

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 04 AUG 2021

DAY:

Wed (AM)

OF

TABLED
BY:

Hon e wangwe
Majority Whip

CLERK-AT
THE-TABLE:

PK

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**INFORMATION AND COMMUNICATION
TECHNOLOGY AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2019**





THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

Table of Contents	Page
KEY ENTITY INFORMATION AND MANAGEMENT	ii
THE BOARD OF DIRECTORS.....	vi
MANAGEMENT TEAM	xi
CHAIRMAN’S STATEMENT	xiii
REPORT OF THE CHIEF EXECUTIVE OFFICER	xv
CORPORATE GOVERNANCE STATEMENT	xvii
MANAGEMENT DISCUSSION AND ANALYSIS	xviii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	xxiv
REPORT OF THE DIRECTORS.....	xxv
STATEMENT OF DIRECTORS’ RESPONSIBILITIES.....	xxvii
REPORT OF THE INDEPENDENT AUDITORS ON THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY FOR THE YEAR ENDED JUNE 30, 2019	xxviii
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS	4
FOR THE YEAR ENDED 30 JUNE 2019	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
NOTES TO THE FINANCIAL STATEMENTS	8
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	40
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	54
APPENDIX III: INTER-ENTITY TRANSFERS.....	55
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	57

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The information and communications Technology Authority was established in August 2013 by merging the Government Information Technology Service (GITS), The Kenya ICT Board, and E-Government services in line with the Executive Order No.2 of 2013 on the Reorganization of Government, under Legal Notice No. 183 of 2013. At Cabinet level, the ICT Authority is represented by the Cabinet Secretary for Information, Communications and Technology who is responsible for the general policy and strategic direction of the ICT Authority.

(b) Principal Activities

The principal activity of the ICT Authority is to rationalize and streamline the management of all Government of Kenya ICT functions. Its broad mandate entails enforcing ICT standards in Government and enhancing the supervision of its electronic communication. The Authority also promotes ICT literacy, capacity, innovation and enterprise in line with the Kenya National ICT Masterplan 2017.

ICTA Vision

Be the leader in transforming Kenya into a regional ICT hub and a globally competitive digital economy

ICTA Mission

To champion and harness ICT for efficient and effective public service delivery, wealth creation and well-being of Kenyans

ICTA Mandate

- Set and enforce ICT standards and guidelines for the human resource, infrastructure, processes and system and technology for the public office and public service; and
- Deploy and manage all ICT staff in the public service;
- Facilitate and regulate the design, implementation and use of ICTs in the public service;
- Promote ICT literacy and capacity;
- Promote e-Government services;
- Facilitate optimal electronic, electronic form, electronic record and equipment use in public service;
- Promote ICT Innovation and enterprise;
- Establish, develop and maintain secure ICT infrastructure and systems
- Supervise the design, development and implementation of critical ICT projects across the public service.
- Implement and manage the Kenya National Spatial Data Initiative

(c) Key Management

The ICT Authority management is under the following key organs:

- Board of Directors
- Chief Executive Officer
- Senior Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

- | | |
|-----------------------------|--|
| 1. Dr. Katherine Getao, EBS | Chief Executive Officer (Appointed in December 2018) |
| 2. John Sergon, EBS | Ag. Chief Executive Officer (up to December 2018) |
| 3. Eunice Kariuki | Director Partnerships, Innovation and Capacity Development |
| 4. Paul Ronoh | Director Programmes and Standards |
| 5. Rosemary Ndiritu | Director Corporate Services (Appointed in April 2019) |

(e) Fiduciary Oversight Arrangements

(i) Finance Committee

The Finance Committee of Board ensures effective financial management of the ICT Authority. They therefore review and monitor the budget of the institution. The committee also ensures that the tendering, procurement and disposal of assets are administered as per Government and Donor regulations. On a quarterly basis, the management presents a financial report to the committee.

(ii) Human Resource Committee

The objective of the Human Resources Committee is to assist the Board in discharging its duty to oversee the establishment of appropriate Human Resource policies and strategies that provides the Authority with the capability to achieve its short- and long-term objectives. The committee reviews, monitors and makes recommendations to the Board on human resources strategy and policies that pertain to staffing, compensation, benefits, and related issues of strategic importance that directly affect ICT Authority ability to recruit, develop and retain the highly-qualified staff needed for it to achieve its mandate.

(iii) Audit Committee

The Board has constituted an Audit Committee which meets four times a year or as necessary. Its responsibilities include review of the integrity of the financial statements and formal announcements relating to the organizations financial performance, accounting standards and maintaining oversight on internal control systems.

(iv) Project Governance Oversight Committee

The Project Governance Oversight Committee serves as the governing committee for the work done by the Project Management team at the Authority. The purpose of the committee is to provide approvals, guidance, resolutions and to review the project implementation throughout the lifecycle of each project. The committee ensures good governance which sets the stage for success of the Project.

(f) Entity Headquarters

P.O Box 27150-00100
Telposta Towers
12th Floor, Kenyatta Avenue
Nairobi, Kenya

(g) ICT Authority Contacts

Tel: +254-20-2089061
Nairobi, Kenya
Email: info@ict.go.ke
Website: www.icta.go.ke

(h) Entity Bankers

Citibank NA, Citibank House, Upper Hill Road,
P.O Box 30711-00100
Tel: +254-20-2711221
Nairobi, Kenya

Kenya Commercial Bank
Kencom House, Moi Avenue,
P.O. Box 48400-00100,
Nairobi, Kenya

THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

THE BOARD OF DIRECTORS



Mr. Njoroge Nani Mungai

Mr. Njoroge Nani Mungai is the Chairman of the ICT Authority with effect from the 14th December 2018. Mr. Mungai is a lawyer and a founding partner of MMC Africa Law, a corporate commercial law firm.

He has over 28 years' experience advising both public and private sector clients in commercial transactions including telecommunications, compliance and regulatory, mergers and acquisitions, capital markets, project finance, energy and infrastructure projects. He has advised on some the region's largest IPOs in Kenya and Rwanda.

He has advised local and international clients on significant Public, Private Partnership transactions, the structuring of mixed-use developments and has also represented the owners and developers of wind, solar and geothermal projects in all aspects of conceptualization and development of their energy projects.



Mr. Jerome Ochieng

Mr. Jerome Ochieng is the Principal Secretary for ICT and Innovation. Until his appointment, he was the Director of the Integrated Financial Management Information System (IFMIS) at the National Treasury.

He has 17 years' work experience in the field of information and communication technology in the Public Service at an Administrative level, he has served as a Manager ICT with Public Procurement Oversight Authority for 6 years. At operational level, he has a stint of 8 years' experience rising within the ranks to the position of Asst. Director ICT in the Department of Government Information Technology Services.

He holds a master's degree in Information Engineering from the University of the Ryukyus, Okinawa, Japan and is undertaking a Master's in Business Administration from (ESAMI). He is a registered fellow of the Computer Society of Kenya and a Licentiate Member of the Institute of Management Information Systems (IMIS), UK.

Chief Executive Officer



Dr. Katherine Getao, EBS-Until her appointment, served as the ICT Secretary at the Ministry of ICT. She has also held other senior appointments in government such as ICT Secretary, e-Government at the Presidency and served in the United Nations as a member of the Group of Governmental Experts on Security in the context of ICT.

Among the key contributions Dr. Getao has brought to the government is spearheading the Huduma Kenya Initiative that has brought a raft of government services close to the citizens and has made public service delivery accessible and efficient.

Other strategic initiative that Dr. Getao drove was DLP business model that led to the provision of devices and capacity building through a consortium approach that combined a local university and assembly plant with an international technology provider.

Dr. Katherine Getao, EBS

She is also a popular international keynote speaker on topics such as cyber diplomacy, internet freedom and digital economy. Dr. Getao played a critical role during the formation of the ICT Authority in 2013 where she provided expert advice on the strategic planning, a role which saw three entities merge into one Authority in a seamless transition process.

Dr. Getao brings to this office immense experience as a researcher, policy maker, expertise in ICT for education, project management in an ICT environment, among others. She holds a B.SC (Hons) in Combined Sciences (Chemistry & Computer Studies) from the University of Brighton, U.K; an M.SC in Intelligent Knowledge-based Systems from the University of Essex and a Ph.D. in Computing from Lancaster University, U.K.

Alternate Members



Abraham Ondeng is the alternate to the PS Ministry of Information, Communications and Technology. He is the Deputy Secretary in the State Department of ICT and Innovations, Ministry of ICT. He has over 15 years' experience in the field of administration and project management in the ministry.

He has been involved in the conceptualization and implementation of various ICT projects. He has also been involved in the preparation of various policy documents. He served in Konza Technopolis Development Authority as Director of Management services and in the Ministry as Assistant Secretary, Undersecretary before rising to the position of Deputy Secretary.

Abraham Ondeng

He holds a Master's in Business Administration from ESAMI/MAASTRICT School of Management and currently pursuing a Master's in Project Planning and Management from University of Nairobi. He is a Member of KIM as well as a Member for African Association for Public Administration and Management.



Mr. Tom Abuta

Mr. Tom Abuta is the alternate to the Principal Secretary State Department of Lands. He is currently a Senior State Counsel at the Ministry of Lands and Physical Planning. He also previously worked as the Head of Legal Services at the Ministry of Industry, Trade and Cooperatives.

He holds a Bachelor of Commerce from Punjab University, India and a Bachelor in Law and Legislation from South Gujarat University, India. He is also an Advocate of the High Court of Kenya.

Mr. Abuta was played a key role in the digitization taskforce that collaborated with the ICT Authority that oversaw the digitization of land records of the Ministry of Lands.



Mr. Stanley Kamanguya

Mr. Stanley Kamanguya is the alternate to the Principal Secretary, Treasury. He is currently an Acting Director of Integrated Financial Management Information System (IFMIS) at the National Treasury. He has over 10 years of experience in Information Technology, Project Management and Business Development. His previous roles include Consultancy Services in both the Public and Private Sectors.

He holds a Bachelor's Degree in Computer Science from Maseno University. He also holds a Master of Business Administration from the United States International University. He is also a registered Project Management Professional (PMP) with the Project Management Institute.

Mr. Kamanguya has a strong business acumen with great leadership skills and work.

Independent Members



Ms Jerotich Sirma

Ms Jerotich Sirma is a lecturer of Information Systems at Egerton University, Nakuru Town Campus College.

Ms Sirma has enormous experience spanning over 20 years in the field of information systems. She has worked for IBM Corporation and other private and public sectors in the United States of America by managing, deploying and performing systems integration as well as implementation and infrastructure analysis of large scale systems.

She is currently pursuing a PhD in Business Information Systems in the School of Informatics and Innovative Systems at Jaramogi Oginga Odinga University of Science & Technology.

She holds an MBA from Howard University, Washington D.C. and BS in Computer Information Systems from South-eastern University, Washington D.C. Ms Sirma has also published in different journals in the area of Cyber Security/Information Security. She is a member of Institute of Electrical and Electronics Engineers (IEEE).



Ms Mercy Pendo is an Accountant at the Malindi Water and Sewerage Company Sacco. She previously worked as an Assistant in the Internal Audit Department of the same organisation. She holds a Bachelor's Degree in Economics and Finance from Kenyatta University

Ms Mercy Pendo



Eng. John Kipchumba is currently the Co- founder and Chief Executive Officer of INFONET Group (Africa and International.) He brings over 11 years of experience working in the Non-Profit Sector and Government in shaping the Information and Communications Technology Policies. For the last 6 years he has been actively preparing and presenting sectoral policy briefs to both the government and international agencies in Kenya.

Eng. John Kipchumba

He holds a Bachelor's Degree in Computer Science from the University of Nairobi. He also studied Cyber Security, Innovations and Driving Government Performance at Harvard Kennedy School of Government.



CPA Mwabu Dominic Muriungi is currently a senior Accountant and Systems Support at Jubilee Insurance Company. He has over 20 years' experience in accounting and economics after working with both AON Minet Insurance and Agha Khan University Hospital.

He holds a Bachelor of Economics and Sociology from the University of Nairobi. He is also a certified accountant by the Institute of Certified Public Accountants of Kenya (ICPAK)

He possesses strong leadership skills, and problem-solving skills.

CPA Mwabu Dominic Muriungi



Ms. Veronica Thiga has an expansive work experience in consulting and management of Information Systems both locally and internationally. She has also worked in commercial banking, microfinance, higher education and the non-profit sectors.

She holds a BSc. degree in Mathematics from Kenyatta University and a MSc. Degree in Computer Science from University of Victoria, Canada. Her thesis was based on project research focusing on Technology Transfer issues in Sub-Saharan covering Kenya, Uganda, Rwanda and Ethiopia. Veronica is currently working as an Independent Consultant

Ms. Veronica Thiga

Immediate Former Members



Hon. Edwin Yinda was the Chairman for ICT Authority up to 13th December 2018. He is a businessman and a former Member of Parliament. He has worked for various shipping companies. He has held various positions including; Managing Director and shareholder of Span Freight Shipping Ltd, Director and Shareholder of Cent Savvy Investments Ltd, Chairman and Main shareholder Venus Tea Brokers Ltd, Chairman and Executive Director Supply Linkages Ltd, Board Member St. Andrews school, Turi and Trustee of Wema Centre

He holds a diploma in Port and Shipping Administration from the University of Wales, United Kingdom

Hon. Edwin Yinda



Eng. Eliud Waitthaka was the alternate to the PS Ministry of Land, Housing and Urban Development until October 2018. He is the Acting Chief Engineer (Electrical) in the Ministry of Land, Housing & Urban Development.

He has worked in the Ministries of Transport and Communication, Public Works and Lands, Housing and Urban Development for 32 years.

He holds Bachelor of Science in Electrical Engineering from University of Nairobi. He is also a registered Electrical Engineer and an associate member of the Institution of Engineers of Kenya (IEK)

Eng. Eliud Waitthaka

MANAGEMENT TEAM



Dr. Katherine Getao, EBS-Until her appointment, served as the ICT Secretary at the Ministry of ICT. She has also held other senior appointments in government such as ICT Secretary, e-Government at the Presidency and also served in the United Nations as a member of the Group of Governmental Experts on Security in the context of ICT.

Among the key contributions Dr. Getao has brought to the government is spearheading the Huduma Kenya Initiative that has brought a raft of government services close to the citizens and has made public service delivery accessible and efficient.

Other strategic initiative that Dr. Getao drove was DLP business model that led to the provision of devices and capacity building through a consortium approach that combined a local university and assembly plant with an international technology provider.

Dr. Katherine Getao, EBS

She is also a popular international keynote speaker on topics such as cyber diplomacy, internet freedom and digital economy. Dr. Getao played a critical role during the formation of the ICT Authority in 2013 where she provided expert advice on the strategic planning, a role which saw three entities merge into one Authority in a seamless transition process.

Dr. Getao brings to this office immense experience as a researcher, policy maker, expertise in ICT for education, project management in an ICT environment, among others. She holds a B.SC (Hons) in Combined Sciences (Chemistry & Computer Studies) from the University of Brighton, U.K; an M.SC in Intelligent Knowledge-based Systems from the University of Essex and a Ph.D. in Computing from Lancaster University, U.K.



Mr. John Sergon, EBS

Mr. John Sergon, EBS was appointed as the Ag. Chief Executive Officer with effect from 22nd March 2018 up to December 10, 2018.

He holds MSc. Management Information Systems (MIS) from Bowie State University, Mary Land USA and a Bachelor of Business Administration (Accounting Option) from the University of District Columbia, Washington DC, USA in 1988. He sat for his A Level Certificate in 1981 from Alliance High School and also sat for his O level certificate from the same institution and attained Division 1.

He has served a Director ICT in the Ministry of ICT since 2013. Previously he served as Director in the directorate of e-Government, cabinet officer from April, 2008 to September, 2013. He worked in the National Security Intelligence, MIS Specialist/Consultant parastatal reforms program, a Computer Programmer at Kenya Commercial Bank Limited, part-time lecturer at Moi University and Strathmore College



Kipronoh Ronoh Paul- Director Programmes and Standards

Paul has held key senior positions as Head of ICT and Quality Management system at Kenya Urban Roads Authority and Head of ICT at Civil Aviation Authority.

He holds an MBA and B.Sc. in Computer Science from the University of Nairobi. He also holds professional qualifications in Microsoft certified Systems Engineer (MCSE) and Cisco Certified Network Associate (CCNA).



Eunice Kariuki-Director Partnerships, Innovation and Capacity Development

Eunice was the Marketing Director at Kenya ICT Board and doubled up as a Deputy CEO for 7 years. She has worked for Microsoft as a Public Sector Account Manager. She also worked for Records & Archives Management Systems company, Eastman Kodak Avro International Aerospace, UK.

Eunice holds an MBA in Strategic Management, B.Sc. in Business Studies, a Higher National Diploma in Business Information Technology and Chartered Institute of Marketing (CIM) Diploma. She is a member of the CIM and institute of Directors.



Rosemary Ndiritu-Director Corporate Services

Rosemary is a holder of Corporate Finance (CF), MBA, CPA (K) and BCom. (Accounting) professional qualifications. She has, in her extensive career, held a number of Senior Leadership positions within the private and public sectors at both Executive Management and Board Levels, in multiple roles as Corporate Leader, Executive and Corporate Finance Practitioner.

The Director has significant hands-on solid experience in the formulation, development and implementation of organization, business and financial strategies and in managing operations (Administration, Finance, Audit, Tax, HR, Risk & Compliance and Performance-related activities). She has been involved in key milestone corporate finance transactions in the region, with

specialization in M&A transactions, capital raising, transaction advisory, corporate restructuring, financial and investment advisory. Rosemary is also a Certified Retirement Benefits Fund Trustee and a member of the Institute of Directors (IOD) Kenya, the Faculty of Corporate Finance at the Institute of Chartered Accountants in England and Wales (ICAEW) and of the Institute of Certified Public Accountants of Kenya (ICPAK) professional bodies.

CHAIRMAN'S STATEMENT

The ICT Authority in collaboration with various stakeholders is spearheading the delivery of ICT services to the citizens. This is in conformity with Smart Africa 2063 agenda, the Constitution of Kenya 2010, the country's economic blueprint Vision 2030, the Big Four Agenda, the National ICT Master Plan, the Cybersecurity strategy and the Government of Kenya Digital transformation strategy.

The Authority is tasked with rationalizing and streamlining the management of all Government of Kenya ICT functions. Its broad mandate entails enforcing ICT standards in Government and enhancing the supervision of its electronic communication. The Authority also promotes ICT literacy, capacity, innovation and enterprise.

To achieve our vision of delivering trustworthy and transformative ICT leadership we are guided by the Strategic Plan (2019-2022) that is under review and the National ICT Infrastructure Master Plan (2019-2029). The two documents detail what we need to do for Kenya to become a digital economy and our vision to use ICT to transform lives.

The documents also identify ICT as being a key foundation and enabler in driving the development agenda of the Kenyan nation and plays a big role in the attainment of the economic development, social wellbeing and job creation.

In the financial year 2019/2020, the Authority is reviewing its Strategic plan. The reviewed Strategic Plan will be guided by the following themes; Shared services; ICT Innovation and Enterprise; Information Security; ICT Human Capital and ICT governance. The main programmes and projects the Authority is rolling out during this period include: Digital Literacy Programme (DLP), Presidential Digitalent Programme (PDTP), County Connectivity project and National Optic Fibre Backbone (NOFBI).

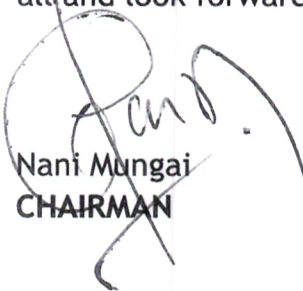
To achieve our goals, we continue to work with our development partners like World Bank through the Eastern Africa Regional Transport, Trade and Development Facilitation (EARTTDF), numerous other private sector stakeholders and the academia.

As we look to the next fiscal year, we are committed to continue delivering on our mandate and strategic plan. We will continue to work on many of the projects from the previous year, while building momentum on new ones.

We also plan to ensure that the Authority work is well understood and communicated among the various stakeholders. The Authority will also undertake quarterly monitoring and evaluation of these priority projects in order to ensure that the completion rate and cost efficiency of each project is 100%. Our main challenge still lies in inadequate funding of our operations and projects. As per our delivery model, we plan to work closely with all partners and especially the ICT businesses and academia.

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

We appreciate the support, advice and encouragement that we have received from you all and look forward to much improved partnerships.



Nani Mungai
CHAIRMAN

REPORT OF THE CHIEF EXECUTIVE OFFICER

The ICT Authority is the leading public sector organization with responsibility for harnessing information and communication technology to increase the efficiency and effectiveness of government operations as well as citizen service delivery.

To fulfil this mandate we have focused on four areas: (a) the provision of secure and reliable ICT infrastructure (b) building the capacity of citizens and government officials to use ICTs (c) supporting the development and use of ICTs in the public sector to provision e-Government services and (d) the performance of research, innovation and enterprise in order to foster continuous improvement and increase jobs, productivity and wealth.

In the area of infrastructure, the ICT Authority has developed a National ICT Infrastructure Master Plan(2020-24).This document will guide and spur the growth of fibre backbone infrastructure with international submarine cables and redundant cross connect points to all neighbouring countries. The Master Plan also spells out strategies that will facilitate and increases the efficient provision and use of data centres.

In support of the Master Plan, the Authority is already partnering with agencies in the Road sector and other major players in infrastructure. The aim of this partnership is to create and implement policies that will streamline the development of the country's infrastructure. This will then address challenges such as damage to infrastructure through competing developments. It will also enhance the cost effective development and management of new infrastructure. The ICT Authority, in cooperation with sister agencies, has also embarked on a major rationalization and upgrading of data centres. The Authority is currently project managing the development of NOFBI 2E, over 2500 km of Fibre connecting sub county headquarters, and the rehabilitation and upgrading of over 600km of fibre countrywide.

On Capacity Development, the Authority is the key agency that is implementing and managing the Digital Learning Programme (DLP) which is set for Phase II. Through DLP, the Authority has delivered over one million digital devices to over 22,000 public primary schools in all parts of Kenya. We have also deployed human capacity through the regional and County ICT Officers who are the first line support to the teachers and children using the devices for teaching and learning.

A monitoring and evaluation report compiled by the Kenya Institute of Curriculum Development (KICD) in 2018 linked the use of the digital devices to improved learning outcomes, increased enrolment and reduced absenteeism especially in the arid and semi-arid areas as well as other rural parts of the country. The Authority will continuously implement interventions to ensure maximum utilization of the digital devices and so entrench the use of ICT for teaching and learning in Kenya.

The ICT Authority has developed a capacity building framework that develops the digital citizen from an early age (6 years) up to working life. We have aligned two programmes with this framework. These are Ajira (an online work programme) which we support and the Presidential Digital Talent Programme (PDTP) through which we on-board 400 interns every financial year. They are trained for 12 calendar months and during that period they receive hands-on ICT skills as they intern in both public and private sectors.

In the area of e- Government services, the Authority is supporting secure Government communications and connectivity. This is to enable public sector organizations share voice and data communications. It has also served public servants to work from both the office and home. The Authority has redesigned the security architecture for increased security. We are supporting the delivery of 10 GBPS Internet to public agencies. We have also reorganized and moved the Government electronic mail and websites to more secure location and management.

On research, innovation and enterprise, the Authority has developed a partnership with ten universities. This partnership will facilitate the execution of research that is relevant to our programmes and the specific challenges that have been revealed through our monitoring and evaluation efforts. We have also developed an innovation development framework and portal named Whitebox. We are using this platform to harness the ideas and products of young innovators and bring them to market. We have several active partnerships with large and small ICT companies and collaborate in issues such as thought leadership, capacity building of young Kenyans and testing of emerging technology. We also assist corporates and public agencies through consultancy, standards and compliance and accreditation of ICT companies.

All these efforts are aimed at positioning Kenya as a reliable regional and global information and communications technology hub. It is our commitment as the ICT Authority is committed to enhancing the success and robustness of the ICT sector in Kenya and enabling the achievement of Vision 2030 and the Government's Big 4 Agenda.



**Dr. Katherine W. Getao, EBS
CHIEF EXECUTIVE OFFICER**

CORPORATE GOVERNANCE STATEMENT

The Board of the ICT Authority is responsible for the overall management of the organization and is accountable to its stakeholders for ensuring that the organization complies with the law and the highest standards of best practices in corporate governance and quality service delivery. The Authority's Board is committed to integrity in accordance with the generally accepted corporate practices and endorse the developed principles of good corporate governance.

The Board

The Board is made up of 10 Members representing various stakeholders. The Board consists of the following members

- (a) Non-executive chairman
- (b) Principal Secretary, Ministry of Information, Communication and Technology
- (c) Principal Secretary, The National Treasury
- (d) Principal Secretary, Ministry of Land, Housing and Urban Development
- (e) Six persons appointed by the Cabinet Secretary by virtue of their specialist Knowledge and distinguished service and experience in matters relating to information and communication technologies, e-government-commerce, law, finance or human resources.

The conduct of the Board is governed by the terms of a Board Charter ensuring that its role is independent from that of management. It covers Board responsibilities, the conduct of meetings, conflict of interest, Board effectiveness and evaluation and information confidentiality among other matters.

The Board meets quarterly or more often if business so dictates. During its meetings it considers reports from the various board committees and matters related to the general strategy of the Company.

Committees of the Board

The Board has four standing committees, which meet regularly under the terms of reference set by the Board. They are:

- i. Human Resource Committee
- ii. Finance Committee
- iii. Programs & Standards committee
- iv. Audit Committee

The mandate of each committee is explained in part I (e) above.

Board Meetings

The Board has a work plan in place. Meetings of the full Board are held at least once every quarter. The notice agenda and Board papers are circulated in advance of each meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial Performance

For the year ending 30 June 2019, the total income was KShs 6,641,257,212 which comprised of grants of KShs 6,598,813,196 from the Parent Ministry (MoICT), KShs. 37,489,278 public contributions and donations for the 2018 Connected summit, KShs. 3,200,000 for Whitebox project, interest income of KShs 264,126 from the Escrow Account and the foreign exchange gain for the year was KShs 4,690,612.

Total expenditure for the year was KShs. 1,788,612,775 compared to the previous year which was KShs 6,277,850,952. This was a decrease of 72% from the previous year's total expenditure. This can be attributed to the project funds being released in the last month of the financial year thus delay in undertaking the set activities for the year under review.

2. Operational Performance

The Authority is tasked with the responsibility of rationalising and streamlining the management of all Government of Kenya ICT functions. Our broad mandate entails enforcing ICT standards in Government and enhancing the supervision of its electronic communication. We also promote ICT literacy, capacity, innovation and enterprise in line with the Kenya National ICT Masterplan 2017.

Some of the core functions and from which the performance indicators are derived from include:

- Set and enforce ICT standards and guidelines for the human resource, infrastructure, processes and system and technology for the public office and public service including deployment and management of all ICT staff in the public service;
- Facilitate and regulate the design, implementation and use of ICTs in the public service;
- Promote ICT literacy and capacity;
- Promote e-Government services;
- Facilitate optimal electronic, electronic form, electronic record and equipment use in public service
- Promote ICT Innovation and enterprise;
- Establish, develop and maintain secure ICT infrastructure and systems
- Supervise the design, development and implementation of critical ICT projects across the public service.
- Implement and manage the Kenya National Spatial Data Initiative

3. Key projects

a) NOFBI -National Optic Fiber Backbone Infrastructure Project

Project Background

NOFBI - has been implemented in three phases to date

- NOFBI Phase 1- From 2005 to 2008, the government has laid 4,300 KMs of 24 core fiber across the country and passing through 56 major towns in Kenya. This phase of the project was expected to supplement the existing telecommunications infrastructure while complementing other forms of infrastructure such as roads, railways and power lines in national development.
- NOFBI Phase 2 - From 2014- 2017 and its scope includes 2,100KM fiber links and IP equipment to all the 47-county headquarters, building of metropolitan area networks in all 47 county Headquarters and making them access the national backbone.
- NOFBI Phase II Expansion- 2017 - to date, the government is building NOFBI 2E network with a scope of 2500KM fiber links and IP equipment majorly covering sub-counties and creating many sub-rings to further increase redundancy. Installation of Access points in 290 sub counties

Project undertaking

To ensure connectivity to all government buildings in the country ensuring timely and enhanced service delivery to the citizens, efficiency and productivity of GOK employees.

Achievements

- Network of 9000kms built country wide
- Use of NOFBI Internet services in all 47 county head quarters
- Transmission equipment installed in 255/290 sub counties

Impact on the society

- I. Kenya has since achieved a more reliable, stable and efficient national backbone network that is being used by the Government at the National and County levels resulting in improved service delivery.
- II. Besides meeting the government's own needs, it is also available for use by other operators for the delivery of connectivity services and provide alternative failover routes.
- III. As a neutral shared government infrastructure, NOFBI has great potential to address the market demands from Telco's and ISPs to extend broadband connectivity across the country.

b) Eastern Africa Regional Transport, Trade and Development Facilitation Program (EARTTDFP)

The South Sudan - Eastern Africa Regional Transport, Trade and Development Facilitation Program (EARTTDFP) is a regional initiative to facilitate efficient movement of persons, goods and services between Kenya and South Sudan. The project aims at facilitating and lowering the cost of intra-regional trade to support regional cooperation and integration of economies in the sub-region. In addition, the project will focus on making the North Western part of Kenya and South Eastern part of South Sudan more accessible via a road and internet connectivity.

Project Objectives

Through the Information Communication and Technology component of the EARTTDFP project, the Government of Kenya aims at achieving the following development objectives:

- i. Contribute to extend the geographic reach of broadband networks including enhanced international connectivity for both South Sudan and Kenya; and
- ii. Contribute to improved delivery of public services.

Achievements so far

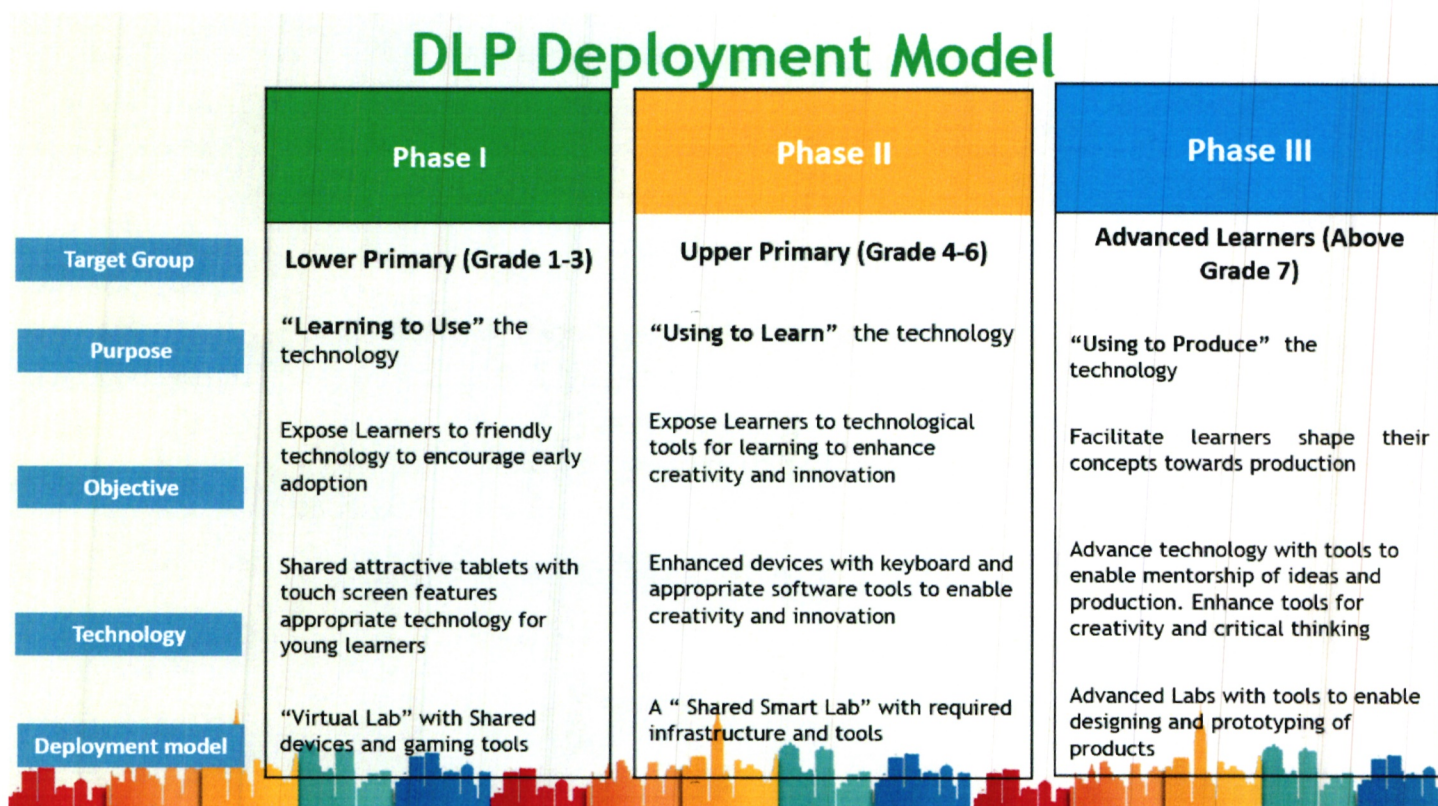
- i. The rehabilitation of the existing Optic Fibre Cable has commenced. The Optic Fibre Cable from Eldoret to Kapenguria is currently carrying internet traffic;
- ii. The technical specifications for the Eldoret- Nadapal/ Nakodok route have been developed. ICTA plans to advertise this bid during the month of August 2019.

c) Digital Literacy Programme (DLP)

The Government of Kenya (GoK) has undertaken integration of ICT across all levels of education through the Digital Literacy Programme (DLP) in order to prepare learners for the digital and competitive knowledge economy. The objective of the Programme is to impart required skills and attitudes that include critical thinking, creativity, communication, collaboration, and innovation aimed at preparing learners to competitively participate in a knowledge-based economy.

In order to achieve above, GoK initiated ongoing DLP in 2015 where it is being implemented through multi-government agencies (Ministry of Education, Ministry of ICT, MOEP, MOITC, The National Treasury, OAG, KISE, KICD, KP, REA and TSC) in phased out approach till learners in basic education are covered. It is important that as learners' transit from one stage to another, they have access to requisite skills and tools to be able to participate effectively in the current digital world.

DLP Deployment Model



Achievements

- 20,54 public primary schools representing 95.24 % of the contracted 21,729 schools under DLP Phase I have been supplied with **1,114,558** devices. Installations for the remaining 1,035 schools is ongoing.
- 113,223 teachers have been trained on CBC and 93,009 teachers have been trained on ICT integration and device utilization.
- 19,023 public primary schools have been connected to power by national grid and 3,241 public primary schools have been connected to power by solar.
- An improved enrolment of pupil's enrolment in public primary schools has been realized, including improved attendance.
- Two local device assembly plants have been established, one at JKUAT and another one at Moi University.
 - The production capacity for the Moi University device assembly plant is 1200 LDDs per day operating in two shifts of 8 hours each.
 - The production capacity for the JKUAT has two assembly lines with daily production capacity of 600 LDDs each per shift.
- A mechanism for DLP technical support has been established across the country. The ICT Authority has established 8 regional offices, 47 county offices and sub-county offices and officers posted at these levels to support the Programme.

- The number of students both at master's and PhD levels have shown interest in studying various aspects of the DLP for research purposes in Universities.
- Several countries have sought to benchmark with Kenya on how to implement various aspects of ICT integration in education (e.g. Zambia, Zimbabwe, and Mozambique).
- Lessons have been learnt on how to collaboratively implement government programmes.

4. Compliance with statutory requirements

Authority is fully compliant with the statutory laws and regulations. There are no major non-compliance concerns that may expose the entity to potential contingent liabilities.

In addition, The Authority has fully complied with all statutory requirements. This includes timely submission of PAYE June 30, 2019.

5. Major risks facing the entity,

- Credit Risk-** the risk of financial loss to the Authority if counter parties fail to meet their contractual obligations when they fall due. The authority's credit risk is primarily attributable to its bank balances. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings
- Liquidity risk-**the risk of the Authority not being able to meet its obligations as they fall due. The Authority's approach to managing liquidity risk is to ensure that there is sufficient cash and cash equivalents are available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Authority's reputation. Prudent liquidity risk management strategies that the Authority has put in place includes (i) prospectively assessing the need for funds to meet obligations and (ii) ensure the availability of cash to fulfil those needs at the appropriate time by coordinating the various sources of funds available to the Authority under normal and stressed conditions
- Operational risks** from the execution of the Authority's day to day functions towards achieving its objectives. Examples of such risks include cyber risk, data security, IT Failure, insufficient internal controls etc. The following measures have been put in place to mitigate such risks: (i) enhanced organizational capability in ensuring safety of staff (ii) staff sensitization on adherence to internal policies under various departments such as Finance, Human Resources and Procurement(iii)continuous upgrade of current infrastructure to prevent and minimize IT related risks such as computer hacking.
- Reputational risk due to the high public interest in the national projects implemented by ICTA and our involvement in government cybersecurity and

strategic systems.

- v. Unclosed historical projects with procurement process challenges.
- vi. Failure to achieve mandate due to competing demands from multiple stakeholders.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

This is about how ICTA takes account of its economic, social and environmental impact in the way it operates as a public organization. By demonstrating our commitment to corporate social responsibility (CSR), we aim to align our values, purpose and strategy with the needs of our employees, Local community and society at large, while embedding such responsible and ethical principles into everything we do.

Though the Authority does not have a CSR policy in place, we endeavour to have one in place in the near future. Nevertheless, as a parastatal, our dealing with our clients, suppliers and the local community principles in an effort to support reducing our energy, procurement, transport, water use and other business usage to reduce our carbon footprint and environmental impact.

We endeavour to reduce the environmental impact by reducing all our transportation requirements whether possible and use such facilities as web-ex and conference call facilities. We use vehicles that are regularly services and checked with regards to their emission levels and economically use their fuel. We also source and buy our requirements locally to promote the local industries. We have also sensitized staff to ensure that all lights and equipment is switched off when not required and ensuring that water is used efficiently. Other measures include printing in double sided and recycling waste.

On local community, the authority ensures that our work with the local community involves working and supporting local and national charities and encouraging volunteer work in community activities. The Authority will also ensure that we deal responsibly, openly and fairly with suppliers by ensuring that we use local suppliers as much as possible and that we will endeavour to pay them on time. The Authority will continue to forge public private partnership when undertaking the activities in order to ensure we make a significant positive difference in the society.

REPORT OF THE DIRECTORS

The Public Finance Management Act, 2012 and the State Corporations Act Cap 446, require the Directors to prepare financial statements in respect of the ICT Authority, which give a true and fair view of the state of affairs of the authority for period ended June 30, 2019. The Directors also ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are responsible for safeguarding the assets of the Authority.

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the *Authority's* affairs.

Principal activities

The principal activity of the ICT Authority is to rationalize and streamline the management of all Government of Kenya ICT functions. Its broad mandate entails enforcing ICT standards in Government and enhancing the supervision of its electronic communication. The Authority also promotes ICT literacy, capacity, innovation and enterprise in line with the Kenya National ICT Masterplan 2017.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 1 to 41.

Directors

The members of the Board of Directors who served during the year are shown on page vi-x. During the year ending June 30, 2019 one director retired (Eng. Eliud Waithaka), one director resigned (Isis Nyongo) and Mr. Njoroge Nani Mungai was appointed Chairman of the Authority with effect from 14th December 2018 replacing Hon. Edwin Yinda who was reappointed Chairperson of the Board of the Postal Corporation of Kenya.

Dividends/Surplus remission

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

Auditors

The Auditor General is responsible for the statutory audit of the *Authority* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *entity* for the year ended June 30, 2019.

THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

By Order of the Board

Corporate Secretary
Nairobi
Date:.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the State Corporations Act Cap 446 require the Directors to prepare financial statements in respect of ICT 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 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 ICT 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, 2019. 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and State Corporations Act Cap 446. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of the *Authority's* transactions during the financial year ended June 30, 2019, and of the 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

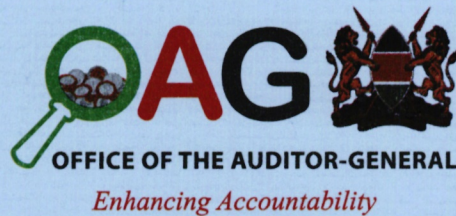
The Authority's financial statements were approved by the Board on _____
2019 and signed on its behalf by:

Chairman

Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Information and Communications Technology Authority set out on pages 1 to 53, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Information and Communication Technology Authority as at 30 June, 2019, 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 Legal Notice No.183 of 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Prior Year Adjustments

The statement of changes in net assets reflects prior year adjustments balance of Kshs.966,237,911. However, Note 29(b) to the financial statements reflects prior year adjustments of Kshs.992,899,745 resulting to an unreconciled variance of Kshs.26,661,834. Further, the balance has not been accounted for in line with IPSAS 3-Accounting policies, changes in accounting estimates and errors, where prior year adjustments are allowed only in cases where there is a change in accounting policy or changes in accounting estimates arising from new information or new development and that restatement be done in the year it first occurred and the comparatives in the current year be restated.

Consequently, the accuracy of prior year adjustments of Kshs.996,237,911 reflected in the statement of changes in net assets as at 30 June, 2019 could not be confirmed.

2. Unauthorized Project Expenditure

The East Africa Regional Transport, Trade and Development Facilitation Project (EARTTDF IDA Project) is funded by the World Bank. As disclosed under Note 19 to the financial statements, the statement of financial performance reflects a balance of Kshs.124,499,336 in respect of the EARTTDF project. However, Management did not provide a 'no objection' letter for the annual work plan and budget by the donor, as required under section II F(1) of the financing agreement, for audit verification.

Further, the statement of comparison of budget and actual amounts reflects a balance of Kshs.3,406,797,318 as payments during the year which includes payments of Kshs.1,384,583,478 for Letters of Credit (LCs) and an advance payment of Kshs.192,691,381 all totalling to Kshs. 1,577,274,859 that were made to various suppliers though not included in the budget for the year 2018/2019.

In the circumstances, the validity of the expenditure could not be ascertained

3. Unsupported Depreciation Expense

As disclosed under Note 11 to the financial statements, the statement of financial performance reflects depreciation expense of Kshs.26,957,200. However, the recomputed balance amounts of Kshs.31,827,796.20 resulted in an unreconciled variance of Kshs.4,870,596. The brought forward balance of property, plant and equipment of Kshs.116,145,692 could not be confirmed since there was no comprehensive fixed asset register.

Consequently, the accuracy and completeness of depreciation charge of Kshs.26,957,200 reflected in the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

4. Unsupported Rent and Parking

As disclosed under Note 13 to the financial statements, the statement of financial performance reflects general expenses of Kshs.62,527,743, which includes rent and parking of Kshs.38,131,158, out of which expenses amounting to Kshs.1,116,712 was not supported by a signed lease agreement.

Consequently, the accuracy and validity of rent and parking expenses balance of Kshs.1,116,712 for the year ended 30 June, 2019 could not be confirmed.

5. Inaccuracy of Presidential Digital Talent Program

As disclosed under Note 16 to the financial statements, the statement of financial performance reflects Presidential Digital Talent Program balance of Kshs.117,814,011. However, the approved project progress report, availed for audit review, reflected actual expenditure of Kshs.133,673,844 resulting to an unreconciled and unexplained variance of Kshs.15,859,833.

Under the circumstances, the accuracy and validity of the Presidential Digital Talent expenditure of Kshs.117,814,011 reflected in the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

6. Unsupported Special Grants Expenses

As disclosed under Note 17 to the financial statements, the statement of financial performance reflects special grant expenses of Kshs.1,162,405,194. The following observations were noted:

6.1 Shared Services

The balance includes payments totalling Kshs.18,534,541 in respect of maintenance of government data centre equipment contract. Review of records revealed that the maintenance contract commenced on 28 September, 2015 and expired on 27 September, 2016. However, the contract was extended on two occasions upto 31 March, 2018. Subsequently, the contract was again renewed on 18 June, 2018 for a further period of one year. Documentation in support of the procurement process for the contract extension and renewal were not provided for audit verification.

Further, the balance includes National Optic Fibre Backbone Infrastructure Project, NOFBI project of Kshs.40,638,599 out of which a balance of Kshs.21,029,390 was in relation to travel expenses through imprests issued to staff from the Authority as well as the State Department for ICT and Innovation although the project was being implemented by the State Department. Further, no documentation such as approved workplan/activities for the project, an agreement with the State Department to undertake the monitoring and evaluation activities was provided for audit review. There was no operational framework, annual monitoring and evaluation plan between the State Department detailing when and where the activities were to be undertaken.

In addition, the balance includes County Connectivity Project, CCP costs amounting to Kshs.115,936,321 for undertaking monitoring and evaluation of the project. Expenses amounting to Kshs.2,499,100 related to NOFBI project without an approval for reallocation. Examination of records revealed that imprests were issued to officers of the Authority as well as officers from the State Department for ICT and Innovation even though the project is implemented by the State Department. Further, supporting documents such as engagement agreement between the State Department and the Authority to undertake the monitoring and evaluation activities, operating framework, annual monitoring and evaluation workplan.

Under the circumstances, the accuracy, completeness and validity of expenditure amounting to Kshs.42,063,031 included under special grant expenses balance of Kshs.1,162,405,194 for the year ended 30 June, 2019 could not be confirmed.

9. Unsupported Connected Summit Expenses

As disclosed under Note 20 to the financial statements, the statement of financial performance reflects connected summit expenses amounting to Kshs.46,032,526. However, the Management did not provide supporting documents such as approved

budget and workplan and the procurement process for audit verification. Further, two (2) suppliers were not in the prequalified list of suppliers, three (3) suppliers were paid approximately 82% of total expenditure with one getting Kshs.29,417,330 or 64%, yet this was not a specialized service.

Under the circumstances, the validity of connected summit expense of Kshs.46,032,525 for the year ended 30 June, 2019 could not be confirmed.

10. Inaccuracy of Presidential Digital Talent Program

As disclosed under Note 22 (a) to the financial statements, the statement of financial position reflects cash and cash equivalents of Kshs. 4,868,186,440. The balance includes Presidential Digital Talent Program balance of Kshs.46,947,693. However, progress report on the program reflects a balance of Kshs.3,007,187 resulting to an unreconciled variance of Kshs.43,940,506.

Consequently, the accuracy of Presidential Digital Talent Program, cash and cash equivalents balance of Kshs.46,947,693 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Information and Communications Technology Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.7,119,116,766 and Kshs.6,641,257,212 respectively, resulting to an under-funding of Kshs.477,859,554 or 6.7% of the budget. The under-funding mainly occurred under the donor funded programmes. Similarly, the Project expended Kshs.3,406,797,318 against an approved budget of Kshs.7,119,116,766 resulting to an under-expenditure of Kshs.3,712,319,448 or 52% of the budget. The under-expenditure occurred under the programs and purchase of fixed assets.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the previous years' audit reports, several issues were raised. However, although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the Public Investments Committee finalized hearings on the same.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unsupported Transparency and Communication Infrastructure Project, TCIP Expenses

As disclosed under Note 18 to the financial statements, the statement of financial performance reflects Transparency and Communication Infrastructure Project, TCIP expenses amount of Kshs.55,962,008. It was noted that the Authority used part of the proceeds of TCIP Project funds financed by the World Bank for the supply, installation, configuration and commissioning of a Resource Management System (RMS). The budgetary allocation as per TCIP procurement plan was Kshs.71,400,000. The supplier was awarded the contract at a contract price of Kshs.62,954,452.60 and the contract was signed on 15 April, 2016. The implementation period was agreed to be three (3) months upon submission of an agreed project plan. However, during the audit review, three (3) years after the contract was signed, the operational usage of the system was at only 9.7 % with human resource module not signed-off completely. Total amount of Kshs.50,363,562.04 had already been paid to the supplier with an outstanding balance of Kshs.12,590,890.52 as at 16 February, 2018. The Management has explained that the system had not been handed over and the issues noted had not been resolved at the time of audit.

Further, the amount includes payment to seven (7) consultants working on Integrated Financial Management Information System (IFMIS) and information security system. However, the Management did not provide, for audit review the consultants' contract and pre-agreed performance indicators. Further, documents availed for audit indicate that TCIP project came to an end on 31 December, 2016 with a grace period of four (4) months to ensure closure and continuity.

Under the circumstances, it was not possible to confirm the value for money in respect of TCIP expenses totalling Kshs.55,962,008 for the year ended 30 June, 2019.

2. National Optic Fibre Backbone Infrastructure Project, NOFBI Loan

The NOFBI project is implemented by the State Department for ICT and Innovation and funded by Export Import Bank of China at approximately Kshs.16,500,000,000. Although the Authority has started repayment of the loan, the loan has not been recorded in the Authority's financial statements. Further, although the NOFBI Project network is being used by most of the data service providers in the country, the Project Manager did not also avail for audit review, the billings done in the last four (4) years of which the proceeds should fund the loan repayments. Management did not also provide the service provision framework in place between NOFBI Project Managers and the user audit review. The Government has therefore, been funding the operation of private commercial entities without recovering the cost. This amounts to imprudent use of public resources. No explanation has been provided for the exclusion of the loan in the accounting records.

Under the circumstances, the Management has not effectively managed public resources and value for money on the investment could not be ascertained.

3. Slow Project Funds Absorption

The East Africa Regional Transport, Trade and Development Facilitation Project (EARTTDF IDA Project) which started in November, 2015 with an estimated completion date of December, 2021 had notably consumed 60% of its lifecycle to completion. However, the estimated budget/funding for the project amounts to approximately Kshs.2,979,795,000 while accumulated expenditure as at 30 June, 2019 amounts to Kshs.182,905,071 (6.13% of the estimated budget of the entire project). At the current project funds absorption level, the project life will lapse without full absorption of the project financing.

In the circumstances, it has not been possible to determine whether the Project's objectives will be met and whether value for money has been achieved.

4. Non-Recovery of Outstanding Pasha Loans

The statement of financial position reflects Pasha Fund asset of Kshs.45,193,389. The balance represents loans advanced to entrepreneurs to set up information hubs to be repaid within nine (9) years. However, the balance is in arrears and there has been no collection during the year under review. No provision for impairment of this asset has been created in the financial statements even though recovery is clearly doubtful. Additionally, there has been no interest charged on the revolving fund balance even though the loan has remained unpaid for twelve (12) months.

In the circumstances, it has not been possible to confirm whether Management has prudently managed public resources.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

21 July, 2021

THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

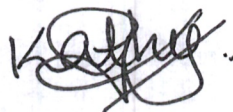
		2018-2019	2017/2018
			Restated
	Note	KShs	KShs
Revenue from non-exchange transactions			
Public Contributions & Donations	6	37,489,278	5,616,529
Grants income	7	6,598,813,196	6,846,818,478
Revenue from exchange transactions			
Other income	8	4,954,738	10,186,031
Total revenue		6,641,257,212	6,862,621,038
Expenses			
Employee costs	9	167,540,197	195,845,352
Directors costs	10	20,985,515	12,720,908
Depreciation expense	11	26,957,200	13,352,114
Routine maintenance	12	2,430,928	1,139,478
General expenses	13	62,527,743	88,534,660
Miscellaneous Expenses	14	-	9,698,118
Finance costs	15	1,378,880	898,064
Presidential Digital Talent program	16	117,814,011	125,376,143
Other Expenses			
Special Grant Expenses	17	1,162,405,194	5,691,081,576
TCIP Project Expenses	18	55,962,008	71,614,921
EARTTDF IDA Grants Expenses	19	124,499,336	40,927,785
Connected Summit expenses	20	46,032,526	-
Taxes	21	79,236	-
Total expenses		1,788,612,775	6,251,189,119
Surplus/(deficit) for the period		4,852,644,437	611,431,920

The notes set out on pages 9 to 38 form an integral part of these Financial Statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		2018/2019	2017/2018
Assets	Note	KShs	Restated KShs
Current assets			
Cash and cash equivalents	22	4,868,186,440	838,916,829
Receivables from exchange transactions	23	3,478,754	876,150,967
Pasha Fund	24	45,193,389	45,193,389
Prepayments	25	1,575,180,301	-
		6,492,038,884	1,760,261,185
Non-current assets			
Property, plant and equipment	26	67,269,010	52,027,967
Total assets		6,559,307,895	1,812,289,152
Liabilities			
Current liabilities			
Payables from exchange transactions	27	941,194,344	2,017,748,562
Non-Current Liabilities			
NOFBI II Expansion Escrow Account	28	366,309,916	361,619,304
Total liabilities		1,307,504,260	2,379,367,866
Net assets			
Accumulated (Deficit)/Surplus	29	5,251,803,635	(567,078,714)
Total net assets and liabilities		6,559,307,895	1,812,289,152

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

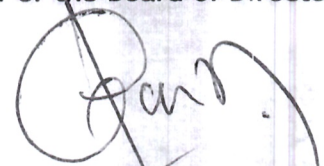


C.E.O
Dr. Katherine Getao, EBS

Date 04 AUG 2020



Head of Finance
CPA Oliver Pyoko
ICPAK M.No.12558
Date.....



Chairman of the Board
Nani Njoroge

Date.....

STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At July 1, 2017				(1,178,510,633)			(1,178,510,633)
Total comprehensive income				611,431,920			611,431,920
At June 30, 2018 Restated				(567,078,714)			(567,078,714)
At July 1, 2018				(567,078,714)			(567,078,714)
Prior year Adjustments				966,237,911			966,237,911
Total comprehensive income				4,852,644,437			4,852,644,437
At June 30, 2019				5,251,803,635			5,251,803,625

Note:

1. Prior year adjustment: Note 29(a)-This is a write off.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	2018-2019	2017-2018
		Restated
	KShs	KShs
Cash flows from operating activities		
Surplus for the year before tax	4,852,644,437	611,237,911
Adjusted for:		
Depreciation	26,957,200	13,352,114
Payables	966,237,912	-
	5,845,839,549	624,784,034
Working capital adjustments:		
Decrease/ (Increase) in receivables	(702,508,088)	(824,687,968)
Increase/ (Decrease) in payables	(1,071,863,607)	730,841,270
Net cash flows from operating activities	4,071,467,854	530,937,336
Cash flows from investing activities		
Purchase of property, plant and equipment	(42,198,243)	(26,661,834)
Net cash flows used in investing activities	(42,198,243)	(26,661,834)
Net increase/ (decrease) in cash and cash equivalents	4,029,269,611	504,275,502
Cash and cash equivalents at 1 July	838,916,829	334,641,327
Cash and cash equivalents at 30 June	4,868,186,440	838,916,829

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Supplementary I & II	Final budget	Actual on comparable basis	Performance difference	Performance difference %
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	KShs	KShs	KShs	KShs	KShs	%
GOK Recurrent	287,845,000	(5,756,900)	282,088,100	282,088,075	(25)	0%
Presidential Digital Talent Programme	136,680,000	(2,733,600)	133,946,400	133,945,800	(600)	0%
Shared Services	550,000,000		550,000,000	550,000,000	-	0%
NOFBI	100,000,000		100,000,000	100,000,000	-	0%
County Connectivity Project	115,000,000		115,000,000	115,000,000	-	0%
Digital Literacy Programme	11,933,000,000	(6,216,500,000)	5,716,500,000	5,250,000,000	(466,500,000)	-8%
TCIP IDA Funds	16,000,000	34,220,930	50,220,930	42,220,936	(7,999,994)	-16%
EARTTDF IDA Funds	200,000,000	(28,638,664)	171,361,336	125,558,385	(45,802,951)	-27%
Contributions & Donations	-	-	-	37,489,278	37,489,278	0%
Other incomes	-	-	-	4,954,738	4,954,738	0%
Total income	13,338,525,000	(6,219,408,234)	7,119,116,766	6,641,257,212	(477,859,554)	
Expenses						
Employee costs	197,955,138	(9,500,000)	188,455,138	167,540,197	20,914,941	11%
Directors costs	15,000,000	10,000,000	25,000,000	20,988,515	4,014,485	16%
Depreciation expense	-	-	-	26,957,200	(26,957,200)	0%
Repairs and maintenance	8,700,000	(6,100,000)	2,600,000	2,430,928	169,072	7%
General expenses	63,330,360	(756,900)	62,573,460	62,527,743	45,717	0%
Finance costs	1,000,000	600,000	1,600,000	1,378,880	221,120	14%
Presidential Digital Talent program	136,680,000	(2,733,600)	133,946,400	117,814,011	16,132,389	12%
Taxation paid	-	-	-	79,237	(79,237)	0%
Other Expenses						
Shared Services	550,000,000	-	550,000,000	582,126,782	(32,126,782)	-6%
NOFBI	100,000,000	-	100,000,000	40,638,599	59,361,401	60%
County Connectivity Project	115,000,000	-	115,000,000	115,936,321	(936,321)	-1%

THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Digital Literacy Programme	11,873,323,000	(6,225,800,000)	4,070,248,141	423,703,492	3,646,544,649	90%
TCIP IDA Funds	16,000,000	34,220,930	50,220,930	55,962,008	(5,741,078)	-11%
EARTTDF IDA Funds	200,000,000	(28,638,664)	171,361,336	124,499,336	46,862,000	27%
Connected Summit	-	-	-	46,032,526	(46,032,526)	0%
Sub-Total expenditure	13,276,988,498	(6,228,708,234)	5,471,005,405	1,788,612,775	3,682,392,630	

Other Payments not in Finance Performance

Purchase of Fixed Assets	1,859,502		1,859,502	438,250	1,421,252	76%
Digital Literacy Programme (DLP) Fixed Assets	59,677,000	9,300,000	68,977,000	40,471,433	28,505,567	41%
Letters of Credit (LCs)			1,384,583,478	1,384,583,478	0	0%
Advance Payment			192,691,381	192,691,381	0)	0%
Sub-Total expenditure	61,536,502	9,300,000	1,648,111,361	1,618,184,543	29,926,818	
Total Expenditure	13,338,525,000	(6,219,408,234)	7,119,116,766	3,406,797,318	3,712,319,448	
Net Surplus	(0)	0	-	3,234,459,894	3,234,459,894	

Variance Explanations

- a) TCIP Funds- 2nd half grants of KShs 8 Million was not received from The Ministry of ICT.
- b) EARTTDF IDA Funds-the funds were not received from The Ministry of ICT.
- c) Contributions and Donations -these were funds donated to sponsor the connected 2018 summit and the Whitebox project.
- d) Employee costs- the positive variance is because all the positions have not yet been filled up.
- e) Director's costs-the positive variance is due to not all directors attended training during the period under review.
- f) Routine Maintenance- No major repairs were conducted during the period under review.
- g) Fixed Assets- the procurement process delayed thus assets not purchased ad budgeted for.
- h) Finance costs- the charges were proportionate to the transactions.
- i) PDTP-the Cohort III interns finished their tenure in April 2019, there were no inters for 2 months hence the positive variance.
- j) NOFBI expenses-Due to delay in release of funds, the activities set will be conducted in the first quarter of 2019/20 FY.
- k) Digital Literacy Programme (DLP)- Due to delay in release of fund, the signing of contract for the devices delayed thus the activities will be undertaken in the first quarter of 2019/20 FY

- l) TCIP- this was to pay for the IFMIS and Information Security consultants whose payments were denominated in dollars and varied due to different exchange rates.
- m) EARTTDF IDA Funds-the client delayed in submitting invoices in time, the expenses will be accounted for in the next financial period.
- n) Connected Summit- the summit is held on a yearly basis and it's sponsored by contributions and donations.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The ICT Authority is established by and derives its authority and accountability from Legal Notice No.198 amended order 2013. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to rationalize and streamline the management of all Government of Kenya ICT functions. Its broad mandate entails enforcing ICT standards in Government and enhancing the supervision of its electronic communication. The Authority also promotes ICT literacy, capacity, innovation and enterprise in line with the Kenya National ICT Masterplan 2017.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Authority's* accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019</p> <p>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 are covered purely under Public Sector combinations as amalgamations.</p> <p><i>(The Standard has no impact to the Authority)</i></p>

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(The Standard has no impact to the Authority).</i></p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Effective date and impact:
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(The Standard has no impact to the Authority.)</i></p>

iii. **Early adoption of standards**

The entity did not early - adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Revenue recognition**

i) **Revenue from non-exchange transactions**

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) **Revenue from exchange transactions**

Rendering of services

The entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity'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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures,

NOTES TO THE FINANCIAL STATEMENTS (Continued)

deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) 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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. 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

Depreciation on Fixed Assets is calculated to write down their cost over their useful lives on a straight-line basis at the following rates:

Asset	Percentage (%)
Motor vehicle	25.0
Furniture and fittings	12.5
Computers and IT equipment	30.0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Research and development costs

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

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

h) Research and development costs (Continued)

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

i) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity 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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

i) 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.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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 Entity.

j) Provisions

Provisions are recognized when the Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Where the Entity 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 Entity 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 Entity 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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (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.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) 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.

p) Related parties

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at 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 and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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. State all judgements, estimates and assumptions made: e.g

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 Entity based its assumptions and estimates on parameters available when the consolidated 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- 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 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. ICT Authority did not make any provisions for bad nor provisions of obsolete stocks as it's not applicable.

6 PUBLIC CONTRIBUTIONS & DONATIONS

Description	2018-2019	2017-2018
	KShs	KShs
Huawei Technologies		2,250,000
Avanti-for Connected Summit		776,231
SAP East Africa Limited-for PDTP Operations		2,590,298
Connected Summit Contributions	34,289,278	
Communications Authority of Kenya	3,200,000	
	37,489,278	5,616,529
Reconciliation of public contributions and donations		
Balance unspent at beginning of quarter		-
Current year receipts	37,489,278	5,616,529
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	37,489,278	5,616,529

The ICT Authority organizes the Connected Kenya Summit every year since 2009. The objectives of the summit includes:

- To review progress and celebrate achievements in the ICT sector in the last decade
- To share knowledge, case studies, best practice and lessons learnt based on experiences in the area of the ICTs for economic development and prosperity especially the Big 4 Agenda i.e. food security, universal health, housing and manufacturing
- To develop and recommend policy, regulatory and operational interventions necessary to ensure management of citizens' data for mutual benefit (Government and Private Sector)
- Charter a future Kenya of economic prosperity using ICTs based on review of achievements and lessons learnt in both public, private sector and academia and in light of new and emergent technologies

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- Provide a platform for meaningful networking that will result in fruitful relationships that contribute to economic development.

7 TRANSFERS FROM OTHER GOVERNMENTS

Description	2018-2019	2017/2018
	KShs	KShs
Unconditional grants		
GoK Recurrent Funds	282,088,075	255,795,000
Shared Services	550,000,000	475,750,000
GoK NOFBI	100,000,000	120,600,000
TCIP	42,220,936	70,000,000
County Connectivity Project	115,000,000	38,750,000
Presidential Digital Talent Programme	133,945,800	102,510,000
Digital Literacy Programme	5,250,000,000	5,783,413,478
EARTTDF IDA Grants	125,558,385	-
Total	6,598,813,196	6,846,818,478

7b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognized in capital fund.	Total grant income during the year	2018-2019
			KShs	KShs	KShs
1. Ministry of Information Communication and Technology	6,558,198,142	40,615,054	-	6,598,813,196	6,598,813,196
Total	6,558,198,142	40,615,054		6,598,813,196	6,598,813,196

8 OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Interest Income -Digital Village Revolving Fund		-
Interest Income (Banks)	264,126	-
Exchange Gain/(Loss)	4,690,612	10,186,031
Total other income	4,954,738	10,186,031

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 EMPLOYEE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	80,802,977	111,693,629
Housing benefits and allowances	46,102,511	21,543,424
Other Staff Costs	5,101,102	6,301,719
Employee related costs - contributions to pensions and Gratuity	17,593,365	38,315,923
Medical Expenses	14,292,946	17,990,657
Group life insurance/WIBA	1,827,813	
Recruitment	1,819,483	-
Employee costs	167,540,197	195,845,352

10 DIRECTORS COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	273,548	194,667
CEO Salary	8,463,575	6,654,778
Sitting Allowances	4,983,984	2,396,000
Other allowances	7,264,408	3,475,463
Total director emoluments	20,985,515	12,720,908

11 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	26,957,200	13,352,114
Total depreciation and amortization	26,957,200	13,352,114

12 ROUTINE MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Vehicles	1,482,426	946,717
Furniture and fittings	248,340	71,260
Computers and accessories	700,162	13,500
Other	-	108,000
Total repairs and maintenance	2,430,928	1,139,478

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	Restated KShs
Travel, motor car, accommodation, subsistence and other allowances	5,549,151	10,678,915
Advertising, Printing and Supplies	1,602,613	3,509,771
Membership fees, dues and subscriptions	186,610	45,700
Audit fees	1,160,000	696,000
Hospitality supplies and Services	4,459,794	6,613,846
Contracted and Utilities Supplies	3,044,450	3,477,824
Office and General Supplies	4,474,609	9,352,522
Fuel and oil	1,289,287	1,000,358
Legal expenses	-	2,370,000
Rent & Parking	38,131,158	45,547,937
Training	2,586,677	5,241,787
Motor Vehicle Insurance	43,394	-
Total general expenses	62,527,743	88,534,660

14 MISCELLANEOUS EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Personal Emoluments		3,723,708
Travel Costs		5,974,410
Total Unexplained Expenses	-	9,698,118

15 FINANCE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Bank Charges	1,378,880	898,064
Total finance costs	1,378,880	898,064

THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 PRESIDENTIAL DIGITAL TALENT PROGRAM (PDTP)

Description	2018-2019	2017-2018
	KShs	KShs
Presidential Digital Talent Program - Interns	90,193,529	85,163,257
Presidential Digital Talent Program - Operations	27,620,482	40,212,885
Total PDTP Expenses	117,814,011	125,376,143

17 SPECIAL GRANTS EXPENSES

Description	2018-2019	2017-2018
	KShs	Restated KShs
Shared Services (Government Internet Connectivity)	582,126,782	537,913,070
NOFBI Project	40,638,599	26,855,207
Digital Literacy Program - Devices	134,645,512	4,923,528,056
Digital Literacy Program - Operations	289,057,980	185,728,078
County Connectivity Project Expenses	115,936,321	17,057,166
Total Special Grants Expenses	1,162,405,194	5,691,081,577

18 TCIP EXPENSES

TCIP Project Expenses

Description	2018-2019	2017-2018
	KShs	KShs
Category 3 (Consultants)	55,962,008	71,614,921
Total project costs	55,962,008	71,614,921

19 EARTTDF IDA GRANT EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
EARTTDF IDA Grants	124,499,336	40,927,785
Total EARTTDF IDA Grants Expenses	124,499,336	40,927,785

20 CONNECTED SUMMIT EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Connected Summit Expenses	46,032,526	-
Total Connected Summit	46,032,526	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 TAXATION

Description	2018-2019	2017-2018
	KShs	KShs
KCB -Escrow Account	79,236	
Total With-Holding Tax	79,236	-

22 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	4,501,876,523	477,297,524
Escrow Account	366,309,916	361,619,304
Total cash and cash equivalents	4,868,186,440	838,916,829

22 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Description		2018-2019	2017-2018
Financial institution	Account number	KShs	KShs
a) Current account			
Citi Bank GOK Account	300085016	4,431,177,933	135,352,803
Citi Bank PDTP Account	300085024	46,947,693	32,983,089
Citi Bank EARTTDF	300085035	19,249,197	18,190,148
Citi Bank Project(TCIP)	300085005	-	-
Citi Bank DLP Account (USD)	300085043	4,501,018	147,021,485
Kenya Commercial bank (KShs)	1219615692	684	143,750,000
b) Escrow Account			
Kenya Commercial bank (USD)	1219130680	366,309,916	361,619,304
c) Others(specify)			
cash in hand		-	-
Grand total		4,868,186,440	838,916,829

THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Staff Advances	423,844	424,490
Deposits	3,054,350	1,463,000
Grants Receivable	-	874,263,477
Imprests	560	
Total current receivables	3,478,754	876,150,967

24 PASHA FUND

Description	2018-2019	2017-2018
	KShs	KShs
Digital Villages Revolving Fund	45,193,389	45,193,389
Total Revolving Fund	45,193,389	45,193,389

25 PREPAYMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Devices Advance payment-	192,691,381	-
Letters of Credit-JP SA Couto	985,028,034	-
Letters of Credit-Positivo	397,460,887	-
Total Prepayments	1,575,180,301	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Computers and Other IT Equipment	Furniture and Fittings	Total
Cost	KShs	KShs	KShs	KShs
At 1 July 2017	10,719,200	20,143,001	85,283,491	116,145,692
Additions	21,972,000	4,689,834	-	26,661,834
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30th June 2018 Restated	32,691,200	24,832,835	85,283,491	142,807,526
Additions	38,380,800	112,833	3,704,610	42,198,243
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
At 30th June 2019	71,072,000	24,945,668	88,988,101	185,005,769
Depreciation				
At 1 July 2017	7,645,500	16,672,919	53,109,025	77,427,444
Depreciation	1,204,500	1,487,178	10,660,436	13,352,114
Impairment	-	-	-	-
At 30 June 2018	8,850,000	18,160,097	63,769,461	90,779,558
Depreciation	12,843,500	3,406,779	10,706,921	26,957,200
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
At 30th June 2019	21,693,500	21,566,876	74,476,382	117,736,758
Net book values				
At 30 th June 2019	49,378,500	3,378,792	14,511,719	67,269,011
At 30 th June 2018	1,869,200	1,982,904	21,514,030	52,027,968

Note: The additions on motor vehicles and computers in the year 2017/2018 were received at the end of the financial year and inspected in the year 2018/19 thus depreciation was not calculated in the year 2018/19.

27 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	913,237,808	2,013,886,579
Audit Fees	928,000	1,392,000
Staff Gratuity	27,028,536	2,469,983
Total trade and other payables	941,194,344	2,017,748,562

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 NOFBI II EXPANSION ESCROW ACCOUNT

Description	2018-2019	2017-2018
	KShs	KShs
Kenya Commercial Bank (USD) (A/C No.1219130680)	366,309,916	361,619,304
Total NOFBI II Expansion Escrow A/C	366,309,916	361,619,304

29 ACCUMULATED SURPLUS/ (DEFICIT)

Description	2018-2019	2017-2018
		Restated
	KShs	KShs
Accumulated Surplus/ (Deficit) b/d	(567,078,714)	(1,178,510,633)
(Deficit)/Surplus for the year	4,852,644,437	611,431,920
Prior Year Adjustments	966,237,911	-
Accumulated (Deficit)/Surplus c/d	5,251,803,635	(567,078,714)

29(b) PRIOR YEAR ADJUSTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Trade Payables	992,899,745	-
Total Adjustments	992,899,745	-

30 EMPLOYEE BENEFIT OBLIGATIONS

The entity operates a defined benefit scheme for all full-time employees from March 1, 2018. The scheme is based on 10 percentage of basic salary of an employee at the time of retirement

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs 200.00 per employee per month.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity'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 entity 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 entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity 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 and available-for-sale financial investments.

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 entity'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 entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	1,623,852,444	1,577,195,495	46,656,389	-
Bank balances	4,868,186,440	4,868,186,440	-	-
Total	6,492,038,884	6,445,381,935	46,656,389	-
At 30 June 2018				
Receivables from exchange transactions	921,344,356	874,687,967	46,656,389	-
Bank balances	838,916,829	695,166,829	-	-
Total	1,760,261,185	1,569,854,796	46,656,389	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The credit risk associated with these receivables is minimal and no provisions has been recognised in the financial statements. The entity has significant concentration of credit risk on amounts due from Pasha Fund.

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

The table below represents cash flows payable by the entity 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	463,770,339		477,424,005	941,194,344
Total				
At 30 June 2018	463,770,339		477,424,005	941,194,344
Trade payables	872,781,056	1,144,967,506		2,017,748,562
Total	872,781,056	1,144,967,506		2,017,748,562

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

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

	KShs	Other currencies	Total
At 30 June 2019	KShs	KShs	KShs
Financial assets			
Cash- DLP USD Account	-	4,501,018	4,501,018
Total financial assets	-	4,501,018	4,501,018
Financial Liabilities			
Cash- NOFBI II escrow Account	-	366,309,916	366,309,916
Total financial liabilities	-	366,309,916	366,309,916
Net foreign currency asset/(liability)	-	(361,808,899)	(361,808,899)

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

Foreign currency sensitivity analysis

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

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

occur if the Kenya Shilling appreciated with all other variables held constant

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity analysis (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on equity
	KShs	KShs	KShs
2019			
USD	10%	37,081,093	37,081,093
2018			
USD	10%	50,864,079	50,864,079

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity'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 3,708,109 (2018: KShs 5,086,407). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 18,540,547 (2018 - KShs 25,432,039)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2018-2019	2017-2018
	KShs	KShs
Retained earnings	5,252,533,139	(593,740,547)
Total funds	5,252,533,139	(593,740,547)
Less: cash and bank balances	(4,868,186,440)	(838,916,829)
Net debt/ (excess cash and cash equivalents)	384,346,699	(1,432,657,376)
Gearing	-	-

32 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government
- ii) The Ministry of Information Communication and Technology
- iii) Key management
- iv) Board of directors

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. RELATED PARTY BALANCE (Continued)

Government of Kenya (Continued)

	2018-2019	2017-2018
Transactions with related parties	KShs	KShs
a) Grants from the Government		
Grants from National Gov't	6,598,813,196	6,846,818,478
Total	6,598,813,196	6,846,818,478
b) Key management compensation		
Directors' emoluments	5,257,532	2,590,667
Compensation to the CEO	10,664,649	6,654,778
Compensation to key management staff	17,806,642	15,394,092
Total	33,728,823	24,639,537

33 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	2018-2019	2017-2018	2016-2017
	KShs	KShs	KShs
Court case Osano against the company	-	64,000,000	64,000,000
Performance Guarantees \$ 17,810,047	1,821,937,551		
Total	1,821,937,551	64,000,000	64,000,000

The performance guarantee relates to amounts paid by the Digital Literacy Program consortiums for devices.

34 DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The entity did not make any surplus during the year (FY 2018/19) as all the funds were committed, hence no remittance to the Consolidated Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 TAXATION

	2018-2019	2017-2018
	KShs	KShs
At beginning of the year	-	-
Income tax charge for the year (note 21)	79,236	-
Income tax paid during the year	79,236	-
At end of the year	79,236	-

The tax is from interest income earned from the NoFBI escrow account maintained at KCB.

36 EVENTS AFTER THE REPORTING PERIOD

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

37 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation under the Ministry of Information Communication and Technology. Its ultimate parent is the Government of Kenya.

38 Currency

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

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

APPENDIX 1: 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 (<i>Name and designation</i>)	Status:(Resolved / Not Resolved)	Timeframe:(Put a date when you expect the issue to be resolved)
1	1.1 Cash and Cash Equivalent	The cash balances were analysed and reconciled.	Management	Resolved	
	1.2. Board of Survey-Cash Balance	The Board of survey was conducted on 27 July 2018 for the period ending 30th June 2018.	CFO & MFA ICTA	Resolved	
2	Unexplained and Unsupported Adjustments	The movements on accounts balance between the first set and the final have been supported by the journals passed and explanations	MFA	Resolved	
3	Public Contributions and Donations	The contracts/ letters were provided to the auditors	MFA	Resolved	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

4	Digital Village Revolving Fund	The fund was renamed to Pasha Fund as it's no longer revolving. Following the closure of the KTCIP project and subsequent termination of the contract with Family Bank, the KShs.45,193,389 outstanding has been declared as unrecoverable by Family bank	MFA	Resolved	
5	Employee Costs.	The reduction of KShs.49,719,247 of employee costs from KShs.161,412,876 in the year 2016/2017 to KShs.111,693,629 is due to staff belonging to the e-Government Director that were absorbed in the Ministry of ICT due to the merger of the three institutions namely the Kenya ICT Board, The E-Government and GITS to Form ICT Authority hence the reduction in the employee wages. The Authority became responsible for merger salaries until PSC decided that the ICT officers were to return to the Ministry. This led partly to the reduction in salaries. The contracts for Director Corporate Services and the finance team were also terminated during the financial year hence a further reduction in the salaries	MFA	Resolved	
6	NOFBI Escrow Account	The escrow account emanated from a contract between the Export-Import Bank of China, The National Treasury, The Ministry of ICT and ICTA. The money is transferred from	MFA/PMO	Resolved	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		Ministry of ICT to the Authority to enable the Authority to fulfil the requirements of the contract. The financial statements of the Authority do not have a borrowing component on its statement of financial position because that ICTA is the operator while the borrower is the Ministry of ICT through the National Treasury as per the Contract			
7	Transparency Communication Infrastructure Project (TCIP)	This relates to payment to consultants who are managing the IFMIS System and the Information Security Officers on account of salaries after the closure of the TCIP project. We recommend that the account be renamed	CFO & MFA ICTA	Resolved	
8	Payables from Exchange Transactions	The 2016/17 payables a list and invoices were availed while the 2017/18 audit fees were for that financial year as ICTA uses accrual basis of accounting. The debits are the b/f payables that had been paid within the financial year.	MFA	ONGOING	
9	National Optic Fibre Infrastructure (NOFBI)	The loans are with the Ministry of ICT who is the borrower through the National Treasury. The Authority is the operator for the Ministry as per the Escrow Account Agreement for the NOFBI II Expansion Project	CFO & MFA ICTA		
10	Miscellaneous Expenses	The Miscellaneous Expenses relates to amounts deemed lost at the Authority which are under investigation by the DCI. This has	CEO/MFA & DCI	ONGOING	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		been expensed as it was done the previous year due to the fact that if the money is recovered by the DCI, the monies will not be remitted to ICTA but to the National Treasury.			
11	Unappropriated Expenditure	The respective surrenders are attached which were incurred on ICT Authority related activities. The Cabinet Secretary had gone for the Biennial US Africa Business summit on digital transformation agenda which ICT Authority is implementing on behalf of Government. The rest are ICTA staff who were attending ICT Authority strategic management workshop	MFA	Resolved	
12	Property, Plant and Equipment	The client for the NOFBI is the Ministry of ICT and the NOFBI inventory has been availed. The management is in the process of putting in place a framework to commercialize the NOFBI infrastructure.	MFA/PMO	ONGOING	
13	13.1 NOFBI Project Expenses	The respective contracts have been availed. All the travel requisitions are supported, and the surrenders availed.	MFA/PMO	Resolved	
	13.2 County Connectivity Project Expenses	The Authority is developing an elaborate project management/ operational framework to guide its interactions with the Ministry. The funds are transferred from the Ministry to the Authority to enable the Authority make	MFA/PMO		

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		approved payments as we manage and operate the project on behalf of the Ministry. the expenditures were requested by the Ministry of ICT as per the provided letters.			
	13.3 Digital Literacy Programme (DLP)	The vehicles have been recognised as fixed assets. The 2017/18 financials have been restated to indicate the adjustments.	MFA/PMO	RESOLVED	
	13.4 Shared Services	<p>i. The contract for the operation and maintenance of IRU Bandwidth was USD 764, 094 per year. The contract was for a period of 15 years (Annex 20).</p> <p>ii. Maintenance of Government Data Centre Cooling System contract and documentation for the procurement process to support the extensions have been availed for audit examination (Annex 20)</p> <p>iii. Equipment Maintenance contract and documentation for the procurement process to support the extensions have been availed for audit examination (Annex 20)</p> <p>iv. Government MDAs and counties are the beneficiaries of the 2.4G internet capacity. The information indicating that 1.2G was sold to Telkom is not correct as none of this bandwidth is used by any other organization apart from government. The 2.4G capacity is used by government organization as well as</p>	MFA/DSS/PMO	RESOLVED	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		the counties and the list of these beneficiaries are hereby attached. ICT Authority also produces daily reports on the usage of the bandwidth by all the beneficiaries and some samples of these daily usage reports were available to the Auditors.			
14	Eastern Africa Regional Transport, Trade and Development Facilitation Project	The annual work plan and budget were not forwarded to donor for approval. Going forward, the annual work plan and Budget for 2018-2019 has been forwarded to the donor for approval as per the attached correspondences	MFA/PMO	RESOLVED	
	14.2 Unrealistic Budget	The budgets going forward will be realigned with activities and salaries for the staffs	MFA/PMO	RESOLVED	
	14.3 Delayed Project Implementation	There has been some extensive ground work which has been ongoing before the actual activities commences. The ICT component of the project was to commence after the work being undertaken by KENHA who were to do the road design under the road project was finalized. ICTA used the road design to develop the fibre route from Eldoret to Nadapal. The project is ongoing, and it will meet the timelines as per the attached implementation plan. Going forward we intend to use the Project Management Framework to ensure that projects are	MFA/PMO	ONGOING	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		properly designed, implemented and operated by the Authority.			
15	15.1 Going Concern	The Authority manages large strategic projects for GOK which require ongoing support for sustainability. Invoices amounting to KShs.2 billion for DLP were recognized as expenses since ICTA uses Accrual basis of Accounting which recognizes expenses when they are incurred rather than when payment is made. The amount of KShs. 3 billion ref. FT17216L8WTT was received in August 2017 from the Ministry of ICT to pay for the DLP Invoices. This was as a result of delays in exchequer	MFA	Resolved	
	15.2 Unsupported Grants Income	The ICT Authority recognizes income as received in its bank accounts. Letters from the Ministry of ICT and a schedule from the Treasury confirming the amount of money sent to the Authority for the year agree with the reported income in the accounts. A letter has been written to the Ministry highlighting the anomaly and the reconciliation is ongoing.	MFA		
	15.3 Other Incomes	Management confirmed that the interest was received from Family Bank in relation to Pasha Project funds and the bank statements	MFA	Resolved	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		from Family Bank. The analysis has been availed			
	15.4 Directors Cost	The register of attendance, Board minutes and the payment vouchers have been availed to the Auditors covering the period under review	MFA	Resolved	
	15.5.1 Unsupported Payment of Legal Fees	The analysis and invoices for the legal services have been availed for Audit. However, the Authority had not obtained permission from the Attorney General to engage the legal firm. The contract to the law firm has hence been terminated and the Authority has hired legal officer	MFA	Resolved	
	15.5.2 Unsupported Travel Expenditure	The surrenders from the staff have been availed for Audit purposes	MFA	Resolved	
	15.5.3 Unexplained Expenses	Expenses that are reported as unexplained (in the 2017/2018 financial year renamed as Miscellaneous) are the subject to investigations by the investigating agencies. The Authority is awaiting reports on the same. The suspects were arraigned in court on 15.01.2019	CEO/MFA & DCI	Ongoing	
	15.6 Unsupported/ Irregular Travel Costs	The work tickets and payment vouchers have been availed for audit review.	MFA	Resolved	
	15.7 Personal Emoluments	Expenses that are reported as unexplained (in the 2017/2018 financial year renamed as Miscellaneous) are the subject to	MFA	Ongoing	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		investigations by the investigating agencies. The Authority is awaiting reports on the same			
	15.8 County Connectivity Project and NOFBI Project Expenses	Expenses that are reported as unexplained (in the 2017/2018 financial year renamed as Miscellaneous) are the subject to investigations by the investigating agencies. The Authority is awaiting reports on the same. The suspects were arraigned in court on 15.01.2019.	MFA/PMO	Ongoing	
	15.9 Digital Literacy Program (DLP) Operations	The KShs 13,009,628 in the 2016/2017 financial year are the subject to investigations by the investigating agencies. The Authority is awaiting reports on the same	MFA/PMO	Ongoing	
	15.10.1 Digital Literacy Programme - Devices	The letters of credit have been availed including the statement of account from the contractors as well as ICTA to ascertain that funds went to the right account and all the devices were received	MFA/PMO	Resolved	
	15.10.2 DLP proof of Concept	The devices that were faulty were only some LDD parts and the two contractors do have a plan to replace all the faulty devices as per the attached annex 22.10.2. The project is still under implementation and the plans to replace the faulty devices has been part of the support and maintenance schedules	MFA/PMO	Resolved	
	15.11 Cash and Cash Equivalent	Cash books and bank reconciliations have been availed. The KShs 122 overdrawn from	MFA/PMO	Resolved	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		TCIP account were as a result of bank charges charged at the end of the month of June. The bank statement showing the charges is attached			
	15.12 Unclear TCIP Expenditure Paid at the National Treasury	The ICT Authority provided a statement from the National Treasury confirming the amounts paid on behalf of the Authority. This reconciled with what the Authority reported in its books.	MFA/PMO	Resolved	
	15.13 Payables from Exchange Transactions	The analysis of the payables was provided both as schedule and as notes to the account. The invoices have been availed for audit	MFA	Resolved	
	15.14 Statement of Cash Flows	the cash flows were recomputed and availed to the auditors for review.	MFA	Resolved	
	15.15.1 Provision of Dedicated Hosted Hardware Infrastructure Tender No. ICTA/KTCIP/DP/03/2016-2017;	Procurement for the World Bank funded projects was done as per the contract between the Treasury and the World Bank. The contract stated that the procurement method to be used is the World Bank procurement guidelines of 2011. In the previous years, the Auditor General has been applying the World Bank regulations 2011 but in the year under review, the Auditor General applied the Public Procurement and Asset Disposal Act 2015.	MFA/PMO	Resolved	
	15.15.2 Implementation of Framework Contracts and Shared Services Platform	Procurement for the World Bank funded projects was done as per the contract	MFA/PMO	Resolved	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

	Tender No. ICTA/TCIP/ICB/DC/2/2016	between the Treasury and the World Bank. The contract stated that the procurement method to be used is the World Bank procurement guidelines of 2011. In the previous years, the Auditor General has been applying the World Bank regulations 2011 but in the year under review, the Auditor General applied the Public Procurement and Asset Disposal Act 2015.			
	15.15.3 Provision of Hardware Licenses-Shared Services Platform-Tender No. ICTA/TCIP/DC/1/2016	Procurement for the World Bank funded projects was done as per the contract between the Treasury and the World Bank. The contract stated that the procurement method to be used is the World Bank procurement guidelines of 2011. In the previous years, the Auditor General has been applying the World Bank regulations 2011 but in the year under review, the Auditor General applied the Public Procurement and Asset Disposal Act 2015.	MFA/PMO	Resolved	
	15.15.4 Supply of Geographical Information System and Cloud Hosting for ICTA Tender No. ICTA/TCIP/DC/03/2016-2017	Procurement for the World Bank funded projects was done as per the contract between the Treasury and the World Bank. The contract stated that the procurement method to be used is the World Bank procurement guidelines of 2011. In the previous years, the Auditor General has been	MFA/PMO	Resolved	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

		applying the World Bank regulations 2011 but in the year under review, the Auditor General applied the Public Procurement and Asset Disposal Act 2015.			
	15.15.5 Procurement of Consultancy Services-Tender No. ICTA.TCIP/RFP/28/2015 - 2016	Procurement for the World Bank funded projects was done as per the contract between the Treasury and the World Bank. The contract stated that the procurement method to be used is the World Bank procurement guidelines of 2011. In the previous years, the Auditor General has been applying the World Bank regulations 2011 but in the year under review, the Auditor General applied the Public Procurement and Asset Disposal Act 2015.	MFA/PMO	Resolved	
	15.15.6 Lack of Support Documents	Under the financing agreement, direct method was one way of making payments to the suppliers. The supporting documents and analysis have been availed for audit review	MFA/PMO	Resolved	
	15.15.7 Failure to Withhold or Remit VAT-	Documents have been availed for audit review	MFA/PMO	Resolved	
	15.15.8 Unclear Refund of PAYE	The consultant had been erroneously deducted PAYE on top of VAT and WHT.	MFA/PMO	Resolved	
	15.15.9 Unsupported expenditure	Certificates for the training have been availed for audit review	MFA/PMO	Resolved	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

	<p>15.15.10. Unclear Cash Transactions</p>	<p>The first amount of KShs.1,778,875,000 on 18/07/2016 was not a withdrawal but a purchase of US Dollars for the purpose of paying for the devices. The transaction can easily be traced to the dollar account whose bank statement was provided for audit. The second amount of KShs. 1,540,500,000 on 22/01/2016 was not a deposit but an in and out. The amount was withdrawn and deposited back on the same day. The Authority followed up with the bank and the bank explained that it was a mistake and the email was provided for audit.</p> <p>Transfer of Ksh.85,904,541 from project account to ICT Authority account was for the payment of withheld VAT of 6% on payments that were paid directly from the Treasury. The analysis and details were availed for audit.</p> <p>The Ksh.6,892,088 was part of the Ksh.15M that the authority was granted by the Bank to use on the consultancy fees for the project team that remained behind to close the project.</p>	<p>MFA</p>	<p>Resolved</p>	
--	--	---	------------	-----------------	--

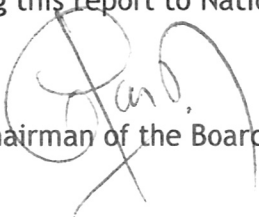
**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

Guidance Notes:

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

C.E.O 

Date..04..AUG..2020.....


Chairman of the Board

Date

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)
1. East Africa Regional Transport, Trade and Development Facilitation Project (EARTTDF)	IDA Credit No.: 5638-KE	World Bank	6 years		Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	East Africa Regional Transport, Trade and Development Facilitation Project (EARTTDF)	2,950 Million	124,499,336	4%	171,361,336	124,499,336	World Bank

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		ICT AUTHORITY		
Break down of Transfers from the State Department ICT of Innovation for 2018/2019 FY				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Recurrent Grants/PDTP	23/08/2018	106,131,250	2018/2019
	Recurrent Grants/PDTP	9/11/2018	97,640,750	2018/2019
	Recurrent Grants/PDTP	19/02/2019	108,253,875	2018/2019
	Recurrent Grants/PDTP	26/06/2019	104,008,000	2018/2019
		Total	416,033,875	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Q1/Q2 SHARED SERVICES	31/10/2018	275,000,000	2018/2019
	Q1/Q2 NOFBI/CCP	31/10/2018	107,500,000	2018/2019
	Q1/Q2 DLP	3/1/2019	2,750,000,000	2018/2019
	Q1/Q2 TCIP	14/01/2019	8,000,000	2018/2019
	Q3/Q4 NOFBI/CCP/TCIP/SHARED SERVICES/DLP	7/6/2019	2,916,720,936	2018/2019
		Total	6,057,220,936	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	EARTTDF IDA Grants			
	/ROC/0000000121-EARTTDF FUNDS	9/7/2018	40,615,054	2018/2019
	/ROC/0000000153-EA FUNDS	11/3/2019	5,229,053	2018/2019
	/ROC/0000000217-EA FUNDS	3/5/2019	79,714,278	2018/2019
		Total	125,558,385	

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

Finance Manager
ICT Authority

Head of Accounting Unit
Ministry of ICT

Sign -----

Sign-----

**THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

APPENDIX IV: 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 - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of ICT-State Department of ICT & Innovation	23/08/2018	Recurrent	106,131,250	106,131,250	-	-	-	-	106,131,250
Ministry of ICT-State Department of ICT & Innovation	9/11/2018	Recurrent	97,640,750	97,640,750	-	-	-	-	97,640,750
Ministry of ICT-State Department of ICT & Innovation	19/02/2019	Recurrent	108,253,875	108,253,875	-	-	-	-	108,253,875
Ministry of ICT-State Department of ICT & Innovation	26/06/2019	Recurrent	104,008,000	104,008,000	-	-	-	-	104,008,000
Ministry of ICT-State Department of ICT & Innovation	31/10/2018	Development	275,000,000	275,000,000	-	-	-	-	275,000,000
Ministry of ICT-State Department of ICT & Innovation	31/10/2018	Development	107,500,000	107,500,000	-	-	-	-	107,500,000

THE INFORMATION AND COMMUNICATION TECHNOLOGY AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Ministry of ICT-State Department of ICT & Innovation	3/1/2019	Development	2,750,000,000	2,750,000,000	-	-	-	-	2,750,000,000
Ministry of ICT-State Department of ICT & Innovation	14/01/2019	Development	8,000,000	8,000,000	-	-	-	-	8,000,000
Ministry of ICT-State Department of ICT & Innovation	7/6/2019	Development	2,916,720,936	2,916,720,936	-	-	-	-	2,916,720,936
Ministry of ICT-State Department of ICT & Innovation	9/7/2018	Development	40,615,054	40,615,054	-	-	-	-	40,615,054
Ministry of ICT-State Department of ICT & Innovation	11/3/2019	Donor Fund	5,229,053	5,229,053	-	-	-	-	5,229,053
Ministry of ICT-State Department of ICT & Innovation	3/5/2019	Donor Fund	79,714,278	79,714,278	-	-	-	-	79,714,278