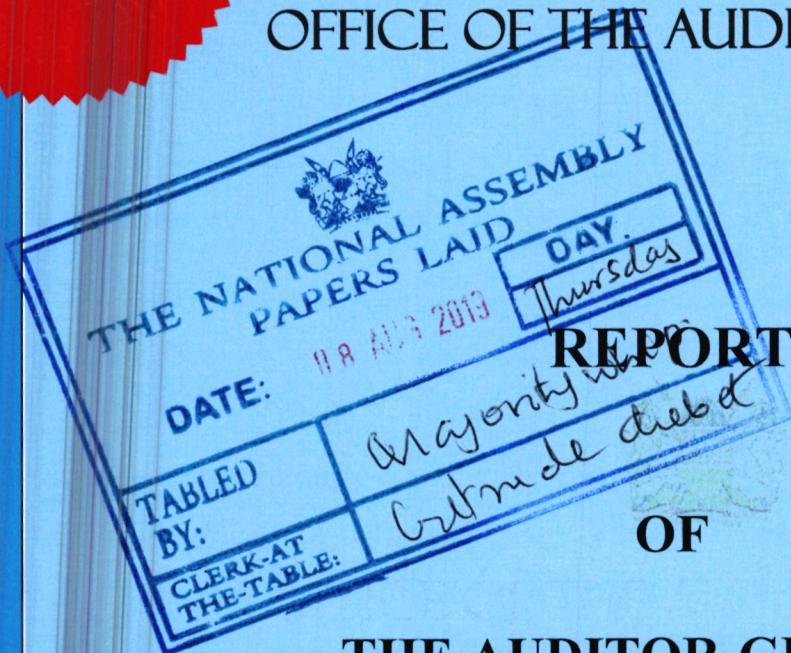


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

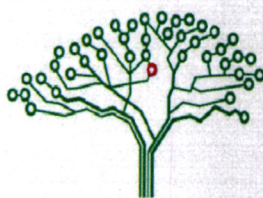
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THE AUDITOR-GENERAL

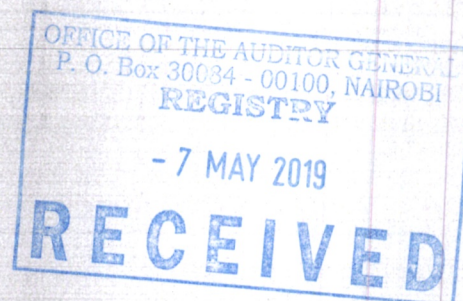
ON

**THE FINANCIAL STATEMENTS OF
KONZA TECHNOPOLIS DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2018**



KONZA TECHNOPOLIS
DEVELOPMENT 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)

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Konza Technopolis Development Authority was established under the Legal Notice Number 23 on 28 March 2012 under State Corporations Act (cap. 446). The entity is domiciled in Kenya. The objective of the Authority is to ensure that Konza Technopolis grows into a sustainable world class technology hub and a major economic driver for the nation with vibrant mix of businesses, workers, residents and urban amenities.

The vision, mission, core values and core function of the Authority include:

Vision

To be a leading global technology and innovation hub

Mission

To develop a sustainable smart city and innovation ecosystem, contributing to Kenya's knowledge-based Economy

Core values

a) Simplicity: Through innovation and guided by clarity and consistency, we deliver simple, elegant and quality solutions to our customers and stakeholders.

b) Professionalism: We are a qualified, skilled and committed team striving to always deliver exceptional services to our customers, driven by independence, objectivity, best practices, always acting with integrity and keeping our promises while treating others with respect.

c) Passion for Excellence: We are passionate on delivering a better Konza to live, work and play through innovative and creative solutions inspired by outstanding services in time.

d) Agility: We are a vibrant and dynamic team that identifies and responds to emerging issues in an ever-changing globally competitive environment, hence giving our customers a competitive edge.

e) Collaboration

We optimize results by working smarter together. We multiply our contribution through partnerships and deliver with speed, trust and respect.

(b) Principal Activities

The principal activities of the Authority are to:

- 1) Develop all aspects of the Area with particular emphasis on:
 - (i) Developing integrated infrastructural facilities, and
 - (ii) Provision of advice to the Government on the removal of impediments to, and creation of incentives for trade, services and manufacturing in the Area.
- 2) Regulate and administer approved activities within the Area.

- 3) Generate additional economic activities in the Area, through implementation of a system in which the Area enterprises are self-regulatory to the maximum extent possible.
- 4) Plan for the development of the Area and initiate project activities identified for such planning through the Government.
- 5) Develop and keep up to date a long-term development plan for the Area.
- 6) Initiate studies and carry out surveys of the Area as may be considered necessary by the Government or the Authority, and to assess the alternative and substitute demands within the Area on the available resources.
- 7) Co-ordinate the various studies of, and schemes within the Area so that human, land, energy, water and other resources are utilized to the best advantage and monitor the design and execution of planned projects within the Area.
- 8) Affect a program of both monitoring and evaluation of the performance of any project within the Area so as to improve that performance, establish responsibility and improve planning.
- 9) Cause the construction of any works necessary for the protection and preservation of natural resources within the Area.
- 10) Maintain liaison between the Government, the private sector and other Government agencies including but not limited to any specialized economic zone agency, in matters of development of the Area with a view to maximizing resource utilization and benefits to the people of Kenya
- 11) Liaise with relevant government institutions to promote both locally and internationally the opportunities for investment in information and communications technology and such other industrial activities of the Area
- 12) Facilitate and manage information and communication technology, industrial incubation parks and science and technology parks together with related facilities within the Area and buffer zone.
- 13) Liaise with Machakos, Makueni and Kajiado County Authorities in coordinating regulatory matters relating to investment requirements of the Area. Carry out any other activity that the Board considers necessary for the promotion and facilitation of development of information and communications technology products and services within the Area.

(c) Key Management

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

- i. Board of Directors
- ii. Management of the Authority headed by the Chief Executive Officer

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Executive Officer	Eng. John Tanui
2.	Chief Manager, Finance, Human Resource Management and Administration	Norman Mwangi
3.	Chief Manager, Business Development	David Mugambi
4.	Chief Manager, Infrastructure	Patrick Adolwa
6.	Ag. Chief Manager, Corporate Affairs, Policy & Strategy & Corporation Secretary	Michael Wanyika
5.	Manager, Procurement	John Paul Okwiri
7.	Manager, Finance and Accounts	Sarah Baraza

(e) Fiduciary Oversight Arrangements

(i) Audit and Risk Committee

An Audit and Risk Board Committee comprises of three non-executive directors and chaired by a non-executive director. The Committee's composition is as follows:

- i) Eng. Kaburu Mwirichia -Chair
- ii) Ms. Victoria J Chepseba -Member
- iii) Mr. James Atema- Member
- iv) Mr. Musa Kathanje – Member
- v) Mr. Christopher Kariuki –Member

The purpose of this Committee is to provide an oversight on the Authority's accounting and financial reporting processes, audits of financial statements and internal control systems, compliance with financial-legal and regulatory requirements, and report back to the main Board with its findings and recommendations. The Committee also empowers the Internal Audit unit to ensure an independent environment for its operations. The Authority's Internal Auditor has therefore been incorporated into the Committee to aid in clarification of issues.

(ii) Public Procurement and Asset Disposal Act 2015

In compliance with the **Public Procurement and Asset Disposal Act 2015**, The Authority relies on the constitution of the following ad hoc committees to provide procurement oversight and advisory role during tenders:

- i) Tender Opening Committee, to adjudicate Open tenders and Request for Proposals/Quotations.
- ii) Tender Evaluation Committees
- iii) Inspection and Acceptance Committee, to inspect and certify that goods and services delivered to the Authority are timely, conform to specifications and are delivered in right quality and quantity.

iv) Contracts Implementation Committee- To Monitor & Evaluate specialized Contracts

(f) Entity Headquarters

Capital West Business Centre, 5th Floor, Westland,
Rhapta/Lantana Road, Opposite New Rehema House

(g) Entity Contacts

P.O. Box 30519– 00100, Nairobi, Kenya
Telephone: (+254) (0)204343013/4
E-mail : konza@konzacity.go.ke
Website: www.konzacity.go.ke Website: www.go.ke

(h) Entity Banker

Kenya Commercial Bank
P. O. Box 30012 - 00100
Kipande House Branch,
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 Adviser

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

II. THE BOARD OF DIRECTORS

DR. ARCH. REUBEN MUTISO (CHAIRMAN)

D.O.B 6th November 1948



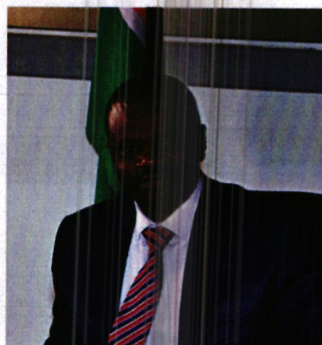
Dr. Mutiso qualified as an Architect after completing his Master's degree and later Doctorate in Philosophy (PhD) in Architecture from the University of Texas (Austin). He was awarded a Doctor of Philosophy (Honoris Causa) by the Management University of Africa for his outstanding contribution to his field of expertise. In addition to winning many international architectural awards, Dr. Mutiso is a Paul Harris Fellow as well as a Member of the WHO's WHO Historical Society.

Dr. Mutiso has served in various capacities in professional associations, including being elected by his peers to serve as the Vice President of the International Union of Architects (IUA). He is a Fellow of various professional associations, including the Architectural Association of Kenya, Kenya Institute of Management, Institute of Project Managers, American institute of Architects as well as the College of Architects, Spain. In addition, he Dr. Mutiso has participated in and chaired many International Architectural Design competitions.

Dr. Mutiso is a Founding Partner and Group Chairman of Tectura International. With over 40 years of professional experience, he has helped guide the firm to a position of continental prominence. Under his leadership, Tectura International has developed a well-earned reputation for consistency of quality Architecture. Dr. Mutiso has helped shepherd over 500 design projects, including the design of corporate headquarters, universities, general offices, stadiums, retail, residential mixed-use projects and High Security facilities for various governments.

PS JEROME OCHIENG

D.O.B 15th March 1970



Mr. Jerome Ochieng is a Principal Secretary in the Ministry of Information, Communications & Technology, responsible for the State Department of ICT & Innovation. Before his appointment, Mr. Ochieng was the Director of the Integrated Financial Management Information System (IFMIS) at the National Treasury and a member, Board of Directors at the Information, Communication Authority.

Mr. Ochieng has 17 years' work experience in the field of information and communication technology in the Public Service. Mr. Ochieng has also served as ICT Manager with Public Procurement Oversight Authority for 6 years. He holds a Masters' Degree in Information Engineering from the University of the Ryukyus, Okinawa, Japan. He is a

registered fellow of the Computer Society of Kenya and a Licentiate Member of the Institute of Management Information Systems (IMIS), UK.

MUSA KATHANJE
ALTERNATE TO CABINET SECRETARY, THE NATIONAL TREASURY
D.O.B 26th June 1970



Mr. Kathanje is the Director of Macro and Fiscal Affairs Department at The National Treasury. He joined the National Treasury in June 2013 as Head of Macro Division on secondment from Central Bank of Kenya where he served as Head of Monetary Policy Analysis. He has over 21 years' experience in monetary policy formulation, macroeconomic policy formulation and analysis, fiscal policy and regional economic integration. He is a holder of Bachelors and Masters Degrees and is currently undertaking a Phd in Business Administration (Finance). Other trainings include Macroeconomic Modelling under the United Nations/African Research Net- work for Development Policy Analysis from University of Pretoria, South Africa and Macroeconomic Forecasting and Analysis and Financial Programming and Policies from the International Monetary Fund and MEFMI.

CHRISTOPHER KARIUKI
ALTERNATE TO PRINCIPAL SECRETARY, MINISTRY OF ICT & INNOVATION
D.O.B 21st June 1961



Mr. Kariuki is a holder of Masters in Business Administration (Finance) from University of Canberra Australia and Bachelor of Education (Economics and Business Studies) from Kenyatta Universities. He has over 25 years of experience in Public Financial Management in government ministries and agencies. He is currently serving as Chief Finance Officer in the State Department of ICT & Innovation under the Ministry of ICT.

QS. HARON G NYAKUNDI
D.O.B 9th May 1962



QS. Haron holds a Bachelor of Arts in Building Economics (Hons), University of Nairobi. QS Haron G. Nyakundi is a registered quantity surveyor and is the current chairman of the Quantity Surveyors Chapter of the Architectural Association of Kenya. He is also the current chairman of the Joint Building Council (JBC), has served as a past treasurer of AAK and a member of the Events Committee of the Chartered Institute of Arbitration (Kenya Branch). He serves as a tutor to the Board of Registration of Architects and Quantity Surveyors, the Chartered Institute of Arbitrators (Kenya Branch), and Kenya Institute of Supplies Management (KISM).

CAROLINE WANGUI KARIUKI
D.O.B 11th January 1968



Carol holds a Masters in Business Administration from Warwick Business School, UK and a Bachelor of Commerce from University of Nairobi. She has had an exemplary career in the Housing and Financial Sector spanning 20 years, where she served in leadership positions both in Corporate and as an Entrepreneur. Her contribution to the Housing sector is noteworthy especially as the Managing Director of Savings & Loan, Kenya Commercial Bank's mortgage subsidiary where she championed the growth of the mortgage sector and home ownership for many Kenyans. She started The Mortgage Company, a mortgage brokerage business seeking to simplify access to mortgages and build affordable homes for Kenyans. Currently, she is the Co-founder and Chief Executive Officer of Greenpot Enterprises Limited, a wholly integrated Bamboo business ranging from large scale nurseries, plantations and will be starting Kenya's first Bamboo processing plant in 2018. She brings her entrepreneurial and innovative approach to business to the Board of KoTDA where she Chairs the Finance, HR and Administration Committee and is a member of the Business Development Committee.

VICTORIA JEPKEMOI CHEPSEBA

D.O.B 9th December 1976



Ms. Victoria holds a Post Graduate Diploma in law, Professional ethics, Environmental Law, Alternative Dispute Resolution mechanisms, property disposition in Kenya. Ms Victoria J Chepseba is a member of Law Society of Kenya and is currently the managing partner of Chepseba Lagat and Associates

ENG. KABURU MWIRICHIA

D.O.B 31st March 1958



Eng. Kaburu Mwirichia is a Registered Engineer (R Eng.) and a member of the Institution of Engineers of Kenya (IEK). He holds a Master of Business Administration degree (MBA) from the United States International University-Africa (USIU) and a Bachelor of Science degree in Mechanical Engineering from the University of Nairobi. He has extensive work experience in the fields of Engineering, Manufacturing, Corporate Governance, Human Resources Management, Strategic Planning and Customer Service. He worked as Director General/Chief Executive Officer of the Energy Regulatory Commission (ERC) for six years from 2007 to 2013.

MBITHE MUEMA

D.O.B 15th November 1982



Mbithe Muema holds an Executive Masters in Business Administration (MBA)-Strathmore Business School, Pan Africa EMBA Module-IESE Business School, Barcelona, SPAIN, Bachelor of Arts (BA, Hons)-University of Nairobi, Financial Analyst Certification Renaissance Academy, Moscow. She is in charge of Institutional Sales at African Alliance, Kenya. She has previously worked with Infallible Capital, Co-founder, Director – Investments Renaissance Capital, Kenya; Equity Analyst, Associate Equity Bank, Kenya

DOMINIC KIARIE
D.O.B 29th September 1970



Dominic Kiarie is an entrepreneur and business leader with over 25 years' experience in senior leadership and strategic management of various organizations including fund management, real estate investments and developments and insurance. He is the Founder, Group CEO and Managing Director of Century Developments Limited, a pan-African real estate development and management company, and its affiliate, Sequoia Real Estate Capital Limited, a real estate investment management company. He is also the Founder and Executive Director of Century Capital Limited, an investment platform for investing in digital enabled financial services businesses in Africa. Prior to this, he was the Group CEO for UAP Holdings Limited, a regional Financial Services Group with interest in Insurance, Investments and Property Development, where he worked for 4 years. He is also the Founding CEO of Britam Asset Managers, part of Britam Insurance Holdings, where he worked for 7 years. Mr. Kiarie holds a Master of Philosophy (M. Phil) Degree in Finance from the University of Cambridge, United Kingdom and a First Class Honours B.Sc (Hons) Degree in Actuarial Science from City, University of London. .

Mr. James Atema
D.O.B 9th August 1952



James Atema is the Managing Consultant the Proprietor of AFRICEC International. He has a Masters Degree in Development Economics, Public Policy and Planning from the University of Wales UK. He also has a Post Graduate Diploma in Rural Reconstruction and International Development Evaluation (IPDET) from International Institute for Rural Reconstruction – Philippines and Carleton University- Ottawa- Canada. He also serves as a Commissioner in the Political Parties Disputes Tribunal (PPDT) at the Judiciary.

Mr. James Atema has over 20 years' experience as a qualified development manager coordinating integrated rural and urban development. He has long experience expertise working with public, private and civil society sectors in the Eastern and Southern Africa regions and has sufficient knowledge of bilateral and multilateral programmes. He was a team leader of the Design of Second Phase of Kenya's Governance, Justice, Law and Order Programme-GJLOS (2011-2016). On the KOTDA board Mr Atema serves in the Technical and Infrastructure, Audit and Risk management and Corporate affairs committees.

ENG. JOHN TANUI
D.O.B 7th March 1973



Eng. John Tanui is the Chief Executive Officer of the Konza Technopolis Development Authority, which is mandated by the Government of Kenya to implement the Konza Technopolis project. The Authority, a semi-autonomous government agency tasked with building Kenya's first smart city whose vision is to be a global Hub of technology and innovation. Before joining the Authority, Eng. Tanui was the Deputy Country CEO and Vice President of Huawei Technologies, Eng. Tanui has worked in several countries in Africa and also in China. He holds a Bachelor's Degree of Technology in Electrical and Communication Engineering and MBA in International Business.

HENRY ROTICH. E.G.H
CS, The National Treasury
Y.O.B 1969



Born in 1969, Mr. Rotich has a Master's degree in Public Administration (MPA) from the Kennedy School of Government at Harvard University and a Master's Degree- Economics and Bachelor's Degree- Economics (First Class Honours) from the University of Nairobi. Prior to this appointment, Mr. Rotich was the head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity, he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities.



Michael Wanyika

Ag. Chief Manager, Corporate Affairs, Policy & Strategy & Corporation Secretary

Michael is an Advocate of the High Court of Kenya. He holds an LLB, BCom (Finance), CPS (K) among other professional qualifications. He is the Board Secretary and in charge of legal affairs, policy and strategy.

III. MANAGEMENT TEAM



Engineer John Tanui

Chief Executive Officer

Eng. John Tanui was appointed on 27.03.2015 as the Authority Chief Executive officer. He is responsible for providing overall leadership for achievement of the Authority objectives. He holds a Bachelor's Degree of Technology in Electrical & Communication Engineering (Moi University) and an MBA (University of Nairobi)



Norman Mwangi

Chief Manager Finance, HR & Administration

Norman Mwangi is the Chief Manager (Finance, HR & Administration). He has working experience of 19 years in the public sector. Norman holds a Master of Business Administration (Finance) and Bachelor of Education (Maths & Business Studies) First Class Honours. He is a Certified Public Accountant of Kenya and a member of the ICPAK.



Patrick Adolwa

Chief Manager, Planning and Physical Development

Patrick holds Masters of Arts in Urban and Regional Planning and Environmental Studies (UoN), Postgraduate Diploma-Lands Management and Informal Settlement IHS ,Rotterdam Netherlands and Bachelors of Arts (UoN).

His docket includes: Physical planning and infrastructure development.



David Mugambi

Chief Manager, Business Development

David holds an MBA, International Business (University of Nairobi) and Bachelor of Science (University of Nairobi). David is a member of Chartered institute of Marketing.

He is in charge of Business development, Marketing and investor facilitation. ICT and communication.



Michael Wanyika

Ag. Chief Manager, Corporate Affairs, Policy & Strategy & Corporation Secretary

Michael is an Advocate of the High Court of Kenya. He holds an LLB, BCom (Finance), CPS (K) among other professional qualifications. He is the Board Secretary and in charge of legal affairs, policy and strategy



John Paul Okwiri

Manager, Procurement

John holds an MBA (Procurement & Supply Chain Management) from the University of Nairobi and Bachelor of Commerce. He is a member of Chartered Institute of Purchasing & Supply and of Kenya Institute of Supplies & Management.

He is in charge of supply chain and procurement department.



Sarah Baraza

Manager, Finance and Accounts

Sarah holds Masters of Business Administration (Finance Option), 1st Class Honours Bachelors of Business Management Degree -Accounting option. She is a certified Public Accountant and a member of Institute of Certified Public Accountants of Kenya.

She handles financial and Management accounting functions.

IV. CHAIRMAN'S STATEMENT

It is with great pleasure I present the Annual Financial report for the Konza Technopolis Development Authority financial year 2017/18. During the year under review, the Authority continued with execution of its key strategic pillar of developing a sustainable smart city and innovation hub that will contribute to Kenya knowledge base economy. To deliver growth, the Authority focused on development of Technopolis Infrastructure and services during the year under review.

Strategic Partnerships and Investors

During this financial year, the Authority continued building partnerships with key stakeholders by signing MOU's with key partners namely Emcast, Machakos University, and KIMC. It also facilitated the financing process for an Anchor Tenant Kenya Advanced Institute of Science and Technology (KAIST) that will support the authority in establishing a centre of knowledge economy and innovation in partnership with the Ministry of education. The Authority approved seven investors to be allocated land for Development.

Corporate Social responsibility

As the Authority continues to make steady strides in achieving the set strategic objectives, it considers Corporate Social Responsibility as an integral part of its culture. During the year the Authority carried out corporate social responsibilities activities involving schools, staff, and local communities among other stakeholders. Greening of Konza Technopolis and Chemususu Marathon were among the CSR activities aimed at improving the city's environment and enhancing the overall quality of life and experience for residents and the local communities.

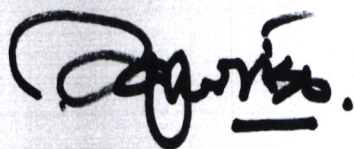
Future Outlook

Investments in infrastructure, aimed at attracting investors to the Technopolis and enhancing the economic growth of the country is the Authority priority in the Medium term. Some of the projects in the pipeline include: the Construction of Phase I Horizontal infrastructure consisting of streetscape, roads, subsurface utilities and waste water reclamation facilities. The national data centre and smart city facilities project focused on providing the country with the data recovery facilities. Konza innovation ecosystem aimed at promoting and creating supporting structures for innovators and start-ups for the country will be considered in the medium term.

Appreciation

I wish to take this opportunity to thank my colleagues in the Board for supporting me in providing leadership over the Authority business over the past year. Your commitment contributed immensely to our performance in the year just ended. On behalf of the board of directors, I wish to commend management and staff for their commitment and tireless efforts for achievement of the set targets. Our commitment to develop a sustainable smart city and an innovation ecosystem, contributing to Kenya's

knowledge-based economy remains strong. With our strategy in place, we are confident that we shall deliver the promise to Kenyans.

A handwritten signature in black ink, appearing to read 'Arch. Reuben Mutiso', with a horizontal line under the name.

DR. ARCH. REUBEN MUTISO
CHAIRMAN, BOARD OF DIRECTORS

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Authority is keen on positioning itself as a global Technology and innovation hub and remains committed to operational excellence and quality services. Our achievements in the financial year 2017/18 were as a result of our deliberate effort to focus on key strategic areas namely Infrastructure development, Investors, policy advocacy, partnerships and operational excellence. The board of management and staff took a deliberate effort to give priority to key undertakings that have enabled the project to take off. The below activities were implemented within the financial year;

Construction of Konza Complex: Construction of the Konza complex building is underway at Konza Technopolis, the superstructure was complete up to 9th floor as 30.06.2018. The Exterior and interior finishing is underway and the building is expected to be completed by November, 2018. The Authority headquarters offices will be located at the Konza complex once the building is ready for occupation.

Partnerships: During the financial year the Authority continued engaging with stakeholders and forming strategic partnership. The authority was able to sign Memorandum of Understanding with strategic partners including Emcast a Korean edtech company specialising in e-learning which in partnership with the Authority will build an innovation hub and teach the youth's computer science through the E-platform. The MOU with Kenya Institute of Mass communication aims at developing digital media city at the Technopolis, Machakos University strategic partnerships aims at collaborating various innovation initiatives, research and capacity building among other Key stakeholders.

Through targeted forums the Authority has established collaborations with key stakeholders among them academia, business community, local community and International community and is a member of International association of Science parks and areas of innovation, this has consequently enhanced the visibility of the Authority as a potential Innovation hub. A number of applications for allocation of land at Konza were received from investors and seven investors have been approved by the board for land allocation.

Anchor Tenants: As a project whose main objective is to develop a Knowledge Economy, the Authority facilitated the financing process for an Anchor Tenant Kenya Advanced Institute of Science and Technology (KAIST) at Konza Technopolis. The Authority was appointed by the ministry of Education to facilitate the construction of the university which will be handed over once it's complete. The procurement process for the contractors for design and construction of the university will be done beginning of the next financial year.

National data centre: The high-level designs and identification of the parcel of land for construction of National data centre was done during the year. The commercial agreement has been signed by the government and the implementation will begin once the financing agreement has been signed.

Infrastructure development: During the year, the construction specification for Streetscape and waste water reclamation facilities were completed. The Contractor responsible for construction of smart city infrastructure is currently mobilizing to deliver that project in 48 months. The project involves the below activities:

- Phase 1A and Phase 1B Streetscape,

- Parks
- Wastewater Reclamation Facility
- Water Treatment Plants and Facilities
- Electrical Service
- Police and Fire Building
- ICT
- Solid Waste Handling Facility
- Transit Hub, and the Security
- Entrance Feature

Investor Outreach program: To realize the vision of being a global technology and innovation hub and a self-sustaining smart city, the authority must target and attract investors. During the financial year the authority with the support from Master delivery partner 2 was able to develop the Marketing and business plan that will assist the Authority investors to be settled in Konza Technopolis.

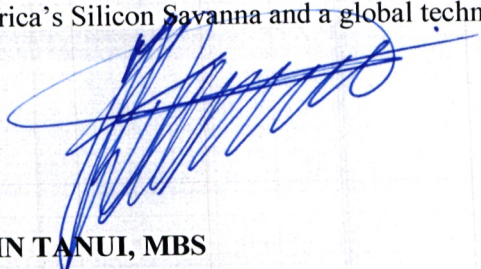
Financial performance

During the year under review, the Authority was allocated a total of Kshs 460.015 Million. Recurrent budget was allocated Kshs. 176.915 Million while development vote was allocated Kshs. 283.1 Million. The Authority utilized 100% of the recurrent budget. Development was inadequate and the Authority ended up with pending bills for Konza complex and Master Development Partner (MDP2) for the commitment done before the budget was cut.

Appreciation

I therefore take this opportunity to express my heartfelt appreciation to The Authority's staff and the Board for their support and dedication to tirelessly deliver on set targets, despite the challenges of inadequate staffing and insufficient financial resources experienced during the year under review. Many thanks to the Master Development Partner (MDP2) who has worked closely with our team to deliver on key infrastructure targets for the financial year.

I wish to thank the Ministry of Information, Communications and Technology for providing the policy direction and the National Treasury for financing the project, development partners and the public at large for their support in helping the Authority carry out its mandate. I am confident that the Konza team will work together to realize the Konza Technopolis dream. I am committed to steering the team towards building Africa's Silicon Savanna and a global technology and innovation hub.



ENG. JOHN TANUI, MBS

CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Konza Technopolis Development Authority are responsible for the governance of the Authority and are accountable to the shareholders and stakeholders in ensuring that the Authority complies with the laws and the highest standards of business ethics and corporate governance. Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

1. Board of Directors

The roles and functions of the Chairman and the Chief Executive are distinct, and their respective responsibilities clearly defined within the Authority. The Board comprises of 10 (ten) directors including the Chairman.

The Board defines the Authority's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues.

The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the CEO. The Board nonetheless is responsible for the stewardship of the Authority and assumes responsibilities for the effective control over the Authority.

2. Board Membership

The Konza Technopolis Development Authority Order, 2012, vests the management of the Authority on the Board, which is composed of:

1. A Chairman appointed by the President;
2. The Principal Secretary to the Treasury;
3. The Principal Secretary in the Ministry for the time being responsible for matters relating to information and communications technology;
4. Two persons of opposite gender, being public officers, appointed by the Minister in consultation with the Public Service Commission;
5. Not more than seven other members, two of whom shall be of the opposite gender and not being employees of the Authority not public officers, appointed by the Minister in consultation with the Public Service Commission; and,
6. The Chief Executive Officer.

The current Board has:

- (i) A non-executive Chairperson
- (ii) The Cabinet Secretary to the National Treasury
- (iii) The Principal Secretary in the Ministry of Information, Communications and Technology
- (iv) 7 members
- (v) The Chief Executive Officer

3. Meetings of the Board

According to Section 8 (1) (a) of the State Corporations Act, Cap 446 the Board of every State Corporation should meet at least four times in every financial year. During the period under review, the Board held 8 meetings.

	Board Attendance for period ending 30.06.2018								Total
	11.07.17	14.07.17	01.08.17	24.11.17	27.03.18	19.04.18	05.06.18	12.06.18	
Reuben Mutiso-Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Victor Kyalo	✓	✓	-	-	-	-	-	-	2
James Atema	✓	✓	✓	✓	✓	✓	x	✓	7
Carol Kariuki	✓	✓	✓	x	✓	✓	✓	✓	7
Mbithe Muema	✓	✓	✓	x	x	✓	✓	x	5
Kaburu Mwirichia	✓	✓	✓	✓	✓	✓	✓	✓	8
Dominic Kiarie	✓	✓	✓	✓	✓	✓	x	x	6
Christopher Kariuki	-	-	✓	✓	x	✓	x	x	3
Victoria Chepseba	x	x	x	x	✓	x	✓	✓	3
Musa Kathanje	✓	✓	x	x	✓	x	x	x	4
Haron Nyakundi	✓	✓	✓	x	x	✓	✓	✓	6
John Tanui	✓	✓	✓	✓	✓	✓	✓	✓	8

4. Committees of the Board

Section 10(6) of the Order bestows the Board with the powers to delegate the exercise of any of its functions or duties to Committees. The Board has set up the following principal Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

During the period under review, the Board established the following Committees:

a. Finance, Human Resources and Administration Committee

This Committee has oversight responsibility on all financial, human resources and organisational administration issues at the Authority. It consists of five members and held ten meetings in the year.

Committee attendance for the year ended 30 th June 2018	Finance, Human Resources and Administration Committee										Total Attendance
	18.07.17	31.07.17	19.09.17	22.09.17	27.09.17	18.10.17	21.11.17	29.11.17	29.01.18	17.04.18	
Carol Kariuki-Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Mbithe Muema	✓	✓	x	x	✓	✓	x	x	x	✓	5
Dominic	✓	x	✓	x	x	✓	✓	✓	✓	x	6

Kiarie											
Christopher Kariuki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Musa Kathanje	x	x	✓	✓	x	✓	✓	✓	✓	x	6

b. Technical and Infrastructure Development Committee

This Committee's role is to review, oversee and advise the Board on the quality of technical standards, assurance processes and impact assessment and reporting in the course of implementation of the Konza Technopolis Master Plan. It consists of five members and held six meetings in the year.

Committee attendance for the year ended 30 th June 2018	Technical and Infrastructure Development Committee						Total Attendance
	31.07.17	31.10.17	20.11.17	12.04.18	15.03.18	23.03.18	
Qs. Harun Nyakundi	✓	✓	✓	✓	✓	✓	6
Musa Kathanje	x	✓	✓	✓	✓	✓	4
Christopher Kariuki	✓	✓	x	x	x	x	2
James Atema	✓	x	✓	✓	✓	✓	4
Eng. Kaburu Mwirichia	✓	✓	✓	✓	✓	✓	5

c. Corporate Affairs, Policy and Strategy Committee

This Committee performs oversight of matters relating to or affecting the Authority's strategic direction in accordance with the Authority's legislated mandate, provide oversight and advice to Management in the development and implementation of all such strategic initiatives, and make recommendations to the Board on such matters. It consists of six members and held one meeting in the year.

Committee attendance for the year ended 30 th June 2018	Corporate Affairs, Policy and Strategy Committee		Total Attendance
	20.07.17	13.03.18	
Victoria Chepseba	x	✓	1
Musa Kathanje	✓	✓	2
Christopher Kariuki	✓	x	1
James Atema	✓	✓	2
Mbithe Muema	✓	✓	2
Eng. Kaburu Mwirichia	✓	✓	2

d. Business Development, Innovation and Research Committee

This Committee's role is to review, oversee and advise the Board on research and innovation activities and advise on, and monitor performance in, these areas, as well as to develop its commercial services and to create new revenue generating opportunities. It consists of six members and held eight meetings in the year.

Committee attendance for the year ended 30 th June 2018	Business Development, Innovation and Research Committee								Total Attendance
	25.07.17	27.07.17	24.10.17	17.11.17	23.11.17	07.03.18	23.03.18	04.06.18	
Mbithe Muema-Chairperson	✓	✓	✓	✓	x	✓	✓	✓	7
Qs. Harun Nyakundi	✓	x	✓	✓	x	✓	✓	✓	6
Christopher Kariuki	✓	✓	✓	x	✓	✓	x	x	5
Carol Kariuki	✓	✓	x	✓	✓	✓	✓	✓	7
Dominic Kiarie	✓	✓	✓	x	✓	✓	✓	✓	7
Musa Kathanje	✓	✓	✓	x	x	✓	✓	✓	6

e. Audit and Risk Management Committee

This Committee reviews, oversees and advises the Board on the Authority's internal control and risk management systems; to oversee the integrity of the financial statements of the Authority, and any formal announcements relating to the financial performance, including significant financial reporting judgements contained in them; review the internal financial controls; review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; monitor and review the effectiveness of the internal audit function; and review whistleblowing arrangements. It consists of five members and held four meetings in the year

Committee attendance for the year ended 30 th June 2018	Audit and Risk committee meetings				Total Attendance
	23.10.2017	13.02.2018	06.03.2018	12/06/2018	
Eng. Kaburu Mwirichia	✓	✓	✓	✓	4
James Atema-	✓	x	✓	✓	3
Victoria Chepseba	✓	✓	x	✓	3
Christopher Kariuki	x	✓	✓	x	2
Musa Kathanje	x	x	✓	x	1

5. Directors Remuneration

The Directors remuneration is based on the GoK regulations which recommend that Directors will be paid Ksh.20, 000 per sitting while the Chairman will be paid Ksh.80, 000 per month and Ksh.7, 000 per month as telephone allowance.

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2017/2018 are disclosed in the notes to the financial statements under note 8.

6. Appointments to the Board

The Board believes that the current composition comprises the required mix of skills and core competencies required to enable the Board to operate effectively and efficiently. The Board recognizes that as the Law has delegated the appointment of Board members to the Cabinet Secretary, Ministry of Information, Communications and Technology, the Board will however engage with the Cabinet Secretary to ensure the individuals with the right skills are appointed as members of the Board.

The Board will annually review its effectiveness as a whole and that of individual committees as well as the Chief Executive Officer to ensure that the Authority's goals are achieved. The Board will ensure that all assessments and evaluations carried out are properly documented and filed.

7. Directors Training

All the Members of the Board of Directors have received training on Mwongozo, the Code of Governance for State Corporations. They also attended various training programmes, conferences and workshops aimed at enhancing their understanding of the Authority's mandate.

8. Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications.

In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Corporation. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Corporation to achieve its objectives.

VI. MANAGEMENT DISCUSSION AND ANALYSIS

Konza Technopolis Development Authority is an entity fully funded by the National Government. This therefore means that, its performance therefore depends on the National Government budget cycle and funding as availed by the National Government through the Ministry of ICT. The Authority receives quarterly allocations based on its annual allocation as approved by the National Assembly.

OPERATIONAL PERFORMANCE

During the year the Authority continued with infrastructure development. Construction of Konza Complex continued. The super structure was completed to 9th floor. The contractor continued with interior and exterior finishes and it is expected the building will be completed and ready for occupation in the next financial year.



A Section of Konza complex under construction and Exterior finishes.

Other project undertaken by the Authority included Access Roads where the construction specification for Phase 1 Streetscape scape, sub-surface utilities and Waste Reclamation facilities were completed. The EPCF Contractor was on site mobilizing.

The authority developed with the help MDP II Economic development, Marketing plan, Branding and communication which will facilitate on Boarding of Investor, enhance visibility of the project and on boarding strategic science, technology and innovation partners

The Authority signed various MOU's for collaboration in development of the Technopolis, some of the Memorandum of Understanding signed include: Agreement with Emcast a Korean edtech company specializing in e-learning, especially for the development of e-learning contents and platform, learning curation, learning analytics and creative solution. It designs and delivers the most effective and practical e-learning services around the world to give qualified education to more beneficiaries. It seeks to realise high quality and inclusive education for the 21st Century through its e-learning contents and flexible, effective e-learning system around the world. Machakos University and Kenya Institute of Mass Communication

The Authority received and Evaluated **Expression of Interests** (EOIs) from investors for the various investment opportunities available. 7 investors were approved to be allocated land for development.

FINANCIAL PERFORMANCE

During the year the Authority received Kshs. 460.015 Million compared to Ksh. 888.7 Million received in the previous financial year. This translated to 51% budget reduction. 100% of the budget was absorbed.

The recurrent budget received for financial year 2017/18 was Kshs. 176.915 Million translating to an increase of 54% compared to Kshs. 114.7 Million received in FY 2016/17. However, there was a reduction by 63% of the Development budget where the Authority received Kshs. 283.1 Million compared to Kshs. 774 Million received in the previous financial year.

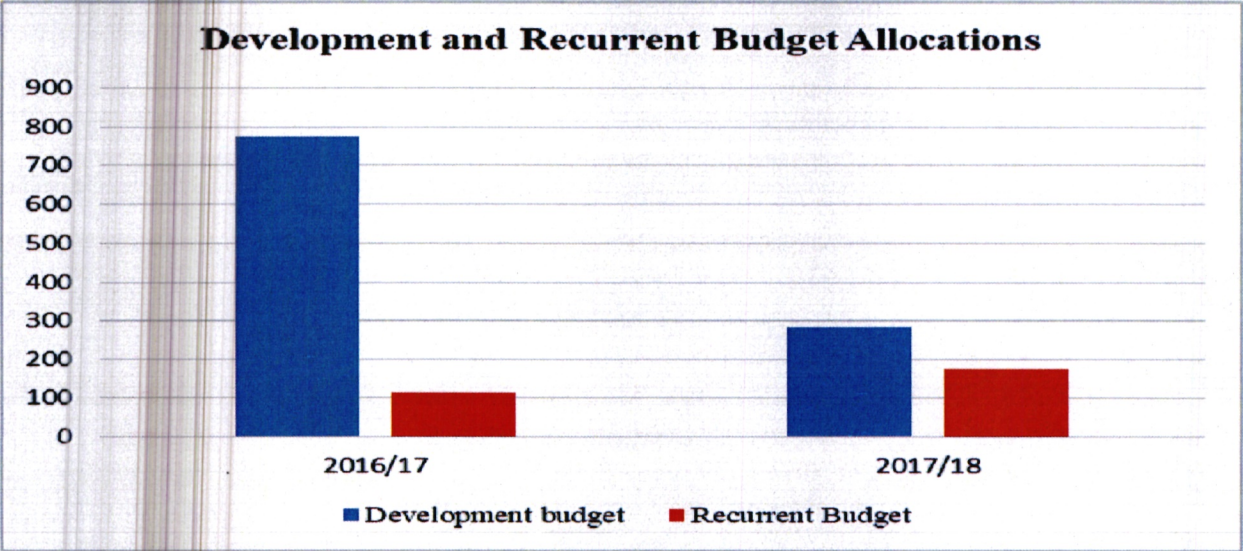
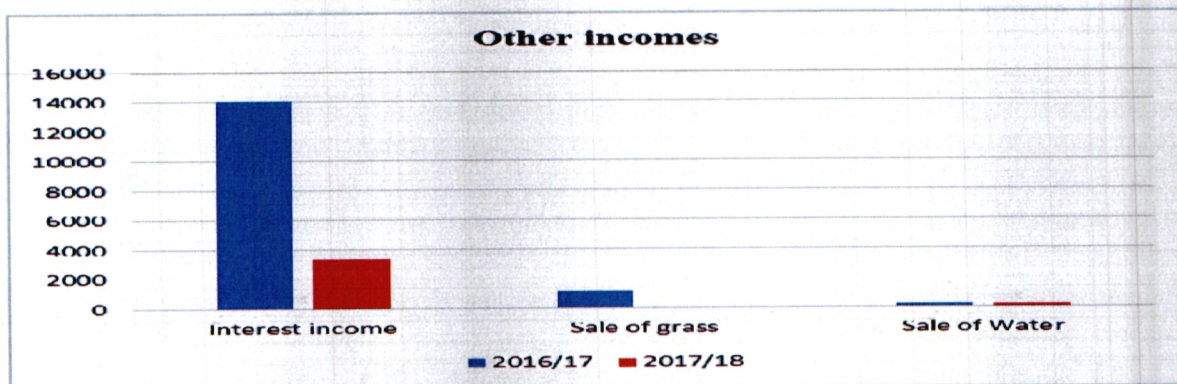


Chart showing budgetary allocation FY 2016/17 and 2017/18

Revenues from other sources also reduced drastically in the financial year 2016/17. This was attributed to heavy rains that made it impossible to harvest grass for sale and reduced deposit at the bank account following the reduction in budget allocations as shown in the chart below:



Challenges and Constrains that hindered achievement of performance targets in the FY 2017/ 18 Performance Contract include:

- **Budgetary Constraints.** In the period under review, the Authority faced major budgetary constraints that led to review and revisions of the 2017/ 18 Annual Budget, Work plan and Procurement Plan.
- **Budget Cuts.** The Authority's Budget had been reviewed downwards by 70% during the supplementary budget estimates, this affected the projects the Authority had already committed to undertake. This led to a scale down or in some cases, zero implementation of the affected projects and Pending Bills for existing commitment.
- **Low staff complement.** Implementation Phase 1 of the Master plan is at an advanced stage. Hence the need for additional staff to enhance the Authority's capacity for all Departments at both Headquarters and at the Site Office
- **Lack of vehicles for operations:** The Authority has 5 vehicles with one vehicle attached to the CEO's Office. The development stage requires coordination hence need for additional vehicles

SECTION B

Entity's compliance with Statutory Requirements

Konza Technopolis Development Authority has so far complied with all its statutory and contractual obligations. This therefore means that the Authority is so far not exposed to any liabilities, contingent or otherwise.

SECTION C

Key Projects and Investment the entity is planning/ implementing

In accordance to the Authority's mandate of developing the Konza Technopolis to smart standards the following projects were the Key projects for the 2017/ 18 FY:

1. Master Delivery Partner 2 (MDP 2) Consultancy Services

PROJECT NAME	Master Delivery Partner 2 (MDP 2) Consultancy Services
Project Purpose:	This is a consultancy partnering with Konza Technopolis Development Authority in development of smart technology city standards. This will ensure that Konza Technopolis is implemented as envisioned in Vision 2030 to be a smart city and operated as such in order to generate more than 2% GDP.
Brief Description of Project:	This is a consultancy project signed in August 2014 between the Authority and Tetra Tech consortium to support the Authority in implementing Phase 1 of the Konza Technopolis. The consultancy brings together professionals in smart city development including Project Managers, Financial experts, Branding and communication experts, Architects (Architects, urban designers landscape Architects), Planners, Engineers (ICT, Civil, Electrical, Structural and Chemical), land economists, land surveyors, environmental specialists, and Lawyers. The scope of the consultancy includes: • Project leadership; • Financial planning; • Project communication and marketing; • Development guidelines; • Land administration; • Management of design consultants; • Management of Construction contractors.
Economic and social benefit	• Provide professional consultancy services ensuring the development and operations of a smart city that will grow the GDP of Kenya by 2%.
Sources of finance	• GoK through direct allocation

2. Konza Complex

PROJECT NAME:	KONZA COMPLEX
Project Purpose:	To house the Konza Development Authority personnel and provide additional flexible office space for use by investors as well as ICT innovators.
Brief Description of Project:	The project entails design and construction of the building (Konza Complex) which comprises of three components with an estimated cost of 3.92 billion as shown below. - The Office Block, Kshs 1.9 Billion: This will host the Authority personnel's as well as the initial investors and innovators to Konza Technopolis - Conference facility, Kshs 0.72 Billion: This will host a model Huduma center and smart city exhibition spaces for both local and international partners. - Residential (Hotel) block Kshs 1.2 Billion: - The construction of the office block has started while the Conference and Hotels block will be constructed in Phase 2.
Economic and social benefit	• Provision of an approximate income of Ksh. 0.5 Billion per year to the GoK through the Authority from office space rent and leases.

	• Bringing GoK services closer to the people of Makueni, Machakos and Kajiado through the Model Huduma Centre in the building. • Spurring construction of buildings at Konza Technopolis this being the first building in the Technopolis. • Increase in government assets because it is a government building.
Sources of finance	GoK. Through direct allocation

3. Phase 1A Public Buildings

PROJECT NAME	PUBLIC BUILDINGS
Project Purpose:	To operationalise Phase 1 City Management by the Authority.
Brief Description of Project:	This covers the design, procurement and construction of the following municipal buildings essential for the operationalization of the Phase 1 Technopolis • 2,500 m² Solid Waste Handling Facility • 4,400 m² Police and Fire Station • Entrance and Security Feature • 3,000 m² Transit Hub
Economic and social benefit	• Facilitate ease of Konza Technopolis Management Services in operating the Phase 1 of the Technopolis. • Support and foster development activities within the city's Phase 1 areas. • Enhance access to jobs, services and social networks to city inhabitants in Phase 1.
Sources of finance	GoK – Through EPCF or Direct allocation

4. Waste Water Reclamation Facility (Phase 1 sewer treatment plant)

PROJECT NAME	WASTE WATER RECLAMMATION FACILITY (Phase 1A sewer treatment plant)
Project Purpose:	To provide waste water reclamation (sewer treatment) for Phase 1A of Konza Technopolis. To provide the city with water for parks and gardens landscaping, firefighting and toilet flushing from the recycled (reclaimed) water at the facility or plant.
Brief Description of Project:	The project entails the design of the Technopolis Waste Water Reclamation Facility (Sewer treatment plant) and construction of Phase 1 of the plant to cater for sewer treatment of Phase 1A of the Technopolis. It is designed following the total estimated wastewater (sewer) to be produced in the city development as follows. - Phase 1A approximately 6,000 m³ per day (m³/ day), - Phase 1B approximately an additional 6,000 m³/ day, - Phase 2 approximately 12,000 m³/ day, - Phase 3 approximately 12,000 m³/ day,

Economic and social benefit	Minimize potable water usage and maximize wastewater reuse for the city's parks and gardens landscaping, firefighting and toilet flushing. Maximize the potential of resource recovery such as bio-methane and bio-solids production for cooking gas and fertilizer for use in the Technopolis respectively. Promote water conservation both within and outside of all structures at Konza Technopolis.
Sources of finance	GoK. Through direct allocation for design and supervision. GoK through EPCF or direct allocation for construction.

5. Phase 1B Streetscape and Sub-Surface Utilities

PROJECT NAME	PHASE 1B STREETScape & SUBSURFACE UTILITIES
Project Purpose:	To facilitate tarmacked road access to Phase 1 of Konza Technopolis from Mombasa Road. To Provide other 80+ (plus) parcels within Phase 1 with water distribution network, sewer collection network, electrical distribution duct network (Power lines) and Fibre distribution duct network. To provide the Technopolis with digital lighting and signage system.
Brief Description of Project:	This is design and construction of the approximate 30 Km roads at Konza Technopolis to tarmacked standards. The project covers design and construction of the tarmacked roads, sidewalks (pedestrian ways), lighting and signage, utilities distribution facilities (sewage collection lines, water distribution lines, storm drainage lines, reuse lines, power lines and fibre optic line). It also contains transportation scope including the design and construction of internal roads, connection/s to existing road network, traffic circulation, pedestrian & bicycles facilities and bus facilities.
Economic and social benefit	• Provide investors to Konza Technopolis with universal access to public utilities i.e. water, power, fibre, waste water lines, etc. • Support and foster development activities within the cities phase 1A areas. • Enhance access to jobs, services and social networks including for the most disadvantaged.
Sources of finance	• GoK. Through EPCF or Direct allocation

6. Konza Technopolis Electrical Network in phase 1

PROJECT NAME	KONZA TECHNOPSIS ELECTRICAL NETWORK (PHASE 1)
Project Purpose:	To provide electrical power for operations of phase 1 of the Konza Technopolis
Brief Description of Project:	The project encompasses a complete electrical system including approximately 40 km of electrical power lines, substations, transformers and other appurtenances (electrical conduits and pull boxes are included in the scope of Lot 1), including Kenya Power and Lighting Company.
Economic and Social Benefit	- Operationalize the first phase of Konza Technopolis - Support the ICT network for Phase 1 of the Technopolis.
Sources of financing	GoK through EPCF or direct allocation

7. Konza Data Centre and Smart City Facilities Project

PROJECT NAME	KONZA DATA CENTRE AND SMART CITY FACILITIES PROJECT
Project Purpose	To Develop a National Data Centre in Konza Technopolis To Provide Smart ICT Network and Electrical Network for Konza Technopolis To Provide Virtual Desktop Infrastructure (Citizen and SME Services) To Provide Public Safety and Security Solution for Konza Technopolis To Provide Telepresence and Video conferencing (for government)

Brief Description of Project:	The Konza project is now aimed at establishing to a smart mixed-use city with a system of innovations that combines the industry, government and academia with a view to contributing towards the growth of a knowledge economy in Kenya. Apart from being a city with a concentration of technology-based businesses or an emphasis on technology (by definition a ‘technopolis’), Konza must also be a smart city. According to the Vision 2030 blueprint, Konza will be a smart city, with an integrated urban information and communication technology (ICT) network that supports delivery of connected urban services and allows for efficient management of those services on a large scale. A smart city uses Information and Communications Technology (ICT) to enhance its livability, workability and sustainability. A smart city is a synthesis of hard infrastructure with the availability of quality knowledge communication and social infrastructure. A smart city collects information about itself through devices, dedicated sensors and existing systems. It communicates that data using networks and analyses it for decision making and action. In order to be considered a smart city there are a number of core infrastructure and services that are required as part of Phase 1. These ensure that Konza is able to carry out the core functions of a smart city. This collection of infrastructure and services are known as the <i>smart city facilities</i>. Together these represent the essential facilities to be built upon to eventually achieve the complete smart city functions envisioned. While Konza requires the project for her own purposes, the undertaking of the <i>Data Centre and Smart City Facilities</i> project represents an opportunity for resource sharing and revenue generation. There are over 189 government entities (commissions, authorities, agencies etc.) and 22 ministries. These government organs can make use cloud backup services, virtual desktop as a service, physical server or space renting, cabinet or rack renting, as well as email services. When Phase 1 is complete it is expected to house at least 30,000 individual residents, these would be a large customer base for connectivity providers who would lease the optical fibre network or portions of it. As the ICT network is intended to be unified the population also forms a pool that needs mobile connectivity (voice and data) through broadband network leasing. There are currently over 21 telecommunications service providers in Kenya. 1500 business entities of various sizes are expected to be resident in Phase 1. They would also be able to make use of cloud backup services, virtual desktop as a service, physical server or space renting, cabinet or rack renting, as well as email services.
Sources of finance	GoK. Through Government to Government Partnership with the Government of China.

SECTION D

Major risks facing the entity

Risk Inventory

i. Operational risks

Operational risks include various factors that contribute to failures in execution of our operations and may degrade the overall performance of the organisation:

- a. Failure of ERP system that supports functions
- b. Change of management
- c. Reliance on third party technology

The Authority mitigates above risks by ensuring periodic risk assessment, monitoring and evaluation at regular intervals, succession planning and maintaining regular backup & recovery processes.

ii. Financial risks

Risks in this category include factors both external & internal finance operations. They include:

- a. Budget constraints for business operations
- b. Currency fluctuation
- c. Contract disputes that result in unplanned costs

These risks are mitigated by ensuring that procurement is done according to the act, committees are set to review contracts, planning in terms of financing to avoid collusion with service providers and hedging to protect against currency fluctuation.

iii. Regulatory & Legal risks

Risks in this category include factors that arise due to changing regulatory environment, public sector initiatives or litigations. They include:

- a. Compliance risks
- b. Service level agreements
- c. Contract litigation
- d. Sponsorship litigation

The Authority ensures compliance with laid down rules, procedures and acts and properly plans before engaging.

iv. Reputational/Brand risks

Risks in this category affect public confidence or trust in the organisation. They include:

- a. Adverse publicity
- b. Departure of key employees
- c. Difficulty in recruiting talent
- d. Spontaneous social media smear campaign

The Authority has established a crisis management team and communication strategy to counter publicity that might have adverse impact on the brand. It also maps potential crisis areas and plans predetermined responses.

v. Strategic risks

Risks in this category involve decisions the organisation makes about direction, target markets etc. they include:

- a. Strategic relationships
- b. Failure to create effective strategy

SECTION E

Material arrears in statutory/financial obligations

The organization is in compliance with the required statutory obligations and has not defaulted, neither has it failed to pay its tax liabilities.

SECTION F

The entity's financial probity and serious governance issues

The Authority has designed and implemented governance arrangements, a financial reporting regime and an internal control system to enable the achievement of its objectives. These arrangements are designed to support the Authority's financial reporting requirements, the effectiveness and efficiency of its operations, and compliance with applicable legislative requirements.

The Authority has no financial probity and serious governance issues reported from the various oversight Agencies.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Introduction

Konza Technopolis Authority is charged with the responsibility of development of Konza Technopolis. As part of its mandate, the Authority engages in stakeholder management and mobilization to facilitate the smooth operationalization of the Technopolis. Among the identified avenues for these engagements is corporate social responsibility (CSR). During the year under review Participated in Konza greening and Chemususu Half Marathon.

Konza Greening:

Trees and other green vegetation improves the liveability of our environments. Cities being densely populated with high environmental pollution emanating from heavy traffic and industries has a higher need for mechanisms to clean the atmosphere. Natural vegetation, particularly trees improves the environment by regulating the temperature in the atmosphere by reducing the heat and filtering the air we breathe. It also reduces sound effects and acts as buffer for strong wind which can destroy houses and other properties. Trees also increases the aesthetic value of the environment among other benefits. It also balances the natural ecosystem by providing habitat to wildlife and birds. Fruit trees also provide nutritious foods to humans and wildlife.

During the year the Authority teamed up with local communities and Malili Primary School in implementing Konza greening Project.



Konza Board chairman Arch. Dr. Reuben Mutiso planting a tree at Konza Technopolis

Konza Technopolis will be Kenya's first smart city with integrated urban infrastructure facilities, including information and communication technology network that supports delivery of connected urban services that allows for efficient service management on a large scale. Environmental conservation is among key development plans for the city. The plan is to develop a uniquely beautiful healthy green city by maintaining a clean and green atmosphere. The focus is on greening the planned city environs by planting appropriate trees on a series of proposed Parks and Open Spaces that are incorporated into the overall plan of the city.



Pupils participating in tree planting at Konza Technopolis



Konza staff and Members of local community planting trees

Chemususu Marathon

The Authority understands its responsibility to the society and it has made Corporate Social Responsibility (CSR) an integral part of its culture. The Authority participated in the 4th annual Chemususu Dam Half Marathon on 17th September 2017. Chemususu Dam Half Marathon is a charity marathon whose proceeds go towards conservation, education, security and the development of an information centre.



Cabinet Secretary Ministry of East African Community, Labour and Social Protection Phyllis Kandie, The Authority's CEO Eng. John Tanui and other participants getting a debrief before the start of the marathon



The Authority's staff celebrates after completing the marathon

VIII. REPORT OF THE DIRECTORS

The Directors submitted reports together with the audited financial statements for the year ended June 30th, 2018 showing the state of Konza Technopolis Development Authority.

Principal activities

The mandate of Konza Technopolis Development Authority is to develop Konza Technopolis as a globally competitive smart city by creating an enabling environment through utilization of ICT for socio-economic development. Implementation of infrastructure for Phase 1 is ongoing and expected to be completed in year 2022. External funding has been secured through the *Engineer, Procure, Construct and Finance (EPC-F)* funding model for the city's Phase 1 infrastructure. The funds will be available for utilization in the FY 2018/19. The development of Infrastructure for Phase 1 is aimed at attracting the investments from the private sector, government agencies, partners and other stakeholders. During the year under review, Land parcels for two Anchor Tenants namely the *Kenya Advanced Institute of Science*



and Technology (KAIST) to set up in the University Band and the *Konza National Data Centre* to set up in the Technology Band were earmarked for set up. Additional 6 investors were approved to be allocated land in the next financial year

To summarize our achievements in the period under review, below is an outline of our milestones for the financial year 2017/ 18:

a. Infrastructure Development

- Implementation of the Master Plan and Land Disposition Policy among other regulations to facilitate infrastructure, investments and developments.
- Completion and Approval of Construction specification for Phase 1 Streetscape and Subsurface utilities (Roads) and Wastewater Reclamation Facility.



and Site Clearance Works.

Figure 1: Konza Complex construction

- Construction of Konza Complex: Super structure complete up to 9th Floor
- The EPC-F Contractor onsite, Mobilization Works which include Setting up of Construction Plants, Equipment and Machinery, Recruitment of Labour

b. Innovation Ecosystem

- Signing of **Korean Advanced Institute of Technology (KAIST)** as the anchor tenant for the university band.

- The Terms of Reference for the Feasibility Study of Data Centre and Smart City Facilities were developed. **High level designs of Phase 1 National Data Centre** were completed during the year.

c. Marketing

- The Authority signed 3 MOU 's with strategic partners for development of Konza Technopolis
- Approved allocation of land to Seven investors
- Developed Business and Marketing plans for the Authority

Results

The results of the entity for the year ended June 30, 2018 are set out on pages 1-31

Directors

The members of the Authority's Board of Directors who served during the financial year under review are shown on pages V to VII.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during the year FY 2017/18 and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the Board
Secretary
Nairobi

Date: _____

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which gives a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for the financial year 2017/2018. 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.

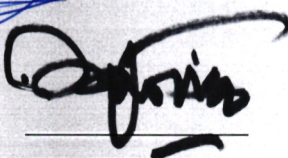
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (I) maintaining 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 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 the 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 financial statements were approved by the Board on 28/09/ 2018 and signed
on its behalf by:

CEO



CHAIRMAN

DIRECTOR

X. REPORT OF THE INDEPENDENT AUDITORS ON THE *ENTITY*

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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 KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Konza Technopolis Development Authority set out on pages 1 to 29 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Konza Technopolis Development 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 Konza Technopolis Development Authority Legal Notice No 23 of 28 March, 2012 and State Corporation Act, Cap 446 Laws of Kenya.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Konza Technopolis Development 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 opinion.

Emphasis of Matter

Water Tanks

As previously reported, the Authority awarded a contract for supply of two water tanks to a Construction Company at a cost of Kshs.58,195,765.89. However, a physical verification revealed that the following works which were charged in the Bill of quantities were not carried out:

Report of the Auditor-General on Konza Technopolis Development Authority Financial Statements for the year ended 30 June 2018

Works included in the Bill of Quantities	Kshs
Two signboards not installed	32,800
Establishment and maintenance of a contractor camp not done	700,000
Supervision cost of Engineers attached to the project from Headquarters (MDP2)	1,500,000
Maintenance of project Engineers office	270,000
Chain link fence around the water tank not done.	192,000
Double gate on chain link fence not done	300,000
Total	2,994,800

In the circumstances, it has not been possible to confirm the propriety and value for money of the expenditure totaling Kshs.2,994,800 on the two water tanks.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

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

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 ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related

to going concern and using the going concern 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.

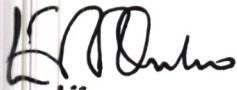
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

20 June 2019

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

	Note	2017/18	2016/17
		Kshs '000	Kshs '000
Revenue from non-exchange transactions			
Transfers from government	5	460,016	888,700
		460,015	888,700
Revenue from exchange transactions			
Other income	6	4,514	15,317
Total revenue		464,529	904,017
Expenses			
Employee Costs	7	120,263	87,693
Remuneration of Directors	8	20,855	20,010
Depreciation	9	11,471	11,449
Repairs and Maintenance	10	4,074	2,569
General Expenses	11	73,906	98,379
Other Expenses	12	95	8,617
Total Expenses		230,663	228,717
Surplus/Deficit for the Period		233,866	675,300

The notes set out on pages 8 to 30 form an integral part of these Financial Statements

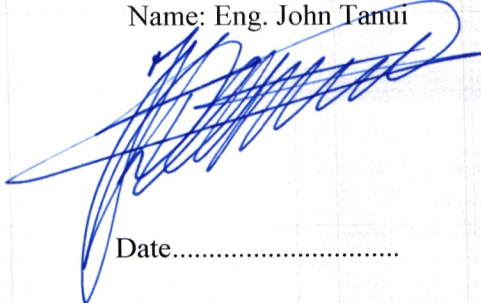
XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTES	2017/18	2016/17
		Kshs '000	Kshs '000
Assets			
Current Assets			
Cash and cash equivalents	13	50,246	87,209
Receivables from exchange transactions	15	162,431	244,034
Total Current Assets		212,677	331,243
Non-current Assets			
Property, Plant and Equipment	16	3,721,945	3,368,488
Intangible Assets	17	42,227	38,635
Total Non-Current Assets		3,764,171	3,407,123
Total Assets		3,976,848	3,738,366
Liabilities			
Current Liabilities			
Payables from exchange transactions	18	36,929	32,313
Total Current Liabilities		36,929	32,313
Net assets		3,939,919	3,706,053
Capital Reserve	20 (a)	1,002,550	1,002,550
Revaluation Reserve	20 (b)	15,815	15,815
Accumulated Surplus	20 (c)	2,921,554	2,687,688
Total Reserves		3,939,919	3,706,053

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

CEO

Name: Eng. John Tanui

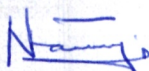


Date.....

Head of Finance

Name: Norman Mwangi

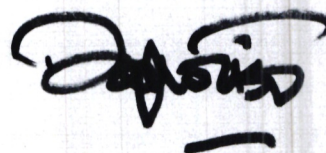
ICPAK M/No. 4647



Date.....

Chairman of the Board

Name: Dr. Arch. Reuben Mutiso



Date.....

XIII.

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

	Reserves			
	Capital Reserve	Revaluation Reserve	Accumulated surplus	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Balance as at 1 July 2016	2,550	15,815	2,012,388	2,030,753
Surplus for the period			675,300	675,300
Transfers	1,000,000			1,000,000
Balance as at 30 JUNE 2017	1,002,550	15,815	2,687,688	3,706,053
Balance as at 1 July 2017	1,002,550	15,815	2,687,688	3,706,053
Surplus for the period			233,866	233,866
Balance as at 30 JUNE 2018	1,002,550	15,815	2,921,554	3,939,919

Notes:

Capital Reserve

This includes assets transferred to the Authority from The National Treasury including 5,000 acres piece of land for development of Konza Technopolis

Revaluation Reserve:

This is as a result of revaluation of motor vehicles granted by the Ministry of Information Communication & Technology, which was done in 2014.

Accumulated Surplus

This is the total surplus of funds retained by the organization since FY 2013/2014

XIV. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs '000	Kshs '000
Cash flows from Operating Activities			
Receipts			
Transfers from government	5	460,015	888,700
Other income	6	4,514	15,317
		464,529	904,017
Payments			
Employee Costs	7	120,263	87,693
Board of Director Costs	8	20,855	20,010
Repairs and Maintenance	10	4,074	2,569
General Expenses	11	73,906	98,379
Other Expenses	12	95	8,617
		219,193	217,268
		-	
Net cash flows from operating activities	19	245,337	686,749
Cash flow from Financing Activities		-	-
Cash flows from investing activities			
Purchase of property, plant, equipment and WIP assets		(368,518)	(986,775)
Decrease in Accounts Payables		4,616	26,513
decrease in Accounts Receivable		81,603	(162,535)
Net cash flows used in investing activities		(282,299)	(1,122,797)
		-	
Net increase/(decrease) in cash and cash equivalents		(36,963)	(436,048)
Cash and cash equivalents at the beginning of year	13	87,209	523,257
Cash and cash equivalent as at 30 June 2018	13	50,246	87,209

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018**

The Budget Variance Analysis for the 2017/ 18 Financial Year

	Notes	Original Budget (A)	Adjustments (C-A)	Final budget (C)	Actual	Performance difference	%
REVENUE		Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Government grants and subsidies - Development	5	948,000	-664,900	283,100	283,100	-	100%
Government grants and subsidies - Recurrent	5	156,915	20,000	176,915	176,915	-	100%
Balance b/f		87,209	-	87,209	87,209	-	100%
Other Income	6	5,000	-	5,000	1,151	-3,849	23%
Interest	6	4,000	-	4,000	3,364	-636	84%
Total income		1,201,124	-644,900	556,224	551,739	-4,485	99%
EXPENSES							
EMPLOYEE COSTS	7	106,378	13,193	119,571	120,263	-693	101%
Salaries & Wages		81,729	-2,222	79,507	79,785	-278	100%
Employee related costs - contributions to NSSF		336	-	336	336		100%
Gratuities & Pensions		24,313	15,415	39,728	40,142	-414	101%
BOARD OF DIRECTORS EXPENSES	8	21,998	-	21,998	20,855	1,144	95%
Sitting Allowance		4,500	1,000	5,500	4,960	540	90%
Travel, Accommodation and Subsistence		6,574	-1,000	5,574	5,119	456	92%
Hospitality and Catering		1,000	-	1,000	852	148	85%
Chairman's Honoraria		960	-	960	960	-	100%
Chairman Airtime		84		84	84	-	100%
CEO's Salary		8,880	-	8,880	8,880	-	100%
GENERAL EXPENSES/ OUTREACH	11	75,483	8,450	83,933	73,906	11,343	88%
Utility (water, Electricity, sewerage & cleaning services)		1,800	-	1,800	1,421	379	79%
Postage and telephone		1,745	1,241	2,986	1,658	1,328	56%
General office and consumables		1,853	-	1,853	1,782	71	96%
Printing and stationery		1,835	-	1,835	2,265	333	123%

	Notes	Original Budget (A)	Adjustments (C-A)	Final budget (C)	Actual	Performance difference	%
Office rent		15,050	12	15,062	10,015	5,047	66%
Training and development		3,000	922	3,922	3,913	9	100%
Bank Charges		-	150	150	172	-22	115%
Domestic travel and Subsistence		1,000	-	1,000	994	6	99%
PR, Advertising, Branding and Events		7,900	2,216	10,116	7,796	2,320	77%
Insurance		9,000	-	9,000	11,609	-2,609	129%
Foreign Travel & subsistence		3,000	125	3,125	3,153	-28	101%
Conferences and delegations		1,500	1,340	2,840	2,839	1	100%
Corporate Social Responsibility		1,000	-500	500	457	43	91%
Konza Security		14,700	900	15,600	15,574	26	100%
Legal costs		5,000	-	5,000	1,392	3,608	28%
Club Membership & staff recruitment costs		4,000	2,100	6,100	5,268	832	86%
Audit fee		1,000	-	1,000	1,000	-	100%
Profession fee - Asset tagging		2,100	-56	2,044	2,043	1	100%
Tax charge				0	505	-505	
REPAIRS AND MAINTENANCE	10	4,034	357	4,391	4,074	318	93%
Motor Vehicles Repair, Servicing & insurance		1,000	657	1,657	1,642	15	99%
Motor Vehicles Insurance		707	-	707	707	-	100%
Fuel and Lubricants		1,592	-300	1,292	1,240	52	96%
Site Maintenance costs		735	-	735	485	251	66%
OTHER EXPENSES	12	463	-	463	95	368	21%
Konza Greening		463	-	463	95	368	21%
CAPITAL EXPENDITURE		992,767	-666,900	325,867	277,687	48,181	85%
Phase 1 A Streetscape Design & Waste Water Reclamation		148,000	-111,000	37,000	11,365	25,635	31%
Konza Complex		500,000	-328,900	171,100	171,099	1	100%
Access improvement & Soil Erosion Control		555	-	555	555	0	100%
Master Delivery Partner 2		300,000	-225,000	75,000	73,435	1,565	98%
Office Automation		44,213	-2,000	42,213	21,788	20,425	52%
TOTAL EXPENDITURE		1,201,124	-644,900	556,224	496,326	60,661	89%

Budget notes

A: The Authority had anticipated to raise revenue from sale of grass, water and bank interest, but due to heavy rains harvesting of grass was not possible. Also reduced deposit occasioned by budget reduction led to reduction in the bank interest expected.

B: Board Hospitality and catering costs reduced following the cost cutting measures implemented by the Authority including implementation of low cost framework contracts for provision of services.

C: The Authority instituted cost cutting measures during the year which included print on need to basis, efficiency in maintenance of equipment and switch of electricity when not in use. These measures contributed to the reduction of costs of utilities, stationery and general office supplies.

D: The Budget for rent included a prepayment for 4 months July -18 to October 2018 as per the lease agreement. Insurance cost also includes prepayment for one month July-18.

E: The budget provisions for Legal fees includes an amount for payment of accrued legal fees of Kshs. 2.3 Million and the remaining balance was committed for clearance of conveyance fees for contracted services.

F: The Konza greening project did not take off. The Authority will be establishing tree nurseries in the coming period

G: The budget for Konza complex was reduced during the supplementary budget when instructions had already been given to the contractor to proceed with the works, a contractual obligation entered into between the Authority and the contractor before the budget was reduced in the supplementary estimates. Equally to note is the balance brought forward that enabled more expenditure on the said item. This was borrowed from the savings on streetscape which closely related to the access of Konza complex.

H: Part of the consultancy fees by Master Delivery Partner 2 were not paid during the year due to submission of invoices after year end. This has however been paid after the F/Y ended.

I: This was a budget for procurement of servers for the ERP implementation. However, ICT Authority has provided a platform for the same and thus the Authority could not procure the servers saving money thereof.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Konza Technopolis Development Authority is established by and derives its Authority and accountability from Legal Notice 23. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity's financial statements have been prepared in accordance with and comply with International Public-Sector Accounting Standards (IPSAS) and PFM Act 2012. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity rounded off to the nearest thousands shillings. The accounting policies have been consistently applied to all the years presented.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 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. The Authority pension scheme was not effective as 30.06.2018

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	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Sale of goods

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

Interest income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on September 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of 20,000,000 on the 2017-2018 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

c) Taxes

Current income tax

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

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

The Authority is Semi- Autonomous Government Agencies funded by Government through the Ministry of Information communication through transfers and government grants which is not subject to tax.

Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax (continued)

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

Sales tax

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

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

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

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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The depreciation rates are as follows:

Class	Name	Estimated useful life	Rate
1	Motor vehicles	4 years	25%
2	Computers	3 years	30%
3	Furniture and Equipment	8 years	12.5%

e) Leases

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

The Amortization rate is 30% per of a fully developed Intangible Asset

The Authority intangible assets have not been amortized as the assets are under development

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.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial liabilities

Initial recognition and measurement

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

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

h) Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The Authority has not provided for any financial liability in the financial statement.

Contingent liabilities

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

Contingent assets

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

i) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior

periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

l) 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.

m) 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

n) Related parties

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

o) Service concession arrangements

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

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 Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

q) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on June 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs. 20,000,000 on the 2017-2018 budget following the governing body's approval.

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

r) Comparative figures

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

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

s) 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, 2018.

5. Transfers from other governments

Description	2017-2018	2016-2017
	KShs 000	Kshs 000
Unconditional grants		
Operational grant	176,915	114,700
Development grant	283,100	774,000
Total government grants and subsidies	460,015	888,700

5b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2016-2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Ministry of ICT	460,015			460,015	888,700
Total	460,015	0	0	460,015	888,700

6. Other Income

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Interest income from current bank account	3,364	14,040
Sale of Grass		1,080
Sale of water	1,151	197
Total revenue from the sale of goods	4,514	15,317

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Employee costs

	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Salaries and wages	79,785	75,589
Employee related costs - contributions to pensions	336	285
Gratuities and Leave allowance	40,142	11,819
Employee costs	120,263	87,693

8. Remuneration of directors

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Sitting Allowance	4,960	4,200
Hospitality and catering Services	852	1,144
Per Diem Allowance	5,119	4,419
Air Time	84	84
Chair Honoraria	960	1,283
CEO Salary	8,880	8,880
Total director emoluments	20,855	20,010

9. Depreciation and amortization expense

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Property, plant and equipment	11,471	11,449
Intangible assets	-	-
Total depreciation and amortization	11,471	11,449

10. Repairs and maintenance

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Fuel, Oil and Lubricants	1,240	1,800
Repairs of motor Vehicles	1,642	717
Site Maintenance costs	485	52
Motor Vehicle Insurance	707	
Total repairs and maintenance	4,074	2,569

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General expenses

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Audit fees	1,000	1,000
Conferences and delegations	2,839	5,453
Consumables	1,782	6,007
Utilities	1,421	1,065
Insurance	11,609	6,690
Legal expenses	1,392	5,980
Professional Fees	2,043	1,290
Postage & Telecommunication	1,658	4,924
Printing and stationery	2,264	1,690
Office Accommodation	10,015	9,491
Security costs	15,574	16,464
Bank Charges	172	163
Corporate Social Responsibility	457	57
Uniforms	-	368
Training	3,913	4,571
Domestic Travel & subsistence	994	8,216
Foreign Travel & subsistence	3,202	19,688
Marketing & Branding	7,796	3,156
Taxes charged on interest earned	505	2,106
Club Membership & staff recruitment costs	5,268	
Total general expenses	73,906	98,379

12. Other expenses

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Office Partitioning	-	7,448
Unihuts		-
Konza Greening	95	537
Bulk Water connection	-	632
	-	
Total Infrastructure expenses	95	8,617

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Cash and cash equivalents

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Current account	50,246	87,209
Total cash and cash equivalents	50,246	87,209

14. Detailed analysis of the cash and cash equivalents

		2017-2018	2016-2017
Financial institution	Account number	Kshs '000'	Kshs '000'
a) Current account			
Kenya Commercial bank	1141631520	50,246	87,209
Grand total		50,246	87,209

15. Receivables from exchange transactions

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Prepaid Office Accommodation	3,348	-
Staff Advances	228	1,264
Water debtors	1,151	-
Prepaid Insurance	844	4,196
Prepaid Infrastructure	156,861	238,574
Total receivables	162,431	244,034

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Property, plant and equipment

	Land	Motor vehicles	Furniture and fittings	Computers	Office Equipment	Capital Work in progress				Total
						Building	Water works	Access road	MDP2 Consultancy fees	
Cost	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
At 1st July 2016	-	23,057.00	9,567.00	9,360.00	3,581.00	53,958	63,954	437,969	911,284	1,512,730
Additions	1,000,000		400	3,942		605,951	-	49,752	223,372	1,883,416
Transfer/adjustments	-								-	-
At 30th June 2017	1,000,000	23,057	9,967	13,302	3,581	659,909	63,954	487,721	1,134,656	3,396,146
Additions			175			267,019. 70	12,910	11,908	73,435	365,449
Transfer/adjustments	-								-	0
As at 30th June 2018	1,000,000	23,057	10,142	13,302	3,581	926,928	76,864	499,629	1,208,091	3,761,595
Depreciation and impairment									-	0
At 1st July 2016	-	9,928	1,884	4,083	835			-	-	16,730
Depreciation 2016/17	-	5,764	1,246	3,991	448			-	-	11,449
Disposals									-	0
Impairment									-	0
Transfer/adjustment									-	0
As at 30th June 2017										28,179

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Intangible assets-software

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Cost		
At beginning of the year	38,635	-
Additions	3591.7	38,635
At end of the year	42,227	38,635
Additions-internal development	-	-
At end of the year	42,227	38,635
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	42,227	38,635
NBV	42,227	38,635

18. Trade and other payables from exchange transactions

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Trade payables	35,797	29,660
Pay As You Earn	122	122
NHIF	10	10
Withholding Taxes	-	-
Other payables	1,000	2,000
Total trade and other payables	36,929	31,792

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Cash generated from operations

	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
Surplus for the year before tax	233,866	675,300
Adjusted for:		
Depreciation	11,471	11,449
Non-cash grants received	-	1,000,000
Working Capital adjustments		
Increase in inventory		
Decrease in receivables	-	(162,535)
Increase in deferred income		
Increase in payables	-	26,513
Increase in payments received in advance		
Net cash flow from operating activities	245,337	1,550,727

20. General Reserves:

a)

	2017-2018	2016-2017
a) Capital Reserve	1,002,550	1,002,550
b) Revaluation Reserve	15,815	15,815
c) Accumulated Surplus	233,866	2,687,688
Total Reserves	3,939,919	3,706,053

b)

Description	2017-2018	2016-2017
	Kshs '000'	Kshs '000'
a) Capital reserve		
At beginning of the year	1,002,550	2,550
Additions-Value of land at cost	-	1,000,000
At end of the year	1,002,550	1,002,550
b) Revaluation reserve		
At beginning of the year	15,815	15,815
Additions	-	-
At end of the year	15,815	15,815
c) Accumulated Surplus		
At beginning of the year	2,687,688	2,012,388
Additions-Surplus for the year	233,866	675,300
At end of the year	2,921,554	2,687,688

21. Financial Risk Management

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	162,431	162,431	-	-
Bank balances	50,246	50,246	-	-
Total	212,677	212,677	-	-
At 30 June 2017				
Receivables from exchange transactions	238,034	238,034	-	-
Bank balances	87,209	87,209	-	-
Total	325,243	325,243	-	-

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 board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Liquidity risk management

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

22. Related Party Balances

a) Nature of related party relationships

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

The entity is related to

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

b) Related party transactions

	2018 Kshs	2017 Kshs.
Transfers from related parties'	460,015	888,700
Transfers to related parties	38,610	31,200
	=====	=====

c) Key management remuneration

	2018 Kshs	2017 Kshs
Directors' per sitting	20,000	20,000
Key management compensation	470,000	470,000

23. Events after the reporting period

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

24. Ultimate and Holding Entity

The entity is a State Corporation under the Ministry of ICT. Its ultimate parent is the Government of Kenya.

25. Currency

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

XVII. 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	Delayed completion of water supply projects. 1.1 A contract of Kshs. 58,195,765.89 for drilling of boreholes was incomplete three years after completion date. 1.2 Two (2) Water tanks included in the bill of quantities were incomplete with weak hand rails and Walk ways and had no water and works totalling to Kshs. 2,994,800 charged in Bill of quantities had not been done.	The Authority has done several requests to Tanathi Water services Board to submit the final accounts and hand over the project. The Board is yet to respond.	Patrick Adolwa Chief Manager, Physical Planning and Development	Not yet Resolved	June, 2019

C.E.O

Date.....

Chairman of the Board

Date.....

XVIII. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

The Authority has no project Funded by development partners

XIX. APPENDIX III: INTER-ENTITY TRANSFERS

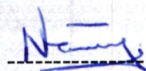
ENTITY NAME:		MINISTRY OF INFORMATION, COMMUNICATION & TECHNOLOGY		
Break down of Transfers from the State Department of Innovation and Technology				
FY 17/18				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
		03/08/2017	19,614,375	17/18
		12/09/2017	19,614,375	17/18
		23/11/2017	39,228,750	17/18
		09/02/2018	39,228,750	17/18
		14/06/2018	59,228,750	17/18
		Total	176,915,000	
b.				
	Development Grants			<u>FY to which the amounts relate</u>
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
		31/08/2017	237,000,000	17/18
		09/07/2018	46,100,000	17/18
		Total	283,100,000	
Grand Total			460,015,000	

The above amounts have been communicated to and reconciled with the parent Ministry. There were no transfers from other government entities

Finance Manager
Konza Technopolis Development Authority

Head of Accounting Unit
Ministry of ICT

Sign



Sign-----