

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
INFORMATION AND COMMUNICATIONS
TECHNOLOGY AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2016**





INFORMATION AND COMMUNICATIONS
TECHNOLOGY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2016

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



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(I) KEY ICT AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

The principal activity of the ICT Authority is to rationalize and streamline the management of all Government of Kenya ICT functions. Its broad mandate entails enforcing ICT standards in Government and enhancing the supervision of its electronic communication. The Authority also promotes ICT literacy, capacity, innovation and enterprise in line with the Kenya National ICT Masterplan 2016.

(c) Key Management

The ICT Authority management is under the following key organs:

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

Name	Designation
1. Robert Mugo	Ag. Chief Executive Officer
2. Eunice Kariuki	Director Partnerships, Innovation and Capacity Development
3. Paul Ronoh	Director Programmes and Standards

(e) Fiduciary Oversight Arrangements

(i) Finance Committee

The Finance Committee of Board ensures effective financial management of the ICT Authority. They therefore review and monitor the budget of the institution. The committee also ensures that the tendering, procurement and disposal of assets are administered as per



Government and Donor regulations. On a quarterly basis, the management presents a financial report to the committee.

(ii) Human Resource Committee

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

(iii) e-Gov ITES Committee

The information Technology Enabled Services Committee offers the technical advice to the Board in relation to the projects and programmes of the Authority. The ITES committee oversees the implementation of the projects under the GOK and TCIP Project and make the recommendations to the Board.

(iv) Audit Committee

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

(v) Project Governance Oversight Committee

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

(f) ICT Authority Headquarters

P. o Box 27150-00100

Telposta Towers

12th Floor, Kenyatta Avenue

Nairobi, Kenya

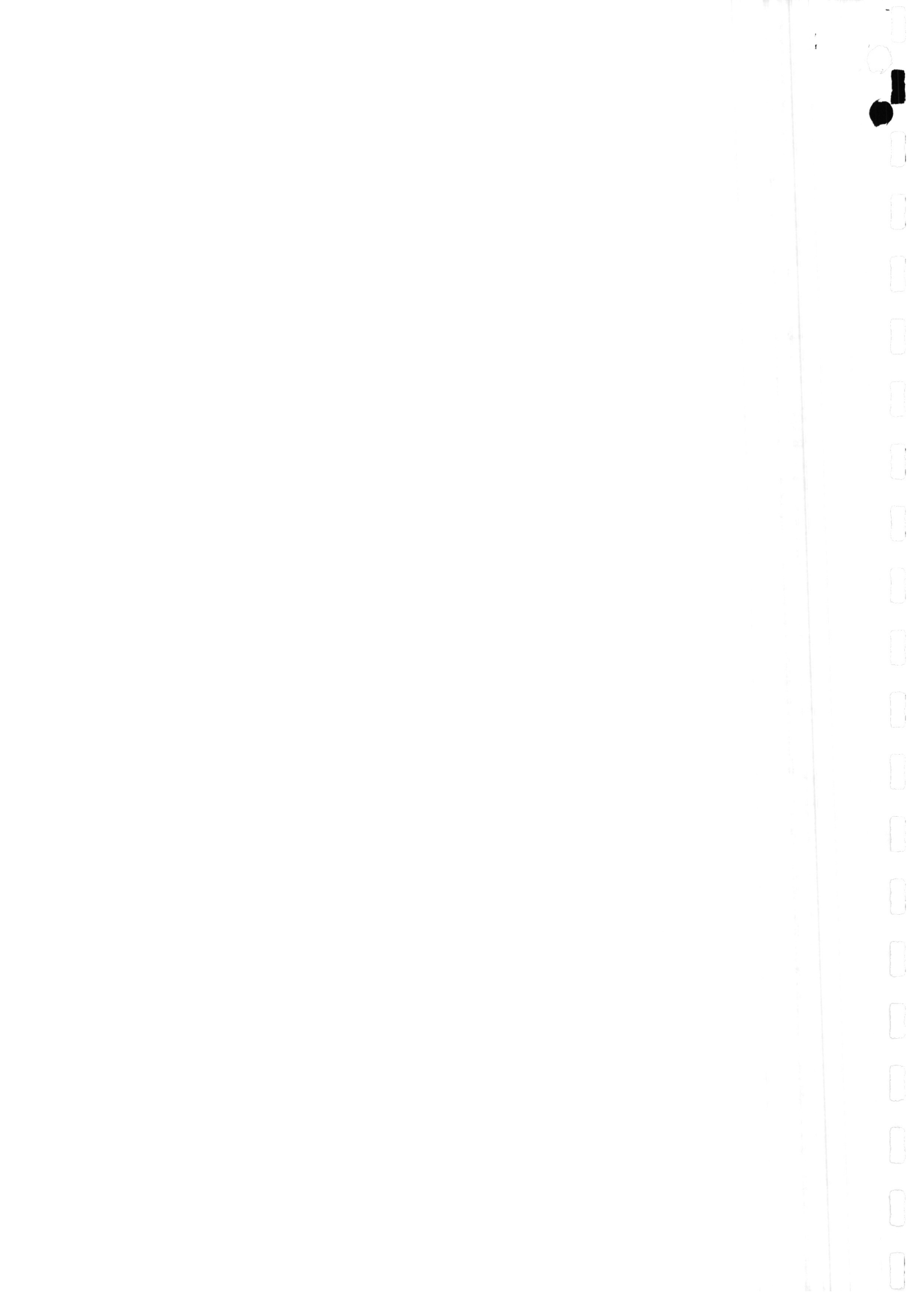
(g) ICT Authority Contact

Tel: +254-20-2089061

Nairobi, Kenya

Email: communications@ict.go.ke

Website: www.icta.go.ke



(h) Banker

Citibank NA, Citibank House, Upper Hill Road,

P.o Box 30711-00100

Tel: +254-20-2711221

Nairobi, Kenya

(i) Independent Auditor

Auditor-General

Anniversary Towers, University Way

P.o Box 30084-00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.o Box 40112-00200

Nairobi, Kenya



II. THE BOARD OF DIRECTORS



Chairman- Edwin Yinda

DoB: 23-09-1952

Edwin Yinda is a businessman and a former Member of Parliament. He has worked for various shipping companies. He has held various positions including: Managing Director and shareholder of Span freight Shipping Ltd, Director Kenya Pipeline Company Ltd, Director and Shareholder of Cent savvy Investments Ltd, Chairman and main shareholder Venus Tea Brokers Ltd, Chairman and Executive Director Supply Linkages Ltd, Board member St. Andrew's school, Turi and Trustee of Wema Centre

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



Prof. Timothy Mwololo Waema

DoB: 10-02-1960

Prof. Waema is Professor of Information Systems in the University of Nairobi. He holds a PhD in Strategic Management of Information Systems from University of Cambridge (UK) and an Honours Degree in Electrical and Electronics Engineering from University of Bath (UK). He has extensive ICT for development research experience, research and consultancy in ICT and development, information systems design and development, strategic planning, project management, change management, information systems management, and human resource management. He is a professional member of the Association for Computing Machinery.



Mr. Ugas Mohammed

DoB: 17-05-1972

Mr. Ugas Mohammed is a director, Frontier optical networks Ltd and Executive Director at the Globetek systems Kenya Ltd. He has also served and held various management board positions and board of trustees, both in the private and not-for-profit sectors. He has a Bachelor of Science in Information Systems and an MBA in Project management.





Ms Bertha Dena

DoB: 19-06-1956

Ms Bertha Dena is a Lecturer at the United States International University. She holds an MBA from Maastricht School of Management Netherlands and Eastern and Southern African Management Institute (ESAMI) and B.Com (Hons) Accounting from the University of Nairobi. She is also a certified Public Accountant and Public Secretary.



Prof. Elijah Omwenga

DoB: 23-03-1967

Prof. Omwenga is a Computer Science lecturer at the University of Nairobi. He has to his credit a portfolio of e-learning products and models that are being used within the region and beyond. He is actively engaged in e-learning research and is a seasoned software engineer with over 15 years' experience in software design and development; ICT for Science and Engineering education consultancy; and Curriculum design and implementation.



Esther Njeri Kibere

DoB: 28-10-1959

Esther Njeri Kibere is a registered teacher with the Teachers' Service Commission. She taught in various public and private schools. She took early retirement to engage in private business. Esther holds a B.Ed in English and Religious Studies and a MA in Gender and Development Studies both from Kenyatta University. She holds a certificate in Proposal Writing Skills for Donor Funded Research and other Projects.



Mr. David Mugo

DoB: 27-06-1968

David Mugo has fifteen years management experience, ten of them in the telecommunications industry. He has worked in the call Centre division of Qwest Communications, a major U.S telecommunications company. David is a director of several family businesses, particularly in Property Management and Agribusiness. He holds a Bachelor's degree in Business Administration and a master's degree in Telecommunications from US.



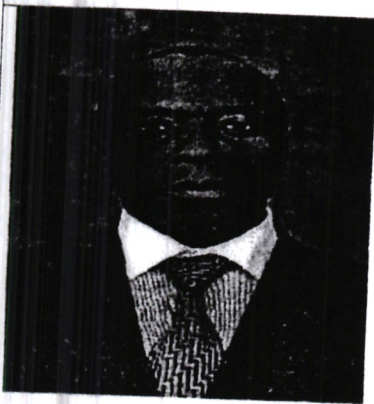


Mr. Jerome Ochieng - Alt to PS, National Treasury

DoB: 15-03-1970

Mr. Jerome Ochieng is the director of IFMIS, at the National Treasury. He has 17 years' work experience in the field of ICT in the Public Service. He has served as a Manager ICT with Public Procurement Oversight Authority and Asst. Director ICT in Government Information Technology Services.

He holds a Masters' Degrees, in Information Engineering from the University of the Ryukyus, Japan and undertaking a MBA in ESAMI. He is a fellow of Computer Society of Kenya and a Licenciate member of IMIS, UK.



Mr. Mr Samuel Kiptorus - Alt to PS, Ministry of Information, Communication and Technology

DoB: 18-02-1968

Mr Kiptorus is the chief economist and head of planning in the Ministry of ICT. He is a career public servant with over 23 years' experience dealing with Economic Planning and Strategic Management, Policy, Statistics, Budgeting, Project Design, Implementation, Monitoring, Evaluation and Reporting.

He holds a Master of Economics from University of Dar es Salam and Bachelor of Economics from UoN.

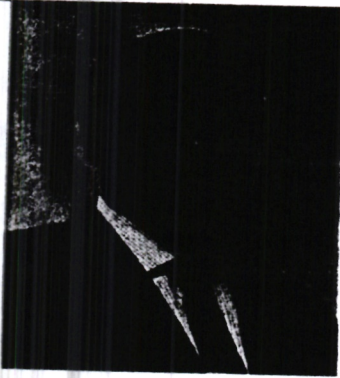


Eng. Eliud Waithaka - Alt to PS, Ministry of Land, Housing & Urban Development

DoB: 20-08-1957

Eng Waithaka has worked in the Ministries of Transport and Communication, Public Works and Lands, Housing and Urban Development for 32 years. Currently he is the Acting Chief Engineer (Electrical).

He holds Bsc in Electrical Engineering fro UON. He is also a registered Electrical Engineer and an associate member of the Instution of Engineers of Kenya (IEK)



Robert Mugo-Ag. CEO & Secretary

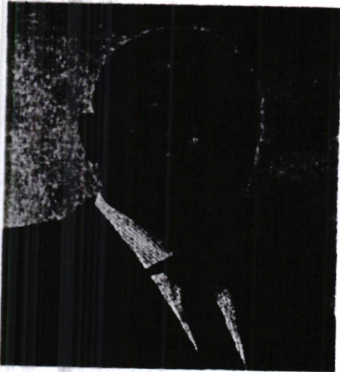
DoB: 07-04-1972

Robert has 18 years' experience as the Chief Technical Officer at Wananchi Group, Chief Information Officer at Safaricom, CEO at Flashcom, Technical Director at UUNET and Head of Technical Operations at Africa Online.

He has also held senior positions in industry bodies including the Telecommunications Service Providers of Kenya, the Telecommunications Network Operators Association and Africa CDMA Forum.

He holds a BSc in Electrical Engineering and an MBA in Strategic Management from University of Nairobi and is an alumnus of the Pan African Advanced Management Program.

III. MANAGEMENT TEAM



Robert Mugo-Ag. Chief Executive Officer

Robert has 18 years' experience as the Chief Technical Officer at Wananchi Group, Chief Information Officer at Safaricom, CEO at Flashcom, Technical Director at UUNET and Head of Technical Operations at Africa Online.

He has also held senior positions in industry bodies including the Telecommunications Service Providers of Kenya, the Telecommunications Network Operators Association and Africa CDMA Forum.

He holds a BSc in Electrical Engineering and an MBA in Strategic Management from University of Nairobi and is an alumnus of the Pan African Advanced Management Program.



Kipronoh Ronoh Paul - Director Programmes and Standards

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

He also holds an MBA and a BSc in Computer Science from the University of Nairobi.

Mr Ronoh also holds professional qualifications in Microsoft Certified Systems Engineer (MCSE) and Cisco Certified Network Associate (CCNA).



Eunice Kariuki - Director Partnerships, Innovation and Capacity Development

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

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

IV. CHAIRMAN'S STATEMENT

The ICT Authority in collaboration with various stakeholders is spearheading the delivery of ICT services in conformity with the Kenyan constitution and Vision 2030 economic blueprint.

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

To achieve our vision of delivering trustworthy and transformative ICT leadership we are guided by the National ICT Masterplan. The plan, details what we need to do for Kenya to transition to a knowledge society and become a regional ICT hub. The foundations for the achievement of this are ICT Human Capital & workforce development, integrated ICT Infrastructure and integrated information infrastructure. The pillars are e-government services, ICT as a driver of industry, developing ICT businesses.

In the financial year 2015/2016, the Authority has continued to implement the Strategic plan. This has been done through the themes of; Shared services; ICT Innovation and Enterprise; Information Security; ICT Human Capital and ICT governance.

By the start of 2016, there was transition in the top management, where the Chief Executive Officer was appointed Principal Secretary. This therefore means that the board had to cater for the transition and consequently appoint a respective head while spearheading the process of filling in the position.

The board is also working with the Public Service Commission to finalize on the authority functions and lead to the harmonization of former entities of ICT board, E-government and Government Information Technology Services (GITS).

We also embarked on the development of the authority policies on anti-corruption, whistle blowing, human resource, complaint handling, internal audit charter, institutional management framework and record management. At the same time we started the work of refinement of our service charter to be in tandem with customer needs.

The authority has also embarked on several key projects during this period, the main one that include; Digital Literacy Programme (DLP), Presidential Digitalent Programme (PDTP). Other continuing projects include County Connectivity project, Government Enterprise Architecture Framework, National Optic Fibre Backbone (NOFBI), Network Operation Centre help desk, Data Centers, Transport Integrated Management System (TIMS), Capacity building projects and Ministry ICT Automations.

To achieve our goals, we continue to work with our development partners like World Bank through the Transparency and Communications Infrastructure Project (KTCIP), numerous other private sector stakeholders and the academia.

As we look to the next fiscal year, we are committed to continue delivering on our mandate and strategic plan. We will continue to work on many of the projects from the previous year, while building momentum on new ones. The projects that will gain new impetus include the Presidential Digital Talent Programme in which we are training and offering internship opportunities to 400 ICT graduates, and the Digital Literacy Programme in which we will plan to deliver all devices to schools by March 2017.

Other projects we will be working on are the Development of the Government Enterprise Architecture (GEA) framework and conduct sensitization for both GEA and ICT Standards, establish a Shared Service Portal, Information Security among others.

We also plan to ensure that the Authority work is well understood and communicated among the various stakeholders. The Authority will also undertake quarterly monitoring and evaluation of these priority projects in order to ensure that the completion rate and cost efficiency of each project is 100%. Our main challenge still lies in inadequate funding of our operations and projects.

As per our delivery model, we plan to work closely with all partners and especially the ICT businesses and academia.

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



Eng. Eliud Walthaka

BOARD MEMBER

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The ICT Authority is now on its fourth year. In August 2013, we were given an expanded mandate of overseeing and managing all ICT Projects across government with a view to a whole of government approach. This will harmonize expertise and implementation. A major role of the authority is that of growing local capacity with a focus to skill development and harnessing local ICT businesses. Other objectives of the authority include; implementing and managing efficient use of data, infrastructure and systems in the public sector through integration and sharing; establishing and maintaining secure ICT infrastructure and systems. In addition, the authority promotes business value through ICT innovation and enterprise as well as delivers trusted electronic public services.

These objectives are enshrined in the country laws and policies, key among them being, Vision 2030, Jubilee manifesto, the National ICT Masterplan, the Broadband and National Cyber Security Strategy 2014.

For the past year, we have been working on operationalizing the structures in the organization. As per our strategic plan, our approach is focused into five key thematic areas namely Shared Services, ICT Innovation & Enterprise, Information security, ICT Human Capital and ICT Governance. So far many of the staff positions have been filled out, while we continue to harmonize the working systems in the organisation.

We have also been mobilizing resources to settle staff in our new offices on the 23rd floor, Teleposta towers. This exercise is expected to be complete in the coming months. We also plan to embark on change management, staff training and development, reward and performance management and employee engagement aimed at creating a robust and receptive body.

Our source of income remains largely Government of Kenya and World Bank through the Kenya Transparency Infrastructure Project (KTCIP). Other development partners are the Belgium government who supported the County Connectivity project. In the period under review we dedicated more resources towards project implementation with focus on those with the greatest impact to the county's development. This includes projects, country transforming projects like the Digital Literacy Programme (DLP), capacity building initiatives like the Presidential Digital Talent Innovation building exercises. We looked into initiatives that will improve efficiency, accountability and transparency in government like IFMIS re-engineering and digitization and county ICT Transformation project.

Going forward we plan to concentrate on projects that further our interests in offering expert advice to the industry and making Kenya a top regional ICT hub and a globally competitive digital economy. These include projects at the County levels, dedicating enough resources in building capacity across board, growing local ICT business and promoting a culture of innovation. Cultivating partnerships will be critical in realizing all our goals.

We also plan to deliver on Infrastructure projects namely the Expansion of National Fibre Optic Backbone Infrastructure and roll out of the County Connectivity Project to the remainder 28 counties. Closely linked to this are automation and digitization projects that will ensure the



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uptake of the infrastructure. On digitization we are working on the Kenya News Agency images digitization and also continuing on the work at the Civil Registration Department. Other projects we are committed to implementing are set-up of a Network Operating Centre and Help desk, Government Unified Messaging Systems roll-out, and continued upgrade of Government websites.

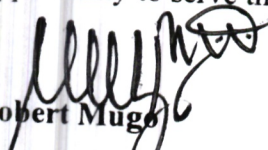
On information Security, we plan to work on sensitizing workshops of ICT officers in government. Other projects will be working on are the Development of the Government Enterprise Architecture (GEA) framework in which we are developing ICT Standards for the whole of Government.

Two main programmes that have far reaching impacts in the country development landscape are also being implemented by the Authority. These are the Digital Literacy Programme (DLP) and the Presidential Digital Talent Programme (PDTP)

In the PDTP initiative, we will ensure that the 400 management trainees are matched with suitable placements in the job market.

We plan to conduct a customer satisfaction survey and monitor our projects on a regular basis. We have faced various challenges in our implementation of our mandate. This includes, limited funding which interferes with our ability to deliver on our promises and expectations, limited capacity and expert skills as well as change management hurdles from within the organization and the whole of government. However, we remain optimistic that we will tackle the challenges and achieve some milestones.

As I conclude, I would like to express deep appreciation to the Government of Kenya for their support and commitment in support of ICT growth in the country. I would also like to recognize our development and strategic partners as well as public and private organizations who are important in our achieving our objectives. We are thankful to all county governments who have collaborated with us in our various projects and events. We remain grateful to all the citizens of Kenya for giving us the opportunity to serve them.



Robert Mugo

Ag. CHIEF EXECUTIVE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

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

The Board

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

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

Committees of the Board

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

- i. Human Resource Committee
- ii. Finance committee
- iii. e-Gov ITES committee
- iv. Audit committee

The mandate of each committee is explained above.

Internal Control System

The ICT Authority has put into place policies, procedures, regulations and financial controls to ensure that the financial reporting is reliable, operations are effective and efficient, and there is accuracy in accounting information. These cover procedures for obtaining authority for transactions and for ensuring compliance with laws and regulations that have significant implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal control, the Authority takes into account the results of all the work carried out to audit and review the activities of the institution. Monthly meetings for management and quarterly meetings by Authority to review financial status of the institution are held by senior management to monitor performance and to agree on measures for improvement.

Risk Management Policy

Recent trends in Public Sector Management have laid emphasis on transparency and accountability. This has resulted in increased focus in governance of public institutions and the incorporation of risk management and financial controls. It is on this basis that ICT Authority is committed to managing risks to an acceptable level across all areas of its operations to achieve producer, user and suppliers, service providers, and contractors. ICTA recognizes that risk management is an integral part of the management process and wants this to become part of the culture of the organisation. To effect this, the ICT Authority had communicated to all staff their role in risk management, and provide the means for employees to play that role. As a public institution ICT Authority will work closely with other government agencies and departments to ensure that collaborative risk management arrangements are in place. The ICT Authority is committed to implementing all regulatory requirements and the risk management framework will be useful component of ensuring compliance. In addressing risk, ICTA will ensure transparency and accountability and seek to identify and address all areas where there are needs for improvement in risk management or risk reduction.

Risk Management shall form an integrated part of planning, controlling and reporting procedures in ICTA. ICTA is committed to implementing the risk management framework for effective operations. The policy is intended to provide a framework for managing risk associated with changing roles and responsibilities within the ICT Authority. The Risk Management Policy sets out the process to manage and mitigate against present and potential risks faced by the ICT Authority.

The Authority also has an effective internal audit and Governance functions that report to the Audit Committee of the Board and the Authority has effective complaints and anti-corruption mechanism in place.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

On local community, the authority ensures that our work with the local community involves working and supporting local and national charities, and encouraging volunteer work in community activities

The Authority will also ensure that we deal responsibly, openly and fairly with suppliers by ensuring that we use local suppliers as much as possible and that we will endeavor to pay them on time.

The Authority continue to forge public private partnership when undertaking the activities in order to ensure we make a significant positive difference in the society.

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30,2016 .This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)safeguarding the assets of the Authority; (v)selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with Accrual Basis Accounting Method under the International Public Sector Accounting Standards (IPSAS) and the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of authority's transactions during the financial year ended June 30, 2016, and of the Authority's financial position as at that date. The Directors further confirm that the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

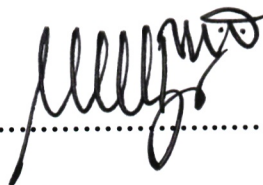
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 24th August 2016 and signed on its behalf by:


Robert Mugo

Ag. CHIEF EXECUTIVE OFFICER



Eng. Eliud Waithaka

BOARD MEMBER

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Information and Communications Technology Authority set out on pages 1 to 13, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 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.

Management's Responsibility for the Financial Statements

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

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

Report of the Auditor-General on the Financial Statements of Information and Communications Technology Authority for the year ended 30 June 2016

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis of my qualified audit opinion.

Basis for Qualified Opinion

Digital Villages Revolving Fund Accrued Interest

As disclosed in note 15 to the financial statement the Transparency Communication Infrastructure Project received a grant of Kshs.108,495,790 from World Bank/IDA for onward lending to digital village entrepreneurs to establish information hub that offer ICT services. The entrepreneurs are supposed to pay back the loans for future lending to other entrepreneurs. On 3 November 2010, the Authority entered into a contract with Family Bank to operationalize the disbursement of loans to entrepreneurs for a period of 24 months. Available records indicate that as at 30 June 2016 Family Bank had disbursed loans totaling Kshs.75,844,647 out of which Kshs.45,193,389 had fallen in arrears representing 60% of the total loans disbursed. In addition, a report by Deloitte and Touche who were engaged to conduct a comprehensive monitoring and evaluation assessment on Pasha Digital Village fund project, revealed that the Pasha projects have been facing challenges and lacks efficiency, inflexibility of the loan repayment and weak relationship with the Family Bank. Further as at 30 June 2016 the revolving fund had accrued interest totalling Kshs.17,605,451 and which was omitted in these financial statements. In the circumstances, it has not been possible to confirm if and when the loans arrears totalling Kshs.45,193,389 will be fully recovered and whether the other incomes figure of Kshs.8,735,290 for the year ended 30 June 2016 is fairly stated.

Qualified Opinion

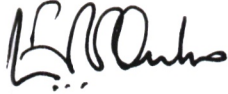
In my opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Information and Communications Technology Authority as at June 30, 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Information and Communications Technology Authority Order, 2013.

Emphasis of Matter

Contingent liability

As disclosed in note 20 to the financial statements, the Authority has a contingent liability on tender No.ICTA/KTCIP/REP/2014 for consultancy services for Strategic

Information Communication Partner for Kshs.64,264,000 due to a law firm. This matter is under investigation by government agencies and its outcome is uncertain. The Authority takes note that there is a possibility of litigation arising out of investigations such as legal fees and/or damages in the event that the case is determined in favor of the contractor. My opinion is not qualified in this matter.



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

Nairobi

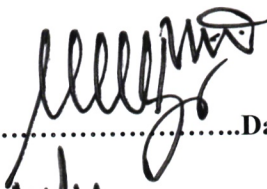
18 May 2017

**INFORMATION AND COMMUNICATIONS AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2016**

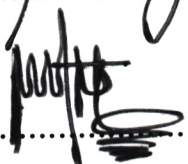
	Note	2015/2016 <u>Ksh</u>	2014/2015 <u>Ksh</u>
Revenue from non-exchange transactions			
Grants Income	2	9,437,322,332	3,313,809,459
Public Contributions & Donations	3	11,974,098	18,435,000
Revenue from exchange transactions			
Other Incomes	4	8,735,290	2,121,041
Total		9,458,031,720	3,334,365,500
Expenses			
Employee costs	5	178,936,391	79,307,852
Directors costs	6	13,394,847	14,856,815
Depreciation expense	7	15,847,974	11,900,609
Repairs and Maintenance	8	1,902,491	471,706
General expenses	9	97,993,633	151,919,188
Finance costs	10	1,105,152	647,531
Other Expenses:			
Special Grant Expenses	11	5,823,670,185	1,767,601,140
TCIP Project Expenses	12	2,449,943,056	1,823,056,930
Total		8,582,793,729	3,849,761,771
Surplus/(Deficit) for the period		<u>875,237,991</u>	<u>(515,396,271)</u>

The financial statements were signed on behalf of the Board of Directors by:

Robert Mugo
Ag. Chief Executive Officer


.....Date..... 21/4/2017

Eng. Eliud Waithaka
Board Member


.....Date..... 21.04.2017

INFORMATION AND COMMUNICATIONS AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2016

	<u>Notes</u>	<u>2015/2016</u>	<u>2014/2015</u>
		<u>Kshs</u>	<u>Kshs</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	13	940,395,380	252,013,433
Receivables from exchange transactions	14	6,239,507,650	1,738,741
		7,179,903,030	253,752,174
Revolving Fund			
Digital Village Fund	15	108,495,790	108,495,790
Non-current assets			
Property, plant and equipment	16	44,940,955	36,344,367
<u>TOTAL ASSETS</u>		<u>7,333,339,775</u>	<u>398,592,331</u>
<u>LIABILITIES</u>			
Current Liabilities			
Payables from exchange transactions	17	6,095,320,279	235,630,572
<u>TOTAL LIABILITIES</u>		<u>6,095,320,279</u>	<u>235,630,572</u>
Net assets			
Accumulated surplus/ (Deficit)	18	1,238,019,496	162,961,759
Total Net assets and Liabilities		<u>7,333,339,775</u>	<u>398,592,331</u>

INFORMATION AND COMMUNICATIONS AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACCUMULATED SURPLUS
Opening balance as at 1st July, 2014		Ksh 678,358,030
Surplus/ (Deficit) for the year 2015		(515,396,272)
Closing Balance as at 30.06.2015		<u>162,961,758</u>
Opening balance as at 1st July, 2015		162,961,758
Adjustment for Payables		199,819,747
Surplus/ (Deficit) for the year 2016		875,237,991
Closing Balance as at 30.06.2016	18	<u>1,238,019,496</u>

**INFORMATION AND COMMUNICATIONS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2016**

	<u>Note</u>	<u>2015/2016</u> <u>Ksh</u>	<u>2014/2015</u> <u>Ksh</u>
<u>Cash flows from Operating Activities</u>			
Surplus for the year		875,237,991	(515,396,271)
<u>Adjustments for:</u>			
Depreciation		15,847,974	11,900,609
Payables		199,819,747	-
Surplus/ (Deficit) before Working Capital Changes		1,090,905,713	(503,495,662)
WORKING CAPITAL CHANGES			
Decrease/ (Increase) in receivables		(6,237,768,909)	24,793,732
Increase/ (Decrease) in payables		5,859,689,707	2,367,187
<i>Net cash flows from operating activities</i>		712,826,511	(476,334,743)
<u>Cash flows from Investing Activities</u>			
Purchase of property, plant and equipment		(24,444,563)	(31,769,714)
<i>Net cash flows used in investing activities</i>		(24,444,563)	(31,769,714)
Net increase in cash and cash equivalents		688,381,948	(508,104,457)
Cash and cash equivalents at the beginning of the period		252,013,433	760,117,890
Cash and cash equivalents at the end of the period	13	<u>940,395,380</u>	<u>252,013,433</u>

**INFORMATION AND COMMUNICATIONS TECHNOLOGY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE FINANCIAL YEAR 2015/2016**

	NO	ORIGINAL	ADJUSTME	FINAL	ACTUAL	DIFFERENC
	TE	BUDGET	NTS	BUDGET		E
		Ksh	Ksh	Ksh	Ksh	Ksh
Revenue from non- exchange transactions						
Grants Income						
GOK Recurrent		178,764,800	84,000,000	262,764,800	262,764,800	-
GOK IBM						
Research Lab		160,000,000	-	160,000,000	120,000,000	(40,000,000)
GOK Counterpart funds			25,000,000	25,000,000	25,000,000	-
GOK Development		193,620,000	363,675,024	557,295,024	557,295,024	-
GOK Digital Literacy			5,619,500,000	5,619,500,000	5,619,500,000	-
GOK Presidential Digital		250,000,000	(105,000,000)	145,000,000	145,000,000	-
Belgium CCP (AIA)		400,000,000	-	400,000,000	-	(400,000,000)
TCIP IDA Funds		2,237,191,000	400,000,150	2,637,191,150	2,631,166,625	(6,024,525)
EARTTDF IDA Funds			77,000,000	77,000,000	76,595,883	(404,117)
Public Contribution & Donations					11,974,098	11,974,098
Revenue From Exchange Transactions						
Other Income					8,735,290	8,735,290
Total		3,419,575,800	6,464,175,174	9,883,750,974	9,458,031,720	
Expenses						
Employee Costs	19	102,255,085	46,000,000	148,255,085	178,936,391	30,681,306
Director Costs	19	18,604,000	(4,000,000)	14,604,000	13,394,847	(1,209,153)
Depreciation						
Expense	19	5,000,000	-	5,000,000	15,847,974	10,847,974
Repairs and Maintenance	19	5,000,000	(3,000,000)	2,000,000	1,902,491	(97,509)
General Expenses	19	47,405,715	45,000,000	92,405,715	97,993,633	5,587,918
Finance Costs	19	500,000	-	500,000	1,105,152	605,152
Other Expenses						
IBM Research Lab	19	160,000,000	-	160,000,000	118,833,819	(41,166,181)
IRU Telcom						
Services	19	90,000,000	-	90,000,000	86,992,102	(3,007,898)
NOFBI Project	19	-	-	-	17,645,164	17,645,164
Internet						
Connectivity	19	103,620,000	-	103,620,000	181,872,289	78,252,289
DLP Programme	19	-	5,289,000,000	5,289,000,000	5,342,150,657	53,150,657
PDTP Programme	19	250,000,000	(66,000,000)	184,000,000	20,407,235	(163,592,765)
CCP Project	19	400,000,000	-	400,000,000	55,768,919	(344,231,081)
TCIP Project	19	2,237,191,000	400,000,150	2,637,191,150	2,449,943,056	(187,248,094)
Total		3,419,575,800	5,707,000,150	9,126,575,950	8,582,793,729	
Surplus/(Deficit)		-	757,175,024	757,175,024	875,237,991	

**INFORMATION AND COMMUNICATIONS TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE, 2016**

1(i) Statement of compliance and basis of preparation – IPSAS 1

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

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

(ii) Summary of Significant Accounting Policies

a) Revenue Recognition

Revenue from non-exchange transactions – IPSAS 23

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.

b) Property and Equipment

Property and Equipment are stated at Cost less accumulated depreciation.

c) Depreciation

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

Office Furniture/Equipment	12.5%
Motor Vehicles	25%
Computers and related equipment	30%

d) Cash and Cash Equivalents

For the purpose of the cash flow statement, Cash and Cash Equivalents comprise cash in hand and bank deposits. Cash equivalents are recognized to comprise short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

INFORMATION AND COMMUNICATIONS TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE, 2016 (CONT'D)

e) Translation Foreign Currencies

Transactions denominated in foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates.

f) Retirement Benefits

The Board contributes to a statutory defined contribution scheme, the National Social Security Fund. Contributions to NSSF are determined by the National Social Security Fund Act (Cap 258). The number of staff employed by the Authority as at 30th June, 2016 was 60. The rate for computation of gratuity is 31% of the basic pay accrued on monthly basis.

2 Income	2015/2016	2014/2015
	Ksh	Ksh
TCIP IDA Grants	2,631,166,625	1,202,952,009
GOK Recurrent Funds	247,764,800	98,764,800
GOK Gratuity Funds	15,000,000	20,000,000
GOK Counterpart Funds	25,000,000	-
IBM Research Lab	120,000,000	180,000,000
GOK Development	557,295,024	1,139,757,372
Belgium CCP (AIA)	-	672,335,277
EARTTDF IDA Grants	76,595,883	-
Presidential Digital Talent Programme	145,000,000	-
Digital Literacy Programme	5,619,500,000	-
Total	<u>9,437,322,332</u>	<u>3,313,809,459</u>
3 Public Contributions & Donations		
Project Donations	11,974,098	13,958,000
Other Incomes	-	4,477,000
	<u>11,974,098</u>	<u>18,435,000</u>
4 Other Income		
Tender Sales	-	974,000
Conference Sponsorship	5,590,000	-
Automation Survey	2,235,000	-
Interest Income	910,290	1,147,041
	<u>8,735,290</u>	<u>2,121,041</u>
5 Employee Costs		
Personal Emoluments	119,665,920	27,572,835
Provision For gratuity	15,000,000	20,000,000
Staff House and other Allowances	37,034,710	19,267,839
Medical Costs	7,093,760	12,401,978
Other staff Costs	142,000	65,200
Total	<u>178,936,391</u>	<u>79,307,852</u>

INFORMATION AND COMMUNICATIONS TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE, 2016 (CONT'D)

	2015/2016	2014/2015
	<u>Ksh</u>	<u>Ksh</u>
<u>6 Directors Expenses</u>		
Sitting Allowances	6,520,400	7,990,000
CEO's salary	3,182,144	5,380,830
Honoraria	880,000	960,000
Telephone allowance	77,000	84,000
Travelling and Accommodation	2,073,486	430,385
Other Board Expenses	661,817	11,600
Total	<u>13,394,847</u>	<u>14,856,815</u>
<u>7 Depreciation Expense</u>		
Furniture & Equipment	10,660,436	8,241,862
Computers	5,187,538	3,658,747
	<u>15,847,974</u>	<u>11,900,609</u>
<u>8 Repairs and Maintenance</u>		
Repair & Maintenance - Furniture & Equipment	890,012	389,562
Repair & Maintenance - Motor Vehicles	1,012,479	82,144
	<u>1,902,491</u>	<u>471,706</u>
<u>9 General Expenses</u>		
Travel Costs	18,294,914	48,856,279
Printing, Advertisement and Info Supplies	40,965,328	61,694,321
Membership fees/Dues and Subs	211,378	207,217
Fuel and Lubricants	77,131	522,443
Office and General Supplies	8,962,065	8,194,990
Hospitality Supplies and Services	12,178,576	8,363,736
Rent and Rates	11,468,687	19,274,780
Training Expenses	1,654,243	1,291,563
Utilities Supplies and Services	3,485,311	2,817,859
Audit Fees	696,000	696,000
TOTAL	<u>97,993,633</u>	<u>151,919,188</u>

**INFORMATION AND COMMUNICATIONS TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE, 2016 (CONT'D)**

	2015/2016	2014/2015
	<u>Ksh</u>	<u>Ksh</u>
<u>10 Finance Costs</u>		
Bank Charges	1,105,152	647,531
<u>11 Special Grants Expenses</u>		
Government Internet Connectivity	181,872,289	457,377,210
NOFBI Project	17,645,164	29,078,618
County Connectivity Project Expenses	55,768,919	672,335,277
IBM Research Lab	118,833,819	179,999,998
IRU Telcom Services	86,992,102	405,947,685
Presidential Digital Talent Program	20,407,235	22,862,353
Digital Literacy Program- Devices	5,310,991,734	-
Digital Literacy Program- Operations	31,158,923	-
	<u>5,823,670,185</u>	<u>1,767,601,140</u>
<u>12 TCIP Project Expenses</u>		
Category 1 (Telcom Services)	2,331,219	6,686,348
Category 2 (Goods)	1,647,246,981	1,220,339,233
Category 3 (Consultants)	678,137,617	508,129,157
Category 5 (Grants)	5,811,609	17,907,527
Category 6 (Capacity Building)	61,173,823	33,379,112
Category 7 (Operating)	55,241,807	36,615,553
Total	<u>2,449,943,056</u>	<u>1,823,056,930</u>

**INFORMATION AND COMMUNICATIONS TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE, 2016 (CONT'D)**

13	Cash and Cash Equivalents	2015/2016	2014/2015
		Ksh	Ksh
	Cash in hand	-	6,040.00
	Cash at bank(Main Account)	336,380,477	87,838,050
	Cash at bank(Gok Account)	458,602,946	132,500,469
	Cash at bank(Project Account)	6,825,975	6,815,685
	Cash at bank(PDTP Account)	116,788,996	3,956,202
	Call Account	21,796,986	20,896,986
	Total	<u>940,395,380.00</u>	<u>252,013,433.00</u>

The cash and cash equivalents comprise of cash in hand and cash in bank held in the Main, Gok, Project, PDTP and Call Bank Accounts

14	Receivables from Exchange Transactions		
	Staff Advances	85,000	24,500
	Deposits	363,000	3 63,000
	Accenture	-	109,796
	Ministry of ICT	1,796,067	1,241,445
	Revenue Receivable	6,237,263,583	-
	Total	<u>6,239,507,650</u>	<u>1,738,741</u>

15	Revolving Fund		
	Digital Villages Revolving Fund	108,495,790	108,495,790

The TCIP Project received grant from World Bank/IDA for onward lending to Digital Village entrepreneurs to establish information hub that offers ICT services. The entrepreneurs are supposed to pay back the loans for future lending to other entrepreneurs.

The status report of the Fund as at 30th June 2016 is detailed Under Note 1 to the financial statements.

**INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE,2016**

16 Property, Plant & Equipment

ITEM	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTE RS	TOTAL
COST/REVALUATION				
As at 1 July,2014	6,441,000	39,010,610	7,350,398	52,802,008
Additions	0	26,924,290	4,845,423	31,769,714
As at 30 June,2015	6,441,000	65,934,900	12,195,822	84,571,722
DEPRECIATION				
As at 1 July,2014	6,441,000	23,546,290	6,339,456	36,326,746
Charge for the year	-	8,241,863	3,658,747	11,900,609
As at 30 June,2015	6,441,000	31,788,153	9,998,203	48,227,355
NBV as at 30 June,2016	-	34,146,748	2,197,619	36,344,367
COST/REVALUATION				
As at 1 July,2015	6,441,000	65,934,900	12,195,822	84,571,722
Additions	0	19,348,591	5,095,972	24,444,563
As at 30 June,2016	6,441,000	85,283,492	17,291,794	109,016,285
DEPRECIATION				
As at 1 July,2015	6,441,000	31,788,153	9,998,203	48,227,355
Charge for the year	-	10,660,436	5,187,538	15,847,974
As at 30 June,2016	6,441,000	42,448,589	15,185,741	64,075,330
NBV as at 30 June,2016	-	42,834,902	2,106,053	44,940,955

There was no depreciation charge for the motor vehicles since they are fully depreciated.

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE, 2016 (CONT'D)

17. Payables from Exchange Transactions

	2015/2016	2014/2015
	Ksh	Ksh
Staff Gratuity costs	39,042,603	26,956,149
Provision for Audit fees	696,000	696,000
Supplier Accounts-Annex 1	6,053,234,481	203,453,336
Accrued Consultancy services	-	4,045,000
Payroll Deductions Payables	2,347,195	480,088
Total	<u>6,095,320,279</u>	<u>235,630,572</u>

18. Accumulated Surplus/ (Deficit)

Accumulated Surplus/(Deficit) b/d	162,961,758	678,358,030
Adjustments for payables	199,819,747	-
Surplus/(Deficit) for the year	875,237,991	(515,396,272)
Accumulated Surplus/(Deficit)c/d	<u>1,238,019,496</u>	<u>162,961,758</u>

The adjustment for payables relates to the provisions made during the previous financial year but were later paid for by the parent ministry.

19. VARIANCE BETWEEN BUDGET AND ACTUAL AMOUNTS

The variance between the budgeted and actual income received was as a result of incomes budgeted in Supplementary II which were not received during the financial year. The variance between budgeted and actual expenditure is as a result of delay in release of funds. Funds were received after closure of the financial year.

20. CONTIGENT LIABILITY

Tender no. ICTA/KTCIP/RFP/2014 for consultancy services for Strategic Information Communication Partner for Kshs. 64,264,000 for Osano and Associates. This is a matter under investigation by competent government agencies. ICT Authority takes note that there is a possibility of litigation arising out of investigations. There is also a possibility that legal fees and/or damages may arise in the event that the case is determined in favor of the contractor.

21. DIGITAL VILLAGES FUND (REVOLVING FUND)

The KITCP project came to an end on 31st December 2016. The current value is as follows:

Principal Fund Paid to family Bank	108,495,790.00
Add: Total Accrued Interest	<u>19,581,602.00</u>
Total Fund Value	128,077,392.00
Less: Loan Amount in Arrears	<u>45,193,389.00</u>
Funds balance	<u>82,884,003.00</u>

The funds balance of ksh 82,884,003 is to be refunded to ICT Authority and the accumulated interest amount as at 30th June 2016 was kshs 17,605,451

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

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.

Ref No.	Issue/Observations from Auditor	Management Comments	Focal Point person to resolve the issue	Status	Time Frame
1	Financial Performance- The Authority reported a deficit of sh. 515M. The Authority may not be able to finance its operations internally and will depend on Government grants	The employee costs increase due to merger of Kenya ICT Board, Directorate of Egov and Government of IT Services. The director's expenses were as a result of more sittings during formative stages of new ICTA. General BOARD/CEO expenses increased because of merger of the former institutions and special grant expenses due to projects pending bills inherited from the former entities	Board/CEO	Resolved	Done
2	Payables from Exchange Transactions included in the payables is sh.37,242,929 for Telkom Kenya and Transnational ICT Invoices for FY 2015/16. The amount should be removed from 2014/15 accounts	The necessary adjustments made to reflect the correct amount of payables amount for the year 2016/2015	Senior Financial Management Specialist	Resolved	Done
3	Un-approved re-allocation of Funds-the Authority reallocated sh. 124M from the employee costs to general expenses. It was not clear whether the board approved the allocation.	The initial allocation of budget was based on full complement of 181 staff but there was need to reallocate since recruitment was done gradually. The management presented the initial budget proposal to the Board before submission to Treasury and later presented the approved budget to the Board. The management confirms that a revised budget based on approved estimates by Parliament was presented to the Board for ratification.	Director Corporate Services	Resolved	Done



<p>Digital Villages Fund-The Authority may not be able to know how much funds has been repaid in absence of reconciliation and what interest is rolled over. Amount of sh.36m has not been paid and was at risk of being written off as bad debt. Also, there was no value for money on expenditure paid to two consultations who performed M&E</p>	<p>ICTA receives monthly report on performance of Digital Villages from Family Bank. Total funds repaid is Sh 30.2M and interest accrued during the year is 14.2M. Monitoring&Evaluation reports by Deloitte and Touche and Youth Banner provided and were used to improve the operations of the Digital Villages</p>	<p>TCIP Programme Manager</p>	<p>Ongoing</p>	<p>31st Dec 2016</p>
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**Schedule of Supplier Accounts Payable
(Annex 1)**

DATE	NAME	DETAILS	AMOUNT
30-Jun-16	Government Clearing Agent	Clearing charges for CCP Equipment	34,874,160.00
30-Jun-16	Specicom Technologies Ltd	Government Data Centre	2,500,000.00
30-Jun-16	Xtranet Communications Ltd	Email Services	22,991,200.00
30-Jun-16	Trans Business Machines Limited	GDC Bills	7,069,123.90
30-Jun-16	Trans Business Machines Limited	GDC Bills	6,230,257.90
30-Jun-16	StreamLan Solutions (E.A) Ltd	GDC Bills	2,470,512.30
30-Jun-16	StreamLan Solutions (E.A) Ltd	GDC Bills	1,142,600.00
30-Jun-16	Kenya Education Network	Web Hosting	5,386,774.00
30-Jun-16	Government Clearing Agent	Clearance of CCP Equipments	16,153,596.00
30-Jun-16	Sarawet Agencies Ltd	Partitioning of 23 rd Floor	1,983,855.50
30-Jun-16	IBM East Africa Limited	IBM Research	118,833,819.45
30-Jun-16	Moi University	Provision for Procurement of DLP Devices	3,419,591,490.00
30-Jun-16	JKUAT University	Provision for Procurement of DLP Devices	1,891,400,244.00
30-Jun-16	Lantech Africa Limited	Nairobi County Gov Equipment	161,469,306.00
30-Jun-16	Eastra Networks	Nairobi County Gov Equipment	45,334,127.00
30-Jun-16	Professional Marketing Services	IFMI Communication Agency	10,194,155.00
30-Jun-16	Copy Cat Limited	Trans Intergrated Management System	303,444,400.00
30-Jun-16	Professional Marketing Services	ICTA Communication Agency	1,628,550.00
30-Jun-16	Government Advertising Agency	Advertisements	536,310.00
TOTAL			6,053,234,481.05

