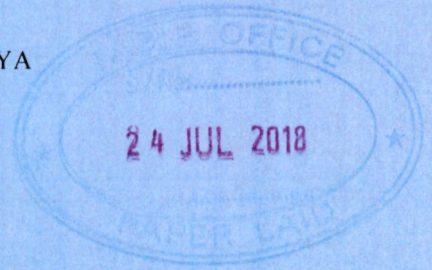


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

*Paper Laid on the
Table of the House
by the Leader of the
Majority Party on
Tuesday 24th July
2018*

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

(Afternoon)

ON

**THE FINANCIAL STATEMENTS OF
KENYA CIVIL AVIATION
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2017**





KENYA CIVIL AVIATION AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

INTRODUCTION

Kenya Civil Aviation Authority was formed on 24th October 2002 following the enactment of The Civil Aviation (Amendment) Act, 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 The Civil Aviation Act (Cap 394) and the Civil Aviation (Amendment) Act, 2002 have now both been superseded by The Civil Aviation Act, 2013, as amended by the Civil Aviation (Amendment) Act 2016.

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

VISION

To be a model of excellence in civil aviation.

MISSION

To develop, regulate and manage a safe, efficient and effective civil aviation system in Kenya.

CORE VALUES

Commitment to Safety and Security: We endeavour to maintain a safe and secure environment in all areas of our operations and entire civil aviation industry within our jurisdiction

Customer Focus: We undertake to embrace, meet, delight and exceed our customers' expectations through passionate pursuit of service excellence. We shall invest on our people and systems, to continuously enhance quality service provision to our customers as a priority.

Commitment to Fairness and Equity: We commit to be fair and promote equity in all our activities. We enforce our corporate Non-discrimination policy at an arm's length.

We shall promote the Government's efforts to avert corruption in the country by ensuring zero tolerant to corruption. KCAA will strive to be a just, accountable and performance driven Authority.

Commitment to Staff: We undertake to continuously invest in our human capital to enhance professionalism and integrity.

Creativity and Innovativeness: We recognize and encourage initiative, creativity and innovation aimed at adding value to our operations and supply chain command.

Respect for Diversity: We recognize and appreciate differences in gender, race, disability, region, age and generation. The differences complement and bind us together as one family, KCAA.

(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. These functions are:

- (a) Licensing of air services;
- (b) Provision of the air navigation services;
- (c) Establishment and maintenance of a system of aircraft registration and the marking of civil aircraft;
- (d) Securing sound development of the civil aviation industry in Kenya;
- (e) Advising the Government on matters concerning civil aviation;
- (f) Co-ordination and direction of search and rescue services;
- (g) Facilitation and provision of all the necessary support for aircraft accident and incident investigations conducted by the investigator-in-charge;
- (h) Carrying out investigations on incidents that are not classified as accidents and serious incidents;
- (i) Safety, security, economic and technical regulation of civil aviation;
- (j) Dealing with incidents of unlawful interference with aviation security;
- (k) Establishment, co-ordination and maintenance of State Safety Security programmes;
- (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 and certifications of aerodromes, regulated agents and air navigation service providers;
- (y) Performing economic oversight of air services, protecting consumer rights, environment and ensuring fair trading practices;
- (z) Giving effect to the Chicago Convention and other international agreements relating to civil aviation to which Kenya is party to.

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 other international conventions and protocols relating to civil aviation, to which the Republic of Kenya is a party. 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 in general.

The Act also stipulates that KCAA should coordinate with other Government agencies such as the Kenya Airports Authority, Kenya Ports Authority, Kenya Defence Forces and the Police Service in the discharge of its responsibility for aviation safety and security.

(c) Key Management

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

- Principal Secretary for Transport;
- KCAA Board of Directors;
- The Director General and the KCAA Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Capt. Gilbert M. Kibe
2.	Director Corporate Services	Mr. Joseph K. Chebungei
3.	Ag. Corporation Secretary	Mr. Cyril Wayongo
4.	Ag. Director Air Navigation Services	Eng. Shadrack Wesechere
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 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 Accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliation. 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 process on behalf of the Board all matters relating to audit, audit queries and audit Management Letters from the Kenya National Audit Office (KENAO) or duly appointed external auditors. It also considers matters of quality assurance of systems and processes in the Authority's operations and reviewing the risk management framework implementation reports as well as the periodic performance contracting reports.

Public Investments Committee

This is a Parliamentary Committee that consists of a 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 and Main Stations

Head Office

Aviation House
Jomo Kenyatta International Airport
P. O. Box 30163, 00100 GPO
Nairobi, Kenya
Tel: (020) 827470-5
Fax: (020) 822300
E-mail: info@kcaa.or.ke
Website: www.kcaa.or.ke

Jomo Kenyatta International Airport

P. O. Box 19031
Nairobi, Kenya
Tel: (020) 827100 Fax: (020) 827102
E-mail: jomo@kcaa.or.ke

Moi International Airport

P. O. Box 93939
Mombasa, Kenya
Tel: (041) 3433008 Fax: (041) 3432069
Email: mombasa@kcaa.or.ke

Wilson Airport

P. O. Box 30163
Nairobi, Kenya
Tel: (020) 606246 Fax: (020) 604692
E-mail: Wilson@kcaa.or.ke

Malindi Airport

P.O. Box 18
Malindi, Kenya
Tel: (042) 30463 Fax: (042) 30428
E-mail: malindi@kcaa.or.ke

Kisumu Airport

P. O. Box 431
Kisumu, Kenya
Tel: (057) 2024499 Fax: (057) 2021035
E-mail: Kisumu@kcaa.or.ke

Eldoret Airport

P. O. Box 3036
Eldoret, Kenya
Tel: (053) 2062966 Fax: (053) 2062965
E-mail: eldoret@kcaa.or.ke

East African School of Aviation

P. O. Box 30689
Nairobi, Kenya
Tel: (020) 823602-7
Fax: (020) 823699
Website: www.easa.ac.ke
E-mail: info@easa.ac.ke

Lokichoggio Airport

Tel: (054) 32292
Lokichoggio, Kenya
E-mail: loki@kcaa.or.ke

(g) 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



(h) Independent Auditors



Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P. O. Box 30084 - 00100
Nairobi, Kenya


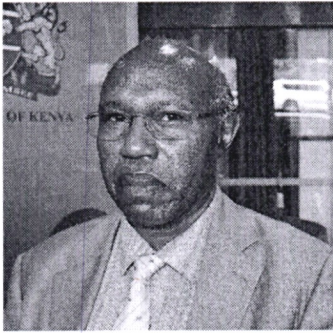
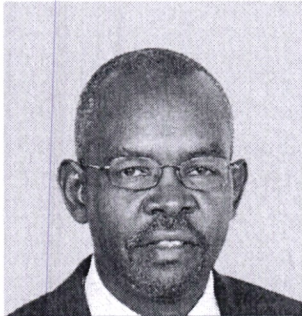
(i) Principal Legal Advisor


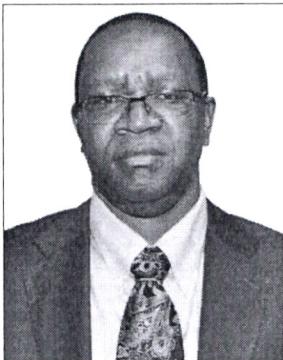
The Attorney General
State Law Office
Harambee Avenue
P. O. Box 40112 - 00200
Nairobi, Kenya

II. 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 – 22/06/17 to date)</p>	<p>Date of Birth: 1956</p> <p>Key Qualifications: Msc. Highway Engineering, Bsc (Civil Engineering), Registered/Licensed Consulting Engineer (EBK), MIEK</p> <p>Work Experience: Over 30 years experience in Public and Private Sector in Development, Design, Procurement, Implementation, Maintenance and Management of Projects; Staff Recruitment, Placement, Training, Performance Based – Contracting and Job Evaluation.</p> <p>Director General / Chief Executive Officer (CEO) of Kenya Urban Roads Authority (KURA) from 1st December 2008 to 30th November 2014. Secretary to Board of Directors (KURA). Managing Director (Sunton Ltd), MD & Senior Partner (Sungate Ltd), Senior Principal Superintending Engineer-Planning (Ministry of Roads and Public Works), Principal Superintending Engineer-Planning, Principal Superintending Engineer-Planning & 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>Ms. Lucy Wanjiru Karume (Board Member)</p>	<p>Date of Birth: 2nd August, 1958</p> <p>Key Qualifications: BA (Travel and Transportation); MBA (Hospitality and Business Management)</p> <p>Work Experience: Sales and Marketing Executive (Bunson Travel Limited); Operations Manager (Cianda Flowers); Owner (Pies and Buns Restaurant); General Manager (Indian Ocean Beach Club); Business Development Director (Jacaranda Group of Hotels).</p> <p>She is an independent member of the Board and Chairs the Audit, Risk and Governance Committee.</p>

<p>3.</p>	 <p>Mr. Chris Chirchir Arap Kuto (Board Member)</p>	<p>Date of Birth: 24th March, 1952</p> <p>Key Qualifications: MSc. (Air Transport Management); Licensed Aircraft Maintenance Engineer (ICAO Type II Airframes & Power Plants); Diploma in Aeronautical Engineering</p> <p>Work Experience: 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).</p> <p>He is an independent member of the Board and Chairs the Finance Committee.</p>
<p>4.</p>	 <p>Major Gen.(Rtd) Charles M. Mwanzia (OGW,EBS, CBS) (Board Member)</p>	<p>Date of Birth: 3rd Feb 1954</p> <p>Key Qualification: PhD (continuing), Doctorate in Military Science(USA), MA International Relations (USIU), BA(Hons) International Relations(USIU), Air Traffic Controller (Aerodrome, Approach & Radar), Diploma Associated Engineer, Diploma in Intelligence Management, Certificate in Strategic Studies, Certificate in Defense Instructional Techniques.</p> <p>Work Experience: 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.</p> <p>He is an independent member of the Board and Chairs the Licensing of Air Services & Technical Committee.</p>
<p>5.</p>	 <p>Capt. Kiki Christopher Onyonka</p>	<p>Date of Birth: 1st February, 1975</p> <p>Key Qualifications: ATPL Diploma in Aviation</p> <p>Work Experience: Captain, Boeing 737-700/800-Kenya Airways, Captain, Embraer 170/190-Kenya Airways, Captain, Saab 340B-Kenya Airways, First Officer, Saab 340B-Kenya Airways, First Officer, Beech King Air 200-UNCAS.</p> <p>He is an independent member of the Board.</p>

	(Board Member)	
6.	 Capt. Judy Wanjiku Kiniti (Board Member)	<p>Date of Birth: 1st April, 1971</p> <p>Key Qualifications: OMP (Strathmore 2012), ATPL KCAA (1997), CPL KCAA (1993).</p> <p>Work Experience: 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.</p> <p>She is an independent member of the Board and Chairs the Human Capital and Strategic Communication Committee.</p>
7.	 Prof. Paul Mwangi Maringa, PhD, CBS, Corp. Arch, Maak, MkiP (Board Member)	<p>Date of Birth: 1959</p> <p>Key Qualifications: 1999-2005: Jomo Kenyatta University of Agriculture and Technology (Doctor of Philosophy- Environmental Planning); 1989-1991: University of Nairobi (Masters of Arts in Planning – Urban &Regional planning); 1979-1986 University of Nairobi (Bachelor of Architecture Degree)</p> <p>Work Experience: Principal Secretary, State Department of Transport (Ministry of Transport, Infrastructure Housing and Urban Development); Principal Secretary, State Department of Public Works; Senior Expert, Planning and Project Management, TVET; Technical Expert & Master Trainer in Building Construction, TVET; Infrastructural Planning & development Expert, TVET; Acting Rector (Vice Chancellor Academics), KIST; Associate Professor of Architecture & Planning, KIST; Head of Department, JKUAT.</p>
8.	 Dr. Kamau Thugge, PhD (Board Member)	<p>Date of Birth: 1st August, 1957</p> <p>Key Qualifications: BA (Economics); MA (Economics); PhD (Economics)</p> <p>Work Experience: Economist, Senior Economist, Deputy Division Chief (International Monetary Fund); Head of Fiscal and Monetary Affairs Department, Economic Secretary, Head of Economic Affairs Department (Treasury); Senior Economic Advisor (Ministry of Finance); Principal Secretary (The National Treasury)</p>

<p>9.</p>	 <p>Mrs. Fatuma Hirsi Mohamed (Board Member)</p>	<p>Key Qualifications: Doctor of Philosophy (PhD) - Communications Studies, Strathmore Business School, MBA, Management Strategy & Marketing Focus, Kenyatta University, Post graduate Diploma in Public Relations, University of Nairobi, BA (Hons), Languages, Bachelor's degree, Islamic Studies, Islamic Online University,</p> <p>Work Experience: Principal Secretary, Ministry of Tourism with broad experience in international and public relations, marketing, branding, strategic communications, and reputation management. Direct experience with the United Nations in development and cooperation programmes. Director, National Aids Control Unit (NASCOP). Previously worked in the postal services, banking, media (electronic and print) and telecommunications (fixed and mobile telephony).</p>
<p>10</p>	 <p>Dr. (Eng.) Karanja Kibicho, CBS (Board Member)</p>	<p>Date of Birth: 29th July, 1967</p> <p>Key Qualifications: Doctorate in Mechanical Engineering from the University of Cape Town, South Africa, Master of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering.</p> <p>Work Experience: Principal Secretary State Department of Interior in the Ministry of Interior and Coordination of the National Government. Before current appointment, he served as the Principal Secretary in the Ministry of Industrialization. He also served Principal Secretary, Ministry of Foreign Affairs.</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>
<p>11.</p>		<p>Date of Birth: 13th January, 1963</p> <p>Key Qualifications: MBA (Aviation Option) Moi University, KCAA CPL (Flight Instructor Rating, Instrument Rating, Multi-Engine Piston & Twin Turbine Rating), American FAA CPL (Single & Multi-Engine and Instrument Rating)</p> <p>Work Experience: 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 Marketing Air Ltd Uganda (1994-2015);</p>

	Capt. Gilbert Macharia M. Kibe (Director General)	Board Chairman & Director Marketing & Sales- Eagle Air Uganda Ltd (1986-1997)
12.	 <p>Mr. Cyril Wayong'o (Ag. Corporation Secretary)</p>	<p>Date of Birth: 9th February 1975</p> <p>Key Qualification: MBA (African Nazarene University), Diploma in Aviation Law (International Air Transport Association), Postgraduate Diploma in Law (Kenya School of Law), Undergraduate Bachelors of Laws (Moi University).</p> <p>Work Experience: Ag. Corporation Secretary (KCAA), Manager Legal Services (KCAA), Chief Legal Officer (KCAA).</p>

The following also served as Board members during the financial year:

- i. Hon. Samuel Losuron Poghio, EGH: Served as Chairman, KCAA Board of Directors (1st July 2016 to 10th June 2017)
- ii. Mr. Peter Munywoki Mutie: Served as a KCAA Board of Directors member (1st July 2016 to 30th September 2016).
- iii. Mr. Yuvinalis M. Angima: Served as Corporation Secretary (1st July 2016 to 31st December 2016)

THE BOARD COMMITTEES

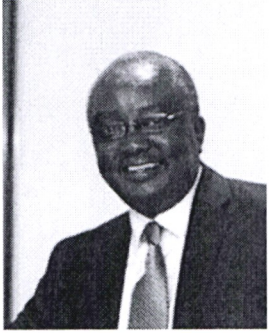


The Board Committees as at the date of this report comprise:

Licensing of Air Services and Technical Committee	Finance Committee	Audit, Risk and Governance Committee	Human Capital and Strategic Communication Committee
Composition	Composition	Composition	Composition
6 Directors including Director General	6 Directors including the Director General	5 Directors	6 Directors including Director General
Main Functions	Main Functions	Main Functions	Main Functions
<ul style="list-style-type: none"> - 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. - 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 	<ul style="list-style-type: none"> - 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 Accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliations; and - Ensuring compliance with the financial reporting requirements and the proper keeping of all the financial records of the Authority. 	<ul style="list-style-type: none"> - Considering and processing on behalf of the Board all matters relating to audit, audit queries and audit Management letters from the Kenya National Audit Office 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. 	<ul style="list-style-type: none"> - Monitor 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; - Considering on behalf of the Board all matters relating to the East African School of Aviation, and

*Kenya Civil Aviation Authority
Reports and Financial Statements
For the year ended June 30, 2017*

licensing of aviation personnel and all matters incidental to the functions of KCAA including examinations conducted by KCAA.			- Providing guidance on the public relations function of KCAA
Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum
Quarterly or on need basis	Quarterly or on need basis	Quarterly or on need basis	Quarterly or on need basis
Chairperson	Chairperson	Chairperson	Chairperson
Maj. General (Rtd) Charles Mwanzia (OGW,EBS, CBS)	Mr. Chris Kuto	Ms. Lucy W. Karume	Capt. Judy Kiniti
Members	Members	Members	Members
<ol style="list-style-type: none"> 1. Prof. Paul Mwangi Maringa (or Alternate Director Mr. Benjamin Enyenze) 2. Dr. (Eng.) Karanja Kibicho, CBS (or Alternate Director Mr. Peter Thuku) 3. Mrs. Fatuma Hirsi Mohamed (or Alternate Director Mrs. Jacinta Nzioka - Mbithi) 4. Capt. Kiki Christopher Onyonka 5. Capt. Gilbert M. Kibe 	<ol style="list-style-type: none"> 1. Prof. Paul Mwangi Maringa (or Alternate Director Mr. Benjamin Enyenze) 2. Dr. Kamau Thugge (or Alternate Director Mr. Samuel Macharia) 3. Capt. Judy Kiniti 4. Capt. Kiki Christopher Onyonka 5. Capt. Gilbert M. Kibe 	<ol style="list-style-type: none"> 1. Prof. Paul Mwangi Maringa (or Alternate Director Mr. Benjamin Enyenze) 2. Dr. Kamau Thugge (or Alternate Director Mr. Samuel Macharia) 3. Dr. (Eng.) Karanja Kibicho, CBS (or Alternate Director Mr. Peter Thuku) 4. Maj. General (Rtd) Charles Mwanzia 	<ol style="list-style-type: none"> 1. Prof. Paul Mwangi Maringa (or Alternate Director Mr. Benjamin Enyenze) 2. Mrs. Fatuma Hirsi Mohamed (or Alternate Director Mrs. Jacinta Nzioka - Mbithi) 3. Ms Lucy W. Karume 4. Mr. Chris Kuto 5. Capt. Gilbert M. Kibe

III. MANAGEMENT TEAM

	Name	Key Qualifications, Work Experience and Main Area of Responsibility
1.	 <p>Capt. Gilbert Macharia M. Kibe (Director General)</p>	<p>Key Qualifications: MBA (Aviation Option) Moi University, KCAA CPL (Flight Instructor Rating, Instrument Rating, Multi-Engine Piston & Twin Turbine Rating), American FAA CPL (Single & Multi-Engine and Instrument Rating).</p> <p>Work Experience: 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 Marketing Air Ltd Uganda (1994-2015); Board Chairman & Director Marketing & Sales- Eagle Air Uganda Ltd (1986-1997)</p> <p>Main Area of Responsibility: 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. Cyril Wayong'o (Ag. Corporation Secretary)</p>	<p>Key Qualification: MBA (African Nazarene University), Diploma in Aviation Law (International Air Transport Association), Postgraduate Diploma in Law (Kenya School of Law), Bachelors of Laws (Moi University).</p> <p>Work Experience: Ag. Corporation Secretary (KCAA), Manager Legal Services (KCAA), Chief Legal Officer (KCAA).</p> <p>Main Area of Responsibility: Guiding the Authority on Legal matters, board secretariat services, Preparation of Contracts and Review of externally prepared documents and contracts, handling Authority's litigation matters in liaison with external advocates.</p>
3.	 <p>Mr. Joseph C. Kiptoo (Director Corporate Services)</p>	<p>Key Qualification: Bachelor of Arts (Econ) from the University of Nairobi and an MBA from Moi University, CPA-K holder and is a member of ICPAK.</p> <p>Work Experience: Director Corporate Services KCAA (April 2012-April 2014), Ag Director General KCAA (May 2014-June 2015), Director Corporate Services KCAA (July 2015-to date), Director Finance & Administration KEMSA (Feb 2011-March 2012), Manager Finance KCAA Nov 2008-Jan 2012), Manager Treasury Management Posta Kenya, Senior Accountant Posta Kenya ;Economist with Kenya Post & Telecommunication Corporation.</p> <p>Main Area of Responsibility: 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)</p>	<p>Key Qualification: MBA (Aviation) - Moi University and a ATPL from KCAA.</p> <p>Work Experience: Director Aviation Safety Security and Regulation (KCAA), Flight Operations Inspector (KCAA), First Officer to Captain (Kenya Airways) having flown a number of aircraft types like Fokker 50, Boeing 737, Boeing 767, Airbus 310 and CRJ 100/200 series.</p> <p>Main Area of Responsibility: Management and Coordination of the regulatory function of the Authority.</p>
<p>5.</p>	 <p>Eng. Shadrack Wesechere (Ag. Director Air Navigation Services)</p>	<p>Key Qualification: MBA (Aviation Option) and Bsc. (Electrical Engineering). Registered Professional Electrical Engineer with the Engineers Board of Kenya and Corporate Member of the Institution of Engineers of Kenya.</p> <p>Work Experience: Ag. Director Air Navigation Services, Manager Engineering Services (KCAA). Served in various capacities in KCAA since 1985.</p> <p>Main Area of Responsibility: 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>Key Qualifications: PhD (Strategic Management), MBA (Strategic Management) and Bcom. (UON), a full member of Marketing society of Kenya (MSK) and Kenya Institute of Management (KIM).</p> <p>Work Experience: Director - East African School of Aviation (Oct. 2014 to date), Lecturer and Programmes Coordinator - Moi University, Financial Accountant - Afrofreight Forwarders Kenya Ltd and Auditor Senior - PKF.</p> <p>Main Area of Responsibility: Management and Coordination of the Training Mandate of the Authority (EASA).</p>

IV. CHAIRMAN'S STATEMENT

I am pleased to present the Kenya Civil Aviation Authority's Annual Report and Financial Statements for the Financial Year 2016-2017. The Authority worked together with the Government to ensure growth of the aviation industry during the year.

As a signatory to the Convention on Civil Aviation, which established the International Civil Aviation Organisation (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. To ensure compliance with the standards, Kenya enacted the Civil Aviation (Amendment) Act 2016 and the supporting regulations. The Authority is expected to continuously work towards the improvement of the levels of aviation safety and security in the country.

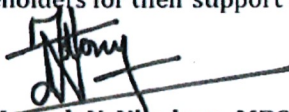
During the Financial Year 2016-2017, the Authority's Board of Directors successfully implemented the twelfth performance contract and made tremendous progress towards implementation of the targets for the final year of the 2012/13-2016/17 strategic Plan. These objectives are mainly geared towards improvement of safety and aviation security through a better regulatory oversight framework. The primary law was amended during the year to provide for effective oversight of the aviation industry. The Authority made tremendous improvement in implementing the Corrective Action Plan agreed with the International Civil Aviation Organisation (ICAO) in order to close outstanding issues and improve the level of compliance with international civil aviation requirements. The Authority also worked together with the Federal Aviation Administration (FAA) of USA to implement the Corrective Action Plan agreed resulting to the granting of the Federal Aviation Administration (FAA) International Aviation Safety Assessment (IASA) Category I status in February 2017 after a vigorous process that took six years.

To deliver on the KCAA Mandate, the Board approved a new strategic Plan for 2017/18-2021/22 in line with the country's Vision 2030. The Plan outlines the priorities that will be pursued during the Plan period including the initiation of flights between Kenya and the USA. The Authority started undertaking the projects in the Short Term Phase in the Airspace Master Plan for the period 2016-2030. The Master Plan which incorporates the requirements of the ICAO Global Air Navigation Plan takes into consideration the requirements of the Kenya Airspace and will guide the acquisition of new technologies for Communication, Navigation and Surveillance systems as well as Air Traffic Management over the next 15 years.

During the Financial Year 2016-17, the East African School of Aviation (EASA) continued with its modernisation programme towards maintenance of the Centre of Excellence status in aviation training. In doing this, EASA aims at providing quality training that meets the demand of an evolving aviation industry both locally and in the region.

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 levels that meet and exceed the expectations of customers. 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 and staff for their hard work, dedication and commitment which enabled us to achieve favourable performance. 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

V. REPORT OF THE DIRECTOR GENERAL

Aviation is a critical catalyst for global and national development. Air transport in Kenya has continued to grow and to contribute more to job creation and increased trade with other countries. During the year, passenger numbers and aircraft traffic increased compared to the previous year. However, freight traffic continued to decline for the third year in a row. Despite 2017/18 being an election year, the industry is expected to remain resilient and remain vibrant through-out. The Authority will continue to support the aviation sector in order to ensure that stakeholders make the right choices to sustain their business.

The implementation of the 2012/13 - 2016/17 Strategic Plan continued during the year with focus being on the activities of the final year of the Plan. Using the Performance Contract (PC) concept that commits staff to implement their work plans in a signed PC, activities in the Strategic Plan were incorporated in the PCs for the year and implemented. Performance contract for Financial Year 2016-17 was successfully implemented and the final performance report submitted to the Government. The results for the past three years have been satisfactory with the Authority achieving an overall rating of good during the last two years.

Implementation of the Performance Contract for the financial 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. Overall results showed that the Authority continues to improve in its performance and delivery of service to its customers.

During the financial year, the country was granted Federal Aviation Administration (FAA) International Aviation Safety Assessment (IASA) Category I status after considerable amount of time and energy was spent in ensuring that all outstanding issues identified in earlier audits were closed. The Authority also continued to implement activities towards improving the level of compliance with international civil aviation requirements in preparation of the ICAO Safety Audit on Kenya scheduled for November 2017.

The action plans implemented during the year include improving the legal framework by amending the Civil Aviation Act 2013 as well as regulations and guidance materials required for the effective oversight of the industry. KCAA has developed policies, regulations and guidance materials to bring clarity, certainty, transparency and consistency in the aviation industry. In addition, more inspectors were recruited to provide technical oversight capacity. KCAA recognises the need to have a regulatory system that the industry has trust in as it helps win co-operation and voluntary compliance.

In order to improve the oversight capacity, the Authority recruited and trained more flight safety inspectors. At the same time effort to improve technical capacity continued during the year by recruiting more safety inspectors and conducting trainings for the inspectors locally and abroad. The Authority expects the industry to achieve full compliance with the regulations. The on-going recertification process which started with the international operators is expected to continue in the coming year in order to ensure that all operators are certificated under the new regulations.

During the year the Authority developed an Airspace Master Plan for 2016-2030 to replace the previous one and started implementing the short term phase of the Plan. The projects completed during the year included; the upgrade of the AIS system, World Geodetic System (WGS) 84 Survey for Isiolo Airport, Wilson Control Tower and the library at EASA. The Master Plan will help KCAA align investments with global requirements for air traffic management and acquire the new generation equipment under the global Aviation Systems Block Upgrade (ASBU) programme. The modernisation programme at EASA was continued and a modern library was completed during the year and the administration block renovated.

The Authority continued to recruit, train and to place staff at the appropriate levels of the organisational structure. The placement process was aimed at ensuring that all required skills were in place in the various Departments.

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 policies and regulations proposed. During the year the Authority conducted consultative meetings with stakeholders on proposed regulations and received valuable feedback which was used to improve the quality of services offered. This opportunity to learn as well sharing experience with others has helped improve the quality and relevance of the service provided. KCAA believes that genuine safety and security can only be achieved with continuous feedback from the industry and learning from others.

The Authority will continue to focus on institutionalizing a culture of accountability, integrity, transparency and promotion of values and principles of the public service in the delivery of services. This is in 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. Also thanks to 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 2017/18 financial year.



Capt. Gilbert M. Kibe
DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

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

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

BOARD OF DIRECTORS AND BOARD MEETINGS

The composition of the Board is set out on pages ix –xiii. The Board has varied and extensive skills in the areas of aviation, business management, governance, hospitality and tourism. The Directors' responsibilities are set out in Civil Aviation Act no. 21 of 2013 and include the policy direction and development of internal financial controls.

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

The Board meets at least once every quarter and has formal schedule of matters reserved for it. During the Financial year 2016-2017, the Board held a total of ten (10) meetings.

The Board has appointed various standing Committees to which it has delegated certain responsibilities with the chairpersons of the Committees reporting to it. The composition of the Standing Committees is set out on page xiv-xv.

APPOINTMENT OF BOARD MEMBERS

Section 13 and 19 of the Civil Aviation Act, no. 21 of 2013 provides for the manner of appointment and termination of the Member of the Board. The Act also provides extensively the functions of the Board. Further, during the financial year 2016/2017 two (2) new members of the Board were appointed inclusive of the Chairman to replace the members whose term had terminated. The term of the previous Chairman terminated after he resigned to seek for elective post while one board member had his term terminated. The remaining (4) non-public members of the Board appointed under section 13 (1) (g) still have their various tenure running. The four (4) representatives of Government Ministries are standing appointments which survive the various tenures. The Tenure of the incumbent Director General is still subsisting.

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

BOARD TRAININGS

The Authority has an induction program and an annual training program. The program has so far achieved trainings for the Board members on Mwongozo guidelines, Civil Aviation management among others. The trainings are undertaken on an ongoing basis with emphasis on new and emerging areas of aviation oversight.

BOARD AND MEMBER PERFORMANCE

There is in place a Board evaluation exercise undertaken annually by the State Corporations Advisory Committee (SCAC) or in some instances an external consultant.

CONFLICT OF INTEREST

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

ETHICS, CONDUCT AND GOVERNANCE AUDIT

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

DIRECTORS EMOLUMENTS

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

The aggregate amount of emoluments paid to Directors for services rendered to the Authority during the Financial Year 2016-2017 are disclosed in note 14 to the financial statements. Non-executive directors are paid a sitting allowance for every meeting attended.

VII MANAGEMENT DISCUSSION AND ANALYSIS

The financial performance of the Authority improved during the year. Revenue earnings increased during the year by Kshs 684,205,812 driven mainly by increased earnings from air navigation services charges as a result of increased aircraft movements and the newly introduced Air Passenger Service Charge. The expenditure during the period decreased by Kshs 926,339,144 less contingent liabilities provisions in the current Financial Year compared to previous Financial Year. Overall the financial results were a net surplus of Kshs 156,180,264, compared to a deficit of Kshs 220,052,382, the previous financial year.

The performance on traffic shows that passenger numbers increased to reach 10.2 million passengers during the Financial Year 2016-17. The increase was contributed to by a growth of 13.2% for domestic passengers and 7.9% for international passengers compared to the previous year. Transit traffic also increased by 1.9% compared to the previous year. Over the last five years domestic passenger traffic increased by 43.70% while international traffic increased by 4.3%. Growth in transit traffic has been slow at 1.4% over the last five years.

Table 1: Passenger and Freight Traffic (000)

Passenger and Freight Traffic Statistics			2012/13	2013/14	2014/15	2015/16	2016/17	% year change
Passengers	Domestic	Arrivals	1,409	1,555	1,770	1,922	2,143	11.50%
		Departures	1,201	1,312	1,492	1,706	1,963	15.06%
		Total	2,611	2,867	3,262	3,628	4,106	13.18%
	International	Arrivals	2,681	2,623	2,700	2,727	2,918	7.00%
		Departures	1,661	1,697	1,580	1,611	1,766	9.62%
		Total	4,342	4,321	4,281	4,338	4,684	7.98%
		Total arrivals	4,091	4,179	4,471	4,649	5,061	8.86%
		Total departures	2,862	3,009	3,072	3,317	3,729	12.42%
		Transit	1,436	1,312	1,345	1,430	1,457	1.89%
		Total	8,390	8,501	8,889	9,396	10,247	9.06%
Total Freight (in kgs)	Domestic	Unloaded	694	837	1,289	2,368	492.1	-79.22%
		Loaded	1,076	2,407	2,473	1,264	708.8	-43.92%
		Total	1,771	32,441	3,762	3,632	1,200.9	-66.94%
	International	Unloaded	63,604	65,313	62,053	47,592	50,351.0	5.80%
		Loaded	210,478	211,919	198,499	203,621	201,781.0	-0.90%
		Total	274,082	277,233	260,552	251,213	252,132.0	0.37%
		Total Unloaded	64,299	66,150	63,342	49,960	50,843.1	1.77%
		Total Loaded	211,554	214,327	200,972	204,885	202,489.8	-1.17%
		Total	275,853	280,477	264,314	254,845	253,333	-0.59%

Source: KCAA-Planning, 2017

Aircraft traffic increased by 9% from 322,504 in 2015-16 to 351,825 in 2016-17. The recovery in aircraft traffic has mainly been driven by improved economic performance in Kenya and increase in flight frequencies among some of the air operators.

The aircraft movements during the last five years are reflected below:

Table 2: Aircraft Movements from 2012/13 to 2016/17

Item	Movement	2012/13	2013/14	2014/15	2015/16	2016/17	
Aircraft Movements	Domestic	Landings	86,605	90,876	86,212	93,668	104,804
		Take-offs	83,880	86,591	85,700	93,919	105,079
		Total	170,485	177,467	171,912	187,587	209,883
	International	Landings	42,838	44,260	44,525	45,628	46,261
		Take-offs	44,607	46,941	45,257	45,046	45,741
		Total	87,445	91,201	89,782	90,674	92,002
		Total Landings	129,443	135,136	130,737	139,296	151,065
		Total Take-offs	128,487	133,532	130,957	138,965	150,820
		Total	257,930	268,668	261,694	278,261	301,885
	Over flights	Total Over flight	35,672	36,419	38,238	44,243	49,940
Overall aircraft Movements		293,602	305,087	299,932	322,504	351,825	
Percentage Change		-4%	4%	-2%	8%	9%	

Source: KCAA-Planning, 2017

The number of aircraft registered in Kenya increased by 3.75% from the previous year. The number of registered aircraft has been growing steadily and currently number of registered aircraft as at June 2017 was 1,440.

Table 3: Aircraft Registered in Kenya from 2010 to June 2017

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/2017
Total Aircraft Registered	1165	1190	1268	1330	1388	1440
% Change	7.08	6.7	2.01	4.89	4.36	3.75%
New Aircraft Registered	84	52	85	81	50	63
De-Registered Aircraft	7	22	7	16	22	16

Source: KCAA-Planning, 2017

During the Financial Year 2016-17, the Authority continued with the implementation of projects aimed at modernising Air Navigation Services (ANS). The projects implemented included; Automated Dependence Surveillance-Broadcast and Multilateration (ADSB/MLAT), Upgrading of the Aeronautical Information System (AIS) and development of Isiolo Airport Aerial Mapping and WGS-84 Survey. Projects that were on going to improve ANS; construction of Wilson Control Tower, procurement of equipment for the Wilson Control tower, Procurement of mobile control tower and construction of the Disaster

Recovery Centre. At the East African School of Aviation a modern library was completed and the design for a modern hostel and conference centre as well as a Student Chapel initiated.

The implementation of the projects together with enhanced maintenance and periodic calibration of equipment, the overall availability of equipment remained 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
Overall Availability of ANS Equipment in %	99.03	98.53	98.815	98.9	98.6	98.3

Source: KCAA-Planning, 2017

In order to serve the re-organised airspace which has two sectors created for approach into Jomo Kenyatta International Airport (JKIA) the Authority designed and implemented Performance Based Navigation (PBN) routes to facilitate aircraft flights at the JKIA. The Authority established more PBN routes into the country in order to benefit from the time and fuel savings associated with the implementation of PBN.

Table 5 below represent the key regulatory statistics in the aviation industry.

Table 5: KCAA Key Regulatory Statistics

Item	Details/Year	2012/13	2013/14	2014/15	2015/16	2016/17
Aviation Personnel Licences	Air Transport Pilot Licence (ATPL)	888	928	975	1062	1116
	Commercial Pilot Licence (CPL)	1244	1394	1517	1563	1607
	Private Pilot Licence (PPL)	969	1070	1276	1255	1316
	Student Pilot Licence (SPL)	2083	2189	2580	2543	2710
	Cabin Crew Member Certificate (CMC)	1631	1814	1906	1942	2090
	Aircraft Maintenance Engineers (AMEL)	582	604	618	694	738
	Total	7,397	7,999	8,872	9,059	9,577
Valid Operational Licences	Aircraft with Valid Certificate of Airworthiness (COA)	658	705	751	763	749
	Air Operator Certificates (AOCs)	78	78	70	70	87
	Approved Maintenance Organisations (AMOs) (Both Local and Foreign)	85	118	122	139	143
	Approved Training Organizations (ATOs)	5	19	19	22	19
	Flight Dispatcher Licence	91	127	177	208	186
	Scheduled Airlines	76	76	77	77	79
	Total	993	1,123	1,216	1,279	1,263
Aerodrome Category	International Class A	8	8	8	8	8
	Domestic (regional) Class B	16	23	23	23	23
	Class C Airstrips	426	430	430	430	440
	Class D Heliports/Helipads	0	6	6	14	20
	Total	450	467	467	475	491
CAA Inspectors and Air Traffic Controllers	Air Traffic Controllers (ATCOs)	172	170	165	159	177
	Airworthiness Inspector	16	18	21	27	24
	Flight Operations	11	11	15	20	21
	Personnel Licensing	8	8	8	9	10
	Communication, Nav. & Surveillance(CNS)	1	1	1	1	1
	AIS/ Map, PANSOPS	1	1	1	1	1
	Air Traffic Management & Search & Rescue (ATM)	2	2	2	2	2
	Aerodromes & Grounds Aids (AGA)	8	7	7	6	6
	Aviation Section	7	7	7	7	7
	Air Transport	8	8	8	8	8
	Total	234	233	235	240	257

Source: KCAA-Planning, 2017

The active licensed air operators in the country have decreased by 18% since 2010 as shown in the following table: The decrease is attributed to non-renewal of licences, insecurity in the coastal region (ie Mombasa & Lamu) have affected the inclusive tour charter services and the financial crisis in Europe have reduced the tourist numbers who require there services.

Table 6: Licensed Air Operators in Kenya

No	Services	2010*	2011	2012	2013	2014	June 2015	June 2016	All active license as at June 2017	% Growth
1	Domestic scheduled	30	32	32	38	33	34	38	28	-7%
2	Non scheduled	119	122	148	173	150	149	161	94	-21%
3	International scheduled	16	19	16	21	21	24	26	14	-13%
4	International non scheduled	54	51	22	23	22	21	20	15	-72%
5	Inclusive tour charters	18	17	24	30	22	22	21	1	-94%
6	Aerial work	0	0	35	38	36	39	39	28	100%
7	Flying instructions	0	0	18	28	29	28	30	14	100%
	Total	237	241	295	351	313	317	335	194	-18%

*The base year is 2010. Source: KCAA-Air transport, 2017

The East African School of Aviation (EASA) continued with its endeavour to become a centre of excellence for aviation studies in the region. Improvements in infrastructure and training equipment were pursued and EASA completed the construction of a modern library. During the year, EASA conducted flight safety courses for safety inspectors in collaboration with ICAO, Singapore Aviation Academy and the Incheon Aviation Academy of South Korea.

The number of students at the East African School of Aviation has continued to grow as shown below:

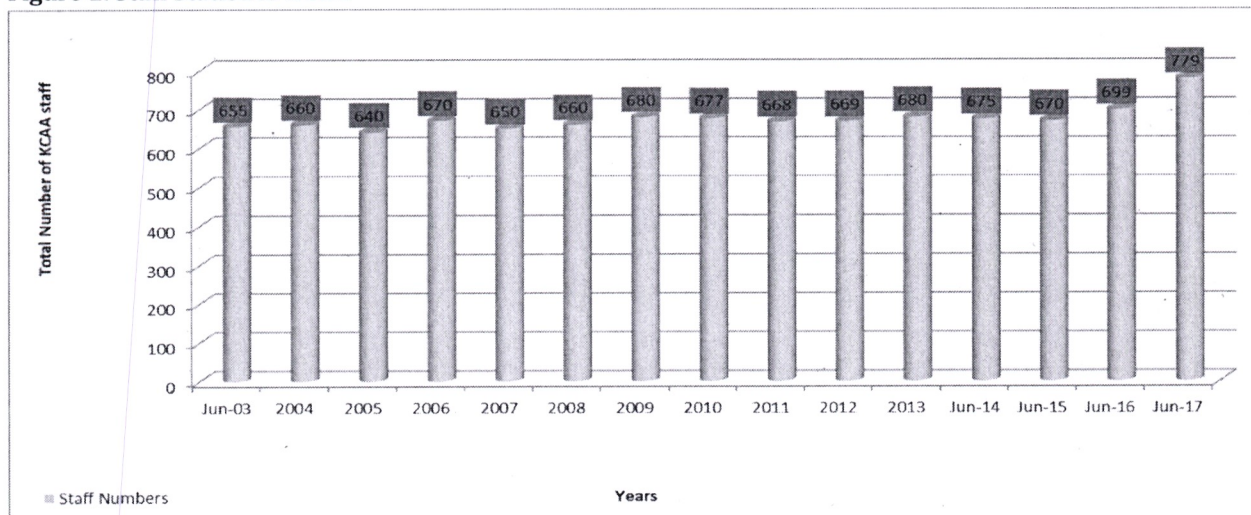
Table 7: East African School of Aviation Student Population

No	Course/ Students	2011/ 12	2012/13	2013/14	2014/15	2015/16	2016/17
1	Engineering	230	192	329	210	244	280
2	Business Programmes (BBM and MBA)	58	72	136	71	253	218
3	Aviation Security	261	183	312	377	93	194
4	Air Traffic Control	163	164	341	141	267	362
5	Aviation Safety	130	109	157	215	347	238
6	IATA	120	98	130	94	96	93
7	Communications/OPS	11	0	41	31	20	85
8	CDU	0	0	56	39	79	87
9	AIS	12	182	103	52	50	84
	Total Students	985	1000	1605	1230	1449	1641

Source: KCAA-Planning, 2017

The number of Staff as at 30th June 2017 is as shown below:

Figure 1: Staff Statistics trend



Source: KCAA-Planning, 2017

Staff numbers have continued to grow mainly due to requirements of more staff within the regulatory directorate and at the East African School of Aviation (EASA). The numbers increased by 80 during the year.

The Authority has been committed to ensuring that it fully complies with various statutory requirements. Financial statutory deductions were effected and submitted to the Government agencies including Kenya Revenue Authority, Higher Education Loans Board, NSSF and NHIF within the timelines required. Compliance was also achieved in terms of reporting and submission of reports on the Budget, quarterly financial reports, annual accounts and procurement plan to the relevant Government agencies including; Ethics and Anti-Corruption Commission (EACC), Public Procurement Oversight Authority and the National Treasury.

In order to ensure that the Authority effectively addresses the major risks facing the organisation, a comprehensive Institutional Risk Management Framework (IRMF) was developed three years ago and is reviewed every two years. The last latest review was done during the 2015/16 financial year and the next review is expected in 2017/18 financial year. The risk framework identifies major risks as those related to pending financial obligations which are in court or in dispute, operational risks related to provision of air navigation services and regulatory risks related to licenses, approvals and certifications. To mitigate these risks, the Authority has developed measures which are continuously being implemented and reviewed to ensure that any adverse effects are minimised or eliminated. These measures are implemented at the Departmental level and reported on quarterly basis to the Executive Management Committee on the IRMF which is chaired by the Director General. The Executive Committee reports to the Audit, Risk and Governance Committee of the Board also on quarterly basis, specifically on the progress made in managing the Authority's risks.

VIII CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KCAA recognizes that aviation, like other sectors of our economy, is accountable to its stakeholders, the society and the (our) environment in achieving a sustainable civil aviation system in Kenya. As an Authority, we acknowledge our responsibility to the environment and the (to our) local communities in which we operate in/co-exist. We aim to embrace responsibility for corporate actions and to encourage a positive impact on the environment and the stakeholders including but not limited to our customers, employees, investors and existing communities. The Authority actively encourages our staff to recognise those responsibilities and behave in a responsible manner towards the society in which we carry out our function. We regard the setting of good examples as an important practice in this regard. Below are some examples of how the Authority and our staff have shown commitment to practice responsible corporate behaviour and to establish and support initiatives that support corporate social responsibility.

Environment

The Authority believes that, by nature, our operations have a minimal impact on the environment. However, we acknowledge that there are inevitable environmental impacts associated with our daily operations and those of the aviation industry, in general. We aim to minimize any harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, we strongly encourage the internationally established 3 Rs: Reduce, Re-use and Recycle.

- In the course of our operations we seek to identify opportunities to optimise consumption of energy, water and other natural resources;
- As we carry out our work, we seek to contribute to a cleaner and quieter aviation industry and to improve airspace design through new operational measures that minimise the negative impact on society;
- We strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing negative impact of waste on the environment;
- We actively encourage our staff to plant trees in our various Stations with a view to conserving the environment.
- In the just concluded year, we actively participated in ICAO Work Groups and projects aimed at reducing environmental degradation.

Employees

Our success as an Authority is largely dependent on our human capital (people).

- We seek to recruit, retain, reward and develop the best talent in the Authority.
- We recognise the need to inculcate among our employees the culture of being sensitive to matters of safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with.
- We train employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity.
- Further, we continually seek to improve the welfare and skills of our employees through structured programs for personal and professional development.
- We actively seek to ensure gender parity and where possible recruit persons with disability and from the minority groups of our society.

Health and Safety

The Authority aims to ensure a safe and healthy working environment for all its employees and customers. The Authority aims to comply with all relevant legislation or regulations and best practice guidelines recommended by the national health and safety authorities/arms of government.

The Authority also liaises with staff regarding existing policies and practices to ensure we continue to maintain a healthy, safe and enjoyable work environment. Since the Authority moved to its new complex, we now afford enhanced work environment and excellent customer experience.

Others

The Authority in consideration of its corporate social responsibilities, carried out other CSR activities during the year. These included but not limited to:

- a) The Lokichoggio Drought Response through provision of food assistance to Mogila and Nanam locations
- b) Bronze sponsorship to Aviation Stakeholders in Kigali Rwanda during Aviation convention
- c) Sponsorship of Air Traffic Controllers team building retreat in May 2017.
- d) Sponsorship of Nairobi Golf tournament at Karen intended to assist needy children with congenital heart conditions
- e) Participation at Standard Chartered Marathon Nairobi intended among other objectives to equip hospitals and refurbishment of eye care health facilities
- f) Sponsorship of Kalya Marathon in West Pokot intended to raise awareness on Female Genital Mutilation vice and also to deter early marriages among the Pokot community
- g) Sponsorship of Green Run marathon in Kitui aimed at conservation efforts through tree planting
- h) Sponsorship of Nairobi Hospital Charity Heart Fund aimed to provide resource for treating needy children with congenital heart conditions.

All these activities and many others were aimed at supporting the various communities and stakeholders who the Authority interact with in one way or the other as it carries out its mandate.

Capt. Gilbert M. Kibe
DIRECTOR GENERAL

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 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, 2017 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page ix - xiii.

Auditors

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

By Order of the Board



Mr. Cyril S. Wayong'o
Ag. Corporation Secretary
Nairobi

Date:.....
28.09.2017

X STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 15 of the State Corporations Act Cap 446 of the laws of Kenya and section 33 of the Civil Aviation Act, 2013, requires the Directors to prepare financial statements in respect of the 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.

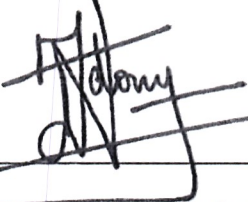
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate 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 Public Finance Management Act, the State Corporations Act and the Civil Aviation 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, 2017, 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 26 September 2017 and signed on its behalf by:


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


Mr. Chris C. Kuto
Chair, Finance Committee


Capt. Gilbert M. Kibe
Director General

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA CIVIL AVIATION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

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 49, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 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 Kenya Civil Aviation Authority as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenya Civil Aviation (Amendment) Act, 2002 and Public Finance Management Act, 2012.

In addition, as required under Article 229 (6) of the Constitution, based on procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion section of my report, nothing has come to my attention to cause me to believe that Public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

1.1 Land and Buildings

As reported in 2015/2016, ownership documents for various assets belonging to the Authority including; Thirty one (31) housing units in Nyali, Mombasa, thirteen (13) units in Bamburi, Mombasa, Eight Seven (87) acres of land at the East African School of Aviation, Nairobi, one hundred and thirty two (132) acres at the Central Transmitting Station along Mombasa Road, Miritini Staff Houses in Mombasa were not availed for audit.

During the year under audit, ownership document for Wajir Property, District Plot No. 405 at Bwagamoyo (Kilifi) Lokichoggio Property L.R. No.28192, Lodwar Generator Room Property and Embakasi Village LR.Nos.9042/26 & 28 were not availed for audit verification. The documents were reported to be under preparation at the Ministry of Lands Housing and Physical planning, but no plausible reason was provided for the inordinate delay in completion of the process and issue of the documents to the Authority.

1.2 Properties Allocated to Third Parties

Records made available for audit indicated that the following parcels of land belonging to the Authority were registered in the names of third parties as indicated below:

Parcel of Land	Measurement	Third party
MtitoAndei-Ngai Ndeithya Settlement	Scheme/161 13 acres	individual
Bamburi Staff Housing	Not known	individual
Central Stores in Nairobi	0.7733 hectares	individual
East African School of Aviation	37 acres	various

Although the Public Investments Committee in its 19th Report recommended that the National Land Commission revoke the titles for Mtito Andei-Ngai Ndeithya, Bamburi Staff Housing and East African School of Aviation Plots and re-issue these to Kenya Civil Aviation Authority and in addition, register all parcels of land owned by the Authority, no action had been taken on the recommendation as at 30 June 2017.

In addition, the Public Investments Committee previously recommended that the National Land Commission investigate circumstances under which plot L.R. No. 209/14372 was transferred from public to private ownership with a view to provide restitution in the line with Article 40(6) of the Constitution and Section 5 of the National Land Commission Act, 2012. However, there was no evidence of any action having been taken on the matter as at 30 June 2017.

In the circumstances, it has not been possible to confirm the validity and the accuracy of the balance of Property, Plant and Equipment of Kshs.9,224,454,291 as at 30 June 2017.

2.0 Current Assets

2.1.1 Receivables from Non-Exchange Transactions

The statement of financial position as at 30 June 2017 reflects current assets balance of Kshs.6,233,709,696 out of which a sum of Kshs.82,009,413 represents receivables from non-exchange transactions. Included in this balance is station imprest amounting to Kshs.2,172,513 which has remained un-surrendered from previous years balance.

2.1.2 The receivables from non-exchange transactions also include a sum of Kshs.3,523,306 for staff imprests for which management did not provide why they had not been accounted for by the end of the year and or provide evidence of subsequent recovery.

2.1.3 Also, staff imprest balance above includes Kshs.1,082,617.99 for imprests advanced to members of the Board of Directors and for which no further records/details were available. Advancing of imprests to Board members is against corporate governance principles and management may not be able to enforce surrender or recovery of the imprests in accordance with PFM Act, 2012.

2.2 Receivables from Exchange Transactions

The statement of financial position as at 30 June 2017 reflects receivables from exchange transactions totaling Kshs.1,513,434,221 out of which Kshs.724,049,043 or about 50% balance is owed by Kenya Airways for which no formal credit agreement with the Authority

exist. It was not clear why such a huge balance has remained uncollected from the operator and the terms under which the credit had been given.

2.2.1 The receivables from exchange transactions balance above also includes Kshs.18,973,322 due to the East African School of Aviation in respect of student fees which has not been analyzed to show how long the debts have been outstanding. Further, the validity of the debts could not be confirmed.

2.2.2 The balance also includes Kshs.29,077,228 representing debts which had remained outstanding for over two years. Although a specific provision for bad debt has been made for this amount, it is not clear why the management has not been able to collect the debt and further, efforts being made towards their recovery have not been disclosed.

In the circumstances it has not been possible to confirm the correctness and validity of the current assets balance of Kshs.6,233,709,696 as at 30 June 2017.

3.0 Provision for African Commuter Services Liability

The current liabilities balance includes provision for legal expenses amounting to Kshs.1,380,382,694. Included in this balance is Kshs.1,375,382,694 (Note 37) being provision for liability that may arise from a pending legal suit court (Civil case, No. HCCC 1208) in which African-Air Commuter Services Limited has sued the Authority for cancelling its operating license after its aircraft crashed in Busia in 2003. The High Court ruled in favor of African Commuter Services Limited in September 2014 and awarded the firm damages amounting to Kshs.1,421,671,718 being the principal amount and accrued interest. Other information available indicates that on 3 November 2014, African Commuter Services Limited, through its advocates, undertook garnishee proceedings against the Authority and its bankers to attach all monies held in the authority's two bank accounts to pay the total decretal sum of Kshs.1,421,671,718.00. The court allowed the Notice of Motion for garnishee proceedings on 26 November 2014. On 1 December 2014, the Company advocates served the two banks with the garnishee order, and as at 30 June 2015, a total of Kshs.46,289,024.25 had been transferred to the advocates in execution of the order thus leaving Kshs.1,375,382,694 of the court award outstanding. Although the Authority filed an application for review of the award and the matter is still pending at the Supreme Court, provision for potential liability has been made in the financial statements for the total amount of Kshs.1,421,671,718 awarded less Kshs.46,289,024.25 transferred from the Authority's bank accounts in execution of the garnishee order. The matter remained unresolved as at 30 June 2017.

Further, it has not been possible to confirm how the operations of the Authority will be affected in the event Court upholds the award.

4.0 Allocation of Authority's Vehicle No. KCD 416G to the Chairman's Office

As reported in the previous year, a review of motor vehicle records revealed that the Chairman's office was assigned a Toyota Prado registration No. KCD 416G on a full time basis and as at 30 June 2016, the Vehicle had covered 34,360 Kilometres and utilized 4,599 Litres of diesel valued at Kshs.412,506.

A review of the records during the year further revealed that between July 2016 and 30 June 2017, the vehicle covered 30,681 Kilometers and utilized 4,420 litres of diesel valued at approximately Kshs.419,900. There is no provision for allocation of a vehicle to the

Chairman of the Board of Directors in his appointment letter and therefore it has not been possible to confirm the propriety of the expenditure totaling Kshs.419,900 incurred on fueling the vehicle.

5.0 Prior Years' Unresolved Matters

5.1 Construction of Perimeter Wall at East African School of Aviation

As reported in previous years, the Maintenance Department of East African School of Aviation (EASA) through a memo dated 17 October 2011 requested the Director of the School to approve the building of a perimeter wall to prevent trespassers from accessing the school compound.

Requisition number 1034066 estimated the cost of the project at Kshs.1,290,540.00. The work entailed fencing of 400 meters of EASA perimeter boundary, and site clearance. However, the school did not procure the works competitively, but instead, single-sourced materials and hired casuals to build the wall. This resulted into a significant budget overrun.

Examination of payment vouchers relating to the project revealed that Kshs.8,157,060.00 had been incurred on the project as at 30 June 2014. Out of this amount, Kshs.1,261,210.00 related to expenditure on materials purchased during the month of June 2012, Kshs.2,511,162.00 related to materials purchased during the 2013/2014 financial year, while expenditure amounting to Kshs.4,384,687.85 was incurred on payments to casual laborers hired to build the wall. To date, management have not explained their failure to use open tendering as required under the Public Procurement and Disposal Act, 2005. In addition, no plausible reasons were provided for the budget overrun and failure to complete the project.

In the circumstance, it has not been possible to confirm the propriety of the expenditure totaling to Kshs.8, 157,060 incurred on construction of the perimeter wall.

6.0 Irregular payment of Subsistence Allowance

As reported in my report for 2015/2016 an officer of the Authority on Secondment to the International Civil Aviation Organization (ICAO) Council was paid a total of Kshs.19,425,018 subsistence allowance between August 2014 and April 2015. However, Section C8 of Foreign Services Regulations states that an officer is eligible to receive subsistence allowance up to a maximum of 30 days or obtain prior permission to exceed 30 days from the Permanent Secretary.

Although management has explained that the officer was paid the per diem for over 30 days due to unavailability of suitable accommodation, no prior approval was given for the payment obtained from the Permanent Secretary - Ministry of Transport and Infrastructure. The Authority therefore contravened Government guidelines on payment of subsistence allowances.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Civil Aviation Authority in accordance with ISSAI 30 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.

Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Authority operations are expected to cease.

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.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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.

As part of an audit 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Authority's 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 going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

2 July 2018

XII STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 Ksh	2016 Ksh
Revenue from Non-Exchange Transactions			
Licenses and Permits	6	326,319,943	315,860,049
Air Passenger Service Charge Fee	7	943,333,864	610,091,391
Sub-Total		1,269,653,807	925,951,440
Revenue from Exchange Transactions			
Rendering of Services (ANS & EASA)	8	4,865,501,400	4,496,494,986
Rental revenue from Facilities and Equipment	9	24,395,418	21,934,895
Finance Income	10	138,671,071	96,435,703
Other Income	11	73,601,580	121,645,287
Sub-Total		5,102,169,470	4,736,510,872
Total revenue		6,371,823,276	5,662,462,312
Expenses			
Use of Goods & Services	12	131,215,038	102,158,671
Employee Costs	13	2,327,488,607	2,182,044,117
Board of Directors' Expenses	14	45,673,727	37,484,622
Depreciation and Amortization Expense	15	730,260,502	722,650,797
Repairs and Maintenance	16	343,589,522	295,561,352
Contracted Services	17	156,920,057	122,739,339
General Expenses	18	836,758,597	2,108,674,100
NCTIP & KTSSP Expenses	19	76,362,326	72,346,443
Finance Costs	20	106,041,331	144,339,407
Total Expenses		4,754,309,706	5,787,998,847
Surplus (Deficit)		1,617,513,571	(125,536,535)
Other Losses			
Loss on Sale of Assets	21	(1,620,144)	(1,572,290)
Loss on Foreign Exchange Transactions	22	(2,872,027)	(92,943,557)
Surplus (Deficit) Before 90% Remittance to National Treasury		1,613,021,400	(220,052,382)
90% Surplus Remittances to National Treasury	23	(1,451,719,260)	-
Surplus (Deficit) for the Period		161,302,140	(220,052,382)
Surplus BF		3,376,490,302	3,596,542,684
Surplus CF		3,537,792,442	3,376,490,302


The notes set out on pages 7 to 41 form an integral part of these Financial Statements.

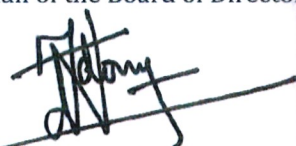
XIII STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 Ksh	2016 Ksh
Assets			
Current Assets			
Cash and Cash Equivalents	24	4,618,905,257	3,338,249,121
Receivables from Exchange Transactions	25	1,513,434,221	1,224,418,238
Receivables from Exchange Non-Transactions	26	82,009,413	75,111,258
Inventories	27	12,290,420	17,196,404
Tax Recoverable	28	7,070,385	7,070,385
		6,233,709,696	4,662,045,406
Non-Current assets			
Property, Plant and Equipment	29	9,224,454,291	9,060,064,173
Intangible Assets	30	51,803,660	50,251,647
		9,276,257,951	9,110,315,820
Total assets		15,509,967,647	13,772,361,226
Liabilities			
Current liabilities			
Trade and other payables	32	612,025,356	635,224,074
Refundable deposits from customers	33	13,942,343	11,647,743
Employee benefit obligation	34	252,504,674	267,486,519
90% Remittance to National Treasury	35	1,451,719,260	-
Current portion of borrowings	36	51,841,618	48,334,667
Provision for Legal Expenses	37	1,380,382,694	1,375,382,694
		3,762,415,745	2,338,075,697
Non-Current Liabilities			
Borrowings	36	2,200,564,298	2,163,330,478
Deferred Income-NUTRIP Grant	38	341,807,100	227,076,888
		2,542,371,398	2,390,407,366
Total Liabilities		6,304,787,343	4,728,483,063
Net Assets/Equity		9,205,180,304	9,043,878,163
Reserves & Surplus			
Reserves		5,667,387,862	5,667,387,862
Accumulated Surplus		3,537,792,442	3,376,490,302
Total Net Assets and Liabilities		15,509,967,647	13,772,361,226

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


 Capt. Gilbert M. Kibe
 Director General


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


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

Date: 28 SEP 17

Date: 28.09.17

Date: 28th Sept. 2017

**XIV STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2017**

	Reserves				Total
	Revaluation Reserve	Government Grants Reserve	World Bank Grants	Accumulated Surplus	
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2015	5,059,254,526	608,133,333	123,936,846	3,596,542,684	9,387,867,389
Surplus for the Period	-	-	-	(220,052,382)	(220,052,382)
Transfers to Reserves Adjustment			(123,936,846)		(123,936,843)
Balance as at 30 June 2016	5,059,254,526	608,133,333	-	3,376,490,302	9,043,878,164
Surplus for the period	-			161,302,140	161,302,140
Balance as at 30th June 2017	5,059,254,526	608,133,333	-	3,537,792,442	9,205,180,304

**XV STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	Ksh	Ksh
Cash Flows from Operating Activities		
Receipts		
Licenses and Permits	326,319,943	315,860,049
Air Passenger Service Charge	1,069,650,255	483,775,000
Rendering of Services	4,336,339,227	3,644,145,429
Finance Income	138,671,071	96,435,703
Other income, Rentals and Agency Fees	34,213,467	41,933,007
	5,879,468,009	4,582,149,188
Payments		
Compensation of Employees	2,255,657,320	2,043,674,658
Goods and Services	1,897,795,339	1,190,970,840
Finance Cost	106,041,331	218,131,725
Rent Paid	823,817	5,773,467
Total Payments	4,260,317,807	3,458,550,690
Net Cash flows from Operating Activities	1,644,876,156	1,123,598,498
Cash Flows from Investing Activities		
Purchase of Property, Plant, Equipment and Intangible Assets	(371,333,147)	(290,046,761)
Proceeds from sale of Property, Plant and Equipment	3,630,583	1,814,825
Net cash flows Used in Investing Activities	(367,702,564)	(288,231,936)
Cash flows from Financing Activities		
Proceeds from Borrowings	55,324,160	105,000,000
Repayment of Borrowings	(51,841,618)	(96,667,019)
Net Cash Flows Used in Financing Activities	3,482,542	8,332,981
Net Increase in Cash and Cash Equivalents	1,280,656,135	843,699,543
Cash and Cash Equivalents at 1 July 2016	3,338,249,121	2,494,549,578
Cash and Cash Equivalents at 30 June 2017	4,618,905,256	3,338,249,121

XVI I. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Change
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Revenue	349,993,669	20,630,888	329,362,781	326,319,943	3,042,839	-1%
Licenses and Permits	804,596,556	-	804,596,556	943,333,864	138,737,308	17%
Air Passenger Service Charge	4,624,241,652	264,296,301	4,888,537,953	4,865,501,400	23,036,553	0%
Renting of Services	23,703,063	1,000,000	22,703,063	24,395,418	1,692,355	7%
Rental Income	79,649,588	23,945,689	103,595,277	138,671,071	35,075,795	34%
Finance Income	11,206,000	6,108,326	5,097,674	73,601,580	68,503,907	1344%
Other Income	1,607,624,051	35,822,300	1,643,446,351	225,962,904	1,417,483,447	-86%
IDA Loans, GOK Grants and Reserves	7,501,014,579	296,325,076	7,797,339,655	6,597,766,180	1,199,573,474	-15%
Total Income						
Expenses						
Use of Good and Services	124,222,161	11,735,305	135,957,466	131,215,038	4,742,428	3%
Employee Costs	2,525,949,915	1,900,000	2,524,049,915	2,327,488,607	196,561,308	8%
Board of Directors Expenses	43,712,920.00	4,093,092	47,806,012	45,673,727	2,132,285	4%
Depreciation & Amortization Expenses	959,386,377	23,833,422	935,552,955	730,260,502	205,292,454	22%
Repairs and Maintenance	427,709,768	10,126,000	437,835,768	343,589,522	94,246,246	22%
Contracted Professional Expenses	163,420,000	23,688,000	187,108,000	156,920,057	30,187,943	16%
General Expenses	828,511,593	55,519,892	884,031,485	836,758,597	47,272,887	5%
NCTIP & KTSSP Expenses	100,000,000	95,000,000	195,000,000	76,362,326	118,637,674	61%
Finance Costs	289,304,229	83,910,742	205,393,487	106,041,331	99,352,156	48%
Loss on Sale of Assets	-	-	-	1,620,144	1,620,144	-100%
Loss on Foreign Exchange Transactions	-	-	-	2,872,027	2,872,027	-100%
Other Payments-Capital Expenditure	2,038,797,616	205,806,951	2,244,604,567	897,822,776	1,346,781,791	60%
Total Expenditure	7,501,014,579	296,325,075	7,797,339,655	5,656,624,652	2,140,715,002	27%
Surplus for the Period				1,613,021,400		

ii. EXPLANATION OF MATERIAL DIFFERENCE

- (i) **Air Passenger Service Charge-APSC (17% Positive change):** The change is attributable to detailed reconciliation by the Authority which has ensured receipt of higher revenue in light of passengers' movements in both local and international journeys.
- (ii) **Finance Income (34% Positive Change):** This is attributable to healthy cash flow from KRA (collecting agent) due to enhanced remittances and reconciliations between the Authority and KRA. The improved performance of APSC has also seen more cash deposits with the Authority bankers, which eventually translated to higher bank interest earnings.
- (iii) **Other Income (1344% Positive Change):** The major contributor to this is the foreign exchange gains and miscellaneous receipts. The Authority invoiced a number of its customers in US dollars and it also paid some of its suppliers in US dollars, resulting in foreign exchange gains or losses. Further, during the Financial Year, the Authority offered Air Navigation Services to neighbouring Civil Aviation bodies, which were charged as miscellaneous receipts. Given the unpredictable nature of these requests, the initial projections were estimates.
- (iv) **IDA Loans, GoK Grants & Reserves (86% Negative):** During the Financial Year, the Authority had projected to utilize some of its reserves in implementing the budget at hand. This however, did not come to pass, leading to the negative performance in this line item during the period under review.
- (v) **Depreciation & Amortization Expenses (22% Positive):** A number of disposal took place during the 2016-17 financial year, than had been projected during the budget preparation stage.
- (vi) **Repairs and Maintenance (22% Positive):** The repairs works in some stations began mid-way the financial year, and by the end of the financial year, a number of milestones had not been made to enable settlement of any payments.
- (vii) **Contracted Professional Services (16% Positive):** Late commencement of some contractual undertakings by a number of suppliers.
- (viii) **NCTIP & KTSSP Expenses (61% Positive):** A number of contract works were not well covered to warrant payments in light of the millstones covered by the 30th June 2017.
- (ix) **Finance Cost (48% Positive):** There was significant reduction on the bank charges incurred during the Financial Year following the enactment of the interest cap.
- (x) **Loss on Sale of Assets and Loss on Foreign Exchange Transactions (100% Negative each):** The two are system generated expenditure figures as a result of disposal of assets and foreign exchange rates variations respectively. They are depended on other factors that come into play and as such they have not been assigned budgetary figures.
- (xi) **Capital Expenditure (60% Positive):** The were underutilization of the capital budgets due to failure by the contracted suppliers to meet the set milestones that could have warranted the settlement of due bills

XVII NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Civil Aviation Authority 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority and all values are rounded to the nearest one Kenya shilling. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The Authority adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Authority.</i></p>
IPSAS 34: Separate Financial Statements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p>

Standard	Impact
	<p><i>The Authority does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p>IPSAS 35: Consolidated Financial Statements</p>	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p><i>The Authority does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>The Authority does not have investments in associates or joint ventures and therefore the standard does not apply.</i></p>
<p>IPSAS 37: Joint Arrangements</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>The Authority does not have an interest in a joint arrangement and therefore the standard does not apply.</i></p>
<p>IPSAS 38: Disclosure of</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that</p>

Standard	Impact
Interests in Other Entities	enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. <i>The Authority does not have an interests in other entities and therefore the standard does not apply.</i>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2017.

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.

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.

b) Budget information

The original budget for FY 2016-2017 was approved by the KCAA Board of Directors on the 28th January 2016 and by the National Assembly on 24th June 2016. Subsequent revision were made to the approved budget on the 31st October 2016 during the preparation of the 2017/18 Financial Year proposed budget. The KCAA board of directors approved the revised 2016/17 Financial Year budget and the proposed 2017/18 financial year proposed budget. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of Kshs 320,158,498 on the 2016-2017 Financial Year budget following the Board's approval.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV 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 Entity 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 annual rates:

	Rate %
Buildings	2.5
Air Navigation Equipment	10
Plant & Other Equipment	20
Computers, copiers and faxes	30
Motor vehicles	20
Furniture and fittings	20
Freehold land	00

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down at the reporting date to its recoverable amount, or service recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

The Authority derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. 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 some or all of a provision to be reimbursed, 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.

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.

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.

j) 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 equipments 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers which were not surrendered or accounted for 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, 2017.

5) SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note no. 25 and Note no. 42.

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. This requires an estimate of the amounts that are considered unrealizable.

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	2017	2016
	Kshs	Kshs
6. License Fees and Permits		
Licence Ratings & Certificates	25,723,020	31,383,274
Technical Ground Examinations	22,319,100	20,308,050
AMEL Licences & Ratings	16,464,730	19,293,848
Aircraft Certificate of Registration	5,792,591	4,538,500
Certificate of Airworthiness	73,300,450	85,499,915
Grant & Renewal of AMO License	52,389,803	38,872,766
Grant & Renewal of AOC Certs	7,025,350	16,748,491
Certification of Aerodromes	2,140,300	2,222,000
Duty Exemption	33,210,480	13,655,030
Grant & Renewal of Air Service Licences	34,266,360	24,564,255
Ad hoc /Permit Clearances	8,350,260	16,171,338
Approval of Manuals	425,530	-
Inspection of Masts & Obstacles	12,868,600	16,231,200
Issue of SSR Transponder Codes	262,473	267,960
AVSEC Fees/ Regulated Agent/Screeners Fees	960,000	2,177,550
Grant & Renewal of ATO Licences	954,000	1,946,550
Approval of Commercial Operations - (FOC)	25,798,525	17,332,670
Simulator Inspection	14,000	-
Infringement Notices Fee	-	600,000
Approval of Leases	3,797,372	3,428,652
Approval of Security Programmes	257,000	618,000
	<u>326,319,943</u>	<u>315,860,049</u>
7. Air Passenger Service Charge	Kshs	Kshs
Air Passenger Service Charge	943,333,864	610,091,391
8. Rendering of services	Kshs	Kshs
Air Navigation Service Charges	4,612,330,911	4,302,872,584
AIP sales	1,914,994	1,126,826
EASA Revenue	251,255,495	192,495,576
Total Revenue from the Rendering of Services	<u>4,865,501,400</u>	<u>4,496,494,986</u>

9. Rental Revenue from Facilities and Equipment	Kshs	Kshs
House Rent Income	24,395,418	21,934,895
Total Rentals	24,395,418	21,934,895
10. Finance Income - External Investments	Kshs	Kshs
Interest Income on Cash Deposits	138,671,071	96,435,703
Total Finance Income - External Investments	138,671,071	96,435,703
11. Other income	Kshs	Kshs
Gain on disposal of Assets	3,630,583	1,814,825
Miscellaneous Receipts	9,720,849	19,747,562
Gain On Foreign Exchange	41,502,644	81,182,046
Sale of Tenders	97,200	250,550
Amortization of Capital Grant Fund	18,650,304	18,650,304
Total Other Income	73,601,580	121,645,287
12. Use of Goods & Services	2017	2016
	KShs	KShs
Electricity	32,200,938	21,965,771
Water	6,135,442	4,425,768
Security	33,485,200	24,265,332
Subscriptions to International Organization	58,395,573	50,145,682
Subscriptions to Professional Bodies	997,885	882,084
Subscription to Publications	-	474,034
Total Costs	131,215,038	102,158,671
13. Employee Costs	2017	2016
	KShs	KShs
Employee Related Costs - Salaries and Wages	1,689,126,063	1,534,245,998
Housing Benefits and Allowances	241,168,570	250,460,667
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	109,777,567	119,550,474
Employee Related Costs - Contributions to Pensions	175,022,562	169,544,278
Medical Expenses In-patient	35,684,491	34,892,525

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Medical Expenses Out-patient	58,559,581	56,514,914
Ex-Gratia	2,814,102	2,398,930
Group Life Insurance	15,335,671	14,436,329
Total Employee Costs	2,327,488,607	2,182,044,117

14. Remuneration of Directors	2017	2016
	KShs	KShs
Board Expenses	45,673,727	37,484,622
Total Board Remuneration	45,673,727	37,484,622

15. Depreciation & Amortization Expense	2017	2016
	KShs	KShs
Property, Plant and Equipment	706,473,559	706,934,233
Intangible assets	23,786,943	15,716,564
Total Depreciation and Amortization	730,260,502	722,650,797

16. Repairs & Maintenance	2017	2016
	KShs	KShs
Property & Staff Houses	72,456,261	62,772,508
Plant & Equipment	261,016,523	223,892,472
Motor Vehicles	7,095,101	6,037,606
Others	3,021,636	2,858,767
Total Repairs and Maintenance	343,589,522	295,561,352

17. Contracted Services	2017	2016
	KShs	KShs
Hire of Resource Persons (EASA)	35,634,232	31,407,076
Hire of Satellite Links	34,885,942	31,593,550
Contracted Professional Services	86,399,883	59,738,713
Total Contracted Services	156,920,057	122,739,339

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18. General Expenses	2017	2016
	KShs	KShs
Funeral Expenses	46,270	92,050
Staff Welfare	18,314,566	15,250,385
Work Injury Benefit Act (WIBA)	2,620,520	2,530,233
Project Monitoring & Evaluation	402,415	-
HIV/AIDS	4,226,200	3,157,170
Official Entertainment	744,813	1,202,387
Drugs & Dressings	626,280	420,255
Fungicides & Spray	109,569	92,379
General Training	53,825,030	43,032,450
Training Levy	416,550	408,620
Workshops and Conferences	43,133,397	21,696,202
Preservice Training Expenses	24,569,920	3,118,067
Local Travel	36,832,772	26,784,457
International Travel	58,305,463	41,438,860
Telephone Expenses	16,177,333	19,365,217
Gas/Fuel Expenses	2,355,444	2,223,272
Dedicated Leased Communication Lines	12,539,773	19,230,441
Postal & Telegrams	1,793,019	1,461,468
Cleaning Services	28,101,310	23,235,173
Internet Related Expenses	20,161,438	11,188,875
Rents & Rates	823,817	5,773,467
Motor Vehicle Fuel	9,337,255	4,488,553
Diesel for Generators	2,065,841	2,115,541
Insurance - Aviation Liability	20,536,770	21,718,714
Insurance Office Equipment	4,505,888	3,552,580
Motor Vehicle Insurance	2,677,369	2,130,207
EAC Activities	17,920,990	15,894,533
Deployment to Kenya ICAO Office	56,531,584	44,910,954
Advertisement and Publicity	40,015,162	29,519,609
Public Relations / Show Expenses	15,760,591	14,454,660
Filming & Photography	27,500	94,680
Events & Anniversaries	5,812,319	1,536,205
Legal & Contingent Expenses	33,438,388	12,031,210

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Audit Fees	1,500,000	1,500,000
Audit ICAO USOAP Expenses	3,471,130	1,610,827
Food & Rations	32,999,018	27,902,076
Publishing and Printing	7,965,823	6,330,320
Uniform and Clothing	2,979,580	1,238,268
Office Stationery	17,418,694	14,376,164
Computer Expenses	4,941,028	6,036,988
Consumable Stores	15,120,790	8,871,546
Library Expenses	6,247,447	3,211,773
Public Service Integrity Programme	3,741,626	2,762,102
Hire of Transport, P& M	1,867,288	3,274,243
Miscellaneous Other Charges	992,015	1,037,114
Search & Rescue	2,093,112	1,772,494
Study & Implementation of SMS	3,202,762	2,115,432
Implementation of SSP	1,558,484	1,199,757
Certification of Aerodromes & ANS Facilities	8,643,013	8,271,930
Implementation of ISO Activities	3,060,629	2,088,256
Communication Frequency Fees	61,000	-
Corporate Social Responsibility	8,785,658	9,107,463
ICAO Aviation Security Audit	1,959,557	2,025,097
Sports Expenses	11,913,921	10,794,589
General Provision- Doubtful Debts	916,666	90,663,963
Specific Provision - Doubtful Debts	29,077,228	20,414,737
EASA Commercial Costs	19,920,868	18,483,210
Provision for Legal Expenses	5,000,000	1,375,382,694
Other: KRA Agency Fees (Collection Costs)	106,565,707	94,054,184
Total General Expenses	836,758,597	2,108,674,100
19. NCTIP & KTSSP Expenses	2017	2016
	KShs	KShs
NCTIP Training	-	10,120,767
Support to EASA	-	1,467,950
Aviation Safety & Security KTSSP	17,956,706	7,203,640
Aviation Equipment KTSSP	5,909,012	27,151,088
Training KTSSP	44,644,651	24,198,367

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KCAA Counterpart Funding(NCTIP)	-	1,026,996
KCAA Counterpart Funding(KTSSP)	7,851,958	1,121,064
KCAA Counterpart Funding(NUTRIP)	-	56,571
Total NCTIP & KTSSP Expenses	76,362,326	72,346,443

20. Finance Costs	2017	2016
	Shs	Shs
Bank Charges - Fees and Commissions	1,999,856	1,798,648
Interest on Long-term Loans (NCTIP)	29,160,910	42,238,783
Interest on Long-term Loans (KTSSP)	55,996,299	65,406,402
Corporation Tax (Tax Liabilities)	18,884,265	108,687,891
Deferred Tax Liability Write- Back	-	(73,792,318)
Total Finance Costs	106,041,331	144,339,407

21. Loss on Sale of Assets	2017	2016
	Shs	Shs
Property, plant and equipment	1,620,144	1,572,290
Other assets	-	-
Total Gain on Sale of Assets	1,620,144	1,572,290

22. Loss on Foreign Exchange Transactions	KShs	KShs
Loss on Foreign Exchange Transactions	2,872,027	92,943,557
	2,872,027	92,943,557

23. 90% Remittance to National Treasury	2017	2016
	KShs	KShs
Surplus before Remittance to National Treasury	1,613,021,400	(220,052,382)
90% Remittance to National Treasury	1,451,719,260	-
Retained Surplus/ (Loss)	161,302,140	(220,052,382)

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24(a) Cash & Cash Equivalents	2017	2016
	KShs	KShs
Current Account	2,801,708,336	1,655,742,320
On Call Deposits	1,588,003,703	1,482,505,781
Staff Mortgage	224,286,659	200,000,000
Others (M-PESA & Stations Bank Account)	4,906,559	1,019
Total Cash and Cash Equivalents	4,618,905,257	3,338,249,121

24 (b) Cash & Cash Equivalents

Financial Institution	Account Number	2017	2016
		Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	A/C No. 1210005522	9,998,870	-
Stanbic Bank	A/C No. 0100000351727	116,819,169	80,150,598
Stanbic Bank (Dollars)	A/C No. 0100001937639	1,879,263	2,000,664
National Bank of Kenya (KTSSP)	A/C No. 01001084895000	269,712	62,947,126
Equity Bank (EASA Dollar)	A/C No. 0180299978478	60,805,960	97,930,057
National Bank of Kenya (Expenditure)	A/C No. 01003058447500	24,451,803	123
Commercial Bank of Africa (Dollar)	A/C No. 6514690019	2,580,531,101	1,408,015,903
National Bank of Kenya (EASA)	A/C No. 01020058420600	6,952,458	4,697,850
Sub -total		2,801,708,336	1,655,742,321
b) On-Call Deposits			
National Bank of Kenya (Revenue)	A/C No. 01003058447600	3,830,798	109,537,514
Standard chartered Bank	A/C No. 0108098898400	551,662,162	899,753,310
Kenya Commercial Bank	A/C No. 1210001942	9,998,870	-
National Bank of Kenya (EASA Revenue)	A/C No.01020058710400	1,382,713	119,334
Stanbic Bank	A/C No. 0100000316347	1,020,130,012	472,715,111
Equity Bank (EASA)	A/C No. 0180263498882	999,148	380,512
Sub -total		1,588,003,703	1,482,505,781
c) Staff Mortgage			
Kenya Commercial Bank	A/C No. 1159226555	224,286,659	200,000,000
Sub -total		224,286,659	200,000,000
d) Others			
Stations Bank Accounts	Various	(76,031)	1,019
EASA MPesa	Paybill No 754206	4,982,590	-
Sub -total		4,906,559	1,019
GRAND TOTAL		4,618,905,257	3,338,249,121

25. Receivables from Exchange Transactions	2017	2016
Current Receivables	KShs	KShs
Aviation Revenue Debtors	1,615,118,756	1,301,510,376
Other Sundry Debtors	18,973,322	33,986,563
	1,634,092,078	1,335,496,938
Less: Provisions for Bad and Doubtful (Specific)	(29,077,228)	(20,414,737)
Less: General Provision for Bad and Doubtful Debt (Net)	(91,580,629)	(90,663,963)
Total current receivables	1,513,434,221	1,224,418,238
26.Receivables from Non - Exchange Transactions	2017	2016
	KShs	KShs
Prepayments	61,158,175	54,742,490
Salary Advances	1,881,223	790,998
Staff Rent Receivable	1,267,900	1,553,520
Medical Excess	12,006,295	13,382,499
Station Imprest	2,172,513	2,172,513
Temporary Imprest	3,523,306	2,458,739
Staff Surcharge	-	10,500
Total	82,009,413	75,111,258
27. Inventories	2017	2016
	KShs	KShs
Staff Tea	1,084,788	38,150
Food & Rations	868,247	775,084
Publishing and Printing	502,322	1,514,040
Office Stationery	4,802,277	7,544,341
Computer Stationery	580,280	983,565
Consumable Items	3,665,385	5,329,663
Building Maintenance	787,122	1,011,561
Total inventories	12,290,420	17,196,404

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28. Current Income Tax Expense

	2017	2015
	KShs	KShs
Surplus Before Tax	-	368,921,650
Adjust for Non-Allowable Expenses		
Depreciation	-	638,128,129
General Provision for Bad Debts	-	37,680,024
Provision for Gratuity	-	17,381,766
Accrual for Outstanding Leave Days	-	5,535,229
Unrealized Loss on Forex	-	117,758,902
	-	<u>1,185,405,701</u>
Adjusted for Non-Taxable Revenue		
Unrealized Gain on Forex	-	148,325,731
	-	<u>1,037,079,970</u>
Wear and Tear Allowances		
Air Navigation Equipments	-	555,594,561
Plant and Machinery	-	26,180,678
Furniture and Fittings	-	8,100,098
Motor Vehicles	-	21,969,815
Computers	-	46,687,955
Total Wear and Tear Allowances	-	<u>658,533,107</u>
Adjusted Surplus after Wear and Tear Allowances	-	<u>378,546,862</u>
Taxable Income /Tax Loss	-	378,546,862
Income Tax Expense @ 30%	-	113,564,059
Less: Instalment Tax Paid 2015-16 FY	-	120,634,444
Income Tax Liability (Asset) 2015-2016	-	<u>7,070,385</u>

Income Tax is calculated using the enacted income tax rate of 30%

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29. PROPERTY, PLANT & EQUIPMENT MOVEMENT SCHEDULE 2016-2017

	Air Navigation Equipment	Land	Buildings	Motor Vehicles	Plant & Other Equipment	Computers	Furniture & Fittings	WIP	Grand Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost/Revaluation									
As at 1st July 2015	4,926,415,644	2,307,749,992	2,529,059,452	111,536,254	226,494,714	198,414,428	72,661,780	912,278,679	11,284,610,943
Additions	340,256,802	-	1,032,888,120	26,150,707	48,245,437	27,112,967	24,428,189	149,569,742	1,648,651,963
Disposals	(1,203,000)	-	-	(3,300,000)	(1,376,451)	(1,659,704)	(45,000)	-	(7,584,155)
Transfers/Adjustments	-	-	-	-	-	-	-	(872,949,209)	(872,949,209)
As at 30th June 2016	5,265,469,446	2,307,749,992	3,561,947,572	134,386,961	273,363,699	223,867,691	97,044,968	188,899,212	12,052,729,542
Additions	80,401,933	-	92,148,475	36,128,847	73,520,985	21,901,522	20,708,383	554,121,598	878,931,743
Disposals	(2,080,768)	-	-	(9,098,800)	(90,000)	(943,199)	(1,684,240)	-	(13,897,007)
Transfers/Adjustments	-	-	-	-	-	-	-	(6,447,923)	(6,447,923)
As at 30th June 2017	5,343,790,611	2,307,749,992	3,654,096,047	161,417,008	346,794,684	244,826,015	116,069,111	736,572,888	12,911,316,355
Depreciation									
At 1st July 2015	1,678,101,419	-	250,076,335	51,069,605	135,284,796	132,429,719	44,780,415	-	2,291,742,289
Depreciation	520,704,429	-	67,529,902	23,148,566	49,978,283	30,079,878	15,493,176	-	706,934,233
Disposals	(481,200)	-	-	(2,640,000)	(1,221,161)	(1,633,504)	(36,000)	-	(6,011,865)
Transfers/Adjustments	-	-	-	-	711	-	-	-	711
As at 30th June 2016	2,198,324,648	-	317,606,237	71,578,171	184,042,629	160,876,093	60,237,592	-	2,992,665,369
Disposals	(1,040,384)	-	-	(8,519,040)	(90,000)	(943,199)	(1,684,240)	-	(12,276,863)
Depreciation	519,879,965	-	90,055,055	18,209,851	34,110,351	31,459,845	12,758,492	-	706,473,559
As at 30th June 2017	2,717,164,229	-	407,661,291	81,268,982	218,062,980	191,392,738	71,311,843	-	3,686,862,064
NET BOOK VALUE									
As at 30th June 2017	2,626,626,382	2,307,749,992	3,246,434,756	80,148,026	128,731,704	53,433,276	44,757,268	736,572,888	9,224,454,291
As at 30th June 2016	3,067,144,798	2,307,749,992	3,244,341,335	62,808,790	89,321,071	62,991,598	36,807,376	188,899,212	9,060,064,173

30. INTANGIBLE ASSETS - COMPUTER SOFTWARE

KENYA CIVIL AVIATION AUTHORITY	
NON-PPE MOVEMENT SCHEDULE 2016-2017	
	Kshs
COST	
As at 1st July 2015	52,596,105
Additions 2015-16	27,115,289
As at 30th June 2016	79,711,394
Additions 2016-17	25,338,956
As at June 2017	105,050,350
Amortizations	
1st July 2015	13,743,183
Amortization 2015-16 Financial year	15,716,564
As at 30th June 2016	29,459,747
Amortization 2016-17 Financial year	23,786,943
As at 30th June 2017	53,246,690
Net book Values	
At 30th June 2017	51,803,660
At 30th June 2016	50,251,647

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31. WORK IN PROGRESS

	Supplier	Description	2017 Kshs	2016 Kshs
	KTSSP Project			
01	Coretec Systems and Solutions Ltd	Human Resource Management Solution	8,415,200	8,415,200
02	XRX Technologies	Document Management System (Cals & Scanners)	9,100,871	9,100,871
	NUTRIP Project			
03	Weihai International Economic & Tech Coop co Ltd	EASA Library Construction	229,186,828	59,617,813
04	Aaki Consultants Architects & Urban Designers	EASA Library Construction	22,776,219	20,822,199
	Corporate WIP			
05	Nanjing Les Information Technology Co. Ltd	ADS- & MLat System	145,157,403	28,650,409
06	IDS North America Ltd	Aeronautical Inform System/Aim	125,601,034	29,856,482
07	Joyler Enterprises'	Fencing & Guard House		4,833,008
08	Weihai International Economic & Tech Coop co Ltd	WAP Control Tower & Office Block	110,787,315	25,988,315
09	Aaki Consultants Architects & Urban Designers	EIA 1st Floor Consultancy Works	3,091,416	623,715
10	Aktasis Consultants	Construction of Restaurant & Health Club	-	991,200
11	Scope Design Systems	Consultancy-Design, Bidding & Supervision of AC & DRC	15,752,220	-
12	Meera Construction Ltd	Area Control & Disaster Recovery Centre at CTX	66,704,381	-
		Total	736,572,887	188,899,212

32. Trade & Other Payables	2017	2016
	KShs	KShs
Trade Payables	426,656,019	571,148,228
Unrealised Foreign Exchange Loss	157,330,124	45,114,099
Board Liability	378,000	1,788,052
Other Payables	27,661,213	17,173,696
Total Trade and Other Payables	612,025,356	635,224,074

33. Refundable Deposits from Customers	2017	2016
	KShs	KShs
Consumer Deposits (Cash Guarantees)	13,942,343	11,647,743
Total Refundable Deposits	13,942,343	11,647,743

34. Employee Benefits Obligations	2017	2016
	KShs	KShs
Employee Advances/Liability	5,933,647	43,680,159
Third-Party Payments	2,770,794	3,411,039
Staff Pension Liability	68,184,034	71,494,051
Gratuity Liability	43,349,650	30,409,943
Leave Pay Provision	132,266,547	118,491,327
Total Employees Benefits Obligation	252,504,674	267,486,519

35. 90% Remittance to National Treasury	2017	2016
	KShs	KShs
Surplus before Remittance to National Treasury	1,613,021,400	-
90% Remittance	1,451,719,260	-
Instalments Paid in 2016-17	-	-
Amount Due	1,451,719,260	-

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36(a) Borrowings	2017	2016
	KShs	KShs
Balance at the Beginning of the Period	2,211,665,145	2,050,643,400
External Borrowing during the year	92,582,388	257,688,765
Repayment of external borrowings during the period	(51,841,618)	(96,667,019)
Balance at end of Period	<u>2,252,405,916</u>	<u>2,211,665,145</u>
36(b) Borrowings	2017	2016
	KShs	KShs
Analysis of Borrowings		
IDA Loans: KTSSP - Kes Denominated	1,690,548,602	1,597,966,213
IDA Loans: NCTIP - Kes Denominated	561,857,314	613,698,932
Total Non-Current Borrowings	<u>2,252,405,916</u>	<u>2,211,665,145</u>
Short Term Borrowing (Current Portion)	51,841,618	48,334,667
Long Term Borrowing (Non-Current Portion)	2,200,564,298	2,163,330,478
Total	<u>2,252,405,916</u>	<u>2,211,665,145</u>
37. Provision for Legal Expenses	2017	2016
	Shs	Shs
African Commuter Services Ltd	1,375,382,694	1,375,382,694
Justina Mutitu Nyaga	5,000,000	-
Balance at end of Period	1,380,382,694	1,375,382,694
38. Deferred Income: NUTRIP Grant	2017	2016
	Shs	Shs
Balance B/F	227,076,888	108,316,750
Additions	133,380,516	137,410,442
Transfer to Capital Fund	360,457,404	245,727,192
Transfer to Income Statement	(18,650,304)	(18,650,304)
Other Transfer	-	-
Balance C/F	<u>341,807,100</u>	<u>227,076,888</u>

39. CASH GENERATED FROM OPERATIONS

	2017	2016
	Shs	Shs
Surplus/(Deficit) for the Year before Tax	1,613,021,400	(220,052,382)
Adjusted for:		
Depreciation	730,260,502	722,650,797
Non-Cash Grants Received	133,380,516	-
Gains and Losses on Disposed Assets	3,630,583	1,814,825
Finance Income	(138,671,071)	(96,435,703)
Finance Cost	87,157,066	109,443,833
Working Capital Adjustments:		
Increase in Inventory	(4,905,984)	(622,582)
Increase in Receivables	307,842,602	(588,365,695)
Increase in Payables	(1,086,349,237)	1,195,165,404
Increase in Payments Received in Advance	2,294,600	-
Net Cash flows from Operating Activities	1,644,876,156	1,123,598,498

40. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit Risk

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

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

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

At 30th June 2017	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
Receivables from Exchange Transactions	1,480,801,798	1,360,143,941	91,580,629	29,077,228
Receivables from Non-Exchange Transactions	82,009,413	82,106,614	-	-
Bank Balances	4,594,618,598	4,594,618,598	-	-
Total	6,157,527,010	6,036,869,153	91,580,629	29,077,228
At 30th June 2016	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
Receivables from Exchange Transactions	1,224,418,238	1,113,339,538	90,663,963	20,414,737
Receivables from Non-Exchange Transactions	75,111,258	75,111,258	-	-
Bank Balances	3,338,249,121	3,338,249,121	-	-
Total	4,637,778,617	4,526,699,917	90,663,963	20,414,737

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.

At 30th June 2017	Less than 1 Month Kshs	Between 1 - 3 Months Kshs	Over 3 Months Kshs	Total Kshs
Trade Payables	216,710,368	2,386,710	1,600,813,658	1,819,910,736
Current Portion of Borrowings	-	-	51,841,618	51,841,618
Provisions	-	-	1,375,382,694	1,375,382,694

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Employee benefit obligation	-	-	253,845,246	253,845,246
Total	216,710,368	2,386,710	3,281,883,216	3,500,980,294
At 30th June 2016				
Trade Payables	1,797,871,519	14,405,581	134,253,822	1,946,530,922
Current Portion of Borrowings	-	-	48,334,667	48,334,667
Provisions	-	-	1,375,382,694	1,375,382,694
Employee benefit obligation	-	-	267,486,519	267,486,519
Total	1,797,871,519	14,405,581	1,825,457,702	3,637,734,802

(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

At 30th June 2017	Kshs	Other Currencies	Total
	Kshs	Kshs	Kshs
Assets			
Financial Assets (Investments, Cash & Debtors)	1,951,402,274	2,643,216,324	4,594,618,598
Liabilities			
Trade and other payables	594,285,917	17,739,439	612,025,357
Borrowings	-	-	-
Net Foreign Currency Assets/(Liability)	1,357,116,356	2,625,476,885	3,982,593,241

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.

Market Risk

At 30th June 2017	Kshs	Other Currencies	Total
	Kshs	Kshs	Kshs
Assets			
Financial Assets(Investments, Cash & Debtors)	1,951,402,274	2,643,216,324	4,594,618,598
Liabilities			
Trade and other payables	594,285,917	17,739,439	612,025,357
Borrowings	-	-	-
Net Foreign Currency Assets/(Liability)	1,357,116,356	2,625,476,885	3,982,593,241

At 30th June 2016	Kshs	Other Currencies	Total
	Kshs	Kshs	Kshs
Financial Assets(Investments, Cash & Debtors)	1,830,302,497	1,507,946,624	3,338,249,121
Liabilities			
Trade and other payables	635,224,074	17,739,439	652,963,513
Borrowings	-	-	-
Net Foreign Currency Assets/(Liability)	1,195,078,423	1,490,207,184	2,685,285,607

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Authority's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the two main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

FOREIGN CURRENCY SENSITIVITY ANALYSIS	Change in Currency Rate	Effect on Profit Before Tax	Effect on Equity
		Kshs	Kshs
2017			
USD	10%	287,343	258,128,133
2016			
USD	10%	9,298,878	140,826,061

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.

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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs. 83,430 (2016: KShs. 479,037). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs. 417,154 (2016 – KShs. 2,395,185).

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:

	2017	2016
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	3,532,670,566	3,376,490,302
Capital Reserve	5,667,387,862	5,667,387,862
Total Funds	<u>9,200,058,428</u>	<u>9,043,878,164.00</u>
Total Borrowings	2,200,564,298	2,163,330,478
Less: Cash and Bank Balances	4,594,618,598	3,338,249,121
(Excess and Cash Equivalent)	(2,394,054,300)	(1,174,918,643)
Gearing	(26%)	(13%)

41. RELATED PARTY

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. The Authority is related to the National Government, the Ministry of Transport, Infrastructure, Urban and Housing, the National Treasury, the Key Management and the Board of Directors.

The related party disclosures for the period are;

	2017	2016
	Kshs	Kshs
a) National Government		
IDA Loans Facilitations- NCTIP Project (Receipts and Direct Payments)	-	15,000,000
IDA Loans Facilitations- KTSSP Project (Receipts and Direct Payments)	92,582,388	257,299,152
IDA Grant Facilities - NUTRIP Project (Direct Payments)	133,380,516	121,790,346
b) Key Management - Salaries and Other Short Term Benefits	52,079,078	38,978,635
c) Directors-Directors Fees and Allowances for Services	45,673,727	37,484,622

42. 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 8th December 2014, the Authority has been pursuing up the arrears that may not have been remitted by the KAA over the period since the law came into effect. Although the law was amended later on, the Authority has been of the opinion that the earlier position holds. 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:

There is a case pending in courts where former staff who were dismissed because of engaging in an illegal strike in 2002 have sued the Authority. The verdict given by the court in 2009 was in favour of

staff. The Authority filed a record of appeal on 8th April 2010 in civil appeal NO 67 of 2010 in the court of appeal in Nairobi against the ruling. The exact value of the damages claimed has not been ascertained. The appeal proceeded for hearing on 7th January 2014. Ruling was delivered recently when the Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to the High Court for assessment of total damages. KCAA has filed a notice of appeal and the application for leave to appeal was to be heard on 17 April 2016 but did not proceed as the matter was not listed. A new hearing date is yet to be fixed.

(iii) Potential Costs of Transfers of Vested Assets:

The vesting Order was published vide Legal Notice No.173 dated 13th October 2006, with an effective date of 24th October 2002. KCAA Stamp duties and capital gains taxes may accrue unless waived by the Government. Stamp Duties at the revalued amounts for assets that the Authority has ownership documents are approximated at Ksh. 91 million.

43. Capital Commitments

		2017	2016
		Kshs	Kshs
01	Weihai International Economic & Technical Cooperative Co. Ltd	38,987,112	-
	The construction of the proposed library complex for the East African School of Aviation		
02	Nanjing Les Information Technology Company Limited-China	126,223,027	-
	Supply, installation and commissioning of ADSB and MLAT systems		
03	Pacificon Investment Limited	13,726,106	-
	Construction of the proposed poolside restaurant at the East African School of Aviation (EASA)		
04	Weihai International Economic & Technical Cooperative Co. Ltd	52,141,320	-
	Construction of the proposed control tower and office building at Wilson airport		
05	IDS North America Ltd	78,584,030	-
	Supply, Installation and Commissioning of Aeronautical Information (Management) System (AIS/AIM)		
06	SITA Information Networking, Computing BV	57,871,129	-
	Procurement of a ADS-C datalink / ATIS datalink		
07	Canaries Holdings LTD	12,870,150	-
	Provision of refurbishment works of twelve (12) KCAA Houses in East African School Of Aviation in Embakasi Nairobi		
08	Selex-ES Technologies Ltd	329,740,363	-
	Support for modernization and upgrading of Air Navigation Equipment (LOTS 1, 2, 4, 6, 8 & 9).		

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09	Realmax Corporation Ltd	Rehabilitation of sports facilities at the East African School of Aviation (EASA)	7,269,410	-
10	Nature Investors Ltd	Renovation Works for Administration Block at East African School of Aviation (EASA), Embakasi	7,835,800	-
11	Jamii Telecommunications Limited	Provision of Back -Up Fibre Optic Links For Key Circuits	49,523,070	-
12	IDS North America Limited	Supply and implementation of a billing and revenue management system for Air Navigation Charges for KCAA.	65,489,451	-
13	Safaricom Ltd	Provision of remote connectivity for NAVAIDS	1,526,050	-
14	DatapoSIT Ltd	Supply, delivery, installation, configuration, intergration, testing, training and commissioning of a VEEAM back up software	841,316	-
15	Gestalt	Supply, installation, configuration, intergration, testing, training and commissioning of an advanced hardware firewall and network segmentation service	1,740,000	-
16	Geoscintex	Supply, delivery, installation, training and commissioning of a cabin mock - up equipment for cabin attendants training for EASA	4,760,000	-
17	Three Sixty Business Solutions Ltd	Supply, delivery and installation of assorted office furniture for the Authority's headquarters and Wilson Airport - Lot 1	3,289,922	-
18	Bevaj Furniture Ltd	Supply, delivery and installation of assorted office furniture for the Authority's headquarters and Wilson Airport - Lot 2	2,138,420	-
19	Azimath Co.Ltd	Provision of services for Aerial mapping for digital terrain data for Eldoret and Kisumu International Airports	29,022,968	-
20	Business Connection Ltd	Supply, delivery, installation and configuration of SAN SAS & SSD DISKS, SAN FIRMWARE upgrade and switch port licensing.	5,562,533	-
21	Meera Construcion Ltd	Propoosed construction of Area Control and Disaster Recovery Central Transmitting Station in Mlolongo	264,998,656	-

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22	Countylike Enterprises Ltd	Proposed refurbishment of KCAA building and erection of fence in Lodwar DVOR station	6,732,250	-
23	Massatech Ltd	Supply, delivery, installation and commissioning of ICT Equipment for KCAA examination centre	23,109,800	-
24	Service & Computer Industries (K) Ltd	Supply, Installation, Testing and Commissioning of a complaints Management System.	1,986,036	-
25	Ecostar Systems Ltd	Supply, Installation, Testing and Configuration of an Audio Visual System at KCAA Headquarters.	6,958,300	-
26	Prudmat Technologies	Provision of consultancy services for the development of Information Communication Technology Policies and Procedures	881,600	-
27	Fidelity Telecommunications Services Ltd	Supply,delivery,installation and commissioning of new Air conditioners at various KCAA stations	4,690,000	-
28	Marducos General Services	Supply,delivery and installation of assorted office furniture for KCAA HQS and departments;Lot 1	2,110,500	-
29	Fast Choice Ltd	Supply,delivery and installation of assorted office furniture for KCAA HQS and departments;Lot 2	2,061,660	-
30	Apicah Furniture Ltd	Supply,delivery and installation of assorted office furniture for KCAA HQS and departments;Lot 3	1,801,000	-
31	Eco desh Power Solutions	Supply,delivery,Installation and commissioning of IP based CCTV systems at six radar stations and CTX mlolongo	983,290	-
32	Tremgen Enterprises	Procurement of special portable laptops for use by DCS,DASSR,DANS and MICT	540,000	-
33	General Motors(EA) Ltd	Isuzu FRR33L Semi Luxury Bus at the discounted duty paid through Government of Kenya (GOK) Contracts	6,400,000	-
34	Urysia Ltd	Peugeot Boxer Microbus, Diesel 14 passengers paid through Government of Kenya (GOK) Contracts	7,499,000	-

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35	Stingal Building and Civil Works Ltd	Repair of roof leakages at Kisumu International Airport control tower and offices	1,828,760	-
36	Indica Ltd	Tender for proposed construction of a storage shed/workshop at the East African School of Aviation(EASA)	6,746,566	-
37	Adesina Limited	Proposed construction of a laundry house at East African School of Aviation (EASA)	4,977,930	-
38	iBross Ltd	ATC equipment at WAP	157,292,125	-
39	GECI Espanola	Mobile ATC Tower	160,578,960	-
40	Egis Kenya	Safety Risk and Mitigation of New ANS procedure facility	27,330,703	-
41	McMurdo Inc	Integrated Aeronautical S&R	30,992,834	-
42	Gestalt Gild Crafted Enterprises	Disaster Recovery Site	94,658,751	-
43	Geokama Construction Ltd	Renovation of pavilion and vcourt at EASA	3,237,189	-
44	Magfre Enterprises	VHF Radio Equipment for RCC	29,329,336	-
45	Electronic data Solutions	BOCA Type for Eurocat C and atalis	1,650,000	-
46	Nairobi Sports House	Gym Equipment	4,994,150	-
47	Macro steps Enterprises	Refurbishment of EASA Houses	17,138,650	-

Total **1,760,650,222** -

44. Events after the reporting period

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

45. Currency

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

XVII 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)
1	PROPERTY, PLANT AND EQUIPMENT				
(i)	Land and Buildings - Ownership documents were not made available for audit verification	- Management is following up with the Ministry of Lands to obtain title deeds	Director General	Not Resolved	
(ii)	Properties Allocated to Third Parties - Some parcels of land were registered in the names of third parties	- Management is following up with the Ministry of Lands for revocation of current title deeds and issuance of title deeds for these parcels of land to KCAA	Director General	Not Resolved	
2	CURRENT ASSETS				
(i)	Receivables from non-exchange transactions - Station imprest balance had minimum movement from previous year without satisfactory explanation	- Management has initiated the process of having this amount written off since it relates to staff who have since been separated	Director General	Not Resolved	

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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)
	<ul style="list-style-type: none"> - The receivables from non-exchange transactions also include a sum of Kshs 2,458,738 for staff imprest out of which Kshs 1,102,693.23 relates to imprests advanced to members of the Board of Directors. 	from the Authority.			
(ii)	<p>Receivables from exchange transactions</p> <ul style="list-style-type: none"> - Kshs 33,986,563 was due to the East African School of Aviation in respect of student fees but which balance has not been analysed to show how long the debts have been outstanding. 	<ul style="list-style-type: none"> - Management is following up this matter with the former students to ensure the debt is fully recovered 	Director General	Not Resolved	
3	TOTAL PAYABLES				
	<ul style="list-style-type: none"> i. Long – Outstanding Balances: A review of aged analysis of this payables showed that a total of Kshs.53,199,882 represents balances that had been outstanding for more than year. ii. Provision for African Commuter Services Liability: It has not been possible to confirm how the operations of the Authority will be affected if the Court upholds the award of Kshs 		Director General	Not Resolved	

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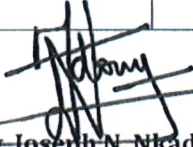
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time me: (Put a date when you expect the issue to be resolved)
	1,421,671,718 to African Commuter Services with regard to the pending law suit.				
4	ALLOCATION OF AUTHORITY'S VEHICLE NO. KCD 416 G FOR THE CHAIRMAN'S OFFICE.				
	A review of motor vehicles records revealed that the Chairman's office had been assigned a Toyota Prado registration No. KCD 416G on a full time basis. Further, in the period from July 2015 to June 2016, the vehicle covered 34,360 kilometers and utilized 4,599 liters of diesel valued at Kshs.412,596. There is no provision for allocation of a vehicle to the Chairman of the BOD in his appointment letter and it was therefore not possible to confirm the validity of the expenditure above.		Director General	Not Resolved	
5	CONSTRUCTION OF PERIMETER WALL AT EAST AFRICAN SCHOOL OF AVIATION				
	-Construction of the perimeter wall started in June 2012. Management had estimated the cost of the wall at Kshs. 1,290,540.00. By July 2014, the wall had not been completed while an expenditure of Kshs.	- The wall has since been completed and all related documents are available for review.	Director General	Not Resolved	

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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)
	<p>8,157,060.00 had been incurred. In addition, it was not satisfactorily explained why open tendering was not used in line with the Public Procurement and Disposal Act, the budget overrun and failure to complete the project.</p> <p>- An officer who is on Secondment to International Civil Aviation Organization (ICAO) Council had been paid a total of Kshs.19,425,018 subsistence allowance between August 2014 and April 2015. Although Management has explained that the officer has continued being paid per diem for over 30 days due to unavailability of suitable accommodation, no prior approval had been obtained from the Permanent Secretary - Ministry of Transport and Infrastructure.</p>	<p>-Since adequate accommodation was not available, the officer was put on per diem pending the lease of a suitable house for her. This being a new office, the process took quite a while to conclude hence the period as contemplated in C.8 in the Foreign Service Regulations 2000 could not be met. The Authority applied Section C.13 as read together with Section C.11 in effecting the allowance to the ICAO Council representative.</p>			


 Capt. Gilbert M. Kibe
 Director General

Date...28 SEP 17.....


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

Date...28th Sept. 2017.....

XIX. Appendix 1: PROJECTS IMPLEMENTED BY THE AUTHORITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment Kshs Mn	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kenya Transport Sector Support Project	P124109	IDA	8 Years	2,300.00	YES	YES
2 National Urban Transport Improvement Project	P126321	IDA	5 Years	500.00	NO	YES

Status of Projects completion

No	Project	Total project Cost in Million KES.	Total expended to date in Million KES	Completion % to date	Budget in Million KES	Actual in Million KES	Sources of funds
Kenya Transport Sector Support Project							
1	Construction of KCAA Headquarters	950.00	950.00	100.00	10.00	21.00	World Bank & KCAA
2	Upgrading of air navigation systems	600.00	600.00	100.00	50.00	25.00	World Bank & KCAA
3	Implementation of ICT Systems	160.0	50.00	40.00	30.00	0.00	World Bank & KCAA
4	Technical support to enhance aviation safety	140.00	130.00	90.00	30.00	0.00	World Bank & KCAA

National Urban Transport Sector Support Project							
1	Construction of EASA Library	275.00	275.00	100.00	105.00	140.00	World Bank & KCAA
2	Purchase of 3-D ATC Simulators	272.00	272.00	100.00	0.00	0.00	World Bank & KCAA
3	Equipping of EASA Library	40.00	0.00	5.00	0.00	0.00	World Bank & KCAA


XX. Appendix 2: INTER-ENTITY TRANSFERS

KENYA CIVIL AVIATION AUTHORITY			
Break down of Transfers from the State Department of Transport			
FY 2016/17			
a. Recurrent Grants			
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
			-
	Total		-
b. Development Grants			
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
			-
	Total		-
c. Direct Payments			
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	27/06/17	49,774,0189	2016-17
	27/06/17	20,756,286	2016-17
	28/04/17	15,396,405	2016-17
	14/03/17	15,816,253	2016-17
	30/01/17	12,948,265	2016-17
	14/09/16	18,689,288	2016-17
	18/05/17	19,372,023	2016-17
	20/06/17	17,886,206	2016-17
	Total	618,604,915	
d. Donor Receipts			
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	17/11/2016	55,000,000	2016-2017
	10/02/2017	324,160	2016-2017
	Total	55,324,160	

The above amounts have been communicated to and reconciled with the parent Ministry

Mr. Joseph K. Chebungei
 Director Corporate Services
 Kenya Civil Aviation Authority

Head of Accounting Unit
 Ministry

Sign 
 28.09.17

Sign-----

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XXI. Appendix 3: 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	Where Recorded/recognized				Total Transfers during the Year Kshs
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Kenya Airports Authority	24/10/16	Recurrent	110,460,546	110,460,546					110,460,546
Kenya Airports Authority	30/11/16	Recurrent	171,134,207	171,134,207					171,134,207
Kenya Airports Authority	07/12/16	Recurrent	110,460,546	110,460,546					110,460,546
Kenya Airports Authority	16/01/17	Recurrent	171,134,207	171,134,207					171,134,207
Kenya Airports Authority	13/02/17	Recurrent	110,460,546	110,460,546					110,460,546
Kenya Airports Authority	03/04/17	Recurrent	171,134,207	171,134,207					171,134,207
Kenya Airports Authority	03/04/17	Recurrent	110,460,546	110,460,546					110,460,546
Total			943,333,864	943,333,864					943,333,864