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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KONZA TECHNOPOLIS DEVELOPMENT  
AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2020**





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

15 APR 2021

KONZA TECHNOPOLIS  
DEVELOPMENT AUTHORITY

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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**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. 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.
- 3) Plan for the development of the Area and initiate project activities identified for such planning through the Government.
- 4) Develop and keep up to date a long-term development plan for the Area.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) Cause the construction of any works necessary for the protection and preservation of natural resources within the Area.
- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. John Tanui
2.	Chief Manager, Corporate Services	Norman Mwangi
3.	Chief Manager, Business Development, and Innovation	Stella Muhoro
4.	Chief Manager Construction, Operations and Management	Eng. Anthony Sang
5.	Chief Manager, Physical Planning, Design and Compliance	Arch. Annah Musyimi
6.	Manager, Procurement	John Paul Okwiri
7.	Manager, Legal Services	Gladys Koletit
8.	Principal Internal Auditor	Christa Riany

**(e) Fiduciary Oversight Arrangements**

**(i) Audit and Risk Committee**

An Audit and Risk Board Committee comprises of four (4) non-executive directors and chaired by a non-executive director. The Committee's composition is as follows:

- i. Mrs Pamela Tutui – Chairperson (from March 24, 2020)
- ii. Eng. Kaburu Mwirichia -Member
- iii. Mr Elias Yano – Member (from March 24,2020)
- iv. Ms Eunice Kigen Member (from 28.11.2019)
- v. Mr. James Atema- Chairman (up to Aug 10. 2019)
- vi. Mr. Ismail Dhora – (Chairman up to March 24, 2020)
- vii. Mr. Musa Kathanje – Member (up to 28.11.2019)
- viii. Mr. Christopher Kariuki –Member (up to March 24, 2020)

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

**(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 Contract.

**(f) Entity Headquarters**

Konza Complex, 7<sup>th</sup> Floor, Konza,  
Nairobi-Mombasa Highway

**(g) Entity Contacts**

P.O. Box 1– 90150, Konza Kenya  
Telephone: (+254) (0)204343013/4  
E-mail: [konza@konzacity.go.ke](mailto:konza@konzacity.go.ke)  
Website: [www.konzacity.go.ke](http://www.konzacity.go.ke)

**(h) Entity Bankers**

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

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

## II. THE BOARD OF DIRECTORS

### **DR. ARCH. REUBEN MUTISO, MBS (CHAIRMAN)** **D.O.B 6<sup>TH</sup> NOVEMBER 1948**



Dr. Mutiso qualified as an Architect after completing his master's degree and later Doctor of 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 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, 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.

**CS, THE NATIONAL  
TREASURY, AMB. UKUR  
YATANI KANACHO  
D.O.B 12<sup>TH</sup> MARCH 1967**



Amb. Ukur Yatani Kanacho has over 27-year experience in public administration, politics, diplomacy, and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning he served as the Cabinet Secretary for Labour and Social Protection. He was a Member of Parliament for North Horr constituency and served as an Assistant minister for Science and Technology between 2006-2007. He was the pioneer Governor of Marsabit County (2013- 2017). He was Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna (2009-2012). He has held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors, among others. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

**PS JEROME OCHIENG  
D.O.B 15<sup>TH</sup> 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 of Board of Directors at the Information, Communication Authority.

Mr. Ochieng has over 17 years' work experience in the field of information and communication technology in the Public Service. He 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.

**CAROLINE WANGUI KARIUKI**  
**D.O.B 11<sup>TH</sup> JANUARY 1968**



Carol holds a Master's 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.

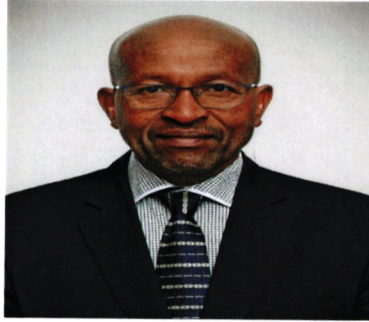
She started the Mortgage Company as mortgage brokerage business seeking to simplify access to mortgages and build affordable homes for Kenyans. Currently, she is the Co-founder and Chief Executive Officer of Greenpot Enterprises Limited, a wholly integrated Bamboo business ranging from large scale nurseries, plantations. 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.

**PAMELA TUTUI**  
**D.O.B 22<sup>ND</sup> OCTOBER 1958**



Pamela Tutui holds a Master's in leadership from Pan Africa Christian university and a Bachelor of Law degree from University of Nairobi. She is an Arbitrator, a Chartered Mediator, and a Legal Consultant with a vast experience in both public and private sector. She has served as Judge in the High Court, Commissioner on elections, Chairperson Law Society of Kenya (Mombasa chapter), Chairperson Task force drafting The National Lottery Bill and The Gaming and Lottery Policy. She has also served in various boards the capacity of Chairperson or member. Her contribution to Institutional Reform and Capacity building in the Judiciary of South Sudan led to a strong collaboration between Judiciaries of Kenya and South Sudan. She is a Consultant and Trainer in areas of the Law, Leadership and Governance.

**ENG. KABURU MWIRICHIA**  
**D.O.B 31<sup>ST</sup> 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.

**ISMAIL GULAM YUSUF DHORA**  
**D.O.B 4<sup>TH</sup> MARCH 1991**



Mr. Ismail holds Diploma in Business Management and Operations – Nottingham Trent International College UK. He has wide experience in Business Operations. He is currently the operations Director at Kyoga Hauliers (Kenya) Limited.

**KEN WAIBOCHI**  
**D.O.B 7<sup>TH</sup> JANUARY 1966**



Mr. Waibochi is a holder of B.Sc. Degree in Mechanical Engineering from Bath University, UK. He has over 20 years' experience in Business operation and strategic management in various firms. He served as Technical Services Group manager for Proctor and Gamble (EA) and Managing director Aberdare safari hotels. He also serves at Kenya Tourism Board as a director

**EUNICE KIGEN**  
**ALTERNATE TO CABINET SECRETARY, THE NATIONAL TREASURY**  
**D.O.B 22<sup>ND</sup> FEBRUARY 1973**



Ms Eunice Kigen holds a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi and an Executive Master of Business Administration from the Jomo Kenyatta University of Science and Technology. She is also a Certified Public Accountant CPA (K).

Eunice has wide experience in Public Sector Financial Management, having worked in the Government in senior positions in that field for the past 18 years. Currently, she is the Senior Deputy Director of Budget at the National Treasury. She is also the Alternate Director representing the Cabinet Secretary National Treasury at the Board of Kenya Airports Authority.

**CHRISTOPHER KARIUKI**  
**ALTERNATE TO PRINCIPAL SECRETARY, MINISTRY OF ICT & INNOVATION**  
**D.O.B 21<sup>ST</sup> JUNE 1961**



Mr. Kariuki is a holder of Master's 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.

**JAMES AGIN**  
**D.O.B 1<sup>ST</sup> SEPTEMBER 1969**



James is a seasoned banker with 25 years Pan-Africa Experience. He has held several executive management positions including Corporate Banking Director - Barclays Bank Uganda and KCB Bank Kenya, Managing Director - KCB Bank Uganda Ltd, Chief Businesses Officer International - KCB Bank Group and is currently the Regional Corporate Director - East Africa at Barclays Bank.

James has also served in the Board of Barclays Bank Uganda and the Boards of KCB Group subsidiaries in South Sudan, Tanzania, Uganda, Rwanda, and Burundi. He holds an Advanced Management Program Certificate from Harvard Business School, an MBA from the IESE Business School, an Associateship from the Chartered Institute of Bankers, and a Bachelor of Science from the University of Nairobi

**ELIAS YANO**  
**D.O.B 21<sup>ST</sup> DECEMBER**  
**1965**



Elias Maiyo Yano is a seasoned professional with over 20 years hands-on experience in sales and marketing management. He has a proven ability to consistently achieve set goals having worked for some of the leading global brands.

He worked with Coca-Cola Rift Valley Bottlers Ltd as the Distribution Manager for four years, Kenya Tea Packers Ltd as the Regional Sales Manager for 11 years and Kenya Co-operative Creameries Ltd as the Depot Sales Manager for eight years He also worked as an assistant lecturer, Business Department at the Railway Training Institute and the Kenya Commercial Bank Ltd. Mr. Yano has a Bachelor of Commerce (BCOM) Degree in Business Administration from the University of Nairobi, a master's degree in Business Administration, Marketing option, from the United States International University, and a Diploma in Marketing (Dip CIM) from the Chartered Institute of Marketing.

**ENG. JOHN TANUI**  
**CHIEF EXECUTIVE OFFICER**  
**D.O.B 7<sup>th</sup> 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.

Eng. Tanui has over 22 years work experience in both public and private sector which include implementation of turnkey projects covering areas of infrastructure, ICT, and innovation. Eng Tanui has worked in several countries in Africa and in China. He holds a Bachelor's degree of Technology in Electrical and Communication Engineering and MBA in International Business

**GLADYS KOLETIT**  
**MANAGER LEGAL SERVICES AND CORPORATION SECRETARY**



Ms. Koletit is a skilled advocate, negotiator and corporate legal specialist with more than 12 years' diversified experience and exposure in legal practice, leadership, and management. Gladys has expertise in all legal aspects of business operations; contract drafting and negotiation, employment law, conveyancing, company secretarial, governance, litigation, conveyancing, and regulatory compliance.

She holds a Bachelor of Laws degree (LLB) from the University of Nairobi, Diploma in Law from the Kenya School of Law, and a Master of Business Administration in Strategic Management from the University of Nairobi. She is an Advocate of the High Court of Kenya and a Certified Public Secretary - CPS (K). She is a member of Law Society of Kenya (LSK) and Institute of Certified Secretaries

### III. MANAGEMENT TEAM

#### ENG. JOHN TANUI CHIEF EXECUTIVE OFFICER



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.

Eng. Tanui has over 22 years work experience in both public and private sector which include implementation of turnkey projects covering areas of infrastructure, ICT and innovation. Eng Tanui has worked in several countries in Africa and in China. He holds a Bachelor's degree of Technology in Electrical and Communication Engineering and MBA in International Business

#### NORMAN MWANGI CHIEF MANAGER, CORPORATE SERVICES



Norman Mwangi is the Chief Manager (Finance, Corporate service). 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.

#### ANNAH MUSYIMI CHIEF MANAGER, PHYSICAL PLANNING, DESIGN AND COMPLIANCE



Annah holds Masters and Bachelors of Architecture from University of Nairobi. She is a members of Architectural Association of Kenya and registered with Board of Registration of Architectures and Quantity Surveyors of Kenya.

Her docket includes: Physical planning design and compliance

**ANTHONY K.SANG**  
**CHIEF MANAGER, CONSTRUCTION, OPERATION & MANTAINANCE**



Eng. Anthony K. Sang is the Chief Manager – Construction Operations and Management at the Authority. Before Joining KoTDA he served as a Depot Manager at Kenya Pipeline Company, having worked for over two decades in the Petroleum Sector holding various positions. He holds a Bachelor’s degree of Technology in Production Engineering and MSc in Entrepreneurship, Post Graduate Diploma in Project Planning and Management. He has served as a Council Member at the Institution of Engineers of Kenya (IEK) and is a Fellow of the Institution. He is also a Member of the Chartered Institute of Arbitrators.

**STELLA MUHORO**  
**CHIEF MANAGER BUSINESS DEVELOPMENT & INNOVATION**



Stella’s experience is anchored well by her cross cutting education background in Marketing as Chartered Marketer (MCIM), Certified Accountant (CPA). She holds an MBA in Strategic Management among other management courses - always updating her skills with changing macro and micro environment.

**GLADYS KOLETIT**  
**MANAGER LEGAL SERVICES AND CORPORATION SECRETARY**



Ms. Koletit holds a Bachelor of Laws degree (LLB) from the University of Nairobi, Diploma in Law from the Kenya School of Law and a Masters of Business Administration in Strategic Management from the University of Nairobi. She is an Advocate of the High Court of Kenya and a Certified Public Secretary - CPS (K). She is a member of Law Society of Kenya (LSK) and Institute of Certified Secretaries.

She is in charge of Legal Services division and Board Secretariat Services.

**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

**CHRISTA RIANY**  
**PRINCIPAL INTERNAL AUDITOR**



Christa holds a Masters' in Business Administration from the University of Nairobi and a Bachelors' Degree in Finance from the Jomo Kenyatta University of Agriculture & Technology. She is a member of Institute of Certified Public Accountant of Kenya (ICPAK), Association of Chartered Certified Accountants (ACCA) and Institute of Internal Auditors-Kenya (IIA-Kenya). She is charged with overseeing Internal Audit and Risk Management at Konza Technopolis and providing assurance to the Board on Governance, Risk and Controls

#### **IV. CHAIRMAN'S STATEMENT**

I am delighted to present the Konza Technopolis Development Authority annual financial report for the financial year 2019/2020. During the year, the Authority continued focusing on its mandate of developing Konza Technopolis as a globally competitive smart city by creating an enabling environment through utilization of ICT for socio-economic development. In line with the Authority strategic plan and the Masterplan my statement focuses on infrastructure projects, partnerships and future outlook of the Authority in the Medium Term.

##### **Konza Complex**

In the year 2016, the Authority embarked on Construction of Konza Complex, the complex was to provide office accommodation for the staff with additional space for lease to operators in the city, the conference facility and the Hotel were to provide hospitality services for city residents. During the year, The Construction of Konza Complex office block was completed, it now provides the office space for onsite coordination and administration of ongoing Big 4 enabler projects at the Technopolis. The Designs for Konza Conference facility were concluded during the year and Construction is expected to begin in the next financial year.

##### **Konza National Data Centre and Smart City Facilities**

One of the strategic Pillar for the Authority is Knowledge Economy. Konza National Data Centre and Smart City Facilities will provide technological link and ICT infrastructure to enable manufacture, trade, and residency within the city. During the year, the Construction of Phase 1 of the Konza National Data Centre was completed. The Data Centre provides cloud backup services, physical server or space renting, cabinet or rack renting, as well as email services. Government organs and commercial entity will access local secured data centre services in the next financial year.

##### **The Horizontal Infrastructure**

The backbone of the Technopolis is Smart Infrastructure which will contribute to efficiency and effectiveness in service delivery. During the year, the Authority continued with the construction of the Horizontal Infrastructure which is in three Lots; Lot 1 covers the Construction of 40 km of streetscapes, grading, drainage facilities, water distribution and treatment, sewage collection with treatment plant and landscaping of streets and parks. Lot 2 covering electrical system including 40 km of the electrical power lines, substations, transformers and other accessories. Lot 3 covering construction of public facilities including Fire Station, Entrance and Security Feature and 3,000 M<sup>2</sup> Transit Hub. The project progressed well during the year and is expected to be completed in the year 2022.

##### **Strategic Partnerships and Investors**

During the financial year, the Authority continued engagements with key partners and stakeholders through strategic activities to achieve mutual benefits as outlined in the Memorandum of Understanding. Some of the activities undertaken during the year include the KEPSA-KoTDA forum, Konza Technopolis Golf Tournament, Property Developers and Financiers conference, the 36th IASP World Conference and

the Konza Innovation Ecosystem Initiative activities. The Authority approved 15 investors for allocation of land for development in Konza Technopolis.

### Corporate Social responsibility

The Authority has embraced Corporate Social Responsibility as an integral part of its culture. Some of the activities undertaken during the year included Greening of Konza Technopolis, Participation in Eldama Ravine Marathon in support of tree planting and the needs of the vulnerable within the area, Planting of trees at Ngong Hills forest. These initiatives were aimed at improving the environment and enhancing the overall quality of life and experience for residents and the neighbouring communities. The Authority also supported the establishment Covid-19 Contact established at Kenyatta National Hospital to provide mental support for Health affected by the Covid-19 Pandemic.

### Challenges and the future outlook

The Implementation of the Phase 1 Horizontal Infrastructure Project was affected by the prolonged rainfall during the 1st and 2nd Quarters of the FY 2019/20. During the 3rd and 4th quarter of the financial year, the country was affected by the COVID-19 Pandemic which slowed pace of project implementation and affected the Authority's contractors and consultants, considering some of them are drawn from abroad. The Authority also experienced resource constraints resulting from the government supplementary budgets as a result of the pandemic.

In the Medium term, the Authority will continue with Innovation Ecosystem initiatives and construction of Phase 1 of the Horizontal infrastructure and the Data Centre at the Technopolis, these initiatives are aimed at attracting additional investors at the Technopolis. Going forward, the Authority will continue to Partner with development partners and other stakeholders in investing in the Technopolis.

### Appreciation

I wish to acknowledge the Support for Ministry of ICT our parent Ministry, the National Treasury, and the stakeholders, I also wish 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. On behalf of the board of directors, I wish to commend management and staff for their commitment in achieving the organization's targets outlined in the strategic plan. 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.



**DR. ARCH-REUBEN MUTISO, MBS.**  
**CHAIRMAN, BOARD OF DIRECTORS**

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is my pleasure to present the Financial Report for Konza Technopolis development Authority for the year ended 30th June 2020. It is a year the Authority achieved great milestone in actualizing its vision of becoming a global technology and innovation hub. The Authority Completed the Konza Complex office block which currently hosts the Authority staff facilitating onsite coordination and administration of ongoing projects at Konza Technopolis. Phase I of Konza National Data Centre was completed during the year, this will now provide technological link and ICT infrastructure to enable manufacturing, trade and residency within the city.

During the year, KoTDA focused on Infrastructure development, Investor attraction, Strategic Partnerships and Strengthening institution capacity. The Authority staff compliment grew from 29 to 59 as at the close of the financial year. The Asset base of KoTDA also grew from Kshs. 15 Billion to Kshs. 25 Billion. However, the revenues from government grants reduced by Kshs. 337 Million due to non-disbursement of the Exchequer by National Treasury.

### Financial Performance

During the year, the total revenue realised in form of Government Grants was Ksh.1.147 Billion compared to Ksh.1.484 Billion realised the previous Financial year. This represents 22% budget reduction as Authority did not receive the 2nd Half of the Development grants and the June portion of the Recurrent grants. Other revenue increased by 187% because of revenues realized from sale of grass, bank interest and donations received. The Net financial position of the Authority as at 30th June 2020 was Ksh.25 Billion compared to Ksh.15.4 Billion at the end of FY 2019. The represents a growth of 66% in Assets because of investment for Work in progress relating to Horizontal Infrastructure and Konza Data Center projects. The Authority also realized increase in Capital Reserve arising from the donor grants for the Horizontal Infrastructure and Data Centre projects. The total cash flows realized by the Authority during was Ksh.1.169 Billion. Payments done during were totalling to Ksh.320 Million. The balance of Ksh.848 Million was committed for capital infrastructure costs. The Authority closed the financial year with cash and cash equivalent balance of Ksh.702 Million.

### Key Infrastructure Projects

**Konza Complex** consists of office block, conference facility and a hotel. The office block comprises of a nine-storey building with two basements and complies with Green Building standards. The design of the building incorporated latest smart building technologies and intelligence and this will a benchmark for other upcoming building at the Technopolis. The office block was completed in March 2020 and hosts KoTDA staff for onsite coordination and administration of ongoing projects at the Technopolis. The design for the conference facility were completed in the year, construction will begin in the next financial year.

**Horizontal infrastructure:** the project consists of three lots; Lot 1 covering the construction of approximately 40 km of streetscapes, grading, drainage facilities, water distribution and treatment, sewage collection and treatment plant, landscaping of streets and parks, Lot 2; electrical system including approximately 40 km of electrical power lines, substations, transformers and other accessories. Lot 3

involving construction of public facilities: 2,500 M<sup>2</sup> Solid Waste Handling Facility, 4,400 M<sup>2</sup> Police and Fire Station, Entrance and Security Feature and 3,000 M<sup>2</sup> Transit Hub. The project is at 34% completion level.

**Data Centre and Smart City project:** Konza National Data Centre and Smart City Facilities includes Konza Phase 1 Smart City Services and a computing resource (the city data centre) and a National computing Centre for resource sharing. Phase 1 of Data Centre was completed during the year, onboarding of clients has commenced. The Data Centre will provide cloud backup services, physical server or space renting, cabinet or rack renting, as well as email services. Phase 2 of the Data Centre namely the Primary Data Centre has commenced with the structural (civil works) ongoing.

**Anchor Tenants:** To contribute to Kenya's knowledge economy, the Authority onboarded Kenya Advanced Institute of Science and Technology (KAIST), Modelled after the Korean Advanced Institute of Science & Technology. KAIST will be an institution of strategic national importance as a catalyst for the growth of science and engineering through research and training. Kenya considers Science, Technology, and Innovation as critical in fast tracking modernization and transformation of Kenyan society into middle-income status by the year 2030. The project is jointly undertaken by the Government of Korea and the Government of Kenya through the Ministry of Education. Design and development of the curriculum is ongoing, as well as the architectural designs for the Institute.

**Investor Outreach program:** The Authority has made big strides in targeting and attracting investors. During the financial year the Authority delineated a total of 134 parcels within Phase 1 of Konza Technopolis, covering 400 acres for investments. So far, the city has attracted over a hundred investment interests for the Phase 1 parcels. The interests are drawn from public and private sectors, including both local and international investors. A total of 39 parcels have so far been cleared for investment in the Technopolis in the areas of Academia, Health, Technology, Energy and Real Estate.

### Appreciation

On behalf Management team, I wish to thank Chairman and the Board of Directors, for their continued support, selfless dedication and guidance provided to the management team during the year. I also wish to acknowledge and appreciate the efforts of the Authority's staff and delivering on set targets. 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 remain 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

## **VI. 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 Cabinet Secretary National 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 following members served the Authority Board for the financial year 2019/20

1. Dr.Arch. Rueben Mutiso- Board Chairman-Re-Appointed 26/04/2019
2. Amb. Ukur Yatani Kanacho - The Cabinet Secretary to the National Treasury
3. Jerome Ochieng-The Principal Secretary in the Ministry of ICT
4. Ms. Eunice Kigen - Alternate to Cabinet Secretary National Treasury
5. Christopher Kariuki- Alternate to Ps Ministry of ICT
6. James Agin – Member Appointed 19/08/2019
7. Elias Maiyo Yano- Member Appointed 19/08/2019
8. Caroline Kariuki- Member Re-Appointed 03/05/2019
9. Kaburu Mwirichia- Member Re-Appointed 03/05/2019
10. Pamela Tutui- Member Appointed on 03/05/2019
11. Ismail Gulumu Dhora- Member Appointed on 03/05/2019
12. Ken Waibochi- Member Appointed on 03/05/2019
13. James Atema- Retired on 13/08/2019
14. Dominic Kiarie – Retired on 13/08/2019
15. Musa Kathanje-Alternate to Cs, National Treasury and Planning upto
16. Eng. John Tanui- Chief Executive officer
17. Ms. Gladys Koletit - Manager Legal Services

### 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 9 meetings.

Name	11.07.19	16.08.19	20.08.19	11.10.19	12.11.19	31.01.20	24.03.20	29.05.20	26.06.20	Total
Reuben Mutiso- Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Eunice Kigen					x	x	✓	✓	✓	3
Carol Kariuki	✓	x	x	✓	✓	✓	✓	✓	✓	7
Elias Yano				✓	✓	✓	✓	✓	✓	6
Christopher Kariuki	x	✓	x	✓	✓	✓	x	✓	✓	6
Pamela Tutui	✓	x	✓	✓	✓	✓	✓	✓	✓	8
Ken Waibochi	x	✓	✓	✓	✓	✓	✓	✓	✓	8
Ismail Dhora	x	✓	✓	x	✓	x	✓	✓	✓	6
James Agin				✓	x	x	✓	✓	✓	4

**KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY  
FINANCIAL REPORT & STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Eng. Kaburu Mwirichia	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
John Tanui	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Musa Kathanje	✓	✓	✓	✓						4
James Atema	✓	x								1

**a. Finance, Human Resources and Administration Committee**

This Committee has oversight responsibility on all financial, human resources and organisational administration issues at the Authority. In line with the Circular issued by Head of Public on Management of State Corporations, the Committee was reconstituted and renamed to Corporate services Committee in March 2020. The membership of the committee was changed from 5 to 4 members. During the year, six committee meetings were held as outlined in the table below: The first four are the current membership of corporate services committee. The other remaining members served the committee before reconstitution.

	Finance, Human Resources and Administration Committee					Corporate Services	Total
	01.08.19	04.09.19	15.10.19	29.10.19	16.01.20	14.05.20	
1. Carol Kariuki-Chairperson	✓	✓	✓	✓	✓	✓	6
2. Christopher Kariuki	✓	✓	✓	✓	✓	✓	6
3. Eunice Kigen			x	x	✓	✓	2
4. Ismail Dhora						x	0
5. Pamela Tutui	✓	✓	✓	✓	✓		5
6. Eng. Kaburu Mwirichia	✓	✓	✓	✓	✓		5
7. Elias Yano			✓	✓	✓		3
8. Musa Kathanje	x	✓					1

In addition to the above committee meetings, there were six adhoc committee meetings spearheaded by the committee for recruitment of managers during the year.

**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 during implementation of the Konza Technopolis Master Plan. The committee was reconstituted with a membership of four members in line with guidelines issued by the Head of Public Service on Management of State Corporations. The committee held six meetings during the year. The first four members in the table constitute the current committee membership.

	<b>Technical and Infrastructure Development Committee</b>						<b>Total Attendance</b>
	31.07.19	17.10.19	04.12.19	04.02.20	03.03.20	12.05.20	
Eng. Kaburu Mwirichia-Chairperson	✓	✓	✓	✓	✓	✓	6
Christopher Kariuki	x	x	✓	✓	x	✓	3
Pamela Tutui						✓	1
Elias yano						✓	1
Ken Waibochi	✓	x	x	✓	✓		3
Ismail Dhora	x	✓	✓	x	✓		3
James Atema	✓						1
James Agin	x	✓	✓	✓	x		3
Eunice Kigen		x	x	x	✓		1
Musa Kathanje	✓						1

**c. AD Hoc 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 consisted of six members and held five meetings in the year. The committee was reconstituted and merged with Finance, Human Resource and Administration committee to form Corporate Services Committee.

	<b>Ad Hoc Corporate Affairs, Policy and Strategy Committee</b>					<b>Total Attendance</b>
	13.08.19	04.09.19	07.11.19	22.01.20	16.03.20	
Pamela Tutui – Chairperson	✓	✓	✓	✓	✓	5
James Agin	x	x	✓	x	x	1
Christopher Kariuki	✓	x	x	x	✓	2
Ken Waibochi	✓	✓	✓	✓	x	4
Eunice Kigen				x	✓	1
Musa Kathanje	✓	✓	✓			3
Kaburu Mwirichia	x	✓	x			1
Elias Yano	x	x	✓	✓	x	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 seven meetings in the year. The committee has a membership of four directors following implementation of guidelines issued by Head of Public Service on management of State Corporations.

Committee attendance for the year ended 30 <sup>th</sup> June 2020	Business Development, Innovation and Research Committee								Total
	24.07.19	16.08.19	16.10.19	05.11.19	03.12.19	16.03.20	18.06.20		
Ken Waibochi Chairperson	✓	✓	✓	✓	✓	✓	✓	7	
Carol Kariuki	✓	x	✓	✓	x	✓	✓	5	
James Agin			✓	✓	✓	x	✓	4	
Ismail Dhora	x	✓	✓	✓	✓	✓	x	5	
Christopher Kariuki	✓	✓	✓	x	✓	✓		5	
Eunice Kigen					✓	✓		2	
Musa Kathanje	x	✓	✓	✓				4	

**e. Audit and Risk Management Committee**

This Committee reviews, oversees and advises the Board on the Authority's internal control and risk management systems; oversees 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; reviews 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 four members and held four meetings in the year.

Members	Audit and Risk Management Committee					Total
	06.08.19	04.09.19	08.11.19	29.04.20		
Pamela Tutui - Chairperson				✓	1	
Eng. Kaburu Mwirichia	✓	✓	✓	✓	4	
Eunice Kigen				✓	1	
Elias Yano			✓	✓	2	
Musa Kathanje	✓	✓	✓		3	
Christopher Kariuki	✓	✓			2	
Ismail Dhora	✓				1	
James Atema	✓				1	

The Committee was reconstituted. During the year James Atema served as a chair up to 10.08.2019 and Ismael Dhora succeeded him as chair up to 23.03 .2020 following the reconstitution of membership.

#### **4. 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 2019/2020 are disclosed in the notes to the financial statements under note 9.

#### **5. Appointments to the Board**

The Board believes that the current composition comprises of 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 engages with the Cabinet Secretary to ensure the individuals with the right skills are appointed as members of the Board.

The Board annually reviews 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 ensured that all assessments and evaluations carried out are properly documented and filed. The State Corporation Advisory Committee evaluated the Board performance during the year.

#### **6. 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.

## 7. 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.

## **VII. 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. For the year under review the Authority had an approved budget of Kshs. 10.9 Billion and the total expenditure incurred for the year was Kshs.9.7 Billion translating to 89% absorption.

### **a. Financial Performance**

The Authority total budgetary allocation for the year ended 30<sup>th</sup> June 2020 was Kshs 10.92 Billion. This represents a reduction of 14% compared to Kshs. 12.74 Billion allocation for the financial year 2018/19. The reduction in the budgetary allocation is attributed to the reduced funding of the Horizontal infrastructure because of budget cuts during the year. The Authority absorbed 89% of the allocated resources.

The total revenues realized by the Authority for the year was Kshs. 1.16 Billion. This represents a reduction of 21.5%. compared to Kshs 1.4 Million realized for the Financial year 2018/19. The total operation expenditure incurred by the Authority during the year was Kshs. 290 Million. This was representing a growth of 29% compared with Kshs. 225 Million incurred for the FY 2018/19 attributed to enhanced staff compliment during the year.

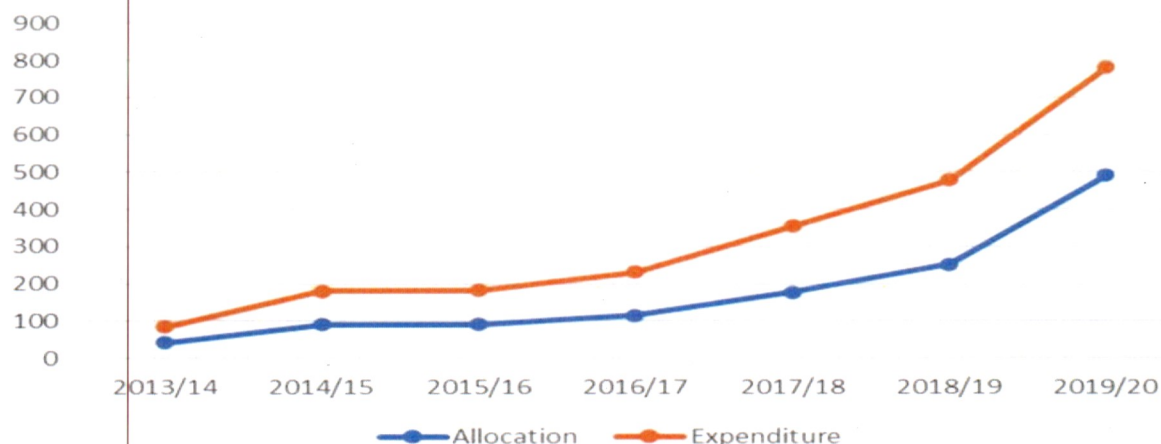
The capital Expenditure incurred for the year was Kshs. 9.4 Billion representing a reduction of Kshs. 1.9 Billion compared to Kshs. 11.3 Billion for Financial year 2018/19.

### **Seven Year Review of Authority Financial Performance**

#### **a) Recurrent Budget Expenditure Analysis**

<b>FY</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Description</b>	<b>Kshs 'Millions'</b>	<b>Kshs 'Million'</b>	<b>Kshs 'Million'</b>	<b>Kshs 'Million'</b>	<b>Kshs 'Million'</b>	<b>Kshs 'Million'</b>	<b>Kshs 'Million'</b>
<b>Allocation</b>	42	90	91	115	177	252	490
<b>Expenditure</b>	42	90	90	115	177	225	290
<b>Absorption rate</b>	100%	100%	99%	100%	100%	89%	59%

### Recurrent budget Allocation and Expenditure

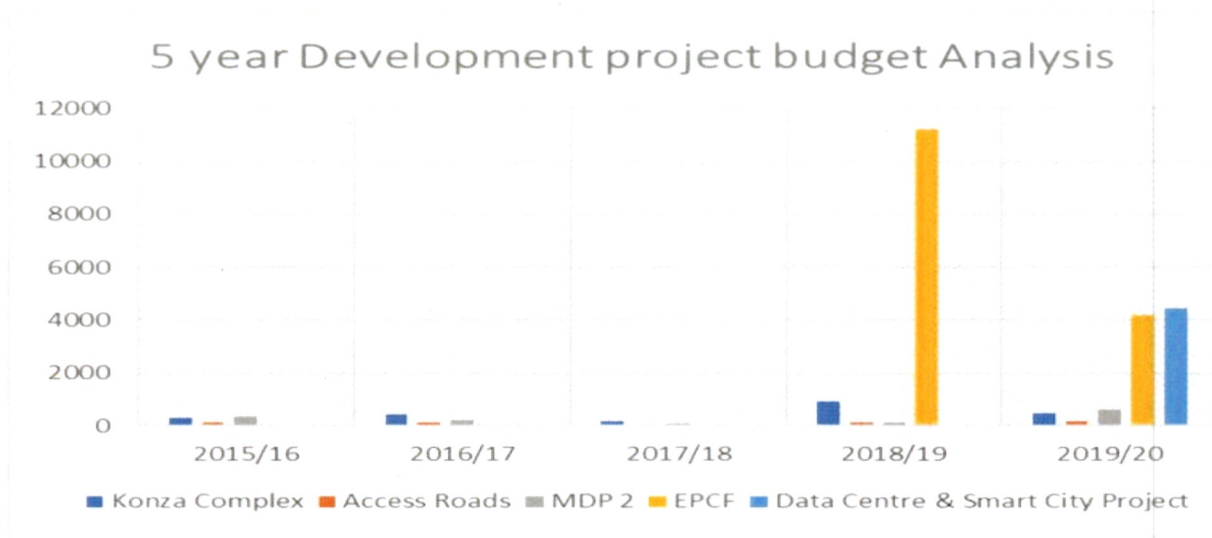


The budget absorption for the FY 2019/20 was low because during the 3<sup>rd</sup> and the 4<sup>th</sup> quarter of the financial year, the country was affected by the Covid-19 Pandemic which affected the operations of the Authority. There were restrictions in movement and scale down in operation in compliance with directives given by the government to mitigate on spread of Covid-19 infection. In addition, the Authority did not receive the Exchequer for the month of June 2020.

#### Development Budget Analysis Financial year 2015 -2020

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Description	Kshs 'Million'	Kshs 'Million'	Kshs 'Million'	Kshs 'Million'	Kshs 'Million'
Konzo Complex	300	458	171	950	490
Access Roads	150	116	37	133	166
MDP 2	360	200	75	150	630
EPCF Horizontal infrastructure	-	-	-	11,200	4,200
Data Centre & Smart City Project	-	-	-	-	4,480
<b>Total</b>	<b>810</b>	<b>774</b>	<b>283</b>	<b>12,433</b>	<b>9,966</b>

During the Financial year 2018/19, the Authority embarked on construction of the Horizontal infrastructure, this marked the first milestone in realization of the Smart Infrastructure. In the FY 2019/20 the Authority commenced the construction of the Konza National Data Centre and Smart City Facility project, there was a budget reduction in the FY 2019/20 which contributed to scale down in construction works and the pending bills for EPCF Horizontal infrastructure.



**b. Operational Performance**

**i. Relocation of Konza Offices to Konza Complex and strengthening of institutional capacity.**

The Konza Complex Office Block was completed in March 2020 and the Authority staff are now hosted at the complex. This has helped in facilitating onsite coordination and administration of ongoing projects at the Technopolis. The Authority also recruited additional 30 staff during year enhancing the institution capacity, the Authority now has the technical staff with the required expertise to supervise the ongoing projects.



*External view of Konza complex*

**ii. Horizontal Infrastructure:**

This Project covers 400 acres of Phase 1 of the Master plan and the Contract was awarded to Impresa Costruzioni Maltauro (ICM S.P.A.) in 2017. The Notice of Commencement of works for the project was granted to the Contractor- ICM SpA on 3<sup>rd</sup> August 2018 and is due for completion February 2022.

The project entails: Phase 1 streetscapes - roads, storm water drainage facilities, water distribution, sewage collection & treatment, electrical distribution conduits (passageways), fibre optics conduits and landscaping of streets and parks; Wastewater reclamation facility; Electrical system including power lines and numerous electrical substations. Public facilities that include Solid Waste Handling Facility; Police and Fire Station; an Entrance and Security Feature; and a Transit Hub.



*Aerial view of phase 1 Horizontal infrastructure*

Physical progress of the project as at 30.06.2020 was at 34.95 % with USD 152.868 Million spent of the total project cost of USD 391.9 million. The key activities undertaken during the year include:

**a) Development of Project Design**

As at the end 30.06.2020 that the overall percentage completion of design deliverables was at 80%. The Project Management Administration Controls were at 52.04% completion rate. The Basis of Design, Design Coordination and Drawings and specifications 86.3% completion stage and Construction Administration at 52%

**b) Construction**

The overall construction progress is as follows:

**Streetscape Phase 1 A:** Clearing, grubbing and excavation are substantially complete at about 99.08%. Excavation and Concrete works for utilities tunnel is a about 98% of completion and Back filling was at 25.29% of completion.

**Streetscape Phase 1B:** As at 30.06.2020 Clearing, grubbing and excavation were substantially complete at about 100%. Excavation and Concrete works for utilities tunnel is about 98.79% of completion and Back filling is at 34.87% of completion.



**City Perimeter Landscape Grading Phase 1B- North:** Excavation, Back filling Dumping of material had been completed as at the close of the financial year.

**Parks phase 1B-City Perimeter Landscape- South:** Dumping of material resulting from excavation was substantially complete at 100%. Excavation work was at 73.30% completion stage. Back filling had not yet begun

**Utility Tunnel:** Excavation activity and concrete works along the University Boulevard was on Progress at 23.99% of completion while the tunnel on Technology boulevard and Auto Boulevard are 41.90%.



*A section of utility tunnel under construction*

**Water Reclamation Facility:** As at 30.06.2020, the excavation works at the Water Reclamation Facility (WRF) was at 95.24% and the Clearance activity was at 100% of completion.



*A section of WRP under Constructions*

### **iii. Konza Data Centre and Smart city project**

The Ministry of Information, Communications and Technology and Huawei Technologies Co. Ltd signed a Commercial Contract for Konza Data Centre and Smart City Facilities on 26th June 2017. The project consists of: Phase 1 Data Centre which is a temporary containerized data centre to serve the Authority current requirements and government agencies that will require the service; Phase 2 Data Centre consisting permanent building and equipment to serve the long-term needs of the Authority and Smart City Facilities/Services & Virtual Desktop Infrastructure

**Phase I Data Centre** was completed during the year, power connected awaiting commissioning. These Data Centre will provide cloud backup services, physical server or space renting, cabinet or rack renting, as well as email services. Government organs and commercial entity will access local secured data centre services in the next financial year.

**Phase 2 Data Centre** also referred to as the Primary Data centre will support all ICT dependent applications, processes, and technologies for government institutions. The facilities will also be available for private enterprise The Civil works for the project is ongoing.



*Phase 1 Data Centre*



*Civil works for the primary Data Centre*

#### **iv. Innovation Ecosystem Initiative**

The Authority continued with its effort for strengthening the knowledge Economy pillar through the innovation Ecosystem initiatives. During the year, The Authority held the great covid19 innovation challenge, an initiative conceptualised by Konza Technopolis in collaboration with Association of country wide hubs as part of a series of innovation initiative launched by the authority in 2018. The innovation challenge and hackathon focused on the need to innovate around Covid-19 Pandemic. Startup suit was the winner with a solution aimed at enabling Small and Medium Enterprises to effectively manage their operations remotely, followed by Zinake a cloud-based platform that conveniently connects temporary workers to job opportunities in their locality at the click of a button. Garden fresh a localized agri-food system that provides year-round growing of food crops in urban areas came third. This was done through the Webinar.

**v. Strategic Partnerships and Investor Outreach**

During the financial year, the Authority continued engagements with key partners and stakeholders through strategic activities to achieve mutual benefits as outlined in the Memorandum of Understanding. Some of the activities undertaken during the year include the KEPSA-KoTDA forum, Konza Technopolis Golf Tournament, Property Developers and Financiers conference, the 36th IASP World Conference and the Konza Innovation Ecosystem Initiative activities.

The Authority delineated a total of 134 parcels within Phase 1 of Konza Technopolis, covering 400 acres for investments. So far, the city has attracted over a hundred investment interests for the Phase 1 parcels. The interests are drawn from public and private sectors, including both local and international investors. A total of 39 parcels have so far been cleared for investment in the Technopolis in the areas of Academia, Health, Technology, Energy and Real Estate.

Challenges and Constrains that hindered achievement of performance targets in the FY 2019/20 Performance Contract include:

- **Budgetary Constraints.** In the period under review, the Authority faced budgetary constraints especially EPCF Horizontal infrastructure and Data Centre that were reduced through the supplementary budget. These contributed of delayed Execution of some activities and penalties and interest on pending bill.
- **Partial Disbursement of Exchequer.** The Authority's Budget is funded by Exchequer and during the year, the exchequer for the 2<sup>nd</sup> half for development and June Recurrent budget was not disbursed. This contributed to delayed execution of planned development projects and operation activities.
- **Covid-19 Pandemic** affected the activities of the Authority leading to scale following the government directive for staff to work from home and restrictions in movement.

**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 with the Authority's mandate of developing the Konza Technopolis to smart standards the following projects were the Key projects for the 2019/ 20 FY:

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

<b>PROJECT NAME</b>	<b>Master Delivery Partner 2 (MDP 2) Consultancy Services</b>
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:	<p>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.</p> <p>The scope of the consultancy includes:</p> <ul style="list-style-type: none"> <li>• Project leadership.</li> <li>• Financial planning.</li> <li>• Project communication and marketing.</li> <li>• Development guidelines.</li> <li>• Land administration.</li> <li>• Management of design consultants.</li> <li>• Management of Construction contractors.</li> </ul>
Economic and social benefit	<ul style="list-style-type: none"> <li>• Provide professional consultancy services ensuring the development and operations of a smart city that will grow the GDP of Kenya by 2%.</li> </ul>
Sources of finance	<ul style="list-style-type: none"> <li>• <b>GoK through direct allocation</b></li> </ul>

#### 2. Konza Complex

<b>PROJECT NAME:</b>	<b>KONZA COMPLEX</b>
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	The project entails design and construction of the building (Konza Complex)

Description of Project:	<p>which comprises of three components with an estimated cost of 3.92 billion as shown below.</p> <p>a) 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.</p> <p>b) Conference facility, Kshs 0.72 Billion: This will host a model Huduma center and smart city exhibition spaces for both local and international partners.</p> <p>c) Residential (Hotel) block Kshs 1.2 Billion:</p> <p>d) The construction of the office block is complete while the Conference and Hotels block will be constructed in Phase 2</p>
Economic and social benefit	<ul style="list-style-type: none"> <li>• Provision of an approximate income of Ksh. 0.5 Billion per year to the GoK through the Authority from office space rent and leases.</li> <li>• Bringing GoK services closer to the people of Makueni, Machakos and Kajiado through the Model Huduma Centre in the building.</li> <li>• Spurring construction of buildings at Konza Technopolis this being the first building in the Technopolis.</li> <li>• Increase in government assets because it is a government building.</li> </ul>
Sources of finance	<b>GoK. Through direct allocation</b>

### 3. Phase 1A Public Buildings

<b>PROJECT NAME</b>	<b>PUBLIC BUILDINGS</b>
Project Purpose:	To operationalise Phase 1 City Management by the Authority.
Brief Description of Project:	<p>This covers the design, procurement and construction of the following municipal buildings essential for the operationalization of the Phase 1 Technopolis.</p> <ul style="list-style-type: none"> <li>• 2,500 m<sup>2</sup> Solid Waste Handling Facility</li> <li>• 4,400 m<sup>2</sup> Police and Fire Station</li> <li>• Entrance and Security Feature</li> <li>• 3,000 m<sup>2</sup> Transit Hub</li> </ul>
Economic and social benefit	<ul style="list-style-type: none"> <li>• Facilitate ease of Konza Technopolis Management Services in operating the Phase 1 of the Technopolis.</li> <li>• Support and foster development activities within the city's Phase 1 areas.</li> <li>• Enhance access to jobs, services and social networks to city inhabitants in Phase 1.</li> </ul>
Sources of finance	<b>GoK – Through EPCF or Direct allocation</b>

#### 4. Wastewater Reclamation Facility (Phase 1 sewer treatment plant)

<b>PROJECT NAME</b>	<b>WASTEWATER RECLAMMATION FACILITY (Phase 1A sewer treatment plant)</b>
Project Purpose:	To provide wastewater 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 Wastewater 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. <ul style="list-style-type: none"> <li>i. Phase 1A approximately 6,000 m<sup>3</sup> per day (m<sup>3</sup>/ day),</li> <li>ii. Phase 1B approximately an additional 6,000 m<sup>3</sup>/ day,</li> <li>iii. Phase 2 approximately 12,000 m<sup>3</sup>/ day,</li> <li>iv. Phase 3 approximately 12,000 m<sup>3</sup>/ day,</li> </ul>
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	<b>GoK. Through direct allocation for design and supervision.</b> <b>GoK through EPCF or direct allocation for construction.</b>

#### 5. Phase 1B Streetscape and Sub-Surface Utilities

<b>PROJECT NAME</b>	<b>PHASE 1B STREETScape &amp; SUBSURFACE UTILITIES</b>
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

	<p>optic line).</p> <p>It also contains transportation scope including the design and construction of internal roads, connection/s to existing road network, traffic circulation, pedestrian &amp; bicycles facilities and bus facilities.</p>
Economic and social benefit	<ul style="list-style-type: none"> <li>• Provide investors to Konza Technopolis with universal access to public utilities i.e. water, power, fibre, waste water lines, etc.</li> <li>• Support and foster development activities within the cities phase 1A areas.</li> <li>• Enhance access to jobs, services and social networks including for the most disadvantaged.</li> </ul>
Sources of finance	<ul style="list-style-type: none"> <li>• <b>GoK. Through EPCF or Direct allocation</b></li> </ul>

### 6. Konza Technopolis Electrical Network in phase 1

<b>PROJECT NAME</b>	<b>KONZA TECHNOPOLIS ELECTRICAL NETWORK (PHASE 1)</b>
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	<ul style="list-style-type: none"> <li>• Operationalize the first phase of Konza Technopolis</li> <li>• Support the ICT network for Phase 1 of the Technopolis.</li> </ul>
Sources of financing	<b>GoK through EPCF or direct allocation</b>

### 7. Konza Data Centre and Smart City Facilities Project

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

<p>Brief Description of Project:</p>	<p>The Konza project is aimed at establishing 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. 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.</p> <p>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.</p> <p>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 will 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.</p> <p>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.</p>
<p>Sources of finance</p>	<p><b>GoK. Through Government to Government Partnership with the Government of China.</b></p>

## 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 full Implementation of ERP system to support its functions.
- b. Disruption in Business Continuity due to change management and lack of succession plan
- c. Reliance on third party technology
- d. Employee Safety because of Covid-19 Pandemic
- e. Failure to achieve value for money on capital projects.
- f. Failure to dispose parcels in an efficient manner.
- g. Over reliance on external consultants to spearhead development of Technopolis

The Authority mitigates above risks by ensuring periodic risk assessment, monitoring and evaluation at regular intervals, succession planning and maintaining regular backup & recovery processes and sensitization of staff on safety guidelines and provision of sanitizers.

##### ii. Financial risks

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

- a. Budget constraints for business operations
- b. Currency fluctuation
- c. Contract disputes that result in unplanned costs
- d. Inability to meet financial obligations.
- e. Inability to raise adequate revenue.

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 disputes
- c. Contract 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. Spontaneous social media smear campaign
- c. Negative Brand reputation

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. Failure to create effective strategy.
- b. Inadequate resources to discharge mandate.
- c. Departure of key employees
- d. Failure to implement business continuity.
- e. Inadequate crisis management strategies
- f. Inadequate succession planning arrangements
- g. Failure to create effective strategy.

The Authority mitigates above risks by ensuring periodic risk assessment, monitoring and evaluation at regular intervals. In addition, the Authority is pursuing enactment of Konza Bill to mitigate on risk of business continuity.

## SECTION E

### Material arrears in statutory/financial obligations

The organization is following 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

Konza Technopolis Development 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.

## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

KoTDA has been partnering with key stakeholders in various initiatives to ensure that it does good to people and planet, in its drive towards economic development for the people of Kenya. During the year, the Authority carried out tree planting exercises during the long and short rains, in line with the presidential directive on accelerated National Tree Planting to attain 10% tree cover by 2022.

KoTDA also participated in the Eldama Ravine Half Marathon, an annual activity whose proceeds go towards conservation, security and supporting the education of needy children. The marathon for the year 2019 took place on 5<sup>th</sup> October 2019 and the KoTDA team planted at least 500 trees.



*KoTDA Team led by CEO Eng. John Tanui at Eldama Ravine*

The KoTDA team engaged in tree planting activity and interacted with the local business community, corporates and the entire Eldama Ravine community.



### Establishment of Covid-19 Contact Centre at Kenyatta Hospital

In response to the Covid-19 pandemic, the Authority designed and hosted a call center at the Kenyatta National Hospital to provide psycho-social support to health workers in Kenya. The center is hosted at the Konza National Data Center and aims to ensure that Kenya last line of defense is equipped to handle the burden brought about by the pandemic. The center is available for over 30,000 health workers of various cadres in Kenya.



*Cs MOICT Joe Mucheru, CAS MOHDr. Mercy Mwangangi and CEO KoTDA Eng. John Tanui at the official launch of the centre*



*The covid-19 contact centre staff*

### **The Covid-19 Hackathon**

The Authority worked with the Jua Kali Association of Kenya to disseminate information pertaining to Covid-19 with the aim of reducing the risk of disease through awareness creation within the SME sector. Together with other stakeholders, the Authority hosted Kenya's first online hackathon, seeking solutions to problems caused by the pandemic in three thematic areas – Health, Food and Dignified Work.

The Authority remains committed to its responsibility to the community and remains focused in playing its role as a responsible corporate citizen.

### **The Authority's Sustainability strategy and profile**

The Konza Technopolis as a project is aimed at establishing 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. The city will be integrated with 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. The smart infrastructure will enhance its livability, workability, and sustainability.

As per the Master Plan, smart city is a synthesis of hard infrastructure with the availability of quality knowledge communication and social infrastructure. The Authority has embarked on Phase 1 development of the city infrastructure: The Konza Complex office block is first building to constructed as per the green building standards. The other developers in the city will develop their infrastructure in line with city building code for sustainability.

The Horizontal infrastructure project includes Wastewater Reclamation Facility that will treat wastewater for reuse in watering garden, fire extinction among other uses. The streetscape will consist of pedestrians Walkways and trees to enhance livability in the city. The paved roads include underground cables and utility tunnels that will allow future expansion without causing loss or damage to the existing infrastructure.

### **Environmental performance**

The Authority has put in place a Biodiversity Management plan aimed at minimizing loss of habitats, species and ecological services within and around the Technopolis. The plan has provided a framework for protection of Biodiversity and promotion of awareness for Authority staff and stakeholders within and around the Technopolis. The following mitigation measures have been instituted by the Authority.

- a. **Clearance of flora from project footprint:** The current flora on site will be removed in perpetuity and replaced with structure and infrastructure. The project has put in place in the

following measures: demarcation of areas to be cleared, construction vehicles traversing the site to use demarcated roads and soil erosion control and water diversion are constructed immediately the vegetation is cleared.

- b. **Noise disturbance to ecologically sensitive species and migratory fauna:** Engineering controls have been put in place to reduce noise generating equipment and vehicles during construction.
- c. **Disturbance to ecological features due to constructions activities:** Dust suppression measures have been put in place including stockpiling to reduce dust emission during construction.

The Authority monitors periodically Environmental management measures to ensure all stakeholders are adhering to set measures.

## **IX. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the of Konza Technopolis Development Authority affairs.

### **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 the following infrastructure for Phase 1 is ongoing and expected to be completed in year 2022.

- a) Horizontal Infrastructure
- b) Konza complex
- c) National Data centre and Smart city Facility Project

### **Results**

The results of the entity for the year ended June 30, 2020 are set out on page one.

### **Directors**

The members of the Board of Directors who served during the year are shown on page xix. During the year, four directors were appointed: three in August and One in September 2019 and two retired in August 2019.

### **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 cent of its surplus funds reported in the audited financial statements after the end of each financial year. Konza Technopolis Development Authority is funded by Exchequer grants and did not make any surplus during the year FY 2019/20 and hence no remittance to the Consolidated Fund.

### **Auditors**

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

By Order of the Board

## X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 State Corporations Act Cap 446 requires the Directors to prepare financial statements in respect of Konza Technopolis Development Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

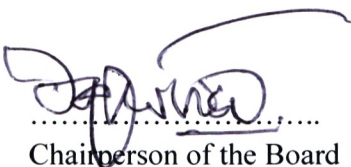
The Directors are responsible for the preparation and presentation of the Konza Technopolis Development Authority financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

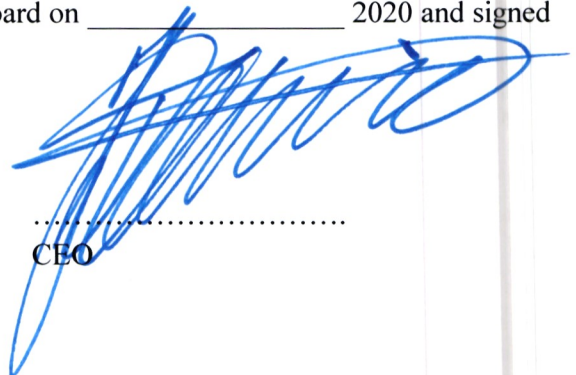
The Directors accept responsibility for the Konza Technopolis Development Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act Cap 446. The Directors are of the opinion that the Konza Technopolis Development Authority financial statements give a true and fair view of the Authority's state of transactions during the financial year ended June 30, 2020, and of the Konza Technopolis Development Authority financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Konza Technopolis Development Authority financial statements as well as the adequacy of the systems of internal financial control.

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

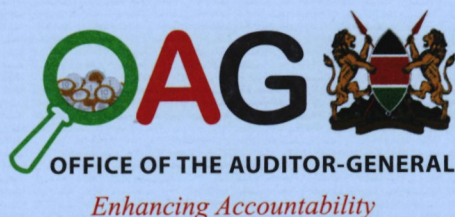
### Approval of the financial statements

The Authority's financial statements were approved by the Board on \_\_\_\_\_ 2020 and signed on its behalf by:

  
.....  
Chairperson of the Board

  
.....  
CEO

# REPUBLIC OF KENYA



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

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

## REPORT OF THE AUDITOR-GENERAL ON KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Konza Technopolis Development Authority set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Konza Technopolis Development Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with Legal Notice No. 23 of 28 March, 2012 and the Public Finance Management Act, 2012.

#### Basis for Opinion

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

#### Key Audit Matters

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

## **Other Matter**

### **Unresolved Prior Year Matter**

#### **Consultancy Services Expenditure**

The statement of financial position reflects Kshs.4,753,542,000 for property, plant and equipment as at 30 June, 2019. Included in this figure and as indicated at Note 17 to the financial statements is an amount of Kshs.1,484,887,000 relating to consultancy fees out of which the Authority paid Kshs.276,795,700 to Tetra Tech Inc. for various consultancy services during the financial year under review.

Examination of the payments revealed that the contract between Konza Technopolis Development Authority and Tetra Tech Inc. came into force on 30 June, 2014 for activities and scope to be undertaken being Project Leadership, Financial Planning, Project Communications, Development Guidelines, Land Administration, Design Management and Construction Management. However, no documentation was provided for audit review stating the timelines and the output of each activity and scope.

In the circumstances, it has not been possible to confirm whether the value for money was realized and whether the activities achieved the intended purposes.

The Management has not resolved the issue.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing else has

come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **Understaffing of the Authority**

The approved staff establishment for the Authority stood at one hundred and eighty-seven (187) whereas the in-post staff stood at sixty-three (63) as at March, 2021. This indicates a staff deficit of one hundred and twenty-four (124) members.

In the circumstances, the Authority may not be able to deliver on its mandate while the controls realized from segregation of duties may not be realized due to the few number of staff.

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

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

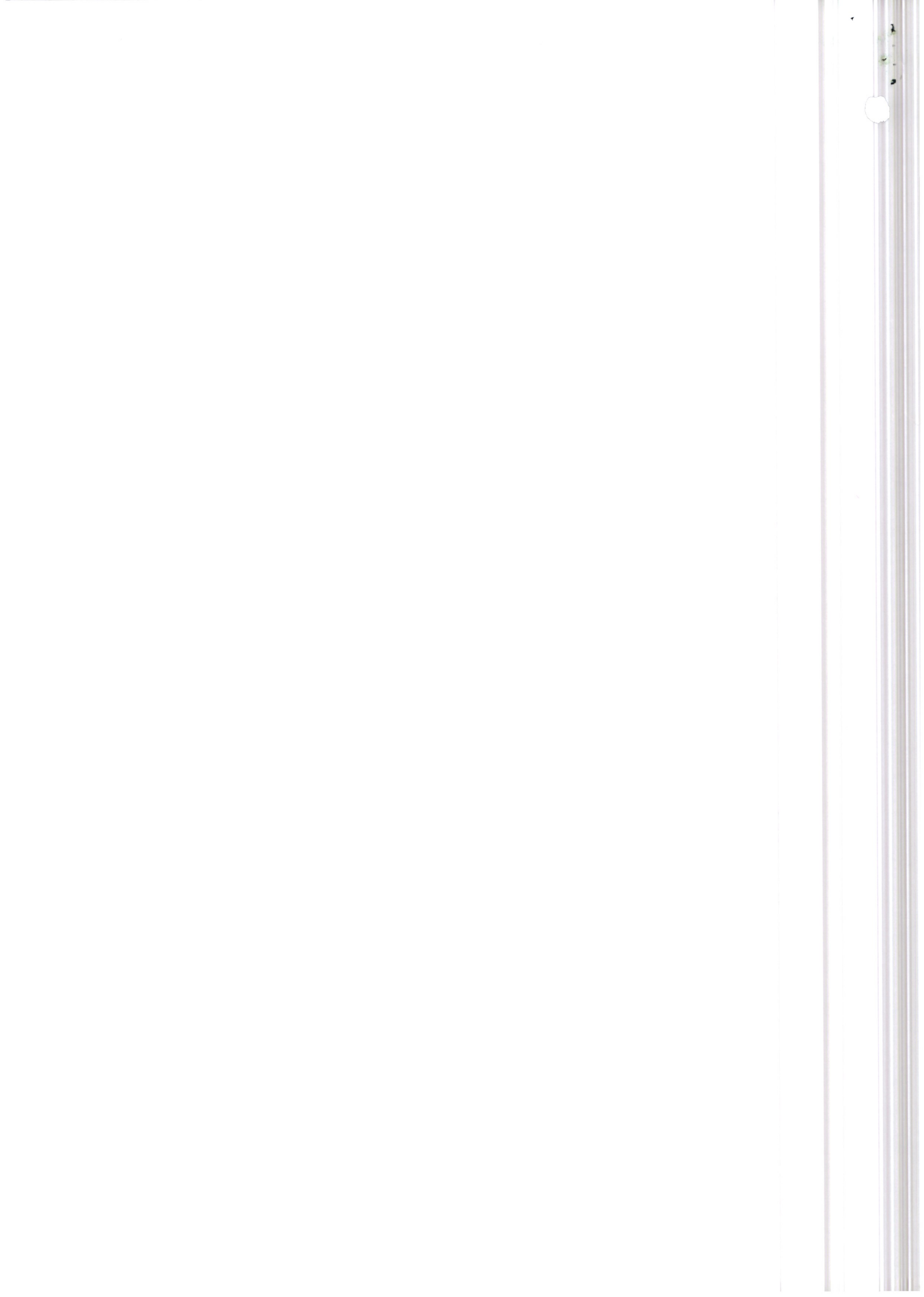
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

27 January, 2022



**XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020.**

		2019/20	2018/19
	Note		
		Kshs '000'	Kshs'000'
<b>Revenue from non-exchange transactions</b>			
Transfers from government	6	1,147,547	1,484,777
		<b>1,147,547</b>	<b>1,484,777</b>
<b>Revenue from exchange transactions</b>			
Other income	7	22,221	7,749
<b>Total revenue</b>		<b>1,169,768</b>	<b>1,492,526</b>
<b>Expenses</b>			
Employee Costs	8	127,969	112,557
Remuneration of Directors	9	24,001	29,406
Use of Goods and Services	10	119,868	85,595
Depreciation	11	7,802	4,693
Repairs and Maintenance	12	7,953	5,177
Other Expenses	13	40,408	12,103
<b>Total Expenses</b>		<b>328,001</b>	<b>249,531</b>
<b>Surplus/Deficit for the Period</b>		<b>841,767</b>	<b>1,242,994</b>

Transfers from the government consists of both recurrent and development grants. The surplus of Kshs. 841.7 Million are funds utilized in acquisition of Property, Plant and Equipment for the Authority capital projects.

The notes set out on pages 9 to 26 form an integral part of these Financial Statements.

**XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2019/20	2018/19
		Kshs '000'	Kshs '000'
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	14	702,142	551,053
Receivables from exchange transactions	15	74,579	67,504
Inventories	16	1,795	1,072
<b>Total Current Assets</b>		<b>778,517</b>	<b>619,628</b>
<b>Non-current Assets</b>			
Property, Plant and Equipment	17	5,312,015	4,753,542
Intangible Assets	18	42,227	42,227
Work in Progress	19	19,011,465	10,289,408
<b>Total Non-Current Assets</b>		<b>24,365,707</b>	<b>15,085,177</b>
<b>Total Assets</b>		<b>25,144,224</b>	<b>15,704,805</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	20	87,727	232,279
<b>Total Current Liabilities</b>		<b>87,727</b>	<b>232,279</b>
<b>Net assets</b>		<b>25,056,497</b>	<b>15,472,526</b>
Capital Reserve	22(a)	20,014,016	11,291,959
Revaluation Reserve	22(b)	22,435	15,815
Accumulated Surplus	22(c)	5,020,046	4,164,752
<b>Total Reserves</b>		<b>25,056,497</b>	<b>15,472,526</b>

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

**Head of Finance**

Name: Norman Mwangi

**Chairman of the Board**

Name: Dr. Arch. Reuben Mutiso, MBS

Date.....

Date.....

Date.....

**XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
<b>a) Capital reserve</b>		
<b>At beginning of the year</b>	11,291,959	1,002,550
Additions-Horizontal infrastructure & Data Centre grant	8,722,057	10,289,409
<b>At end of the year</b>	<b>20,014,016</b>	<b>11,291,959</b>
<b>b) Revaluation reserve</b>		
<b>At beginning of the year</b>	15,815	15,815
Additions	6,620	-
<b>At end of the year</b>	<b>22,435</b>	<b>15,815</b>
<b>c) Accumulated Surplus</b>		
<b>At beginning of the year</b>	4,164,752	2,921,554
Advance Recovery adjust/Payables W/off	13,528	204
Additions-Surplus for the year	841,767	1,242,994
<b>At end of the year</b>	<b>5,020,046</b>	<b>4,164,752</b>

**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 and Horizontal Infrastructure and Data Centre grant totaling to Kshs. 20.01 Billion

**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 and 2020.

**Accumulated Surplus**

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

**Advance Payment Recovery:**

Advance payment of Kshs. 13.5 Million recovered from Access road payments to Dar Al-Handasar was omitted in the accounts Receivables.

**XIV. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2020**

		<b>2019/20</b>	<b>2018/19</b>
	<b>Notes</b>		
		<b>Kshs '000'</b>	<b>Kshs '000'</b>
<b>Cash flows from Operating Activities</b>			
<b>Receipts</b>			
Transfers from government	6	1,147,547	1,484,777
Other income	7	22,221	7,749
		<b>1,169,768</b>	<b>1,492,526</b>
<b>Payments</b>			
Employee Costs	8	127,969	112,557
Remuneration to Board of Directors	9	24,001	29,406
Use of Goods and Services	10	119,868	85,595
Repairs and Maintenance	12	7,953	5,177
Other Expenses	13	40,408	12,103
		<b>320,199</b>	<b>244,838</b>
Increase in Inventories		(723)	(1,072)
<b>Net cash flows from operating activities</b>		<b>848,846</b>	<b>1,246,616</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and WIP assets		(546,128)	(1,036,291)
Decrease/increase in Accounts Payables		(144,552)	195,554
decrease in Accounts Receivable		(7,076)	94,928
<b>Net cash flows used in investing activities</b>		<b>(697,756)</b>	<b>(745,809)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>151,090</b>	<b>500,806</b>
Cash and cash equivalents at the beginning of year		551,053	50,246
<b>Cash and cash equivalent as at 30 June 2020</b>		<b>702,142</b>	<b>551,053</b>

**KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY  
FINANCIAL REPORT & STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2020**

The Budget Variance Analysis for the 2019/ 20 Financial Year as at 30.06.2020							
	Original Budget (A)	Adjustments (C-A)	Final budget ( C )	Actual	Performance difference	Absorption rate	
REVENUE	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	%	
Government grants and subsidies - Development	1,316,000	-	1,316,000	698,000	(618,000)	53% (A)	
A-in- A Foreign Loan	12,200,000	(3,600,000)	8,600,000	8,593,499	(6,501)	100%	
Government grants and subsidies - Recurrent	490,415	-	490,415	449,547	(40,868)	92%	
Balance b/f	450,619	-	450,619	450,619	-	100%	
Other Income	2,700	(2,010)	690	500	(191)	72%	
Interest	7,500	4,500	12,000	18,150	6,150	151% (B)	
lease fees	50,000	(50,000)					
Donations	790	2,000	2,790	3,572	782	128%	
<b>Total income</b>	<b>14,518,024</b>	<b>(3,645,510)</b>	<b>10,872,514</b>	<b>10,210,314</b>	<b>(659,409)</b>	<b>94%</b>	
<b>EXPENSES</b>							
<b>EMPLOYEE COSTS</b>	<b>191,761</b>	<b>-</b>	<b>191,761</b>	<b>127,969</b>	<b>63,792</b>	<b>67% (C)</b>	
Salaries & Wages	160,300	-	160,300	107,716	52,584	67%	
Employee related costs - contributions to NSSF	704	-	704	549	155	78%	
Gratuities & Pensions	30,757	-	30,757	19,703	11,054	64%	
<b>BOARD OF DIRECTORS EXPENSES</b>	<b>39,624</b>	<b>(12,500)</b>	<b>27,124</b>	<b>24,001</b>	<b>3,123</b>	<b>88%</b>	
Sitting Allowance	10,000	(3,500)	6,500	5,780	720	89%	
Travel, Accommodation and Subsistence	8,000	(3,000)	5,000	4,230	770	85%	
Hospitality and catering services	1,200	-	1,200	521	679	43%	
Chairman's Honoraria	1,460	(500)	960	960	-	100%	
Chairman Airtime	84	-	84	84	-	100%	
CEO's Salary	8,880	-	8,880	8,880	-	100%	
Board Training	3,000	(2,500)	500	242	258	48%	
Investor outreach and Facilitation	7,000	(3,000)	4,000	3,304	696	83%	
<b>GENERAL EXPENSES</b>	<b>272,870</b>	<b>(10,667)</b>	<b>262,203</b>	<b>130,196</b>	<b>138,474</b>	<b>48%</b>	
Utilities (Water, Electricity, sewerage & cleaning services)	8,900	(2,700)	6,200	3,416	2,784	55%	

**KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY**  
**FINANCIAL REPORT & STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Postage and telephone	6,800		6,800	1,710	5,090	25%
General office and consumables	4,900	3,600	8,500	3,785	4,715	45%
Printing and stationery	2,400	900	3,300	3,037	263	92%
Office rent	12,000	(2,047)	9,953	9,953	-	100%
Training and development	9,780	-	9,780	6,964	2,816	71%
Bank Charges	300	50	350	308	42	88%
Domestic travel and Subsistence	12,000	(6,000)	6,000	5,392	608	90%
PR, Advertising, Branding and Events	20,000	2,000	22,000	12,858	9,142	58%
Insurance	20,800	-	20,800	21,888	(1,088)	105%
Foreign Travel & subsistence	5,790	1,500	7,290	3,936	3,354	54%
Conferences and delegations	10,000	2,000	12,000	7,330	4,670	61%
Corporate Social Responsibility	1,000	-	1,000	817	183	82%
Professional services (Budget, risk, Occupation Cert& Asset Valuation)	10,500	(3,000)	7,500	1,365	6,135	18%
Konza Security	21,000	-	21,000	17,679	3,321	84%
Legal costs	7,175	(4,500)	2,675	1,850	825	69%
Club Membership	4,500	-	4,500	3,806	694	85%
Audit fee	2,000	-	2,000	1,000	1,000	50%
staff recruitment costs	12,025	-	12,025	10,845	1,180	90%
Purchase of Office furniture	64,000	-	64,000	1,557	62,443	2%
Team Building	6,000	-	6,000	1,485	4,515	25%
Property & Building Insurance	5,000	-	5,000	-	5,000	0%
Facility Management	12,000	(6,000)	6,000	2,346	3,654	39%
Internet, Domain and Web services	14,000	-	14,000	4,367	9,633	31%
Staff Uniform		530	530	-	530	0%
Taxes		3,000	3,000	5,551	(2,551)	100%
<b>REPAIRS AND MAINTENANCE</b>	<b>23,057</b>	<b>(12,343)</b>	<b>10,714</b>	<b>7,953</b>	<b>2,761</b>	<b>74% (E)</b>
Motor Vehicles Repair & Servicing	3,500	961	4,461	3,737	724	84%
Fuel and Lubricants	3,000	-	3,000	2,728	272	91%
Site Maintenance costs	12,300	(9,500)	2,800	1,035	1,765	37%
Borehole Maintenance	3,600	(3,600)	-	-		
Motor Vehicles Insurance	657	(204)	453	453	-	100%

**KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY  
FINANCIAL REPORT & STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

<b>OTHER EXPENSES</b>	<b>52,000</b>	<b>(10,000)</b>	<b>42,000</b>	<b>37</b>	<b>1,963</b>	<b>0% (F)</b>
Konza Greening	2,000	-	2,000	37	1,963	2%
Marketing and Legal Framework	50,000	(10,000)	40,000	-	40,000	0%
<b>CAPITAL EXPENDITURE</b>	<b>13,938,711</b>	<b>(3,600,000)</b>	<b>10,338,711</b>	<b>9,433,509</b>	<b>905,202</b>	<b>91%</b>
Phase 1 A Streetcape Design & Wastewater Reclamation	224,604	-	224,604	127,846	96,758	57% (J)
Konza Complex	787,319	-	787,319	250,042	537,277	32% (K)
Master Delivery Partner 2	630,000	-	630,000	311,043	318,957	49% (L)
Office Automation	16,788	-	16,788	7,903	8,885	47%(M)
EPCF	7,200,000	(3,000,000)	4,200,000	4,328,557	(128,557)	103% (N)
Data centre and Smart city Facilities	5,080,000	(600,000)	4,480,000	4,408,117	71,883	98%
<b>TOTAL EXPENDITURE</b>	<b>14,518,023</b>	<b>(3,645,510)</b>	<b>10,872,513</b>	<b>9,726,187</b>	<b>1,106,326</b>	<b>89%</b>

**Budget notes**

**A:** The under absorption of Gok Exchequer grant was due to non-disbursement of half year development budget by National Treasury and one-month exchequer recurrent grant. This adversely affected execution of on-going development projects and procurement resulting in scale down and non-execution of tasks during the quarter.

**B: Bank interest:** The bank interest was earned on Retention funds deposits held on Authority bank accounts that had not been disbursed to the contractor due to delayed completion and handover of Konza Complex. The contractor's works were affected by movement restrictions due to Covid-19 Pandemic.

**C: Employee Costs:** The low budget absorption is attributed to delay in recruitment and reporting of new employees. The process was affected by Covid-19 Pandemic, there were restrictions in movement and scale down of operations as staff were encouraged to work from home. Although interviews and appointment were concluded during the year, the recruited staff were advised to report in FY 2020/21.

**D: General Office Expenses:** The low budget absorption was attributed to the effects of Covid-19 Pandemic. There was a delay in completion of Konza Complex office block as the contractor responsible had limitation in movement because of restriction of movement in and out of Nairobi. The Building has not been handed over, and the payment for OSHA Certificate and General insurance for property and building was not done. There was a delay in procurement process for office furniture due to delayed disbursement of Recurrent Exchequer funds. The two-month exchequer disbursement was done in May and advertisement was also done in the same month. Delivery of furniture is expected to be done in the first quarter of FY 2020/21. There was a scale down in operation as staff were encouraged to work this in reduction of costs for utilities and General office supplies. Valuation of Assets was to be facilitated by Ministry of Public Works based in Nairobi who were affected by movement restrictions.

**E: Repairs and Maintenance:** The low budget absorption is attributed to site maintenance and Landscaping that was done due to scale down of operations and safety guidelines issued due to Covid-19 Pandemic. The works required physical presence, and these was not possible.

**F: Other Expenses:** The low budget absorption was because of the rescheduling of the planned tree planting exercise due to the Corona Pandemic as these works required physical presence. The Authority will be partnering with Kenya Forest Service to undertake the activity in the next financial year.

**J: Phase 1 Streetscape and Wastewater Reclamation Facility:** These absorption of the allocated was affected by non-disbursement of half year allocation of the development Exchequer. Although the approved budget for the line item was not rationalized during supplementary No.2 Estimates, the National Treasury reduced the budget for Horizontal Infrastructure resulting to scale down as the works supervised are under the project.

**K: Konza Complex:** The low budget absorption is attributed to non-disbursement of Exchequer for development and delay in completion of Konza Complex as the final certificate for the office block had not been submitted as there were some pending works to be carried. The execution of the Contractors works was affected by the Covid-19 Pandemic Restrictions. There was also a delay in submission of design and advertisement of the construction of the conference facility. The contract was awarded in June and the contractor is expected to begin the works in the FY 2020/21.

**L: MDP 2 Consultancy:** The absorption was attributed to non-disbursement of half year budget allocation and delay in resumption of works due limitation in movement due to Covid-19 Pandemic.

**M: Office Automation:** The absorption was attributed to delay in payment of retention funds to ERP Consultants as transfer and testing had not been completed during the period

**N: EPCF Horizontal Infrastructure:** This was affected by budget rationalization that reduced the budget leading to pending bills for the executed works

## **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 No. 23 of 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is development of Konza Technopolis as Sustainable smart city and innovation hub.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment which have been measured at fair value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority and rounded off to the nearest thousands of shillings.

The financial statements have been prepared in accordance with the PFM Act, 2012 the State Corporations Act cap 446 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **3. ADOPTION OF NEW AND REVISED STANDARDS**

#### **i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020.**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 42: Social Benefits</b>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>Adoption will enhance reliability in reporting for the staff gratuity fund run by the Authority.</i></p>

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**ii. Early adoption of standards**

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Fees, taxes, and fines**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***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 Authority.

***Rendering of services***

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

***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.

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**b) Budget information**

The original budget for FY 2019-2020 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The Reduction in appropriations were reduced from the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded the reduction in appropriations of the budget in January 2020 and May 2020 following the approval by the Board.

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

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

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

**c) Taxes**

*Current income tax*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**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.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. 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**

The Authority does not have a finance lease. The Authority had an operating lease for office space and the lease did not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**f) Intangible assets**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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) Inventories**

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

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

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

**h) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments Recognition and Measurement: The assets 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 Authority has recognized the accounts received under this category.

**Loans and receivables**

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

**Impairment of financial assets**

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**h) Provisions**

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**Contingent liabilities**

The Authority does not recognize a contingent liability but will disclose 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.

**i) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. Capital reserves for Capital Assets under development and revaluation for all revalued Assets.

**j) Changes in accounting policies and estimates**

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

**k) Employee benefits**

**Retirement benefit plans**

The Authority provides retirement benefits for its employees. 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. The Authority operates a Defined contribution plans.

**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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**l) 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.

**m) Related parties**

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

**n) Service concession arrangements**

The Authority 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 Authority 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 Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**o) 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.

**p) Comparative figures**

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

**q) 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, 2020.

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Authority’s financial statements in conformity with IPSAS which 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 not result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

- The Authority is a going concern and will continue to be in the existence in the foreseeable future.
- The Accounts Receivable will be made good by debtors, no provisions have been made for bad debts.

The Authority 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 Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- 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

**6. a) Transfers from Government**

	<b>2019-2020</b>	<b>2018-2019</b>
<b>Description</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
<b>Unconditional grants</b>		
Operational grant	449,547	251,777
Development	698,000	1,233,000
<b>Total</b>	<b>1,147,547</b>	<b>1,484,777</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**b) 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	2018-2019
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	KShs'000'
Ministry of ICT	1,147,547	-	-	1,147,547	1,484,777
<b>Total</b>	<b>1,147,547</b>	<b>-</b>	<b>-</b>	<b>1,147,547</b>	<b>1,484,777</b>

**7. Other Incomes**

	2019-2020	2018-2019
Description	Kshs '000'	Kshs '000'
Interest Income	18,150	5,394
Sale of Grass	500	1,753
Other incomes	3,572	602
<b>Total</b>	<b>22,221</b>	<b>7,749</b>

**8. Employee costs**

	2019-2020	2018-2019
Description	Kshs '000'	Kshs '000'
Salaries & Wages	107,716	83,029
Employee related costs – contrib. to NSSF	549	396
Gratuities & Pensions	19,703	29,131
<b>Total</b>	<b>127,969</b>	<b>112,557</b>

**9. Remuneration of Directors**

	2019-2020	2018-2019
Description	Kshs '000'	Kshs '000'
Sitting Allowance	5,780	7,240
Travel, Accommodation and Subsistence	4,230	3,893
Catering services and Hospitality	521	773
Chairman's Honoraria	960	837
Airtime	84	73
Board Secretary/CEO Salary	8,880	8,880
Board Training	242	1,263
Investor Outreach and Facilitation	3,304	6,447
<b>Total</b>	<b>24,001</b>	<b>29,406</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. Use of Goods and Services**

	<b>2019-2020</b>	<b>2018-2019</b>
<b>Description</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Utility (water, sewerage & cleaning services)	3,410	2,428
Postage and telephone	1,688	2,281
General office and consumables	3,785	1,354
Printing and stationery	3,037	2,040
Office rent	9,493	10,472
Training and development	6,964	6,617
Bank Charges	318	238
Domestic travel and Subsistence	4,549	5,124
PR, Advertising, Branding and Events	12,858	7,246
Insurance	15,362	11,112
Foreign Travel & subsistence	4,042	3,767
Conferences and delegations	7,443	5,226
Corporate Social Responsibility	817	314
Konza Security	17,679	15,811
Legal fee	1,850	928
Club Membership	3,806	1,982
staff recruitment costs	10,845	3,635
Profession fees	4,936	-
Audit fees	-	1,000
Team Building	1,435	3,211
Tax	5,551	809
<b>Total</b>	<b>119,868</b>	<b>85,595</b>

**11. Depreciation**

<b>11. Depreciation and amortization expense</b>		
<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Property, Plant and Equipment	7,802	4,693
Intangible assets	-	-
<b>Total</b>	<b>7,802</b>	<b>4,693</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. Repairs and Maintenance**

	<b>2019-2020</b>	<b>2018-2019</b>
<b>Description</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Motor Vehicles Repair and Servicing	3,737	2,657
Fuel and Lubricants	2,728	1,810
Site Maintenance costs	1,035	247
Motor Vehicles Insurance	453	462
<b>Total</b>	<b>7,953</b>	<b>5,177</b>

**13. Other Expenses**

	<b>2019-2020</b>	<b>2018-2019</b>
<b>Description</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Konza Greening	37	290
Project Administration costs	22,353	8,535
Data Centre Administration costs	13,651	
Office Automation	4,367	3,278
<b>Total</b>	<b>40,408</b>	<b>12,103</b>

**14. Cash and Cash Equivalent**

<b>Description</b>		<b>2019-2020</b>	<b>2018-2019</b>
	<b>Account number</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Current account	1141631520	680,796	539,268
Development A/c	1258227568	21,346	11,785
<b>Total</b>		<b>702,142</b>	<b>551,053</b>

**Details of Cash and Cash Equivalent**

<b>Financial institution</b>	<b>Account number</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Kenya Commercial bank			
a) Current Account	1141631520	680,796	539,268
b) Development Bank A/c	1258227568	21,346	11,785
<b>Total</b>		<b>702,142</b>	<b>551,053</b>

**15. Receivables from Exchange Transaction**

	<b>2019-2020</b>	<b>2018-2019</b>
<b>Description</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Staff Advances	-	257
Prepaid Insurance	6,526	703
Prepaid Infrastructure	66,000	66,000
Water Debtors	353	543
Deposit for Electricity	1,700	-
<b>Total receivables</b>	<b>74,579</b>	<b>67,504</b>

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**16. Inventory**

	<b>2019-2020</b>	<b>2018-2019</b>
<b>Description</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Stores Consumables	1,795	1,072
<b>Total</b>	<b>1,795</b>	<b>1,072</b>

**KONZA TECHNOLOGICAL DEVELOPMENT AUTHORITY  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17. Property, Plant, Equipment and WIP**

	Land		Motor vehicles		Furniture and fittings		Computers		Office Equipment		Boreholes		Capital Work in progress			WIPMDP2		Total	
	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Building	Water works	Access road	Consultancy fees	Shs '000'	Shs '000'	
<b>Cost</b>																			
At 1st of July 2018	1,000,000	23,057	10,142	13,302	3,581	-	926,928	76,864	499,629	1,208,091	3,761,595								
Additions			1,120	501			698,309	3,789	55,871	276,796	1,036,386								
Transfer/adjustments	-																		
As at 30th June 2019	1,000,000	23,057	11,262	13,803	3,581	-	1,625,237	80,653	555,500	1,484,887	4,797,980								
Additions			282	7,903	2,969		250,042	16,117	96,435	185,813	559,560								
Transfer/adjustments	-	6,620				9,700		(9,700)			6,620								
As at 30th June 2020	1,000,000	29,677	11,544	21,706	6,550	9,700	1,875,279	87,070	651,935	1,670,699	5,364,160								
<b>Depreciation and impairment</b>																			
At 1st July 2018	-	21,456	4,493	12,065	1,731	-	-	-	-	-	28,179								
Depreciation 2018/19		1,601	1,408	1,237	448	-					4,693								
Disposals																			



*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**18. Intangible Assets-Software**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
<b>Cost</b>		
<b>At beginning of the year</b>	42,227	38,635
Additions	-	3592
<b>At end of the year</b>	42,227	42,227
Additions-internal development	-	-
<b>At end of the year</b>	42,227	42,227
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	-	-
Amortization	-	-
<b>At end of the year</b>	-	-
Impairment loss	-	-
<b>At end of the year</b>	42,227	42,227
<b>NBV</b>	<b>42,227</b>	<b>42,227</b>

**19. Work in progress**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Capital Reserves	10,289,408	10,289,408
Horizontal Infrastructure	4,328,557	
Data Centre	4,393,499	
<b>Total WIP</b>	<b>19,011,465</b>	<b>10,289,408</b>

**20. Trade and other Payables**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Trade payables	5,592	7,872
Pay As You Earn	-	122
NHIF	-	10
Other payables	60,790	212,490
Staff gratuity Fund	21,346	11,785
<b>Total</b>	<b>87,727</b>	<b>232,279</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**21. Cash generated from Operations.**

22. Cash generated from operations	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
<b>Surplus for the year before tax</b>	841,767	1,242,994
<b>Adjusted for:</b>		
Depreciation	7,802	4,693
Non-cash grants received		
<b>Working Capital adjustments</b>		
Decrease/Increase in inventory	(724)	1,072
Decrease in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
<b>Net cash flow from operating activities</b>	<b>848,845</b>	<b>1,246,616</b>

**22. General Reserves:**

**a) Reserves**

		2019-2020	2018-2019
		Kshs '000'	Kshs '000'
Capital Reserve	23(a)	20,014,016	11,291,959
Revaluation Reserve	23(b)	22,435	15,815
Accumulated Surplus	23(c)	5,020,046	5,021,312
<b>Total Reserves</b>		<b>25,056,497</b>	<b>16,329,086</b>

**b)**

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
<b>a) Capital reserve</b>		
<b>At beginning of the year</b>	11,291,959	1,002,550
Additions-Horizontal infrastructure grant	8,722,057	10,289,409
<b>At end of the year</b>	<b>20,014,016</b>	<b>11,291,959</b>
<b>b) Revaluation reserve</b>		
<b>At beginning of the year</b>	15,815	15,815
Additions	6,620	-
<b>At end of the year</b>	<b>22,435</b>	<b>15,815</b>
<b>c) Accumulated Surplus</b>		
<b>At beginning of the year</b>	4,164,752	2,921,554
Advance Recovery adjust/Payables W/off	13,528	204
Additions-Surplus for the year	841,767	1,242,994
<b>At end of the year</b>	<b>5,020,046</b>	<b>4,164,752</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**23. Financial Risk Management**

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

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

**(i) Credit risk**

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables 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 Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>As at 30 June 2020</b>				
Receivables from exchange transactions	74,579	74,579	-	-
Bank balances	702,142	702,142	-	-
<b>Total</b>	<b>776,721</b>	<b>776,721</b>	-	-
<b>As at 30 June 2019</b>				
Receivables from exchange transactions	67,504	67,506	-	-
Bank balances	551,053	551,053	-	-
<b>Total</b>	<b>618,557</b>	<b>618,559</b>	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal. No allowance been recognized for uncollectible has recognised in the financial statements.

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

**24. Related Party Balances**

**a) Nature of related party relationships**

KoTDA and other parties related to it 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**

	2020	2019
	Kshs	Kshs.
Transfers from related parties'	1,147,547	1,484,777
Transfers to related parties	38,610	38,610
	<u>=====</u>	<u>=====</u>

**c) Key management remuneration**

	2020	2019
	Kshs	Kshs
Directors per sitting	20,000	20,000
Key management compensation per month	470,000	470,000

**25. Events after the reporting period**

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

**26. Ultimate and Holding Entity**

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

**27. 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.

Referen ce No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved / Not Resolved</i> )	Timefram e: ( <i>Put a date when you expect the issue to be resolved</i> )
1	<p><b>Consultancy Services Expenditure of Kshs. 276,795,700 for various consultancy services during the year.</b></p> <p>The Examination of the payments revealed the Authority into a contract with Tetra Tech Inco. which come into force on 30<sup>th</sup> June 2014 for activities and scope being Project Leadership, Financial Planning, Project Communications, Development Guidelines, Land Administration, Design Management, Construction Management. However, no documentation was provided for audit review stating the time plan and the output for each activity and scope. In the circumstances it was not to confirm whether the value for money was realized and whether the activities achieved intended purpose.</p>	<p>The documents and performance reports including time schedule, scope and output for each task were availed to the Auditors. The Authority confirms the consultants have been instrumentals in the implementation of Phase 1 of the Konza Master Plan among their key deliverables included the Master plan and development guidelines which are that are currently being used for implementation of Construction of Horizontal infrastructure, Data Centre and Smart City Facility project as well as onboarding of investors.</p>	Clement Tongi Project Manager	Resolved	

C.E.O

Date.....

## **XVIII. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

### **Projects**

Projects implemented by the Konza Technopolis Development Authority Funded by development partners

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements. (Yes/No)</b>
1. EPCF Horizontal Infrastructure project		ICM SPA	August 2018- Feb 2022	USD 391.9 million	No	Yes
2. Konza National Data Centre and Smart city project		Huawei Technologies Company	July 2019- June 2022	USD 175 million	No	Yes

### **Status of Projects completion**

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	EPCF Horizontal Infrastructure project	USD 391.9 Million	USD 152.68 Million	34.95	Kshs. 4.2 Billion	Kshs. 4.2 Billion	Foreign loans
2	Konza National Data Centre and Smart city project	USD 184.8 Million	USD 44.07 Million	30%	Kshs. 4.48 Billion	Kshs. 4.407 Billion	Foreign loans and Gok Exchequer

#### **1. Horizontal Infrastructure Phase 1**

This Project covers 400 acres of Phase 1 of the Master plan and the Contract was awarded to Impresa Costruzioni Maltauro (ICM S.P.A.) in 2017. The Notice of Commencement of works for the project was granted to the Contractor- ICM SpA on 3<sup>rd</sup> August 2018 and is due for completion early 2022.

The project entails:

1. Phase 1 streetscapes - roads, storm water drainage facilities, water distribution, sewage collection & treatment, electrical distribution conduits (passageways), fibre optics conduits and landscaping of streets and parks.
2. Wastewater reclamation facility.
3. Electrical system; including power lines and numerous electrical substations.
4. Public facilities that include Solid Waste Handling Facility; Police and Fire Station; an Entrance and Security Feature; and a Transit Hub.

Physical progress of the project is at 34.95 % with USD 152.868 Million spent of the total project cost of USD 391.9 million. The key activities undertaken during the period include:

**a) Development of Project Design**

As at the end 30.06.2020 that the overall percentage completion of design deliverables was at 80%. The Project Management Administration Controls were at 52.04% completion rate. The Basis of Design, Design Coordination and Drawings and specifications 86.3% completion stage and Construction Administration at 52%

**b) Construction**

The overall construction progress is as follows:

**Streetscape Phase 1 A:** Clearing, grubbing and excavation are substantially complete at about 99.08%. Excavation and Concrete works for utilities tunnel is a about 98% of completion and Back filling is at 25.29% of completion.

**Streetscape Phase 1B:** Clearing, grubbing and excavation were substantially complete at about 100%. Excavation and Concrete works for utilities tunnel is about 98.79% of completion and Back filling is at 34.87% of completion.



**City Perimeter Landscape Grading Phase 1B North:** Dumping of material was complete at 100%. Excavation and Back filling were 100% complete.

**Parks phase 1B- Summary of City Perimeter Landscape- South:** Dumping of material is resulting from excavation was substantially complete at 100%. Excavation work was at 73.30% completion stage. Back filling had not yet begun.

**Utility Tunnel:** Excavation activity and concrete works along the University Boulevard was on Progress at 23.99% of completion while the tunnel on Technology boulevard and Auto Boulevard are 41.90%.



*A section of utility tunnel under construction*

**Water Reclamation Facility:** As at 30.06.2020, the excavation works at the Water Reclamation Facility (WRF) was at 95.24% and the Clearance activity was at 100% of completion.



*A section of WRP under Constructions*

## **2. Konza Data Centre and Smart city project**

The Ministry of Information, Communications and Technology and Huawei Technologies Co. Ltd signed a Commercial Contract for Konza Data Centre and Smart City Facilities on 26th June 2017. The project consists of:

- a) Phase 1 Data Centre which is a temporary containerized data centre to serve the Authority current requirements and government agencies that will require the service.
- b) Phase 2 Data Centre consisting permanent building and equipment to serve the long-term needs of the Authority.
- c) Smart City Facilities/Services & Virtual Desktop Infrastructure

**Phase I Data Centre** was completed during the quarter, power connected awaiting commissioning.



*Phase 1 Data Centre*

**Phase 2 Data Centre:** The project is at 20% completion level for the Civil works as outline shown in the picture below:



**XIX. APPENDIX III: INTER-ENTITY TRANSFERS**

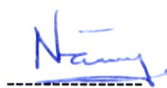
	ENTITY NAME:	MINISTRY OF INFORMATION, COMMUNICATION & TECHNOLOGY		
	<b>Break down of Transfers from the State Department of Innovation and Technology</b>			
	<b>FY 19/20</b>			
a.	<b>Recurrent Grants</b>			
		<u>Bank Statement Date</u>	<u>Amount (Kshs '000')</u>	<u>FY to which the amounts relate</u>
	Transfers from Ministry of ICT	03.10.2019	122,604	19/20
	Transfers from Ministry of ICT	02.12.2019	122,604	19/20
	Transfers from Ministry of ICT	18.02.2020	122,604	19/20
	Transfers from Ministry of ICT	09.06.2020	40,868	19/20
	Transfers from Ministry of ICT	09.06.2020	40,868	19/20
			<b><u>449,547</u></b>	
b.	<b>Development</b>			
	Transfers from Ministry of ICT	31.10.2019	40,000	19/20
	Transfers from Ministry of ICT	31.10.2019	40,000	19/20
	Transfers from Ministry of ICT	11.12.2019	618,000	19/20
			<b><u>698,000</u></b>	
	Grand Total		<b><u>1,147,547</u></b>	

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

Chief Manager Finance, HR & Admin  
Konza Technopolis Development Authority

Head of Accounting Unit  
Ministry of ICT

Sign



Sign-----

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

The Authority did not receive transfers from other government entity other than the inter-entity transfers from Ministry of ICT.

