three (3) years as analyzed below:

| S/No.* | Category           | Balance per Financial Statements Kshs. | Balance Outstanding for Over 3 Years Kshs. | Proportion |
|--------|--------------------|--|--|------------|
| 1      | Domestic Operators | 1,367,325,370                          | 1,242,467,590                              | 90%        |
| 2      | Foreign Operators  | 163,644,664                            | 152,071,789                                | 93%        |
| 3      | Students Debtors   | 26,568,271                             | 10,403,683                                 | 39%        |
|        | Total              | 1,557,538,275                          | 1,404,943,062                              |            |

However, and as indicated in Note 18.24 to the financial statements, a provision for bad debts amounting to Kshs. 755,033,262 which was an increase of Kshs.198,492,410 from the previous year, was made against current receivables from exchange transactions. The provision allowance is therefore inadequate.

In the circumstances, the accuracy and recoverability of current receivables from exchange transactions net balance of Kshs.802,505,014 could not be confirmed.

#### 6.0. Plant, Property and Equipment

The statement of financial position, and as disclosed in Note 18.28(a) to the financial statements, reflects property, plant and equipment balance of Ksh 17,803,708,412. However, the following anomalies were noted:

##### 6.1. Motor Vehicles Excluded from Property, Plant and Equipment

The balance of Kshs.17,803,708,412 includes motor vehicles balance of 78,527,760 which excludes Ksh. 6,300,000 relating to the following vehicles:



| Make         | cc         | Bod Type | Year | Amount (Kshs.)   |
|--------------|------------|----------|------|------------------|
| Toyota Hiace | 2.5 diesel | microbus | 2018 | 3,300,000        |
| Toyota Hiace | 2.5 diesel | microbus | 2018 | 3,000,000        |
|              |            |          |      | <b>6,300,000</b> |

In the circumstances, the accuracy and completeness of motor vehicles balance of Kshs.78,527,670 could not be confirmed.

## 6.2. Lack of Ownership Documents for Land and Buildings

The balance of Kshs. 17,803,708,412 also includes land and buildings balances of Kshs. 11,497,850,000 and Kshs. 3,222,910,033 respectively. However, as reported previously, ownership documents for thirty-one (31) housing units in Nyali, Mombasa, thirteen (13) housing units in Bamburi, Mombasa, one hundred and thirty-two (132) acres of land at Central Transmitting Station along Mombasa Road, and staff houses in Miritini, Mombasa were not provided for audit.

Further, ownership documents for a property at Wajir, a plot at Bwagamoyo Kilifi, a plot at Lokichogio, and plots at Embakasi village were also not provided for audit.

Although Management indicated that preparation of the ownership documents was underway at the Ministry of Lands and Physical Planning, there was no indication on when the process was likely to be completed.

In the circumstances, the ownership of the reported land and buildings balances could not be confirmed.

## 6.3. Parcels of Land Allocated to Third Parties

As reported previously, review of land records revealed that four (4) parcels of land belonging to the Authority were allocated and registered in the names of third parties as shown below:

| Property  | Size            |
|---|-----------------|
| Mtito-Andei-N ai Ndeith a Settlement Scheme/161 | 13 Acres        |
| Bamburi Staff Housin                            | Unknown         |
| Central Stores in Nairobi                       | 0.7733 Hectares |
| East African School of Aviation                 | 37 Acres        |

Further, the Public Investment Committee in its nineteenth report recommended that the National Land Commission revokes the titles and revert them to the Authority and register all owned parcels of land in its name. In addition, the Committee had previously recommended that the National Land Commission investigates the circumstances under which a plot in Nairobi County was transferred from public to private ownership. Although Management indicated that it was pursuing a number of these matters in court, progress made for each specific case had not been provided for audit.

In the circumstances, the ownership of the parcels of land could not be confirmed.

## 7.0. Unsupported Gain on Sale of Assets

The statement of financial performance reflects net gain on sale of assets amount of Kshs. 3,384,354 which, as disclosed in Note 18.20 to the financial statements, comprises gain on sale of assets amount of Kshs. 5,057,717 and loss on sale of assets amount of Kshs. 1,673,363. The schedule provided in support of the amount of Kshs.5,057,717 shows a gain of Kshs.602,969 for a Toyota Hilux-D/Cab. However, no cost, accumulated depreciation and net book value were provided in the schedule and, therefore, it was not possible to confirm how the amount of the gain was arrive at.

In the circumstances, the accuracy of the amount of Kshs.602,969 could not be confirmed.

## 8.0. Nugatory and Irregular Expenditure on Local Travel and International Travel

The statement of financial performance reflects use of goods and services balance of Kshs.1,161,336,718 which, as disclosed in Note 18.13 to the financial statements, includes local travel amount of Kshs. 47,399,420 which further includes tickets cancellation charges amount of Kshs.144,765 that was, therefore, a nugatory charge to the Authority. The balance also includes international travel amount of Kshs.42,288,592 which further includes tickets cancellation charges amount of Kshs.246,740 that was therefore nugatory charge to the Authority. Further, the international travel amount includes claims lodged by staff totaling to Kshs.4,625,811, an indication that staff were not issued with imprests, but were instead allowed to claim for the expenditure. It was not explained why the staff were allowed to finance the expenses yet they were on official assignments.

In the circumstances, the propriety of the expenditure of Kshs. 5,017,316 could not be confirmed.

## 9.0. Inaccuracies in the Statement of Cash Flow

The following inaccuracies were noted in the statement of cash flow.

| Item   | Amount as per Statement of Cash Flows Kshs. | Amount Recomputed (Kshs.) | Variance (Kshs.) |
|--|---|---------------------------|------------------|
| Operating Cash Flow before Working Capital Changes | 961,160,267                                 | 967,928,975               | (6,768,708)      |
| Increase in Receivables (Exchange Transactions)    | (506,697,745)                               | (308,206,335)             | (198,491 0)      |
| Increase in Employee Benefit Obligation            | 46,224,427                                  | 50,058,518                | (3,814,091)      |
| Increase in Current Provision                      | 1,638,484,323                               | 1,891 866,182             | 253,381 ,859     |
| Net Cash from Operating Activities                 | 2,019,931,072                               | 2,481,848,782             | (461,917,710)    |
| Increase in Cash and Cash Equivalents              | 1,390,174,447                               | 1,852,092,157             | (461,917,710)    |
| Cash and Cash Equivalents at the end of the year   | 3,163,103,315                               | 3,625,021,025             | (461,917,710)    |



In the circumstances, the accuracy of the statement of cash flows could not be confirmed. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Civil Aviation Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## Other Matter

### Unresolved Prior Year Matters

In the audit report for the previous year, several issues were raised under the Report on Financial Statements. However, review of the auditor's recommendations implementation status report revealed that the issues remained unresolved as at 30 June, 2022. No satisfactory reasons were given for not resolving the prior year's audit issues.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1.0. Non-Preparation of Separate Financial Statements for Car Loan and Mortgage

##### Schemes

During the year under review, Management did not prepare separate financial statements for the Car Loan and Mortgage Scheme Fund. However, the Fund's operations were reported together with the Authority's financial statements.

This contravened Regulation 221(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer for a National Government entity shall prepare and submit annual financial and non-financial statements in the format gazetted by the Cabinet Secretary within three months to the Auditor-General with copies to the responsible Cabinet Secretary and The National Treasury.

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

#### 2.0. Non-remittance of Statutory Deductions

The statement of financial position reflects employee benefit obligation balance of Kshs.210,015,456 which, as disclosed in Note 18.32 to the financial statements, includes Kshs. 1,098,692 in respect of various payroll deductions that were due but had not been remitted to their respective beneficiaries as analyzed below;

| Description                  | Amount Kshs.     |
|------------------------------|------------------|
| PAYE Staff                   | 479,303          |
| Payroll Deductions - Cheques | 527,182          |
| Easa NHIF                    | 400              |
| Easa PAYE Liability          | 91,807           |
| <b>Total</b>                 | <b>1,098,692</b> |

In the circumstances, the Authority risks suffering interest and penalties due to non-remittance of statutory deductions.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### Basis for Conclusion

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

### Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting, unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

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

### Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report


that includes my opinion 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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.
- I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.
- I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR GENERAL**  
**Nairobi**  
**13th June, 2023**

## 13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

|  | Note     | 2022                 | 2021                 |
|--|----------|----------------------|----------------------|
| <b>Revenue from Non-Exchange Transactions</b>  |          | <b>Kshs</b>          | <b>Kshs</b>          |
| Licenses and Permits                           | 18.7     | 443,801,837          | 429,414,526          |
| Air Passenger Service Charge                   | 18.8     | 1,948,615,345        | 911,441,475          |
| <b>Sub-Total</b>                               |          | <b>2,392,417,182</b> | <b>1,340,856,000</b> |
| <b>Revenue from Exchange Transactions</b>      |          |                      |                      |
| Rendering of Services                          | 18.9     | 4,479,507,553        | 3,146,776,794        |
| Rental Revenue                                 | 18.10    | 36,496,093           | 32,852,865           |
| Finance Income                                 | 18.11    | 35,971,479           | 83,010,600           |
| Other Revenue                                  | 18.12    | 8,617,793            | 968,382              |
| <b>Sub-Total</b>                               |          | <b>4,560,592,918</b> | <b>3,263,608,641</b> |
| <b>Total Revenue</b>                           |          | <b>6,953,010,100</b> | <b>4,604,464,641</b> |
| <b>Expenses</b>                                |          |                      |                      |
| Use of Goods & Services                        | 18.13    | 1,161,336,718        | 782,648,198          |
| Employee Costs                                 | 18.14    | 2,633,177,091        | 2,530,888,601        |
| Remuneration of Directors                      | 18.15    | 26,728,902           | 13,582,587           |
| Depreciation and Amortization Expense          | 18.16    | 785,773,120          | 866,107,488          |
| Repairs and Maintenance                        | 18.17    | 450,613,188          | 482,495,192          |
| Contracted Services                            | 18.18    | 171,036,043          | 173,028,388          |
| Finance Costs                                  | 18.19    | 74,341,569           | 80,176,626           |
| <b>Total Expenses</b>                          |          | <b>5,303,006,631</b> | <b>4,928,927,081</b> |
| <b>Sub-Total</b>                               |          | <b>1,650,003,469</b> | <b>(324,462,439)</b> |
| <b>Other Gains/(Losses)</b>                    |          |                      |                      |
| Gain on Sale of Assets                         | 18.20(a) | 5,057,717            | -                    |
| Loss on Sale of Assets                         | 18.20(b) | (1,673,363)          | -                    |
| Gain on Foreign Exchange Transactions          | 18.20(c) | 243,825,329          | 309,785,524          |
| Loss on Foreign Exchange Transactions          | 18.20(d) | (87,123,631)         | (12,509,879)         |
| Amortisation of Accrued Leave Days             | 18.21(a) | -                    | 23,926,601           |
| Increase in Accrued Leave Days                 | 18.21(b) | (3,814,091)          | -                    |
| Amortization of Capital Grant                  | 18.21(c) | 3,420,000            | -                    |
| Amortization of Debtors                        | 18.21(d) | 2,986,723            | -                    |
| <b>Surplus Before 90% Remittance</b>           |          | <b>1,812,682,153</b> | <b>(3,260,193)</b>   |
| Remission to the National Treasury (Provision) | 18.22    | (1,631,413,938)      | -                    |
| <b>(Deficit) Surplus for the Year</b>          |          | <b>181,268,215</b>   | <b>(3,260,193)</b>   |

The notes set out on pages 8 to 45 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
Emile N. Arao

Director General

Date: 25/5/2023.

  
CPA Joseph K. Chebungei

Director Corporate Services

ICPAK Member No. 4023

Date: 25/5/2023.

  
Mr. Brown Ondego, MBS

Chairman of the Board

Date: 25/5/2023.

# 14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

|  | Note  | 2022                  | 2021                  |
|--|-------|-----------------------|-----------------------|
|  |       | Kshs                  | Kshs                  |
| <b>Assets</b>                                  |       |                       |                       |
| <b>Current Assets</b>                          |       |                       |                       |
| Cash and Cash Equivalents                      | 18.23 | 3,163,103,315         | 1,772,928,869         |
| Current Receivables from Exchange Transactions | 18.24 | 802,505,013           | 494,299,678           |
| Receivables from Non-Exchange Transactions     | 18.25 | 682,771,617           | 572,251,899           |
| Inventories                                    | 18.26 | 21,870,386            | 24,411,763            |
| Tax Recoverable                                | 18.27 |                       | 7,070,385             |
| <b>Total Current Assets</b>                    |       | <b>4,670,250,331</b>  | <b>2,870,962,592</b>  |
| <b>Non-Current Assets</b>                      |       |                       |                       |
| Property, Plant and Equipment                  | 18.28 | 17,803,708,412        | 18,080,031,608        |
| Intangible Assets                              | 18.29 | 22,595,017            | 71,328,316            |
| <b>Total Non-Current Assets</b>                |       | <b>17,826,303,429</b> | <b>18,151,359,924</b> |
| <b>Total Assets</b>                            |       | <b>22,496,553,760</b> | <b>21,022,322,516</b> |
| <b>Liabilities</b>                             |       |                       |                       |
| <b>Current Liabilities</b>                     |       |                       |                       |
| Trade and Other Payables                       | 18.30 | 851,136,170           | 862,418,029           |
| Refundable Deposits from Customers             | 18.31 | 14,105,343            | 14,105,343            |
| Employee Benefit Obligation                    | 18.32 | 207,154,261           | 157,095,743           |
| Current Portion of Borrowings                  | 18.33 | 182,324,356           | 182,324,356           |
| Current Provisions                             | 18.34 | 2,150,542,402         | 258,676,220           |
| <b>Total Current Liabilities</b>               |       | <b>3,405,262,532</b>  | <b>1,474,619,690</b>  |
| <b>Non-Current Liabilities</b>                 |       |                       |                       |
| Borrowings                                     | 18.35 | 1,664,376,246         | 1,846,700,602         |
| <b>Total Non-Current Assets</b>                |       | <b>1,664,376,246</b>  | <b>1,846,700,602</b>  |
| <b>Total Liabilities</b>                       |       | <b>5,069,638,778</b>  | <b>3,321,320,292</b>  |
| <b>Net Assets</b>                              |       |                       |                       |
| Revaluation Reserves                           | 18.36 | 8,318,582,978         | 8,308,682,978         |
| Capital Fund - Government Grant                | 18.37 | 133,380,000           | 136,800,000           |
| Accumulated Surplus                            | 18.38 | 8,974,952,004         | 9,255,519,247         |
| <b>Total Net Assets</b>                        |       | <b>17,426,914,982</b> | <b>17,701,002,224</b> |
| <b>Total Net Assets and Liabilities</b>        |       | <b>22,496,553,760</b> | <b>21,022,322,516</b> |


The Financial Statements set out on pages 1-6 were signed on behalf of the Board of Directors by:

  
Emile N. Arao  
Director General

Date: 25/5/2023

  
CPA Joseph K. Chebungeti  
Director Corporate Services

ICPAK Member No. 4023  
Date: 25/5/2023

  
Mr. Brown Ondego, MBS  
Chairman of the Board

Date: 25/5/2023


## 15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

|                                     | Note  | Revaluation Reserve  | Government Grants Reserve | Accumulated Surplus  | Total                 |
|-------------------------------------|-------|----------------------|---------------------------|----------------------|-----------------------|
|                                     |       | Kshs                 | Kshs                      | Kshs                 | Kshs                  |
| <b>Balance as at 1st July 2020</b>  |       | <b>8,324,804,006</b> | <b>608,133,333</b>        | <b>8,788,109,487</b> | <b>17,721,046,826</b> |
| Revaluation Reserve Adjustment      | 18.36 | (16,121,028)         | -                         | -                    | (16,121,028)          |
| Remittance of Surplus               | 18.38 | -                    | -                         | (663,380)            | (663,380)             |
| Accumulated Surplus Adjustment      | 18.38 | -                    | (471,333,333)             | 471,333,333          | -                     |
| Surplus for the Period              | 18.22 | -                    | -                         | (3,260,193)          | (3,260,193)           |
| <b>Balance as at 30 June 2021</b>   |       | <b>8,308,682,978</b> | <b>136,800,000</b>        | <b>9,255,519,247</b> | <b>17,701,002,225</b> |
| Adjustments During the Year         | 18.36 | 9,900,000            | -                         | -                    | 9,900,000             |
| Amortization of Govt Grant          | 18.21 | -                    | (3,420,000)               | -                    | (3,420,000)           |
| Accumulated Surplus Adjustment      | 18.38 | -                    | -                         | (461,835,458)        | (461,835,458)         |
| Surplus for the Period              | 18.22 | -                    | -                         | 181,268,215          | 181,268,215           |
| <b>Balance as at 30th June 2022</b> |       | <b>8,318,582,978</b> | <b>133,380,000</b>        | <b>8,974,952,004</b> | <b>17,426,914,982</b> |

## 16. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2022

|   |          | 2022                 | 2021                 |
|---|----------|----------------------|----------------------|
| Cash from Operating Activities                            | Note     | Kshs                 | Kshs                 |
| Net Surplus from Operations                               | 18.22    | 181,268,215          | (3,260,193)          |
| Finance Costs   | 18.19    | 74,341,569           | 80,176,626           |
| Finance Income  | 18.11    | (35,971,479)         | (83,010,600)         |
| <b>Adjusted for :</b>                                     |          |                      |                      |
| Increase in Provision for Doubtful Debts                  | 18.24    | 198,492,410          | 121,610,913          |
| Depreciation of Property, Plant & Equipment               | 18.16    | 710,621,325          | 720,349,757          |
| Amortization of Intangible Assets                         | 18.16    | 75,151,795           | 145,757,731          |
| Increase in Provision for Leave Days                      | 18.21(b) | 3,814,091            | -                    |
| Amortization of Capital Grant                             | 18.21(c) | (3,420,000)          | -                    |
| Gain on Sale of Assets                                    | 18.20(a) | 5,057,717            |                      |
| Loss on Sale of Assets                                    | 18.20(b) | (1,673,363)          | -                    |
| Interest Expense  | 18.19    | (74,341,569)         | (80,176,626)         |
| Interest Income on Bank Balances                          | 18.11    | 35,971,479           | 83,010,600           |
| Surplus Remitted  | 18.34/38 | (201,383,215)        | (1,356,394,039)      |
| <b>Operating profit before working Capital changes</b>    |          | <b>961,160,267</b>   | <b>(371,935,831)</b> |
| Increase in Receivables (Exchange Transactions)           | 18.24    | (506,697,745)        | (67,428,306)         |
| Increase in Receivables (Non-Exchange Transactions)       | 18.25    | (110,519,718)        | (98,083,338)         |
| (Increase)/ Decrease in Inventories                       | 18.26    | 2,541,377            | (8,329,725)          |
| Increase/ (Decrease) in trade and other Payables          | 18.30    | (11,821,217)         | 86,371,208           |
| Increase in Refundable Customer Deposits                  | 18.31    | -                    | 163,000              |
| Increase/(Decrease) in Employee Benefits Obligations      | 18.32    | 46,244,427           | (108,552,809)        |
| Increase in Current Provisions                            | 18.34    | 1,638,484,323        | -                    |
| <b>Net Cash from Operating Activities</b>                 |          | <b>2,019,931,072</b> | <b>(567,795,801)</b> |
| <b>Cash used in Investing Activities</b>                  |          |                      |                      |
| Purchase of Property, Plant and Equipment                 | 18.28    | (429,990,906)        | (762,774,296)        |
| Purchase of Intangible Assets                             | 18.29    | (26,418,496)         | (26,145,067)         |
| Proceeds on Disposal of Assets                            | 18.20    | 8,977,133            | -                    |
| <b>Total Cash used in Investing Activities</b>            |          | <b>(447,432,269)</b> | <b>(788,919,363)</b> |
| <b>Cash flow from Financing Activities</b>                |          |                      |                      |
| Loans Repayment   | 18.35    | (182,324,356)        | (186,020,493)        |
| <b>Net Cash flow from Financing Activities</b>            |          | <b>(182,324,356)</b> | <b>(186,020,493)</b> |
| Increase / (Decrease) in Cash & Cash Equivalents          |          | 1,390,174,447        | (1,542,735,657)      |
| Cash & Cash Equivalents at the Start of the Year          | 18.23    | 1,772,928,868        | 3,315,664,525        |
| <b>Cash &amp; Cash Equivalents at the End of the Year</b> |          | <b>3,163,103,315</b> | <b>1,772,928,868</b> |

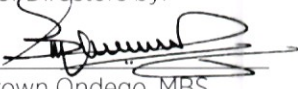
The Financial Statements set out on pages 1-6 were signed on behalf of the Board of Directors by:

  
Emile N. Arao  
Director General

Date: 25/5/2023

  
CPA Joseph K. Chebungei  
Director Corporate Services

ICPAK Member No: 4023  
Date: 25/5/2023

  
Mr. Brown Ondego, MBS  
Chairman of the Board

Date: 25/5/2023

## 17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

| Description                        | Original Budget | Adjustments   | Final Budget  | Actual on Comparable Basis | Performance Difference | % Change | Note |
|------------------------------------|-----------------|---------------|---------------|----------------------------|------------------------|----------|------|
|                                    | 2022            | 2,022         | 2022          | 2022                       | 2022                   |          |      |
| Revenue                            | Kshs            | Kshs          | Kshs          | Kshs                       | Kshs                   | %        |      |
| Licenses and Permits               | 246,253,948     | 137,396,816   | 383,650,764   | 443,801,837                | 60,151,073             | 16%      | a    |
| Air Passenger Service Charge       | 995,910,355     | -             | 995,910,355   | 1,948,615,345              | 952,704,990            | 96%      | b    |
| Rendering of Services              | 4,290,493,558   | 241,027,906   | 4,531,521,465 | 4,479,507,553              | (52,013,911)           | -1%      |      |
| Rental Revenue                     | 30,148,918      | 3,312,655.03  | 33,461,573    | 36,496,093                 | 3,034,520              | 9%       |      |
| Finance Income                     | 61,655,157      | (20,000,000)  | 41,655,157    | 35,971,479                 | (5,683,678)            | -14%     | c    |
| Other Income                       | 1,246,899       | 360,000       | 1,606,899     | 8,617,793                  | 7,010,894              | 436%     | d    |
| Total Revenue                      | 5,625,708,835   | 362,097,378   | 5,987,806,213 | 6,953,010,100              | 965,203,888            | 16%      |      |
| Other Sources                      |                 |               |               |                            |                        |          |      |
| Cash Reserves                      | 1,780,348,019   | (722,304,780) | 1,058,043,239 | 281,900,108                | 776,143,131            | 73%      | e    |
| Grand Total Revenue                | 7,406,056,854   | (360,207,402) | 7,045,849,452 | 7,234,910,208              | 1,741,347,019          | 25%      |      |
| Expenses                           |                 |               |               |                            |                        |          |      |
| Use of Goods & Services            | 1,083,865,689   | 60,714,851    | 1,144,580,540 | 1,161,336,718              | (16,756,178)           | -1%      | f    |
| Employee Costs                     | 3,015,446,974   | (49,985,228)  | 2,965,461,746 | 2,633,177,091              | 332,284,654            | 11%      | g    |
| Remuneration of Directors          | 30,000,000      | -             | 30,000,000    | 26,728,902                 | 3,271,098              | 11%      | h    |
| Depreciation and Amortization      | 918,845,841     | 689,518       | 919,535,359   | 785,773,120                | 133,762,239            | 15%      | i    |
| Repairs and Maintenance            | 610,797,102     | 17,468,558    | 628,265,660   | 450,613,188                | 177,652,472            | 28%      | j    |
| Contracted Services                | 208,262,323     | 11,797,819    | 220,060,142   | 171,036,043                | 49,024,099             | 22%      | k    |
| Finance Costs                      | 74,341,574      | -             | 74,341,574    | 74,341,569                 | 5                      | 0%       |      |
| Total Recurrent Expenditure        | 5,941,559,502   | 40,685,518    | 5,982,245,020 | 5,303,006,631              | 679,238,389            |          |      |
| Other Gains/Losses                 | -               | -             | -             | 162,678,684                | (162,678,684)          | 100%     | l    |
| Capital Expenditure                |                 |               |               |                            |                        |          |      |
| Other Payments-Capital Expenditure | 1,464,497,352   | (400,892,920) | 1,063,604,432 | 456,409,402                | 607,195,030            | 57%      | m    |
| Total Expenditure                  | 7,406,056,854   | (360,207,402) | 7,045,849,452 | 5,759,416,033              | 1,123,754,736          |          |      |
| Surplus for the Period             | -               | -0            | -             | 1,812,682,153              | -                      |          |      |



## EXPLANATION OF MATERIAL DIFFERENCES

- a) Licenses & Permits (16% Favourable Change): Improved performances on a number of lines such as inspection of masts and Obstacles, Duty exemption processing fees, certificate of airworthiness and Grant and renewal of AMO Licence.
- b) Air Passenger Service Charge (96% Positive Change): These are actual remittances in the course of the year.
- c) Finance Income (14% Negative Change): The decrease is attributed to the lower interest from deposits in Current Bank Accounts and the Staff Mortgage Account interest earnings.
- d) Other Income (436% Positive Change): Improvement attributable to fees on skills development levy exchange and technical support as well as other miscellaneous fees.
- e) Cash Reserves (73% Positive Change): The projected utilizations of cash and bank balances reserves to fund the capex was limited due to improved revenue performance.
- f) Employee Costs (11% Positive): The Authority was within the approved budget on Employee costs and hence the savings therein due to the non - filling of vacant positions in time during the year.
- g) Remuneration of Board directors (11% Positive): There were vacancies in the beginning of the financial year, which were filled up in the course of the financial year.
- h) Depreciation and Amortisation (15% Positive): Underutilization of capital/development budget in the course of the financial year.
- i) Repairs and Maintenance (28% Positive). Projected maintenance works did not fall due and were not entirely carried out in the course of the financial year.
- j) Contracted Services (22% Favourable Change): Reduced activity levels due to on-going contracts and engagement and slow implementation of some engagements following the COVID19 restrictions.
- k) Other Gains/Losses (100% Positive Change): This is a book entry with regard to changes in foreign exchange gains/losses, disposals and amortizations during the financial year.

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 18.1 GENERAL INFORMATION

Kenya Civil Aviation Authority is established by and derives its authority and accountability from Civil Aviation Act 2013, as amended by Civil Aviation (Amendment) Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of Air Navigation Services in the Nairobi Flight Information Region, Regulation of the Aviation industry in Kenya and training of the Aviation Personnel.

### 18.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kenya Civil Aviation Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act Cap 446, the Civil Aviation Act No. 21 of 2013, Mwongozo and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

## 18.3 ADOPTION OF NEW AND REVISED STANDARDS

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022. IPSASB deferred the application date of standards from 1st January 2022 owing to COVID 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.
- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

| Standard  | Effective date and impact:  |
|---|---|
| <p><b>IPSAS 41:</b><br/>Financial Instruments</p> | <p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The above standard did not impact reporting in the current financial year.</p> |
| <p><b>IPSAS 42:</b><br/>Social Benefits</p>       | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ol> <p>The above standard did not impact reporting in the current financial year.</p>  |

| Standard   | Effective date and impact:   |
|--|--|
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The above standard did not impact reporting in the current financial year.</p> |
| Other improvements to IPSAS  | <p><b>Applicable 1st January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</li> </ul> <p>The above standard did not impact reporting in the current financial year.</p>   |
| IPSAS 43   | <p><b>Applicable 1st January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial</p>  |
| Standard   | Effective date and impact:   |
|  | <p>statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The above standard did not impact reporting in the current financial year.</p>  |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations  | <p><b>Applicable 1st January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The above standard did not impact reporting in the current financial year.</p>  |

### iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2021- 2022.

## 18.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Revenue recognition i) Revenue from non-exchange transactions Licences and Permits

The Authority recognizes revenues from licences and permits when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

#### Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

Recurrent grants are recognized in the statement of comprehensive income.

Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

### ii) Revenue from exchange transactions Rendering of services

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

#### Interest income

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

#### Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

### b) Budget Information

The original budget for FY 2021-22 was approved by the KCAA Board of Directors on the 26th January 2021 and forwarded to the National Treasury through the State Department of Transport. It was approved by the Government on 30th July 2021. Subsequent revisions were made to the approved budget and approved by the Board of Directors on the 21st December 2021. It was approved by the Government on 29th June 2022. The revised budget was decreased by Ksh. 365,167,402.00 due to a scale down in the capital budget. Some capital projects were not feasible to be completed during the financial year as previously projected.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under pages 5 -6 of these financial statements.

### c) Taxes

#### Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be

recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Authority operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## d) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on a straight-line basis to write down the cost/ revalued values of each asset to its residual value over its estimated useful life using the following:

Depreciation is charged in full to all the assets during the year of acquisition, while none is charged during the year of disposal.

## e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments.

|                              | <b>No. of Years</b> |
|------------------------------|---------------------|
| Buildings                    | 40                  |
| Air Navigation Equipment     | 10                  |
| Plant & Other Equipment      | 5                   |
| Computers, copiers and faxes | 3                   |
| Motor vehicles               | 5                   |
| Furniture and fittings       | 5                   |
| Freehold land                | Nil                 |

The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

## f) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

## h) Research and development costs

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

### g) Financial Instruments i) Financial Assets Initial Recognition and Measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

#### Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or class of financial assets is impaired. A financial asset or class of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the class of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty
  - Default or delinquency in interest or principal payments
  - The probability that debtors will enter bankruptcy or other financial reorganization
  - Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)
- iii) Financial liabilities Initial Recognition and Measurement

Financial liabilities within the scope of IPSAS 29 are

classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

#### i) Provisions

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

Where the Authority expects a provision to be reimbursed whether in full or in part, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

## j) Contingent liabilities

The Authority does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. k) Contingent assets

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

## l) Nature and Purpose of Reserves

The Authority creates and maintains reserves in terms of specific requirements. These reserves include Revaluation reserve (which arises every time the Authority revalues its property, plant and equipment and intangibles assets). The Authority also maintains retained earnings reserve that grows or reduces from one financial year to another depending on the financial performance of the Authority.

## m) Changes in Accounting Policies and Estimates

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

## n) Employee Benefits Retirement Benefit Plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate scheme (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

## o) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

## p) Borrowing Costs

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

## q) Related Parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, the Director General, Executive Directors and senior managers.

## r) 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 various commercial banks at the end of the financial year.

## s) Comparative Figures

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

## t) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.



## 18.5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

### Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and

adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note no. 23 and Note no. 33.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

### Provisions for Doubtful Debts

The Authority reviews its debtors' portfolio regularly to assess the likelihood of impairment. Specific and General provision are made as per the rates established by the Board.

### Provision for Obsolete, Defective and Slow-moving Stocks

Management reviews its stocks periodically to assess the likelihood of impairment.

## 18.6. Transfers from Ministries, Departments and Agencies (MDAs)

| Name Of The Entity Sending The Grant | Amount recognized to Statement of Financial performance | Amount deferred under deferred income | Amount recognised in capital fund. | Total transfers 2021-22 | Prior year 2020-2021 |
|--------------------------------------|---|---------------------------------------|------------------------------------|-------------------------|----------------------|
|                                      | KShs  | KShs                                  | KShs                               | KShs                    | KShs                 |
| Kenya Airports Authority             | 1,948,615,345   | 00.00                                 | 00.00                              | 1,948,615,345           | 911,441,475          |
| <b>Total</b>                         | <b>1,948,615,345</b>                                    | <b>00.00</b>                          | <b>00.00</b>                       | <b>1,948,615,345</b>    | <b>911,441,475</b>   |

(The details of the reconciliation have been included under Appendix II)

## 18.7. Licenses, Permits, Fines & Clearances

| 18.7. Licenses, Permits, Fines & Clearances            | 2022               | 2021               |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Licence Ratings & Certificates                         | 21,568,298         | 19,516,822         |
| Technical Ground Examinations                          | 31,576,626         | 23,920,275         |
| AMEL Licences & Ratings                                | 11,807,880         | 11,081,680         |
| Aircraft Certificate of Registration                   | 5,328,500          | 4,057,500          |
| Certificate of Airworthiness                           | 85,139,292         | 81,788,823         |
| Grant & Renewal of AMO License                         | 82,487,799         | 79,923,842         |
| Grant & Renewal of AOC Certs                           | 5,168,440          | 5,924,300          |
| Certification of Aerodromes                            | 1,881,900          | 3,450,000          |
| Duty Exemption Processing Fees                         | 29,727,524         | 27,349,720         |
| Grant & Renewal of Air Service Licences                | 39,959,757         | 26,745,993         |
| Ad hoc /Permit Clearances                              | 22,832,668         | 61,304,280         |
| Approval of Manuals                                    | 200,000            | 100,000            |
| Inspection of Masts & Obstacles                        | 45,008,200         | 47,516,400         |
| Issue of SSR Transponder Codes                         | 303,496            | 256,781            |
| AVSEC Fees/ Regulated Agent/Screeners Fees             | 6,497,000          | 3,942,000          |
| Grant & Renewal of ATO Licences                        | 1,020,000          | 940,000            |
| Approval of Commercial Operations - (FOC)              | 27,453,497         | 24,634,970         |
| Infringement Notices Fee                               | 12,400,000         | 400,000            |
| Approval of Leases                                     | 3,610,462          | 3,937,640          |
| Approval of Security Programmes                        | 1,075,000          | 985,000            |
| UAS Import & Registration                              | 2,145,000          | 302,000            |
| Remote Air Operator Certificate                        | 898,000            | 330,000            |
| UAS Training Organization Approval & Certification     | 450,000            | -                  |
| Certification of UAS Resalers & Distributors           | 420,000            | 240,000            |
| UAS Authorizations                                     | 3,157,500          | 526,500            |
| UAS Licensing  | 1,685,000          | 240,000            |
| <b>Total Licenses, Permits, Fines &amp; Clearances</b> | <b>443,801,837</b> | <b>429,414,526</b> |

## 18.8. Air Passenger Service Charge 2022/2021

### 18.8. Air Passenger Service Charge

| 2022 | 2021 |
|------|------|
| Kshs | Kshs |

|                              |               |             |
|------------------------------|---------------|-------------|
| Air Passenger Service Charge | 1,948,615,345 | 911,441,475 |
|------------------------------|---------------|-------------|

This revenue category is recognized on cash basis. Kshs. 953,040,170.50 collected during the financial year relates to prior years.

## 18.9. Rendering of Services 2022/2021

| 18.9. Rendering of Services                         | 2022                 | 2021                 |
|---|----------------------|----------------------|
|   | Kshs                 | Kshs                 |
| Air Navigation Service Charges                      | 4,268,607,068        | 2,997,258,184        |
| Sale of AIPS & Publications                         | 1,776,450            | 1,151,564            |
| EASA Revenue  | 209,124,035          | 148,367,045          |
| <b>Total Revenue from the Rendering of Services</b> | <b>4,479,507,553</b> | <b>3,146,776,794</b> |

## 18.10. Rental Revenue 2022/2021

| 18.10. Rental Revenue    | 2022              | 2021              |
|--------------------------|-------------------|-------------------|
|                          | Kshs              | Kshs              |
| EASA House Rent          | 21,990,700        | 20,957,239        |
| Embakasi House Rent      | 940,000           | 1,017,600         |
| Miritini House Rent      | 3,952,500         | 9,100,800         |
| Bamburi House Rent       | 1,160,000         | -                 |
| Nyali House Rent         | 3,690,000         | -                 |
| Water Recovery - Payroll | 719,955           | 665,200           |
| Commercial Rent          | 1,426,013         | 1,112,027         |
| Non-Staff Rent           | 2,616,926         | -                 |
| <b>Total Rentals</b>     | <b>36,496,093</b> | <b>32,852,865</b> |

## 18.11. Finance Income - External Investments

| 18.11. Finance Income - External Investments       | 2022              | 2021              |
|--|-------------------|-------------------|
|  | Kshs              | Kshs              |
| Interest Income - Current Bank Accounts            | 29,096,299        | 83,010,600        |
| Interest Income - Staff Mortgage Bank Account      | 6,875,180         | -                 |
| <b>Total Finance Income - External Investments</b> | <b>35,971,479</b> | <b>83,010,600</b> |

## 18.12. Other Income

| 18.12. Other Income                            | 2022             | 2021           |
|--|------------------|----------------|
|  | Kshs             | Kshs           |
| Interest on Salary Advances                    | 66,871           | 22,467         |
| Commission on Payroll Deductions               | 644,057          | 842,169        |
| Miscellaneous Receipts                         | 4,865,505        | 103,746        |
| Skills Development Levy                        | 1,251,360        | -              |
| Exchange Programme/Technical Support & Reports | 1,790,000        | -              |
| <b>Total Other Income</b>                      | <b>8,617,793</b> | <b>968,382</b> |

## 18.13. Use of Goods & Services

| 18.13. Use of Goods & Services                  | 2022       | 2021       |
|---|------------|------------|
|   | Kshs       | Kshs       |
| Electricity Expenses                            | 47,240,461 | 44,278,167 |
| Water & Sewerage Expense                        | 6,337,056  | 7,807,701  |
| Security Services                               | 67,556,380 | 52,257,051 |
| Subscription to International Organisations     | 59,800,239 | 49,373,139 |
| Subscription to Professional Bodies             | 2,404,354  | 2,080,725  |
| Subscription to Publications                    | 3,847,082  | 422,145    |
| General Training                                | 53,099,458 | 29,664,806 |
| Training Levy                                   | 456,500    | 460,250    |
| Workshops, Conferences & Evaluations            | 28,972,026 | 3,793,578  |
| Local Travel                                    | 47,399,420 | 40,899,586 |
| International Travel                            | 42,288,592 | 15,870,408 |
| Secondments & Knowledge Mgt Programmes          | 14,960,078 | 13,837,307 |
| EAC & Other Aviation Bodies Activities          | 16,709,269 | 2,607,940  |
| ICAO Mission of the Republic of Kenya           | 45,282,754 | 28,899,749 |
| Environment & CORSIA Programme                  | 2,188,605  | 977,688    |
| Certification of Aerodromes & ANS Facilities    | 5,808,477  | 4,024,495  |
| Continuous Oversight Surveillance & Regulations | 22,601,985 | 18,663,240 |
| ICAO Universal Safety Oversight Audit Programme | 5,356,952  | 2,600,275  |
| Accident Investigation, Search & Rescue         | 4,373,528  | 1,857,769  |
| HIV/AIDS, Drug Abuse, Gender & Disability       | 3,622,049  | 2,944,652  |
| Integrity & National Values Programmes          | 3,105,820  | -          |
| Implementation of Safety Management System      | 3,096,851  | -          |

|  |             |             |
|--|-------------|-------------|
| State Safety Programme & IASA CAT 1 Sustainability | 2,336,164   | 646,821     |
| ISO Related Activities                             | 4,757,390   | 2,067,829   |
| Implementation of Risk Mgt Framework               | 5,514,008   | 2,286,173   |
| Corporate Social Responsibility                    | 14,370,441  | -           |
| ICAO Universal Security Audit Programme            | 2,923,682   | 1,989,487   |
| Unmanned Aircraft Systems (UAS) -RPAS Oversight    | 2,637,981   | -           |
| Funeral Expenses                                   | 330,450     | 91,000      |
| Staff Welfare                                      | 25,186,962  | 24,754,361  |
| Official Entertainment                             | 1,676,660   | 1,131,289   |
| Aviation Staff Insurance                           | 26,060,265  | 24,398,489  |
| Office Equipment Insurance                         | 6,439,352   | 4,370,685   |
| Motor Vehicle Insurance                            | 4,660,276   | 5,148,174   |
| Work Injury Benefit Act (WIBA) Insurance           | 4,946,931   | 5,356,609   |
| Hire of Transport, Plant & Machinery               | -           | 100,000     |
| Uniform and Clothing                               | 243,710     | 5,237,145   |
| Sports Expenses                                    | 3,166,241   | 1,204,200   |
| Telephone Expenses                                 | 13,439,466  | 14,377,930  |
| Cooking Gas & Fuel                                 | 1,623,188   | 1,145,015   |
| Postal, EMS & Courier Services                     | 1,348,777   | 1,365,249   |
| Cleaning Services                                  | 37,283,845  | 32,226,530  |
| Drugs & Dressings (Medicines & First Aid Kits)     | 72,083      | -           |
| Fungicides & Spray (Pest Control)                  | 78,804      | -           |
| Library Expenses                                   | 3,164,672   | 1,651,523   |
| Internet Related Expenses                          | 20,568,745  | 12,274,390  |
| Dedicated Leased Lines & Communication Frequencies | 5,836,832   | 287,824     |
| Legal Expenses                                     | 29,126,443  | 17,935,848  |
| External Audit Expenses                            | 1,500,000   | 1,500,000   |
| Advertisement Publicity & Photography              | 29,314,150  | 15,879,804  |
| Public Relations / Show Expenses                   | 8,854,314   | -           |
| Events & Anniversaries                             | 2,600,377   | -           |
| KRA Agency Collection Costs (Fees)                 | 93,549,639  | 80,910,674  |
| Bank Charges - Fees and Commissions                | 1,865,064   | 1,579,043   |
| General Provision- Doubtful Debts                  | -           | 8,015,013   |
| Specific Provision - Doubtful Debts                | 201,479,133 | 113,595,900 |
| Consumables  | 25,752,115  | 20,085,930  |
| Publishing and Printing                            | 6,342,644   | 4,443,479   |
| Office Stationery                                  | 14,481,383  | 11,738,063  |

|   |                      |                    |
|---|----------------------|--------------------|
| Food & Rations                            | 46,811,889           | 21,395,908         |
| Fuel Expenses                             | 12,578,267           | 12,781,512         |
| Student Academic Activities               | 2,975,969            | 582,750            |
| Curriculum Design & Development           | 4,986,871            | 3,378,536          |
| Hostel & Conference                       | 1,367,568            | 2,967,760          |
| Graduation Expenses                       | 2,042,305            | -                  |
| Students Welfare (Laboratory, Dispensary) | 533,727              | 426,581            |
| <b>Total Use of Goods &amp; Services</b>  | <b>1,161,336,718</b> | <b>782,648,198</b> |

## 18.14. Employee Costs

| 18.14. Employee Costs        | 2022                 | 2021                 |
|------------------------------|----------------------|----------------------|
|                              | Kshs                 | Kshs                 |
| Salaries & Wages             | 1,868,684,579        | 1,782,085,528        |
| Housing Allowances           | 249,896,564          | 248,451,366          |
| Transport Allowances         | 109,524,833          | 111,077,638          |
| Contributions to Pensions    | 197,928,249          | 195,648,827          |
| Medical Expenses In-patient  | 68,298,658           | 57,590,142           |
| Medical Expenses Out-patient | 99,606,609           | 97,831,194           |
| Group Life Insurance         | 35,526,185           | 35,359,311           |
| Ex-Gratia Expenses           | 3,711,413            | 2,844,594            |
| <b>Total Employee Costs</b>  | <b>2,633,177,091</b> | <b>2,530,888,601</b> |

## 18.15. Remuneration of Directors

| 18.15. Remuneration of Directors | 2022              | 2021              |
|----------------------------------|-------------------|-------------------|
|                                  | Kshs              | Kshs              |
| Chairman's Honoraria             | 1,040,000         | 784,516           |
| Board of Directors' Expenses     | 25,688,902        | 12,798,071        |
| <b>Total Board Remuneration</b>  | <b>26,728,902</b> | <b>13,582,587</b> |

## 18.16. Depreciation & Amortization Expenses

| 18.16. Depreciation & Amortization Expenses | 2022               | 2021               |
|---|--------------------|--------------------|
|   | Kshs               | Kshs               |
| Property, Plant and Equipment               | 710,621,325        | 720,349,757        |
| Intangible Assets                           | 75,151,795         | 145,757,731        |
| <b>Total Depreciation and Amortization</b>  | <b>785,773,120</b> | <b>866,107,488</b> |

## 18.17. Repairs & Maintenance

| 18.17. Repairs & Maintenance         | 2022               | 2021               |
|--------------------------------------|--------------------|--------------------|
|                                      | Kshs               | Kshs               |
| Property & Staff Houses              | 36,474,255         | 35,248,421         |
| Plant & Equipment                    | 393,692,826        | 439,884,853        |
| Motor Vehicles                       | 8,518,507          | 6,881,499          |
| Others(Roads, Water & Sewerage)      | 11,927,600         | 480,420            |
| <b>Total Repairs and Maintenance</b> | <b>450,613,188</b> | <b>482,495,192</b> |

## 18.18. Contracted Services

| 18.18. Contracted Services       | 2022               | 2021               |
|----------------------------------|--------------------|--------------------|
|                                  | Kshs               | Kshs               |
| Hire of Resource Persons         | 56,097,736         | 51,868,121         |
| Hire of Satellite Links          | 19,863,001         | 29,072,870         |
| Contracted Professional Services | 72,797,993         | 53,064,936         |
| Flight Calibration               | 22,277,313         | 39,022,460         |
| <b>Total Contracted Services</b> | <b>171,036,043</b> | <b>173,028,388</b> |

## 18.19. Finance Costs

| 18.19. Finance Costs                | 2022              | 2021              |
|-------------------------------------|-------------------|-------------------|
|                                     | Kshs              | Kshs              |
| Interest on Long-term Loans (NCTIP) | 16,403,445        | 19,027,997        |
| Interest on Long-term Loans (KTSSP) | 57,938,124        | 61,148,629        |
| <b>Total Finance Costs</b>          | <b>74,341,569</b> | <b>80,176,626</b> |

## 18.20. (a) Gain on Sale of assets

| 18.20. (a) Gain on Sale of assets   | 2022             | 2021     |
|-------------------------------------|------------------|----------|
|                                     | Kshs             | Kshs     |
| Property, Plant & Equipment         | 5,057,717        | -        |
| Intangible Assets                   | -                | -        |
| <b>Total Gain on Sale of Assets</b> | <b>5,057,717</b> | <b>-</b> |

## 18.20. (b) Loss on Sale of assets

| 18.20. (b) Loss on Sale of assets   | 2022             | 2021     |
|-------------------------------------|------------------|----------|
|                                     | Kshs             | Kshs     |
| Property, Plant & Equipment         | 1,673,363        | -        |
| Intangible Assets                   | -                | -        |
| <b>Total Gain on Sale of Assets</b> | <b>1,673,363</b> | <b>-</b> |

## 18.20. (c).Gain Foreign Exchange Transactions

| 18.20. (c).Gain Foreign Exchange Transactions | 2022        | 2021        |
|---|-------------|-------------|
|   | Kshs        | Kshs        |
| Foreign Exchange Gain                         | 243,825,329 | 309,785,524 |
|   | 243,825,329 | 309,785,524 |

| 18.20 (d). Loss on Foreign Exchange Transactions | 2022       | 2021 |
|--|------------|------|
|  | Kshs       | Kshs |
| Foreign Exchange Loss                            | 87,123,631 | -    |
|  | 87,123,631 | -    |

## 18.21 (a). Amortization of Accrued Leave Days

| 18.21 (a). Amortization of Accrued Leave Days | 2022 | 2021       |
|---|------|------------|
|   | Kshs | Kshs       |
| Amortisation of Accrued Leave Days            | -    | 23,926,601 |
|   | -    | 23,926,601 |

## 18.21 (b). Increase in Accrued Leave Days

| 18.21 (b). Increase in Accrued Leave Days | 2022      | 2021 |
|---|-----------|------|
|   | Kshs      | Kshs |
| Increase in Accrued Leave Days            | 3,814,091 | -    |
|   | 3,814,091 | -    |



## 18.21 (c). Amortization of Capital Grant

| 18.21 (c). Amortization of Capital Grant | 2022      | 2021 |
|--|-----------|------|
|  | Kshs      | Kshs |
| Amortization of Capital Grant            | 3,420,000 | -    |
|  | 3,420,000 | -    |

## 18.21 (d). Amortization of Debtors

| 18.21 (d). Amortization of Debtors | 2022      | 2021 |
|------------------------------------|-----------|------|
|                                    | Kshs      | Kshs |
| Amortization of Debtors            | 2,986,723 | -    |
|                                    | 2,986,723 | -    |

## 18.22. Provision of Surplus Funds to the National Treasury

| 18.22. Provision of Surplus Funds to the National Treasury | 2022            | 2021        |
|--|-----------------|-------------|
|  | Kshs            | Kshs        |
| Surplus for the Year                                       | 1,812,682,153   | (3,260,193) |
| 90% Surplus Funds to National Treasury                     | (1,631,413,938) | -           |
| Transfer to Retained Earnings                              | 181,268,215     | (3,260,193) |

## 18.23(a) Cash & Cash Equivalents

| 18.23(a) Cash & Cash Equivalents       | 2022                 | 2021                 |
|--|----------------------|----------------------|
|  | Kshs                 | Kshs                 |
| Current Account                        | 2,954,773,444        | 1,512,951,586        |
| Staff Mortgage                         | 204,909,157          | 258,539,841          |
| Others (M-Pesa, Station Cash & Bank)   | 3,420,714            | 1,437,442            |
| <b>Total Cash and Cash Equivalents</b> | <b>3,163,103,315</b> | <b>1,772,928,869</b> |

## 18.23 (b) Detailed Analysis of the Cash and Cash Equivalents

### 18.23 (b) Detailed Analysis of the Cash and Cash Equivalents

| Financial Institution & Account Number              | 2022                 | 2021                 |
|---|----------------------|----------------------|
| a) Current Account                                  | Kshs                 | Kshs                 |
| Kenya Commercial Bank - A/C No. 1210005522          | 1,789,779            | 661,613              |
| KCB Call A/C No. 1210001942                         | 13,356,359           | 202,399,441          |
| EASA KCB Expenditure A/C No. 1216797889             | 6,829,556            | 11,091,482           |
| EASA KCB Call A/C No. 1216797714                    | 99,177               | 3,059,747            |
| Stanbic -A/C No. 0100000351727                      | 91,531,993           | 100,562,128          |
| Stanbic Call No. 0100000316347                      | 1,717,437            | 601,514              |
| Stanbic Dollar - No. 0100001937639                  | 2,003,116,283        | 1,002,498,730        |
| Standard Chartered Bank A/C, No. 0108098898400      | 35,893,411           | 871,610              |
| Commercial Bank of Africa Dollar A/C No. 6514690019 | 641,567,174          | 56,394,569           |
| EASA Dollar A/C - Equity No. 0180299978478          | 90,063,038           | 63,640,274           |
| EASA KES A/C - Equity No. 0180263498882             | 6,545,512            | 7,861,419            |
| KTSSP-National Bank of Kenya No. 01001084895000     | 4,848,043            | 4,805,248            |
| Expenditure Account- NBK No. 01003058447500         | 21,660,996           | 21,660,996           |
| Revenue Account-NBK, No. 01003058447600             | 34,238,505           | 34,238,505           |
| EASA Expenditure A/C- NBK No. 010058420600          | 452,701              | 119,282              |
| EASA Revenue, NBK No.010058710400                   | 1,063,479            | 2,485,024            |
| Sub-Total Current Account                           | 2,954,773,444        | 1,512,951,585        |
| c) Staff Mortgage                                   |                      |                      |
| Kenya Commercial Bank A/C No. 1159226555            | 204,909,157          | 258,539,841          |
| Sub-Total Staff Mortgage                            | 204,909,157          | 258,539,841          |
| d) Others   |                      |                      |
| Stations Bank Accounts                              | 2,415,339            | 1,424,342            |
| EASA M-Pesa A/C Pay Bill No 754206                  | 1,005,375            | 13,100               |
| Sub-Total Others                                    | 3,420,714            | 1,437,442            |
| <b>Total Cash and Cash Equivalents</b>              | <b>3,163,103,315</b> | <b>1,772,928,868</b> |

## 18.24. Receivables from Exchange Transactions

| 18.24. Receivables from Exchange Transactions       | 2022          | 2021          |
|---|---------------|---------------|
|   | Kshs          | Kshs          |
| Domestic Operators                                  | 1,367,325,370 | 871,135,822   |
| Foreign Operators                                   | 163,644,664   | 157,704,516   |
| Student Debtors                                     | 26,568,241    | 22,000,192    |
| Total Gross Current Receivables                     | 1,557,538,275 | 1,050,840,530 |
| Less: General Provision for Bad and Doubtful Debt   | (91,877,442)  | (94,864,165)  |
| Less: Specific Provisions for Bad and Doubtful Debt | (663,155,820) | (461,676,687) |
| Total Net Current Receivables                       | 802,505,013   | 494,299,678   |

## 18.25. Receivables from Non - Exchange Transactions

| 18.25. Receivables from Non - Exchange Transactions | 2022        | 2021        |
|---|-------------|-------------|
|   | Kshs        | Kshs        |
| Prepayments   | 189,725,843 | 142,836,202 |
| Staff Imprest                                       | 383,557     | 501,530     |
| Salary Advance                                      | 511,107     | 370,041     |
| Medical Excess                                      | 4,294,670   | 4,230,105   |
| Rent Receivable                                     | 720,114     | 209,830     |
| Staff Surcharge                                     | 445,237     | 259,620     |
| Station Imprest                                     | 2,187,115   | 2,187,115   |
| Staff Mortgage Receivable                           | 484,478,974 | 421,657,456 |
| Non-Staff Rent                                      | 25,000      | -           |
| Total   | 682,771,617 | 572,251,899 |

The balance in the Staff Mortgage Receivable relates to amount which had been disbursed as at the end of each respective financial year.

## 18.26. Inventories

| 18.26. Inventories       | 2022              |                   |
|--------------------------|-------------------|-------------------|
|                          | Kshs              | Kshs              |
| Consumables              | 6,435,263         | 8,291,241         |
| Publishing and Printing  | 5,918,841         | 3,231,045         |
| Office Stationery        | 5,596,889         | 6,532,525         |
| Food & Rations           | 2,054,465         | 3,607,763         |
| Fuel                     | 1,864,928         | 2,749,189         |
| <b>Total inventories</b> | <b>21,870,386</b> | <b>24,411,763</b> |

## 18.27. Current Income Tax Expense

| 18.27. Current Income Tax Expense  | 2022 | 2021                 |
|------------------------------------|------|----------------------|
|                                    | Kshs | Kshs                 |
| Deficit / Surplus Before Tax       | -    | 368,921,650          |
| Adjust for Non-Allowable Expenses  |      |                      |
| Depreciation                       | -    | 638,128,129          |
| General Provision for Bad Debts    |      | 37,680,024           |
| Provision for Gratuity             |      | 17,381,766           |
| Accrual for Outstanding Leave Days |      | 5,535,229            |
| Unrealised Loss on Forex           | -    | 117,758,902          |
|                                    |      | <b>1,185,405,701</b> |

NB: Income Tax is calculated using the enacted income tax rate of 30%. The note relates to workings for 2013-2014 financial year and details thereof are as outlined in the Audited Financial statements for the said period.

## 18.28(a) Property, Plant & Equipment Movement Schedule 2021-2022

|                                      | Air Navigation Equipment | Land                  | Buildings            | Motor Vehicles     | Plant & Other Equipment | Computer Hardware  | Furniture & Fittings | WIP                | Grand Total           |
|--------------------------------------|--------------------------|-----------------------|----------------------|--------------------|-------------------------|--------------------|----------------------|--------------------|-----------------------|
| Cost/Revaluation                     | Kshs                     | Kshs                  | Kshs                 | Kshs               | Kshs                    | Kshs               | Kshs                 | Kshs               | Kshs                  |
| <b>As at 1st July 2020</b>           | <b>3,193,494,451</b>     | <b>11,497,950,000</b> | <b>2,856,557,522</b> | <b>245,446,259</b> | <b>313,597,579</b>      | <b>316,989,575</b> | <b>206,955,794</b>   | <b>598,573,512</b> | <b>19,229,564,692</b> |
| Additions                            | 121,795,265              | -                     | 75,282,918           | -                  | 123,851,200             | 21,736,101         | -                    | 431,452,241        | 774,117,725           |
| Transfers Adjustments                | 119,457,532              | -                     | 355,044,739          | -                  | 16,375,060              | -                  | -                    | (490,877,331)      | -                     |
| Prior Year Adjustments               | -                        | -                     | -                    | -                  | -                       | -                  | -                    | (27,464,458)       | (27,464,458)          |
| <b>As at 30th June 2021</b>          | <b>3,434,747,248</b>     | <b>11,497,950,000</b> | <b>3,286,885,180</b> | <b>245,446,259</b> | <b>453,823,839</b>      | <b>338,725,676</b> | <b>206,955,794</b>   | <b>511,683,964</b> | <b>19,976,217,959</b> |
| Additions                            | 154,313,119              | -                     | 2,300,000            | 24,381,880         | 18,291,745              | 60,615,313         | 47,586,799           | 122,502,050        | 429,990,906           |
| Transfers Adjustments                | 245,518,772              | -                     | 244,734,682          | -                  | -                       | -                  | -                    | (490,253,454)      | -                     |
| Disposals                            | (2,452,000)              | -                     | -                    | (8,200,000)        | (651,000)               | (6,441,963)        | (757,830)            | -                  | (18,502,793)          |
| Valuations                           | -                        | -                     | -                    | 9,900,000          | -                       | -                  | -                    | -                  | 9,900,000             |
| <b>As at 30th June 2022</b>          | <b>3,832,127,139</b>     | <b>11,497,950,000</b> | <b>3,533,919,862</b> | <b>271,528,139</b> | <b>471,464,584</b>      | <b>392,899,026</b> | <b>253,784,763</b>   | <b>143,932,560</b> | <b>20,397,606,072</b> |
| <b>Depreciation &amp; Impairment</b> |                          |                       |                      |                    |                         |                    |                      |                    |                       |
| At 1st July 2020                     | 569,523,468              | -                     | 140,388,881          | 94,525,590         | 98,964,799              | 199,033,777        | 73,400,078           | -                  | 1,175,836,593         |
| Depreciation                         | 343,916,611              | -                     | 82,272,952           | 49,089,252         | 90,764,767              | 112,915,016        | 41,391,158           | -                  | 720,349,757           |
| <b>As at 30th June 2021</b>          | <b>913,440,080</b>       | <b>-</b>              | <b>222,661,833</b>   | <b>143,614,841</b> | <b>189,729,566</b>      | <b>311,948,794</b> | <b>114,791,236</b>   | <b>-</b>           | <b>1,896,186,350</b>  |
| Depreciation                         | 383,212,714              | -                     | 88,347,997           | 54,305,628         | 94,292,914              | 39,705,119         | 50,756,954           | -                  | 710,621,325           |
| Disposals                            | (735,600)                | -                     | -                    | (4,920,000)        | (390,600)               | (6,410,463)        | (453,352)            | -                  | (12,910,015)          |
| <b>At 30th June 2022</b>             | <b>1,295,917,194</b>     | <b>-</b>              | <b>311,009,829</b>   | <b>193,000,469</b> | <b>283,631,880</b>      | <b>345,243,450</b> | <b>165,094,838</b>   | <b>-</b>           | <b>2,593,897,660</b>  |
| <b>NET BOOK VALUE</b>                |                          |                       |                      |                    |                         |                    |                      |                    |                       |
| <b>As at 30th June 2022</b>          | <b>2,536,209,945</b>     | <b>11,497,950,000</b> | <b>3,222,910,033</b> | <b>78,527,670</b>  | <b>187,832,704</b>      | <b>47,655,576</b>  | <b>88,689,925</b>    | <b>143,932,560</b> | <b>17,803,708,412</b> |
| <b>As at 30th June 2021</b>          | <b>2,521,307,168</b>     | <b>11,497,950,000</b> | <b>3,064,223,347</b> | <b>101,831,417</b> | <b>264,094,273</b>      | <b>26,776,882</b>  | <b>92,164,557</b>    | <b>511,683,964</b> | <b>18,080,031,608</b> |



## 18.28(B). Work In Progress

| Project Description                                | Supplier/Vendor                      | 2022               | 2021               |
|--|--------------------------------------|--------------------|--------------------|
|  |                                      | Kshs               | Kshs               |
| Standby VHF Transceivers                           | Leonardo Technologies & Services Ltd | -                  | 9,989,337          |
| Emergency VHF Radios                               | Leonardo Technologies & Services Ltd | -                  | 14,663,302         |
| Air Traffic Management System                      | Indra Ltd                            | -                  | 220,866,132        |
| Wajir Staff Houses Perimeter Wall                  | Dela Construction                    | 24,539,174         |                    |
| Easa Metallic Water Tanks                          | Aquawetts Ltd                        | 3,711,752          |                    |
| Construction of ANS Perimeter wall                 | Tebik Trading Company                | 3,553,200          |                    |
| Construction of Malindi VOR Perimeter wall         | Cosmo-Mint Company                   | 1,708,920          |                    |
| EASA Executive Hostel & Conferencing Centre        | Tectura International                | 10,551,360         | 10,551,360         |
| EASA Executive Hostel & Conferencing Centre        | Ernst & Young                        | 9,494,600          | 9,494,600          |
| EASA Executive Hostel & Conferencing Centre        | Nairobi City County                  | 1,384,550          | 1,384,550          |
| Regional Centre for Aviation Medicine              | Mutiso Menezes International         | -                  | 22,372,477         |
| Regional Centre for Aviation Medicine              | Lexis International Ltd              | -                  | 222,362,205        |
| Aeronautical Information Management System Upgrade | Ids Air Nav                          | 13,947,166         | -                  |
| Distance Measuring Equipment                       | Leonardo Technologies & Services     | 11,524,252         | -                  |
| Very High Frequency OMNI Range Equipment           | Agoma Group Ltd                      | 11,933,320         | -                  |
| Instrument Landing System                          | Agoma Group Ltd                      | 10,824,108         | -                  |
| ANS Safety Tool                                    | Projemics Systems Ltd                | 16,413,719         | -                  |
| Performance Based Navigation Equipment-DME         | Leonardo Technologies & Services     | 24,346,440         | -                  |
| <b>Total</b>                                       | <b>Total</b>                         | <b>143,932,561</b> | <b>511,683,964</b> |

## 18.28 (C). Work In Progress – Non Ppe

| Project Description |                                     | Supplier/Vendor                 | 2022             | 2021             |
|---------------------|-------------------------------------|---------------------------------|------------------|------------------|
|                     |                                     |                                 | Kshs             | Kshs             |
| 01                  | Biometric Student Attendance System | Dialescas Africa Ltd            | 1,633,101        | 1,633,101        |
| 02                  | ERP Navision 2018                   | Attain Enterprise Solutions Ltd | -                | 4,626,000        |
| 03                  | RPAS Oversight Management System    | Internally Developed Software   | 796,756          | -                |
| <b>Total</b>        |                                     |                                 | <b>2,429,857</b> | <b>6,259,101</b> |

### Valuation

The Authority's non-current assets were valued in June 2019. The Authority's Finance Policy and Procedures Manual provides for valuation of noncurrent assets every three years. The next valuation shall be done in line with the National Assets and Liabilities Management Policy and Guidelines, the Authority's Finance Policy and Procedures Manual and the provisions of IPSAS 17 (Property, Plant & Equipment)

## 18.29. Intangible Assets Movement Schedule

| Description                           | 2022               | 2021               |
|---------------------------------------|--------------------|--------------------|
| Cost                                  | Kshs               | Kshs               |
| <b>At the Beginning of the Year</b>   | 358,012,712        | 331,867,644        |
| Transfer Adjustments                  | (4,626,000)        | (22,102,475)       |
| Additions During the Year             | 25,621,740         | 20,656,966         |
| Capitalization of Work In Progress    | 4,626,000          | 22,102,475         |
| <b>At the End of the Year</b>         | <b>383,634,452</b> | <b>352,524,611</b> |
| Additions - Internal Development      | 796,756            | -                  |
| Additions - Work In Progress          | -                  | 5,488,101          |
| <b>At the End of the Year</b>         | <b>384,431,208</b> | <b>358,012,712</b> |
| <b>Amortizations &amp; Impairment</b> |                    |                    |
| At the Beginning of the Year          | 286,684,396        | 140,926,665        |
| Amortization                          | 75,151,795         | 145,757,731        |
| <b>At the End of the Year</b>         | <b>361,836,191</b> | <b>286,684,396</b> |
| Impairment Loss                       | -                  | -                  |
| <b>At the End of the Year</b>         | <b>361,836,191</b> | <b>286,684,396</b> |
| <b>Net Book Value</b>                 | <b>22,595,017</b>  | <b>71,328,316</b>  |

## 18.30. Trade & Other Payables

| 18.30. Trade & Other Payables         |                    |                    |
|---------------------------------------|--------------------|--------------------|
|                                       | Kshs               | Kshs               |
| Trade Creditors - Local               | 567,265,562        | 625,367,289        |
| Trade Creditors - Foreign             | 222,605,110        | 179,538,132        |
| Third Party Claims                    | 15,121,194         | 16,099,283         |
| Stale and Unpaid Cheques              | 5,385,911          | 5,371,000          |
| Collaboration Fees                    | 4,236,150          | 2,585,245          |
| Student Association Fees              | 591,202            | 363,202            |
| External Examination Fees             | 2,308,815          | 790,082            |
| Student Excursions                    | 9,419,451          | 6,204,467          |
| Caution Money                         | 1,491,203          | 1,021,840          |
| KUCCPS Placement Fees                 | 594,000            | 369,000            |
| Student Industrial Attachment         | 4,911,270          | 2,606,820          |
| VAT Output                            | (1,349,390)        | (326,053)          |
| VAT Withheld A/C                      | 26,733,017         | 19,731,955         |
| Withholding Tax                       | (8,177,327)        | 2,695,767          |
| <b>Total Trade and Other Payables</b> | <b>851,136,170</b> | <b>862,418,029</b> |

## 18.31. Refundable Deposits from Customers

| 18.31. Refundable Deposits from Customers |                   |                   |
|---|-------------------|-------------------|
|   | 2022              | 2021              |
|   | Kshs              | Kshs              |
| Consumer Deposits                         | 14,105,343        | 14,105,343        |
| <b>Total Refundable Deposits</b>          | <b>14,105,343</b> | <b>14,105,343</b> |

## 18.32. Employee Benefits Obligations

| 18.32. Employee Benefits Obligations |            |           |
|--------------------------------------|------------|-----------|
|                                      | 2022       | 2021      |
|                                      | Kshs       | Kshs      |
| Net Salary                           | 3,062,709  | 3,094,422 |
| PAYE Staff                           | 479,303    | 479,303   |
| Payroll Deductions-Cheques           | 527,182    | 527,182   |
| Payroll Deductions-Staff             |            |           |
| Payroll Deductions EFT               | 47,476,991 | 196,042   |
| Staff Claims                         | 731,060    | 2,358,930 |
| Board Liability                      | -          | -         |



## 18.32. Employee Benefits Obligations

| 18.32. Employee Benefits Obligations       | 2022               | 2021               |
|--|--------------------|--------------------|
| PAYE Board of Directors                    | 2,535,299          | 2,370,496          |
| EASA Lecturers Net Pay                     | (48,150)           | -                  |
| EASA NHIF                                  | 400                | 35,750             |
| EASA NSSF                                  | -                  | 15,600             |
| EASA Bank Loans                            | 18,500             | 69,145             |
| EASA HELB                                  | -                  | 4,156              |
| EASA PAYE Liability                        | 91,807             | 1,526,529          |
| EASA Insurance Deductions                  | -                  | 5,000              |
| Service Gratuity                           | 65,087,465         | 63,158,545         |
| Leave Provision                            | 87,064,495         | 83,250,404         |
| Others: PAYE Others                        | 127,200            | 4,241              |
| <b>Total Employees Benefits Obligation</b> | <b>207,154,261</b> | <b>157,095,743</b> |

## 18.33. Current Portion of Borrowing

| 18.33. Current Portion of Borrowing | 2022               | 2021               |
|-------------------------------------|--------------------|--------------------|
|                                     | Kshs               | Kshs               |
| NCTIP                               | 52,491,025         | 52,491,025         |
| KTSSP                               | 129,833,330        | 129,833,330        |
| <b>Balance at End of Period</b>     | <b>182,324,356</b> | <b>182,324,356</b> |

## 8.34. Current Provisions

| 18.34. Current Provisions                                       |                      |                    |                      |
|---|----------------------|--------------------|----------------------|
| Description   | National Treasury    | Ex- Staff          | Total                |
| Balance as at 1st July 2020                                     | 1,355,730,659        | 258,676,220        | 1,614,406,879        |
| Additional Provisions   | -                    | -                  | -                    |
| Provisions Utilised   | (1,355,730,659)      | -                  | (1,355,730,659)      |
| <b>Balance as at 30th June 2021</b>                             | <b>-</b>             | <b>258,676,220</b> | <b>258,676,220</b>   |
| Balance as at 1st July 2021                                     | -                    | 258,676,220        | 258,676,220          |
| Additional Provisions during the year                           | 1,631,413,938        | -                  | 1,631,413,938        |
| Domestic Air Navigation Service Charge VAT Assessment Liability | 325,565,305          | -                  | 325,565,305          |
| Payments during the year  | (65,113,061)         | -                  | (65,113,061)         |
| <b>Balance as at 30th June 2022</b>                             | <b>1,891,866,182</b> | <b>258,676,220</b> | <b>2,150,542,402</b> |

## 18.35. Borrowings

| 18.35 Borrowings   | 2022                 | 2021                 |
|--|----------------------|----------------------|
| Analysis of Borrowings   | Kshs                 | Kshs                 |
| Balance at the Beginning of the Period                               | 2,029,024,957        | 2,215,045,450        |
| Repayments of External Borrowing During the Period                   | (182,324,356)        | (186,020,493)        |
| Repayments of Domestic Borrowing During the Period                   | -                    | -                    |
| <b>Balance at the End of the Period</b>                              | <b>1,846,700,602</b> | <b>2,029,024,957</b> |
| The analysis of both external and domestic borrowing are as follows: |                      |                      |
| IDA Loans: KTSSP - Dollar Denominated                                | 1,557,999,962        | 1,687,833,292        |
| IDA Loans: NCTIP - Dollar Denominated                                | 288,700,640          | 341,191,666          |
|  | <b>1,846,700,602</b> | <b>2,029,024,957</b> |
| Short Term Borrowing (Current Portion)                               | 182,324,356          | 182,324,356          |
| Long Term Borrowing (Non-Current Portion)                            | 1,664,376,246        | 1,846,700,602        |
| <b>Total Borrowings</b>  | <b>1,846,700,602</b> | <b>2,029,024,957</b> |

## 18.36. Revaluation Reserve

| 18.36. Revaluation Reserve                | 2022                 | 2021                 |
|---|----------------------|----------------------|
|   | Kshs                 | Kshs                 |
| Opening Balance                           | 8,308,682,978        | 8,324,804,006        |
| Add (Less): Adjustments During the Period | 9,900,000            | (16,121,028)         |
| <b>Total Revaluation Reserves</b>         | <b>8,318,582,978</b> | <b>8,308,682,978</b> |

## 18.37. Government Grants

| 18.37. Government Grants               | 2022               | 2021               |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Opening Balance                        | 136,800,000        | 608,133,333        |
| Less: Amount Amortised During the Year | (3,420,000)        | (471,333,333)      |
| <b>Total Government Grants</b>         | <b>133,380,000</b> | <b>136,800,000</b> |

The GOK grant relates to the Regional Centre for Aviation Medicine. The grant is being amortised over the estimated life of the asset (approximately 40 years). This asset was constructed on behalf of the East African Community - Civil Aviation Safety and Security Oversight Agency (EAC-CASSOA) and is awaiting transfer to the Agency.

## 18.38. Accumulated Surplus

| 18.38. Accumulated Surplus                                      | 2022                 | 2021                 |
|---|----------------------|----------------------|
|   | Kshs                 | Kshs                 |
| Opening Balance   | 9,255,519,247        | 8,788,109,487        |
| Add: (Deficit)/Surplus for the period                           | 181,268,215          | (3,260,193)          |
| Add: Amortization of GoK Grant                                  | -                    | 471,333,333          |
| Less: Surplus (Excess) Paid During the Period                   | -                    | (663,380)            |
| Tax Recoverable Adjustment                                      | (7,070,385)          | -                    |
| Domestic Air Navigation Service Charge VAT2011-2015 liability   | (129,199,768)        | -                    |
| Domestic Air Navigation Service Charge VAT Assessment Liability | (325,565,305)        | -                    |
| <b>Total Accumulated Surplus at the End of the Period</b>       | <b>8,974,952,004</b> | <b>9,255,519,247</b> |

The amortised amount relates to GoK grant for the Regional Centre of Aviation Medicine

## 18.39. Related Parties

| 18.39. Related Parties   | 2022               | 2021               |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Transactions with Related Parties  | -                  | -                  |
| (a). Sales to Related Parties  |                    |                    |
| Certification of Aerodromes & Staff Certification-Kenya Airports Authority | 2,676,000          | 2,047,640          |
| (b). Purchases from Related Parties  |                    |                    |
| Purchase of Power from Kenya Power & Lighting Company Ltd                  | 43,864,943         | 44,278,167         |
| Purchase of Diesel and Petrol of National Oil                              | 8,723,782          | 8,330,320          |
| Training and Conferences Fees paid to Kenya School of Government           | 6,186,754          | 2,475,336          |
| (c). Key Management Compensation   |                    |                    |
| Directors' Emoluments  | 26,728,902         | 13,582,587         |
| Compensation to Key Management   | 71,679,631         | 82,716,425         |
| <b>Total</b>   | <b>159,860,012</b> | <b>153,430,475</b> |

## 18.40. Financial Risk Management

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

The Authority's financial risk management objectives and policies are detailed below:

### (i) Credit Risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Authority's management based on prior experience and their assessment of the current economic environment.

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

| <b>Credit Risk Mgt</b>                     |                     |                         |                 |                  |  |
|--|---------------------|-------------------------|-----------------|------------------|--|
|  | <b>Total Amount</b> | <b>Fully Performing</b> | <b>Past Due</b> | <b>Im-paired</b> |  |
|  | Kshs                | Kshs                    | Kshs            | Kshs             |  |
| As at 30 June 2022                         |                     |                         |                 |                  |  |
| Receivables from Exchange Transactions     | 1,557,538,275       | 1,011,625,511           | 545,912,764     | -                |  |
| Receivables from Non-Exchange Transactions | 682,771,617         | 680,584,502             | 2,187,115       | -                |  |
| Bank Balances                              | 3,163,103,315       | 3,163,103,315           | -               | -                |  |
| Totals                                     | 5,403,413,207       | 4,855,313,328           | 548,099,879     | -                |  |
| As at 30 June 2021                         |                     |                         |                 |                  |  |
| Receivables from Exchange Transactions     | 1,050,840,530       | 494,299,678             | 556,540,852     | -                |  |
| Receivables from Non-Exchange Transactions | 572,251,899         | 570,064,784             | 2,187,115       | -                |  |
| Bank Balances                              | 1,772,928,868       | 1,772,928,868           | -               | -                |  |
| Totals                                     | 3,396,021,297       | 2,837,293,330           | 558,727,967     | -                |  |

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Authority's has significant concentration of credit risk on amounts due from Kenya Airways Plc. The Board of Directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

## (ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| Liquidity Risk Management     | Less Than 1 Month  | Between 1-3 Months | Over 5 Months        | Total                |
|-------------------------------|--------------------|--------------------|----------------------|----------------------|
|                               | Kshs               | Kshs               | Kshs                 | Kshs                 |
| As at 30 June 2022            |                    |                    |                      |                      |
| Trade Payables                | 186,958,185        | 368,897,361        | 295,280,624          | 851,136,170          |
| Current Portion of Borrowings | -                  |                    | 182,324,356          | 182,324,356          |
| Current Provisions            |                    |                    | 2,150,542,402        | 2,150,542,402        |
| Employee Benefit Obligation   |                    |                    | 207,154,261          | 207,154,261          |
| <b>Total</b>                  | <b>186,958,185</b> | <b>368,897,361</b> | <b>2,835,301,643</b> | <b>3,391,157,189</b> |
| As at 30 June 2021            |                    |                    |                      |                      |
| Trade Payables                | 169,961,986        | 409,885,957        | 282,570,086          | 862,418,029          |
| Current Portion of Borrowings | -                  |                    | 182,324,356          | 182,324,356          |
| Current Provisions            |                    |                    | 258,676,220          | 258,676,220          |
| Employee Benefit Obligation   |                    |                    | 157,095,743          | 157,095,743          |
| <b>Total</b>                  | <b>169,961,986</b> | <b>409,885,957</b> | <b>880,666,405</b>   | <b>1,460,514,348</b> |

## (iii) Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

### a) Foreign Currency risk

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the Authority's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

|   | Kshs                 | Other Currencies     | Total                |
|---|----------------------|----------------------|----------------------|
| At 30 June 2022                               | Kshs                 | Kshs                 | Kshs                 |
| Financial Assets                              |                      |                      |                      |
| Investments                                   | -                    | -                    | -                    |
| Cash  | 426,610,748          | 2,736,492,567        | 3,163,103,315        |
| Debtors                                       | 1,393,893,612        | 163,644,664          | 1,557,538,275        |
| <b>Total Financial Assets</b>                 | <b>1,820,504,360</b> | <b>2,900,137,231</b> | <b>4,720,641,590</b> |
| Financial Liabilities                         |                      |                      |                      |
| Trade and Other Payables                      | 567,115,362          | 284,020,808          | 851,136,170          |
| Borrowings                                    | -                    | -                    | -                    |
| <b>Total Financial Liabilities</b>            | <b>567,115,362</b>   | <b>284,020,808</b>   | <b>851,136,170</b>   |
| <b>Net Foreign Currency Asset/(Liability)</b> | <b>1,253,388,998</b> | <b>2,616,116,423</b> | <b>3,869,505,420</b> |
|   |                      |                      |                      |
| At 30 June 2021                               | Kshs                 | Kshs                 | Kshs                 |
| Investments                                   | -                    | -                    | -                    |
| Cash  | 650,060,209          | 1,122,868,658        | 1,772,928,868        |
| Debtors                                       | 893,136,014          | 157,704,516          | 1,050,840,530        |
| <b>Total Financial Assets</b>                 | <b>1,543,196,223</b> | <b>1,280,573,174</b> | <b>2,823,769,398</b> |
| Financial Liabilities                         |                      |                      |                      |
| Trade and Other Payables                      | 625,367,289          | 179,538,132          | 804,905,421          |
| Borrowings                                    | -                    | -                    | -                    |
| <b>Total Financial Liabilities</b>            | <b>625,367,289</b>   | <b>179,538,132</b>   | <b>804,905,421</b>   |
| <b>Net Foreign Currency Asset (Liability)</b> | <b>917,828,934</b>   | <b>1,101,035,042</b> | <b>2,018,863,977</b> |

The Authority manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

## Foreign Currency Sensitivity Analysis Foreign Currency Sensitivity Analysis

|      | Change in<br>Currency Rate | Effect on Profit<br>before Tax | Effect on<br>Equity |
|------|----------------------------|--------------------------------|---------------------|
|      | Kshs                       | Kshs                           | Kshs                |
| 2022 |                            |                                |                     |
| Euro | 10%                        | -                              | -                   |
| USD  | 10%                        | 15,677,482                     | 42,187,467          |
| 2021 |                            |                                |                     |
| Euro | 10%                        | -                              | -                   |
| USD  | 10%                        | 29,741,436                     | 1,041,311           |

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

### Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

### Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

### Capital Risk Management

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

|   | 2022            | 2021           |
|---|-----------------|----------------|
|   | Kshs            | Kshs           |
| Revaluation Reserve                         | 8,318,582,978   | 8,308,682,978  |
| Retained Earnings                           | 8,974,952,004   | 9,255,519,247  |
| Capital Reserve                             | 133,380,000     | 136,800,000    |
| Total Funds                                 | 17,426,914,982  | 17,701,002,224 |
| Total Borrowings                            | 1,846,700,602   | 2,029,024,957  |
| Less: Cash and Bank Balances                | 3,163,103,315   | 1,772,928,868  |
| Net Debt/(Excess Cash and Cash Equivalents) | (1,316,402,713) | 256,096,090    |
| Gearing                                     | -8%             | 1%             |

## 18.41. Related Party Disclosures

### Nature of Related Party Relationship

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over its operating and financial decisions. These include management personnel, their associates and close family members.

### Government of Kenya

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest. The Government of Kenya has provided full guarantees to all long term lenders of the entity, both domestic and external. Other related parties' disclosures for the period are;



## Transactions with Related Parties

|  | 2022               | 2021               |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Transactions with Related Parties  | -                  | -                  |
| (a). Sales to Related Parties  |                    |                    |
| Certification of Aerodromes & Staff Certification-Kenya Airports Authority | 2,676,000          | 2,047,640          |
| (b). Purchases from Related Parties  |                    |                    |
| Purchase of Power from Kenya Power & Lighting Company Ltd                  | 43,864,943         | 44,278,167         |
| Purchase of Diesel and Petrol of National Oil                              | 8,723,782          | 8,330,320          |
| Training and Conferences Fees paid to Kenya School of Government           | 6,186,754          | 2,475,336          |
| (c). Key Management Compensation   |                    |                    |
| Directors' Emoluments  | 26,728,902         | 13,582,587         |
| Compensation to Key Management   | 71,679,631         | 82,716,425         |
| <b>Total</b>   | <b>159,860,012</b> | <b>153,430,475</b> |

## 18.42. Contingent Assets And Contingent Liabilities

### (a) A Summary of the Contingent Assets are as Follows:

#### (i) Potential Receipts from Kenya Airports Authority:

With reference to the Statute Law (Miscellaneous Amendments) Act, 2014 that came into effect on the 8th December 2014, the Authority has been pursuing up the arrears that may not have been remitted by the KAA over the period since the law came into effect and in addition to changes that were effected in light of the Legal Notice No. 143 dated 14th June 2018. As such, the Authority has been undertaking a reconciliation with the KAA and a team from Kenya Revenue Authority (KRA), with an aim to determine the amounts receivable from the KAA. The Authority has made efforts to follow up the amounts due from the KAA.

#### (ii) Pending Fraud Case:

This is a criminal Case No. 2840/03 at the Anti-Corruption Court. The case relates to a Kenya Revenue Authority officer who was responsible for collecting Air Navigation charges and is charged with defrauding KCAA of USD 100,465. These assets have not been recognized in the accounts because there is material uncertainty on their realization.

## (b) Contingent Liabilities:

### (i) Potential Debts/Claims owed to Suppliers Totalling Ksh 40.32 Million:

Kenya Airports Authority billings for rent and utility charges for the period up to 30 June 2005 amounting to Ksh.40.32 Million. Much of this period was a time when the Authority was still a department in the Ministry of Transport and Communications. This amount has not been provided for in the financial statements

### (ii) Potential claims arising from dismissed staff:

This is a case involving 68 former employees of the Directorate of Civil Aviation (the predecessor of KCAA) emanating from alleged dismissal of the said employees from public service and malicious prosecution. The case was ruled in favour of the Plaintiffs. KCAA appealed against the judgment and the appeal proceeded for hearing on 7th January, 2014. The Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to High Court for assessment of total damages. The High Court delivered the ruling on assessment for 40 plaintiffs out of 67 plaintiffs. The judgment amount in total is Kshs 154,841,140. The Claimants' sought a review. The application for review sought an additional Kshs. 103,835,080. To this extent, the Authority has made a provision of Kshs 258, 676,220 in its financial statements for the period ended 30th June 2021. KCAA made a review application to review the Court orders to run up to the date when judgment was delivered. This application will be mentioned on 20th September 2022.

### (iii) Other Claims from former staff

The Authority is facing employee related disputes which are at different stages of litigation. The outcome of this disputes may occasion potential liability to the Authority.

| Capital Commitments           | 2022               | 2021               |
|-------------------------------|--------------------|--------------------|
|                               | Kshs               | Kshs               |
| Authorised for                | -                  | -                  |
| Authorised and contracted for | 690,376,557        | 489,281,756        |
| <b>Total</b>                  | <b>690,376,557</b> | <b>489,281,756</b> |

## 18.43 Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during 2020-21 financial year and hence no remittance to the Consolidated Fund during 2021-2022 financial year.

## 18.44 Events After The Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

## 18.45 Ultimate And Holding Entity

The Authority is a State Corporation under the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. Its ultimate parent is the Government of Kenya.

## 18.46 CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

## APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. 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)  |
|--|--|---|--|-----------------------------------|---|
| <b>1</b>                                   | <b>PROPERTY, PLANT AND EQUIPMENT</b>   |   |  |                                   |   |
| 1.1  | <b>Land and Buildings</b><br>- Ownership documents were not made available for audit verification  | - Management is following up with the relevant state agencies to obtain title deeds   | Director General   | Not Resolved                      | This a work in progress that is systematic ally being addressed. Update on progress to be given during the 2021/22 reporting. |
| 1.2  | <b>Properties Allocated to Third Parties</b><br>- Some parcels of land were registered in the names of third parties   | - Management is following up with various state agencies for revocation of current title deeds and issuance of title deeds. A few ownership titles are expected to be processed in favour of the Authority in the near future.  | Director General   | Not Resolved                      | This a work in progress that is systematic ally being addressed. Updates to be given during the 2021/22 reporting.            |
| <b>2</b>                                   | <b>UNSUPPORTED REVENUE</b>   |   |  |                                   |   |
|  | The accuracy, completeness and validity of the revenue from exchange transactions that relates to Air passenger service charge fee of Kshs. 1,924,086,017 for the year ended 30 June, 2020 could not be ascertained since the gross revenue collectable by the Kenya Revenue Authority (KRA) was not provided. | The Authority does not collect these funds directly. The funds are remitted to the Authority by Kenya Revenue Authority through Kenya Airports Authority. The use of actual remittances (cash basis) safeguards the Authority from cash flow challenges in the remittance of the 90% surplus to the National Treasury, in the event the Authority makes a surplus in any given financial year | Director General   | Not Resolved                      | Continuously being followed up. Update to be given during the 2021/22 reporting   |

| 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)   |
|--|---|---|--|-----------------------------------|--|
| 3  | DEBT OWED BY THE NATIONAL CARRIER   |   |  |                                   |  |
|  | The National carrier, Kenya Airways owes the Authority Kshs 262,878,553 which is 30% of the receivables. Although general and specific provisions of Kshs 86,849,153 and Kshs 348,080,787 respectively has been provided, its adequacy over the national carrier's debt could not be established. | The Authority has continuously and consistently engaged Kenya Airways and all other debtors to ensure all the outstanding amounts are cleared. As a result the debt owed by the airline has been reducing over the course of time and Authority is keen to ensure it clears in the near future. | Director General   | Not Resolved                      | Progress updates to be shared in the 2021/22 reports   |
| 4  | UNRESOLVED PRIOR YEAR MATTERS   |   |  |                                   |  |
|  | The Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and the National Treasury & Planning Circular reference No.   |   | Director General   | Not Resolved                      | The Authority has requested the OAG to share information on areas of noncompliance with the standards and the circular<br><br>since this matter was not raised during the audit of the 2019/20 financial statements and the period before. |
|  | AG.4/16/3 Vol.1(9) dated 24 <sup>th</sup> June 2020   |   |  |                                   |  |



**Emile N. Aro**  
**Director General**

Date: 25/5/2023.

## APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

Projects implemented by the Kenya Civil Aviation funded by development partners and/ or the Government.

| Project title                | Project Number | Donor | Period/ duration       | Donor commitment (Kshs'million) | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|------------------------------|----------------|-------|------------------------|---------------------------------|---|---|
| Centre for Aviation Medicine | N/A            | GoK   | 2020/2021 to 2021/2022 | 136.8                           | No  | Yes   |

### Status of Projects completion

|    | Project                      | Total project Cost (Kshs'million) | Total expended to date (Kshs'million) | Completion % to date | Budget (Kshs'million) | Actual (Kshs'million) | Sources of funds |
|----|------------------------------|-----------------------------------|---------------------------------------|----------------------|-----------------------|-----------------------|------------------|
| 1. | Centre for Aviation Medicine | 247.03                            | 247.03                                | 100                  | 247.06                | 247.03                | GoK/AIA          |

## APPENDIX III: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring the funds | Date Received as Per Bank Statement | Nature: Recurrent/ Development/ Others | Where Recorded/recognized |                                    |              |                 |             |                           |                         | Total Transfers during the Year<br>Kshs |
|--|-------------------------------------|--|---------------------------|------------------------------------|--------------|-----------------|-------------|---------------------------|-------------------------|---|
|  |                                     |  | Total Amount              | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Others - must be specific |                         |   |
|  |                                     |  | Kshs                      | Kshs                               |              |                 |             |                           |                         |   |
| Kenya Airports Authority                     | 05/10/2021                          | Recurrent                              | 48,309,547.20             | 48,309,547.20                      | -            | -               | -           | -                         | 48,309,547.20           |   |
| Kenya Airports Authority                     | 15/10/2021                          | Recurrent                              | 31,156,827.95             | 31,156,827.95                      | -            | -               | -           | -                         | 31,156,827.95           |   |
| Kenya Airports Authority                     | 04/11/2021                          | Recurrent                              | 123,891,334.75            | 123,891,334.75                     | -            | -               | -           | -                         | 123,891,334.75          |   |
| Kenya Airports Authority                     | 04/11/2021                          | Recurrent                              | 229,021,126.05            | 229,021,126.05                     | -            | -               | -           | -                         | 229,021,126.05          |   |
| Kenya Airports Authority                     | 28/01/2022                          | Recurrent                              | 397,670,000.00            | 397,670,000.00                     | -            | -               | -           | -                         | 397,670,000.00          |   |
| Kenya Airports Authority                     | 28/01/2022                          | Recurrent                              | 123,891,334.75            | 123,891,334.75                     | -            | -               | -           | -                         | 123,891,334.75          |   |
| Kenya Airports Authority                     | 31/05/2022                          | Recurrent                              | 172,752,368.45            | 172,752,368.45                     | -            | -               | -           | -                         | 172,752,368.45          |   |
| Kenya Airports Authority                     | 23/06/2022                          | Recurrent                              | 147,866,616.45            | 147,866,616.45                     | -            | -               | -           | -                         | 147,866,616.45          |   |
| Kenya Airports Authority                     | 28/06/2022                          | Recurrent                              | 243,756,033.00            | 243,756,033.00                     | -            | -               | -           | -                         | 243,756,033.00          |   |
| Kenya Airports Authority                     | 28/06/2022                          | Recurrent                              | 158,700,499.45            | 158,700,499.45                     | -            | -               | -           | -                         | 158,700,499.45          |   |
| Kenya Airports Authority                     | 28/06/2022                          | Recurrent                              | 271,599,657.35            | 271,599,657.35                     | -            | -               | -           | -                         | 271,599,657.35          |   |
| <b>Total</b>                                 |                                     |  | <b>1,948,615,345.40</b>   | <b>1,948,615,345.40</b>            | <b>-</b>     | <b>-</b>        | <b>-</b>    | <b>-</b>                  | <b>1,948,615,345.40</b> |   |



## APPENDIX IV: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Kenya Civil Aviation Authority  
(+254) 20 6827470-5 info@kcaa.or.ke Mr. Emile N. Arao

Name and contact details of contact person (in case of any clarifications) Mr. Winston Gicheru; Tel. (254) 20 6827470-5; Email: wgicheru@kcaa.or.ke

| Project Name | Project Description   | Project Objectives | Project Activities |    |    |    |    | Source Of Funds | Implementing Partners |
|--------------|---|--------------------|--------------------|----|----|----|----|-----------------|-----------------------|
|              |   |                    |                    | Q1 | Q2 | Q3 | Q4 |                 |                       |
|              | <p>KCAA is working together with the global civil aviation community towards reductions of aircraft emissions. To this end, Kenya is participating in the Carbon Offsetting and reduction Scheme for International Aviation (CORSIA) in the pilot phase since 2021. The scheme aims at contributing to the global aspirations of keeping the global net Carbon Dioxide emissions from international aviation neutral from 2020 at the same level. This implies that aircraft will increasingly use efficient fuels and Air Navigation Service providers design routes that do not contribute to increased aircraft emissions.</p> <p>A pilot project was implemented in Kenya with strong support from the International Civil Aviation Organisation (ICAO). It consisted of a ground-mounted photovoltaic system of 507kW solar power generation facility and mobile airport gate electric equipment. This innovative project was launched on 12th December 2018 at Moi International Airport in Mombasa, Kenya. The facility provides pre-conditioned air (PCA) and compatible electricity that runs on solar energy to service aircraft during ground operations which eliminate carbon dioxide emissions from aircraft parked at the gate. The system has been in operation since April 2019, when the site acceptance tests were conducted and the system was commissioned.</p> <p>The project installed an auxiliary power unit (APU) and a ground power unit (GPU) for use by aircraft at Moi International Airport that are powered by clean energy from solar. This has helped to reduce the use of fossil fuel (diesel) by powering the APU and GPU at the airport. The system has also helped to run onboard systems and interior cooling before aircraft depart for their next flight.</p> <p>The solar facility has generated 737,014.86kWh annually on average with a total power generation of 2,472,310.92kWh as of June 2022. Thus, it has reduced on average 704.225 tonnes of CO<sub>2</sub> annually. In total, the amount of carbon dioxide emissions reduced equalled 1,991.107 tonnes as of June 2022. The airport gate equipment serves more than 1,497 flights per year, with both GPU &amp; PCA consuming 120,718.586 kWh as of June 2022, therefore demonstrating a concrete solution to reduce aviation carbon dioxide emissions.</p> |                    |                    |    |    |    |    |                 |                       |