

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

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OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2018**





KENYA CIVIL AVIATION AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2018

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

16 MAY 2019

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KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

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 The Civil Aviation Act (Cap 394) and the Civil Aviation (Amendment) Act, 2002 have now both been superseded by The Civil Aviation Act, 2013, as amended by the Civil Aviation (Amendment) Act 2016.

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

(b) Principal Activities

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

The mandate of the KCAA is essentially embedded in its functions/responsibilities, which are enumerated in the Civil Aviation Act 2013. These functions are:

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

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

KCAA carries out its functions in a manner consistent with the Chicago Convention on International Civil Aviation, Annexes to the Convention relating to international Standards and Recommended Practices (SARPs), and other international conventions and protocols relating to civil aviation, to which the Republic of Kenya is a party. KCAA is also expected to perform any obligations required by any agreement, treaty or arrangement between Kenya and any other country, inter-Governmental organization or any other body with respect to the safety, regularity and efficiency of air navigation and aviation safety in general.

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

Vision

To be a model of excellence in civil aviation.

Mission

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

Core Values

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

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

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

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

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

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

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Capt. Gilbert M. Kibe
2.	Director Corporate Services	CPA Joseph K. Chebungei
3.	Ag. Corporation Secretary	Mr. Cyril Wayongo
4.	Director Air Navigation Services	Eng. Shadrack Wesechere
5.	Director Aviation Safety Standard and Regulation	Capt. Nathan T. M. Ogenche
6.	Director East African School of Aviation	Dr. George K. M. M'Nchebere

(e) Fiduciary Oversight Arrangements

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

Finance and Human Capital Committee

This Committee is composed of five Directors of the Board including the Director General. Its main function is to review and monitor the Authority's financial matters on behalf of the Board, including review of the

liquidity status, all the Authority's bank accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliations. It also ensures compliance with the financial reporting requirements and proper keeping of all the financial records of the Authority.

Audit, Risk and Governance Committee

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

Public Investments Committee

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

(f) Headquarters

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

(g) Contacts

Telephone: (254) 20 827470-5
Fax: (254) 20 822300
Email: info@kcaa.or.ke
Website: www.kcaa.or.ke

(h) Bankers

National Bank of Kenya
Jomo Kenyatta International Airport Branch
P.O. Box 30763 – 00100
Nairobi, Kenya

Commercial Bank of Africa
Swissport Branch
Jomo Kenyatta International Airport
P. O. Box 30437 - 00100
Nairobi, Kenya

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

Equity Bank Ltd
Community Corporate Branch
P. O. Box 75104
Nairobi, Kenya

Stanbic Bank
Industrial Area Branch
P. O. Box 30550 – 00100
Nairobi, Kenya

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

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

(i) Independent Auditors



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




(j) Principal Legal Advisor




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




THE BOARD OF DIRECTORS

No.	Director's Name	Director's Date of Birth, Key Qualifications and Work Experience
1.	 <p data-bbox="304 1137 647 1200">Eng. Joseph N. Nkadayo, MBS (Chairman)</p>	<p data-bbox="684 483 900 510">Date of Birth: 1956</p> <p data-bbox="684 544 1469 602">Key Qualifications: Msc. Highway Engineering, Bsc (Civil Engineering), Registered/Licensed Consulting Engineer (EBK), MIEK</p> <p data-bbox="684 633 1469 750">Work Experience: Over 30 years' experience in Public and Private Sector in Development, Design, Procurement, Implementation, Maintenance and Management of Projects; Staff Recruitment, Placement, Training, Performance Based – Contracting and Job Evaluation.</p> <p data-bbox="684 784 1469 1404">Director General / Chief Executive Officer (CEO) of Kenya Urban Roads Authority (KURA) from 1st December 2008 to 30th November 2014. Secretary to Board of Directors (KURA). Managing Director (Sunton Ltd), MD & Senior Partner (Sungate Ltd), Senior Principal Superintending Engineer-Planning (Ministry of Roads and Public Works), Principal Superintending Engineer-Planning, Principal Superintending Engineer-Planning & Technical Administration, Principal Superintending Engineer-Technical Administration, Principal Superintending Engineer-Maintenance, Chief Superintending Engineer-Maintenance, Chief Superintending Engineer-Trunk Roads, Chief Superintending Engineer-Technical Administration, Chief Superintending Engineer-Design, Superintending Engineer, Design Engineer (Ministry of Transport and Aerodromes). Extensive knowledge and experience in Donor funding and procurement procedures of various Multilateral and Bilateral Agencies including the World Bank, African Development Bank (AfDB), European Union, Japanese International Co-operation Agency (JICA), among others. Represented the Kenya Government in regional bodies, which included; East Africa Community, New Partnership for Africa's Development (NEPAD), Common Market for Eastern and Southern Africa (COMESA) among others. Registrar of Engineers Registration Board of Kenya for Seven years (1994-2001)</p>
2.	 <p data-bbox="312 1794 655 1886">Ms. Lucy Wanjiru Karume (Board Member From 01/07/17 to 17/04/18)</p>	<p data-bbox="684 1469 1027 1496">Date of Birth: 2nd August, 1958</p> <p data-bbox="684 1529 1469 1588">Key Qualifications: BA (Travel and Transportation); MBA (Hospitality and Business Management)</p> <p data-bbox="684 1621 1469 1738">Work Experience: Sales and Marketing Executive (Bunson Travel Limited); Operations Manager (Cianda Flowers); Owner (Pies and Buns Restaurant); General Manager (Indian Ocean Beach Club); Business Development Director (Jacaranda Group of Hotels).</p> <p data-bbox="684 1771 1469 1830">She is an independent member of the Board and Chair of the Audit, Risk and Governance Committee.</p>




<p>3.</p>	 <p>Mr. Chris Chirchir Arap Kuto (Board Member)</p>	<p>Date of Birth: 24th March, 1952</p> <p>Key Qualifications: MSc. (Air Transport Management); Licensed Aircraft Maintenance Engineer (ICAO Type II Airframes & Power Plants); Diploma in Aeronautical Engineering</p> <p>Work Experience: KCAA DG, AFCAC President, Vice President (Eastern Region) AFCAC, Director DCA, Assistant Director DCA, Chief Airworthiness Surveyor DCA, Chief Inspector of Aircrafts Accidents, Aircraft Maintenance Engineer (Soroti Flying School).</p> <p>He is an independent member of the Board and Chair of the Finance Committee.</p>
<p>4.</p>	 <p>Major Gen.(Rtd) Charles M. Mwanzia (OGW,EBS, CBS) (Board Member)</p>	<p>Date of Birth: 3rd Feb 1954</p> <p>Key Qualification: PhD (continuing), Doctorate in Military Science(USA), MA International Relations (USIU), BA(Hons) International Relations(USIU), Air Traffic Controller (Aerodrome, Approach & Radar), Diploma Associated Engineer, Diploma in Intelligence Management, Certificate in Strategic Studies, Certificate in Defense Instructional Techniques.</p> <p>Work Experience: Lecturer University of London International Program (Nairobi); Consultant in Defense Affairs, Safety and Security, Peace and Conflict; Consultant with Institute for Defense Analysis (USA), GTZ (Germany); Commandant Defense Staff College, Karen, Nairobi (2009-2011); Commandant Kenya Military Academy, Lanet, Nakuru (2005-2006); Director Military Intelligence (2000-2004); Chief of Audit, Defense HQS; Commander, KAF Logistics Command and CNS/ATM Advisor; Deputy Chief of Military Intelligence; UN Missions in DR Congo and Namibia; ATCO (EAC) at Wilson and JKIA.</p> <p>He is an independent member of the Board and Chair of the Licensing of Air Services & Technical Committee.</p>




<p>5.</p>	 <p>Capt. Kiki Christopher Onyonka (Board Member)</p>	<p>Date of Birth: 1st February, 1975</p> <p>Key Qualifications: ATPL Diploma in Aviation</p> <p>Work Experience: Captain, Boeing 737-700/800-Kenya Airways, Captain, Embraer 170/190-Kenya Airways, Captain, Saab 340B-Kenya Airways, First Officer, Saab 340B-Kenya Airways, First Officer, Beech King Air 200-UNCAS.</p> <p>He is an independent member of the Board and the Chair of the EASA Committee.</p>
<p>6.</p>	 <p>Capt. Judy Wanjiku Kiniti (Board Member)</p>	<p>Date of Birth: 1st April, 1971</p> <p>Key Qualifications: OMP (Strathmore 2012), ATPL KCAA (1997), CPL KCAA (1993).</p> <p>Work Experience: Captain United Airlines (1992-93), Captain Capital Airlines (1993-95), Captain Eagle Aviation(1995-97), Captain Air-Kenya Express (1997-2001), Director Habitat For Humanity Kenya.</p> <p>She is an independent member of the Board and Chair of the Human Capital and Strategic Communication Committee.</p>
<p>7.</p>	 <p>Prof. Paul Mwangi Maringa, PhD, CBS, Corp. Arch, Maak, MkiP (Board Member)</p>	<p>Date of Birth: 1959</p> <p>Key Qualifications: 1999-2005: Jomo Kenyatta University of Agriculture and Technology (Doctor of Philosophy– Environmental Planning); 1989-1991: University of Nairobi (Masters of Arts in Planning – Urban &Regional planning); 1979-1986 University of Nairobi (Bachelor of Architecture Degree)</p> <p>Work Experience: Principal Secretary, State Department of Transport (Ministry of Transport, Infrastructure Housing and Urban Development); Principal Secretary, State Department of Public Works; Senior Expert, Planning and Project Management, TVET; Technical Expert & Master Trainer in Building Construction, TVET; Infrastructural Planning & development Expert, TVET; Acting Rector (Vice Chancellor Academics), KIST; Associate Professor of Architecture & Planning, KIST; Head of Department, JKUAT.</p>

8.	 <p>Dr. Kamau Thugge, PhD (Board Member)</p>	<p>Date of Birth: 1st August, 1957</p> <p>Key Qualifications: BA (Economics); MA (Economics); PhD (Economics)</p> <p>Work Experience: Economist, Senior Economist, Deputy Division Chief (International Monetary Fund); Head of Fiscal and Monetary Affairs Department, Economic Secretary, Head of Economic Affairs Department (Treasury); Senior Economic Advisor (Ministry of Finance); Principal Secretary (The National Treasury)</p>
9.	 <p>Mrs. Fatuma Hirsi Mohamed (Board Member) From 01/07/17 to 17/04/18</p>	<p>Key Qualifications: Doctor of Philosophy (PhD) - Communications Studies, Strathmore Business School, MBA, Management Strategy & Marketing Focus, Kenyatta University, Post graduate Diploma in Public Relations, University of Nairobi, BA (Hons), Languages, Bachelor's degree, Islamic Studies, Islamic Online University,</p> <p>Work Experience: Principal Secretary, Ministry of Tourism with broad experience in international and public relations, marketing, branding, strategic communications, and reputation management. Direct experience with the United Nations in development and cooperation programmes. Director, National Aids Control Unit (NASCOPI). Previously worked in the postal services, banking, media (electronic and print) and telecommunications (fixed and mobile telephony).</p>
10	 <p>Dr. (Eng.) Karanja Kibicho, CBS (Board Member)</p>	<p>Date of Birth: 29th July, 1967</p> <p>Key Qualifications: Doctorate in Mechanical Engineering from the University of Cape Town, South Africa, Master of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering.</p> <p>Work Experience: Principal Secretary State Department of Interior in the Ministry of Interior and Coordination of the National Government. Before current appointment, he served as the Principal Secretary in the Ministry of Industrialization. He also served Principal Secretary, Ministry of Foreign Affairs.</p> <p>He has taught in various institutions of higher learning including Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as the chairman and senior lecturer in the department of Mechanical Engineering. He has served as an external examiner at the University of Dares Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.</p>

	 <p>Ms Carole Ayugi (Board Member wef 06/06/18)</p>	<p>Date of Birth: 20th January 1977</p> <p>Key Qualifications: LLB(Hons)</p> <p>Work Experience: Strong background in commercial and corporate field with focus on retirement benefits, real estate, intellectual property, mediation and arbitration. Managing Partner MMAN Advocates, Head of Department, Employment & Pension and Intellectual Property MMAN Advocates, Partner, Commercial Department, MMAN Advocates, Ag Chief Legal Officer / Company Secretary, Pan Afica Group of Companies, Associate, Conveyancing & Commercial Department Mboya Advocates.</p> <p>She is an independent member of the Board</p>
11.	 <p>Capt. Gilbert Macharia M. Kibe (Director General)</p>	<p>Date of Birth: 13th January, 1963</p> <p>Key Qualifications: MBA (Aviation Option) Moi University, KCAA CPL (Flight Instructor Rating, Instrument Rating, Multi-Engine Piston & Twin Turbine Rating), American FAA CPL (Single & Multi-Engine and Instrument Rating)</p> <p>Work Experience: DG KCAA (June 2015-todate); KCAA Board Member (2003-2009); KCAA Chairman Aviation Security Committee (2003-2005); KCAA Chairman HR Committee of the Board (2005-2009); CEO Nairobi Flight Training LTD (2007-May 2015); Board Chairman Aero Kenya (1997-2008); Director Marketing Air Ltd Uganda (1994-2015); Board Chairman & Director Marketing & Sales- Eagle Air Uganda Ltd (1986-1997)</p>
12.	 <p>Mr. Cyril Wayong'o (Ag. Corporation Secretary)</p>	<p>Date of Birth: 9th February 1975</p> <p>Key Qualification: MBA (African Nazarene University), Diploma in Aviation Law (International Air Transport Association), Postgraduate Diploma in Law (Kenya School of Law), Undergraduate Bachelors of Laws (Moi University).</p> <p>Work Experience: Ag. Corporation Secretary (KCAA), Manager Legal Services (KCAA), Chief Legal Officer (KCAA).</p>

MANAGEMENT TEAM

Name	Key Qualifications, Work Experience and Main Area of Responsibility
<p>1.</p>  <p>Capt. Gilbert Macharia M. Kibe (Director General)</p>	<p>Key Qualifications: MBA (Aviation Option) Moi University, KCAA CPL (Flight Instructor Rating, Instrument Rating, Multi-Engine Piston & Twin Turbine Rating), American FAA CPL (Single & Multi-Engine and Instrument Rating).</p> <p>Work Experience: DG KCAA (June 2015-todate); KCAA Board Member (2003-2009); KCAA Chairman Aviation Security Committee (2003-2005); KCAA Chairman HR Committee of the Board (2005-2009); CEO Nairobi Flight Training LTD (2007-May 2015); Board Chairman Aero Kenya (1997-2008); Director Marketing Air Ltd Uganda (1994-2015); Board Chairman & Director Marketing & Sales- Eagle Air Uganda Ltd (1986-1997)</p> <p>Main Area of Responsibility: Overall Coordination and Direction of the Air Navigation Service Provision, Regulation of the Civil Aviation Industry, and Training of the Aviation Personnel in the Country.</p>
<p>2.</p>  <p>Mr. Cyril Wayong'o (Ag. Corporation Secretary)</p>	<p>Key Qualification: MBA (African Nazarene University), Diploma in Aviation Law (International Air Transport Association), Postgraduate Diploma in Law (Kenya School of Law), Bachelors of Laws (Moi University).</p> <p>Work Experience: Ag. Corporation Secretary (KCAA), Manager Legal Services (KCAA), Chief Legal Officer (KCAA).</p> <p>Main Area of Responsibility: Guiding the Authority on Legal matters, board secretariat services, Preparation of Contracts and Review of externally prepared documents and contracts, handling Authority's litigation matters in liaison with external advocates.</p>
<p>3.</p>  <p>CPA Joseph C. Kiptoo (Director Corporate Services)</p>	<p>Key Qualification: Bachelor of Arts (Econ) from the University of Nairobi and an MBA from Moi University, CPA-K holder and is a member of ICPAK.</p> <p>Work Experience: Director Corporate Services KCAA (April 2012-April 2014), Ag Director General KCAA (May 2014-June 2015), Director Corporate Services KCAA (July 2015-to date), Director Finance & Administration KEMSA (Feb 2011-March 2012), Manager Finance KCAA Nov 2008-Jan 2012), Manager Treasury Management Posta Kenya, Senior Accountant Posta Kenya ;Economist with Kenya Post & Telecommunication Corporation.</p>

		<p>Main Area of Responsibility: Coordinate and direct the Corporate Services function of the Authority.</p>
4.	 <p>Capt. Nathan Tom Ogenche (Director Aviation Safety Security and Regulation)</p>	<p>Key Qualification: MBA (Aviation) - Moi University and a ATPL from KCAA.</p> <p>Work Experience: Director Aviation Safety Security and Regulation (KCAA), Flight Operations Inspector (KCAA), First Officer to Captain (Kenya Airways) having flown a number of aircraft types like Fokker 50, Boeing 737, Boeing 767, Airbus 310 and CRJ 100/200 series.</p> <p>Main Area of Responsibility: Management and Coordination of the regulation function of the Authority.</p>
5.	 <p>Eng. Shadrack Wesechere (Director Air Navigation Services)</p>	<p>Key Qualification: MBA (Aviation Option) and Bsc. (Electrical Engineering). Registered Professional Electrical Engineer with the Engineers Board of Kenya and Corporate Member of the Institution of Engineers of Kenya.</p> <p>Work Experience: Director Air Navigation Services, Manager Engineering Services (KCAA). Served in various capacities in KCAA since 1985.</p> <p>Main Area of Responsibility: Planning and Control of Operations of Air Navigation Services.</p>
6.	 <p>Dr. George K. M. M'Nchebere (Director East African School of Aviation)</p>	<p>Key Qualifications: PhD (Strategic Management), MBA (Strategic Management) and Bcom. (UON), a full member of Marketing society of Kenya (MSK) and Kenya Institute of Management (KIM).</p> <p>Work Experience: Director - East African School of Aviation (Oct. 2014 to date), Lecturer and Programmes Coordinator – Moi University, Financial Accountant - Afrofreight Forwarders Kenya Ltd and Auditor Senior – PKF.</p> <p>Main Area of Responsibility: Management and Coordination of the Training Mandate of the Authority (EASA).</p>

CHAIRMAN'S STATEMENT

I am pleased to present the Kenya Civil Aviation Authority's Annual Report and Financial Statements for the Financial Year 2017/18. During the year, the Authority continued to work together with the Government and the industry to ensure growth of the air transport. To achieve this, the highest levels of aviation safety and security were maintained in line with the requirements of the Convention on Civil Aviation to which Kenya is a signatory. The Convention which established the International Civil Aviation Organisation (ICAO) provides for standards and recommended practices in the areas of aviation safety and security which are supposed to be complied with by air operators globally. Using these standards, KCAA has continued to grow a safe and vibrant air transport system.

In implementing oversight services on aviation safety and security, the Authority was guided by the Civil Aviation Act No 21 of 2013 and the Civil Aviation (Amendment) Act 2016 which are aligned to both national and international aviation requirements. The provisions introduced in the amended act provides for improved mechanisms for provision of oversight on safety and security in the country and will contribute to improved compliance by the industry.

With improved regulatory framework the air transport sub sector including support services grew by 5.2% in 2017 which is an improvement from 4% the previous year. Output from air transport sub-sector increased by 14.9 per cent to KSh.183.1 billion while that of services incidental to transport increased by 28.3 per cent to KSh.107.8 billion during 2017 (Economic Survey, 2018).

The Authority's performance during the Financial Year 2017/18, focussed on implementation of the work plan for the first year of the Strategic Plan 2017/2018-2021/22. The strategic goals in the plan are to; grow the air transport system and attain a sustainable safety and security oversight function, ensure Efficient Air Navigation Services, Improved business processes and systems, ensure financial Sustainability, build adequate and competent human capital, enhance customer service, develop capacity to deliver quality training, ensure environmental protection, governance and risk management. The annual work plan was implemented through the 13th Board performance contract and tremendous progress was made towards implementation of the targets.

The Authority was notified by ICAO of a safety audit scheduled for November 2017 and embarked on preparations. The Audit was later rescheduled to July 2018 and the Authority continued implementing the Corrective Action Plan which had been agreed following the ICAO Safety audit conducted in 2013. The activities related to the audit was to remain the area of focus during the year and these were implemented and most of the targets accomplished by the end of the year in readiness for the audit.

The Authority continued to work towards improvement of its oversight capacity and ensuring that the industry complies with the International Civil Aviation Organisation (ICAO) requirements. One of the major activities carried out during the year was the recertification of air operators in the country. As a result of the continued improvement in safety and security compliance levels, Kenya was granted approval for the Federal Aviation Administration (FAA) Category I Status in February 2017 after a vigorous process that took six years.

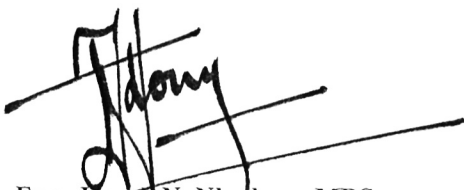
In order to grow the air transport industry, Bilateral Air Services Agreements (BASAs) were negotiated and concluded while several existing BASAs were reviewed during the same period. The expansion of the route network will contribute to increased trade between Kenya and other countries.

The Authority started undertaking the projects in the Short Term Phase in the Airspace Master Plan for the period 2016-2030. The Master Plan which incorporates the requirements of the ICAO Global Air Navigation Plan takes into consideration the requirements of the Kenya Airspace and will guide the acquisition of new technologies for Communication, Navigation and Surveillance systems as well as Air Traffic Management over the next 15 years.

During the Financial Year 2017-18, the East African School of Aviation (EASA) continued with its modernisation programme towards maintenance of the Centre of Excellence in aviation training status by having completed a new modern library for students. In doing this, EASA aims at providing quality training that meets the demand of an evolving aviation industry both locally and in the region.

The Authority will endeavour to live to its vision “to be a superior, safe, secure and sustainable civil aviation system’ by ensuring that standards are implemented and maintained at levels that meet and exceed the expectations of customers. In doing its business, KCAA will continue to be guided by the ICAO requirements and global best practices.

On behalf of the Board, management and staff, I wish to express my sincere gratitude to the Ministry of Transport, Infrastructure, Housing and Urban Development for their continued support during the year. Gratitude also goes to my fellow Directors of the Board for their dedication and commitment which enabled us to achieve favourable performance. Appreciation is further extended to stakeholders for their support during the year and look forward to the same support in the future.



Eng. Joseph N. Nkadayo, MBS
Chairman, Board of Directors
Kenya Civil Aviation Authority

REPORT OF THE DIRECTOR GENERAL

The Authority had another successful year through consistency in performance management and effort directed towards achievement of the corporate annual work. The results on performance and the financial results are contained in this report of the Authority for the financial year 2017/18. The remarkable performance was not only witnessed in the finance areas but also in the departments and functional areas.

Kenya is a signatory state to the Convention of Civil Aviation (Chicago Convention) which came into effect in 1944 and which established the International Civil Aviation Organisation and a legal framework for regulating international civil aviation and air transport. As a signatory state to the Convention on Civil Aviation, Kenya is obligated to provide oversight services on aviation safety and security in line with the ICAO Standards.

Air transport in Kenya plays a critical role as a catalyst for national and regional development by providing a safe and an efficient system for movements of passengers and freight. The industry continues to grow and to contribute more to job creation, increased trade with other countries and tourist arrivals. The adding of new routes and frequencies by both local and international airlines, as witnessed, in the recent years ensures a consistent flow of trade between Kenya and other countries. This in addition bears testimony to the continued high standards of aviation safety and security oversight with which KCAA has been entrusted.

During the year passenger numbers grew by 7.6% to reach 11.02 million passengers during the Financial Year 2017/18 compared with 10.2 million the previous year. Aircraft movements increased by 3% from 351,825 in 2016/17 to 363,230 in 2017/18. The increase in aircraft traffic has mainly been driven by improved economic performance in Kenya. Freight traffic increased by 30.8% from 253,334 tonnes to 331,327 tonnes during the same period. Despite 2017/18 being an election year, the industry remained strong and vibrant through-out the year. The Authority will continue to support the aviation sector in order to ensure that stakeholders make the right choices to sustain their business.

The Authority developed its third Strategic Plan covering the period 2017/18 - 2021/22. The implementation of the Strategic Plan started during the year with focus being the activities of the first year of the Plan. The Authority continued to use the Performance Contract (PC) concept that commits staff to implement the Strategic Plan work plans in signed contracts which is evaluated at the year. The Performance contract for Financial Year 2017/18 was successfully implemented and the final performance report submitted to the Government. The results for the past three years have been satisfactory with the Authority achieving an overall rating of very good during the last two years.

The implementation of the Strategic Plan using the Performance Contract for the financial year enabled the Authority to set up systems to ensure equity in the delivery of public services and the adaptability of public services to the needs of the users. The Authority also worked towards ensuring professionalism and ethics in service delivery. Overall results showed that the Authority continues to improve in its performance and delivery of service to its customers.

The Authority's staff spend a considerable amount of time and energy during the year to ensure that issues identified during the previous ICAO audits were implemented as contained in the agreed Corrective Action Plan. Measures were implemented to close the outstanding issues in preparation for the ICAO USOAP Audit initialled scheduled for November 2017. The later was later rescheduled for July 2018. Kenya expects to demonstrate the high level of compliance with international civil aviation requirements by achieving a better score during the audit compared to the previous audit conducted in 2013.

In an effort to improve the regulatory oversight services, KCAA has developed policies, regulations and guidance materials to bring clarity, certainty, transparency and consistency in the aviation industry. The process of reviewing the regulations was undertaken with stakeholder consultations and most of them were completed and approved.

Technical capacity was improved through recruitment of more inspectors and training. In areas with critical skill gaps, consultants were hired to work with KCAA staff and ensure timely implementation of the activities required as part of the ICAO Audit preparations. Through stakeholder consultations, KCAA has been able to improve the regulatory oversight services and to develop trust from the industry. This has helped win co-operation and voluntary compliance from the industry. The Authority expects the industry to achieve full compliance with the regulations.

The on-going recertification process which was initiated two years ago continued during the year. The process of conducting recertification for air operator certificate holders started with the international operators and is expected to continue in the coming year in order to ensure that all operators are certificated under the new regulations.

A new organisational structure which was being done by the Directorate of Public Service Management was in the final stages of completion. The revised organisational structure is expected to reflect the needs in human resource as a result of the growth in the industry since the previous review of the structure in 2011. The organisational structure will also be aligned to the Strategic Plan for 2017/18 -2021/22.

The financial performance of the Authority improved during the year. Overall the financial results were a net surplus of Kshs 27,489,883 compared to a surplus of Kshs 161,302,140 the previous financial year. The financial performance has remained healthy and the Authority is able to undertake activities towards achievement of its mandate and to meet its obligations.

In order to maintain high levels of performance the Authority will continue to focus on ensuring that the industry complies with the international requirements and undertaking enforcement where necessary. At the same time measures will be implemented to improve the service delivery to KCAA customers through automation of processes.

I wish to thank the KCAA Board of Directors and management for the achievements during the year. The leadership by the Board of Directors contributed to creation of an enabling environment that made management develop and implement appropriate strategies that led to the excellent results achieved during the year. I also appreciate the various inputs from the stakeholders that enabled the Authority to learn and improve on its way of doing things. I look forward to the same support as we move into the future in order for us to realise even better results.



Capt. Gilbert M. Kibe
DIRECTOR GENERAL

CORPORATE GOVERNANCE STATEMENT

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

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

Board of Directors and Board Meetings

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

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

The Board meets at least once every quarter and has formal schedule of matters reserved for it. During the Financial year 2017-2018, the Board held a total of ten (10) meetings.

The Board has appointed various standing Committees to which it has delegated certain responsibilities with the chairpersons of the Committees reporting to it.

Appointment of Board Members

Section 13 and 19 of the Civil Aviation Act, no. 21 of 2013 provides for the manner of appointment and termination of the Member of the Board. The Act also provides extensively the functions of the Board. Further, during the financial year 2017/2018 the term Ms Lucy Karume, Maj (Rtd) Charles Mwanzia, Mr. Chris Kuto and Capt. Judy Kiniti ended on the 17th April 2018. Maj (Rtd) Charles Mwanzia, Mr. Chris Kuto and Capt. Judy Kiniti were reappointed to the board with effect from 6th June 2018. In addition, Ms Carole Ayugi was appointed to the board with effect from 6th June 2018. The term of the Chairman (Eng Joseph Nkadayo) and Capt Kiki Onyonka are still running. The three (3) representatives of Government Ministries are standing appointments which survive the various tenures, save for that of the Permanent Secretary Tourism, whose term ended on 17th April 2018, and was not provided for in the amendments to the Civil Aviation Act, 2016. The tenure of the incumbent Director General was renewed for a further four years with effect from 14th April 2018.

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

Board Trainings

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

Board & Member Performance

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

Conflict of Interest

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

Ethics, Conduct and Governance Audit

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

Directors' Emoluments

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

The aggregate amount of emoluments paid to Directors for services rendered to the Authority during the Financial Year 2017-2018 are disclosed in note 14 to the financial statements. Non- executive directors are paid a sitting allowance for every meeting attended.

MANAGEMENT DISCUSSION AND ANALYSIS

The performance of the Authority has continued to improve over the years mainly due to the growth of the air transport industry in Kenya and the region. The passenger, freight and aircraft traffic has been on the upward trend over the last three years and this trend is expected to continue.

Operational and Financial Performance

The financial performance of the Authority improved during the year. Revenue earnings increased during the year from 6.37 billion to 7.01 billion driven mainly by increased earnings from air navigation services charges as a result of increased aircraft movements, increase in non-operating revenue (Treasury Bills) and the newly introduced Air Passenger Service Charge. The recurrent expenditure increased from 4.75 billion to 6.0 billion during the period under review. This is mainly attributed to increase in provisions to cover for potential liabilities. Overall the financial results were a net surplus of Kshs 100,379,695 compared to a surplus of Kshs 156,180,264, the previous financial year.

The performance on traffic shows that passenger traffic increased to reach 11.02 million passengers during the Financial Year 2017/18 compared with 10.2million the previous year. The increase was contributed to by a growth of 4.9% for domestic passengers and 9.8% for international passengers compared to the previous year. Transit traffic also increased by 7.6% compared to the previous year. The overall passenger traffic growth was 7.6% this year compared with last year. The five years trend is shown the table 1 below.

Table 1: Passenger and Freight Traffic (000) from 2013/14 to 2017/18

Passenger and Freight Traffic Statistics		2013/14	2014/15	2015/16	2016/17	2017/18	%	
Passengers	Domestic	Arrivals	1,555	1,770	1,955	2,143	2,211	3.2%
		Departures	1,312	1,494	1,741	1,963	2,097	6.8%
		Total	2,867	3,264	3,696	4,106	4,308	4.9%
	International	Arrivals	2,624	2,688	2,727	2,918	3,184	9.1%
		Departures	1,697	1,592	1,611	1,766	1,961	11.0%
		Total	4,321	4,280	4,338	4,684	5,145	9.8%
	Total	Total arrivals	4,179	4,457	4,682	5,062	5,395	6.6%
		Total departures	3,010	3,086	3,352	3,729	4,059	8.8%
		Transit	1,313	1,346	1,431	1,457	1,568	7.6%
		Total	8,502	8,889	9,465	10,248	11,022	7.6%
Total Freight (in kgs)	Domestic	Unloaded	837	1,289	2,368	492	615	25.0%
		Loaded	2,407	2,473	1,263	708	952	34.5%
		Total	3,244	3,762	3,631	1,200	1,567	30.6%
	International	Unloaded	65,313	62,053	47,592	50,351	79,986	58.9%
		Loaded	211,920	198,500	203,622	201,782	249,775	23.8%
		Total	277,233	260,553	251,214	252,133	329,761	30.8%
	Total	Total Unloaded	66,150	63,342	49,961	50,843	80,600	58.5%
		Total Loaded	214,327	200,972	204,885	202,491	250,727	23.8%
		Total	280,477	264,314	254,846	253,334	331,327	30.8%

Source: KCAA-Planning, 2018

Aircraft movements increased by 3% from 351,825 in 2016/17 to 363,230 in 2017/18. The aircraft traffic has mainly been driven by improved economic performance in Kenya and increase in flight frequencies among some of the air operators. The aircraft movements during the last five years are reflected below:

Table 2: Aircraft Movements from 2013/14 to 2017/18

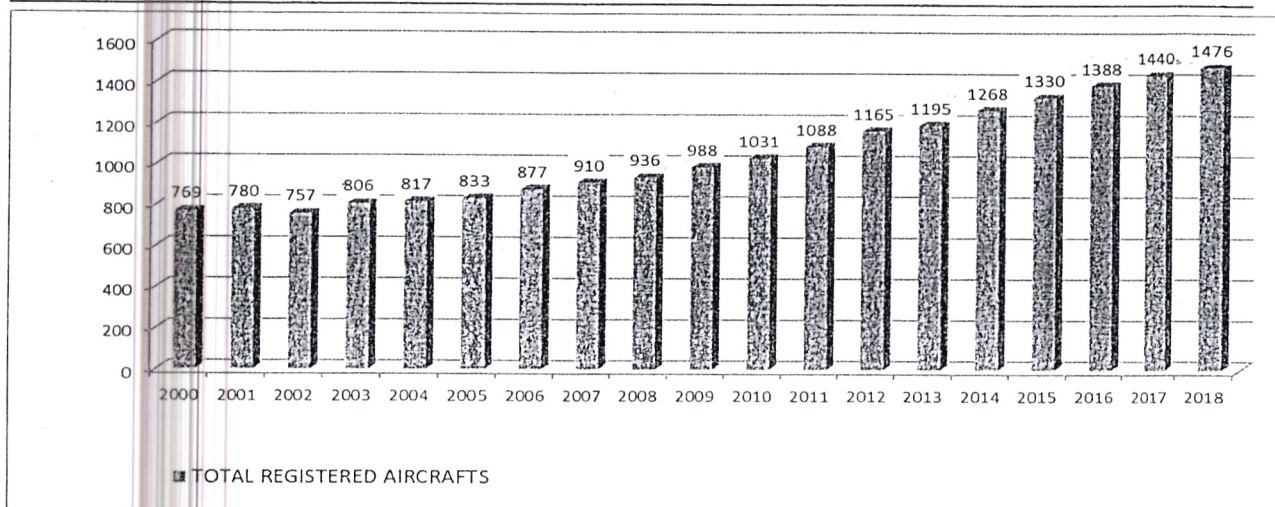
Item	Movement	2013/14	2014/15	2015/16	2016/17	2017/18	%	
Aircraft Movements	Domestic	Landings	90,876	86,212	96,198	104,801	105,768	1%
		Take-offs	86,591	85,700	96,439	105,076	106,508	1%
		Total	177,467	171,912	192,637	209,877	212,276	1%
	International	Landings	44,260	44,525	45,628	46,264	47,961	4%
		Take-offs	46,941	45,257	45,046	45,744	47,607	4%
		Total	91,201	89,782	90,674	92,008	95,568	4%
	Total	Total Landings	135,136	130,737	141,826	151,065	153,729	2%
		Total Take-offs	133,532	130,957	141,485	150,820	154,115	2%
		Total	268,668	261,694	283,311	301,885	307,844	2%
	Over flights	Total Overflight	36,419	38,238	44,243	49,940	55,386	11%
Overall aircraft Movements		305,087	299,932	327,554	351,825	363,230	3%	
Percentage Change		0%	-2%	9%	7%	3%		

Source: KCAA-Planning, 2018

The number of aircraft registered in Kenya increased by 3% from the previous year. The number of registered aircraft has been growing steadily and currently number of registered aircraft as at June 2018 was 1,476.

Table 3: Aircraft Registered in Kenya from 2013/14 to June 2018

Year	2013/14	2014/15	2015/16	2016/17	2017/18
Total Aircraft Registered	1268	1330	1388	1440	1476
% Change	7%	5%	4%	4%	3%
New Aircraft Registered	85	81	50	63	48
De-Registered Aircraft	7	16	22	16	12



Source: KCAA-Planning, 2018

Key Projects or Investments Decisions

During the Financial Year 2017/18, the Authority continued with the implementation of projects aimed at modernising Air Navigation Services (ANS). The projects were ongoing included; procurement of ANS Equipment for Wilson Control Tower, procurement of Mobile Control Tower, procurement of Search and Rescue Software, Construction of the Disaster Recovery Centre, Construction of 3 units of permanent staff houses at Poror and construction of the first Floor at Eldoret International Airport. The acquisition of aeronautical information system and establishment of disaster recovery site were completed during the year, while a number of milestones were in acquiring the ADS & Mlat system. At the East African School of Aviation (EASA) a modern library was completed and procurement of furniture initiated in the year, the design for a modern hostel and conference centre as well as a Student Chapel was initiated. The Procurement of Training equipments (Power plant training equipment, digital cartographic GIS/GPS, VHF Radio Equipment and Fluid Mechanics Lab Equipments) were also initiated and partly supplied during the year under review.

In order to serve the re-organised airspace which has two sectors created for approach into Jomo Kenyatta International Airport (JKIA) the Authority designed and implemented Performance Based Navigation (PBN) routes to facilitate aircraft flights at the JKIA. The Authority established more PBN routes into the country in order to benefit from the time and fuel savings associated with the implementation of PBN. The implementation of the projects together with enhanced maintenance and periodic calibration of equipment, the overall availability of equipment was 94.6% which was below the ICAO recommended level of 97% as shown below:

Table 4: Overall Availability of ANS Equipment

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Overall Availability of ANS Equipment in %	98.3	99.03	98.53	98.815	98.9	98.6	98.3	94.60%

Source: KCAA-Planning, 2018

Table 5 below represent the key regulatory statistics in the aviation industry over the last six years.

Table 5: Key Regulatory Statistics

Item	Details/Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Aviation Personnel Licences	Air Transport Pilot Licence (ATPL)	888	928	975	1062	1116	1188
	Commercial Pilot Licence (CPL)	1244	1394	1517	1563	1607	1687
	Private Pilot Licence (PPL)	969	1070	1276	1255	1316	1358
	Student Pilot Licence (SPL)	2083	2189	2580	2543	2710	2918
	Cabin Crew Member Certificate (CMC)	1631	1814	1906	1942	2090	2140
	Aircraft Maintenance Engineers (AMEL)	582	604	618	694	738	775
	Total	7,397	7,999	8,872	9,059	9,577	9,975
Valid Operational Licenses	Aircraft with Valid Certificate of Airworthiness (COA)	658	705	751	763	749	804
	Air Operator Certificates (AOCs)	78	78	70	70	87	89
	Approved Maintenance Organisations (AMOs) (Both Local and Foreign)	85	118	122	139	143	161
	Approved Training Organizations (ATOs)	5	19	19	22	19	22
	Flight Dispatcher Licence	91	127	177	208	186	211
	Scheduled Airlines	76	76	77	77	79	79
	Total	993	1,123	1,216	1,279	1,263	1,366
Aerodrome Category	International Class A	8	8	8	8	8	8
	Domestic (regional) Class B	16	23	23	23	23	23
	Class C Airstrips	426	430	430	430	440	440
	Class D Heliports/Helipads	0	6	6	14	20	20
	Total	450	467	467	475	491	491
CAA Inspectors and Air Traffic Controllers	Air Traffic Controllers (ATCOs)	172	170	165	159	177	175
	Airworthiness Inspector	16	18	21	27	24	32
	Flight Operations	11	11	15	20	21	30
	Personnel Licensing	8	8	8	9	10	10
	Communication, Nav. & Surveillance(CNS)	1	1	1	1	1	1
	AIS/ Map, PANSOPS	1	1	1	1	1	1
	Air Traffic Management & Search & Rescue (ATM)	2	2	2	2	2	2
	Aerodromes & Grounds Aids (AGA)	8	7	7	6	6	3
	Aviation Security	7	7	7	7	7	9
	Air Transport	8	8	8	8	8	9
Total	234	233	235	240	257	272	

Source: KCAA-Planning, 2018

The active licensed air operators in the country increased by 33% in this financial year as shown in the following table 6 below: There were 35 operators with both domestic scheduled and non- scheduled services in 2018 compared to 2017 where the operators offering both services were 28 in number. Operators offering both non-scheduled and aerial services were 39. Those offering both non-scheduled service and flying instructions were 9.

Table 6: Licensed Air Operators in Kenya

No	Services	2010*	2011	2012	2013	2014	June 2015	June 2016	June 2017	Jun-18	% Growth
1	Domestic scheduled	30	32	32	38	33	34	38	28	39	28%
2	Non scheduled	119	122	148	173	150	149	161	94	141	33%
3	International scheduled	16	19	16	21	21	24	26	14	25	44%
4	International non scheduled	54	51	22	23	22	21	20	15	15	0%
5	Inclusive tour charters	18	17	24	30	22	22	21	1	5	80%
6	Aerial work	0	0	35	38	36	39	39	28	44	36%
7	Flying instructions	0	0	18	28	29	28	30	14	19	26%
	Total	237	241	295	351	313	317	335	194	288	33%

*The base year is 2010. Source: KCAA-Air transport, 2018

The East African School of Aviation (EASA) which is a centre of excellence for aviation studies continued to provide quality services to the local and international aviation industry. Improvements in infrastructure and training equipment were pursued and EASA completed the construction of a modern library. During the year, EASA conducted flight safety courses for safety inspectors in collaboration with ICAO, Singapore Aviation Academy and the Incheon Aviation Academy of Korea.

The number of students at the East African School of Aviation grew by 20.4 % from 164 students to 1976 students in this financial year as shown below:

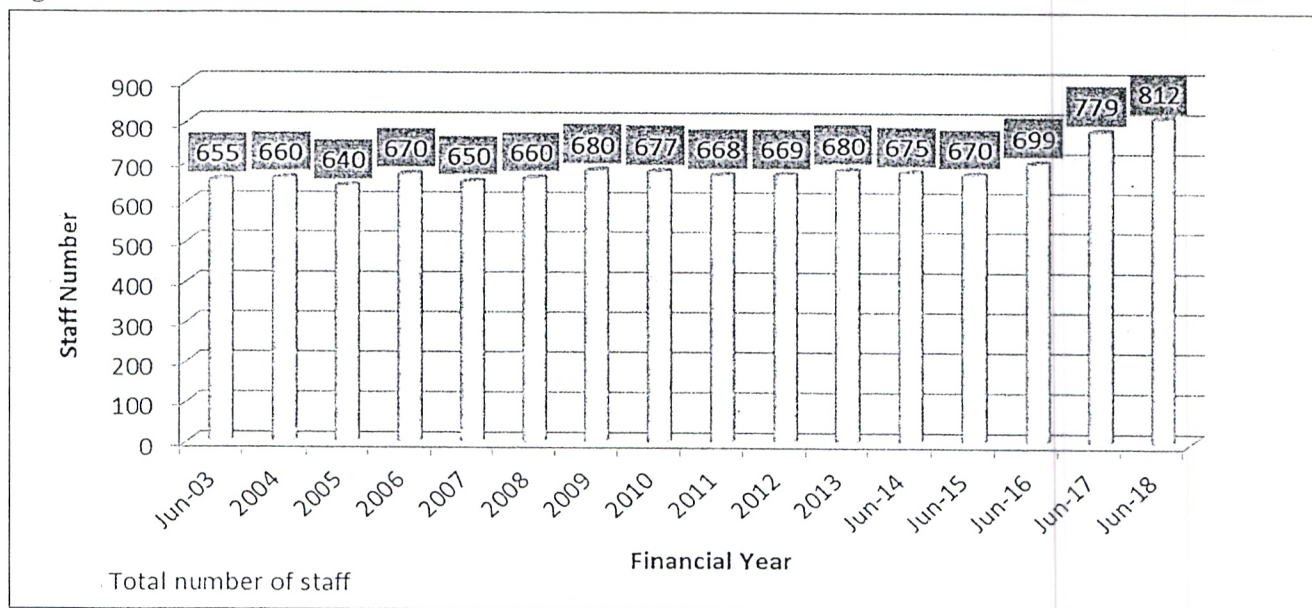
Table 7: East African School of Aviation Student Population

No	Course/ Students	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
1	Engineering	230	192	329	210	244	280	354
2	Business Programmes(BBM and MBA)	58	72	136	71	253	218	382
3	Aviation Security	261	183	312	377	93	194	275
4	Air Traffic Control	163	164	341	141	267	362	309
5	Aviation Safety	130	109	157	215	347	238	319
6	IATA	120	98	130	94	96	93	114
7	Communications/OPS	11	0	41	31	20	85	16
8	CDU	0	0	56	39	79	87	30
9	AIS	12	182	103	52	50	84	177
	Total Students	985	1000	1605	1230	1449	1641	1976

Source: KCAA-Planning, 2018

Staff numbers in the Authority have continued to grow mainly due to requirements of more staff within the regulatory directorate and at the East African School of Aviation (EASA). The numbers increased by 33 during the year. The number of Staff as at June 2018 is as shown below:

Figure 1: Staff Statistics trend



Source: KCAA-Planning, 2018

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

The Authority will continue to focus on institutionalizing a culture of accountability, integrity, transparency and promotion of values and principles of the public service in the delivery of services. This is an effort to enhance capacity and achieve a transformation in the delivery of services to effectively meet and exceed the expectations of our customers.

Major Risks Facing KCAA

- i. Disruption in provision of essential services
- ii. Ineffective project management
- iii. Poor/failure to coordination of search and rescue missions
- iv. Failure to comply with ICAO SARPS and honor international obligations
- v. KCAA Failure to comply laws, regulations, standards, policies, procedures
- vi. Ineffective Board and Management oversight
- vii. Poor/failure to coordination of search and rescue missions
- viii. Failure to achieve 100% implementation of Strategic Plan
- ix. Ineffective Risk Management coordination-activities
- x. Failure to institutionalize EASA unique characteristics as a training school within KCAA
- xi. Loss of court cases.

Compliance to Statutory Requirements

In the financial year ended 30th June 2018, the Authority was able to comply with the requisite statutory requirements from time to time. However, there have been two (2) major long standing Court cases, which may expose the Authority. These are summarised below:

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

This is a case involving 68 former employees of the Directorate of Civil Aviation (the predecessor of KCAA) emanating from alleged dismissal of the said employees from public service and malicious prosecution. The case was ruled in favor of the Plaintiffs. KCAA appealed against the judgment and the appeal proceeded for hearing on 7th January, 2014. The Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to High Court for assessment of total damages. The High Court delivered the ruling on assessment for 40 plaintiffs out of 67 plaintiffs. The judgment amount in total is approximately Kshs 154,841,140. The Claimants' application for review seeks an additional Kshs. 103,835,080/=. The application was heard on 12th June 2018. The ruling is slated for 28th September 2018.

II. Nairobi High Court Civil Case No. 1208 of 2003, The Court of Appeal Number civil appeal number 311 of 2009, The Supreme Court civil appeal number 197 of 2016: African Commuter Services Ltd vs. The Attorney General and the Kenya Civil Aviation Authority

African Commuter Services Ltd. sued the Attorney General (on behalf of the Ministry of Transport and Infrastructure) and KCAA for consequential loss and damages arising from the suspension of its AOC on 24th January, 2003, following the Busia aircraft accident. The total amount claimed was Kshs. 1,345,616,019.65 plus interest and costs but by judgment dated and delivered on 7th February, 2014 the Court of Appeal found KCAA culpable and therefore liable to compensate African Commuter Services Limited. The Court of Appeal however, adjusted the total damages downwards to Kshs. 362,615,656.00 and also reduced award of costs to 50% with interest at court rates from date of filing (on revenue and capital losses) and interest at court rates from the date of judgment (on consequential loss and aggravated damages). The appeal by the AG succeeded as the Court of Appeal found the Ministry of Transport and Infrastructure not liable.

KCAA sought and obtained legal opinion from the Attorney General's office on further appeal to the Supreme Court and consequently instructed its Advocates to file an application at the Court of Appeal for leave to appeal to the Supreme Court and stay of execution on 27th May 2014. The said application came up for hearing on 10th March 2015 but was dismissed by the Court of Appeal by ruling delivered on 29th May 2015. Meanwhile, African Commuter Services Limited, through Ahmednasir, Abdikadir & Company Advocates took out Garnishee proceedings on 3rd November 2014 against KCAA and its bankers (National Bank of Kenya Limited and CFC Stanbic Bank Limited), to attach all the monies held in the said banks to pay the total decretal sum of Kshs 1,421,671,718 and managed to garnishee approximately Kshs 46,000,000.

Having been denied leave to appeal and stay of execution at the Court of Appeal, KCAA Advocates, Waweru Gatonye & Company, prepared and filed an urgent application on 12th June 2015, at the Supreme Court, for leave to appeal and stay of execution to the Supreme Court. The Supreme Court on its own motion certified the application as urgent and granted KCAA a stay of

execution on 15th June 2015. On receipt of KCAA's application of 12th June 2015, Ahmednasir, Abdikadir & Co. Advocates, for African Commuter Services Limited, on 19th June, 2015, filed an application under certificate of urgency at the Supreme Court, seeking for orders to set aside the Order for stay of execution granted in favour of KCAA. The 2 applications (KCAA's application of 12th June, 2015 and African Commuter Services Limited's of 19th June, 2015) have been consolidated.

Meanwhile on 25th September 2015, High Court Judge Justice Mabeya by ruling of the same date dismissed KCAA's application dated 18th February 2015 for review of the decretal sum on technicality that the decretal sum sought to be reviewed is that of the Court of Appeal and therefore the High Court does not jurisdiction. KCAA's Advocates have filed a Notice of Appeal against the said ruling. KCAA's application of 12th June 2015 for leave to appeal and stay of execution came up before the Supreme Court on 17th December 2015 but could not proceed as there was no quorum. On 2 occasions in February and April this matter was listed but could not proceed for lack of quorum at Supreme Court.

On 17th March 2016, KCAA Advocates, Waweru Gatonye & Co. Advocates attended Court for a mention and for purposes of fixing a hearing date. The matter was given a hearing date of 28th April 2016 but the matter did not proceed as scheduled. KCAA Advocates also through a letter dated 6th May 2016 notified the Authority that the order for stay is in place and hence no enforcement for payment could be made against the Authority. KCAA Management wrote to the Principal Secretary, Ministry of Transport, on 28th July 2016 and 17th August 2016 for concurrence to commence negotiations for an out of Court settlement. The PS by letter dated 8th November 2016 wrote back seeking for the detailed plan and source of funds. KCAA Management provided the information by letters dated 17th November 2016 & 25th November 2016.

Negotiating team comprising representatives from KCAA, MOITH& UD, AG and KCAA Advocate met to agree on structure of the negotiations and later met representative of African Commuter Services Ltd. Pursuant to the above negotiation meeting and advise from the Attorney General on matter relating to computation of interest, the amount projected to be due by 31st March, 2018 is Kshs. 1,713,474,521. KCAA has since received communication from Ahmednasir requesting that interests for the month of April be included in the computation. The matter came up in court on 16th February, 2018 to confirm whether the suit had been settled and the parties agreed to take a further mention date before giving a confirmation to court. A new date is yet to be taken.

Material Arrears in Statutory and Other Financial Obligations

The Authority reported a number of liabilities as at 30th June 2018. These major liabilities included;

i.	Trade Payables & Other Payables	Kshs	755,240,989
ii.	Refundable Deposits from Customers	Kshs	13,942,343
iii.	Employee Benefit Obligation	Kshs	369,424,786
iv.	90% Surplus Funds	Kshs	1,699,128,207
v.	Current Portion of Borrowings	Kshs	63,841,980
vi.	Current Provisions for Legal Obligations	Kshs	2,065,861,717

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

Environment

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

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

Employees

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

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

Health and Safety

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

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

Others

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

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

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Authority's affairs.

Principal activities

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

Results

The results of the Authority for the year ended June 30, 2018 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page vii– xi. During the year Ms Lucy Karume retired and Ms Carole Ayugi was appointed with effect from 6th June 2018. Mr Chris Kuto, Maj (Rtd) Charles Mwanzia, and Capt Judy Kiniti were reappointed for a second term.

Dividends/Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act Regulations, regulatory Authority shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of the financial year.

Auditors

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

By Order of the Board



Corporation Secretary
Nairobi

Date: 15/05/19

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

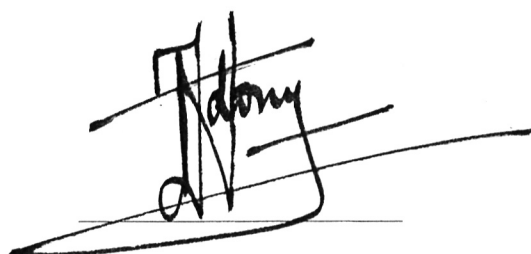
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

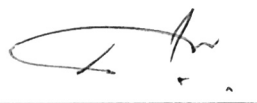
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 27/09/18 and signed on its behalf by:



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



Mr. Chris C. Kuto
Chair, Finance & Human Capital Committee



Capt. Gilbert M. Kibe
Director General

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA CIVIL AVIATION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Civil Aviation Authority set out on pages 1 to 50, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of cash flows, the statement of changes in net assets, and statement of comparison of budget and actual amounts for the year then ended and 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 Kenya Civil Aviation Authority as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (*Accrual Basis*) and comply with the Kenya Civil Aviation (Amendment) Act, 2002 and Public Finance Management Act 2012.

Basis for Qualified Opinion

1.0 Property, plant and equipment's

1.1 Land and building

As reported in 2016/2017, ownership documents for land and buildings owned by the Authority were not made available for audit verification. These are namely: - thirty-one (31) housing units at Nyali, Mombasa, thirteen (13) housing units at Bamburi, Mombasa, eighty seven (87) acres of land at East African School of Aviation, Nairobi, one hundred and thirty two (132) acres at Central Transmitting station along Mombasa Road, and staffing houses at Miritini Mombasa.

Further, ownership documents for: - property at Wajir, District Plot No 405 at Bwagamoyo (Kilifi), property L.R No.28192 at Lokichogio, Generator Room Property at Lodwar and L.R

Report of the Auditor-General on the Financial Statements of Kenya Civil Aviation Authority for the year ended 30 June 2018

Nos 9042/26 & 28 at Embakasi village were also made not available for audit verification. The preparation of the ownership documents was reported to be underway at the Ministry of Lands and Physical Planning with no indication as to why the delay and when the process is likely to be completed.

1.2 Properties Allocated to Third Parties

Records made available for audit indicated that the parcels of land below belonging to the Authority have been allocated and registered in the name of parties other than the authority.

No.	Location and Description	Acreage	Registered owner
1	Mtito-Andei-Ngai Ndeithya Settlement Scheme/161	13 acres	individual
2	Bamburi Staff Housing	Not Known	Individual
3	Central Stores in Nairobi	0.7733 Hectares	Individual
4	East African School of Aviation	37 acres	Various

Although the Public Investment Committee in its 19th report recommended that the National Land Commission revokes the titles for Mtito Andei –Ngai Ndeithya, Bamburi Staff Housing and East Africa School of Aviation Plots and revert them to the Authority and register all owned parcels of land in its name, no action had been taken on the recommendation as at 30 June 2018.

Further, the Committee has previously recommended that the National Land Commission investigates circumstances under which plot L.R 209/14372 was transferred from public to private ownership with a view providing restitution in the line with Article 40(6) of the Constitution and section 5 of the National Land Commission Act 2012. However, there was no evidence of any action having been taken on the matter as at 30 June 2018.

In the circumstances, it has not been possible to confirm the validity and the accuracy of Property, Plant and Equipment balance of Kshs.9,317,250,117 as at 30 June 2018.

2.0. Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transaction balance of Kshs.1,503,839,786 (2017- Kshs.1,513,434,221) and as disclosed under Note 25 to the financial statements. The balance is arrived at after making general and specific provisions for bad and doubtful debts of Kshs.237,297,159 and Kshs.71,374,410 (2017-Kshs.91,580,629 and Kshs.29,077,228). Management has not satisfactorily explained the cause upward trend in the provisions and measures being taken to reverse it. In the circumstances, I am unable to confirm the fair statement of the receivables from exchange transaction balance of Kshs.1,503,839,786 as at 30 June 2018.

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

ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Other Matters

1. Proposed Air Control Disaster Recovery Centre at CTX

The contract for the construction of disaster recovery center was awarded to a company at contract sum of Kshs.331,703,037 and duration of 15 months commencing 20 March 2017. The initial completion date was set for 18 June 2018 but later revised to 6 November 2018. As at 20 December 2018, more than a month late from the revised completion date, the project works was at 79% completion stage with a total of Kshs.247,511,662 having been paid out against work certified of Kshs.228,384,193. Further, the contractor was paid an advance payment of Kshs.66,340,607 (20%) at the contract onset to be recovered from the progressive payments. However the recovery as of December 2018 stood at 50% against the payment progression of 75%. As at time of audit, the contract period had not been extended with the Project being significantly behind schedule.

2. Consultancy Service for Construction of Hostels and Modern Conference Centre

The consultancy contract for the design, preparation of building documents and supervision of construction of hostels and modern conference centre at the East Africa School of Aviation (EASA) was awarded at a contract sum of Kshs.35,171,200 with a contract duration of 24 months. The commencement and expected completion dates were 15 August 2017 and 14 August, 2019 respectively. Evidence available through a letter ref. SOA/ADM/11.01(23) and dated 14 September, 2018 to the consultant indicate that the feasibility study was to be conducted before further progression of the project. This was despite the Authority having incurred an expenditure of Kshs.10,551,360 on the consultancy. It is not clear and management has not satisfactorily explained why the contract was awarded before feasibility study was undertaken.

3. Provision for African Commuter Services Liability

As reported previously, the current liabilities balance provision of Kshs.3,795,167,940; (2017-Kshs.2,382,101,954) and as disclosed under Note 37 to the financial statements includes an amount of Kshs.1,807,185,497. The provision relates to liability that may arise from a pending legal suit court (Civil case No. HCCC 1208) in which African-Air Commuters Services Limited has sued the Authority for cancelling its operating license after its aircraft crashed in Busia in 2003. The high court ruled in favor of African Commuter Services Ltd in September 2014 and awarded the firm damages amounting to Kshs.1,421,671 being the principal amount and accrued interest. Available information also indicate that on 3 November 2014, African Commuter Services Ltd through its advocate, undertook garnishee proceedings against the Authority and its bankers to attach all monies held in the Authority's two bank accounts to pay the total decretal sum of Kshs.1,421,671,718. The court allowed the notice of Motion for garnishee proceedings on 26 November 2014. On 1 December,

2014, the Company advocates served the two banks with the garnishee order, and as at 30 June, 2015, a total of Kshs.46,289,024 had been transferred to the advocates in execution of the order thus leaving Kshs.1,375,382,694 of the court award outstanding. The Authority filed an application for the review of the award and the matter is still pending at the Supreme Court as at 30 June 2018.

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

4. Prior Years Unresolved Matters 2015/2016

4.1. Construction of Perimeter Wall at East African School of Aviation

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

Requisition number 1034066 estimated the cost of the project at Kshs.1,290,540. The work entailed fencing of 400 meters of EASA perimeter boundary, and site clearance. However, the school did not procure the works competitively, but instead, single sourced materials and hired casuals to build the wall. This resulted in a significant budget overrun.

Examination of payment vouchers relating to the project revealed that Kshs.8,157,060 had been incurred on the project as at 30 June 2014. Out of this amount, Kshs.1,261,21 related to expenditure on materials purchased during the month of June 2012, Kshs.2,511,162 related to materials purchased during 2013/2014 financial year, while expenditure amounting to Kshs.4,384,688 was incurred on payment of casual laborers hired to build the wall. To date the management has not rendered explanation for their failure to use open tendering as required under the Public Procurement and Disposal Act, 2005. In addition, no plausible reasons were provided for the budget overrun and failure to complete the project.

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

4.2. Irregular Payment of Subsistence Allowance

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

Although the management has explained that the officer was paid the per diem for over 30 days due to unavailability of suitable accommodation, no prior approval was sought for the

payment obtained from then Permanent Secretary-Ministry of Transport and Infrastructure. The Authority therefore contravened Government guidelines on payment of subsistence allowances.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed section of my report, 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 1315 and ISSAI 1330. 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 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 Those Charged with Governance

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 governance.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 going concern 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 ability to continue as a going concern or 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 Kenya Civil Aviation Authority to cease to continue as a going concern or 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 Kenya Civil Aviation 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.



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

Nairobi

21 August 2019

**STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 Ksh	2017 Ksh
Revenue from Non-Exchange Transactions			
Licenses and Permits	6	328,706,674	326,319,943
Air Passenger Service Charge Fee	7	1,224,349,586	943,333,864
Sub-Total		1,553,056,260	1,269,653,807
Revenue from Exchange Transactions			
Rendering of Services	8	5,122,648,517	4,865,501,400
Rental revenue from Facilities and Equipment	9	23,918,567	24,395,418
Finance Income	10	264,891,647	138,671,071
Other Income	11	48,875,029	73,601,580
Sub-Total		5,460,333,760	5,102,169,470
Total revenue		7,013,390,020	6,371,823,276
Expenses			
Use of Goods & Services	12	150,398,764	131,215,038
Employee Costs	13	2,409,646,255	2,327,488,607
Board of Directors' Expenses	14	55,893,877	45,673,727
Depreciation and Amortization Expense	15	800,075,264	730,260,502
Repairs and Maintenance	16	328,598,045	343,589,522
Contracted Services	17	223,834,215	156,920,057
General Expenses	18	1,841,563,931	836,758,598
NCTIP & KTSSP Expenses	19	13,968,200	76,362,326
Finance Costs	20	89,589,570	106,041,331
Total Expenses		5,913,568,121	4,754,309,706
Sub-Total		1,099,821,898	1,617,513,570
Other Gains/(Losses)			
Loss on Sale of Assets	21	(12,000)	(1,620,144)
Loss on Foreign Exchange Transactions	22	(96,411,068)	(2,872,027)
Surplus Before 90% Remittance		1,003,398,830	1,613,021,400
Provision of Surplus Funds to the National Treasury	23	(277,586,963)	(1,451,719,260)
Net Surplus for the Period		725,811,867	161,302,140


The notes set out on pages 7 to 55 form an integral part of these Financial Statements.

**REPORT OF THE INDEPENDENT AUDITOR ON KENYA CIVIL AVIATION
AUTHORITY**


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

Assets	Note	2018 Ksh	2017 Ksh
Current Assets			
Cash and Cash Equivalents	24	4,754,348,690	4,618,905,257
Receivables from Exchange Transactions	25	1,503,839,786	1,513,434,221
Receivables from Non-Exchange Transactions	26	150,277,202	82,009,413
Inventories	27	34,698,244	12,290,420
Tax Recoverable	28	7,070,385	7,070,385
Investments	29	1,683,899,750	-
		<u>8,134,134,057</u>	<u>6,233,709,696</u>
Non-Current assets			
Property, Plant and Equipment	30	9,317,250,117	9,224,454,291
Intangible Assets	31	62,868,851	51,803,660
		<u>9,380,118,968</u>	<u>9,276,257,951</u>
Total assets		<u>17,514,253,025</u>	<u>15,509,967,647</u>
Liabilities			
Current liabilities			
Trade and Other Payables	32	755,240,989	612,025,356
Refundable Deposits from Customers	33	13,942,343	13,942,343
Employee Benefit Obligation	34	369,424,786	252,504,673
Current Portion of Borrowings	35	63,841,980	51,841,618
Current Provisions	37	3,795,167,940	2,832,101,954
		<u>4,997,618,038</u>	<u>3,762,415,944</u>
Non-Current Liabilities			
Borrowings	36	2,252,209,985	2,200,564,298
Deferred Income - NUTRIP Grant	38	333,432,832	341,807,100
		<u>2,585,642,817</u>	<u>2,542,371,398</u>
Total Liabilities		<u>7,583,260,853</u>	<u>6,304,787,341</u>
Net Assets/Equity		<u>9,930,992,171</u>	<u>9,205,180,306</u>
Reserves & Surplus			
Reserves		5,667,387,862	5,667,387,862
Accumulated Surplus		4,263,604,309	3,537,792,442
Total Net Assets and Liabilities		<u>17,514,253,025</u>	<u>15,509,967,647</u>

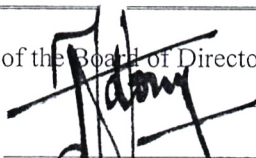
The Financial Statements set out on pages 1 and 5 were signed on behalf of the Board of Directors by:



Capt. Gilbert M. Kibe
Director General



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



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

Date... 15/05/19

Date... 15/05/19

Date... 15/05/19

**STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2018**

RESERVES

	Revaluation Reserve	Government Grants Reserve	Accumulated Surplus	Total
	Ksh	Ksh	Ksh	Ksh
Balance as at 30 June 2016	5,059,254,526	608,133,333	3,376,490,302	9,043,878,164
Surplus for the Period	-	-	1,613,021,400	1,613,021,400
Provision for Surplus to the Exchequer			(1,451,719,260)	(1,451,719,260)
Balance as at 30 June 2017	5,059,254,526	608,133,333	3,537,792,442	9,205,180,304
Surplus for the Period			1,003,398,830	1,003,398,830
Provision for Surplus to the Exchequer			(277,586,963)	(277,586,963)
Balance as at 30th June 2018	5,059,254,526	608,133,333	4,263,604,309	9,930,992,171

**STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 Ksh	2017 Ksh
Cash Flows from Operating Activities			
Receipts			
Licenses and Permits		280,636,543	326,319,943
Air Passenger Service Charge		1,224,349,586	1,069,650,255
Rendering of Services		4,586,639,169	4,336,339,227
Finance Income		235,385,205	138,671,071
Other income, Rentals and Agency Fees		19,313,431	34,213,467
		<u>6,346,323,934</u>	<u>5,905,193,963</u>
Payments			
Compensation of Employees		2,258,060,429	2,255,657,320
Goods and Services		1,693,131,475	1,897,795,339
Finance Cost		89,589,570	106,041,331
Rent paid		-	823,817
Total Payments		<u>4,040,781,474</u>	<u>4,260,317,807</u>
Net Cash flows from Operating Activities		<u>2,305,542,460</u>	<u>1,644,876,156</u>
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets		(488,589,676)	(371,333,147)
Increase in Investments		(1,683,899,751)	0
Proceeds from sale of Property, Plant and Equipment		4,232,020	3,630,583
Net cash flows Used in Investing Activities		<u>(2,168,257,407)</u>	<u>(367,702,564)</u>
Cash flows from Financing Activities			
Proceeds from Borrowings		50,000,000	55,324,160
Repayment of Borrowings		(51,841,618)	(51,841,618)
Net Cash Flows Used in Financing Activities		<u>(1,841,618)</u>	<u>3,482,542</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		135,443,435	1,280,656,134
Cash and Cash Equivalents at 1 July 2017		4,618,905,255	3,338,249,121
Cash and Cash Equivalents at 30 June 2018		<u>4,754,348,690</u>	<u>4,618,905,255</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Change
	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18	FY 2017-18
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue						
Licenses and Permits	339,089,652	(4,400,000)	334,689,652	328,706,674	(5,982,978)	-2%
Air Passenger Service Charge	885,056,212	340,990,014	1,226,046,226	1,224,349,586	(1,696,639)	0%
Rendering of Services	5,234,015,295	22,139,553	5,256,154,848	5,122,648,517	(133,506,331)	-3%
Rental Income	23,384,155	0	23,384,155	23,918,567	534,411	2%
Finance Income	110,846,946	55,000,000	165,846,946	264,891,647	99,044,701	60%
Other Income	3,048,447	0	3,048,447	48,875,029	45,826,582	1503%
IDA Loans, Grants and Reserves	2,184,883,121	(545,660,234)	1,639,222,887	181,071,991	(1,458,150,896)	-89%
Total Income	8,780,323,828	(131,930,667)	8,648,393,161	7,013,390,020	(1,453,931,150)	-17%
Expenses						
Use of Goods & Services	145,585,461	23,677,138	169,262,599	150,398,764	18,863,835	11%
Employee Related	2,815,573,015	(4,899,958)	2,810,673,057	2,409,646,255	401,026,802	14%
Board of Directors	49,889,472	13,000,000	62,889,472	55,893,877	6,995,595	11%
Depreciation & Amortization	1,246,073,103	(442,086,636)	803,986,467	800,075,264	3,911,202	0%
Repairs and Maintenance	455,378,015	73,999,100	529,377,115	328,598,045	200,779,070	38%
Contracted Services	171,168,800	108,518,131	279,686,931	223,834,215	55,852,715	20%
General Expenses	980,093,170	506,038,059	1,486,131,229	1,841,563,931	(355,432,702)	-24%
KTSSP, KAMP & NUTRIP Expenses	745,000,000	(382,312,790)	362,687,210	339,172,161	23,515,049	6%
Finance Costs	102,219,374	(12,156,210)	90,063,164	89,589,570	473,594	1%
Loss on Sale of Assets	-	-	-	12,000	(12,000)	-100%
Loss on Foreign Exchange Transactions	-	-	-	96,411,068	(96,411,068)	-100%
Other Payments-Capital Expenditure (AIA)	2,069,343,418	(15,707,500)	2,053,635,918	778,481,939	1,275,153,979	62%
Total Expenditure	8,780,323,828	(131,930,667)	8,648,393,161	6,009,991,189	1,534,916,071	18%
Surplus for the Period	-	-	-	1,003,398,830		

The Statement of Comparison of Budget and actual amounts has been prepared on the accrual basis.

EXPLANATION OF MATERIAL DIFFERENCES

- a) **Finance Income (60% Positive Change):** The Capping of interest rates had a favourable effect because of the differential spread between the lending and the borrowing rates. In addition, the Authority invested in Treasury Bills that contributed positively to the overall growth of the finance income.
- b) **Other Income (1503% Positive Change):** The major contributor to this basket is the foreign exchange gains, amortization of grant and miscellaneous receipts. The foreign exchange gains and amortization of grant are book entries, while the miscellaneous receipts were generated from exchange programs and secondment to regional civil aviation authorities.
- c) **IDA Loans, GoK Grants & Reserves (89% Negative):** During the 7 financial year, the Authority did not utilize its reserves to finance its budgeted as had been projected previously. In addition, the Kenya Aviation Modernization Programme (KAMP) did not start, since a financing agreement had not been signed.
- d) **Use of Goods and services (11% Positive):** A reduction was recorded with regard to expenses associated with subscriptions to international bodies, professional bodies and publications. In addition, water and electricity expenses recorded reduced expenditure.
- e) **Employee Related (14% Positive):** The Authority did not undertake the filling of vacant positions during the year as per the budgetary estimates.
- f) **Board of Directors (11% Positive):** A new board of directors was gazetted 6th June 2018, as the previous board members exited in April 2018. The budget estimates had anticipated training expenses for the new board of directors' members from April 2018.
- g) **Repairs and maintenance (38% Positive):** During the year under review, the Authority entered into a number of contracts with regard to staff houses renovations and maintenance of buildings and stations. However, some of these were partially actioned while some did not meet the entire package of deliverables to warrant full settlement of costs thereon. In some instances, the length procurement procedures led to delayed start off dates for these projects and activities.
- h) **Contracted Services (20% Positive):** During the year under review, the Authority entered into a number of contracts with regard to staff houses renovations and maintenance of buildings and stations. However, some of these were partially actioned while some did not meet the entire package of deliverables to warrant full settlement of costs thereon. In addition, a number of dedicated leased lines were decommissioned during the year, leading to a reduced expenditure with regard to hire of satellite links.
- i) **General Expenses (24% Negative):** The Authority has made provision for legal obligations with regard to cases that are expected to be determined in the current financial year in terms which currently stand unfavourable to the Authority.
- j) **Loss on Sale of Assets (100% Negative):** This is a book entry with regard to disposal of fixed assets.
- k) **Loss on Foreign Exchange Transactions (100% Negative):** This is a book entry with regard to changes in foreign exchange rates for both the payments and receipts.

Other Payments-Capital Expenditure (AIA) (62% Positive): Length procurement process and logistics associated with projects implementation.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and 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 which are covered purely under Public Sector combinations as amalgamations.</p>

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Licences and Permits

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net

carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

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

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

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Authority operates and generates taxable income.

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

The Authority is currently supposed to remit 90% of its surplus to the Kenya Revenue Authority.

d) Property, plant and equipment

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

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

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

e) Leases

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

f) Intangible assets

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

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

g) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

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

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

h) Inventories

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

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

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

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

i) Provisions

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

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

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

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

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

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

m) Foreign currency transactions

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

n) Borrowing costs

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

o) Related parties

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

p) Cash and cash equivalents

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

s) Budget Information

The original budget for FY 2017-2018 was approved by the KCAA Board of Directors on the 31st October 2016 and by the National Assembly on 14th June 2017. Subsequent revisions were made to the approved budget in accordance with specific approvals from the KCAA Board of Directors, National Treasury and the State Department of Transport. The reduction in the appropriations are subtracted from the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded a reduction in appropriations of 131,930,667 on the 2017-2018 budget following the KCAA Board approval.

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

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

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

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

5) SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

Provisions for doubtful debts

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

Provision for obsolete, defective and slow moving stocks

Management reviews its stocks periodically to assess the likelihood of impairment. This requires an estimate of the amounts that are considered unrealizable.

*Kenya Civil Aviation Authority
Reports and Financial Statements
For the year ended June 30, 2018*

6. LICENSE FEES AND PERMITS

Description	2018 Kshs	2017 Kshs
Licence Ratings & Certificates	22,724,800	25,723,020
Technical Ground Examinations	22,074,150	22,319,100
AMEL Licences & Ratings	11,407,212	16,464,730
Aircraft Certificate of Registration	5,014,500	5,792,591
Certificate of Airworthiness	69,141,035	73,300,450
Grant & Renewal of AMO License	55,228,254	52,389,803
Grant & Renewal of AOC Certs	1,594,085	7,025,350
Certification of Aerodromes	2,734,000	2,140,300
Duty Exemption Processing Fee	27,345,202	33,210,480
Grant & Renewal of Air Service Licences	30,751,043	34,266,360
Ad hoc Permit Clearances	16,943,974	8,350,260
Approval of Manuals	218,400	425,530
Inspection of Masts & Obstacles	30,927,800	12,868,600
Issue of SSR Transponder Codes	293,065	262,473
AVSEC Fees/ Regulated Agent/Screeners Fees	1,862,550	960,000
Grant & Renewal of ATO Licences	1,340,000	954,000
Approval of Commercial Operations - (FOC)	23,145,529	25,798,525
Simulator Inspection	-	14,000
Infringement Notices Fee	600,000	-
Approval of Leases	4,364,074	3,797,372
Approval of Security Programmes	997,000	257,000
	328,706,674	326,319,943

7. AIR PASSENGER SERVICE CHARGE

Air Passenger Service Charge	1,224,349,586	943,333,864
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8. Rendering of services

Air Navigation Service Charges	4,906,667,546	4,612,330,911
AIP sales	1,496,341	1,914,994
EASA Revenue	214,484,630	251,255,495
Total Revenue from the Rendering of Services	5,122,648,517	4,865,501,400

9. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

House Rent Income	23,918,567	24,395,418
Total Rentals	<u>23,918,567</u>	<u>24,395,418</u>

10. FINANCE INCOME

Description	2017-2018	2016-2017
	KShs	KShs
Interest Income from Cash Balances (Current Accounts)	222,822,205	138,671,071
Interest income from Treasury Bills	42,069,442	-
Total finance Income – External Investments	<u>264,891,647</u>	<u>138,671,071</u>

11. OTHER INCOME

Description	2017-2018	2016-2017
	KShs	KShs
Gain on disposal of Assets	4,232,020	3,630,583
Miscellaneous Receipts	19,238,681	9,720,849
Gain On Foreign Exchange	1,370,984	41,502,644
Sale of Tenders	74,750	97,200
Amortization of Capital Grant Fund	23,958,593	18,650,304
Total Other Income	<u>48,875,029</u>	<u>73,601,580</u>

12. USE OF GOODS & SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Electricity	34,738,305	32,200,938
Water	5,829,349	6,135,442
Security	45,132,901	33,485,200
Subscriptions to International Organization	63,284,551	58,395,573
Subscriptions to Professional Bodies	959,958	997,885
Subscription to Publications	453,700	-
Total Use of Goods & Services	<u>150,398,764</u>	<u>131,215,038</u>

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13. EMPLOYEE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Employee Related Costs - Salaries and Wages	1,637,947,870	1,689,126,063
Housing Benefits and Allowances	244,973,205	241,168,570
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	110,573,181	109,777,567
Employee Related Costs - Contributions to Pensions	286,564,380	175,022,562
Medical Expenses In-patient	40,700,913	35,684,491
Medical Expenses Out-patient	64,698,177	58,559,581
Ex-Gratia	5,617,674	2,814,102
Group Life Insurance	18,570,857	15,335,671
Total Employee Costs	2,409,646,255	2,327,488,607

14. REMUNERATION OF DIRECTORS

Description	2017-2018	2016-2017
	KShs	KShs
Board Expenses	55,893,877	45,673,727
Total Board Remuneration	55,893,877	45,673,727

15. DEPRECIATION & AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, Plant and Equipment	776,563,099	706,473,559
Intangible assets	23,512,165	23,786,943
Total Depreciation and Amortization	800,075,264	730,260,502

16. REPAIRS & MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Property & Staff Houses	89,828,553	72,456,261
Plant & Equipment	229,472,736	261,016,523
Motor Vehicles	5,602,441	7,095,101
Others	3,694,316	3,021,636
Total Repairs and Maintenance	328,598,045	343,589,522

17. CONTRACTED SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Hire of Resource Persons	47,002,927	35,634,232
Hire of Satellite Links	24,894,639	34,885,942
Contracted Professional Services	151,936,649	86,399,883
Total Contracted Services	223,834,215	156,920,057

18. GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Funeral Expenses	538,700	46,270
Staff Welfare	25,501,413	18,314,566
Work Injury Benefit Act (WIBA)	3,410,330	2,620,520
Project Monitoring & Evaluation	402,220	402,415
HIV/AIDS	4,523,940	4,226,200

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Official Entertainment	1,069,121	744,813
Drugs & Dressings	10,120	626,280
Fungicides & Spray	101,937	109,569
General Training	97,513,184	53,825,030
Training Levy	431,150	416,550
Workshops and Conferences	52,991,571	43,133,397
Preservice Training Expenses	26,219,905	24,569,920
Local Travel	44,591,531	36,832,772
International Travel	56,019,512	58,305,463
Telephone Expenses	20,668,629	16,177,333
Gas/Fuel Expenses	2,557,098	2,355,444
Dedicated Leased Communication Lines	7,585,340	12,539,773
Postal & Telegrams	1,956,267	1,793,019
Cleaning Services	28,051,084	28,101,310
Internet Related Expenses	24,583,650	20,161,438
Rents & Rates	-	823,817
Motor Vehicle Fuel	5,525,623	9,337,255
Diesel for Generators	2,040,374	2,065,841
Insurance - Aviation Liability	26,176,330	20,536,770
Insurance Office Equipment	5,590,460	4,505,888
Motor Vehicle Insurance	3,282,159	2,677,369
EAC & Other Aviation Related Bodies Activities	28,768,077	17,920,990
Deployment to ICAO Regional Office	34,856,520	56,531,584
Advertisement and Publicity	30,259,485	40,015,162
Public Relations / Show Expenses	15,263,959	15,760,591

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Filming & Photography	18,000	27,500
Events & Anniversaries	5,531,402	5,812,319
Legal Expenses & Contingent Liabilities	36,484,421	33,438,388
Audit Fees	1,500,000	1,500,000
Audit ICAO USOAP Expenses	6,059,845	3,471,130
Food & Rations	37,085,676	32,999,018
Publishing and Printing	6,808,311	7,965,823
Uniform and Clothing	6,372,666	2,979,580
Office Stationery	20,771,417	17,418,694
Computer Expenses	3,066,520	4,941,028
Consumable Stores	2,913,027	15,120,790
Library Expenses	3,542,027	6,247,447
Public Service Integrity Programme	4,747,064	3,741,626
Hire of Transport, P& M	2,092,201	1,867,288
Miscellaneous Other Charges	1,376,704	992,015
Search & Rescue	3,029,016	2,093,112
Study & Implementation of SMS	3,618,683	3,202,762
Implementation of SSP	1,031,600	1,558,484
Certification of Aerodromes & ANS Facilities	7,306,479	8,643,013
Implementation of ISO Activities	6,752,832	3,060,629
Communication Frequency Fees	2,000,000	61,000
Corporate Social Responsibility	10,665,782	8,785,658
ICAO Aviation Security Audit	1,839,960	1,959,557
Sports Expenses	18,523,280	11,913,921
General Provision- Doubtful Debts	145,716,530	916,666

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Specific Provision - Doubtful Debts	71,374,410	29,077,228
EASA Commercial Costs	32,986,005	19,920,868
Current Provisions: Legal Obligations	736,768,047	5,000,000
Other: KRA Agency Fees (Collection Costs)	111,092,334	106,565,707
Total General Expenses	1,841,563,931	836,758,598

19. KTSSP & NUTRIP RECURRENT EXPENSES

	2018	2017
	Shs	Shs
Aviation Safety & Security KTSSP	2,570,862	17,956,706
Aviation Equipment KTSSP	-	5,909,012
Purchase of ICT Equipments KTSSP	3,100,000	-
Training KTSSP	3,061,494	44,644,651
KCAA Counterpart Funding(KTSSP)	3,347,298	7,851,958
KCAA Counterpart Funding(NUTRIP)	1,888,546	-
Total NCTIP & KTSSP Expenses	13,968,200	76,362,326

20. FINANCE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Bank Charges - Fees and Commissions	2,101,540	1,999,856
Interest on Long-term Loans (NCTIP)	26,568,829	29,160,910
Interest on Long-term Loans (KTSSP)	60,919,201	55,996,299
Corporation Tax (Tax Liabilities)	-	18,884,265
Total Finance Costs	89,589,570	106,041,331

21. LOSS ON SALE OF ASSETS

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	12,000	1,620,144
Total Gain on Sale of Assets	12,000	1,620,144

22. LOSS ON FOREIGN EXCHANGE TRANSACTIONS

	2018	2017
	Shs	Shs
Loss on Foreign Exchange Transactions	96,411,068	2,872,027
	<u>96,411,068</u>	<u>2,872,027</u>

23. PROVISION OF SURPLUS FUNDS TO NATIONAL TREASURY

	2018	2017
	Shs	Shs
Surplus before for the Period	1,003,398,830	1,613,021,400
Less : Acquisition of Fixed Assets	(694,968,871)	-
Retained Surplus	<u>308,429,959</u>	<u>1,613,021,400</u>
90% of Realised Surplus Funds	277,568,963	1,451,719,260

24(A) CASH & CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs	KShs
Current Account	4,117,862,629	4,389,712,039
Staff Mortgage	635,987,048	224,286,659
Others (M-PESA & Station Bank Accounts)	499,013	4,906,559
Total Cash and Cash Equivalents	<u>4,754,348,690</u>	<u>4,618,905,257</u>

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24 (B) CASH & CASH EQUIVALENTS			
Financial Institution	Account Number	2017-2018	2016-2017
a) Current Account		KShs	KShs
Kenya Commercial Bank (Expenditure)	1210005522	28,216,695	9,998,870
CfC Stanbic Current	0100000351727	15,575,341	116,819,169
CFC Stanbic Dollar	0100001937639	2,299,391	1,879,263
National Bank of Kenya (KTSSP)	01001084895000	14,216,941	269,712
Equity Bank Dollar (EASA)	0180299978478	136,196,514	60,805,960
National Bank of Kenya (Expenditure)	01003058447500	21,660,996	24,451,803
Commercial Bank of Africa Dollar Branch	6514690019	1,777,283,729	2,580,531,101
National Bank of Kenya (Expenditure) EASA	01020058420600	2,298,250	6,952,458
National Bank of Kenya (Revenue)	01003058447600	62,045,435	3,830,798
Standard Chartered	0108098898400	932,294,956	551,662,162
Kenya Commercial Bank (Revenue)	1210001942	453,370,862	9,998,870
National Bank of Kenya (Revenue) EASA	01020058710400	134,420	1,382,713
CFC Stanbic (Revenue)	0100000316347	667,166,027	1,020,130,012

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Equity Bank	0180263498882	872,550	999,148
Kenya Commercial Bank (Expenditure) EASA	1216797714	4,033,168	-
Kenya Commercial Bank (Revenue) EASA	1216797889	197,354	-
b) Staff Mortgage			
Kenya Commercial Bank	1159226555	635,987,048	224,286,659
c) Others			
Stations Bank Accounts		140,263	-76,031
EASA M-Pesa	754206	358,750	4,982,590
Grand Total		4,754,348,690	4,618,905,257

The staff mortgage balance reflects amount so far transferred to the Kenya Commercial Bank to run the scheme.

25. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Current Receivables		
Domestic & Foreign Debtors	1,791,462,647	1,615,118,756
Other Sundry Debtors: EASA Student Debtors	21,048,707	18,973,322
	1,812,511,355	1,634,092,078
Less: Provisions for Bad and Doubtful (Specific)	(71,374,410)	(29,077,228)
Less: Provision for Bad and Doubtful Debt (General)	(237,297,159)	(91,580,629)
Total current receivables	1,503,839,786	1,513,434,221

26. RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Current Receivables		
Prepayments	107,020,258	61,158,175
Salary Advances	1,358,166	1,881,223
Staff Rent Receivable	997,000	1,267,900
Medical Excess	7,771,768	12,006,295
Station Imprest	2,172,513	2,172,513
Staff Imprest	1,451,054	3,523,306
Investment Income/Bank Interest Receivable	29,506,442	-
Total	150,277,202	82,009,413

27. INVENTORIES

Description	2017-2018	2016-2017
	KShs	KShs
Catering	733,768	1,084,788
Food & Rations	1,963,953	868,247
Publishing and Printing	1,036,772	502,322
Office Stationery	11,486,405	4,802,277
Computer Stationery	274,890	580,280
Consumable Items	18,685,246	3,665,385
Building Maintenance	517,210	787,122
Total inventories	34,698,244	12,290,420

28. TAX RECOVERABLE (CURRENT INCOME TAX EXPENSE)

	2018	2017
	KShs	Kshs
Deficit / Surplus Before Tax	368,921,650	368,921,650
Adjust for Non-Allowable Expenses		
Depreciation	638,128,129	638,128,129
General Provision for Bad Debts	37,680,024	37,680,024
Provision for Gratuity	17,381,766	17,381,766
Accrual for Outstanding Leave Days	5,535,229	5,535,229
Unrealised Loss on Forex	117,758,902	117,758,902
	1,185,405,701	1,185,405,701
Adjusted for Non-Taxable Revenue		
Unrealized Gain on Forex	(148,325,731)	(148,325,731)
Adjusted Profit Before Wear & Tear Allowances	1,037,079,970	1,037,079,970
Wear and Tear Allowances		
Air Navigation Equipments	555,594,561	555,594,561
Plant and Machinery	26,180,678	26,180,678
Furniture and Fittings	8,100,098	8,100,098
Motor Vehicles	21,969,815	21,969,815
Computers	46,687,955	46,687,955
Total Wear and Tear Allowances	658,533,107	658,533,107
Adjusted Surplus after Wear and Tear Allowances	378,546,862	378,546,862

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Taxable Income /Tax Loss	378,546,862	378,546,862
Income Tax Expense @ 30%	113,564,059	113,564,059
Less: Instalment Tax Paid 2013-14 FY	120,634,444	120,634,444
Income Tax Liability (Asset) C/F	(7,070,385)	(7,070,385)

This note relates to workings for 2013-14 financial year. The matter is still pending with the Tax Tribunal awaiting its resolution in due course.

29. INVESTMENTS

Description	2017-2018	2016-2017
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	1,683,899,750	-
Sub- total	1,683,899,750	-

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30 (a). PROPERTY, PLANT & EQUIPMENT SCHEDULE

	Air Navigation Equipment	Land	Buildings	Motor Vehicles	Plant & Other Equipment	Computers	Furniture & Fittings	WIP	Grand Total
Cost/Revaluation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2016	5,265,469,446	2,307,749,992	3,561,947,572	134,386,961	273,363,699	223,867,691	97,044,968	188,899,212	12,052,729,542
Additions	80,401,933	-	92,148,475	36,128,847	73,520,985	21,901,522	20,708,383	554,121,598	878,931,743
Disposals	(2,080,768)	-	-	(9,098,800)	(90,000)	(943,199)	(1,684,240)		(13,897,007)
Transfers/Adjustments	-	-	-	-	-	-	-	(6,447,923)	(6,447,923)
As at 30th June 2017	5,343,790,611	2,307,749,992	3,654,096,047	161,417,008	346,794,684	244,826,015	116,069,111	736,572,888	12,911,316,355
Additions	163,508,364	-	315,193,486	53,703,062	33,376,228	147,956,037	19,264,446	508,048,876	1,241,050,499
Disposals	(30,000)	-	-	(1,400,000)	(58,666)	(1,395,328)	(44,800)	-	(2,928,794)
Transfers/Adjustments	-	-	-	-	-	-	-	(371,679,575)	(371,679,575)
As at 30th June 2018	5,507,268,975	2,307,749,992	3,969,289,533	213,720,070	380,112,246	391,386,723	135,288,757	872,942,189	13,777,758,486
Depreciation & Impairment									-
At 1st July 2016	2,198,324,648	-	317,606,237	71,578,171	184,042,629	160,876,093	60,237,592	-	2,992,665,369
Disposals	(1,040,384)	-	-	(8,519,040)	(90,000)	(943,199)	(1,684,240)		(12,276,863)
Depreciation	519,879,965	-	90,055,055	18,209,851	34,110,351	31,459,845	12,758,491	-	706,473,559
As at 30th June 2017	2,717,164,229	-	407,661,291	81,268,982	218,062,980	191,392,739	71,311,842	-	3,686,862,064
Disposals	(18,000)	-	-	(1,400,000)	(58,666)	(1,395,328)	(44,800)		(2,916,794)
Depreciation	552,898,118	-	97,294,992	27,444,605	41,836,217	42,937,372	14,151,796		776,563,099
At 30th June 2018	3,270,044,347	-	504,956,284	107,313,587	259,840,530	232,934,783	85,418,838	872,942,189	4,460,508,369
NET BOOK VALUE									
As at 30th June 2018	2,237,224,628	2,307,749,992	3,464,333,249	106,406,483	120,271,716	158,451,941	49,869,919	872,942,189	9,317,250,117
As at 30th June 2017	2,626,626,382	2,307,749,992	3,246,434,756	80,148,026	128,731,704	53,433,276	44,757,269	736,572,888	9,224,454,291

30 (b) WORK IN PROGRESS

	Supplier	Description	2018 Kshs	2017 Kshs
	KTSSP Project			
01	Coretec Systems and Solutions Ltd	Human Resource Management Solution	8,415,200	8,415,200
02	XRX Technologies	Document Mgt System(Cals & Scanners)	-	9,100,871
	NUTRIP Project			
03	Weihai International Economic & Tech Coop co Ltd	EASA Library Construction	-	229,186,828
04	Aaki Consultants Architects & Urban Designers	EASA Library Construction	-	22,776,219
	Corporate WIP			
05	Nanjing Les Information Technology Co. Ltd	ADS- & MLat System	145,157,403	145,157,403
06	Mutiso Menezes International	Proposed Caretaker House Consultancy	891,750	-
07	Maestro Architects Ltd	School Chapel Construction	4,048,680	-
08	Blue Quadrant Ltd	Power Plant Training Equipment	4,083,093	-
09	Mc Murdo	Aeronautical Search & Rescue Mgt System	5,973,112	-
10	Mutiso Menezes International	Proposed EAC Regional Centre	6,707,178	-
11	Noor Consult Ltd	EASA Landscapping & Theme Garden	6,934,857	-
12	Naturesurf Systems Ltd	Digital Cartographic GIS/GPS	7,120,173	-
13	Selective General Construction & Builders Ltd	Construction of Poror Staff Houses	7,971,227	-
14	Tectura International	EASA Executive Hostel	10,551,360	-
15	Magfre Enterprises Ltd	VHF Radio Equipment	10,731,734	-
16	Blue Quadrant Ltd	Fluid Mechanics Lab Equipment	12,257,856	-
17	iBross s.r.o	Air Traffic Management Equipment	29,466,325	-
18	GECI Espanola S.A	Mobile Air Traffic Control Tower	126,202,019	-
19	IDS North America Ltd	Aeronautical Inform System/Aim	-	110,615,657
20	IDS North America Ltd	Revenue & Billing Management System	14,985,378	14,985,378
21	Weihai International Economic & Tech Coop co Ltd	WAP Control Tower& Office Block	178,969,315	110,787,315
22	Aaki Consultants Architects & Urban Designers	EIA 1st Floor Consultancy Works	29,211,647	3,091,416
23	Scope Design Systems	Consultancy-Design, Bidding & Supervision of AC & DRC	15,752,220	15,752,220
24	Meera Construction Ltd	Area Control & Disaster Recovery Centre at CTX	247,511,662	66,704,381
		Total	872,942,189	736,572,887

31 INTANGIBLE ASSETS - SOFTWARE

Description	2017-2018	2016-2017
	KShs	KShs
Cost		
At beginning of the year	105,050,350	79,711,394
Additions	34,577,356	25,338,956
At end of the year	139,627,706	105,050,350
Amortization and impairment		
At beginning of the year	53,246,690	29,459,747
Amortization	23,512,165	23,786,943
At end of the year	76,758,855	53,246,690
At end of the year	76,758,855	53,246,690
NBV	62,868,851	51,803,660

32. TRADE PAYABLE & OTHER LIABILITIES FROM EXCHANGE TRANSACTIONS

	2018	2017
	Shs	Shs
Trade Payables	685,462,628	426,656,019
Third-Party Payments	32,125,026	2,770,794
Unrealised Foreign Exchange Loss	24,848,984	157,330,124
Board Acrued Bonus	5,400,000	378,000
Other Payables	7,404,351	27,661,213
Total Trade and Other Payables	755,240,989	614,796,150

33. REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2017-2018	2016-2017
	KShs	KShs
Consumer Deposits(ANS Deposits)	13,942,343	13,942,343
Total Refundable Deposits	13,942,343	13,942,343

34. EMPLOYEES BENEFITS OBLIGATIONS

Description	2017-2018	2016-2017
	KShs	KShs
Employee Advances/Liability	8,764,470	5,933,647
Staff Pension Liability	66,748,748	68,184,034
Gratuity & Staff Honoraria Liability	148,768,397	43,349,650
Leave Pay Provision	145,143,170	132,266,547
Total Employees Benefits Obligation	369,424,786	249,733,879

35 BORROWINGS

Description	2017-2018	2016-2017
	KShs	KShs
Balance at the Beginning of the Period	2,252,405,915	2,211,665,145
External Borrowing during the year	115,487,666	92,582,388
Repayment of external borrowings during the period	(51,841,618)	(51,841,618)
Balance at end of Period	2,316,051,964	2,252,405,915

36 BORROWINGS

Description	2017-2018	2016-2017
	KShs	KShs
External Borrowings		
IDA Loans: KTSSP - Dollar Denominated	1,806,036,268	1,690,548,602
IDA Loans: NCTIP - Dollar Denominated	510,015,696	561,857,314
Total Non-Current Borrowings	2,316,051,964	2,252,405,916

Description	2017-2018	2016-2017
	KShs	KShs
Short Term Borrowing (Current Portion)	63,841,980	51,841,618
Long Term Borrowing (Non-Current Portion)	2,252,209,985	2,200,564,298
Total Borrowings	2,316,051,964	2,252,405,916

37. CURRENT PROVISIONS

Description	Remittances to the National Treasury	African Commuter Service Charge	Ex-Staff Legal Liabilities	Total
Balance at the Beginning of the Period	1,451,719,260	1,375,382,694	5,000,000	2,832,101,954
Additional Provisions	277,586,963	431,802,803	258,676,220	968,065,986
Provisions Utilised	-	-	(5,000,000)	(5,000,000)
Balance as at 30 th June 2018	1,729,306,223	1,807,185,497	258,676,220	3,795,167,940

38. DEFERRED INCOME: NUTRIP GRANT

	2018	2017
	Shs	Shs
Balance B/F	341,807,100	227,076,888
Additions	15,584,325	133,380,516
Transfer to Capital Fund	357,391,425	360,457,404
Transfer to Income Statement	(23,958,593)	18,650,304
Balance C/F	<u>333,432,832</u>	<u>341,807,100</u>

39. CASH GENERATED FROM OPERATIONS

	2018	2017
	Shs	Shs
Surplus/(Deficit) for the Year before Tax	1,003,398,830	1,613,021,400
Adjusted for:		
Depreciation	800,075,264	730,260,502
Non-Cash Grants Received		133,380,516
Gains and Losses on Disposed Assets		3,630,583
Contributions to Provisions	401,870,781	-
Finance Income	(235,385,205)	(138,671,071)

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Finance Cost	89,589,570	87,157,066
Working Capital Adjustments:		
Increase in Inventory	(22,407,823)	(4,905,984)
Increase in Receivables	9,594,435	307,842,602
Increase in Payables	258,806,609	(1,086,349,237)
Increase in Payments Received in Advance	-	2,294,600
Net Cash flows from Operating Activities	2,305,542,460	1,644,876,156

40. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit Risk

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

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

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

At 30th June 2018	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
Receivables from Exchange Transactions	1,812,511,355	1,503,839,786	237,297,159	71,374,410
Receivables from Non-Exchange Transactions	150,277,202	150,277,202	-	-
Bank Balances	4,754,348,690	4,754,348,690	-	-
Total	6,717,137,247	6,408,465,678	237,297,159	71,374,410
At 30th June 2017	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs

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Receivables from Exchange Transactions	1,480,801,798	1,360,143,941	91,580,629	29,077,228
Receivables from Non-Exchange Transactions	82,009,413	82,106,614	-	-
Bank Balances	4,594,618,598	4,594,618,598	-	-
Total	6,157,527,010	6,036,869,153	91,580,629	29,077,228

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

The Authority's has significant concentration of credit risk on amounts due from Kenya Airways Plc.

The Board of Directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

	Less than 1 Month	Between 1 - 3 Months	Over 3 Months	Total
	Kshs	Kshs	Kshs	Kshs
At 30th June 2018				
Trade Payables	148,887,309	278,664,770	257,910,549	685,462,628
Current Portion of Borrowings	51,841,618			51,841,618
Provisions			2,065,861,717	2,065,861,717
Employee benefit obligation			369,424,786	369,424,786
Total	200,728,926	278,664,770	2,693,183,298	3,172,590,748
At 30th June 2017				
Trade Payables	216,710,368	2,386,710	1,600,197,051	1,819,910,736
Current Portion of Borrowings	-	-	51,841,618	51,841,618
Provisions	-	-	1,375,382,694	1,375,382,694
Employee benefit obligation	-	-	253,845,246	253,845,246
Total	216,710,368	2,386,710	3,281,883,216	3,500,980,294

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(iii) Market risk

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

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

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

a) Foreign Currency risk

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

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

Foreign Currency Risk

At 30th June 2018

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

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

At 30th June 2017

	Kshs Kshs	Other Currencies Kshs	Total Kshs
Assets			
Financial Assets(Investments, Cash & Debtors)	2,609,562,110	3,828,686,330	6,438,248,440
Liabilities			
Trade and other payables	575,492,886	91,830,962	667,323,848
Borrowings	-	-	-
Net Foreign Currency Assets/(Liability)	2,609,562,110	3,828,686,330	6,438,248,440

Foreign currency sensitivity analysis

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

FOREIGN CURRENCY SENSITIVITY ANALYSIS	Change in Currency Rate	Effect on Profit Before Tax	Effect on Equity
		Kshs	Kshs
2018			
USD	10%	1,495,179	958,151,073
2017			
USD	10%	287,343	258,128,133

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs. 83,430 (2018: KShs. 479,037). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs. 417,154 (2017 – KShs. 2,395,185).

Capital Risk Management

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

	2018 Kshs	2017 Kshs
Revaluation Reserve	-	-
Retained Earnings	3,638,172,137	3,532,670,566
Capital Reserve	5,667,387,862	5,667,387,862
Total Funds	9,305,559,999	9,200,058,428

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Total Borrowings	2,316,051,964	2,200,564,298
Less: Cash and Bank Balances	4,754,348,690	4,594,618,598
(Excess and Cash Equivalents)	(2,438,296,726)	(2,394,054,300)
Gearing	(26%)	(26%)

41. RELATED PARTY BALANCES

Nature of Related Party Relationship

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

Government of Kenya

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

Transactions with Related Parties

	2018	2017
	Kshs	Kshs
a) National Government		
IDA Loans Facilitations- KTSSP Project (Receipts and Direct Payments)	115,487,325	92,582,388
IDA Grant Facilities - NUTRIP Project (Direct Payments)	15,584,325	133,380,516
Key Management - Salaries and Other Short Term Benefits	46,271,396	44,716,175
b) Directors-Directors Fees and Allowances for Services	55,893,877	45,673,727

42. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

(i) Potential Receipts from Kenya Airports Authority:

With reference to the Statute Law (Miscellaneous Amendments) Act, 2014 that came into effect on the 8th December 2014, the Authority has been pursuing up the arrears that may not have been remitted by the KAA over the period since the law came into effect. Although the law was amended later on, the Authority has been of the opinion that the earlier position holds. As such, the Authority has been undertaking a reconciliation with the KAA and a team from Kenya Revenue Authority (KRA), with an aim to determine the amounts receivable from the KAA. The Authority has made efforts to follow up the amounts due from the KAA.

(ii) Pending Fraud Case:

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

(b) Contingent Liabilities:

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

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

(ii) Potential claims arising from dismissed staff:

This is a case involving 68 former employees of the Directorate of Civil Aviation (the predecessor of KCAA) emanating from alleged dismissal of the said employees from public service and malicious prosecution. The case was ruled in favor of the Plaintiffs. KCAA appealed against the judgment and the appeal proceeded for hearing on 7th January, 2014. The Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to High Court for assessment of total damages. The High Court delivered the ruling on assessment for 40 plaintiffs out of 67 plaintiffs. The judgment amount in total is approximately Kshs 154,841,140. The Claimants' application for review seeks an additional Kshs. 103,835,080. The application was heard on 12th June 2018. The ruling is slated for 28th September 2018. To this extent, the Authority has made a provision of Kshs 258, 676,220 in its financial statements for the period ended 30th June 2018. However, given the interest this matter might generate once a determination is made, there is a likelihood of the 28 former employee or their next of kin seeking a similar award. Should such a scenario play out, the Authority is likely to incur a further cost of Kshs 241,323,780. This amount has not been provided for in the financial statements.

(iii) African Commuter Services Ltd vs. The Attorney General and the Kenya Civil Aviation Authority (KCAA)

African Commuter Services Ltd. sued the Attorney General (on behalf of the Ministry of Transport and Infrastructure) and KCAA for consequential loss and damages arising from the suspension of its AOC on 24th January, 2003, following the Busia aircraft accident. The total amount claimed was Kshs. 1,345,616,019.65 plus interest and costs but by judgment dated and delivered on 7th February, 2014 the Court of Appeal found KCAA culpable and therefore liable to compensate African Commuter Services Limited. The Court of Appeal however, adjusted the total damages downwards to Kshs. 362,615,656.00 and also reduced award of costs to 50% with interest at court rates from date of filing (on revenue and capital losses) and interest at court rates from the date of judgment (on consequential loss and aggravated damages). The appeal by the AG succeeded as the Court of Appeal found the Ministry of Transport and Infrastructure not liable.

Pursuant to negotiations between the various interested parties to the suit and advice from the Attorney General on matter relating to computation of interest, the amount projected to be due by 31st March, 2018

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is Kshs. 1,713,474,521. A monthly interest charge of Kshs 30million for the period 1st April 2018 to 30th June 2018 will apply. The Authority has provided for this liability in its financial statements.

43. CAPITAL COMMITMENTS

			2018	2017
			Kshs	Kshs
01	Weihai International Economic & Technical Cooperative Co. Ltd	The Construction Of the Proposed Library Complex for the East African School Of Aviation	11,260,000	38,987,112
02	Nanjing Les Information Technology Company Limited-China	Supply,Installation and Commisioning of ADSB and MLAT Systems	126,223,027	126,223,027
03	Pacificon Investment Limited	Construction of the Proposed Poolside Restaurant at the East African School of Aviation (EASA)	2,500,000	13,726,106
04	Weihai International Economic & Technical Cooperative Co. Ltd	Construction of The Proposed Control Tower and Office Building at Wilson Airport	8,404,070	52,141,320
05	IDS North America Ltd	Supply, Installation and Commissioning of Aeronautical Information (Management) System (AIS/AIM)	47,373,186	78,584,030
06	Delux Construction Africa Ltd	Proposed Fencing Of KCAA Land in Transmitting Station In Mombasa	6,155,750	-
07	McMurdo	Integrated SAR System	23,826,888	30,992,834
08	Blue Quadrant Ltd	Power Plant Training Equipment	15,916,907	-
09	Naturesurf Systems Ltd	Digital Cartographic GIS	7,000,000	-
10	Alpha Reap Investments	Supply, Delivery, Testiing and Commissioning of a 20KVA and 60KVA for KCAA Regions	4,198,612	-
11	Blue Quadrant Ltd	Fluid Mechanics Lab Equipment	12,240,000	-

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12	IDS North America Limited	Supply and Implementation Of a Billing and Revenue Management System for Air Navigation Charges for KCAA.	65,489,451	65,489,451
13	Selective General Construction & Builders Ltd	Construction of Poror Staff Houses	1,767,060	-
14	Tectura International Ltd	Procurement Of Consultancy Services for Design, Preparation of Bidding Documents and Supervision of Construction Works for the Proposed Hostel and a Modern Conference Centre at EASA	24,619,840	-
15	Maestro Architects Ltd	EASA Students Chapel Construction	63,951,320	-
16	Nature Investors Ltd	Proposed Construction of First Floor at KCAA Office Building at Eldoret International Airport	2,842,687	28,962,918
17	Ready Go Ltd	Proposed Fencing of KCAA Land in Bamburi Estate In Mombasa	20,735,232	-
18	Sisco Technology and Supply Ltd	Supply, Delivery and Installation of Rotating Aeronautical Beacon for Lokichoggio Airport	970,000	-
19	Cambridge Engineering Services Ltd	Supply, Installation, Testing and Commissioning of Fire Alarm and Suppression Systems at KCAA Headquarters and Moi International Airport Mombasa	5,742,000	-
20	Sybyl Ltd	Provision of Original Equipment Support (OEM) For EMX VNX Storage & Vmware Virtualization	4,826,340	-
21	Meera Constructiton Ltd	Propoosed Construction of Area Control and Disaster Recovery Central Transmitting Station in Mlolongo	84,191,375	264,998,656
22	Attain Enterprise Solutions Ltd	The Upgrade of KCAA Enterprise Resource Planning (ERP) System to Navision 2017	8,981,500	-

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23	Massatech Ltd	Supply, Delivery, Installation and Commissioning of ICT Equipment for KCAA Examination Centre	1,055,490	23,109,800
24	Service & Computer Industries (K) Ltd	Supply, Installation, Testing and Commissioning of a Complaints Management System.	1,986,036	1,986,036
25	Ecostar Systems Ltd	Supply, Installation, Testing and Configuration of an Audio Visual System at KCAA Headquarters.	6,958,300	6,958,300
26	Two Way Communications Ltd	Supply, Delivery, Installation, Testing and Commissioning of a Point - to Point Radio Link Between KCAA Headquarters and Wilson KCAA Offices	1,748,120	-
27	MFI Document Solutions Ltd	Supply and Delivery of Assorted ICT Working Tools; Tender No.KCAA/078/2017 - 2018 - LOT 1	793,943	-
28	Pinakim Knowledge Centre	Supply and Delivery of Assorted ICT Working Tools; Tender No.KCAA/078/2017 - 2018 - LOT 1	2,529,792	-
29	Mymac Company Ltd	Supply And Delivery of Assorted ICT Working Tools; Tender No.KCAA/078/2017 - 2018 - LOT 1	1,265,664	-
30	Bael Systems Ltd	Supply , Installation and Configuration Of IP PABX at Eldoret, Kisumu And Wajir Stations; Tender No.KCAA/077/2017 - 2018	5,818,690	-
31	Powersource Technologies Co.Ltd	Supply, Delivery, Installation and Commissioning Of A 100 KVA And 60KVA UPS at Jomo Kenyatta International Airport (JKIA) and Eldoret Stations; Tender No.KCAA/079/2017 - 2018	4,871,768	-
32	Fastchoice Systems Ltd	Supply, Delivery and Installation of Office Furniture for Air Navigation Services (ANS) - KCAA Jomo Kenyatta International Airport; Tender No.KCAA/081/2017 - 2018	2,119,600	-
33	Plan and Trend (E.A.) Ltd	Supply, Delivery of Microsoft SQL Server 2016 and Microsoft Visual Studio	15,335,739	-

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		2017; Tender No.KCAA/036/2017 - 2018		
34	Delta Mulch Computer Ltd	Supply and Delivery of Microsoft Visio and Nitro PDF Licences; RFQ No.KCAA/229/2017 - 2018	804,000	-
35	Joriki Traders	Supply, Delivery, Installation and Commissioning of Equipment for East African School of Aviation Library Lot 1	16,887,829	-
36	Joriki Traders	Supply, Delivery, Installation And Commissioning of Equipment for East African School of Aviation Library Lot 2	12,327,754	-
37	MFI Technology Solutions Ltd	Supply, Delivery, Installation and Commissioning of Equipment for East African School of Aviation Library Lot 3	3,032,513	-
38	iBross Ltd	ATC Equipment At WAP	111,195,493	157,292,125
39	GECl Espanola	Mobile Atc Tower	17,239,954	160,578,960
40	Joriki Traders	Supply, Delivery, Installation and Commissioning of Equipment for East African School of Aviation Library Lot 4	3,464,658	-
41	Joriki Traders	Supply, Delivery, Installation and Commissioning of Equipment for East African School of Aviation Library Lot 5	4,179,376	-
42	Gestalt Gild Crafted Enterprises	Disaster Recovery Site	21,296,257	94,658,751
43	TunKey Ltd	Supply, Delivery and Commissioning of Hand Held GPS Surveying Gadget (Equipment	1,995,000	-
44	Magfre Enterprises	VHF Radio Equipment for RCC	19,268,266	29,329,336
45	KenyaWeb.Com Limited	Supply, Delivery, Configuration, Training and Commissioning of an Email	4,356,612	-

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		System at the East African School Of Aviation		
46	Planning Interiors	Provision Of Consultancy Service to Provide Interior Design Services and Review of Current Partitioning of The Office Space in KCAA Headquarters (Aviation House)	7,250,000	-
	Total		816,996,099	1,174,018,762

44. EVENTS AFTER THE REPORTING PERIOD

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

45. CURRENCY

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

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	PROPERTY, PLANT AND EQUIPMENT				
(i)	Land and Buildings - Ownership documents were not made available for audit verification	- Management is following up with the Ministry of Lands to obtain title deeds	Director General	Not Resolved	
(ii)	Properties Allocated to Third Parties - Some parcels of land were registered in the names of third parties	- Management is following up with the Ministry of Lands for revocation of current title deeds and issuance of title deeds for these parcels of land to KCAA	Director General	Not Resolved	
2	CURRENT ASSETS				
(i)	Receivables from non-exchange transactions - Station imprest balance had minimum movement from previous year without satisfactory explanation - The receivables from non-exchange transactions also include a sum of Kshs	- Management will initiate the process of following of the estates of the officers who were dismissed as was guided by the Board of Directors. - The outstanding imprest had been	Director General	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	3,523,306 for staff imprest out of which Kshs 1,082,617.99 relates to imprests advanced to members of the Board of Directors.	accounted in time before the audit, safe for one director of the board who was recalled before the expiry of his term.			
(ii)	<p>Receivables from exchange transactions</p> <ul style="list-style-type: none"> - Kshs 724,049,043 owed to the Authority was about 50% of the receivables from exchange transaction, yet the Authority does not have a formal credit agreement with the Authority. - Kshs 18,973,322 was due to the East African School of Aviation in respect of student fees but which balance has not been analysed to show how long the debts have been outstanding. - The balance also includes Kshs 29,077,228 representing debts which had remained outstanding for over two years. 	<ul style="list-style-type: none"> - The Operators had undertaken to clear the historical outstanding balance by 31st December 2018 - Management is following up this matter with the former students to ensure the debt is fully recovered. - The Management will explore an option of write off for those that might not be recovered once it is determined the beneficiaries cannot be traced or are not able to settle the amount due. 	Director General	Not Resolved	

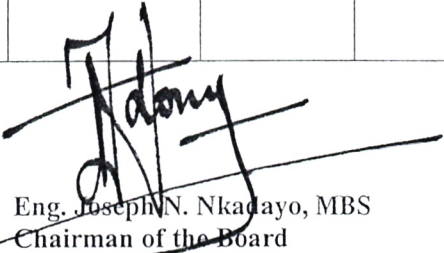
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	Provision for African Commuter Services Liability				
	i. It has not been possible to confirm how the operations of the Authority will be affected if the Court upholds the award of Kshs 1,421,671,718 to African Commuter Services with regard to the pending law suit.	-The matter is before the National Treasury awaiting further guidance.	Director General	Not Resolved	
4	ALLOCATION OF AUTHORITY'S VEHICLE NO. KCD 416 G FOR THE CHAIRMAN'S OFFICE.				
	A review of motor vehicles records revealed that the Chairman's office had been assigned a Toyota Prado registration No. KCD 416G on a full time basis. Further, in the period from July 2015 to June 2016, the vehicle covered 34,360 kilometers and utilized 4,599 liters of diesel valued at Kshs.412,596. A review of the records during the year revealed that between July 2016 and 30 June 2017, the vehicle covered 30,381km and utilized 4,420 litres of diesel valued at approximately Kshs 419,900. There is no provision for allocation of a vehicle to the Chairman of the BOD in his appointment letter and it was	The Office of the Chairman is not assigned an official vehicle but only uses pool vehicle when he is on official duty. All the travelling that the Chairman had undertaken during the period were official trips.	Director General	Not Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	therefore not possible to confirm the propriety of the expenditure totaling Kshs 419,900 incurred on fueling the vehicle.				
5	CONSTRUCTION OF PERIMETER WALL AT EAST AFRICAN SCHOOL OF AVIATION				
	Construction of the perimeter wall started in June 2012. Management had estimated the cost of the wall at Kshs. 1,290,540.00. By July 2014, the wall had not been completed while an expenditure of Kshs. 8,157,060.00 had been incurred. In addition, it was not satisfactorily explained why open tendering was not used in line with the Public Procurement and Disposal Act, the budget overrun and failure to complete the project.	The various works where labour was engaged included the following: Perimeter wall, Swimming Pool Wall, Conversion of stores to library, upgrading of classroom, Rehabilitation of staff houses among other repairs. Thus the total labour cost incurred is not only for the perimeter wall.	Director General	Not Resolved	
6.0. Irregular Payment of Subsistence Allowance					
	An officer who is on Secondment to International Civil Aviation Organization (ICAO) Council had been paid a total of Kshs.19,425,018 subsistence allowance between August 2014 and April 2015. Although Management has explained that the officer has continued being paid per diem for over 30 days due to	Since adequate accommodation was not available, the officer was put on per diem pending the lease of a suitable house for her. This being a new office, the process took quite a while to			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	unavailability of suitable accommodation, no prior approval had been obtained from the Permanent Secretary - Ministry of Transport and Infrastructure.	conclude hence the period as contemplated in C.8 in the Foreign Service Regulations 2000 could not be met. The Authority applied Section C.13 as read together with Section C.11 in effecting the allowance to the ICAO Council representative. Subsequently the Ministry of Foreign Affairs clarified that matters of this office should be handled within the Authority's terms of service guidelines (HR Policy Manual)			


 Capt. Gilbert M. Kibe
 Director General

Date... 15/05/19.....


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

Date... 15/05/19.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

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

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

Status of Projects completion

No	Project	Total project Cost in Million KES.	Total expended to date in Million KES	Completion % to date	Budget in Million KES	Actual in Million KES	Sources of funds
Kenya Transport Sector Support Project							
1	Construction of KCAA Headquarters	950.00	950.00	100.00	30.00	0.00	World Bank & KCAA
2	Upgrading of air navigation systems	600.00	600.00	100.00	0.00	0.00	World Bank & KCAA
3	Implementation of ICT Systems	160.0	123.00	95.00	90.00	75.00	World Bank & KCAA
4	Technical support to enhance aviation safety	140.00	130.00	90.00	30.00	0.00	World Bank & KCAA

National Urban Transport Sector Support Project							
No	Project	Total project Cost in Million KES.	Total expended to date in Million KES	Completion % to date	Budget in Million KES	Actual in Million KES	Sources of funds
1	Construction of EASA Library	275.00	275.00	100.00	105.00	140.00	World Bank & KCAA
2	Purchase of 3-D ATC Simulators	272.00	272.00	100.00	0.00	0.00	World Bank & KCAA
3	Equipping of EASA Library	40.00	0.00	5.00	0.00	0.00	World Bank & KCAA

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date Received	Nature: Recurrent/Development/ Others	Total Amount Kshs	Where Recorded/recognized					Total Transfers during the Year Kshs
	As Per Bank Statement			Statement of Financial Performance Kshs	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Kenya Airports Authority	01/08/17	Recurrent	979,469,968	979,469,968					979,469,968
Kenya Airports Authority	06/12/17	Recurrent	27,673,401	27,673,401					27,673,401
Kenya Airports Authority	07/12/17	Recurrent	217,206,217	217,206,217					217,206,217
Total			1,224,349,586	1,224,349,586					1,224,349,586