



*Enhancing Accountability*

THE NATIONAL ASSEMBLY	
DATE: 16 NOV 2022	
DAY: Wednesday	
TABLING BY:	Lom
CLERK-AT THE-TABLE:	Marah Wanjiku

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA CIVIL AVIATION AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



---

**KENYA CIVIL AVIATION AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**JUNE 30, 2021**

---

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

<b>Table of Contents</b>	<b>Page</b>
<b>1. KEY AUTHORITY INFORMATION AND MANAGEMENT .....</b>	<b>ii</b>
<b>2. THE BOARD OF DIRECTORS.....</b>	<b>vii</b>
<b>3. MANAGEMENT TEAM.....</b>	<b>xii</b>
<b>4. CHAIRMAN'S STATEMENT.....</b>	<b>xiv</b>
<b>5. REPORT OF THE DIRECTOR GENERAL .....</b>	<b>xvii</b>
<b>6. STATEMENT OF KENYA CIVIL AVIATION AUTHORITY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021.....</b>	<b>xx</b>
<b>7. CORPORATE GOVERNANCE STATEMENT .....</b>	<b>xxvi</b>
<b>8. MANAGEMENT DISCUSSION AND ANALYSIS.....</b>	<b>xxx</b>
<b>9. ENVIRONMENTAL AND SUSTAINABILITY REPORTI .....</b>	<b>xli</b>
<b>10. REPORT OF THE DIRECTORS .....</b>	<b>xlvi</b>
<b>11. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....</b>	<b>xlvii</b>
<b>12. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINACIAL STATEMENTS OF KENYA CIVIL AVIATION AUTHORITY .....</b>	<b>xlviii</b>
<b>13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021 .....</b>	<b>1</b>
<b>14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021.....</b>	<b>2</b>
<b>15. STATEMENT OF CHANGES IN NET ASSETS.....</b>	<b>3</b>
<b>16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021 .....</b>	<b>4</b>
<b>17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021 .....</b>	<b>5</b>
<b>18. NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>8</b>
<b>APPENDIX I .....</b>	<b>42</b>
<b>APPENDIX II .....</b>	<b>46</b>

## **1. KEY AUTHORITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Kenya Civil Aviation Authority was established under the Civil Aviation (Amendment) Act, 2002 on 24<sup>th</sup> 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, Montreal and Wajir.

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;

- (l) Certification of aircraft operators;
- (m) Enforcement of approved technical standards of aircraft;
- (n) Licensing and monitoring of aeronautical personnel;
- (o) Provision of technical services for the design, installation, and modification of electronic, radio and other equipment used in the provision of air navigation services;
- (p) Ensuring the integrity of the systems, equipment and facilities of the Authority;
- (q) Issuance and dissemination of the publications referred to in the Act;
- (r) Production of accurate, timely, comprehensive and relevant air transport information for planning and decision-making purposes;
- (s) Approval, certification and licensing of aircraft maintenance organisations and regulation of aviation training institutions in Kenya;
- (t) Establishment, management and operation of training institutions for purposes of the Authority;
- (u) Registration of rights and interests in aircraft;
- (v) Planning, development and formulation of the airspace master plan for the safe and efficient utilization of Kenyan airspace;
- (w) Establishment, co-ordination and maintenance of state aviation safety and security programmes,
- (x) Licensing, certification, registration and surveillance of aerodromes,
- (y) Certification and surveillance of air navigation service providers,
- (z) Licensing and certification of regulated agents,
- (aa) Implementing and enforcing the provisions of the Act, regulations and directives issued hereunder and treaties to which Kenya is a party,
- (bb) 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,
- (cc) Performing economic oversight of air services, protecting consumer rights, environment and ensuring fair trading practices,
- (dd) Giving effect to the Chicago Convention and other international agreements relating to civil aviation to which Kenya is party to; and
- (ee) 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**

To be a superior, safe, secure and sustainable civil aviation system.

#### **Mission**

To economically and efficiently plan, develop, manage and regulate a modern, safe and secure civil aviation industry while delivering quality training and Air Navigation Services.

#### **Core Values**

*Security and Safety:* We shall endeavour to maintain a safe and secure civil aviation environment.

*Customer Focus:* We undertake to embrace, meet, delight and exceed our customers' expectations.

*Fairness:* We shall conduct our functions and duties in ways that are just, unbiased and non-discriminatory.

*Excellence:* We shall strive to provide quality services through innovation, continuous improvement, promotion of creativity and adaption to new ways of doing things.

*Integrity:* We shall demonstrate professionalism, honesty and commitment to moral ethical principles.

*Team work:* We shall promote cross functional working relationships to promote accomplishment of organizational objectives.

#### **(c) Key Management**

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

- Board of Directors;
- Director General
- Management Team

#### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Director General	Capt. Gilbert M. Kibe

<b>No.</b>	<b>Designation</b>	<b>Name</b>
2.	Director Corporate Services	CPA Joseph K. Chebungei
3.	Corporation Secretary	Mr. George Ombaso Mogaka
4.	Director Air Navigation Services	Ms. Charity M. Musila
5.	Director Aviation Safety Standard and Regulation	Capt. Nathan T. M. Ogenche
6.	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  
Jomo Kenyatta International Airport  
P. O. Box 30437 - 00100  
Nairobi, Kenya

**Stanbic Bank**  
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**  
Community Corporate Branch  
P. O. Box 75104  
Nairobi, Kenya

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

**(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


No	Director's Name	Director's Date of Birth, Key Qualifications and Work Experience
1.	 <p>Eng. Joseph N. Nkadayo, MBS (Chairman of the Board)</p>	<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 1<sup>st</sup> December 2008 to 30<sup>th</sup> 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). 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. 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>
2.	 <p>Mr. Chris Chirchir Kuto (Board Member up to 5 June 2021)</p>	<p><b>Date of Birth:</b> 24<sup>th</sup> March, 1952</p> <p><b>Key Qualifications:</b> MSc. (Air Transport Management); Licensed Aircraft Maintenance Engineer (ICAO Type II Airframes &amp; Power Plants); Diploma in Aeronautical Engineering</p> <p><b>Work Experience:</b> KCAA DG, AFCAC President, Vice President (Eastern Region) AFCAC, Director DCA, Assistant Director DCA, Chief Airworthiness Surveyor DCA, Chief Inspector of Aircrafts Accidents, Aircraft Maintenance Engineer (Soroti Flying School). He is an independent member of the Board and Chair of the Finance and Human Capital Committee.</p>

<p>3.</p>	 <p>Major Gen.(Rtd) Charles M. Mwanzia (OGW,EBS, CBS) (Board Member up to 5 June 2021)</p>	<p><b>Date of Birth:</b> 3<sup>rd</sup> Feb 1954</p> <p><b>Key Qualification:</b> PhD (continuing), Doctorate in Military Science(USA), MA International Relations (USIU), BA(Hons) International Relations(USIU), Air Traffic Controller (Aerodrome, Approach &amp; Radar), Diploma Associated Engineer, Diploma in Intelligence Management, Certificate in Strategic Studies, Certificate in Defense Instructional Techniques.</p> <p><b>Work Experience:</b> Lecturer University of London International Program (Nairobi); Consultant in Defense Affairs, Safety and Security, Peace and Conflict; Consultant with Institute for Defense Analysis (USA), GTZ (Germany); Commandant Defense Staff College, Karen, Nairobi (2009-2011); Commandant Kenya Military Academy, Lanet, Nakuru (2005-2006); Director Military Intelligence (2000-2004); Chief of Audit, Defense HQS; Commander, KAF Logistics Command and CNS/ATM Advisor; Deputy Chief of Military Intelligence; UN Missions in DR Congo and Namibia; ATCO (EAC) at Wilson and JKIA. He is an independent member of the Board and Chair of the Licensing of Air Services &amp; Technical Committee.</p>
<p>4.</p>	 <p>Capt. Kiki Christopher Onyonka (Board Member)</p>	<p><b>Date of Birth:</b> 1<sup>st</sup> February, 1975</p> <p><b>Key Qualifications:</b> ATPL, CPL &amp; Diploma in Aviation Management</p> <p><b>Work Experience:</b> 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 is an independent member of the Board and the Chair of the Audit, Risk and Governance Committee.</p>
<p>5.</p>	 <p>Capt. Judy Wanjiku Kiniti (Board Member up to 5 June 2021)</p>	<p><b>Date of Birth:</b> 1<sup>st</sup> April, 1971</p> <p><b>Key Qualifications:</b> OMP (Strathmore 2012), ATPL KCAA (1997), CPL KCAA (1993).</p> <p><b>Work Experience:</b> Captain United Airlines (1992-93), Captain Capital Airlines (1993-95), Captain Eagle Aviation (1995-97), Captain Air-Kenya Express (1997-2001), Director Habitat for Humanity Kenya. She is an independent member of the Board.</p>




<p>6.</p>	 <p>Mr. Solomon Kitungu (Board Member)</p>	<p><b>Date of Birth:</b></p> <p><b>Key Qualifications:</b> M.A. (Economics), University of Manchester, United Kingdom; B.A. (Economics), University of Nairobi; Advanced Management Programme, Strathmore Business School and University of Navara Barcelona, Spain; other trainings in public sector management, investments reforms, privatizations, infrastructure and Public Private Partnerships.</p> <p><b>Work Experience:</b> Principal Secretary State Department of Transport responsible for the Transport Policy Management, Rail Transport &amp; Infrastructure Management, Fast Tracking Identified Northern Corridor Integration Projects, Oversight and Co-ordination of Lamu South Sudan Ethiopia Transit Corridor (LAPSSET) Programme Implementation, Civil Aviation Management and Training, Maritime Transport Management and Development and Maintenance of Air Strips among other port related fields. Investment Director, Ministry of National Treasury and Planning (2003 – 2009 and October to January 2020), Executive Director of the Privatization Commission, Ministry of National Treasury and Planning (2009 – 2017); other positions at the Ministry of National Treasury and Planning from January 1988; Also served as an alternate director for the National Treasury in many boards of State Corporations.</p>
<p>7.</p>	 <p>Dr. Julius M. Muia , PhD (Board Member)</p>	<p><b>Date of Birth:</b></p> <p><b>Key Qualifications:</b> B.Com (First Class Honours Degree in Accounting, University of Nairobi; Master’s 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.</p> <p><b>Work Experience:</b> 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.</p>




		He serves as a non-executive board member in several companies and a number of not-for profit organizations.
8.	 <p>Dr. (Eng.) Karanja Kibicho, CBS (Board Member)</p>	<p><b>Date of Birth:</b> 29<sup>th</sup> July, 1967</p> <p><b>Key Qualifications:</b> 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.</p> <p><b>Work Experience:</b> 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.</p> <p>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.</p>
9.	 <p>Ms Carole Ayugi (Board Member up to 5 June 2021))</p>	<p><b>Date of Birth:</b> 20<sup>th</sup> January 1977</p> <p><b>Key Qualifications:</b> LLB (Hons)</p> <p><b>Work Experience:</b> 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 &amp; Pension and Intellectual Property MMAN Advocates, Partner, Commercial Department, MMAN Advocates, Ag Chief Legal Officer / Company Secretary, Pan Africa Group of Companies, Associate, Conveyancing &amp; Commercial Department Mboya Advocates. She is an independent member of the Board and Chair of the EASA Committee.</p>
10.	 <p>Capt. Gilbert Macharia Kibe</p>	<p><b>Date of Birth:</b> 13<sup>th</sup> January, 1963</p> <p><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><b>Work Experience:</b> DG KCAA (June 2015-todate); 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</p>

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2021*

	(Director General)	Marketing Air Ltd Uganda (1994-2015); Board Chairman & Director Marketing & Sales- Eagle Air Uganda Ltd (1986-1997)
11.	 <p>Mr. George Ombaso Mogaka (Corporation Secretary)</p>	<p><b>Date of Birth:</b> 16<sup>th</sup> December, 1971</p> <p><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><b>Work Experience:</b> 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.</p>

### 3. MANAGEMENT TEAM

	Name	Key Qualifications & Main Area of Responsibility
1.	 <p>Capt. Gilbert M. Kibe (Director General)</p>	<p><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><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>
2.	 <p>Mr. George Ombaso Mogaka (Corporation Secretary)</p>	<p><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><b>Main Area of Responsibility:</b> Planning, organizing, leading and controlling provision of Board Secretarial and Legal Services in the Authority.</p>
3.	 <p>CPA Joseph C. Kiptoo (Director Corporate Services)</p>	<p><b>Key Qualification:</b> Bachelor of Arts (Econ) from the University of Nairobi and an MBA from Moi University, CPA-K holder and is a member of ICPAK.</p> <p><b>Main Area of Responsibility:</b> Coordinate and direct the Corporate Services function of the Authority.</p>

<p>4.</p>	 <p>Capt. Nathan Tom Ogenche (Director Aviation Safety Security and Regulation up to 06.05.2021)</p>	<p><b>Key Qualification:</b> MBA (Aviation) - Moi University and a ATPL from KCAA.</p> <p><b>Main Area of Responsibility:</b> Management and Coordination of the regulation function of the Authority.</p>
<p>5.</p>	 <p>Ms Charity M Musila (Director Air Navigation Services up to 30.04.2021)</p>	<p><b>Key Qualification:</b> MBA (Aviation Option)- Moi University and Bsc (Hons) Computing and Information Systems- University of Portsmouth, Aeronautical Information Management (AIM) and Instrument Flight Procedure Design.</p> <p><b>Main Area of Responsibility:</b> Planning and Control of Operations of Air Navigation Services.</p>
<p>6.</p>	 <p>Dr. George K. M. M'Nchebere (Director East African School of Aviation)</p>	<p><b>Key Qualifications:</b> PhD (Strategic Management), MBA (Strategic Management) and Bcom. (UON), a full member of Marketing society of Kenya (MSK) and Kenya Institute of Management (KIM).</p> <p><b>Main Area of Responsibility:</b> Management and Coordination of the Training Mandate of the Authority (EASA).</p>

#### **4. CHAIRMAN'S STATEMENT**

I am pleased to present the Kenya Civil Aviation Authority's Annual Report and Financial Statements for the Financial Year 2020/2021. The Authority continued to work together with the Government to ensure growth of the industry during the year. The air transport industry has been adversely affected by the containment measures put in place to prevent further spread of COVID-19 Pandemic since March 2020 leading to decreased demand for air transport services. 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 contracted by 4.2 percent in 2020 from a growth of 2.7 percent in 2019. This was mainly due to the COVID 19 Pandemic which significantly constrained economic activities and the decline in oil prices because of dwindling demand. Global growth is projected to pick up to 5.5 percent in 2021 and 4.2 per cent in 2022 reflecting expectations of a vaccine-powered strengthening of activity and additional policy support in a few large economies. Growth in Kenya was a negative 0.3 per cent compared to a growth of 5.0 per cent in 2019 mainly because of the COVID 19 pandemic. The performance in other East African Community (EAC) countries during 2020 was; Rwanda 0.2 per cent growth, Tanzania 1.0 per cent growth, Uganda negative 2.1 per cent decline and Burundi negative 1.3 per cent decline.

Since the onset of the COVID-19 the aviation system has faced ever growing challenges globally resulting to suspension of passenger flights in most countries. In Kenya, passenger flights were suspended on 25th March 2020 because of outbreak of COVID-19 pandemic but resumed from July and August 2021 for Domestic and international flights respectively. Despite the resumption of flights, passenger demand has remained subdued mainly because of international travel restrictions and travel lock downs in the domestic market affecting some regions due to the COVID 19 pandemic. The Government however remains committed towards making Kenya a strategic transport hub in support of the 'Big Four' Agenda.

Macroeconomic data on recent estimates of demand shocks shows that traffic forecast will return to 2019 levels in 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. Domestic traffic growth is expected to resume to normal in 2022 based on the level of vaccination in the country. There will be international lags up to 2023 based on income reduction for leisure travel and countries restrictions. Business travel growth will resume in late 2022 but recovery will be slow to normal based on the substitution of online technologies for business meetings.

During the review period, airlines operating from Kenya continued to be severely impacted by the COVID-19 crisis. Most of the airlines have been operating at 30% of 2019 capacity as a result of depressed demand. This is due to difficulties in controlling the virus variants, slow vaccination uptake in Kenya and in some of her key markets, travel restrictions and lock downs. The main key markets including United Kingdom, India and China have experienced various travel restrictions, thus severely affecting the airline business. With increased uptake of vaccinations, the markets will slowly open up leading to increased demand for aviation services.

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. KCAA reviewed several Civil Aviation regulations during the year and stakeholders were engaged during the review. Three of these regulations were approved and promulgated by the Cabinet Secretary. Another 30 regulations were in the final stages of the stakeholder consultation process. The reviewed regulations will help improve the level of compliance with the levels of aviation safety and security in the country.

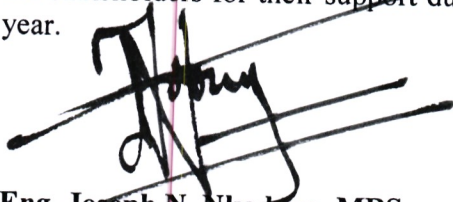
During the Financial Year 2020/21, the Board successfully implemented the 17th Performance Contract and made tremendous progress towards implementation of the fourth-year activities of the Strategic Plan 2017/2018-2021/22. The plan was reviewed during the financial year 2018/19 to align it to the Medium-Term Plan III and to incorporate the “Big Four” initiatives and hence some of the activities implemented during the year focused on these priorities. These planned objectives are to grow the air transport system and attain a sustainable safety and security oversight function, improve capacity, efficiency and safety of air navigation, improve business processes and systems, ensure financial Sustainability and efficiency in supply chain management, build adequate and competent human capital, enhance customer service, develop capacity to deliver quality training, ensure environmental protection, governance and risk management.

The reviewed Strategic Plan outlines the priorities that were pursued to grow air transport industry in Kenya during the year. These included improvement of regulatory oversight, implementation of projects to support provision of air navigation services and aviation training at the East African School of Aviation. Effective regulation of the industry ensured continued support of the aviation industry evidenced during this period of COVID-19. In order to improve service delivery, the Authority implemented projects in the Airspace Master Plan for the period 2015-2030 planned for the year. The Airspace Master Plan which incorporates the requirements of the ICAO Global Air Navigation Plan takes into consideration the requirements of the Kenya airspace and guides the acquisition of new technologies for Communication, Navigation and Surveillance systems as well as Air Traffic Management over the next 15 years. Equipment installed during the year included electrical wiring and cabling within JKIA, MUA, Stony Athi and Ngong, installed solar power systems and replaced the Voice Control Communication System. Further, the Authority completed the construction of the Disaster Recovery Centre building for provision of Area Control and Disaster Recovery Services. At the East African School of Aviation (EASA), modernisation of programmes continued, which ensured maintenance of the Centre of Excellence status. Further, the Authority implemented projects and activities aimed at enhancing the level of automation of services and management of information and data.

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 up-date the Authority as necessary.

Following the disruptions caused to civil aviation by the COVID 19 pandemic, the Authority has partnered with the rest of the aviation community in the fight against the pandemic by facilitating resumption of flights with domestic travel starting on 15<sup>th</sup> July 2020 and international traffic resuming on 1<sup>st</sup> August 2021. This has been done by guiding on the implementation of the health protocols in civil aviation with a focus of improving passenger confidence and assuring safe travels. This has helped reverse the downward trend and grown numbers which had greatly improved by the end of the year. Further the Authority will continue to avail oversight services to air operators in operation and support EASA and other training organisations to provide face to face and on-line training services for quality human resource in the industry.

The Authority will endeavour to live to its vision “to be a superior, safe, secure and sustainable civil aviation system’ by ensuring that standards are implemented and maintained at all levels. In doing its business, KCAA will continue to be guided by the ICAO requirements and global best practices. In conclusion, I wish to express my sincere gratitude to the KCAA Board, Management and staff for their hard work, dedication, and commitment despite the effects of 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.



**Eng. Joseph N. Nkadayo, 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 slowdown in growth during the year. The traffic declined due to the outbreak of Coronavirus (COVID-19) pandemic which resulted to the suspension of all international passenger flights in and out of Kenya on 25th March 2020 after the first case was confirmed on 13th March 2020. The passenger traffic resumed on 15<sup>th</sup> July 2020 for domestic traffic and 1<sup>st</sup> August 2021 for international passenger traffic. Since the resumption of flights there has been occasional imposition of restrictions on travel to some counties with increased detected cases of COVID 19 affecting domestic air travel.

The overall performance during the year was a decline in passenger traffic by 50.5%% to reach 4.474 million compared to 9.04 million the previous financial year. Aircraft movements decreased by 28.8% from 292,051 in 2019/2020 to 207,924 in 2020/2021. Freight traffic increased by 1.85% from 350,685 tonnes in 2019/2020 to 357,180 tonnes in 2020/2021. The number of aircraft registered in Kenya increased by 0.9% to reach 1,600 aircraft in 2020/2021 from 1,586 Aircraft in 2019/2020 financial year. The industry has continued to regain growth steadily albeit slowly due low demand for air travel occasioned by the COVID 19 Pandemic. The recovery pace was also affected by the slow vaccination process in Kenya. The Authority developed protocols and ensured compliance by air operators for the resumption of air transport operations for passengers during the year. KCAA has 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 implementation of the 2017/18 - 2021/22 Strategic Plan continued during the year with focus being the activities of the 4<sup>th</sup> year of the Plan. Using the Performance Contract (PC) concept that commits staff to implement targets in their work plans, activities in the Strategic Plan were incorporated in the PCs for the year and implemented. Implementation of the Performance Contract this year enabled the Authority 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 Performance Contract for Financial Year 2020/21 was successfully implemented, and the final performance report submitted to the Government. The performance during the year was affected by the outbreak of the COVID-19 and some of the targeted projects which involved international travels by contractors or staff were negatively affected. As a result, the Authority achieved 38 out of the 43 targets in the Performance Contract for 2020/2021 representing 88.4% achievement.

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. These special flights were operated mainly by Kenya Airways following the suspension of international passenger flights and they helped passengers stranded outside their countries to return home. The Authority also completed the development of regulations and charges to support the use of Unmanned Aircraft Systems (UAS) in provision of services including health care emergency services. In order to support nursing mothers at the workplace, KCAA established crèche facilities at the JKIA Tower and at KCAA headquarters for use by staff.

The industry continued to maintain a high levels of compliance with international standards by implementing safety requirements and the Correcting Action Plans that were recommended during the previous ICAO Universal Safety Oversight Audit (USOAP) conducted in July 2018 in which Kenya had a compliance level of 78.02 per cent. A total of twelve (12) Corrective Action Plans arising from the USOAP Audit were closed. The Aviation Security regulations were also reviewed to incorporate emerging requirements by ICAO and promulgated during the year. While no mission was undertaken to Kenya by the Federal Aviation Administration (FAA) during the year, the Authority continued to maintain high standards of aviation safety and security and to implement the Corrective Action Plans from previous FAA missions to maintain the International Aviation Safety Assessment (IASA) Category 1 (CAT 1) Status. KCAA will continue to offer effective oversight that enhances the level of compliance by the air operators in order safeguard the gains made by the industry and to maintain global recognition. Other measures that will be implemented will be continuous update of regulations and technical guidance materials to align them to the latest ICAO guidelines. This will help bring clarity, certainty, transparency and consistency in the aviation industry.

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 557 employees were trained during the period. The trainings were provided through 526 programs out of which 104 covered the inspectors.

The Authority is pleased with air operators who have already successfully undergone the re-certification process and urges the rest to make effort and undergo through the process. This will enhance the level of compliance by the industry. To enhance aviation safety in the region, KCAA progressed the construction of the Regional Centre for Aviation Medicine (CAM) building at cost of Ksh.222.4 million to achieve 87% completion level by finishing the super structure, perimeter fence and starting the finishing works. The Centre will provide a facility for coordination of aviation medicine issues for personnel in the industry within the East African Community.

The modernisation of air navigation services continued during the year in line with the KCAA Strategic Plan, Kenya's Air Navigation Master Plan and the Global Air Navigation Plan. To achieve improved Air Traffic Management Services, the Authority implemented parallel routes between Nairobi and Entebbe and direct routes through Entebbe Flight Information routes to central and western Africa optimizing fuel efficiency and airspace utilization. The Authority replaced electrical wiring and cabling within JKIA, MUA, Stony Athi and Ngong in order to improve power distribution for Air Traffic Control. The Authority also installed the solar power systems at Stony Athi and Lanet Stations which were commissioned and will provide Power Back Up to the Very High Frequency Omni Directional Range/Distance Measuring Equipment (VOR/DME). Further, the Authority replaced the Voice Control Communication System (VCCS) at JKIA, Malindi, Kisumu and Mombasa during the year. Other projects undertaken during the period include; study on the World Geodetic System (WGS) 84 obstacle Area 2 survey for Malindi and Eldoret Airport, construction of a Guard House at Ngong Station, construction of the Disaster Recovery Centre building for provision of Area Control and Disaster Recovery Services located in Mlolongo station and procurement of Emergency Radios for ANS Stations.

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 invested in the improvement of training equipment and facilities during the year including the completion of installation of Applied

Thermo-Dynamics Laboratory. The number of students trained at EASA grew by 34% during 2020/21 to 2,906 students compared to 2,169 trained during 2019/20.

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 continued to pursue approval with the government of a new organisational structure that will cater for the emerging needs attributed to the expansion of the industry. The structure was approved by the Board and now is awaiting government approval that is expected during the 2021/2022 financial year.

KCAA is committed to continuous engagement with the Stakeholders and will continue to conduct meetings to receive feedback on its services and comments on the proposed policies and regulations. During the year the Authority conducted consultative meetings with stakeholders on proposed 33 regulations and received valuable feedback which were used to improve the regulations. KCAA believes that genuine safety and security can only be achieved with continuous feedback from the industry and learning from others. Three of these regulations were promulgated while the other 30 are in the final stages of stakeholder consultations.

The Authority will continue to focus on 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 is an effort to enhance capacity and achieve a transformation in the delivery of services to effectively meet and exceed the expectations of our customers.

I wish to thank the KCAA Board of Directors for their excellent stewardship which enabled us realise good results despite the COVID-19 Pandemic. Secondly, I also appreciate the management team and staff for their effort during the year and for the continuous improvement in the performance of the Authority. I look forward to even a better performance during the 2021/2022 financial year.



**Capt. Gilbert M. Kibe**  
**DIRECTOR GENERAL**

**6. STATEMENT OF PERFORMANCE OF KENYA CIVIL AVIATION AUTHORITY  
AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2020/2021**

KCAA has 8 strategic pillars and objectives within its 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 supply chain management
- (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 2020-21 period for its 8 strategic pillars as indicated below:

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievement</b>
Pillar 1: Air transport, Aviation Safety and Security oversight	Establish and maintain an effective safety and security oversight system.	% Level of aviation safety and security	(a) Close outstanding corrective action plans (CAPs)  (b) Implement Corrective Action Plans (CAPs) arising from FAA Missions  (c) Undertake certifications and approvals	(a) 12 Outstanding issues were closed during the year. (b) ICAO safety audit carried out and Kenya scored 78.4%. (c) Aviation security, Unmanned Aircraft Systems (UAS) and UAS charges regulation reviewed and promulgated during the year (d) Certifications and approvals of air operators conducted – licenses for 11,801 personnel were valid
	Enhance compliance with legal	Number of Regulations and Technical	(a) Review regulations (b) Review Technical	(a) 33 safety related regulations were reviewed and 3 were promulgated

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**

	and regulatory framework	Guidance Materials reviewed	Guidance Materials	(b) Technical Guidance Materials reviewed for aviation safety and security
	Develop a vibrant air transport system in Kenya.	Number of Negotiations done to improve air transport access	(a) Conduct Bilateral Air Service Agreements (b) Conduct certifications and approvals	(a) The annual International Civil Aviation Organisation Air Services Negotiations (ICAN) for 2020 was not held as scheduled due to the continued spread of Covid-19 pandemic. (b) The LASTC Quarterly Meeting were held.
	Active participation in influencing national, regional and global aviation development	Number of Meetings attended and Papers presented	(a) Participate in ICAO and CASSOA meetings and present papers (b) Retain Kenya's office at ICAO headquarters	(a) KCAA attended several ICAO online meetings and presented four papers. (b) Government approved maintenance of Kenya's office at ICAO Headquarters and an officer was posted during the year.
Pillar 2: Improving Air Navigation Services	Maintain and Modernise ANS systems	Equipment installed and level of availability of ANS equipment	(a) Install Voice Control and Communication Systems (VCCS) at JKIA, MIA, Kisumu and Malindi (b) Install Solar Back Up in Malindi, Lanet and Stony Athi	(a) VCCS equipment was installed and commissioned at JKIA, Malindi, Kisumu and MIA. (b) Solar power back was installed Stony Athi and Lanet Stations (c) Implemented various operational procedures at airports.
	Develop and implement Operational Performance Management system	Level of implementation of the system	Develop the operational performance management system matrix and create awareness	The operational performance management system was developed and discussed with staff in ANS. It was incorporated in the work plans for 2020-21
Pillar 3: Business	Implement business Processes	Level of automation of	(a) Upgrade the ERP (b) Upgrade the email system to	(a) The ERP system was upgraded

processes and systems	Re-engineering	business processes	have two steps authentication (c) Develop online procurement system	(b) The email system was upgraded to include the two steps authentication. (c) KCAA developed an online Procurement System and published online on <a href="https://eprocurement.kcaa.or.ke">https://eprocurement.kcaa.or.ke</a> .
	Raise the level of brand resonance and recognition	Number of activities carried out to raise brand resonance and recognition	(a) KCAA initiated the "ASK THE AVIATOR" concept in order to increase competitive advantage (b) Use webinars to have public discourse on identified subjects	(a) The Authority hosted seven (7) episodes under the Concept of "ASK THE AVIATOR" on various civil aviation issues (b) The Authority conducted four (4) webinars on Unmanned Aircraft Systems (UAS), Search and Rescue, Air Navigation Services Master Plan and Regulations.
	Enhance knowledge of emerging issues and best practices in the Aviation Industry	Establish knowledge management system	(a) Develop knowledge management policy and strategy (b) Establish a framework for management of knowledge	(a) Knowledge management policy and strategy was prepared and approved by the Board (b) A committee was established to manage knowledge management aspects
Pillar 4: Financial Sustainability and efficiency in supply chain management	Achieve an annual growth rate of 5% in revenue during the plan period.	% Growth in revenue	Increase revenue collection	Revenue grew by 44% in 2020-21 FY compared to target due to COVID 19 Pandemic. Appropriation in Aid during the year was Ksh. 5,657.7 million compared to a budget of Ksh. 3,934.6 million resulting to a positive variance of Ksh.1,722.4 million.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**

	Set debt portfolio ceiling at 35% of revenue during the plan period	level of debt as a % of revenue	Effectively manage the debt level	There were no debts acquired in 2020-21. Authority continues to service existing debts effectively.  KCAA had pending bills amounting to Ksh.37.2 million which were 0.6% of the total budget and was within the limits required
	Ensure optimum utilization of assets	Level of utilization of non-core assets	Implementation of activities for utilisation of non-core assets	Assets at EASA such as the grounds, main hall and swimming pool were utilized by students.
	Limit operational expenditure to 70% of annual total expenditure	Level of operational expenditure as a % of total expenditure	Effectively manage operational expenditure	Operational expenditure was 90.2% of the total expenditure. In 2020/2021.
	<i>Enhance efficiency in supply chain management</i>	Measures implemented to improve supply chain management	(a) Conduct procurements for supply of goods, services and works effectively. (b) Conduct disposal of assets (c) Conduct stock taking	(a) Procurement of supplies were effectively coordinated. (b) Disposal was conducted through tendering (c) Stock taking was conducted during the year (d) KCAA developed an online Procurement System and published online on <a href="https://eprocurement.kcaa.or.ke">https://eprocurement.kcaa.or.ke</a>
Pillar 5: Adequate and competent human capital	Review and implement the organizational structure	Level of progress in the review process	(a) Undertake review and submit for approvals	The organisational structure was reviewed and approved by the Board and now awaiting government approval.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**

	Attract, manage and retain professional employees	% of filled positions in the establishment	(b) Recruit new employees (c) Conduct interviews for promotions	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	33 public complaints were launched and 31 resolved. The process of resolving the 2 other one was going as at end of 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	(a) Procured, installed and commissioned training equipment: (b) Applied Thermo-Dynamics Laboratory. (c) Material Testing Laboratory (d) EASA rolled out online learning using the Moodle platform to deliver training during the COVID-19 period (e) Designs and detailed drawings for the Executive Hostel and Modern Conference Centre were uploaded to Nairobi City County e-construction Permit Management System for approval.
Pillar 8: Environmental Protection, Governance	Transform to a Risk Intelligent Authority	Level of integration of risks to operations	Conduct risks against the strategic objectives	Risks against the strategic objectives developed, mitigation plan developed, monitored and reported

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**

and Risk Management	Upgrade governance structures	Implementation of Board Issues	(a) Review board charter (b) Conduct governance trainings for the Board	(a) Aligned Board Committees Charters to the functions of KCAA (b) Trainings on governance were conducted for directors of the Board and top management
	Improve Internal Audit to be a high performing assurance and compliant function	Capacity improvement in Internal Audit Function	(a) Recruit staff (b) Upgrade the structure (c) Conduct training for staff	(a) One more staff was recruited (b) The proposal to raise the level of audit function to a directorate was done (c) Trainings were conducted for audit staff
	Minimise adverse effects of aviation activities on environment	Measures implemented to minimize aircraft emission of carbon dioxide	(a) Conduct M&E for the Solar at the Gate (b) Participate in ICAO Environment meetings	(a) Conducted one M&E for solar project at Mombasa (b) Compiled CO2 emissions and submitted to ICAO CCR system. (c) Kenya's focal points attended various meetings on environment. (d) Aviation Green Recovery Seminar (23 - 24 November 2020) / "Navigating CORSIA" (e) Attended the Committee On Aviation Environmental Protection (CAEP) Steering Group Meeting 5 to 9 October 2020 (virtual).

The Board Performance Contract for 2020/21 had 43 targets and 37 targets were fully achieved. The ones that were not fully achieved were mainly affected by COVID 19 Pandemic.

## **7. CORPORATE GOVERNANCE STATEMENT**

Corporate Governance is the process by which corporations are directed, controlled and held to account 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 Governance for State Corporations (Mwongozo) issued jointly by the Public Service Commission and the State Corporations Advisory Committee, as well as 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 vii –xi. 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.

The Board meets at least once every quarter and has formal schedule of matters reserved for it. During the Financial year 2020-2021, the Board held a total of seven (7) meetings.

The Board has constituted 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>	1. Major Gen. (rtd) Charles M. Mwanzia
<b>Members</b>	2. Capt. Kiki Onyonka 3. PS Transport/Alternate 4. PS Interior/Alternate 5. Capt. Gilbert M. Kibe

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**

<p><b>Number of meetings and agendas considered in FY 2020/2021</b></p>	<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 8 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>	
<p><b>Chairperson</b></p>	<p>1. Ms. Carole Ayugi</p>
<p><b>Members</b></p>	<p>2. Mr. Chris Kuto            3. Capt. Judy W. Kiniti            4. PS Interior/Alternate            5. Capt. Gilbert M. Kibe</p>
<p><b>Number of meetings and agendas considered in FY 2020/2021</b></p>	<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 4 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>

<b>3. FINANCE AND HUMAN CAPITAL COMMITTEE (F&amp;HCC)</b>	
<p><b>Chairperson</b></p>	<p>1. Mr. Chris Kuto</p>
<p><b>Members</b></p>	<p>2. Ms. Carole Ayugi            3. PS Transport/Alternate            4. PS Treasury/Alternate            5. Capt. Gilbert M. Kibe</p>

<p><b>Number of meetings and agendas considered in FY 2020/2021</b></p>	<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 8 meetings. The committee considered among other agenda’s the Authority’s Budget estimates, annual report and financial statements, quarterly financial statutory reports, proposed revised organizational structure, Human Resource Manual and Career Progression Guidelines, Policies including the Corporate Social Responsibility and Corporate Communications policies, the Authority’s staff recruitment and approved employment contracts among other staff welfare matters.</p>
---	---

<p><b>4. AUDIT, RISK AND GOVERNANCE COMMITTEE (ARGC)</b></p>	
<p><b>Chairperson</b></p>	<p>1. Capt. Kiki Onyonka</p>
<p><b>Members</b></p>	<p>2. Major Gen. (rtd) Charles M. Mwanzia 3. PS Treasury/Alternate 4. PS Transport/Alternate</p>
<p><b>Number of meetings and agendas considered in FY 2020/2021</b></p>	<p>The Committee is responsible for considering and processing on behalf of the Board all matters relating to audit, audit queries and audit Management letters from the Office of the Auditor General or duly appointed external auditors; and, considering matters of quality assurance of systems and processes in KCAA operations and reviewing the risk management framework and the periodic performance contract reports.</p> <p>The committee held 6 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 Charter**

There exists a Board Charter that clearly defines the respective roles, responsibilities and authorities of the board of directors (both individually and collectively) and management in setting the direction, the management and the control of the Authority.

### **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 the New Normal Board masterclass, Strategy, Audit and Risk Oversight, Effective Directorship 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. This did not place during the year under review since the State Corporations Advisory Committee (SCAC) had not accredited Governance Auditors for use by state agencies.

### **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 2020-2021 are disclosed in note 14 to the financial statements.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The Sub-Saharan African region has not been spared by the negative impact of the COVID 19 pandemic with the region estimated to have contracted by 2.6 percent in 2020 from a growth of 3.2 percent in 2019. The largest impact of the crisis on growth has been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. This impacted negatively on the growth of the civil aviation industry's performance during the year thereby affecting the Authority's financial performance. Passenger, freight and aircraft traffic decreased this financial year compared with the previous years.

The World Bank's June 2021 forecast estimate the World GDP to grow by 5.6 percent in 2021. Growth will however, be uneven across regions and countries depending on the impact of COVID 19 pandemic and the adjustments implemented by individual countries. The uneven global recovery is also expected to keep private capital flows to low and middle-income countries subdued, as financial markets weigh the risks of differential growth, inflation and policy normalization prospects across different regions.

### Operational and Financial Performance

The Authority experienced a decline in financial performance during the year due to the Covid-19 outbreak. Revenue earnings decreased during the year from Ksh. 6.936 billion to Ksh. 4.603 billion due to decreased earnings from air navigation services charges as a result of decreased aircraft movements, decrease in regulatory charges, students' fees and the decrease in air passenger service charges. Similarly, recurrent expenditure decreased from Ksh.5.45 billion to Ksh.4.929 billion during the period under review. This is attributed mainly to reduced revised budget due to the impact of COVID-19 on the aviation industry. Overall, the financial results were a net deficit of Kshs. 306M compared to a surplus of Kshs 1506M the previous financial year.

The performance of the industry was affected during the financial year by 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 impact on the economy was drastic. There was a decrease in domestic passengers by 21.9% and 63.2% for international passengers, compared to the previous year. Transit traffic also decreased by 89.3% compared to the previous year. The overall passenger traffic decreased by 50.5% this year compared with last year. Freight traffic increased by 1.9% from 350,684 tonnes to 357,180 tonnes in the financial year. The five years' trend is shown in the table 1 and figure 1 & 2 below:

**Table 1: Passenger and Freight Traffic from 2016/17 to 2020/2021**

Passenger and Freight Traffic Statistics		2016/17	2017/18	2018/19	2019/2020	2020/2021	%	
Passengers	Domestic	Arrivals	2,143,303	2,211,345	2,485,849	1,821,760	1,386,059	-23.9%
		Departures	1,962,896	2,097,203	2,361,538	1,728,472	1,386,839	-19.8%
		Total	4,106,199	4,308,548	4,847,387	3,550,232	2,772,898	-21.9%
	International	Arrivals	2,918,206	3,183,784	3,434,907	2,597,186	781,996	-69.9%

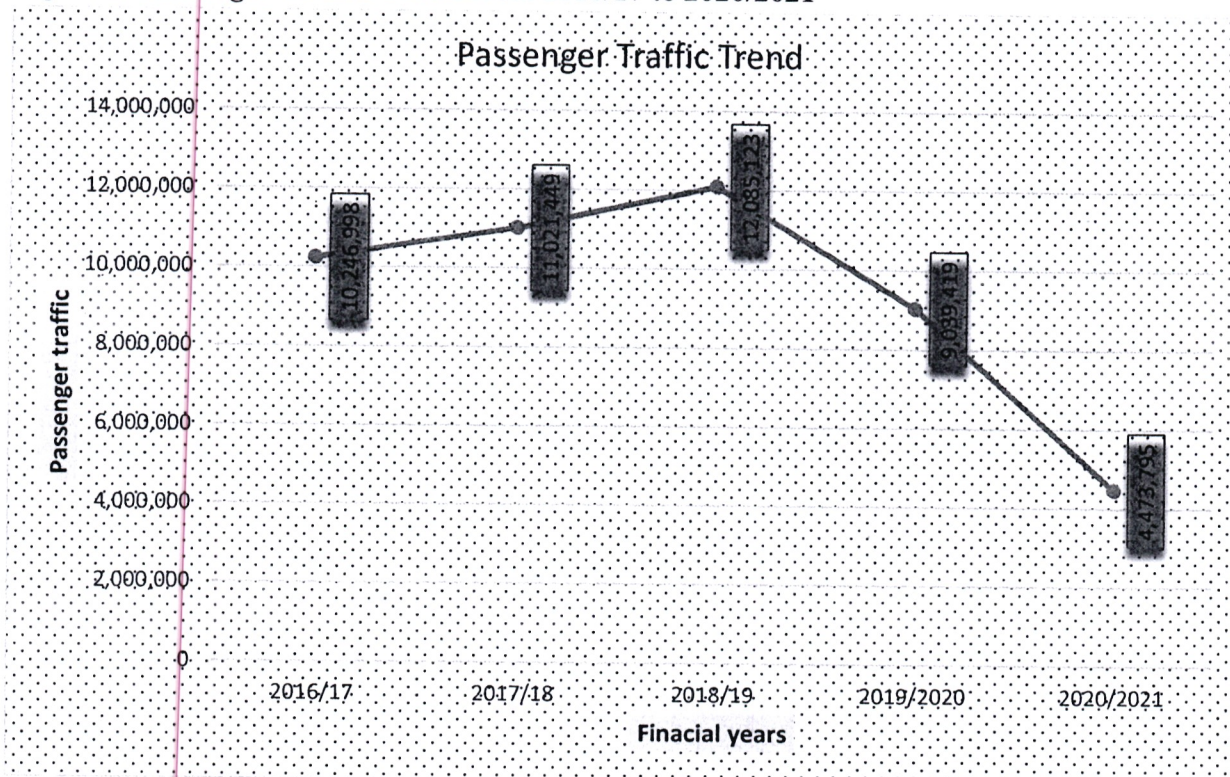
**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**

		Departures	1,765,831	1,961,454	2,103,979	1,660,577	787,188	-52.6%
		<b>Total</b>	<b>4,684,037</b>	<b>5,145,238</b>	<b>5,538,886</b>	<b>4,257,763</b>	<b>1,569,184</b>	<b>-63.2%</b>
		Total arrivals	5,061,509	5,395,129	5,920,756	4,418,946	2,168,055	-50.9%
		Total departures	3,728,727	4,058,657	4,465,517	3,389,049	2,174,027	-35.9%
		Transit	1,456,762	1,567,663	1,698,850	1,231,424	131,713	-89.3%
		<b>Total</b>	<b>10,246,998</b>	<b>11,021,449</b>	<b>12,085,123</b>	<b>9,039,419</b>	<b>4,473,795</b>	<b>-50.5%</b>
<b>Total Freight (in kgs)</b>	<b>Domestic</b>	<b>Unloaded</b>	492,180	614,633	509,053	289,496	635,316	119.5%
		<b>Loaded</b>	708,387	952,193	1,354,314	766,276	472,652	-38.3%
		<b>Total</b>	1,200,567	1,566,826	1,863,367	1,055,772	1,107,968	4.9%
	<b>International</b>	<b>Unloaded</b>	50,350,436	79,986,212	87,668,238	69,381,514	69,316,039	-0.09%
		<b>Loaded</b>	201,782,464	249,775,234	278,596,556	280,247,243	286,756,259	2.3%
		<b>Total</b>	252,132,900	329,761,446	366,264,794	349,628,757	356,072,298	1.8%
		<b>Total Unloaded</b>	50,842,616	80,600,845	88,177,291	69,671,010	69,951,355	0.4%
		<b>Total Loaded</b>	202,490,851	250,727,427	279,950,870	281,013,519	287,228,911	2.2%
		<b>Total</b>	<b>253,333,467</b>	<b>331,328,272</b>	<b>368,128,161</b>	<b>350,684,529*</b>	<b>357,180,266</b>	1.9%

Source: KCAA-Planning, 2021

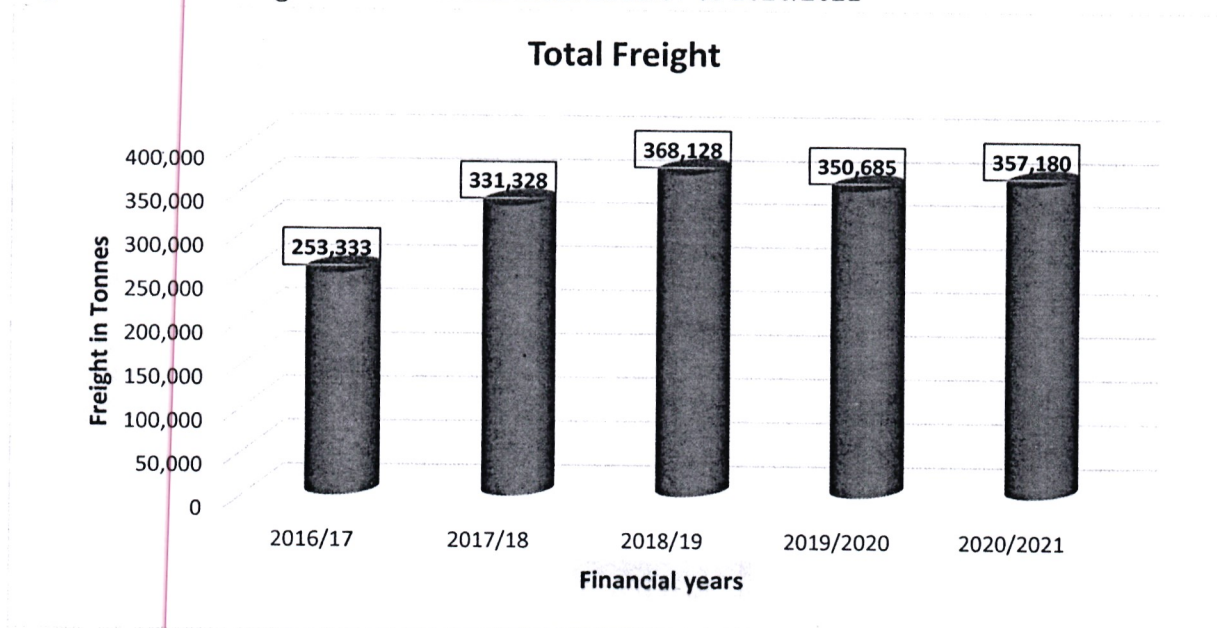
\*In 2019/2020 FY the total freight figure of 350,684,529 kgs excludes transit cargo of 13,998,802 kgs based on the revised figures from Kenya Airports Authority, whereby transit cargo through JKIA was removed from the aggregated total in loaded and unloaded international traffic. Further note that cargo traffic for 2020/2021 also excludes transit cargo through JKIA.

**Figure 1: Passenger Traffic Trend from 2016/17 to 2020/2021**



Source: KCAA-Planning, 2021

**Figure 2: Total Freight Traffic Trend from 2016/17 to 2020/2021**



Source: KCAA-Planning, 2021

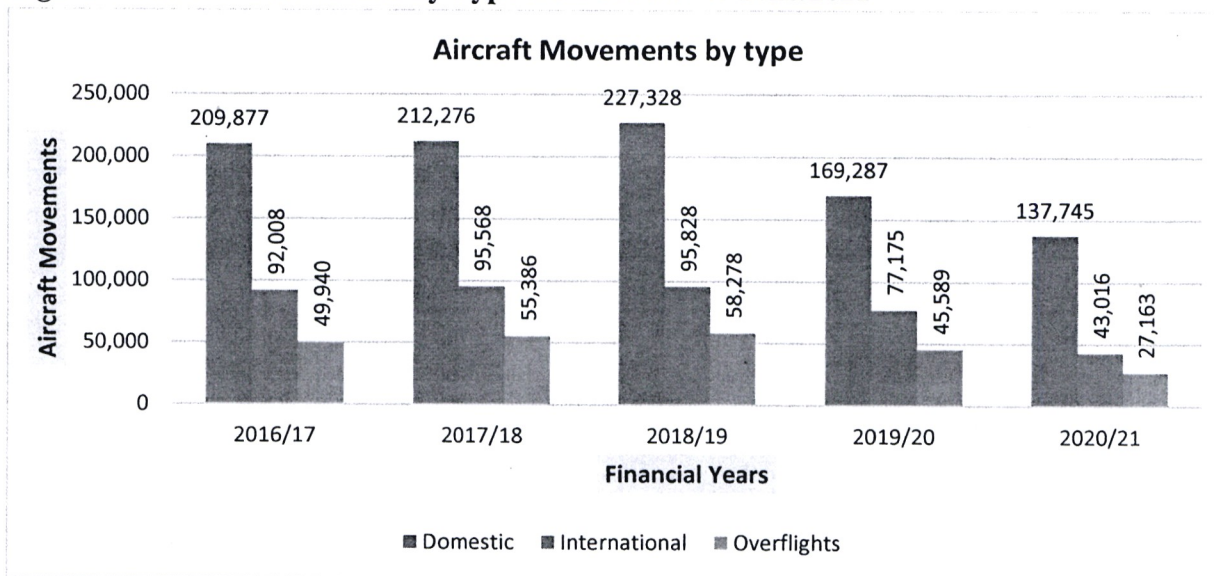
Aircraft movements decreased by 28.81% from 292,051 in 2019/20 to 207,924 in 2020/2021. The decrease in aircraft traffic was mainly due to Covid-19 pandemic that led to restriction in both domestic and international passenger traffic movements in Kenya. The aircraft movements trend during the last five years is reflected in table 2 and figure 3 below:

**Table 2: Aircraft Movements from 2016/17 to 2020/2021**

Item	Movement	2016/17	2017/18	2018/19	2019/20	2020/21	%	
Aircraft Movements	Domestic	Landings	104,801	105,768	112,868	83,928	68,856	-17.96%
		Take-offs	105,076	106,508	114,460	85,359	68,889	-19.29%
		<b>Total</b>	<b>209,877</b>	<b>212,276</b>	<b>227,328</b>	<b>169,287</b>	<b>137,745</b>	<b>-18.63%</b>
	International	Landings	46,264	47,961	47,642	38,362	21,409	-44.19%
		Take-offs	45,744	47,607	48,186	38,813	21,607	-44.33%
		<b>Total</b>	<b>92,008</b>	<b>95,568</b>	<b>95,828</b>	<b>77,175</b>	<b>43,016</b>	<b>-44.26%</b>
		Total Landings	151,065	153,729	160,510	122,290	90,265	-26.19%
		Total Take-offs	150,820	154,115	162,646	124,172	90,496	-27.12%
		<b>Total</b>	<b>301,885</b>	<b>307,844</b>	<b>323,156</b>	<b>246,462</b>	<b>180,761</b>	<b>-26.66%</b>
	Over flights	Total Over flight	49,940	55,386	58,278	45,589	27,163	-40.42%
<b>Overall aircraft Movements</b>		<b>351,825</b>	<b>363,230</b>	<b>381,434</b>	<b>292,051</b>	<b>207,924</b>	<b>-28.81%</b>	

Source: KCAA-Planning, 2021

**Figure 3: Aircraft Movements by Type from 2016/17 to 2020/2021**



Source: KCAA-Planning, 2021

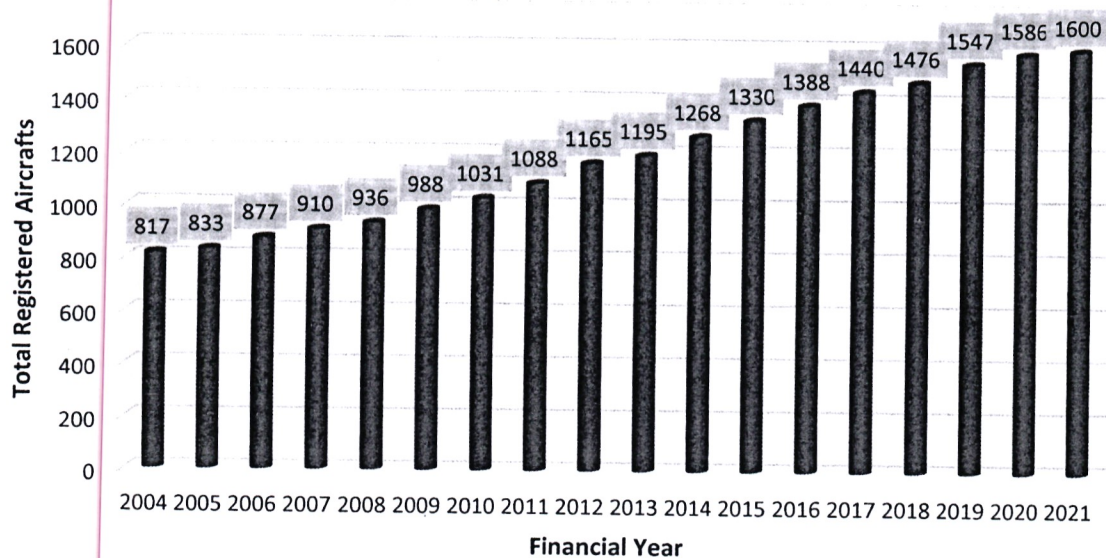
The number of aircraft registered in Kenya increased by 0.9% from the previous year. The number of registered aircraft has been growing steadily and currently the number of registered aircraft as at June 2021 was 1,600 as shown in table 3 and figure 4.

**Table 3: Aircraft Registered in Kenya from 2016/17 to June 2021**

Financial Year	2016/17	2017/18	2018/19	2019/20	2020/21
Total Aircraft Registered	1,440	1,476	1,547	1,586	1,600
% Change	3.7%	2.5%	4.8%	2.5%	0.9%
New Aircraft Registered	68	48	87	48	29
De-Registered Aircraft	16	12	16	9	15

*Source: KCAA-Planning, 2021*

**Figure 4: Total Aircrafts in the Register per Year 2004 to June 2021**



*Source: KCAA-Planning, 2021*

## **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 projects that were completed during the period include; replaced electrical wiring and cabling within JKIA, MUA, Stony Athi and Ngong in order to improve power distribution for Air Traffic Control, installed the solar power systems at Stony Athi and Lanet, replaced the Voice Control Communication System (VCCS) at JKIA, Malindi, Kisumu and Mombasa, conducted a study on the World Geodetic System (WGS) 84 obstacle Area 2 survey for Malindi and Eldoret Airport, constructed one Guard House at Ngong Station, completed the construction of the Disaster Recovery Centre building for provision of Area Control and Disaster Recovery Services located in Mlolongo station, Constructed Regional Centre for Aviation Medicine and procured of Emergency Radios for ANS Stations.

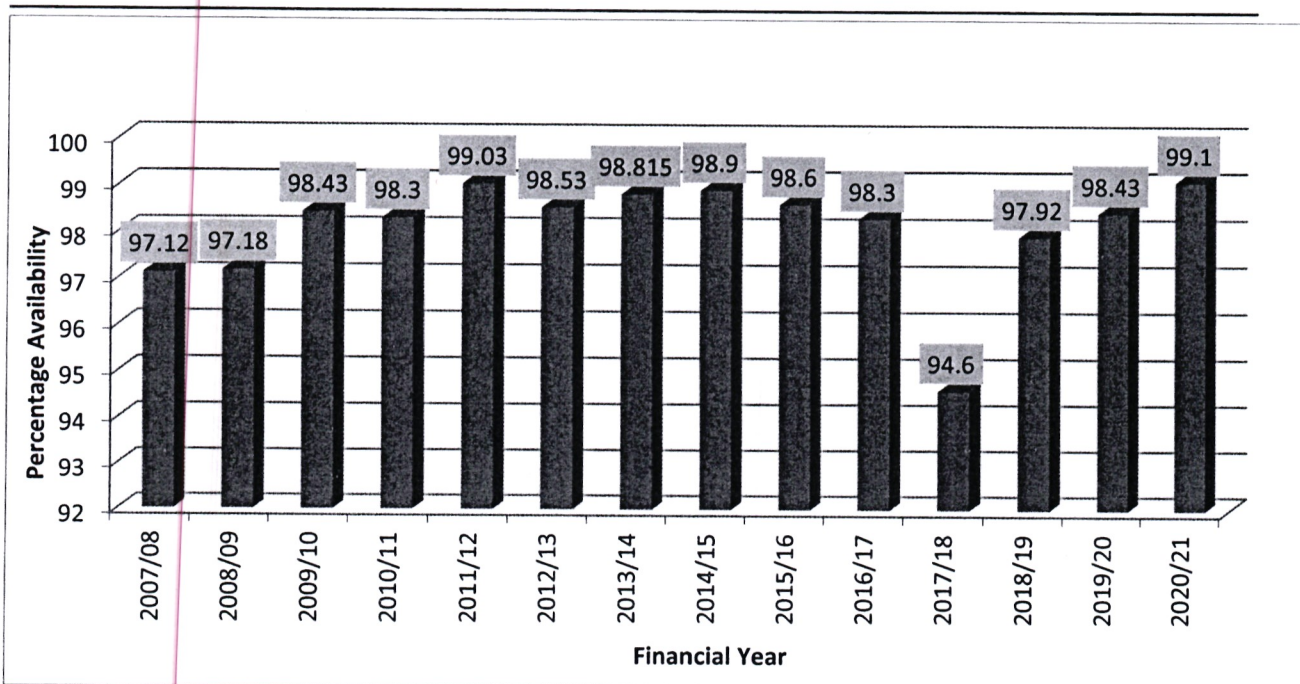
The implementation of these projects together with enhanced maintenance and periodic calibration of equipment contributed to an overall average availability of air navigation services equipment of 99.1% during the year which was above the ICAO recommended level of 97% as shown below:

**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
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

*Source: KCAA-Planning, 2021*

**Figure 5: Availability of the ANS equipment trend from June 2011 to June 2021**



Source: KCAA-Planning, 2021

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	2015/16	2016/17	2017/18	2018/19	2019/2020	2020/21
Aviation Personnel Licences	Air Transport Pilot Licence (ATPL)	1062	1116	1188	1375	1435	1453
	Commercial Pilot Licence (CPL)	1563	1607	1687	1756	1829	1869
	Private Pilot Licence (PPL)	1255	1316	1358	1351	1674	1783
	Student Pilot Licence (SPL)	2543	2710	2918	2947	3236	3337
	Cabin Crew Member Certificate (CMC)	1942	2090	2140	2270	2448	2464
	Aircraft Maintenance Engineers (AMEL)	694	738	775	819	873	895
	<b>Total</b>		<b>9,059</b>	<b>9,577</b>	<b>10,066</b>	<b>10518</b>	<b>11495</b>
Valid Operational Licences	Aircraft with Valid Certificate of Airworthiness (COA)	763	749	804	807	735	782
	Air Operator Certificates (AOCs)	70	87	89	90	84	78
	Total Approved Maintenance Organisations (AMOs) (Both Local and Foreign)	139	143	161	69	105	108
	Approved Training Organizations (ATOs)	22	19	22	22	19	19
	Flight Dispatcher Licence	208	186	211	311	317	298
	Scheduled International Airlines	77	79	79	79	80	80

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021**

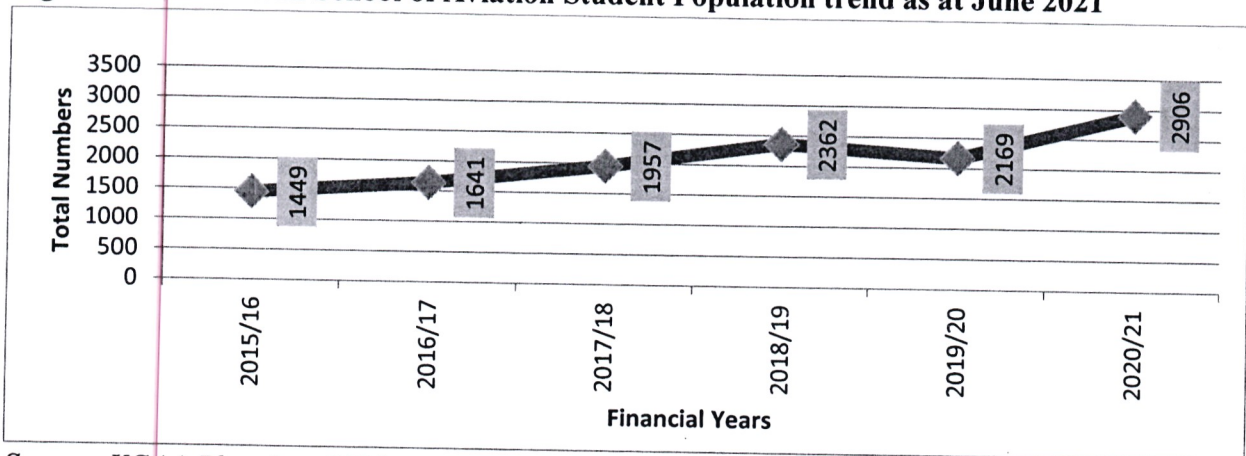
	Total	<b>1279</b>	<b>1263</b>	<b>1366</b>	<b>1378</b>	<b>1340</b>	<b>1365</b>
Aerodrome Category	International Class A	8	8	8	8	8	8
	Domestic (regional) Class B	23	23	23	23	23	23
	Class C Airstrips	430	440	440	440	440	440
	Class D Heliports/Helipads	14	20	20	20	20	20
	Total	<b>475</b>	<b>491</b>	<b>491</b>	<b>491</b>	<b>491</b>	<b>491</b>
CAA Inspectors and Air Traffic Controllers	Air Traffic Controllers (ATCOs)	159	177	175	212	206	202
	Airworthiness Inspector	27	24	32	25	26	23
	Flight Operations	20	21	30	25	21	23
	Personnel Licensing	9	10	10	11	9	11
	Communication, Nav. & Surveillance(CNS)	1	1	1	1	1	1
	AIS/ Map, PANSOPS	1	1	1	2	2	2
	Air Traffic Management & Search & Rescue (ATM)	2	2	2	2	2	2
	Aerodromes & Grounds Aids (AGA)	6	6	3	6	4	3
	Aviation Security	7	7	9	7	5	6
	Air Transport	8	8	9	10	10	9
Total	<b>240</b>	<b>257</b>	<b>272</b>	<b>301</b>	<b>286</b>	<b>282</b>	

Source: KCAA-Planning, 2021

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 maintenance of the Centre of Excellence in aviation training status by installation of Applied Thermo-Dynamics Laboratory. 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 grew by 34% during 2020/21 which recorded 2,906 students compared to 2,169 trained during 2019/20 as shown in figure 6: Though there was growth in Student numbers, the revenue from the School registered a decline. This was because the principal source of training revenue in EASA comes from in-service courses. While enrolment for ab initio diploma courses rose, revenue from these courses was fairly static and the revenue yield very low. The onset of Covid-19 resulted in a total suspension of physical learning for all in-service courses. This had an adverse effect on revenue for the school. Some ab initio and in-service courses were conducted online but there was overall revenue decline due to a very low uptake of in-service courses

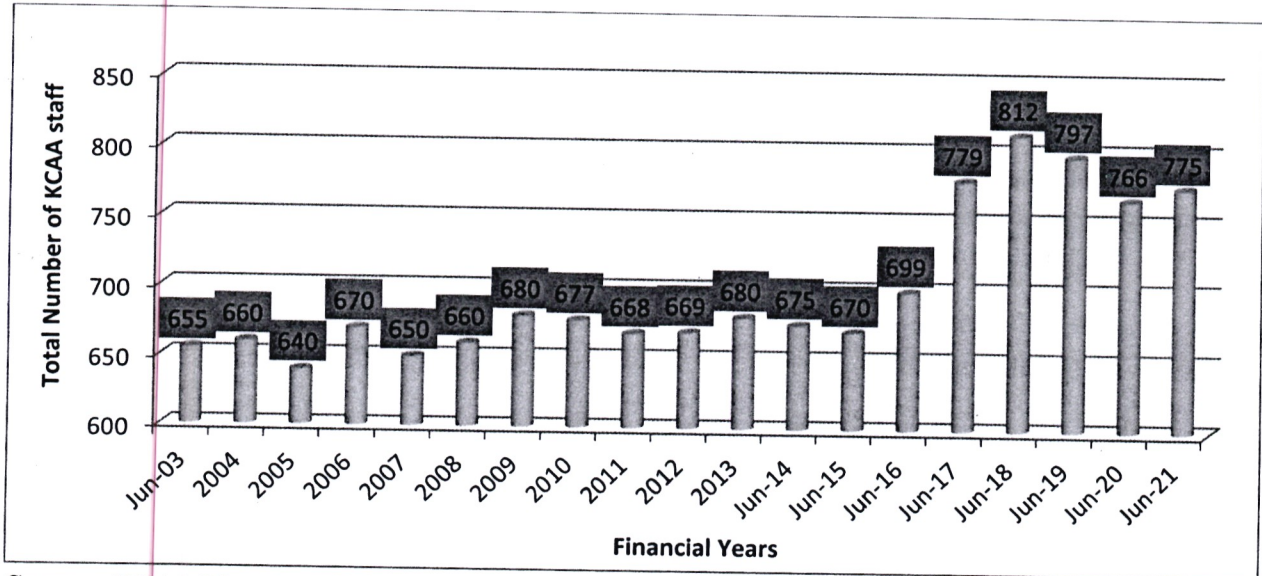
**Figure 6: East African School of Aviation Student Population trend as at June 2021**



Source: KCAA-Planning, 2021

Staff numbers increased by 1.17% from 766 to 775 as at the end of financial year. This resulted to an overall increase of staff by 9 employees during the year. The number of Staff as at June 2021 is as shown in Figure 7:

**Figure 7: Staff Statistics trend**



Source: KCAA-Planning, 2021

### Major Risks Facing KCAA

- (a) Disruption in provision of essential services
- (b) Ineffective project management
- (c) Poor/failure to coordination of search and rescue missions
- (d) Failure to comply with ICAO SARPS and honour international obligations
- (e) KCAA Failure to comply laws, regulations, standards, policies, procedures
- (f) Ineffective Board and Management oversight
- (g) Poor/failure to coordination of search and rescue missions

- (h) Failure to achieve 100% implementation of Strategic Plan
- (i) Ineffective Risk Management coordination activities
- (j) Failure to institutionalize EASA unique characteristics as a training school within KCAA
- (k) Loss of court cases.
- (l) Effects of COVID-19 pandemic on the aviation industry.

### **Compliance to Statutory Requirements**

In the financial year ended 30<sup>th</sup> June 2021, 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 2<sup>nd</sup>, 4<sup>th</sup> to 25<sup>th</sup> 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 14<sup>th</sup> 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 18<sup>th</sup> April, 2002. The Authority has instructed its lawyers to authenticate the Final and Preliminary Orders before the same are presented to the Board for approval of payment.

### **Material Arrears in Statutory and Other Financial Obligations**

The Authority reported a number of liabilities as at 30<sup>th</sup> June 2021. These major liabilities included;

a)	Trade Payables & Other Payables	Kshs	862,418,029
b)	Employee Benefit Obligation	Kshs	157,095,743
c)	Current Portion of Borrowings	Kshs	182,324,356
d)	Current Provisions for Legal Obligations	Kshs	258,676,220

## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Kenya 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.

KCAA's vision on Corporate Social Responsibility (CSR) is to build relationships of trust with our stakeholders, as a good Corporate Citizen. 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**

Besides the COVID-19 pandemic, 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 even 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 is expected to contribute 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. However, the emergence of COVID 19 in December 2019 and the declaration of COVID 19 as a pandemic in March 2020 dealt a severe blow to the expansion of the industry. Most of the airlines grounded their operations or reduced them to minimal levels. In Kenya, international flights were stopped in March 2020 and the imposition of travel restrictions across counties especially for Nairobi and Mombasa counties also served to stop domestic flights.

The setting in of the COVID pandemic had negatively affected the operational environment at an exponential pace leading to decrease in aviation-based activities. The following is the overall scenario:

- a) The average daily Aircraft movements is currently about 550 from 1,045 before Covid-19. Current daily international aircraft movements is 110 and Domestic 440.
- b) Passenger traffic in July 2020 recorded a decline of 94% in comparison to the same period in 2019 due to COVID-19 pandemic.
- c) Aircraft traffic movements was lowest in July 2020 (9,185) which decreased by 68% below the levels of July 2019 (28,825). Since then, the number of aircraft movements has been decreasing month on months.
- d) Freight traffic is the only indicator that was not heavily affected by the COVID-19 pandemic since there was no suspension of cargo traffic during the period.

- e) Recovery in air transport has however been slow since the lifting of the suspension of international passenger since 1<sup>st</sup> August 2020, which was further affected by restrictions imposed in March 2021 due spread of COVID-19.
- f) Macroeconomic data on recent estimates of demand shocks shows that traffic forecast will return to 2019 levels in 2024 at low growth rate of 3.6% compared to 4.2% before covid-19 based on ICAO Global forecast.
- g) Global freight traffic is expected to remain at a growth rate of 3.5% similar to the pre covid-19 level.
- h) Domestic traffic growth is expected to resume to normal in 2022 based on the level of vaccination in the country.
- i) There will be international lags up to 2023 based on income reduction for leisure travel and countries restrictions.
- j) Business travel growth will resume in late 2022 but slow recovery to normal based on the substitution of online technologies for business (Meetings).

However, KCAA took the following measures intended to turn around the situation in the last one year:

1. KCAA offered exemptions and dispensations where full compliance with applicable requirements were not possible. This was done through AICs as follows:
  - (a) Starting from 31st March 2020, expiry periods for AOCs were extended for a period of six months, thereafter extensions were given on a case by case basis until it became possible to resume on-site inspections,
  - (b) Similarly, Designate Check Pilots (DCPs) renewals, Flight Simulator Training Device (FSTD) renewals, and Various Regulatory Trainings & Checks recurrent approvals were extended for periods determined on a case by case basis. This would be informed by the submitted Risk Analysis & Alternative means of compliance proposed by the Operator
  - (c) Fees and Charges for services rendered were waived for the period of exemption/dispensation
2. Since resumption of Air Travel, FOPS resumed scaled down on-site inspections and Oversight activities, which were undertaken on a case by case basis. Physical interactions were limited and on-line and virtual means were more encouraged. This has worked well so far
3. FOPS supervised the changing/configuring of the Boeing 787 (Dreamliner) cabin from carrying Passengers to carrying Cargo. This aircraft is operated by KQ, and it was a "First" in the World.
4. KCARS have been reviewed. Virtual Stakeholders meeting to allow for public participation in the making of the Draft KCARS 2021 Regulations was held from 14th – 18th June 2021. The draft regulations are presently going through legal processes before approval/promulgation.
5. Improved communication with the industry has been enabled by more & revamped Website information on Flight Ops page.
6. FOPS Web page includes, and not limited to:
  - (a) Draft KCARS 2021
  - (b) A write-up on all FOPS functions, which have been linked to corresponding ACs & Forms
  - (c) Fees and Charges for the various services offered
  - (d) Forms and Advisory Circulars (ACs) for various applications
  - (e) Manuals e.g. DCP, PBN, Passenger Safety
  - (f) Preparation of manuals
  - (g) MORs (Mandatory Occurrence Report) forms

- (h) Voluntary Reports forms
- (i) E-AIP
- (j) Dangerous Goods info and forms

7. Certifications and Re-certifications of 10 AOCs has been completed. 12 AOCs are in their various advanced stages of re-/certification
8. Thirty-one New AOC Applicants were invited for a “Mass Orientation Meeting” on the 22nd March 2021, in the Auditorium at KCAA HQ. Only Ten Operators turned up and are now being taken through the Five-phases of Certification process in order to get their initial AOCs.
9. Survey Forms were sent out to all Operators for the purpose of getting feedback from the Industry. Twenty-four Operators responded and this feedback was consolidated and processed for action.

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. As a result, the Authority has developed a Corporate Social Responsibility policy and strategy that promotes the reduction of poverty and improvement in the quality of life of the people of Kenya.

To ensure maximum effectiveness of the programs, all CSR activities are undertaken through a three tier Governance Structure that involves the Board of Directors, the KCAA Management and the CSR Committee.

## **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, KCAA is implementing a project which aims at contributing to the global aspirations of keeping the global net Carbon Dioxide emissions from international aviation 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. The project entails installation solar powered systems at Mombasa International Airport which is already completed and the collection and submission of data on aircraft emissions to International Civil Aviation Organisation (ICAO) which is monitoring aircraft emissions globally.

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.

## **3. Employee Welfare**

KCAA had a total number of 766 employees as at the end of the year and the employee turnover is low. Most of the employees are skilled employees with a skills and competencies developed over a period of time. The Authority has a Human Resource Manual which is a policy document that contains guidelines on recruitment, training, working, promotions and separation. The details

on remuneration and benefits that are supposed to be paid to staff are also contained in this policy document. The Policy also provides for the recruitment based on gender with the objective of at least achieving the one third gender requirement. The Authority is involved in stakeholder engagements during the review of its regulations and development of various policies that affect the industry it regulates.

The Authority endeavours 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 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. Staff tea is also provided. Since the outbreak of COVID 19 Pandemic, the Authority has put in place measures to ensure provision of Personal Protective Equipment and social distancing to reduce the chances of infection in the work place.

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. Regular meetings by management and with staff to provide information and receive feedback on various issues are regularly held. In order to improve the quality of staff the Authority has a training policy which is implemented to enhance skills. 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.

#### **4. Market Place Practices**

As a regulatory Authority, KCAA promotes fair and responsible competition among air operators. 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. In order to support businesses, the Authority also has targets and service charters timelines to ensure that it does not have pending bills which are unpaid. During the last two years, the pending bills have been less than one per cent as targeted. It is a target for every function to ensure that they achieve a target of less than one per cent of pending bills every year.

The Authority conducts its procurements transparently by ensuring that it advertises all tenders as required and placing them on the Government official website. The documents are processed using Tender Opening Committees and Evaluation Committees which comprise of different employees. These Committees have to adhere to the procurement requirements in the process of opening and evaluating tenders. They are also guided by the KCAA code of conduct to safeguard against corruption and unethical behaviour.

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.

#### **5. Corporate Social Responsibility/Community Engagement**

The Authority 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 2020-2021, KCAA through a set-up of a CSR Committee guided by an approved CSR Policy, undertook the following activities:

- a) Funding the installation of spray race, water storage tank, cattle trough and water point in Namanga, Matapato South Ward, Kajiado County.
- b) Sponsorship of cocktail dinner (KATCA) at EKA hotel.
- c) Muthaiga Golf Club sponsorship of the Chairman's Prize tournament
- d) Tree planting of more than 10,000 seedlings at Ngong Forest, Poror, EASA and the Head Office, with some seedlings provided to staff to plant at their homes

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, 2021 which show the state of the Authority's affairs.

### 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.

### Results

The results of the Authority for the year ended June 30, 2021 are set out on page 1.

### Directors

The members of the Board of Directors who served during the year are shown on page vii– xi.

### 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. During the 2020-21 financial year, the Authority remitted Kshs 1,356,394,039.

### 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

22/04/2022  
.....  
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, 2021. 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, 2021, 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 30/09/2021 and signed on its behalf by:

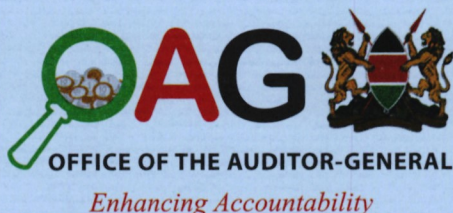


**Eng. Joseph N. Nkadayo, MBS  
Chairman of the Board**



**Capt. Gilbert M. Kibe  
Director General**

# REPUBLIC OF KENYA



Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA CIVIL AVIATION AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

---

### 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 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 46, which comprise of the statement of financial position as at 30 June, 2021, statement of financial performance, statement of changes in net assets,

---

*Report of the Auditor-General on Kenya Civil Aviation Authority for the year ended 30 June, 2021*

statement of cash flows and the 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, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the 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. Unsupported Foreign Exchange Gain**

The statement of financial performance and as disclosed in Note 20(a) to the financial statements reflects gain on foreign exchange transactions amounting to Kshs.309,785,524. It was noted that a foreign exchange gain adjustment amounting to Kshs.270,481,106 was in respect to Kenya shilling equivalent of three (3) US Dollar denominated accounts held by the Authority as at 30 June, 2021. However, the balance of Kshs.39,304,418 was not supported.

In the circumstances, the accuracy of the exchange gain amounting to Ksh.309,785,524 could not be confirmed.

#### **2. Current Receivables from Exchange Transactions**

The statement of financial position and the corresponding Note 23 to the financial statements reflects gross receivables from exchange transactions balance of Kshs.1,050,840,530. However, the following anomalies were noted:

##### **2.1. Variance between the Financial Statements and Supporting Records**

Review of records indicated that the balances for three categories of the current receivables from exchange transactions did not agree with the balances reflected in the system generated listing provided for audit review, resulting in an unexplained variances as detailed below:

	<b>Balance as per the Financial Statement (Kshs.)</b>	<b>Balance as per System Generated Listing (Kshs.)</b>	<b>Variance (Kshs.)</b>
Foreign Operators	157,704,516	150,431,716	7,272,800
Domestic Operators	871,135,822	827,878,768	43,257,054
Students Operators	22,000,192	22,348,266	(348,074)
<b>Total</b>	<b>1,050,840,530</b>	<b>1,000,658,750</b>	<b>50,181,780</b>

In the circumstances, the accuracy of the three categories of receivables totalling to Kshs.1,050,840,530 could not be confirmed.

## **2.2. Inaccuracy in Provision of Bad and Doubtful Debts**

Note 23 reflects specific and general provision for bad and doubtful debts of Kshs.461,676,687 and Kshs.94,864,165 respectively. However, the age analysis of debtors was not provided for audit review.

Further, included in the net current receivables from exchange transactions balance of Kshs.494,299,678 is a balance of Kshs.45,031,365 which has been included in the domestic operators' receivables and in the provision for bad and doubtful debts and which is receivable from the Kenya Revenue Authority (KRA) having been collected by KRA in the financial year 2018/2019. However, the amount has not been remitted to the Authority and is indicated as having been misappropriated by KRA staff and the matter is still under investigation by KRA.

In addition, included in gross receivables from exchange transactions is a balance of Kshs.218,866,028 owed by the Kenya Airways Limited representing 21% of the receivables. Although, general and specific provision for bad and doubtful debts amount of Kshs.94,864,165 and Kshs.461,676,687 respectively have been provided, its adequacy over the Kenya Airways Limited debt is doubtful.

In the circumstances, the accuracy and completeness of the specific and general provision for bad and doubtful debts of Kshs.461,676,687 and Kshs.94,864,165 respectively, could not be confirmed.

## **3. Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 27 to the financial statements reflects property, plant and equipment balance of Kshs.18,080,031,608. However, the following anomalies were noted:

### **3.1. Lack of Ownership Documents**

As reported previously, ownership documents for thirty-one (31) housing units in Nyali Mombasa, thirteen (13) housing units in Bamburi Mombasa, eighty-seven (87) acres of land at East African School of Aviation in Nairobi, one hundred and thirty-two (132) acres at Central Transmitting Station along Mombasa Road, and staffing houses in Miritini Mombasa were not provided for audit review.

Further, ownership documents for a property at Wajir, a plot at Bwagamoyo Kilifi, a plot at Lokichogio, generator room at Lodwar in Turkana and plots at Embakasi village were also not provided for audit review.

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

### **3.2. Properties Allocated to Third Parties**

As reported previously, review of land records revealed that four (4) parcels of land belonging to the Authority in Mito-Andei-Ngai Ndeithya Settlement Scheme/161, Bamburi Staff Housing, Central Stores in Nairobi and East African School of Aviation have been allocated and registered in the name of third parties.

Further, the Public Investment Committee in its 19th Report recommended that the National Land Commission revokes the titles, revert them and register all owned parcels of land in the Authority's name. In addition, the Committee had previously recommended that the National Land Commission investigates circumstances under which a plot in Nairobi County was transferred from public to private ownership.

Although Management has indicated that it is pursuing a number of these matters in court, progress made for each specific case has not been provided.

In the circumstances, the accuracy completeness and ownership of the property, plant and equipment balance of Kshs.18,080,031,608 could not be confirmed.

### **4. Unsupported Trade and Other Payables**

The statement of financial position and as disclosed in Note 29 to the financial statements reflects trade and other payables balance of Kshs.862,418,029. The balance includes an amount of Kshs.19,731,955 representing VAT withheld account from April, 2021 which was not supported. Further, out of the VAT withheld account, a balance totalling to Kshs.10,182,578 was for April and May, 2021 and should have been remitted to the Kenya Revenue Authority by 20<sup>th</sup> day of the following month.

In the circumstances, the accuracy and regularity of VAT withheld account balance of Kshs.19,731,955 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 of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

## 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, I confirm that, nothing 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**

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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and 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 overall 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 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 its 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 continue to sustain its 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


30 August, 2022

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**


	Note	2021	2020
<b>Revenue from Non-Exchange Transactions</b>		<b>Kshs</b>	<b>Kshs</b>
Licenses and Permits	18.6	429,414,525	304,213,344
Air Passenger Service Charge	18.7	911,441,475	1,924,086,017
<b>Sub-Total</b>		<b>1,340,856,000</b>	<b>2,228,299,361</b>
<b>Revenue from Exchange Transactions</b>			
Rendering of Services	18.8	3,146,776,794	4,478,211,062
Rental Revenue	18.9	32,852,865	30,632,435
Finance Income	18.10	83,010,600	198,012,221
Other Revenue	18.11	968,382	1,476,420
<b>Sub-Total</b>		<b>3,263,608,641</b>	<b>4,708,332,138</b>
<b>Total Revenue</b>		<b>4,604,464,641</b>	<b>6,936,631,499</b>
<b>Expenses</b>			
Use of Goods & Services	18.12	782,648,198	1,413,699,135
Employee Costs	18.13	2,530,888,601	2,483,578,564
Remuneration of Directors	18.14	13,582,587	33,028,490
Depreciation and Amortization Expense	18.15	866,107,488	752,631,012
Repairs and Maintenance	18.16	482,495,192	528,677,089
Contracted Services	18.17	173,028,388	156,156,269
Finance Costs	18.18	80,176,626	84,987,435
<b>Total Expenses</b>		<b>4,928,927,080</b>	<b>5,452,757,994</b>
<b>Sub-Total</b>		<b>(324,462,439)</b>	<b>1,483,873,505</b>
Other Gains/(Losses)			
Gain on Sale of Assets	18.19(a)	-	363,254
Loss on Sale of Assets	18.19(b)	-	(1,721,442)
Gain on Foreign Exchange Transactions	18.20(a)	309,785,524	(1,233,626)
Loss on Foreign Exchange Transactions	18.20(b)	(12,509,879)	25,085,707
Amortisation of Accrued Leave Days	18.20(c)	23,926,601	-
<b>Surplus Before 90% Remittance</b>		<b>(3,260,193)</b>	<b>1,506,367,398</b>
Remission to the National Treasury (Provision)	18.21	-	(1,355,730,659)
<b>(Deficit) Surplus for the Year</b>		<b>(3,260,193)</b>	<b>150,636,739</b>

The notes set out on pages 8 to 42 form an integral part of these Financial Statements.

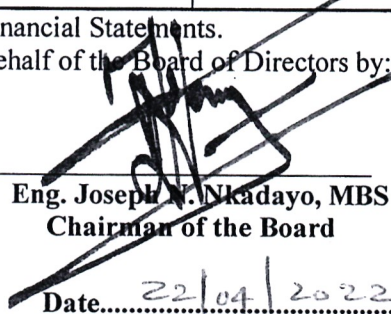
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
Capt. Gilbert M. Kibe  
Director General

Date... 22/04/2022

  
CPA Joseph K. Chebungei  
Director Corporate Services  
ICPAK Member No: 4023

Date... 22/04/2022


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


Date... 22/04/2022


**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

Assets	Note	2021	2020 Re-Stated
<b>Current Assets</b>		<b>Kshs</b>	<b>Kshs</b>
Cash and Cash Equivalents	18.22	1,772,928,868	3,315,664,525
Current Receivables from Exchange Transactions	18.23	494,299,678	548,482,284
Receivables from Non-Exchange Transactions	18.24	572,251,899	474,168,561
Inventories	18.25	24,411,763	16,082,038
Tax Recoverable	18.26	7,070,385	7,070,385
<b>Total Current Assets</b>		<b>2,870,962,593</b>	<b>4,361,467,793</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	18.27	18,080,031,609	18,053,728,098
Intangible Assets	18.28	71,328,316	190,940,980
<b>Total Non-Current Assets</b>		<b>18,151,359,925</b>	<b>18,244,669,078</b>
<b>Total Assets</b>		<b>21,022,322,518</b>	<b>22,606,136,871</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	18.29	862,418,029	776,046,821
Refundable Deposits from Customers	18.30	14,105,343	13,942,343
Employee Benefit Obligation	18.31	157,095,743	265,648,552
Current Portion of Borrowings	18.32	182,324,356	183,731,223
Current Provisions	18.33	258,676,220	1,614,406,879
<b>Total Current Assets</b>		<b>1,474,619,691</b>	<b>2,853,775,818</b>
<b>Non-Current Liabilities</b>			
Non- Current Borrowings	18.34	1,846,700,602	2,031,314,227
<b>Total Non-Current Assets</b>		<b>1,846,700,602</b>	<b>2,031,314,227</b>
<b>Total Liabilities</b>		<b>3,321,320,293</b>	<b>4,885,090,045</b>
<b>Net Assets</b>			
Revaluation Reserves	18.35	8,308,682,978	8,324,804,006
Capital Fund - Govt Grant	18.36	136,800,000	608,133,333
Accumulated Surplus	18.37	9,255,519,247	8,788,109,487
<b>Total Net Assets</b>		<b>17,701,002,225</b>	<b>17,721,046,826</b>
<b>Total Net Assets and Liabilities</b>		<b>21,022,322,518</b>	<b>22,606,136,871</b>

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

  
Capt. Gilbert M. Kibe  
Director General

  
CPA Joseph K. Chebungei  
Director Corporate Services  
ICPAK Member No: 4023

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

Date...22/04/2022

Date...22/04/2022

Date...22/04/2022


**15. STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED 30 JUNE 2021**

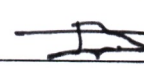
	Note	Revaluation Reserve Kshs	Government Grants Reserve Kshs	Accumulated Surplus Kshs	Total Kshs
<b>Balance as at 1st July 2019</b>		<b>8,275,545,265</b>	<b>608,133,333</b>	<b>10,689,560,652</b>	<b>19,573,239,249</b>
Revaluation Reserve Adjustment	35	49,258,741	-	-	49,258,741
Remittance of Surplus	37	-	-	(2,327,397,538)	(2,327,397,538)
Accumulated Surplus Adjustment	37			275,309,633	275,309,633
Surplus for the Period	21	-	-	1,506,367,399	1,506,367,399
Provision of Surplus to the Exchequer	21	-	-	(1,355,730,659)	(1,355,730,659)
<b>Balance as at 30 June 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	35	(16,121,028)	-	-	(16,121,028)
Remittance of Surplus	37	-	-	(663,380)	(663,380)
Accumulated Surplus Adjustment	37		(471,333,333)	471,333,333	-
Deficit for the year	21	-	-	(3,260,193)	(3,260,193)
Provision of Surplus to the National Treasury	21	-	-	-	-
<b>Balance as at 30th 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>

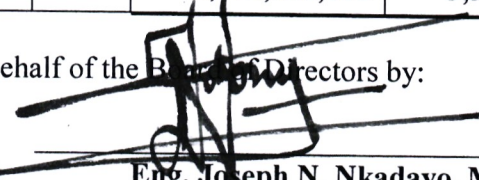
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
<b>Cash from Operating Activities</b>			
Net (Deficit) Surplus from Operations	21	(3,260,193)	1,506,367,398
Interest Expense	18	80,176,626	84,987,435
Interest Income on Bank Balances	10	(83,010,600)	(198,012,221)
<b>Adjusted for :</b>			
Increase in Provision for Doubtful Debts	12	121,610,913	228,413,400
Depreciation of Property, Plant & Equipment	15	720,349,757	649,632,722
Amortization of Intangible Assets	15	145,757,731	102,998,290
Loss on Sale of Assets	19(b)	-	1,721,442
Interest Expense	18	(80,176,626)	(84,987,435)
Interest Income on Bank Balances	10	83,010,600	198,012,221
Surplus Remitted	33/37	(1,356,394,039)	(5,047,802,412)
<b>Operating profit before working Capital changes</b>		<b>(371,935,831)</b>	<b>(2,558,669,159)</b>
(Increase)/Decrease in Receivables (Exchange Transactions)	23	(67,428,306)	435,986,644
(Increase) in Receivables (Non-Exchange)	24	(98,083,338)	(328,910,688)
(Increase)/ Decrease in Inventory	25	(8,329,725)	(3,624,033)
Increase/ (Decrease) in Payables	29	86,371,208	(110,154,685)
Increase in Customer Deposits	30	163,000	-
(Decrease) in Employee Benefits Obligations	31	(108,552,809)	(163,121,928)
Decrease in Other Current Liabilities	33/37	-	(1,184,100,375)
<b>Net Cash from Operating Activities</b>		<b>(567,795,801)</b>	<b>(3,912,594,225)</b>
<b>Cash used in Investing Activities</b>			
Purchase of Property, Plant & Equipment	27	(762,774,296)	(777,023,859)
Purchase of Intangible Assets	28	(26,145,067)	(175,003,433)
Proceeds on Disposal of Assets	19(a)	-	363,254
<b>Total Cash used in Investing Activities</b>		<b>(788,919,364)</b>	<b>(951,664,038)</b>
<b>Cash flow from Financing Activities</b>			
Loans Repayment	34	(186,020,493)	(192,273,317)
Loans Received		-	64,248,069
<b>Net Cash flow from Financing Activities</b>		<b>(186,020,493)</b>	<b>(128,025,248)</b>
(Decrease) in Cash & Cash Equivalents		(1,542,735,657)	(4,992,283,510)
Cash & Cash Equivalents at the Start of the Year	22	3,315,664,525	8,307,948,036
<b>Cash &amp; Cash Equivalents at the End of the Year</b>		<b>1,772,928,868</b>	<b>3,315,664,525</b>

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

  
Capt. Gilbert M. Kibe  
Director General

  
CPA Joseph K. Chebungui  
Director Corporate Services  
ICPAK Member No: 4023

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

Date... 22/04/2022

Date... 22/04/2022

Date... 22/04/2022

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

Description	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Performance Difference		% Change	Note
	2021	Kshs	2021	Kshs	2021	Kshs	2021	Kshs	2021	Kshs		
<b>Revenue</b>											%	
Licenses and Permits	125,571,980		78,190,559		203,762,539		429,414,525		225,651,986		111%	a
Air Passenger Service Charge	640,984,702		(58,464,368)		582,520,334		911,441,475		328,921,141		56%	b
Rendering of Services	1,387,654,045		1,671,046,790		3,058,700,835		3,146,776,794		88,075,959		3%	
Rental Revenue	26,731,072		2,855,745.00		29,586,817		32,852,865		3,266,048		11%	c
Finance Income	10,128,250		49,162,376		59,290,626		83,010,600		23,719,975		40%	d
Other Income	2,435,661		(1,722,219)		713,442		968,382		254,940		36%	e
<b>Total Revenue</b>	<b>2,193,505,710</b>		<b>1,741,068,883</b>		<b>3,934,574,593</b>		<b>4,604,464,641</b>		<b>669,890,048</b>		<b>17%</b>	
<b>Other Sources</b>												
Government of Kenya Grants	89,201,072		-		89,201,072		89,201,072		-		0%	
Cash Reserves	2,868,370,502		(882,374,052)		1,985,996,450		281,900,108		1,704,096,342		86%	f
<b>Grand Total Revenue</b>	<b>5,151,077,284</b>		<b>858,694,831</b>		<b>6,009,772,115</b>		<b>4,975,565,821</b>		<b>2,373,986,390</b>		<b>40%</b>	
<b>Expenses</b>												
Use of Goods & Services	690,585,969		120,899,380		811,485,349		782,648,198		28,837,151		4%	
Employee Costs	2,678,181,125		(6,150,840)		2,672,030,285		2,530,888,601		141,141,684		5%	
Remuneration of Directors	30,000,000		-		30,000,000		13,582,587		16,417,413		55%	g

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2021*

Depreciation and Amortization	292,679,203	551,618,381	844,297,584	866,107,488	(21,809,904)	-3%
Repairs and Maintenance	468,363,720	19,280,677	487,644,397	482,495,192	5,149,205	1%
Contracted Services	134,084,801	85,915,387	220,000,188	173,028,388	46,971,800	21% h
Finance Costs	82,187,342	(677,055)	81,510,287	80,176,626	1,333,661	2%
<b>Total Recurrent Expenditure</b>	<b>4,376,082,160</b>	<b>770,885,930</b>	<b>5,146,968,090</b>	<b>4,928,927,080</b>	<b>218,041,011</b>	<b>4%</b>
Other Gains/Losses	-	-	-	321,202,246	(321,202,246)	-100% i
Capital Expenditure						
Other Payments-Capital Expenditure	774,995,124	87,808,900	862,804,024	800,262,792	62,541,231	7%
<b>Total Expenditure</b>	<b>5,151,077,284</b>	<b>858,694,830</b>	<b>6,009,772,114</b>	<b>5,723,701,772</b>	<b>(40,620,005)</b>	
<b>Deficit for the year</b>	-	-	-	<b>(3,260,193)</b>	-	

#### **EXPLANATION OF MATERIAL DIFFERENCES**

- a) **Licenses & Permits (111% 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 (56% Positive Change):** These are actual remittances in the course of the year.
- c) **Rental Income (11% Favourable Change):** Improved collections from staff rental houses following periodic renovations and increased occupancy rates.
- d) **Finance Income (40% Positive Change):** The growth is attributed to the negotiated interest from deposits in Current Bank Accounts and the Staff Mortgage Account interest earnings.
- e) **Other Income (36% Positive Change):** Improvement attributable to commission on payroll deductions, sale of tenders and interest on salary advances.
- f) **Cash Reserves (86% Positive Change):** The projected utilizations of cash and bank balances reserves to fund the fund was limited due to improved revenue performance.
- g) **Remuneration of Directors (55% Positive):** Limited board related activities and travelling. The term of the board came on an end during the year as well.
- h) **Contracted Services (21% Favourable Change):** Reduced activity levels due to on-going contracts and engagements and slow implementation of some engagements following the COVID19 restrictions.
- i) **Other Gains/Losses (100% Negative Change):** This is a book entry with regard to changes in foreign exchange gains/losses during the period.

## **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 2021**

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>The above amendments did not impact reporting in the current financial year</p>

ii) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</b> <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.</p> <p>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>
<b>IPSAS 42:</b> Social Benefits	<b>Applicable: 1<sup>st</sup> January 2023</b> <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> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41,	<b>Applicable: 1st January 2023:</b> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p>

Standard	Effective date and impact:
Financial Instruments	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <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>

**iii) Early adoption of standards**

The Authority did not early – adopt any new or amended standards in year 2020/2021.

**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 2020-21 was approved by the KCAA Board of Directors on the 28th January 2020 and forwarded to the National Treasury through the State Department of Transport. Subsequent revisions were made to the approved budget and approved by the Board of Directors on the 26th January 2021. The revised budget was reduced by Ksh. 2,877,723,524.00, following realignment of a number of activities and an assessment of the revenue projections due to the impact of COVID-19 pandemic on the operations of the Authority.

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.

**Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

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 -7 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:

	<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	-

**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. 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.

#### **g) Financial Instruments**

##### **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)

### **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 a 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.

**Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

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, 2021. However, the Authority is expected to pay Kshs. 169,921,643.00 to Kenya Revenue Authority (KRA) as tax arrears for the financial periods 2011 to 2014. The arrears were a result of a determination by the Tax Appeals Tribunal following a dispute between the Authority and KRA following a tax audit on the Authority's operations by KRA in 2015.

## **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:

- a) The condition of the asset based on the assessment of experts employed by the Entity
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- c) The nature of the processes in which the asset is deployed
- d) Availability of funding to replace the asset
- e) 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.

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

<b>18.6. Licenses, Permits, Fines &amp; Clearances</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Licence Ratings & Certificates	19,516,822	19,250,450
Technical Ground Examinations	23,920,275	23,124,350
AMEL Licences & Ratings	11,081,680	9,640,560
Aircraft Certificate of Registration	4,057,500	4,146,000
Certificate of Airworthiness	81,788,823	59,817,399
Grant & Renewal of AMO License	79,923,842	55,397,923
Grant & Renewal of AOC Certs	5,924,300	6,620,500
Certification of Aerodromes	3,450,000	3,580,000
Duty Exemption Processing Fees	27,349,720	18,224,296
Grant & Renewal of Air Service Licences	26,745,993	23,447,404
Adhoc /Permit Clearances	61,304,280	31,556,709
Approval of Manuals	100,000	30,135
Inspection of Masts & Obstacles	47,516,400	20,397,400
Issue of SSR Transponder Codes	256,781	266,616
AVSEC Fees/ Regulated Agent/Screeners Fees	3,942,000	3,254,500
Grant & Renewal of ATO Licences	940,000	360,000
Approval of Commercial Operations - (FOC)	24,634,970	20,481,072
Infringement Notices Fee	400,000	200,000
Approval of Leases	3,937,640	3,961,031
Approval of Security Programmes	985,000	450,000
Letter of Exemption	-	7,000
UAS Import & Registration	302,000	-
Remote Air Operator Certificate	330,000	-
Certification of UAS Resalers & Distributors	240,000	-
UAS Authorizations	526,500	-
UAS Licensing	240,000	-
<b>Total Licenses, Permits, Fines &amp; Clearances</b>	<b>429,414,525</b>	<b>304,213,344</b>
<b>18.7. Air Passenger Service Charge</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Air Passenger Service Charge	<b>911,441,475</b>	<b>1,924,086,017</b>

*Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021*

<b>18.8. Rendering of Services</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Air Navigation Service Charges	2,997,258,184	4,289,063,903
AIP Sales	1,151,564	960,963
EASA Revenue	148,367,045	188,186,197
<b>Total Revenue from the Rendering of Services</b>	<b>3,146,776,794</b>	<b>4,478,211,062</b>
<b>18.9. Rental Revenue</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
EASA House Rent	20,957,239	20,147,850
Embakasi House Rent	1,017,600	932,200
Mombasa House Rent	9,100,800	6,941,303
Water Recovery - Payroll	665,200	657,000
Commercial Rent	1,112,027	1,954,082
<b>Total Rentals</b>	<b>32,852,865</b>	<b>30,632,435</b>
<b>18.10. Finance Income - External Investments</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest Income from Current Bank Accounts	83,010,600	139,464,221
Interest Income from Treasury Bills	-	58,548,000
<b>Total Finance Income - External Investments</b>	<b>83,010,600</b>	<b>198,012,221</b>
<b>18.11. Other Income</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Salary Advances	22,467	17,447
Commission on Payroll Deductions	842,169	561,953
Sale of Tenders	103,746	4,000
Skills Development Levy	-	893,020
<b>Total Other Income</b>	<b>968,382</b>	<b>1,476,420</b>
<b>Total Revenue</b>	<b>4,604,464,641</b>	<b>6,936,631,500</b>
<b>18.12. Use of Goods &amp; Services</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Electricity	44,278,167	41,406,648
Water	7,807,701	7,688,677

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Security	52,257,051	45,836,870
Subscriptions to International Organization	49,373,139	75,686,804
Subscriptions to Professional Bodies	2,080,725	1,632,066
Subscription to Publications	422,145	-
General Training	29,664,806	103,949,654
Training Levy	460,250	394,900
Workshops, Conferences & Evaluations	3,793,578	38,155,380
Local Travel	40,899,586	46,578,586
International Travel	15,870,408	51,842,486
Secondment Programme (ICAO/AFCAC)	13,837,307	17,275,358
EAC & Other Aviation Bodies Activities	2,607,940	17,301,547
Deployment to ICAO Council ( Kenya Office)	28,899,749	32,439,329
Environment & CORSIA Programme	977,688	2,720,419
Certification of Aerodromes & ANS Facilities	4,024,495	3,110,708
Continous Oversight Surveillance	18,663,240	19,234,072
ICAO Universal Safety Oversight Audit Programme	2,600,275	2,260,790
Accident Investigation, Search & Rescue	1,857,769	3,281,971
HIV/AIDS, Drug Abuse, Gender & Disability	2,944,652	6,967,125
Integrity & National Values Programmes	-	1,783,948
Implementation of Safety Management System	-	3,730,545
Implementation of State Safety Programme	646,821	1,025,743
ISO Related Activities	2,067,829	4,144,881
Implementation of Risk Mgt Framework	2,286,173	4,498,677
Corporate Social Responsibility	-	9,631,331
ICAO Universal Security Audit Programme	1,989,487	2,751,829
Funeral Expenses	91,000	340,899
Staff Welfare	24,754,361	25,149,997
Official Entertainment	1,131,289	1,432,142
Aviation Staff Insurance	24,398,489	19,587,056
Office Equipment Insurance	4,370,685	4,998,842
Motor Vehicle Insurance	5,148,174	4,786,004
Work Injury Benefit Act (WIBA) Insurance	5,356,609	5,721,550
Hire of Transport, Plant & Machinery	100,000	982,105
Uniform and Clothing	5,237,145	6,284,848
Sports Expenses	1,204,200	24,378,064

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Miscellaneous Charges	-	1,381,556
Telephone Expenses	14,377,930	12,961,968
Cooking Gas & Fuel	1,145,015	948,980
Postal, EMS & Courier Services	1,365,249	992,240
Cleaning Services	32,226,530	34,638,521
Drugs & Dressings (Medicines & First Aid Kits)	-	1,110,939
Fungicides & Spray (Pest Control)	-	103,701
Library Expenses	1,651,523	9,238,573
Internet Related Expenses	12,274,390	6,476,637
Dedicated Leased Lines & Communication Frequencies	287,824	10,274,870
Legal Expenses	17,935,848	183,679,165
External Audit Expenses	1,500,000	1,500,000
Advertisement Publicity & Photography	15,879,804	27,797,243
Public Relations / Show Expenses	-	13,053,601
Events & Anniversaries	-	9,826,545
KRA Agency Collection Costs (Fees)	80,910,674	116,421,200
Bank Charges - Fees and Commissions	1,579,043	2,787,030
General Provision- Doubtful Debts	8,015,013	2,422,672
Specific Provision - Doubtful Debts	113,595,900	225,990,728
Consumables	20,085,930	14,332,029
Publishing and Printing	4,443,479	8,433,581
Office Stationery	11,738,063	12,377,670
Food & Rations	21,395,908	30,644,947
Fuel Expenses	12,781,512	14,028,636
Student Activities	582,750	13,377,275
Consultancy, Course Research & Devt	3,378,536	4,543,120
Hostel & Conference	2,967,760	2,172,175
Graduation Expenses	-	3,200,768
Students Welfare (Laboratory, Dispensary)	426,581	641,653
Training - KTSSP	-	2,025,417
Counterpart Funding - KTSSP	-	7,323,845
<b>Total Use of Goods &amp; Services</b>	<b>782,648,198</b>	<b>1,413,699,135</b>

*Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021*

<b>18.13. Employee Costs</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries & Wages	1,782,085,528	1,734,738,196
Housing Allowances	248,451,366	245,800,277
Transport Allowances	111,077,638	111,535,571
Contributions to Pensions	195,648,827	188,841,875
Medical Expenses In-patient	57,590,142	54,602,097
Medical Expenses Out-patient	97,831,194	98,752,197
Group Life Insurance	35,359,311	42,186,812
Ex-Gratia	2,844,594	7,121,541
<b>Total Employee Costs</b>	<b>2,530,888,601</b>	<b>2,483,578,564</b>
<b>18.14. Remuneration of Directors</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Chairman's Honoraria	784,516	936,000
Board of Directors' Expenses	12,798,071	32,092,490
<b>Total Board Remuneration</b>	<b>13,582,587</b>	<b>33,028,490</b>
<b>18.15. Depreciation &amp; Amortization Expenses</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, Plant and Equipment	720,349,757	649,632,722
Intangible Assets	145,757,731	102,998,290
<b>Total Depreciation and Amortization</b>	<b>866,107,488</b>	<b>752,631,012</b>
<b>18.16. Repairs &amp; Maintenance</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Property & Staff Houses	35,248,421	107,919,379
Plant & Equipment	439,884,853	410,260,332
Motor Vehicles	6,881,499	7,102,618
Others (Roads, Water & Sewerage)	480,420	3,394,760
<b>Total Repairs and Maintenance</b>	<b>482,495,192</b>	<b>528,677,089</b>
<b>18.17. Contracted Services</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Hire of Resource Persons	51,868,121	53,309,875
Hire of Satellite Links	29,072,870	31,317,735
Contracted Professional Services	53,064,936	47,170,108

*Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021*

Flight Calibration	39,022,460	24,358,550
<b>Total Contracted Services</b>	<b>173,028,388</b>	<b>156,156,269</b>
<b>18.18. Finance Costs</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Long-term Loans (NCTIP)	19,027,997	21,652,548
Interest on Long-term Loans (KTSSP)	61,148,629	63,334,887
<b>Total Finance Costs</b>	<b>80,176,626</b>	<b>84,987,435</b>
<b>18.19. (a) Gain on Sale of assets</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, Plant & Equipment	-	363,254
Intangible Assets	-	-
<b>Total Gain on Sale of Assets</b>	<b>-</b>	<b>363,254</b>
<b>18.19. (b) Loss on Sale of assets</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, Plant & Equipment	-	1,721,442
Intangible Assets	-	-
<b>Total Gain on Sale of Assets</b>	<b>-</b>	<b>1,721,442</b>
<b>18.20 (a). Gain Foreign Exchange Transactions</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>Kshs</b>	<b>Kshs</b>
Foreign Exchange Gain	309,785,524	(1,233,626)
	<b>309,785,524</b>	<b>(1,233,626)</b>
<b>18.20 (b). Loss on Foreign Exchange Transactions</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Foreign Exchange Loss	12,509,879	(25,085,707)
	<b>12,509,879</b>	<b>(25,085,707)</b>
<b>18.20(c ) Amortization of Accrued Leave days</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Amortization of Accrued Leave days	23,926,601	-
<b>18.21. Provision of 90% Surplus to N/Treasury</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
(Deficit)Surplus for the Year	(3,260,193)	1,506,367,398

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

<b>Total</b>	<b>(3,260,193)</b>	<b>1,506,367,398</b>
90% of Realized Surplus Funds	-	<b>1,355,730,659</b>
<b>Total Provision</b>	<b>-</b>	<b>1,355,730,659</b>

<b>18.22(a) Cash &amp; Cash Equivalents</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Current Account	1,512,951,585	2,976,525,742
Staff Mortgage	258,539,841	338,301,804
Others (M-Pesa, Station Cash& Bank)	1,437,442	836,980
<b>Total Cash and Cash Equivalents</b>	<b>1,772,928,868</b>	<b>3,315,664,525</b>

**18.22 (b) Detailed Analysis of the Cash and Cash Equivalents**

<b>Financial Institution &amp; Account Number</b>	<b>2021</b>	<b>2020</b>
<b>i) Current Account</b>	<b>Kshs</b>	<b>Kshs</b>
Kenya Commercial Bank - A/C No. 1210005522	661,613	5,918,691
KCB Call A/C No. 1210001942	202,399,441	1,016,757,984
EASA KCB Expenditure A/C No. 1216797889	11,091,482	5,628,005
EASA KCB Call A/C No. 1216797714	3,059,747	176,174
CfC Stanbic -A/C No. 0100000351727	100,562,128	184,406,350
CFC Stanbic Call No. 0100000316347	601,514	69,609,331
CFC Stanbic Dollar - No. 0100001937639	1,002,498,730	1,345,956,198
Standard Chartered Bank A/C, No. 0108098898400	871,610	225,630,412
NCBA Bank Dollar A/C No. 6514690019	56,394,569	34,519,022
EASA Dollar A/C – Equity No. 0180299978478	63,640,274	39,708,417
EASA KES A/C – Equity No. 0180263498882	7,861,419	790,317
KTSSP-National Bank of Kenya No. 01001084895000	4,805,248	4,769,247
Expenditure Account- NBK No. 01003058447500	21,660,996	21,660,996
Revenue Account-NBK, No. 01003058447600	34,238,505	18,280,743
EASA Expenditure A/C- NBK No. 010058420600	119,282	210,716
EASA Revenue, NBK No.010058710400	2,485,024	2,503,136
<b>Sub-Total Current Account</b>	<b>1,512,951,585</b>	<b>2,976,525,742</b>
<b>ii) Staff Mortgage</b>		
Kenya Commercial Bank A/C No. 1159226555	258,539,841	338,301,804
<b>Sub-Total Staff Mortgage</b>	<b>258,539,841</b>	<b>338,301,804</b>

The balance relates to amount which had not been disbursed as at the end of each respective financial year. The balance reported in the financial year 2019/2020 has also been adjusted by Kshs 329,971,531

**Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

being the amount not disbursed as at 30<sup>th</sup> June 2020. The presentation is in line with IPSAS 2, Section 9.

**iii) Others**

Stations Cash & Bank	1,424,342	833,576
EASA M-Pesa A/C Playbill No 754206	13,100	3,404
<b>Sub-Total Others</b>	<b>1,437,442</b>	<b>836,980</b>
<b>GRAND TOTAL CASH AND BANK</b>	<b>1,772,928,868</b>	<b>3,315,664,525</b>

**18.23. Current Receivables from Exchange Transactions**

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Domestic Operators	871,135,822	813,456,543
Foreign Operators	157,704,516	153,439,080
Student Debtors	22,000,192	16,516,601
<b>Total Gross Current Receivables</b>	<b>1,050,840,530</b>	<b>983,412,224</b>
Less: General Provision for Bad and Doubtful Debt	(94,864,165)	(86,849,153)
Less: Specific Provisions for Bad and Doubtful Debt	(461,676,687)	(348,080,787)
<b>Total Net Current Receivables</b>	<b>494,299,678</b>	<b>548,482,284</b>

Note: Included under Domestic Operators receivables is Kshs. 45,031,365.00 collected by Kenya Revenue Authority in FY 2018-19 but not remitted to the Authority. It is alluded the amount was misappropriated by KRA staff. The matter is under investigation by KRA

**18.24. Receivables from Non - Exchange Transactions**

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Prepayments	142,836,202	133,293,103
Staff Imprest	501,530	2,038,084
Salary Advance	370,041	103,845
Medical Excess	4,230,105	6,345,411
Rent Receivable	209,830	33,918
Staff Surcharge	259,620	195,554
Station Imprest	2,187,115	2,187,115
Staff Mortgage Receivable	421,657,456	329,971,531
<b>Total</b>	<b>572,251,899</b>	<b>474,168,561</b>

The balance in the staff mortgage Receivable relates to the amount which had been disbursed as at the end of each respective financial year. The balance reported in the financial year 2019/2020 has also been adjusted from the figure in cash and cash equivalent (Staff Mortgage Cashbook)

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

<b>18.25. Inventories</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumables	8,291,241	6,439,560
Publishing and Printing	3,231,045	3,034,682
Office Stationery	6,532,525	5,160,890
Food & Rations	3,607,763	515,047
Fuel	2,749,189	931,859
<b>Total inventories</b>	<b>24,411,763</b>	<b>16,082,038</b>

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>18.26. Current Income Tax Expense</b>		
<b>Income Tax Asset</b>	<b>(7,070,385)</b>	<b>(7,070,385)</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.

*Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021*

**18.27(a) Property, Plant & Equipment Movement Schedule 2020-2021**

Cost/Revaluation	Air Navigation Equipment		Land		Buildings		Motor Vehicles		Plant & Other Equipment		Computer Hardware		Furniture & Fittings		WIP Re-Styled		Grand Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at 1st July 2019</b>	<b>2,501,740,229</b>	<b>11,497,950,000</b>	<b>2,758,997,704</b>	<b>234,571,690</b>	<b>181,226,414</b>	<b>274,050,603</b>	<b>160,044,596</b>	<b>945,671,421</b>	<b>18,554,252,657</b>									
Additions	163,699,043	-	60,109,453	18,264,569	121,270,229	35,305,944	46,911,198	280,607,512	726,167,948									
Transfers Adjustments	528,055,178	-	37,450,366	-	11,100,936	1,552,500	-	(627,705,421)	(49,546,441)									
Reclassification	-	-	-	-	-	6,536,269	-	-	6,536,269									
Disposals	-	-	-	(7,390,000)	-	(455,740)	-	-	(7,845,740)									
<b>As at 30th June 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>19,229,564,693</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>19,976,217,960</b>									
<b>Depreciation &amp; Impairment</b>																		
At 1st July 2019	250,174,023	-	68,974,943	46,914,338	36,245,283	91,341,066	32,008,919	-	525,658,572									
Depreciation	319,349,445	-	71,413,938	49,089,252	62,719,516	105,669,412	41,391,159	-	649,632,722									
Reclassification	-	-	-	-	-	2,175,212	-	-	2,175,212									
Disposals	-	-	-	(1,478,000)	-	(151,913)	-	-	(1,629,913)									
<b>As at 30th June 2020</b>	<b>569,523,468</b>	<b>-</b>	<b>140,388,881</b>	<b>94,525,590</b>	<b>98,964,799</b>	<b>199,033,777</b>	<b>73,400,078</b>	<b>-</b>	<b>1,175,836,593</b>									
Depreciation	343,916,611	-	82,272,952	49,089,252	90,764,767	112,915,016	41,391,158	-	720,349,757									
Disposals	-	-	-	-	-	-	-	-	-									
<b>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>									
<b>NET BOOK VALUE</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>18,080,031,609</b>									
<b>As at 30th June 2020</b>	<b>2,623,970,983</b>	<b>11,497,950,000</b>	<b>2,716,168,641</b>	<b>150,920,669</b>	<b>214,632,780</b>	<b>117,955,798</b>	<b>133,555,715</b>	<b>598,573,512</b>	<b>18,053,728,098</b>									

The Work-In-Progress transactions for the financial year 2019-2020 has been restated by moving the portion that relates to intangibles to note 28.

Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021

18.27(b). WORK IN PROGRESS – Property, Plant & Equipment (PPE)

Project Description	Supplier/Vendor	2021 Kshs	2020 Kshs
JKIA & MIA VCCS System	Sitti SPA	-	111,202,538
Kisumu & Malindi VCCS	Nucleo De Comunicaciones	-	30,719,452
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	-
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	-
Design, Bidding & Supervision of DRC Consultancy	Scope Design Systems	-	24,008,556
Area Control & Disaster Recovery Centre at CTX	Meera Construction Ltd	-	327,759,983
Wajir Staff Houses Construction	Widescope Construction Ltd	-	8,276,200
Regional Centre for Aviation Medicine	Mutiso Menezes International	22,372,477	15,705,076
Regional Centre for Aviation Medicine	Lexis International Ltd	222,362,205	44,480,686
Radio Telephony Simulator	Geoscintex	-	6,975,000
EASA Power Plant	Blue Quadrant Ltd	-	9,400,060
<b>Total</b>		<b>511,683,964</b>	<b>598,573,512</b>

18.27 (c). WORK IN PROGRESS – Non PPE

Microsoft Office 0365 Suite-CS	Computer Revolution Africa Group Ltd	-	22,102,475
Biometric Student Attendance System	Dialescas Africa Ltd	1,633,101	-
ERP Navision 2018	Attain Enterprise Solutions Ltd	4,626,000	771,000
<b>Total</b>		<b>6,259,101</b>	<b>22,873,475</b>

*Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021*

**18.28. Intangible Assets Movement Schedule**

<b>Description</b>	<b>2021</b>	<b>2020 Re-Stated</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cost/Revaluation</b>		
<b>At the Beginning of the Year</b>	331,867,644	163,400,481
Transfer Adjustments	(22,102,475)	(42,306,688)
Revaluation/ Reclassification Adjustments	-	(6,536,269)
Additions During the Year	20,656,966	152,900,958
Capitalization of Work In Progress	22,102,475	42,306,688
<b>At the End of the Year</b>	<b>352,524,611</b>	<b>309,765,169</b>
Additions - Internal Development	-	-
Additions - Work In Progress	5,488,101	22,102,475
<b>At the End of the Year</b>	<b>358,012,712</b>	<b>331,867,644</b>
<b>Amortizations &amp; Impairment</b>		
At the Beginning of the Year	140,926,665	40,103,587
Revaluation /Reclassification Adjustments	-	(2,175,212)
Amortization	145,757,731	102,998,290
<b>At the End of the Year</b>	<b>286,684,396</b>	<b>140,926,665</b>
Impairment Loss	-	-
<b>At the End of the Year</b>	<b>286,684,396</b>	<b>140,926,665</b>
<b>NBV</b>	<b>71,328,316</b>	<b>190,940,980</b>

The financial year 2019-20 has been restated by inserting the work in progress that relates to intangibles, and which was previously reported under note 27(a).

**18.29. Trade & Other Payables**

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade Creditors - Local	625,367,289	535,387,508
Trade Creditors - Foreign	179,538,132	160,275,267

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Third Party Claims	16,099,283	26,637,291
Stale and Unpaid Cheques	5,371,000	5,631,701
Collaboration Fees	2,585,245	2,923,490
Student Association Fees	363,202	196,702
External Examination Fees	790,082	2,478,475
Student Excursions	6,204,467	7,891,073
Caution Money	1,021,840	580,450
KUCCPS Placement Fees	369,000	184,500
Student Industrial Attachment	2,606,820	224,000
VAT Output	(326,053)	(382,529)
VAT Withheld A/C	19,731,955	14,411,250
Withholding Tax	2,695,767	19,627,871.03
Income Tax Payable	-	(24,000)
10% Withholding Tax on Rental Income	-	3,769
<b>Total Trade and Other Payables</b>	<b>862,418,029</b>	<b>776,046,821</b>

<b>30. Refundable Deposits from Customers</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumer Deposits	14,105,343	13,942,343
<b>Total Refundable Deposits</b>	<b>14,105,343</b>	<b>13,942,343</b>

<b>18.31. Employee Benefits Obligations</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Net Salary	3,094,422	2,386,142
PAYE Staff	479,303	(24,366)
Payroll Deductions-Cheques	527,182	437,485
Payroll Deductions EFT	196,042	40,254,858
Staff Claims	2,358,930	2,351,790
PAYE Board of Directors	2,370,496	2,882,880
EASA Lecturers Net Pay	-	(1,381,532)
EASA NHIF	35,750	35,250
EASA NSSF	15,600	9,200
EASA Bank Loans	69,145	73,595

*Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021*

EASA HELB	4,156	8,588
EASA PAYE Liability	1,526,529	618,883
EASA Insurance Deductions	5,000	- 6,000
Ex-DCA Staff	-	49,926,080
Service Gratuity	63,158,545	60,771,577
Leave Provision	83,250,404	107,218,969
Others: PAYE Others	4,241	85,153
<b>Total Employees Benefits Obligation</b>	<b>157,095,743</b>	<b>265,648,552</b>

<b>18.32. Current Portion of Borrowing</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
NCTIP	52,491,025	52,491,025
KTSSP	129,833,330	131,240,197
<b>Balance at End of Period</b>	<b>182,324,356</b>	<b>183,731,223</b>

**18.33. Current Provisions**

Description	National Treasury	African Commuter	Ex- Staff	Total
<b>Balance as at 1st July 2019</b>	<b>2,720,404,875</b>	<b>1,459,360,489</b>	<b>258,676,220</b>	<b>4,438,441,583</b>
Additional Provisions	1,355,730,659	(247,535)	-	1,355,483,124
Provisions Utilized	(2,720,404,875)	(1,459,112,954)	-	(4,179,517,829)
<b>Balance as at 30th June 2020</b>	<b>1,355,730,659</b>	<b>-</b>	<b>258,676,220</b>	<b>1,614,406,879</b>
Balance as at 1st July 2020	1,355,730,659	-	258,676,220	1,614,406,879
Additional Provisions	-	-	-	-
Provisions Utilized	(1,355,730,659)	-	-	(1,355,730,659)
<b>Balance as at 30th June 2021</b>	<b>-</b>	<b>-</b>	<b>258,676,220</b>	<b>258,676,220</b>

<b>18.34 Borrowings</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at the Beginning of the Period	2,215,045,450	2,343,070,698
External Borrowing During the Year	-	64,248,069
Repayments of External Borrowing During the Period	(186,020,493)	(192,273,317)

**Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

Repayments of Domestic Borrowing During the Period

**Balance at the End of the Period**

-	-
<b>2,029,024,957</b>	<b>2,215,045,450</b>

The analysis of both external and domestic borrowing are as follows:

IDA Loans: KTSSP - Dollar Denominated

1,687,833,292	1,821,362,759
---------------	---------------

IDA Loans: NCTIP - Dollar Denominated

341,191,666	393,682,691
-------------	-------------

<b>2,029,024,957</b>	<b>2,215,045,450</b>
----------------------	----------------------

Short Term Borrowing (Current Portion)

182,324,356	183,731,223
-------------	-------------

Long Term Borrowing (Non-Current Portion)

1,846,700,602	2,031,314,227
---------------	---------------

**Total Borrowings**

<b>2,029,024,957</b>	<b>2,215,045,450</b>
----------------------	----------------------

**Analysis of the Non – Current Borrowing**

IDA Loan NCTIP

288,700,640	341,191,666
-------------	-------------

IDA Loan KTSSP

1,557,999,962	1690,122,562
---------------	--------------

**Total Non-Current borrowings**

<b>1,846,700,602</b>	<b>2,031,314,228</b>
----------------------	----------------------

**18.35. Revaluation Reserve**

**2021**

**2020**

**Kshs**

**Kshs**

Opening Balance

8,324,804,006	8,275,545,265
---------------	---------------

Less: Revalued Assets Adjustments During the Period

(16,121,028)	(6,208,729)
--------------	-------------

Add: Cost Reduction of Revalued Assets

-	55,467,470
---	------------

**Total Revaluation Reserves**

<b>8,308,682,978</b>	<b>8,324,804,006</b>
----------------------	----------------------

**18.36. Govt Grants**

**2021**

**2020**

**Kshs**

**Kshs**

Opening Balance

608,133,333	608,133,333
-------------	-------------

Add: Amount Received During the Year

-	
---	--

Less: Amount Amortised During the Year

(471,333,333)	
---------------	--

**Total Govt Grants**

<b>136,800,000</b>	<b>608,133,333</b>
--------------------	--------------------

The remaining balance of grants relate to the funds for the construction of the Regional Centre for Aviation Medicine.

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

<b>18.37. Accumulated Surplus</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Opening Balance	8,788,109,487	10,689,560,652
Add: (Deficit) Surplus for the period	(3,260,193)	150,636,740
Add: Accumulated Surplus Adjustment	471,333,333	275,309,633
Less: Remittance to National Treasury	(663,380)	(2,327,397,538)
<b>Total Surplus at the End of the Period</b>	<b>9,255,519,247</b>	<b>8,788,109,487</b>

The amortised amount relates to GOK Grants for the purchase of Air Navigation Equipment

<b>18.38. Related Parties Transactions</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(a) Key Management - Salaries and Other Short Term Benefits</b>	<b>82,716,425</b>	<b>65,548,832</b>
<b>(b) Board of Directors Expenses</b>	<b>13,582,587</b>	<b>33,028,490</b>

### **18.39. 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:

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

	<b>Total Amount</b>	<b>Fully Performing</b>	<b>Past Due</b>	<b>Impaired</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at 30 June 2021</b>				
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	-	-
<b>Totals</b>	<b>3,396,021,296</b>	<b>2,837,293,329</b>	<b>558,727,967</b>	<b>-</b>
<b>As at 30 June 2020</b>				
Receivables from Exchange Transactions	983,412,224	537,675,505	445,736,719	-
Receivables from Non-Exchange Transactions	474,168,561	471,981,446	2,187,115	-
Bank Balances	3,315,664,524	3,315,664,524	-	-
<b>Totals</b>	<b>4,773,245,309</b>	<b>4,325,321,475</b>	<b>447,923,834</b>	<b>-</b>

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.

<b>Liquidity Risk Management</b>	<b>Less Than 1 Month</b>	<b>Between 1-3 Months</b>	<b>Over 5 Months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at 30 June 2021</b>				
Trade Payables	169,961,986	409,885,957	225,057,478	804,905,421
Current Portion of Borrowings	-		182,324,356	182,324,356

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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>823,153,797</b>	<b>1,403,001,740</b>
<b>As at 30 June 2020</b>				
Trade Payables	273,313,309	238,454,395	183,895,072	695,662,776
Current Portion of Borrowings			183,731,223	183,731,223
Current Provisions			1,614,406,879	1,614,406,879
Employee Benefit Obligation			265,648,552	265,648,552
<b>Total</b>	<b>273,313,309</b>	<b>238,454,395</b>	<b>2,247,681,725</b>	<b>2,759,449,429</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:

Foreign Currency Risk	Kshs	Other Currencies	Total
At 30 June 2021	Kshs	Kshs	Kshs
<b>Financial Assets</b>			
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>1,280,573,175</b>	<b>2,823,769,398</b>

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

<b>Financial Liabilities</b>			-
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>1,101,035,043</b>	<b>2,018,863,977</b>
<b>At 30 June 2020</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Investments	-	-	-
Cash	21,818,161	1,420,183,637	1,442,001,798
Debtors	240,795,897	169,952,454	410,748,351
<b>Total Financial Assets</b>	<b>262,614,058</b>	<b>1,590,136,091</b>	<b>1,852,750,149</b>
<b>Financial Liabilities</b>			-
Trade and Other Payables	301,371,970	87,411,208	388,783,178
Borrowings	-	-	-
<b>Total Financial Liabilities</b>	<b>301,371,970</b>	<b>87,411,208</b>	<b>388,783,178</b>
<b>Net Foreign Currency Asset (Liability)</b>	<b>563,986,028</b>	<b>1,677,547,299</b>	<b>2,241,533,327</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**

<b>Foreign Currency Sensitivity Analysis</b>	<b>Change in Currency Rate</b>	<b>Effect on Profit before Tax</b>	<b>Effect on Equity</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>2021</b>			
Euro	10%	-	-
USD	10%	29,741,436	1,041,311
<b>2020</b>			
Euro	10%	-	
USD	10%	2,509,425	142,045,343

**b) Interest rate risk**

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.

**Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

**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

<b>Capital Risk Management</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation Reserve	8,308,682,978	8,324,804,006
Retained Earnings	9,255,519,247	8,788,109,487
Capital Reserve	136,800,000	608,133,333
<b>Total Funds</b>	<b>17,701,002,224</b>	<b>17,721,046,826</b>
Total Borrowings	2,029,024,957	2,215,045,450
Less: Cash and Bank Balances	1,772,928,868	3,315,664,524
Net Debt/(Excess Cash and Cash Equivalents)	256,096,090	(1,100,619,075)
<b>Gearing</b>	<b>1%</b>	<b>-6%</b>

**18.40. 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**

41 (a) National Government	<b>Kshs</b>	<b>Kshs</b>
IDA Loans Facilitations- KTSSP Project	-	64,248,069
(b) Key Management - Salaries and Other Short Term Benefits	82,716,425	65,548,832
(c) Board of Directors Expenses	12,582,807	32,779,937

## **18.41. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

### **(a) A Summary of the Contingent Assets is 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 8<sup>th</sup> 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 14<sup>th</sup> 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 favor 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 30<sup>th</sup> 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 22<sup>nd</sup> September 2021.

#### **(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.

*Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021*

**18.42 CAPITAL COMMITMENTS**

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised for	-	-
Authorised and contracted for	489,281,756	822,939,479
<b>Total</b>	<b>489,281,756</b>	<b>822,939,479</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. During the 2020-21 financial year, the Authority remitted Kshs. 1,356,394,038.

**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: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>1</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>				
1.1	<b>Land and Buildings</b> - 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 systematically being addressed. Update on progress to be given during the 2021/22 reporting.
1.2	<b>Properties Allocated to Third Parties</b> - 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 systematically being addressed. Updates to be given during the 2021/22 reporting.

**Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

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)
2	<b>UNSUPPORTED REVENUE</b>				
	<p>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.</p>	<p>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</p>	<p>Director General</p>	<p>Not Resolved</p>	<p>Continuously being followed up. Update to be given during the 2021/22 reporting</p>

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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>3</b>	<b>DEBT OWED BY THE NATIONAL CARRIER</b>				
	<p>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.</p>	<p>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.</p>	<p>Director General</p>	<p>Not Resolved</p>	<p>Progress updates to be shared in the 2021/22 reports</p>
<b>4</b>	<b>UNRESOLVED PRIOR YEAR MATTERS</b>				
	<p>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 &amp; Planning Circular reference No.</p>		<p>Director General</p>	<p>Not Resolved</p>	<p>The Authority has requested the OAG to share information on areas of non-compliance with the standards and the circular</p>

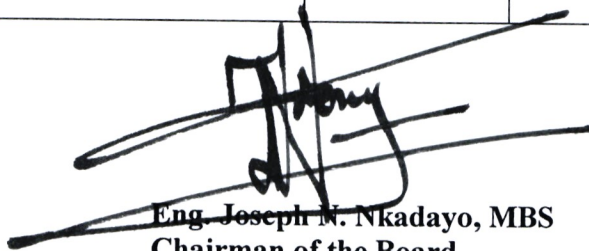
**Kenya Civil Aviation Authority  
Reports and Financial Statements  
For the year ended June 30, 2021**

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)
	AG.4/16/3 Vol.1(9) dated 24 <sup>th</sup> June 2020				since this matter was not raised during the audit of the 2019/20 financial statement and the period before.



**Capt. Gilbert M. Kibe  
Director General**

Date.....22/04/2022.....



**Eng. Joseph N. Nkadayo, MBS  
Chairman of the Board**

Date.....22/04/2022.....

**Kenya Civil Aviation Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

**APPENDIX II: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date Received As Per Bank Statement	Nature: Recurrent/Development/Others	Total Amount Kshs	Statement of Financial Performance Kshs		Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year Kshs
Kenya Airports Authority		Recurrent	16,711,978.10	16,711,978.10						16,711,978.10
Kenya Airports Authority		Recurrent	47,932,591.60	47,932,591.60						47,932,591.60
Kenya Airports Authority		Recurrent	104,528,981.32	104,528,981.32						104,528,981.32
Kenya Airports Authority		Recurrent	483,682,898.50	483,682,898.50						483,682,898.50
Kenya Airports Authority		Recurrent	122,431,695.60	122,431,695.60						122,431,695.60
Kenya Airports Authority		Recurrent	136,153,329.62	136,153,329.62						136,153,329.62
<b>Total</b>			<b>911,441,474.74</b>	<b>911,441,474.74</b>						<b>911,441,474.74</b>

