

REPUBLIC OF KENYA



*Enhancing Accountability*

## REPORT

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 12 JUN 2024 Wednesday

TABLED BY:	Deputy Majority Party
CLERK AT THE TABLE:	Miniam Mado

OF

THE AUDITOR-GENERAL

ON

KENYA CIVIL AVIATION AUTHORITY

FOR THE YEAR ENDED  
30 JUNE, 2023





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**KENYA CIVIL AVIATION AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2023**

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

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

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## Table of Contents

## Page

1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS.....	iii
2. KEY AUTHORITY INFORMATION AND MANAGEMENT.....	v
3. THE BOARD OF DIRECTORS .....	x
4. KEY MANAGEMENT TEAM .....	xv
5. CHAIRMAN'S STATEMENT .....	xviii
6. REPORT OF THE DIRECTOR GENERAL.....	xx
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023.....	xxiii
8. CORPORATE GOVERNANCE STATEMENT.....	xxx
9. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxxiv
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....	xlvi
11. REPORT OF THE DIRECTORS .....	lii
12. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	liii
13. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF KENYA CIVIL AVIATION AUTHORITY .....	liv
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023 .....	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 .....	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023 .....	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023 .....	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023 .....	5
19. NOTES TO THE FINANCIAL STATEMENTS .....	8
APPENDIX I- IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS .....	50
APPENDIX II - PROJECTS IMPLEMENTED BY THE AUTHORITY .....	70
APPENDIX III - TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	71
APPENDIX IV - REPORTING OF CLIMATE RELEVANT EXPENDITURES .....	72

## **1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS**

### **A: ACRONYMS AND ABBREVIATIONS**

ACC	Area Control Centre
A-I-A	Appropriation in Aid
AIC	Aeronautical Information Circular
AIP	Aeronautical Information Publication
AMO	Approved Maintenance Organization
ANS	Air Navigation Services
ANSC	Air Navigation Service Charge
ANSP	Air Navigation Service provider
APSC	Air Passenger Service Charge
ATO	Approved Training Organization
ATS	Air Traffic Services
BETA	Bottom-Up Economic Transformation Agenda
CAB	Civil Aviation Board
CAP	Corrective Action Plan
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
COVID	Coronavirus Disease
CSR	Corporate Social Responsibility
DCA	Directorate of Civil Aviation
DG	Director General
DME	Distance Measuring Equipment
DRC	Disaster Recovery Centre
EASA	East African School of Aviation
EFOD	Checklists Electronic Filing of Differences
FAA	Federal Aviation Administration
FRMS	Fatigue Risk Management System
GDP	Gross Domestic Product
IASA	International Aviation Safety Assessment

ICAO	International Civil Aviation Organization
IDA	International Development Association
ILS	Instrument Landing System
IRMF	Institutional Risk Management Framework
ISO	International Organization for Standardization
JKIA	Jomo Kenyatta International Airport
KAA	Kenya Airports Authority
KAMP	Kenya Airspace Master Plan
KCAA	Kenya Civil Aviation Authority
KDF	Kenya Defence Forces
KECOSO	Kenya Communications Sports Organization
KNBS	Kenya National Bureau of Standards
KQ	Kenya Airways
KTSSP	Kenya Transport Sector Support Project
NATFC	National Air Transport Facilitation Committee
NCASP	National Civil Aviation Security Programme
NUTRIP	Northern Corridor Transport Improvement Project
PPRA	Public Procurement Regulatory Authority
SAF	Sustainable Aviation Fuel
SAREX	Search and Rescue Exercise
SARPs	Standards and Recommended Practices
SMS	Safety Management System
TGMs	Technical Guidance Materials
UN	United Nations
UNFCCC	UN Framework Convention on Climate Change
USAP	Universal Security Audit Programme
USOAP	Universal Safety Oversight Audit Programme
VHF	Very high frequency
VOR	VHF omnidirectional range

## **2. KEY AUTHORITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

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

The Authority is domiciled in Kenya and has Stations in Nairobi, Mombasa, Kisumu, Malindi, Eldoret, Mua Hills, Poror, Mlolongo, Ngong, Lokichoggio, Diani, Wajir and Montreal, Canada.

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

### **(b) Principal Activities**

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

The mandate of the KCAA is essentially embedded in its functions/responsibilities, which are enumerated in the Civil Aviation Act 2013, as amended by the Civil Aviation (Amendment) Act 2016. These functions are:

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



- (m) Enforcement of approved technical standards of aircraft;
- (n) Licensing and monitoring of aeronautical personnel;
- (o) Provision of technical services for the design, installation, and modification of electronic, radio and other equipment used in the provision of air navigation services;
- (p) Ensuring the integrity of the systems, equipment and facilities of the Authority;
- (q) Issuance and dissemination of the publications referred to in the Act;
- (r) Production of accurate, timely, comprehensive and relevant air transport information for planning and decision-making purposes;
- (s) Approval, certification and licensing of aircraft maintenance organisations and regulation of aviation training institutions in Kenya;
- (t) Establishment, management and operation of training institutions for purposes of the Authority;
- (u) Registration of rights and interests in aircraft;
- (v) Planning, development and formulation of the airspace master plan for the safe and efficient utilization of Kenyan airspace;
- (w) Establishment, co-ordination and maintenance of state aviation safety and security programmes,
- (x) Licensing, certification, registration and surveillance of aerodromes,
- (y) Certification and surveillance of air navigation service providers,
- (z) Licensing and certification of regulated agents,
- (aa) Implementing and enforcing the provisions of the Act, regulations and directives issued hereunder and treaties to which Kenya is a party,
- (bb) Taking measures to minimize, to the extent possible, any disturbance to the environment from noise, vibration, atmospheric pollution or any other cause attributable to the use of aircraft for the purpose of civil aviation,
- (cc) Performing economic oversight of air services, protecting consumer rights, environment and ensuring fair trading practices,
- (dd) Giving effect to the Chicago Convention and other international agreements relating to civil aviation to which Kenya is party to; and
- (ee) Performance of such other functions as may, from time to time, be conferred on it by the Cabinet Secretary or by any other written law.

KCAA carries out its functions in a manner consistent with the Chicago Convention on International Civil Aviation, Annexes to the Convention relating to international Standards and Recommended Practices (SARPs) and any amendment thereto or any other international conventions and protocols relating to civil aviation that Kenya is a party to.

KCAA is also expected to perform any obligations required by any agreement, treaty or arrangement between Kenya and any other country, inter-Governmental organization or any other body with respect to the safety, regularity and efficiency of air navigation and aviation safety and security in general.

The Act also stipulates that, in the discharge of its responsibility for aviation safety and security, the Authority should coordinate its activities with other agencies of Government, including the Kenya Airports Authority, the Department of Defence and the National Police Service.

### **Vision**

A vibrant, safe, secure and sustainable civil aviation system.

### **Mission**

To manage, promote and develop a sustainable, safe and secure civil aviation system through effective oversight, economic regulation of air transport, provision of air navigation services and delivery of quality training.

### **Core Values**

*Excellence:* We commit to provide quality services through continual improvement and promotion of innovation to adapt to the dynamic aviation ecosystem. As a service industry, KCAA employees are the guarantors of a sustainable, effective and quality service delivery.

*Integrity:* We shall select staff on basis of personal integrity, competence and suitability. In performing their duties, all staff shall demonstrate honesty, objectivity and impartiality in decision making ensuring that their decisions are not influenced by nepotism, favouritism or improper motives.

*Resilience:* We shall endeavour to create a flexible, agile and adept organization that will proactively respond to changes in the environment to ensure business continuity.

*Responsiveness:* We commit to meet and exceed the expectations of our stakeholders in managing and promoting the development of civil aviation system.

*Professionalism:* We commit to have qualified and competent personnel for effective and efficient performance thereby guaranteeing aviation safety, security and sustainability.

### **(c) Key Management**

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

No.	Designation	Name
1.	Director General	Mr. Emile N. Arao
2.	Director Corporate Services	CPA Joseph K. Chebungei
3.	Corporation Secretary	Mr. George Ombaso Mogaka
4.	Director Air Navigation Services	Mrs. Anne Gitau
6.	Director Aviation Safety Standard and Regulation	Mr. Nicholas N. Muhoya
7.	Director East African School of Aviation	Dr. George K. M. M'Nchebere

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Mr. Emile N. Arao
2.	Director Corporate Services	CPA Joseph K. Chebungei
3.	Corporation Secretary	Mr. George Ombaso Mogaka
4.	Director Air Navigation Services	Mrs. Anne Gitau
6.	Director Aviation Safety Standard and Regulation	Mr. Nicholas N. Muhoya
7.	Director East African School of Aviation	Dr. George K. M. M'Nchebere

**(e) Fiduciary Oversight Arrangements**

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

**Finance and Human Capital Committee**

This Committee is composed of five Directors of the Board including the Director General. Its main function is to review and monitor the Authority's financial matters on behalf of the Board, including review of the liquidity status, all the Authority's bank accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliations. It also ensures compliance with the financial reporting requirements and proper keeping of all the financial records of the Authority.

**Audit, Risk and Governance Committee**

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

**Public Investments Committee**

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

**(f) Headquarters**

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

**(g) Contacts**

**Telephone:** (254) 20 6827470-5  
**Email:** [info@kcaa.or.ke](mailto:info@kcaa.or.ke)  
**Website:** [www.kcaa.or.ke](http://www.kcaa.or.ke)

**(h) Bankers**

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

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

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

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

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

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

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

**CIBC Bank**  
1155 Boul. Rene-Levesque, Ouest  
Montreal, Quebec  
H3B 3Z4, Canada

**(i) Independent Auditors**



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


**(j) Principal Legal Advisor**



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






### 3. THE BOARD OF DIRECTORS

No.	Director's Name	Director's Date of Birth, Key Qualifications and Work Experience
1.	 <p>Mr. Brown M. M. Ondego MBS (Board Chairman)</p>	<p><b>Date of Birth:</b> 12<sup>th</sup> March 1951</p> <p><b>Key Qualifications:</b> International Program for Port Planning and Management from University of New Orleans, Senior Executive Program from London Business School, Shipping Agency, Liner and tramp, Shipping Practice, Charters parties, Shipping and Sea Port operation from Norwegian Shipping Academy.</p> <p><b>Work Experience:</b> He has hands on experience spanning a period of about 50 years' in diverse international, geographical and cultural business environments. Extensive background in the Merchant Navy and his career began in 1974 as an Executive management trainee in the shipping division of Mackenzie (K) Limited, formerly Smith Mackenzie which lays claim as being the first registered company in East Africa at Zanzibar in 1870. Rose to the position of Managing Director of Mackenzie Maritime (EA) in 1993 later rebranded P&amp;O Nedlloyd (EA). Seconded in late 1999 by P&amp;O Nedlloyd, at the time the largest deep sea going Container operator in the world, to the Kenya Ports Authority (KPA) as a member of the private sector seasoned executives seconded to the Kenya Government in a quest to turn around the Kenya national economy which was facing serious challenges and in negative free fall. In 2008 he was invited to join the Board of Rift Valley Railway Investment (PTY) as Executive Chairman and Group Chief Executive of Rift Valley Railways (K) Ltd and Rift Valley Railways (U) Ltd a Company that held a 25 years concession to manage and operate the 2300-kilometre Kenya /Uganda Metre Gauge Railway network. Continues to serve as non-Executive board member of Rea Vipingo Limited. He has also served on the Board of Barclays Bank (K), now Absa Bank Kenya, Grain Bulk Handlers Group, as a Member of the Presidential Investors Round Table III of the Republic of Uganda. Chairman, life Governor and Trustee of the Agricultural Society of Kenya.</p> <p>He was appointed to the Board with effect from 10th March 2023 and is the Chair of the Board of Directors.</p>
2.	 <p>Mr. Mohammed Daghar (Board Member)</p>	<p><b>Date of Birth:</b> 25<sup>th</sup> March 1986</p> <p><b>Key Qualifications:</b> BA International Relations from United States International University, Kenya, Masters in Peace, Conflict and Development studies from Universitat Jaume I, Spain.</p> <p><b>Work Experience:</b> Principal Secretary, State Department for Transport in the Ministry of Roads and Transport. He has wealth of experience in safety and security matters. He is responsible for the Transport Policy formulation and execution, development of regulatory framework for transport sector, oversee implementation of various transport programmes and projects designed to realise efficient, reliable and seamless transport connectivity envisioned in vision 2030 under Road, Rail, Air and Maritime modes of Transport. In addition, as Principal Secretary in charge of State Department for</p>




		<p>Transport, he is responsible for providing guidance, direction and oversight on services delivery by State Corporations namely, Kenya Railways Corporation (KRC), Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) Corridor Development Authority, Kenya Airports Authority (KAA), Kenya Civil Aviation Authority (KCAA), Kenya Ports Authority (KPA), National Transport and Safety Authority (NTSA) and Nairobi Metropolitan Area Transport Authority (NAMATA). As the Principal Secretary in charge of Transport, he is a member of the Executive Committee of the Northern Corridor Transit and Transport Coordination Authority (NCTTCA) and therefore he is responsible for all matters relating to NCTTCA.</p> <p>He serves as a board member with effect from 2nd November 2022 in his capacity as the Principal Secretary State Department of Transport.</p>
3.	 <p>Dr. Chris K. Kiptoo, CBS (Board Member)</p>	<p><b>Date of Birth:</b> 31<sup>st</sup> December 1967</p> <p><b>Key Qualifications:</b> Holds a Doctor of Philosophy Degree (PhD) in Finance (International Macroeconomics Finance specialization) from University of Nairobi, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic &amp; Financial Management Institute of Eastern &amp; Southern Africa (MEFMI).</p> <p><b>Work Experience:</b> Principal Secretary, National Treasury. Immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade &amp; Cooperatives.</p> <p>Has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector and macroeconomic accounting, and modelling and forecasting. Additionally, He has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as TradeMark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.</p> <p>He serves as a Board member with effect from 1st December 2022 in his capacity as the Principal Secretary to The National Treasury and Economic Planning.</p>

4.		<p><b>Date of Birth:</b> 27<sup>th</sup> December 1979</p> <p><b>Key Qualifications:</b> Holds a Doctor of Philosophy Degree (PhD) in Applied Statistics from the Maseno University as well as a Master of Science in Biometry (Applied Statistics in Agriculture, environmental and Biological sciences) and a Bachelor of Science degree in Statistics both from the University of Nairobi. He is a member of the International Society for Clinical Biostatistics (ISCB), Expert User Committee for Data Management and Statistics Global Health Trials Network and Young African Statisticians Association (YASA).</p> <p><b>Work Experience:</b> Principal Secretary, State Department for Interior and National Administration, Managing Director, Lake Basin Development Authority, Head of Data Centre &amp; Statistician, DNDi Africa, Research fellow and Adjunct lecturer at Strathmore University, Centre for Research in Therapeutic Sciences (CREATES) and School of Mathematical Sciences and Nairobi University, Member of Board of Directors of Consolidated Bank of Kenya where he chaired the Credit and Finance and Risk and Compliance Committees, External Examiner Msc. Course in Research Data Management in the University of Witwatersrand, Johannesburg, South Africa. He has been a technical adviser and consultant in various institutions including the World Health Organization (WHO), Food and Agriculture Organization (FAO)-Somalia, Novartis Pharmaceuticals &amp; Kenya Research Medical Institute, TARJ Consult Lt, Hoffman La Roche PLC, AMREF, Academy for Educational Development (AED). He is a member of the International Society for Clinical Biostatistics (ISCB), Expert User Committee for Data Management and Statistics Global Health Trials Network and Young African Statisticians Association (YASA). He has over 30 publications.</p> <p>He serves as a Board member with effect from 2nd December 2022 in his capacity as the Principal Secretary for Interior and National Administration.</p>
5.		<p><b>Date of Birth:</b> 1<sup>st</sup> January 1958</p> <p><b>Key Qualifications:</b> Airport Transport Pilot Licence</p> <p><b>Work Experience:</b> Kenya Air Force Pilot, Kenya Police Service Pilot/Commandant, member of the Aero Club of East Africa.</p> <p>He was appointment to the Board with effect from 20th April 2023. He is an independent member of the Board, Chair of the Licensing of Air Services and Technical Committee of the Board and member of the Finance and Human Capital Committee of the Board.</p>

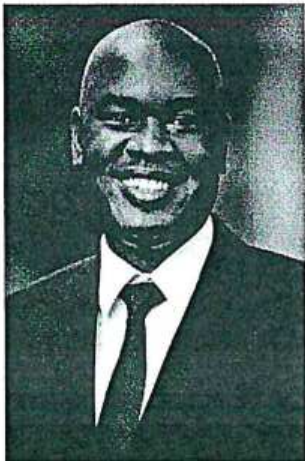





6.	 <p>Dr. Boniface Mureithi Wanjau (Board Member)</p>	<p><b>Date of Birth:</b> 15<sup>th</sup> February 1986</p> <p><b>Key Qualification:</b> Doctorate in Finance from JKUAT, Master's degree in economics from Kenyatta University, Bachelor of Education- Arts Business and Economics from Kenyatta University and Certified Public Accountant -CPA(K) from KASNEB</p> <p><b>Work Experience:</b> Lecturer at St. Paul University, KCA University, Mt. Kenya University and Zetech University. Appointed in various companies as a director in 2015. He is a member of ICPAK and Rotary Club.</p> <p>He was appointed to the Board with effect from 20th April 2023. He is an independent member of the Board and Chair of Audit Risk and Governance Committee of the Board and member of the East African School of Aviation Committee of the Board.</p>
7.	 <p>Mr. Tokei N. Loten (Board Member)</p>	<p><b>Date of Birth:</b> 30<sup>th</sup> December 1976</p> <p><b>Key Qualifications:</b> Masters in Business Administration from University of Nairobi, Bachelor of Commerce from the Catholic University of Eastern Africa.</p> <p><b>Work Experience:</b> Director TNL Group of companies, Managing Director (executive) TNL Engineering and Construction works ltd.</p> <p>He was appointment to the Board with effect from 20th April 2023. He is an independent member of the Board, Chair of the Finance and Human Capital Committee of the Board and member of the Licensing of Air Services and Technical Committee of the Board.</p>
8.	 <p>Dr. Annette Mbogoh (Board Member)</p>	<p><b>Date of Birth:</b> 17<sup>th</sup> April 1981</p> <p><b>Key Qualifications:</b> Doctor of Philosophy in Law from Southern &amp; Eastern African Regional Centre for Women's Law from UZ-SEARCWL, Masters in women's law from UZ-SEARCWL, Postgraduate Diploma in law from Kenya School of Law and Bachelor of laws from The University of Nairobi.</p> <p><b>Work Experience:</b> Kituo Cha Sheria, Resident Advocate, Christian Legal Aid and Research, Board Chairperson Haki Yetu Organization, Board member TOA Kenya, Vice Chairperson Insurance Appeals Tribunal. She is a member of the Law Society of Kenya.</p> <p>She was appointed to the Board with effect from 20th April 2023. She is an independent member of the Board and a member of the Audit, Risks and Governance Committee of the Board and Licensing of Air Services and Technical Committee of the Board.</p>




9	 <p>Ms. Liz Aluvanze (Board Member)</p>	<p><b>Date of Birth:</b> 1<sup>st</sup> June 1992</p> <p><b>Key Qualifications:</b> Master of Science in Air Transport Management from Cranfield University, Bachelor of Engineering, Aerospace Engineering from the University of Manchester.</p> <p><b>Work Experience:</b> Chief Executive Officer of the Kenya Association of Air Operators, Air Transport officer at the Kenya Civil Aviation Authority. Fleet Development at Kenya Airways.</p> <p>She was appointed to the Board with effect from 20th April 2023. She is an independent member of the Board, Chair East African School of Aviation Committee and Member Finance and Human Capital Committee of the Board.</p>
10.	 <p>Mr. Emile Nguza Arao (Director General)</p>	<p><b>Date of Birth:</b> 17<sup>th</sup> April 1978</p> <p><b>Key Qualifications:</b> Masters in Business Administration, Embry Riddle Aeronautical University, 2004; Bachelor of Science in Aircraft Engineering Technology, Embry Riddle Aeronautical University, 2002; Certificate in Electrical Engineering, 1998</p> <p><b>Work Experience:</b> DG KCAA with effect from 11<sup>th</sup> May 2022. He served as the Executive Director-EAC CASSOA, Deputy Director-EAC CASSOA, Director/ Lead Aviation Consultant- Pine Group Ltd, Aviation Business Strategy, Safety and Operations Consultant—Skyward Express, Airline Pilot Contractor- Air Tec Africa/ Air Libya, Director of Safety/Project Certification Manager- OneJetOne Airways Kenya Ltd, Quality Manager/Pilot- Safarilink Aviation, Flight safety officer/Pilot- East African Safari Air Express, Airworthiness Inspector-KCAA, Program System Analyst, Dean Fellow/Graduate Assistant, Aircraft Mechanic, Apprentice/Aircraft Mechanic.</p>
11.	 <p>Mr. George Ombaso Mogaka (Corporation Secretary)</p>	<p><b>Date of Birth:</b> 16<sup>th</sup> December, 1971</p> <p><b>Key Qualifications:</b> MBA (Strategic Management) - Maseno University and LLB - Nagpur University. Post Graduate Diploma in Law – Kenya School of Law, Advocate of the High Court of Kenya, Commissioner for Oaths and Certified Secretary of Kenya. Lead Auditor (QMS) and Certified Trustee (Pension Schemes). Member of the Law Society of Kenya and Institute of Certified Secretaries of Kenya.</p> <p><b>Work Experience:</b> Has over twenty-three (23) years post qualification work experience. Has previously worked at National Oil Corporation of Kenya, Kenya Sugar Research Foundation, Kenya Revenue Authority and Kenya Plant Health Inspectorate Service prior to joining Kenya Civil Aviation Authority on 16th June 2020.</p>

#### 4. MANAGEMENT TEAM

	Name	Key Qualifications & Main Area of Responsibility
1.	 <p>Mr. Emile Nguza Arao (Director General)</p>	<p><b>Key Qualifications:</b> Masters in Business Administration, Embry Riddle Aeronautical University, 2004; Bachelor of Science in Aircraft Engineering Technology, Embry Riddle Aeronautical University, 2002; Certificate in Electrical Engineering, 1998</p> <p><b>Main Area of Responsibility:</b> Overall Coordination and Direction of the Air Navigation Service Provision, Regulation of the Civil Aviation Industry, and Training of the Aviation Personnel in the Country.</p>
2.	 <p>Mr. George Ombaso Mogaka (Corporation Secretary)</p>	<p><b>Key Qualifications:</b> MBA (Strategic Management) - Maseno University and LLB - Nagpur University. Post Graduate Diploma in Law – Kenya School of Law, Advocate of the High Court of Kenya, Commissioner for Oaths and Certified Secretary of Kenya. Lead Auditor (QMS) and Certified Trustee (Pension Schemes). Member of the Law Society of Kenya and Institute of Certified Secretaries of Kenya.</p> <p><b>Main Area of Responsibility:</b> Planning, organizing, leading and controlling provision of Board Secretarial and Legal Services in the Authority.</p>
3.	 <p>CPA Joseph K. Chebungei (Director Corporate Services)</p>	<p><b>Key Qualification:</b> Bachelor of Arts (Econ) from the University of Nairobi and an MBA from Moi University, CPA-K holder and is a member of ICPAK.</p> <p><b>Main Area of Responsibility:</b> Coordinate and direct the Corporate Services function of the Authority.</p>

4.		<p><b>Key Qualifications:</b> Masters of Science (MSc) in Aviation Safety from Florida Institute of Technology, Masters of Business Administration (EMBA) in Aviation Management from Moi University, Bachelor of Science (BSc) from University of Nairobi, Bachelor of Science (BSc) in Aviation Management from University of Dubuque-Iowa, USA, Higher National Diploma in Electrical and Electronic Engineering from Kenya Polytechnic, Licensed Aircraft Maintenance Engineer (AMEL), Certificate in Air Transport Business and Economics from University of Antwerp and International Negotiation Skills (IATA, Singapore). A member of the Aeronautical Society of Kenya.</p> <p><b>Main Area of Responsibility:</b> Management and Coordination of the regulation function of the Authority.</p>
6.		<p><b>Key Qualifications:</b> Master of Business Administration form University of Nairobi, Bachelor of Science Degree in ICT&amp; Management (Maseno University). Strategic Leadership Development Programme, Senior Management Course, Risk Management for Project Managers, Managers &amp; Heads of Functions Training. Aeronautical Information Services (ICAO Course 021), Basic Course in Aeronautical Cartography, Transition from AIS to AIM Course, Safety Management for Practitioners Course, PANS-OPS Initial Flight Procedure Design Course, PANS-OPS Performance Based Navigation (PBN) Flight Procedure Design Course, Airspace Design..</p> <p><b>Main Area of Responsibility:</b> Spearheads the overall development and implementation of policies and strategies for managing Air Navigation Services in Kenya Airspace and for any areas outside Kenya for which the State has, in pursuant to international arrangements undertaken to provide the services for a safe, economical, sustainable and efficient provision of Air Traffic Management, Aeronautical Information Management, Communication, Navigation and Surveillance, Search and Rescue and alerting services.</p>



7.	 <p>Dr. George K. M. M'Nchebere (Director East African School of Aviation)</p>	<p><b>Key Qualifications:</b> Doctor of Philosophy, PhD (Strategic Management), Master of Business Administration (Strategic Management) and Bachelor of Commerce, University of Nairobi, a full member of Marketing society of Kenya (MSK) and Kenya Institute of Management (KIM).</p> <p><b>Main Area of Responsibility:</b> Management and Coordination of the Training Mandate of the Authority (EASA).</p>
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## **5. CHAIRMAN'S STATEMENT**

I am pleased to present the KCAA Annual Report and Financial Statements for the Financial Year 2022/23 for three reasons. First, the report comes at a time when global air transport is showing strong recovery following the COVID-19 pandemic that adversely affected the aviation industry. Second, the Authority has just commemorated 20 years of managing aviation safety and promoting a thriving aviation industry in Kenya, and thirdly, this is the first annual report since the inauguration of a new board.

The global economy has shown signs of recovery from the pandemic though the impact of Russia's war on Ukraine, the growing geo-political fragmentations, rising inflation and supply chain disruptions remains matters of great concern. Air Transport contributed 0.8 per cent share of the national GDP which grew by 4.8 per cent in 2022. The slowdown in economic growth compared to 7.6 per cent in 2021 is attributed to the Russia-Ukraine conflict that caused supply chain disruptions, the anxiety and uncertainty associated with the 2022 general elections, inflation and the adverse impact of climate change that led to drought, the worst in 40 years, affecting agricultural productivity.

Passenger traffic in Kenya recorded a growth rate of 24.4 percent in 2022/2023 compared to the previous year, Cargo traffic recorded a decline rate of 0.6 percent compared to a growth rate of 6.4 in the last financial year, while aircraft movements recorded 4.87 percent growth this year compared to 44.4% recorded in the previous financial year.

The aviation Industry is an important enabler to achieving economic growth and development as it facilitates speedy international, regional, and domestic movement of passengers and cargo and integration of the local economy into the global economy. It also facilitates flow of investments, ideas, tourism, and trade which have a positive effect on economic growth.

In 2022, KCAA developed the fourth Strategic Plan covering the period 2022/23 – 2027/28 which is anchored on five (5) key result areas namely, a Vibrant Policy, Legal and Regulatory Environment; Airspace, Technology, Equipment, and Infrastructure Development; Corporate Image and Reputation; Institutional Capacity Development; and Quality Aviation Training. The initiatives contained in the Strategic Plan are aimed at improving the level of compliance with ICAO international conventions to which Kenya is a signatory and enhancing the capacity of air transport industry in order to position it as a key driver of economic growth.

The Strategic Plan is aligned to Kenya's Vision 2030 and is being reviewed to align it to the Government's Bottom-Up Economic Transformation Agenda (BETA). Guided by the Strategic Plan, the Authority will endeavour to live to the new vision of "a vibrant, safe, secure and sustainable civil aviation system" by ensuring that standards and recommended practices are implemented, maintained, and complied.

During the year under review, the Authority enhanced the levels of effective implementation of compliance requirements, oversight capacity, surveillance of the industry and investments in air navigation services infrastructure and training equipment. The process of amalgamating the Civil Aviation Act No. 21 of 2013 and the Civil Aviation (Amendment) Act No. 42 of 2016 progressed well during the year and the key stakeholders in Government agencies provided their inputs to enrich the proposed Civil Aviation Bill.

Further, the Authority reviewed and updated several regulations and technical guidance materials (TGMs) to enhance compliance and oversight.

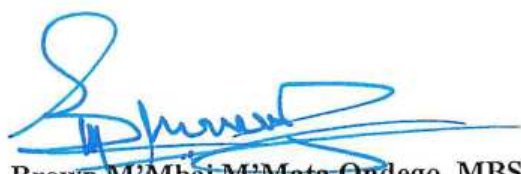
I am also pleased to report that together with other agencies within the State Department for Transport, the nation is on course to finalising the National Aviation Policy that will be instrumental in shaping the future of Kenya's aviation transport system.

The global aviation industry is implementing an ambitious goal of reducing CO2 emissions through the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) programme with a target of Net Zero carbon emissions for air transport industry by 2050. Kenya is an active partner in the global community in this initiative and continues to implement activities towards this goal. The nation has been recognized as a leader in the implementation of CORSIA and production and utilisation of Sustainable Aviation Fuels.

The Board successfully implemented its performance contract with the Government for the financial year 2022/23. In this contract, the Board committed to implement specific measurable targets under the mandate of the Authority. These targets were cascaded to the management and implemented through individual performance contracts drawn from the annual work plans of the Strategic Plan. The Contract had 39 targets and the Authority fully achieved 35 targets. Further, the Board decided in May 2023 to disengage with Kenya Revenue Authority and started collecting revenue directly. Following the decision, the Authority enhanced its capacity to collect revenue, and this has contributed to cost savings and improved efficiency in revenue and cashflow management.

These achievements notwithstanding, the aviation industry experienced several challenges within the year. Some of the challenges include technical staff shortages, cyber security threats, long processes in the review of regulations, and the emerging new technologies and concepts that influence investment plans. KCAA commits to address these challenges in order to provide a safe and efficient civil aviation system, which will help Kenya achieve its developmental objectives.

I commend the Board of Directors, Management, and staff for their outstanding efforts, dedication, and commitment despite the various challenges. Their efforts have continued to place the Authority in a strong position to make the most of the opportunities ahead. I thank all our customers and stakeholders. We have often fallen short of your expectations, but, we are determined to live to our mandate and change for the better with your continued support which is much appreciated.



**Brown M'Mbai M'Mata Ondego, MBS**  
**Chairman, Board of Directors**  
**Kenya Civil Aviation Authority**

## **6. REPORT OF THE DIRECTOR GENERAL**

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Civil aviation is an important enabler to achieving economic growth and development as it facilitates speedy international, regional, and domestic movement of passengers and cargo. It enables flow of goods, investments, people, and ideas that drive economic growth thereby facilitating tourism and trade, increasing consumer benefits and choices, and creating jobs. Thus, activities in the aviation industry are a useful indicator of performance of the economy due to the strong correlation between GDP growth and air transport development. It is worth noting that in the year 2022, air transport activities contributed 0.8 per cent, equivalent to Kshs.108,164 million to the national GDP.

As a signatory to International Civil Aviation Organization (ICAO), Kenya is obligated to administer aviation safety and security in line with ICAO Standards and Recommended Practices. Kenya maintains high levels of aviation safety and security as evidenced by the excellent results of both ICAO audits and the continuous monitoring framework. The maintenance of high levels of standards of safety and security and the investments undertaken in the industry enabled the country to retain the FAA IASA Category I status granted in 2017 to operate direct flights into the USA market while also promoting safe flow of global air traffic. The levels of effective implementation of the Universal Security Audit Programme (USAP) conducted in May 2022 was 91.77 per cent while that of the Universal Safety Oversight Audit Programme (USOAP) was estimated at 75.41 per cent during 2022. Besides, the Authority ensured effective coordination and implementation of the State Safety and Security programmes, the development of the safety plan as well as the implementation of the corrective actions arising from the safety and security audits.

Guided by the Kenya Airspace Master Plan (KAMP) and the need to improve air navigation and aviation training services, the Authority continued to invest in modern Air Navigation service equipment and systems, ensuring timely and proper maintenance, and enhancement of airspace capacity and safety. The overall availability of ANS equipment was 97.90 per cent during the year. The procurement of equipment and systems for the Area Control and Disaster Recovery Centre at the Central Transmitting Station in Mlolongo was initiated and is expected to be completed in the next two years financial years. The design for the new control tower at Kisumu Airport was also completed and the construction is expected to start in the next financial year.

The global aviation industry is implementing an ambitious goal of reducing CO<sub>2</sub> emissions through the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) programme with a target of Net Zero carbon emissions for air transport industry by 2050. Kenya is happy to join the global world in this initiative and continues to implement activities towards this goal. The Authority in collaboration with GIZ, hosted a stakeholder's workshop on scaling sustainable aviation fuels including power to liquid in Kenya on 3<sup>rd</sup> August 2022 to disseminate the findings of the feasibility study on Sustainable Aviation Fuel (SAF) production in Kenya and derive key policy decisions. In implementing the CORSIA programme, the Authority submitted to ICAO the 3<sup>rd</sup> Action Plan for CO<sub>2</sub> emission reduction. KCAA also monitored Carbon emissions from aircrafts and reported the status of the emissions to ICAO. In a bid to be the pioneer organization in implementing CORSIA within the region, KCAA is holding



discussions with the industry, relevant Government agencies and financiers to provide technical and logistical support for SAF production and utilisation.

The aviation industry showed positive performance during the financial year. The number of passengers handled at Kenyan airports increased by 24.4 per cent from 8.89 million in 2021/22 to 11.06 million in 2022/23. The number of international passengers increased by 54.1 per cent from 3.75 million in 2021/22 to 5.78 million in 2022/23. Domestic traffic rose by 2.8 per cent from 4.91 million in 2021/22 to 5.05 million in 2022/23. Similarly, transit passenger traffic increased marginally by 1.7 per cent from 230,616 passengers in 2021/22 to 234,696 in 2022/23. The total cargo transported through the Kenyan airspace declined by 0.6 per cent from 380,157 tonnes in 2021/22 to 377,860 tonnes in the FY 2022/23 with domestic cargo increasing by 8.2 per cent from 950.6 tonnes to 1,028.8 tonnes while international cargo declined by 0.6 per cent from 379,206 tonnes to 376,831 tonnes. The total aircraft movements increased by 11.4 per cent from 300,234 in 2021/22 to 335,464 in 2022/23.

The number of aircraft registered in Kenya has been steadily increasing. Within the review period, the total number of aircrafts registered in increased by 2.16 per cent to reach 1,659 from 1,624 registered in 2021/2022 financial year, 50 new aircrafts were registered while 15 others were de-registered.

The number of aviation personnel licenses issued went up by 4.24 per cent from 12,218 in the FY 2021/22 to 12,736 in the FY 2022/23 with a general increase in all the categories of licenses issued. The increased activity in the industry airspace is attributed to improved performance of aviation industry and recovery in economic activities from the interruptions brought about by the effects of COVID-19 pandemic.

Looking at aviation training, the number of academic programmes conducted at EASA increased from 160 courses in the FY 2021/22 to 187 courses in the FY 2022/23, which was higher than the pre-Covid levels. The number of students trained at EASA grew by 13.65 per cent from 2,557 enrolled in the FY 2021/22 to 2,906 trained in the FY 2022/23. The trainees enrolled were 65.45 per cent male and 34.55 per cent female while in terms of nationality, 80.49 per cent were Kenyans and 19.51 per cent were foreign. With return to normalcy and recovery from the effects of Covid-19 pandemic, and aggressive marketing, we expect the student enrolment, both local and international to increase and grow the skills in the aviation industry.

The overall performance during the year was positive growth in financial performance. Revenue earnings increased from Ksh. 6,935.3 million collected in the FY 2021/22 to Ksh. 10,147.69 million collected in the FY 2022/23. The increase in revenues is attributed to increased earnings from air navigation services charges due to increased aircraft movements, and air passenger service charges.

The Authority realized a net profit of Ksh. 4,915.97 million compared to Ksh. 1,812.68 million recorded in the FY 2021/22 before 90 per cent remittance to the National Treasury. The Authority will pursue initiatives to increase revenue while undertaking prudent spending to achieve financial stability.

The Authority developed a strategic plan for the period 2022/2023 to 2027/2028 which has undergone its first year of implementation. The plan is anchored on five (5) key result areas namely, a Vibrant Policy, Legal and Regulatory Environment; Airspace, Technology, Equipment, and Infrastructure Development; Corporate



Image and Reputation; Institutional Capacity Development; and Quality Aviation Training. The initiatives contained in the Strategic Plan are aimed at improving the level of compliance with ICAO requirements, enhancing the capacity to provide oversight services and automation of regulatory services.

The Authority developed its annual workplan based on the key result areas and used the performance contract concept to assess performance. The Performance Contract (PC) concept commits staff to implement targets in their work plans that are drawn from the Strategic Plan. The Performance Contract for the FY 2022/23 was successfully implemented, and the performance report submitted to the Government. The Contract had 39 targets and the Authority fully achieved 35 targets. The Authority will strive to manage supply chain logistics, mitigate risks, improve project management while enhancing corporate image and reputation, promoting the rights of consumers, and ensuring compliance with requirements for environmental protection.

KCAA recognises the need to develop institutional capacity in order to deliver services that meet and exceed the expectations of our clients and establish a regulatory system that the industry has trust in. The Authority received approval from Government of the reviewed organisational structure, human resource manual and career progression guidelines. These will be implemented during the next financial year to enhance service delivery to the industry and improve the motivation and productivity of staff. The Authority also ran various Staff welfare programmes including staff mortgage, car loan, staff loan, medical scheme, group life insurance, group accident insurance, last expense policies and creches for nursing mothers. Staff also participated in the Kenya Communications Sports Organization (KECOSO) Sports festival held in Kericho Town in July 2022.

All key indicators in the industry point to a return to normalcy and recovery from the devastating effects of COVID-19 pandemic that paralysed the aviation industry and almost brought everything to a halt. As we begin the new financial year, I look forward with more optimism, to a vibrant and eventful calendar in the aviation industry. I urge all staff to put their best foot forward and deploy their talents, expertise, and creative energy to steer the Authority to even better heights.

Let me conclude by appreciating the Board of Directors for their excellent stewardship that created a conducive work environment, the Management, and Staff for their efforts that made the Authority achieve the aforementioned milestones. I further extend my gratitude to our stakeholders for their continued support and cooperation.



**Emile N. Arao**  
**Director General**

## **7. STATEMENT OF PERFORMANCE OF KENYA CIVIL AVIATION AUTHORITY AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2022/2023**

The Authority developed and approved a Strategic Plan in 2022 which covers the period 2022/23 – 2027/28. The strategic plan is anchored on five (5) key result areas.

- 1) A Vibrant Policy, Legal and Regulatory Environment
- 2) Airspace, Technology, Equipment, and Infrastructure Development
- 3) Corporate Image and Reputation.
- 4) Institutional Capacity Development
- 5) Quality Aviation Training

The Authority develops its annual work plans based on the above 5 result areas. The Authority undertakes assessment of performance against this annual work plan on a quarterly basis. For the year under review, the performance against the set targets for the financial year 2022-23 is indicated below:

**Table 1: Key Highlights in the Implementation of the Strategic Plan**

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Strategies</b>	<b>Achievement</b>
A Vibrant Policy, Legal and Regulatory Environment	Develop and implement aviation policy, Programmes, and plans	a) Participate in the development and implementation of the National Aviation Policy. b) Develop and Implement the State Safety Programme and Plan. c) Develop and Implement the State Security Programme and Plan	(i) Participated in the review and development of the Integrated National Transport Policy. (ii) Participated in the drafting and review of the National civil aviation policy. (iii) Developed the State Safety Plan (iv) Reviewed the National Civil Aviation Security Programme (NCASP).
	Establish an effective aviation safety and security oversight system	a) Develop and review civil aviation legislation and regulations. b) Develop, review, and implement Technical Guidance Materials. c) Provide appropriate facilities, tools, and equipment.	(i) Consolidated the Civil Aviation Act 2013 and Civil Aviation (Amendment) Act 2016 and incorporated inputs from stakeholders. (ii) Reviewed draft regulations; a) Civil Aviation (Aerial Works-Agricultural Operations) Regulations. b) Civil Aviation (Aerial Work-Operations) Regulations. c) Civil Aviation (Aircraft Noise) Regulations. d) Civil Aviation (Dangerous Goods) Regulations. e) Civil Aviation (Consumer Protection) Regulations. (iii) Developed draft regulations; a) Civil Aviation (air ambulance) Regulations. b) Civil Aviation (hot air balloon operations) Regulations. c) Civil Aviation (aircraft emissions) Regulations.



*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Strategic Pillar	Objective	Strategies	Achievement
			(iv) Reviewed Technical Guidance Materials; a) Enforcement Policy & Procedures Manual. b) Order on Exemptions. c) Advisory Circular on Exemptions. d) Safety Management TGMs (5 sets).
	Implement an effective aviation safety and security oversight system	a) Enhance the level of compliance with ICAO and other international aviation safety and security requirements. b) Undertake initial and continuous licensing, certifications, authorizations, and approval obligations. c) Enhance implementation of surveillance and quality control obligations. d) Enhance the resolution of safety issues and security concerns	(i) Developed and submitted to ICAO USAP-CMA Corrective Action Plan (CAP) following the Audit conducted in May 2022. Closed eight (8) of the fifteen (15) findings. (ii) Implemented four (4) corrective actions on airworthiness of aircraft and one in flight operations. (iii) Closed Internal Corrective Action Plans (CAPs) - 2 on personnel licensing; 217 on Air Navigation Service Provider; and 81 on Aerodromes and Ground Aids. (iv) Conducted five self assessments on ICAO USOAP on-line framework. (v) Conducted an updating of the Compliance Checklists Electronic Filing of Differences (EFOD). (vi) Granted 63 AOC renewals, 22 aircraft additions and 13 aircraft inclusions. (vii) Conducted 119 inspections/audits on AMO's and participated in 24 AOC inspections/audits. (viii) Conducted surveillance and re-certification of eleven (11) ATOs and published list of ATOs in two local newspapers and website. (ix) Conducted inspections for Aerodromes and Ground Aids on 10 Airports and 82 Airstrips/Helipads. (x) Conducted seventeen (17) ANSP Meteorology Inspections at 15 sites. (xi) Renewed ANSP certificates for Moi, Malindi, AIS HQs, Eldoret, Lokichogio, JKIA, Wilson and Wajir. (xii) Licensed Cottars 1920s Safari Camp Airstrip, Pardamat Airstrip, Subati, Dwa and Ngerende Airstrips. (xiii) Registered Zipline Chemelil Drone Launch Site, Marania and Lolomarik airstrips.
	Enhance Kenya's Representation and influence at regional and global levels	a) Increase the level of contribution by Kenya to global aviation development. b) Collaborate with other states to enhance aviation safety and Security. c) Collaborate with ICAO to develop Kenya's Aviation Industry.	(i) Participated in ICAO 41 <sup>st</sup> Assembly and ICAO 227 and 228 Council Session meetings and participated in development of Twenty-eight (28) Working papers and Seven (7) Information Papers. (ii) Held meetings with delegates of Australia, Netherlands, EU, Singapore,

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Strategic Pillar	Objective	Strategies	Achievement
		d) Strengthen and maintain Kenya's presence at ICAO HQs and other international bodies	Korea, Malaysia, Spain, FAA to pursue state interests on various topics. (iii) Trained Uganda, South Sudan, and Seychelles on the Carbon Offsetting Scheme for International Aviation (CORSIA) under ACT-CORSIA initiative. (iv) Participated in the Committee of Aviation Environmental Protection (CAEP) Meeting. (v) Participated in the Conference of Parties (COP 27) of the UN Framework Convention on Climate Change (UNFCCC).
	Promote a vibrant and sustainable Air Transport industry	a) Develop, review, and implement the Air Transport Regulations and Technical guidance materials. b) Monitor facilitation of air transport operations.	(i) Carried out 17 inspections for surveillance and monitoring of air transport operations. (ii) Carried out one (1) airworthiness inspection at KQ Base maintenance station and one flight operations inspection. (iii) Participated in quarterly meetings of the National Air Transport Facilitation Committee (NATFC). (iv) Developed a framework for implementation of Fatigue Risk Management System (FRMS).
Airspace, Technology, Equipment, and Infrastructure Development	Automate business processes for enhanced efficiency	a) Automate, integrate, and upgrade key business processes. b) Review and implement ICT Policy and Strategy	(i) Completed re-engineering of ten (10) business processes under Operator Certification and Licensing of Aviation personnel. (ii) Completed review of ICT Policy and Strategy formulation and presented to Board.
	Modernize systems and equipment	a) Review and implement a modernization plan for systems and equipment. b) Review and implement a maintenance plan for systems and equipment	(i) Contract for installation of equipment and operationalization of DRC and ACC ongoing. (ii) Installed and commissioned ANS safety analysis tool in all ANS stations. (iii) Installed and commissioned a voice recorder system at Wajir and Lokichogio airports. (iv) Achieved overall availability of Air Navigation Services equipment of 97.89% through regular and routine maintenance of ANS equipment.
	Develop and maintain buildings, facilities, and Infrastructure	a) Develop and implement a buildings and facilities policy. b) Develop and implement a master plan for buildings, facilities and infrastructure improvement including maintenance	(i) Preparation of buildings and facilities policy ongoing. (ii) Completed construction of staff and guard houses at Mwakirunge and Ngong respectively. (iii) Contract for construction of Kisumu Control Tower awarded and contractor to move on site.
	Enhance airspace safety	a) Provide quality aeronautical information products.	(i) Produced AICs and AIPs.



*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Strategic Pillar	Objective	Strategies	Achievement
		<ul style="list-style-type: none"> <li>b) Implement standards and operating procedures.</li> <li>c) Implement effective safety management systems.</li> <li>d) Manage Search and Rescue Operations efficiently.</li> <li>e) Implement ATM Security Programme</li> </ul>	<ul style="list-style-type: none"> <li>(ii) Implemented standards and operating procedures in air traffic management.</li> <li>(iii) Conducted a review study for enroute sectors and JKIA terminal sector.</li> <li>(iv) Four TGMs on SMS completed and published.</li> <li>(v) Process of automation of SMS function ongoing.</li> <li>(vi) Reconstituted and trained two (2) SMS coordinators for Kisumu and Loki.</li> <li>(vii) Conducted Search and Rescue Exercise (SAREX) and Inter-agency SAR training.</li> </ul>
	Enhance Airspace Capacity	<ul style="list-style-type: none"> <li>a) Implement Operational Performance Management System (OPMS)</li> <li>b) Undertake systematic and regular reviews of airspace and air route's structure.</li> <li>c) Improve coordination, planning and implementation of ANS Plans</li> </ul>	<ul style="list-style-type: none"> <li>(i) Prepared Quarterly OPMS data analysis report.</li> <li>(ii) Conducted evaluation and analysis for obstacle controls for; Aerial Telecommunication Masts – 1,011; Wind Turbines – 49; and Buildings – 61.</li> <li>(iii) Carried out internal audits at Wajir, Lokichogio, Nairobi Area Control Centre, Malindi, Wilson, Mombasa Approach/Tower, Eldoret Approach/Tower, JKIA Terminal, Kisumu Tower, Diani Tower, Nairobi Rescue Coordination Centre, and ATS headquarters.</li> </ul>
Corporate Image and Reputation	Enhance brand resonance, visibility, and compliance culture	<ul style="list-style-type: none"> <li>a) Enhance brand resonance and visibility.</li> <li>b) Institutionalize Corporate Social Responsibility</li> <li>c) Nurture and enhance strategic partnerships and collaborations</li> </ul>	<ul style="list-style-type: none"> <li>(i) Conducted a stakeholder engagement involving Cabinet Secretary, Principal Secretary, KCAA Board, Management and CEOs of All aviation firms in Kenya.</li> <li>(ii) Conducted an engagement for collaboration with Moi University senate led by Vice Chancellor.</li> <li>(iii) Held discussions with Mozambique CAA, KDF for training partnerships.</li> <li>(iv) Communication programmes such as social media outputs shared with the public – on YouTube, Twitter, Facebook, publishing of Aviator e-newsletter, and production and publication of the Aviator video series.</li> <li>(v) Participated in the Agricultural Show of Kenya with exhibitions.</li> <li>(vi) CSR Committee developed Strategy and procedure for CSR.</li> <li>(vii) Supported Mwakirunge VOR station communities with foodstuffs and donated wheelchairs to disabled in Kawangware and Mukuru Kayaba.</li> </ul>
	Enhance Customer Experience	<ul style="list-style-type: none"> <li>a) Develop and implement customer quality standards</li> </ul>	<ul style="list-style-type: none"> <li>(i) Service charter reviewed and approved by management.</li> <li>(ii) Conducted awareness on service charter.</li> </ul>

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Strategic Pillar	Objective	Strategies	Achievement
	Increase KCAAs global aviation footprint	a) Develop and implement a biennial international communication strategy. b) Lobby for hosting of international events	(i) KCAA to host ICAO AFI Week Conference – committee appointed; Cabinet approval received.
	Protect Aviation consumers rights	a) Enhance the rights and interests of aviation consumers	(i) Developed draft Consumer Protection Strategy. (ii) Conducted awareness on complaints management and access to information.
Institutional Capacity Development	Attract and retain skilled, competent, and motivated workforce for enhanced productivity	a) Attract skilled, competent, and motivated workforce. b) Manage staff performance for improved productivity. c) Review, enhance and inculcate a positive work culture	(i) Received approval of a new organizational structure, human resource manual and career progression. (ii) Initiated the process of implementation of the organizational structure. (iii) Implementation of various welfare programs including staff mortgage, car loan, medical scheme, group life and accident insurance, last expense policies, gym and creches for nursing mothers. (iv) Staff Performance Management Committee was formed and reviewed staff appraisal reports.
	Operationalize an effective staff development Programme	a) Review and implement an effective staff capacity development Programme. b) Develop and implement integration and coordination of aviation training	(i) Undertook staff training needs assessment and developed a training plan. (ii) Supported 537 staff to undergo training in various fields to address identified skills gaps. (iii) Conducted training for 49 graduate trainees on internship and 328 students on industrial attachment.
	Enhance financial sustainability	a) Enhance and diversify revenue sources. b) Increase efficiency in expenditure management, budget utilization and finance operations. c) Optimize returns on assets.	(i) Appropriation in Aid (A-In-A) was KES 10,147.69 million compared to a projection of KES 7,367.50 million resulting to a positive variance of KES 2,780.19 million (37.74% increase). (ii) Approved budget was KES 8,088.50 million (KES 6,881.75 million for recurrent and KES 1,206.75 million for Development) and registered an average absorption rate of 89%. (iii) Negotiated with commercial banks for competitive interest rates for both USD and KES Cash balances. (iv) There is continuous budget utilization monitoring using the ERP system.
	Build a compliant, effective, and efficient supply chain system	a) Implement procurement processes in compliance with requirements. b) Enhance inventory/stores management and disposal of assets. c) Establish mechanisms to enhance contract management processes	(i) Prepared and implemented the Annual procurement plan. (ii) Procurement of goods works and services, disposal and inventory management carried out in compliance with the law. (iii) Prepared and submitted mandatory reports required by PPRA. (iv) Utilized ERP inventory management system.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Strategic Pillar	Objective	Strategies	Achievement
			(v) Enhanced effectiveness in procurement contracts management process.
	Mainstream Innovation, Research & Knowledge Management in service delivery	a) Develop and implement a framework to promote and support Innovation, Research and Development (IRD).	(i) Developed and implemented a Science, Technology, and Innovation Strategy. (ii) In collaboration with KAA and KNBS, initiated a study to establish Aviation Satellite Account for Kenya.
	Leverage on knowledge management for achievement of KCAA mandate	a) Harness organizational knowledge for business sustainability.	(i) Developed and implemented a Knowledge Management Policy. (ii) Developed and implemented a Knowledge Management Strategy. (iii)
	Transform the Authority to a Risk Intelligent entity	a) Review and implement an effective Risk Management Framework. b) Review and implement an Authority-wide Business Continuity and Disaster Preparedness (BC&DP) Plan	(i) Implemented an effective IRMF. (ii) Undertook integration of ISO and risk management for all ANS Departments, and Stations. (iii) Monitoring of integrated management system done on a continuous basis during IRMF reporting. (iv) Conducted a health check for the core backup system for ICT. (v) Reviewed the IBM storage and the Commvault systems.
	Enhance compliance with governance requirements applicable to the Authority	a) Implement relevant governance laws, regulations, policies, and circulars. b) Enhance capacity building on corporate governance at Board and Management level. c) Ensure effective communication between Management and Board d) Review and implement emerging technologies and tools to enhance governance and compliance processes. e) Review and implement Board and Board Committees Charters	(i) The e-Board is continuously utilized to share board papers and other documentation to be accessed by the board. (ii) Board and Committee Charters were reviewed/developed and approved by the Board during its 86th meeting held on 30th January 2023. (iii) The approved charters are being implemented.
	Enhance Internal Audit Compliance to the International Professional Practices Framework and national requirements for effective provision of assurance and advisory services	a) Enhance governance over the internal audit function in line with legislative/government requirements and best practices. b) Enhance IAD capacity to contribute towards protection of the Authority's value through provision of effective assurance and advisory services. c) Review and implement effective and efficient Internal Audit processes that incorporate emerging technologies.	(i) Audits carried out on various functions as per the approved risk based internal audit plan. (ii) Quarterly Internal Audit Reports presented to the Board. (iii) Implemented and monitored an effective QAIP in compliance with the Standards. (iv) KCAA utilizes Teammate+ auditing management system for audit engagements and Arbutus analytic tool for generation of exceptional reports.
	Ensure compliance with ICAO Annex 16 requirements on environmental protection	a) Develop and implement regulations, policies, and procedures on environmental protection. b) Promote adoption of green energy in the aviation sector	(i) Hosted stakeholder's workshop to disseminate SAF report in August 2022 and derive key policy decisions. (ii) Submitted to ICAO the 3 <sup>rd</sup> Action Plan for CO <sub>2</sub> emission reduction and CORSIA data for 2022.



*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Strategic Pillar	Objective	Strategies	Achievement
			(iii) Participated in the Conference of Parties (COP 27) of the UN Framework Convention on Climate Change (UNFCCC) and an event organized by ICAO for sharing progress towards International Aviation's Net Zero 2050 goal by Member States.
	Ensure compliance to Environment and Climate Change requirements	a) Develop and implement policies and procedures on environment and climate change. b) Implement relevant laws, Government policies and circulars on climate change and sustainable development	(i) Participated in the development of the Integrated National Transport Policy and National civil aviation policy where Environment and Climate Change aspects were incorporated. (ii) Planted 3,000 tree seedlings to support the government's efforts in forest restoration.
	Improve efficiency and effectiveness in Project Management	a) Enhance project conception and planning. b) Ensure effective implementation, monitoring and evaluation of projects and Programmes.	(i) Developed and approved project concept notes. (ii) Achieved an average completion rate of 88% in implementation of projects planned for the FY 2022/23.
Quality Aviation Training	Enhance the quality of aviation training	a) Enhance the existing mechanisms for course development and review. b) Ensure a robust quality management framework. c) Enhance capacity for training delivery. d) Leverage on partnerships and collaborations for aviation training	(i) Commenced development of a Standard Training Package (STP) on Aeronautical Information Management (AIM) Competency Assessors Course. (ii) Completed review of AVSEC Basic 123 course. (iii) Ongoing installation of various equipment to enhance training capacity - Very High Frequency Omni-Range System (VOR), Distance Measuring Equipment (DME), Instrument Landing System (ILS), and Flight Planning & Briefing Training Laboratory.
	Improve Student Welfare	a) Enhance and maintain co-curricular programs and activities. b) Develop a mechanism for psycho-social support. c) Develop a framework for provision of students' accommodation and catering	(i) Engaged Coaches for various disciplines - basketball, football, handball, school choir. (ii) EASA students participated in KETISA Games in Kisumu and Music Festivals in Kitui. (iii) Engaged Patrons for Christian Union, Seventh Day Adventist and Muslims.



## **8. CORPORATE GOVERNANCE STATEMENT**

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

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

### **Board of Directors and Board Meetings**

The composition of the Board is set out on pages x –xiv. The Board has varied and extensive skills in the areas of aviation, finance, business management, governance and law. The Directors' responsibilities are set out in Civil Aviation Act no. 21 of 2013 read together with the Civil Aviation (amendment) Act of 2016 and include the policy direction and development of internal financial controls.

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

The Board meets at least once every quarter and has a formal schedule of matters reserved for it. During the Financial year 2022-2023, the Board held a total of Seven (7) meetings. The quorum for the board meetings is six (6) members excluding the Director General.

The Board has appointed four (4) standing Committees to which it has delegated certain responsibilities with the chairpersons of the Committees reporting to it. The Committees are, Finance and Human Capital, Licensing of Air Services and Technical, Audit Risk and Governance and the East African School of Aviation Committee and they consist of;

<b>1. LICENSING OF AIR SERVICES AND TECHNICAL COMMITTEES (LASTC)</b>	
<b>Chairperson</b>	<b>Col. (Rtd) Rogers Mbithi Muneene</b>
<b>Members</b>	<ol style="list-style-type: none"> <li>1. Mr. Tokei N. Loten</li> <li>2. Dr. Annette Mbogoh</li> <li>3. Ms. Angelah C. Rugut (Alternate to PS State Department of Transport)</li> <li>4. Mr. Emile N. Arao</li> </ol>

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

<b>Number of meetings and agendas considered in FY 2022/2023</b>	<p>The Committee is responsible for considering applications for air service licenses including variations thereof and issuing or denying such licenses; Considering all air transport/economic regulation matters; Providing guidance on air transport policy in Kenya in consultation with the parent ministry; Ensuring engineering standards and monitoring engineering projects; Monitoring air navigation (and other equipment) availability and serviceability; and, Monitoring the Aviation safety and aviation security oversight functions of KCAA, including the licensing of aviation personnel and all matters incidental to the functions of KCAA including examinations conducted by KCAA.</p> <p>During the year, the Committee had a total of 4 meetings. The meetings considered briefing of air services license applications, technical briefings from the technical departments of the Authority as well as holding virtual public hearings as per statutory requirements. The committee also considered technical directorate's quarterly reports and strategic requests.</p>
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<b>2. EAST AFRICAN SCHOOL OF AVIATION COMMITTEE (EASA)</b>	
<b>Chairperson</b>	<b>Ms. Liz Aluvanze</b>
<b>Members</b>	<ol style="list-style-type: none"> <li>1. Dr. Boniface M. Wanjau</li> <li>2. Mr. Jacob N. Narengo, MBS (Alternate to PS Internal Security and National Administration)</li> <li>3. Ms. Angelah C. Rugut (Alternate to PS State Department of Transport)</li> <li>4. Mr. Emile N. Arao</li> </ol>
<b>Number of meetings and agendas considered in FY 2022/2023</b>	<p>The Committee is responsible for considering on behalf of the Board all matters relating to the East African School of Aviation.</p> <p>The Committee held 4 meetings. The committee considered East African School of Aviation's reports which included academic reports, administrative reports, project reports, student welfare reports, EASA Policies, EASA land matters, the school annual investment plan and proposed projects for implementation in the year.</p>

<b>3. FINANCE AND HUMAN CAPITAL COMMITTEE (F&amp;HCC)</b>	
<b>Chairperson</b>	<b>Mr. Tokei N. Loten</b>
<b>Members</b>	<ol style="list-style-type: none"> <li>1. Ms. Liz Aluvanze</li> <li>2. Col. (Rtd.) Rogers Mbithi Muneene</li> <li>3. Alternate to PS National Treasury</li> <li>4. Mr. Emile N. Arao (Director General)</li> </ol>

<b>Number of meetings and agendas considered in FY 2022/2023</b>	<p>The Committee is responsible for reviewing and monitoring the KCAA financial matters/position on behalf of the Board, including monitoring the implementation of Authority's financial strategic goals/objectives; liquidity status, all the Authority's banking facilities, recommending KCAA Budgets, Financial Statements and statutory reports; and Ensuring compliance with the financial reporting requirements and the proper keeping of all the financial records of the Authority.</p> <p>The Committee also monitors the implementation of KCAA Human Capital strategic goals/objectives; Considering and processing all human resource and administration matters that require to be processed through the Board, including recruitment, promotions and disciplinary action, as well as issues relating to staff training, development, remuneration, welfare and benefits;</p> <p>The committee held 7 meetings. The committee considered among other agenda's the Authority's Budget estimates, annual report and financial statements, quarterly financial statutory reports, proposed revised human resource policies, the Authority's staff recruitment and approved employment contracts among other staff welfare matters.</p>
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<b>4. AUDIT, RISK AND GOVERNANCE COMMITTEE (ARGC)</b>	
<b>Chairperson</b>	<b>Dr. Boniface M. Wanjau</b>
<b>Members</b>	<ol style="list-style-type: none"> <li>1. Dr. Annette Mbogo</li> <li>2. Mr. Jacob N. Narengo, MBS (Alternate to PS Internal Security and National Administration)</li> <li>3. Alternate to PS National Treasury</li> </ol>
<b>Number of meetings and agendas considered in FY 2022/2023</b>	<p>The Committee is responsible for considering and processing on behalf of the Board all matters relating to audit, audit queries and audit Management letters from the Office of the Auditor General or duly appointed external auditors; and, considering matters of quality assurance of systems and processes in KCAA operations and reviewing the risk management framework and the periodic performance contract reports.</p> <p>The committee held 6 meetings. The agendas considered included among others the implementation of institutional risk management framework, Internal and External Audit reports, reports on court and land matters, quarterly Board PC reports and Governance Policy documents</p>

The quorum for each Committee is three (3) members excluding the Director General or his representative.

### **Appointment of Board Members**

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

### **Board Trainings**

The Authority has an induction program and an annual training program. The program has so far achieved trainings for the Board members on the advanced governance risk mitigation and compliance and board evaluation masterclass among others. The trainings are undertaken on an ongoing basis with emphasis on new and emerging area of aviation oversight and requisite competencies for the Board of Directors.

### **Board & Member Performance**

There is in place a Board evaluation exercises undertaken annually by the State Corporations Advisory Committee (SCAC).

### **Conflict of Interest**

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

### **Ethics, Conduct and Governance Audit**

There is in place a Governance audit that takes place annually. The most recent governance audit was concluded in March 2023 where the Authority was largely in compliant with its governance obligations.

### **Directors' Emoluments**

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

The aggregate amount of emoluments paid to Directors for services rendered to the Authority during the Financial Year 2022-2023 are disclosed in note 19.14 to the financial statements.

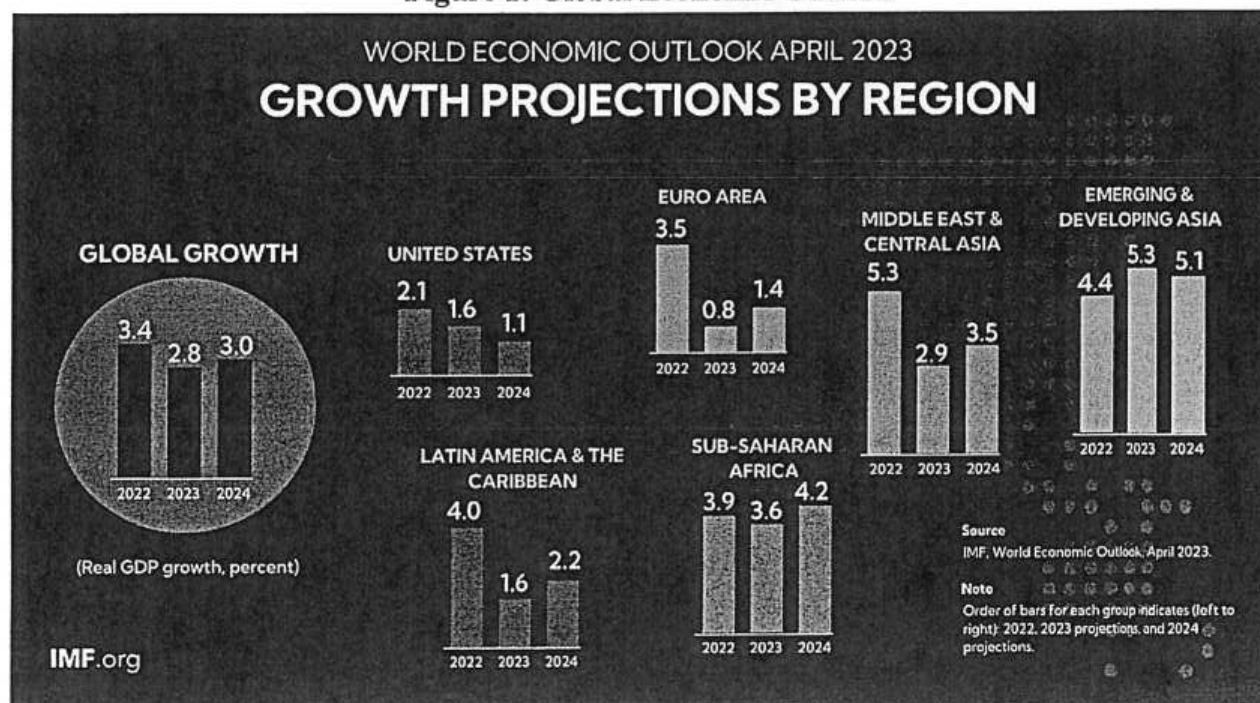


## 9. MANAGEMENT DISCUSSION AND ANALYSIS

### a) Global Economic Performance

The global economy has shown signs of recovery from the pandemic and impact of Russia's war on Ukraine. IMF reported that the annual growth of the world economy is expected to slow down from 3.4 per cent in 2022 to 2.8 per cent in 2023 and rebound to 3.0 per cent in 2024. Growth in the advanced economies will slow down from 2.7 per cent in 2022 to 1.3 per cent in 2023 before rising to 1.4 per cent in 2024. Growth in emerging markets and developing economies is expected to be 3.9 per cent in 2023 and rise to 4.2 per cent in 2024. Growth in sub-Saharan Africa is projected to decline from 3.9 per cent in 2022 to 3.6 per cent in 2023 before rebounding to 4.2 per cent in 2024. The main drivers of global growth are the emerging markets and developing economies led by China after reopening its economy and the tightening of monetary policy by most central banks which have started stabilizing inflation toward its targets. Inflation, deterioration in financial conditions, the ongoing war in Ukraine and growing geo-political fragmentations remains a major risk.

Figure 1: Global Economic Outlook



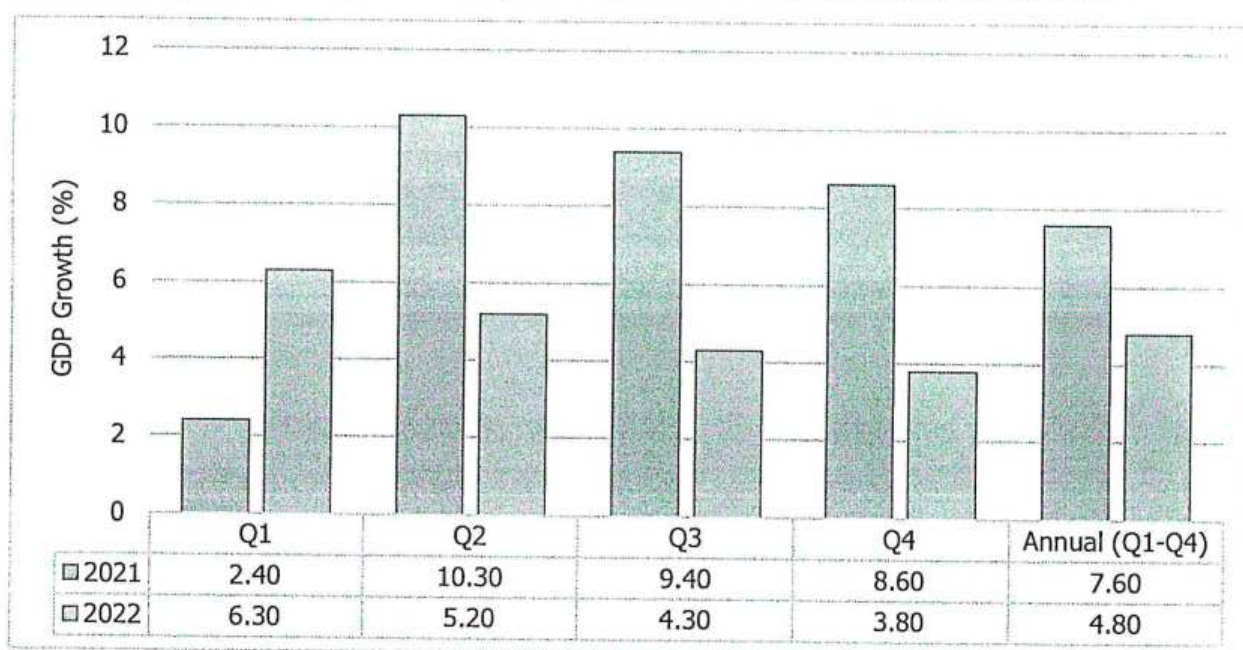
Source: IMF. 2023. *World Economic Outlook: A Rocky Recovery*. Washington, DC. April.

### b) National Economic Performance

The national economy sustained the growth momentum that started in 2021, after the recovery from the effects of COVID-19 pandemic. Kenya's economic grew by 3.8 per cent in the fourth quarter of 2022, compared with 4.7 per cent, 5.2 per cent and 6.8 per cent in the third, second and first quarter of 2022 respectively. The growth slowed down in the fourth quarter largely due to the devastating drought that negatively impacted the country's agricultural sector though strong performances were experienced in services sectors. Looking at the full year performance, the Real Gross Domestic Product (GDP) expanded

by 4.8 per cent in 2022 compared to a revised growth of 7.6 per cent. The slowdown in growth was attributed to the disruption of supply chain by the Russia-Ukraine conflict that affected global commodity prices; the impact of climate change that led to drought affecting agricultural productivity and the effects of COVID-19 pandemic. All economic sectors registered positive growth (Manufacturing 2.7 per cent, services sector 6.7 per cent) except Agriculture, Forestry and Fishing which contracted by 1.6 per cent. The economy is projected to grow by 5.5 per cent in 2023 and above 6.0 per cent over the medium term. Comparison of quarterly real GDP Growth rates in 2021 and 2022 is presented in figure 2.

**Figure 2: Comparison of Quarterly Real GDP Growth in 2021 and 2022**



*Source: Kenya National Bureau of Statistics, 2023*

### **c) Air Transport Contribution to the National Economy**

Air transport facilitates speedy international, regional, and domestic movement of passengers and cargo. It is an important enabler to achieving economic growth and development as it enables flow of goods, investments, people, and ideas that drive economic growth. It also facilitates tourism and trade, thereby increasing consumer benefits and choices, creating jobs, and generating numerous socio-economic benefits.

To take advantage of this strategic national resource, the Authority enhanced the levels of effective implementation of compliance requirements, oversight capacity, surveillance of the industry and investments in modern infrastructure and training equipment which has helped increase the contribution of air transport to the economy. Based on the Economic Survey, 2023, Air Transport contributed 0.9 per cent to the national GDP in 2019. This contribution declined to 0.4 per cent in 2020 because of the impact of COVID-19 but with the recovery from the effects of the pandemic, the contribution increased to 0.6 per cent in 2021 and 0.8 per cent in 2022 as air transport activities nears return to pre-pandemic levels.

## Operational and Financial Performance

### i) Financial Performance

KCAA main sources of revenue are Air Navigation Service Charges, License Fees and Training and Conference related earnings at the East African School of Aviation. The Authority experienced an increase in financial performance during the year resulting from recovery from Covid-19 outbreak. Revenue earnings increased during the year from KES 6,953.01 million collected in the FY 2021/22 to KES 10,147.69 million collected in the FY 2022/23. The increase in revenues is attributed to increased earnings from air navigation services charges due to increased aircraft movements, and air passenger service charges.

In terms of expenditure, the budget for the Authority was KES 8,088.5 million comprising of KES 6,881.75 million for recurrent expenditure and KES 1,206.75 million for Development expenditure. Overall, the financial results were a net profit of KES 4,915.97 in 2022/23 compared to KES 1,812.68 recorded in the FY 2021/22 before 90 per cent remittance to the National Treasury.

### ii) Passenger Traffic

The performance of the industry during the financial year showed good recovery trend from COVID-19 pandemic and return to normalcy. Given the role of aviation as a critical catalyst for global and national development, the positive trend is a great reprieve to the Kenyan economy. The number of passengers handled at Kenyan airports increased by 24.4 per cent from the 8.89 million recorded in the FY 2021/22 to reach 11.06 million recorded in the FY 2022/23. The number of domestic passengers was 5.05 million while that of international passengers was 5.78 million. The increase in passenger traffic was mainly driven by a rise in domestic travellers by 2.78 per cent and a 54.11 per cent increase in international passengers compared to the previous year. Transit passenger traffic also increased by 1.77 per cent. Table 2 presents a five-year analysis of passenger traffic in Kenya.

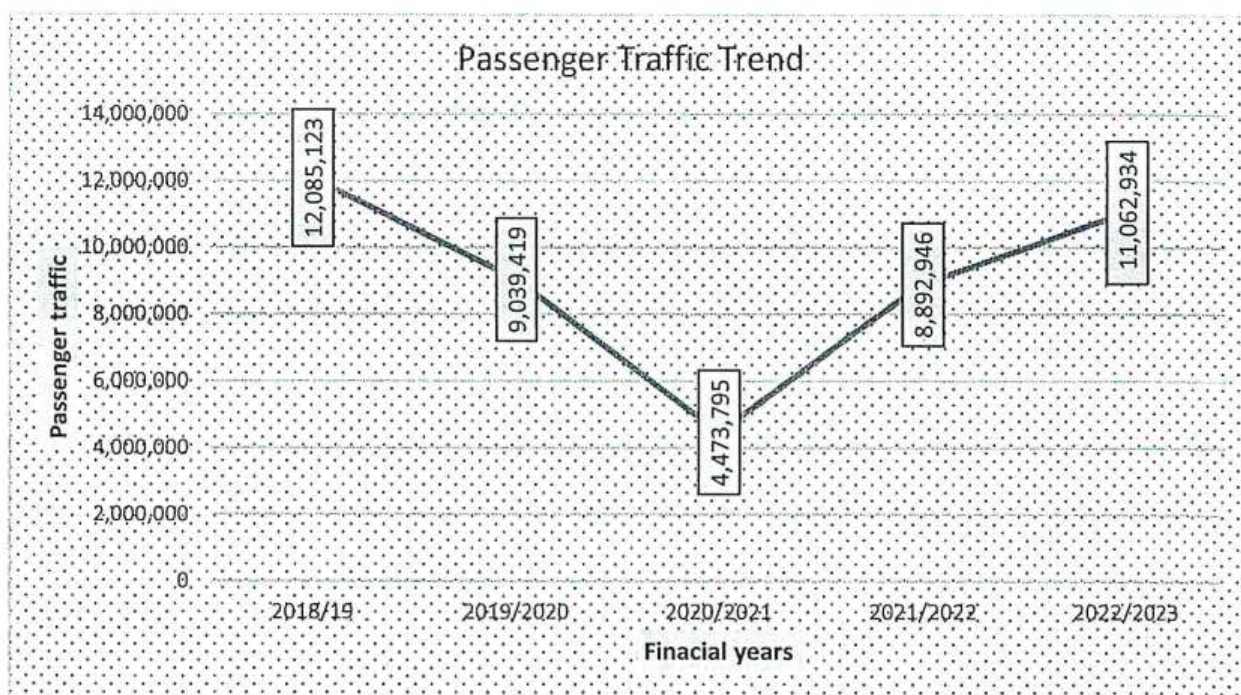
**Table 2: Passenger Traffic from 2018/19 to 2022/2023**

Passenger and Freight Traffic Statistics			2018/19	2019/2020	2020/2021	2021/2022	2022/23	Percent Change
Passengers	Domestic	Arrivals	2,485,849	1,821,760	1,386,059	2,464,507	2,537,082	2.94
		Departures	2,361,538	1,728,472	1,386,839	2,447,967	2,512,119	2.62
		Total	4,847,387	3,550,232	2,772,898	4,912,474	5,049,201	2.78
	International	Arrivals	3,434,907	2,597,186	781,996	1,834,777	2,857,644	55.75
		Departures	2,103,979	1,660,577	787,188	1,915,079	2,921,391	52.55
		Total	5,538,886	4,257,763	1,569,184	3,749,856	5,779,035	54.11
	Transit	Total arrivals	5,920,756	4,418,946	2,168,055	4,299,284	5,394,726	25.48
		Total departures	4,465,517	3,389,049	2,174,027	4,363,046	5,433,510	24.53
		Transit	1,698,850	1,231,424	131,713	230,616	234,696	1.77
		Total	12,085,123	9,039,419	4,473,795	8,892,946	11,062,934	24.40

Source: KCAA, 2023



Figure 3: Passenger Traffic Trend in 2018/19 and 2022/23



### iii) Cargo Throughput

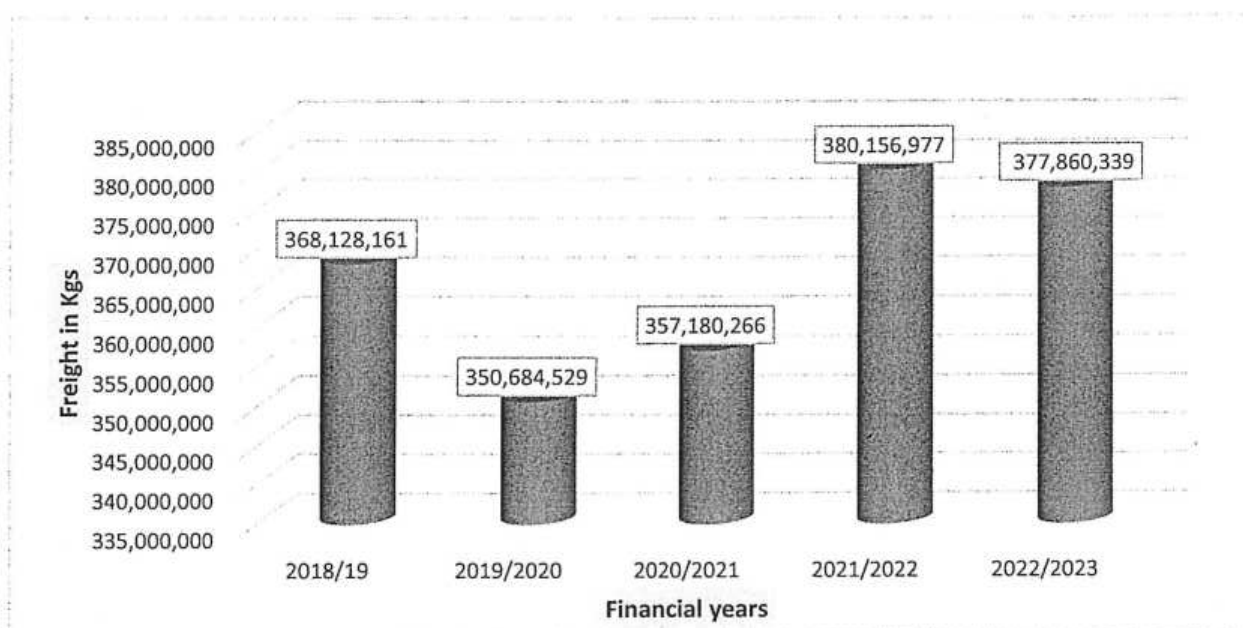
The volume of domestic cargo loaded and unloaded in the FY 2022/23 was 1,028.8 tonnes which was a 8.2 per cent increase from the 950.7 tonnes recorded in the FY 2021/22 while the volume of international freight in the FY 2022/23 was 376,831.5 tonnes which was a 0.63 per cent decline from the 379,206.3 tonnes recorded in the FY 2021/22. Overall, the total cargo transported through the Kenyan airspace declined by 0.60 per cent from 380,156.9 tonnes in the FY 2021/22 to 377,860.4 tonnes in the FY 2022/23. The five years' trend in freight traffic is shown in the table 3.

Table 3: Freight Traffic from 2018/19 to 2022/2023

Passenger and Freight Traffic Statistics			2018/19	2019/2020	2020/2021	2021/2022	2022/23	Percent Change
Total Freight (in kgs)	Domestic	Unloaded	509,053	289,496	635,316	739,254	890,482	20.46
		Loaded	1,354,314	766,276	472,652	211,428	138,380	-34.55
		Total	1,863,367	1,055,772	1,107,968	950,682	1,028,862	8.22
	International	Unloaded	87,668,238	69,381,514	69,316,039	76,059,632	75,485,908	-0.75
		Loaded	278,596,556	280,247,243	286,756,259	303,146,663	301,345,569	-0.59
		Total	366,264,794	349,628,757	356,072,298	379,206,295	376,831,477	-0.63
	Total	Total Unloaded	88,177,291	69,671,010	69,951,355	76,798,886	76,376,390	-0.55
		Total Loaded	279,950,870	281,013,519	287,228,911	303,358,091	301,483,949	-0.62
		Total	368,128,161	350,684,529	357,180,266	380,156,977	377,860,339	-0.60

Source: KCAA-Planning, 2023

Figure 4: Total Freight 2018/19 – 2022/23



#### iv) Aircraft Movements

As compared to the previous period, there was increased aircrafts moving through the Kenyan airspace in the review period. Domestic aircrafts registered increased movements by 2.30 per cent from 197,734 recorded in the FY 2021/22 to 202,278 recorded in the FY 2022/23. Landings increased by 2.09 per cent while take-offs increased by 2.51 per cent. Movements of international aircrafts increased by 24.73 per cent from 61,591 in the FY 2021/22 to 76,824 in the FY 2022/23. Landings increased by 24.31 per cent while take-offs increased by 25.16 per cent. Over-flights increased by 37.77 from 40,909 in the FY 2021/22 to 56,362 in the FY 2022/23. Overall, the total aircraft movements increased by 11.73 per cent from 300,234 in the FY 2021/22 to 335,464 in the FY 2022/23. Domestic aircrafts accounted for 60.3 per cent, international aircrafts accounted for 22.9 per cent while overflights accounted for 16.8 per cent of the total movements.

The increased activity through the Kenya airspace is attributed to improved performance of aviation industry and recovery in economic activities from the interruptions brought about by the effects of COVID-19 pandemic. The five years' trend in aircraft movements is presented in the table 4 and figure 5.

Table 4: Aircraft Movements from 2018/19 to 2022/23

Item	Movement	2018/19	2019/20	2020/21	2021/22	2022/23	%
Aircraft Movements	Domestic	Landings	112,868	83,928	68,856	99,508	2.09
		Take-offs	114,460	85,359	68,889	98,226	2.51
		Total	227,328	169,287	137,745	197,734	2.30
	International	Landings	47,642	38,362	21,409	30,947	24.31
		Take-offs	48,186	38,813	21,607	30,644	25.16

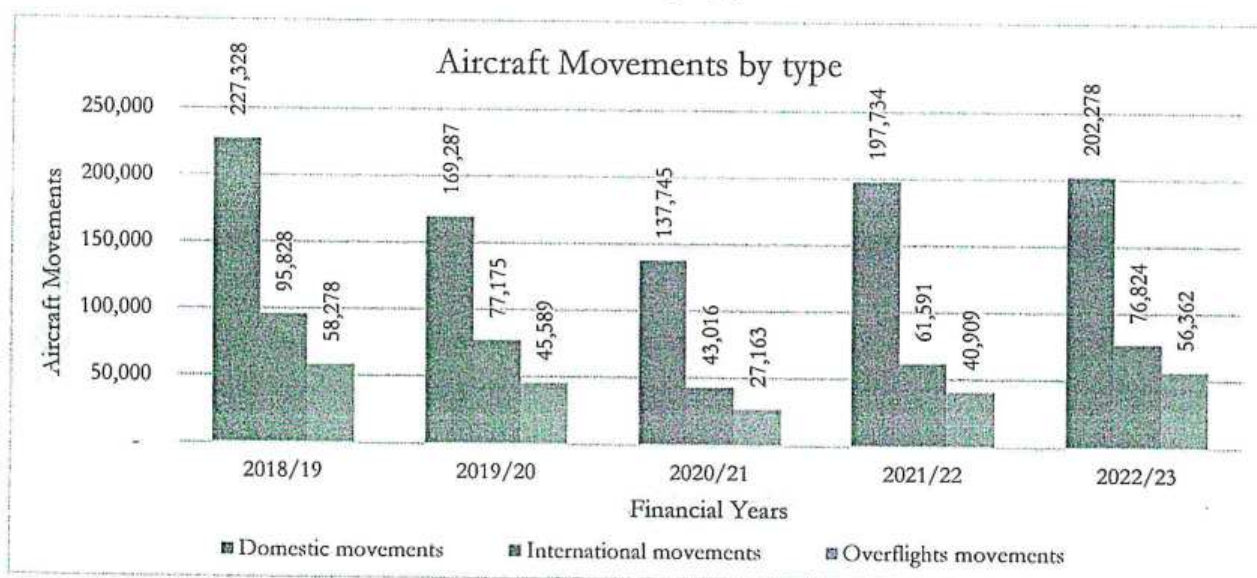


Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023

	Total	95,828	77,175	43,016	61,591	76,824	24.73
	Total Landings	160,510	122,290	90,265	130,455	140,060	7.36
	Total Take-offs	162,646	124,172	90,496	128,870	139,042	7.89
	Total	323,156	246,462	180,761	259,325	279,102	7.63
Over flights	Total Over flight	58,278	45,589	27,163	40,909	56,362	37.77
Overall aircraft Movements		381,434	292,051	207,924	300,234	335,464	11.73

Source: KCAA-Planning, 2023

Figure 5: Aircraft Movements by Type from 2018/19 to 2022/23



Source: KCAA-Planning, 2023

#### v) Aircraft Registration

The total number of aircrafts registered in Kenya has been on an upward trajectory, notwithstanding the impact of COVID-19. In 2021/22, a total of 1,624 aircrafts operated in Kenya. Within that financial year, 56 new aircrafts were registered while 32 others were de-registered. In the FY 2022/23, the number of registered aircrafts grew by 2.16 per cent to 1,659. In the same financial year, 50 new aircrafts were registered while 15 were de-registered. Table 5 presents the five years' trend in aircraft registration in Kenya.

Table 5: Aircrafts Registered in Kenya from FY 2018/19 to FY 2022/23

Financial Year	2018/19	2019/20	2020/21	2021/22	2022/23
Total Aircraft Registered	1,547	1,586	1,600	1,624	1,659
Per cent Change	4.8	2.5	0.9	1.5	2.16
New Aircraft Registered	87	48	29	56	50
De-Registered Aircraft	16	9	15	32	15

Source: KCAA-Planning, 2023



## **vi) Investments Decisions**

The Authority's major investments are in the provision of Air Navigation Services equipment and facilities. Guidelines from ICAO require that Air Navigation Services be operated based on cost recovery with no profit maximization objective. The investments are guided by the Global Air Navigation Plan (GANP) which is implemented by States who are members of ICAO. The investments are undertaken to achieve safe flow of global air traffic and enable the growth of aviation and related industries in the country. The returns on these investments should therefore be considered from the wider economic benefits to the country and not profit maximization.

The Authority ensures that it procures equipment that can provide effective services to both domestic and international users of the airspace. In doing this, KCAA takes cognizant that there are limited suppliers of aviation equipment globally and only procures from credible suppliers who are also supplying other air navigation service providers. The Authority also undertakes market surveys to ensure prices are competitive, enters into contracts with warranties/guarantees that ensure suppliers provide quality equipment, provide spare parts and maintenance support. KCAA also monitors and maintains the equipment during their lifetime to ensure that they give service.

During the Financial Year 2022/23, the Authority continued with the implementation of projects aimed at modernising Air Navigation Services (ANS), improving quality of training, and enhancing overall effectiveness and efficiency in service delivery. Implementation of these projects, together with enhanced maintenance and periodic calibration of equipment enabled the Authority to achieve an overall average availability of Air Navigation Services equipment of 97.90 per cent during the year which was above the ICAO recommended level of 97 per cent. Other key indicators in aviation are the Level of Effective Implementation (EI) of Universal Security Audit Programme (USAP) and Universal Safety Oversight Audit Programme (USOAP-CMA). In May 2022, Kenya was audited by ICAO under USAP and attained a level of EI of 91.77 per cent which was an improvement from 88 per cent recorded in 2015. USOAP audit was last conducted in 2019 where Kenya attained a level of EI of 78.2 per cent.

**Table 6: Key Aviation Indicators**

<b>Year</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Overall Availability of ANS Equipment	97.92%	98.43%	99.1%	98.05%	97.90%
Level of Effective Implementation of ICAO Universal Security Audit Programme (USAP)	88.00%	88.00%	88.00%	91.77%	91.77%
Level of Effective Implementation of ICAO Universal Safety Oversight Audit Programme (USOAP-CMA)	78.20%	78.20%	78.20%	75.41%	75.41%

*Source: KCAA-Planning, 2023*

## vii) Key Regulatory Statistics

The number of aviation personnel went up by 4.24 per cent from 12,218 in the FY 2021/22 to 12,736 in the FY 2022/23. There was a general increase in all the categories, with Private Pilot Licenses (PPL) rising by 6.46 per cent, Air Transport Pilot License (ATPL) rising by 3.39 per cent; Commercial Pilot License (CPL) rising by 3.61 per cent; Student Pilot License (SPL) rising by 2.72 per cent; Cabin Crew Member Certificate (CMC) rising by 3.34 per cent; while Aircraft Maintenance Engineers (AMEL) experiencing the highest increase of 10.71 per cent.

The total number of valid operational licenses declined by 2.29 per cent from 1,526 recorded in the FY 2021/22 to 1,491 in the FY 2022/23. The overall decline was attributed to a reduction witnessed in the category of Certificate of Airworthiness (COA) which declined from 852 to 813 and Air Operator Certificates (AOCs) which remained at 78. Flight Dispatcher Licences increased slightly from 373 to 388 while there was no major change in other classes.

The number of CAA Inspectors and Air Traffic Controllers registered a marginal increase from 300 in the FY 2021/22 to 303 in FY 2022/23. There was a 3.55 per cent rise in the number of Air Traffic Controllers, which was higher than the 2.48 per cent decline recorded in the FY 2021/22. The number of Airworthiness Inspectors declined by 8.00 per cent while Flight Operations Inspectors increased by 16.67 per cent to 28. Besides Aerodromes & Grounds Aids (AGA) Inspectors who reduced from seven (7) to three (3); the personnel in other cadres of Inspectors showed minimal changes within the review period. Table 7 presents the performance trend of key regulatory statistics over the last five years while table 8 presents the Licenses and Certificates issued or renewed within the period under review.

**Table 7: Performance Trend of Key Statistics on Regulatory Services**

Item	Details	2018/19	2019/2020	2020/21	2021/22	2022/23
Aviation Personnel Licences	Air Transport Pilot Licence (ATPL)	1,375	1,435	1,453	1,503	1,554
	Commercial Pilot Licence (CPL)	1,756	1,829	1,869	1,969	2,040
	Private Pilot Licence (PPL)	1,351	1,674	1,783	1,857	1,977
	Student Pilot Licence (SPL)	2,947	3,236	3,337	3,492	3,587
	Cabin Crew Member Certificate (CMC)	2,270	2,448	2,464	2,482	2,565
	Aircraft Maintenance Engineers (AMEL)	819	873	895	915	1,013
	<b>Total</b>	<b>10,518</b>	<b>11,495</b>	<b>11,801</b>	<b>12,218</b>	<b>12,736</b>
Valid Operational Licences	Aircraft with Valid Certificate of Airworthiness (COA)	807	735	782	852	813
	Air Operator Certificates (AOCs)	90	84	78	78	78
	Total Approved Maintenance Organisations (AMOs), (Both Local and Foreign)	69	105	108	114	115
	Approved Training Organizations (ATOs)	22	19	19	17	17
	Flight Dispatcher Licence	311	317	298	373	388
	Scheduled Airlines	79	80	80	80	80
	<b>Total</b>	<b>1,378</b>	<b>1,340</b>	<b>1,365</b>	<b>1,526</b>	<b>1,491</b>
CAA Inspectors and Air Traffic Controllers	Air Traffic Controllers (ATCOs)	212	206	202	197	204
	Airworthiness Inspectors	25	26	23	25	23
	Flight Operations Inspectors	25	21	23	24	28
	Personnel Licensing	11	9	11	17	16
	Communication, Nav. & Surveillance (CNS)	1	1	1	2	2
	AIS/ Map, PANSOPS	2	2	2	3	3
	Air Traffic Management & Search & Rescue	2	2	2	4	4



Item	Details	2018/19	2019/2020	2020/21	2021/22	2022/23
	(ATM)					
	Aerodromes & Grounds Aids (AGA)	6	4	3	7	3
	Aviation Security	7	5	6	10	10
	Air Transport	10	10	9	11	10
	<b>Total</b>	<b>301</b>	<b>286</b>	<b>282</b>	<b>300</b>	<b>303</b>

Source: KCAA, 2023

**Table 8: Renewed/Issued Licenses and Certificates**

Category	Name	Renewal	Issuance	Total
Aviation Personnel Licences	Air Transport Pilot Licence (ATPL)	1,112	51	1,163
	Commercial Pilot Licence (CPL)	1,155	119	1,274
	Private Pilot Licence (PPL)	576	196	772
	Student Pilot Licence (SPL)	262	314	576
	Cabin Crew Member Certificate (CMC)	982	107	1,089
	Flight Dispatcher Licence	170	56	226
	Aircraft Maintenance Engineers (AMEL)	374	69	443
Operational Licences	Certificate of Airworthiness (CofA)	359	45	404
	Special Flight Permit	-	126	126
	Noise certificate	-	57	57
	Air Operator Certificates (AOCs)	64	1	65
	Approved Maintenance Organisations (AMOs), (Both Local and Foreign)	87	-	87
	Approved Training Organizations (ATOs)	13	0	13
	UAS Licences	-	-	-
	UAS Training Organization Approval & Certification	-	-	-

Source: KCAA, 2023

### viii) Aviation Training

The East African School of Aviation (EASA) is the training Directorate of the Authority approved by the ICAO to develop and implement Standardized Training Packages (STPs) and ICAO Training Packages (ITPs). EASA provides training to both local and international aviation industry stakeholders. The school successfully completed the new requirements for recognition as a Platinum Training Centre of Excellence TRAINAIR PLUS Programme (TPP) Member by achieving 317 TPP Membership Miles against the 200 miles required in a year to maintain the TPP Member by ICAO.

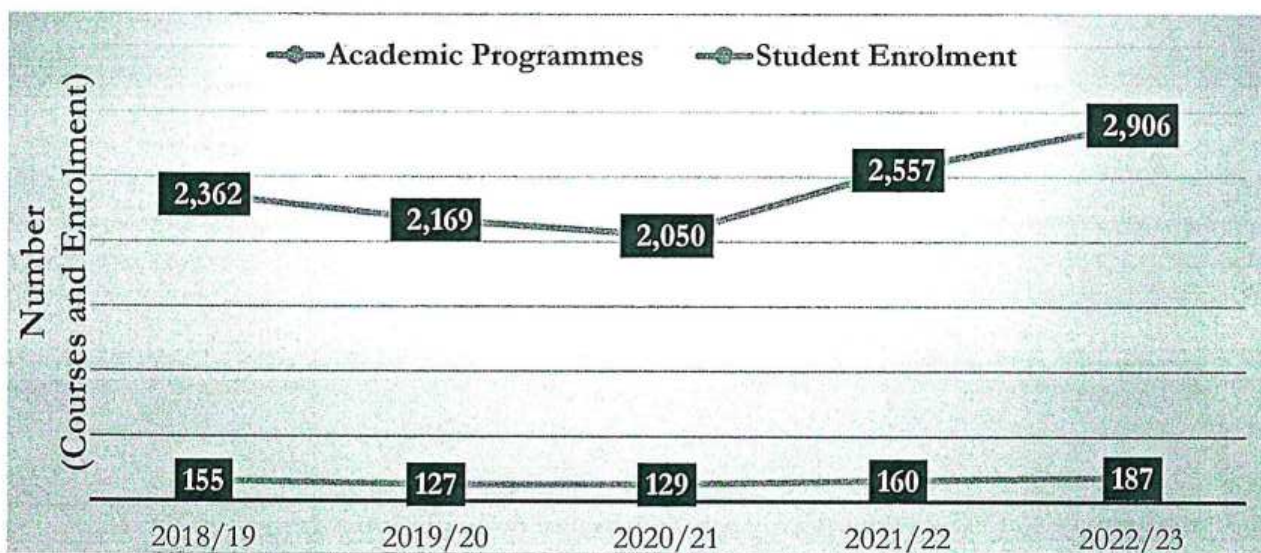
The number of academic programmes conducted at EASA decreased from 155 in the FY 2018/19 to 127 in the FY 2019/2020 due to disruption in learning activities caused by COVID-19 pandemic and continued in the FY 2020/21 where 129 courses were conducted. There was however return to normalcy in the FY 2021/22 where 160 courses were conducted and in FY 2022/23 where 187 courses were conducted surpassing the pre-Covid levels and indicating EASA's desire to maintain the Centre of Excellence in aviation training status and meet the demand of the aviation industry both locally and in the region.

The number of students trained at EASA decreased by 13.21% from the 2,362 trained in the FY 2018/19 to 2,050 trained in the FY 2020/21 owing to the disruption of learning activities brought about by the emergence of COVID-19 pandemic. With the return to normalcy and recovery from the effects of Covid-



19 pandemic, the student enrolment increased by 41.76% from the 2,050 recorded in the FY 2020/21 to 2,906 recorded in the FY 2022/23. Out of the trainees enrolled, 65.45% were male while 34.55% were female. In terms of nationality, 80.49% of the trainees were Kenyans while foreign trainees accounted for 19.51%. The figure 3 shows the breakdown of programmes conducted and the number of students trained at EASA for the 5-year period.

**Figure 6: Analysis of Student Enrolment and Academic Programmes at EASA**

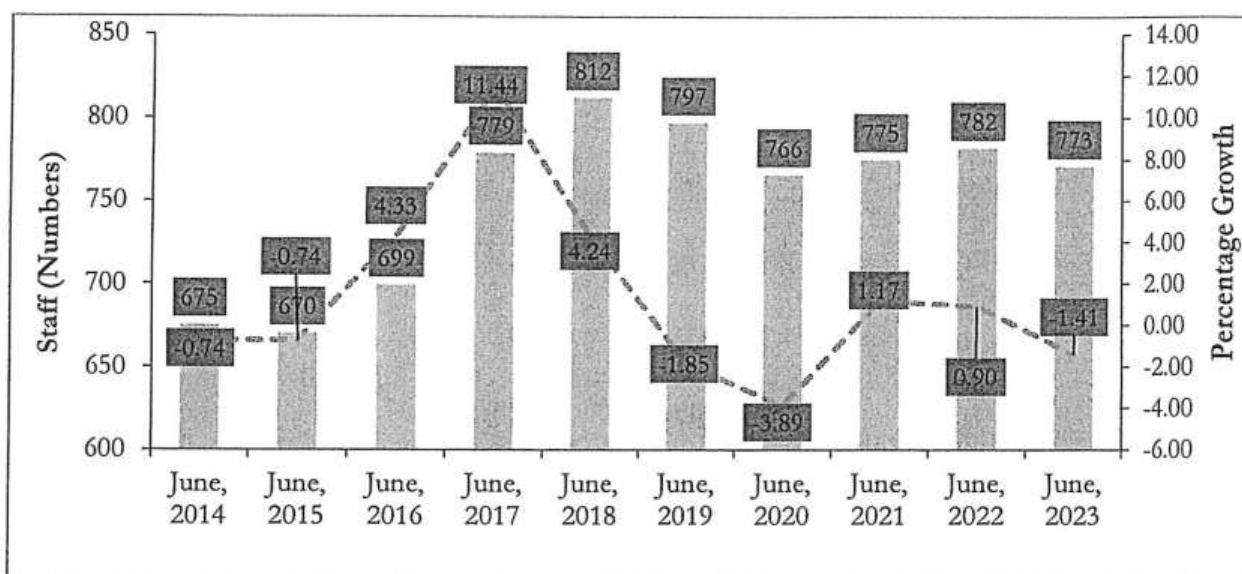


Source: KCAA-Planning, 2023

#### ix) Staff Statistics

The Authority has registered a stable growth in staff numbers. Analysis of 10-year period shows that staff grew by 15.85% from 675 in June 2014 to 782 in June 2022 before registering a 1.41% decline in June 2023. The 773 staff at the end of the financial year comprised of three categories; those on Permanent and Pensionable terms (616); Contract terms (133); and Graduate trainees (24). Analysis of staff numbers for the ten-year period is shown in Figure 5.

Figure 7: Staff Statistics Trend



Source: KCAA, 2023

### Major Risks Facing KCAA

The major risks facing the Authority and the industry are;

- Degraded Air Navigation Services
- Unsafe airspace operations
- Failure to ensure compliance with regulatory requirements.
- Failure to implement ICAO USOAP-CMA, ICAO USAP-CMA and FAA Category 1 Corrective Action Plans (CAPs)
- Ineffective Projects Implementation and post-implementation maintenance (EASA)
- Negative brand association and reputation
- Nonrealization of revenue targets
- Non-Compliance with Governance Requirements
- Loss of KCAA Properties including land
- Delayed Procurement of Goods, Services and Works
- Ineffective implementation of Authority's risk management strategy.
- Inadequate representation and influence at regional & global level and reduced global footprint.

Other risks facing the Authority are;

- Escalation of the Russia-Ukraine conflict that may disrupt aviation activities.
- Supply chain disruptions that may further increase inflation pressures.
- The rapid evolution of the technologies, designs and operating concepts used by drones.
- Exchange rate fluctuations that have caused deterioration of the local currency affecting implementation of projects denominated in foreign currency.
- The country debt position may affect its risk rating.
- Cyber security threats and attacks.

### **Compliance to Statutory Requirements**

In the financial year ended 30<sup>th</sup> June 2023, the Authority was able to comply with the requisite statutory requirements. However, there have been one major long-standing court case. This is summarised below:

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

This is a case involving 68 former employees of the Directorate of Civil Aviation (the predecessor of KCAA) emanating from alleged dismissal of the said employees from public service and malicious prosecution. The case was ruled in favour of the plaintiffs but KCAA appealed against the judgment and the appeal proceeded for hearing on 7<sup>th</sup> January, 2014. The Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to High Court for assessment of total damages. The High Court delivered the ruling on assessment for 40 plaintiffs out of 67 plaintiffs. The judgment amount in total is approximately Kshs 154,841,140. The Claimants' application for review seeks an additional Kshs. 103,835,080/=. The application was heard on 12th June 2018. The ruling was slated for 28th September 2018 but was not read on the said date but would be delivered on Notice.

The matter was mentioned on 25<sup>th</sup> April 2019 for Claimants to update the Court on the issue of the Claimants' representation. The Court ordered that the Claimants sort out their issues on representation as it had not resolved the issue.

The matter was mentioned again on 12<sup>th</sup> June 2019 where Dr. Khaminwa and Mr. Mutai tentatively agreed to act alongside each other with respect to 2<sup>nd</sup>, 4<sup>th</sup> to 25<sup>th</sup> claimants on the condition that the incoming advocates lay no claim to Fees already earned. The Court then directed that the Claimants finalise on their representation and agree on how to proceed with regards to Mr. Mutai's Application to file a Notice of Appeal out of Time. On 14<sup>th</sup> August 2020, KCAA was served with a Preliminary Decree of Kshs. 152,071,216 and a Final Decree of Kshs. 28,229,748 for the wrongful dismissal and unlawful arrest of the former DCA employees. The amounts are salary arrears since 18<sup>th</sup> April 2002.

There was an error on assessment on dues done by the court and the same is pending determination by the court. Meanwhile the Authority is liaising with the Advocates on record for parties to agree on the amount that is not disputed for purposes of payment by KCAA. The matter is being handled by Walker Kontos Advocates on behalf of KCAA. An application on the error on assessment was heard on 20<sup>th</sup> September 2022 and a ruling delivered on 26<sup>th</sup> January 2023 where the court did not allow the application. An appeal was preferred and an application for review of the ruling and stay of execution were filed. The two applications are pending direction from the court. The appeal has received direction from the court directing parties to file and serve written submissions.

### **Material Arrears in Statutory and Other Financial Obligations**

The Authority reported a number of liabilities as at 30<sup>th</sup> June 2023. These major liabilities included;

a)	Trade Payables & Other Payables	Kshs	884,439,088
b)	Employee Benefit Obligation	Kshs	207,488,703
c)	Current Portion of Borrowings	Kshs	182,324,356
d)	Current Provisions (90% Surplus, ANS VAT & Legal)	Kshs	4,688,454,450



## **10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Kenya Civil Aviation Authority objective is to create a vibrant, safe, secure, and sustainable civil aviation system and support Kenya's long-term development goals through increased domestic and global connectivity. The objective is achieved through implementing the mandate which requires KCAA to promote the growth of the civil aviation industry, improve the levels of compliance with aviation safety and security standards, undertake economic regulation of air transport, provide Air Navigation Services and aviation training.

### **i) Sustainability Strategy and Profile**

The aviation industry is an important enabler to achieving economic growth and development as it facilitates speedy international, regional, and domestic movement of passengers and cargo and integration of the local economy into the global economy. The industry also facilitates flow of investments, ideas, tourism, and trade which have a positive effect on economic growth. KCAA role as a regulator is to promote the development of a vibrant civil aviation system that will support the realization of Kenya's long-term development goals.

Worldwide, air transport is a key facilitator to achieving economic growth and development. It enables a country's integration into the global economy by facilitating speedy international, regional, and domestic movement of passengers and cargo, flow of investments, ideas, tourism, and trade, thereby providing direct benefits for users and wider economic benefits through its positive impact on productivity. Thus, activities in the aviation industry are a useful indicator of performance of the economy. It is worth noting that in 2022, Air Transport contributed 0.8 per cent to the growth of the national GDP. With continued growth of the industry, the contribution of civil aviation to the GDP is expected to rise in the coming years.

As a signatory to International Civil Aviation Organization (ICAO), Kenya is obligated to administer aviation safety and security in line with the ICAO Standards and Recommended Practices. The Authority enhanced the implementation of compliance requirements, oversight capacity, surveillance of the industry and investments in modern air navigation services infrastructure and training equipment. The activities undertaken by the Authority enabled the country to retain the FAA IASA Category I status granted in 2017 to operate direct flights into the USA market while also promoting safe flow of global air traffic.

The Bilateral and Multilateral Air Service agreements between Kenya and other countries have helped to open up markets for Kenya's products, increased access for inputs and interactions across the globe. KCAA will continue to work with other states in Africa to implement the framework for opening up air spaces to enable full exploitation of the African Market. To achieve this, the Authority will continue to lobby for implementation of the Single African Air Transport Market (SAATM) and for more states on the continent to join the initiative. At the EAC level, KCAA will continue to work with the other countries to open up the regional market and create opportunities for growth. At the same time, the Authority continues to promote the exploitation by local airlines of the market access opportunities negotiated under the current framework of Bilateral Air Services Agreements.

During the Financial Year 2022/23, the Board successfully implemented the 19<sup>th</sup> Cycle Performance Contract. The Contract had 39 targets and the Authority fully achieved 35 targets. The Authority also developed a strategic plan for the period 2022/2023 to 2027/2028. The plan is anchored on five (5) key result areas namely, a Vibrant Policy, Legal and Regulatory Environment; Airspace, Technology, Equipment, and

Infrastructure Development; Corporate Image and Reputation; Institutional Capacity Development; and Quality Aviation Training. The initiatives contained in the Strategic Plan are aimed at improving the level of compliance with ICAO requirements, enhancing the capacity to provide oversight services, automation of regulatory services. In this new plan, the Authority aspiration is “a vibrant, safe, secure and sustainable civil aviation system”.

During the year, KCAA closed various Corrective Action Plans (CAPs), reviewed various sets of regulations including Aerial Works-Agricultural Operations, Aerial Work- Operations, Aircraft Noise, Dangerous Goods, and Consumer Protection. The Authority also developed draft regulations for air ambulance, hot air balloon operations, aircraft emissions, and reviewed Technical Guidance Materials (TGMs) for Order on Exemptions; Enforcement Policy & Procedures Manual; Advisory Circular on Exemptions; and Safety Management TGMs. The regulations will enhance implementation of surveillance and quality control obligations and the level of compliance with international aviation safety and security requirements and resolution of safety issues and security concerns.

## **ii) Environmental Performance**

KCAA fully complies with international and domestic requirements on matters related to the environment. The Authority operates in line with the expectations of diverse global stakeholders, and therefore sees environmental management as a discipline through which the Authority integrates economic, environmental, and social objectives without compromising the ability of future generations to meet their needs.

At the international level, KCAA is working together with the global civil aviation community towards reductions of aircraft emissions. In a bid to support global efforts on carbon reduction, the Authority participated in the Conference of Parties (COP 27) of the UN Framework Convention on Climate Change (UNFCCC) held in November 2022 in Egypt that aimed to come up with mitigation measures, provide financial support opportunities and promote collaboration among states. Kenya has been participating in the Carbon Offsetting and reduction Scheme for International Aviation (CORSIA) in the pilot phase since 2021. The scheme aims at contributing to the global aspirations of keeping the global net Carbon Dioxide emissions from international aviation neutral from 2020 at the same level and attain a target of Net Zero carbon emissions for air transport industry by 2050. This implies that aircraft will increasingly use efficient fuels and Air Navigation Service providers will design routes that do not contribute to increased aircraft emissions.

The Authority also monitored Carbon emissions from aircrafts and reported the status of the emissions to ICAO annual reporting of CO<sub>2</sub> offsetting reduction scheme for international aviation through the CORSIA Central Registry (CCR) system. In order to proactively implement the necessary mitigation measures, the Authority together with relevant stakeholders developed and submitted the third Kenya's Action Plan for the Reduction of Carbon Dioxide (CO<sub>2</sub>) Gas Emissions from Aviation. The mitigation outlined includes the use of CORSIA, improvement of aviation operations, utilisation of Sustainable aviation fuel among others. This provided a platform for the state to also continue to monitor the pilot project that was implemented at Moi International Airport, Mombasa, Kenya with support from the International Civil Aviation Organisation (ICAO). This project was implemented by the Kenya Civil Aviation Authority (KCAA) and the Kenya Airport Authority (KAA). It was funded by the European Union and the Government of Kenya at a cost of 1,501,132.22 USD which was part of the €6.5 million initiative, entitled “Capacity Building for CO<sub>2</sub> Mitigation from International Aviation”. It consisted of a ground-mounted photovoltaic system of 507kW solar power generation facility and mobile airport gate



electric equipment. The solar facility has generated 737,014.86kWh annually on average with a total power generation of around 3,200,000kWh as of June 2023. Thus, it has reduced on average 700 tonnes of CO<sub>2</sub> annually. Therefore, demonstrating a concrete solution to reduce aviation carbon dioxide emissions.

Kenya was supported by ICAO and EU to undertake a feasibility study for Sustainable Aviation Fuel (SAF) production in Kenya. In August 2022, the Authority in collaboration with GIZ, hosted a stakeholder's workshop to disseminate the findings and derive key policy decisions. The workshop discussed future technologies of SAF and the outcome of the feasibility study of SAF. Kenya is supporting this initiative, and, through the Kenya-UK ACT-CORSIA programme, the Authority hosted the Capacity building and Training for Carbon Offsetting and Reduction Scheme for International Aviation (ACT-CORSIA) for Southern Sudan at the East African School of Aviation (EASA). The training was also offered to stakeholders in the aviation industry.

### **iii) Employee Welfare**

As of June 2023, KCAA had a total of number of 771 employees comprising of three categories; those on Permanent and Pensionable terms (614); Long-term and Short-term contract terms (133); and Graduate trainees (24). KCAA recognises the need to develop institutional capacity in order to deliver services that meet and exceed the expectations of our clients. In this regard, the Authority developed and received approval for implementation of a new organisational structure with the current 14 grades reduced to 10 grades. The new structure will be implemented during 2023/24 financial year and once fully implemented, will improve staff welfare and counter staff shortages by recruiting more personnel to fill in the additional positions provided in the structure.

The Authority has in place a performance management system that utilises performance contracts and appraisals to set targets, report progress, evaluate results and conduct rewards at the end of the year. Staff are also supported to build their capacity; address identified skills gaps and improve their performance. Within the FY, KCAA supported 537 staff to undergo training locally and abroad in various fields. The Authority also conducted training for 49 graduate trainees on internship and 328 students on industrial attachment.

The Authority endeavoured to provide a work environment that is conducive to staff in the performance of their duties by providing office spaces and work tools, Personal Protective Equipment (PPE) including face masks and also continued to undertake periodic disinfection of the office premises. In addition, the Authority also runs various Staff welfare programmes including provision of staff tea, clean drinking water, medical health insurance, housing mortgage facility, pension scheme, car loan scheme, group life insurance, group accident insurance, last expense policies, gym and creches for nursing mothers. Staff also participated in the Kenya Communications Sports Organization (KECOSO) Sports festival. The Authority also constructed houses for staff working in remote areas such as Wajir and Poror to ensure that employees are comfortable and able to deliver.

Meetings between management and staff are regularly held to provide information and receive feedback on various issues. Further, the Authority arranges sensitisation meetings to create awareness among staff on various issues such as corruption prevention, gender mainstreaming, disability mainstreaming, prevention of HIV infections, alcohol, and drug abuse among others. The Authority is also leveraging on social media platforms to pass information to staff and clients.



#### **iv) Market Place Practices**

##### **a) Responsible Competition Practice**

As a regulator of the industry, KCAA commits to support the development of fair and responsible competition practices among aviation players with an aim to grow a vibrant civil aviation industry. The Authority, recognizing the importance of promoting fair competition, established a Unit within the new organization structure whose goal is to ensure compliance with the regulations, regulate unfair competition, and provide a forum for redress against unfair competition.

While undertaking its regulatory services on the licensing of air transport services, the Authority takes into consideration the size of the market and the current operators in each segment of the market among other factors before making its decision. This is to ensure that fair competition is promoted among air operators by balancing the approvals granted to operate in the market and the frequencies of flights granted to various operators in those markets.

The Air Services licensing committee meetings are open to the public and individuals are free to bring any objections against any of the applicants for business licenses. This ensures that the licenses are issued after objective analysis and representation by all parties involved. The Authority also ensures that fares charged are able to recover the costs of operations and that airlines do not practice unfair competition through under-pricing with the objective of creating dominance and driving other operators out of the market.

##### **b) Responsible Supply Chain and Supplier Relations**

The supply chain processes involve procurement of goods, works and Services, Contract management, Inventory management and disposal of obsolete/unserviceable assets. KCAA Supply Chain Department is committed to efficient provision of quality goods, works and services at competitive rates to the satisfaction of our external and internal customers in accordance with Article 227 of the Constitution of Kenya, Public Procurement and Disposal Act (PPADA) 2015 and the Public Procurement and Disposal Regulations (PPADR) 2020. The Authority conducts its supply chain processes competitively in a manner that promotes fairness, equitability, transparency, cost-effectiveness, and accountability.

All open tenders for goods, works and services are advertised through local dailies under Government Advertising Agency (GAA) and at the same time uploaded on KCAA's website: [www.kcaa.or.ke](http://www.kcaa.or.ke) and the Public Procurement Information Portal; [www.tenders.go.ke](http://www.tenders.go.ke) for public information and access by all interested bidders. Further, all Request for Quotations (RFQ) are processed through a competitive process using registered suppliers for various categories. These processes are aimed at promoting strong customer relationship, continuous commitment to quality, cost-effective operations and flexibility for faster decision making while ensuring compliance with the procurement laws.

The Authority uses the standard tender documents issued by the Public Procurement Regulatory Authority (PPRA) in processing all the supply chain functions in compliance with PPADA 2015 and PPADR 2020. The tender documents are processed using various tender committees which include tender opening, tender evaluation, contract implementation team, Inspection & Acceptance Committee, Disposal Committee, and other ad hoc committees provided in the PPADA 2015. The committees are appointed from multi-function teams from various departments and adhere to the laid down legal framework and KCAA code of conduct in carrying out their mandates. All supplier payments are processed after satisfactory performance/delivery, Inspections and Acceptance of goods, works and or Services as per the respective contract terms.

**c) Responsible Marketing and Advertisement**

The Authority being a regulator and service provider of the aviation industry in Kenya regularly processes advertisements with regard to its policies, technical material sourcing including human capacity, i.e, vacancies, and stakeholder sensitization. The Authority has a training arm, the East African School of Aviation, which also advertises its training programmes regularly. The process of advertising is in line with GoK advisory where all advertisements are facilitated through the Government Advertising Agency. This is intended to achieve the economies of scale through bringing together all government advertising needs under one umbrella. Only on exceptional circumstances does KCAA go directly to other sources of media output.

**d) Product Stewardship**

The Authority has a Consumer Protection Unit whose goal is to protect the rights of aviation consumers. The Unit, now established as a department within the new organization structure ensures that the civil aviation industry upholds consumer rights as per the Manual on the Regulation of International Air Transport (Doc 9626, Appendix 5), the African Union Regulations on The Protection of Consumers of Air Transport Services; Annex 6 to the Yamoussoukro Decision and other applicable International Conventions and local legislations.

The Authority takes seriously consumer protection by ensuring compliance with the laid down code of practice; ensuring that quality of services provided meet consumer expectations; enforcement of policies, rules, regulations, and procedures relating to the rights of consumers. It addresses customer complaints in the Aviation Industry and provides a forum for redress against unfair treatment. Individuals, suppliers, and any other party, if they feel aggrieved by the decisions of the Authority, can launch a complaint with the Commission on Administrative Justice. The Authority, therefore, takes into consideration consumer interests in all its decisions.

**v) Corporate Social Responsibility/Community Engagement**

The Authority's views CSR as a strategy to integrate economic, environmental, and social objectives. The CSR initiatives therefore play a major role in improvement of the Authority's corporate image and management of stakeholder expectations. KCAA affirms its commitment to be a responsible corporate citizen by contributing to national building through the Corporate Social Initiatives sponsorship, philanthropy, and employee volunteering in accordance with the provisions of Mwongozo. CSR initiatives therefore play a major role in engagement with the key publics both inwardly and outwardly.

The Authority prepared a CSR policy whose overall objective is to raise the level of brand resonance and recognition in order to maintain favourable relationships with stakeholders. Thus, the Authority's approach towards CSR is focused on identifying and formulating projects that respond to specific needs that go towards addressing challenges and providing opportunities to the community. In all the CSR initiatives, KCAA as much as possible, strives to play a major part in improvement of the Authority's corporate image as a responsible citizen, improve understanding of operations, promote brand visibility, develop mutual relations, and maintain excellent stakeholder relationships.

In the financial year 2022/23, KCAA undertook the following activities:

1. In collaboration with St. John's ambulance, trained Bodaboda riders as first responders in the event of an accident.
2. Provided sponsorship to the 8<sup>th</sup> Annual Eldama Ravine half Marathon.
3. Provided sponsorship to AWAK dinner for KCAA women accountants.
4. Provided sponsorship to Kenya Air Traffic Controllers Association team building.

5. Provided sponsorship to Kenya Institute of Management (KIM) dinner for KCAA lady managers.
6. Funded the installation of fence for Oldonyo Orok water project in Matapato, in Kajiado county.
7. Visited Ruai Children's Home during Christmas season and gave out gift baskets.
8. Sponsored Mwiki and Kayole Starlets football Clubs.
9. Donated wheelchairs to Real-Life- K for persons living with disabilities.
10. Planted trees – 1,150 seedlings in Ngong Forest; and 1,000 seedlings in Kapsaret Forest in Uasin Gishu County.
11. Supported CANSO workshop held in Zambia.
12. Provided sponsorship and participated in the Mater Heart Run Marathon.
13. Participated in St. John Ambulance Road Walk in Ngong.
14. Sempeuti Cattle Spray Raceto oversee completion of the project in Kajiado County.
15. Ongoing rehabilitation of classrooms at Lokichoggio Primary School.
16. Ongoing construction of Mwakirunge Primary School ablution block.
17. Ongoing construction of Soitpus Primary School ablution block.
18. Participated in the Standard Chartered Nairobi Marathon.
19. Donated foodstuffs to communities within Mwakirunge Primary School and VOR station.
20. Easter gift basket and visit to Mradi Children's Home
21. Organized and participated in a clean-up exercise of EASA Embakasi area and its environs.



## 11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30 2023 which show the state of the Authority's affairs.

### i) Principal activities

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

### ii) Results

The results of the Authority for the year ended June 30, 2023 are set out on page 1.

### iii) Directors

The members of the Board of Directors who served during the year are shown on page vii– xi. During the year 2022 – 2023 Mr. Brown M'mbai M'mata Ondego joined the Board of Directors on 10<sup>th</sup> March 2023 as Chairman. Col. (Rtd) Rogers Mbithi Muneene, Dr. Annetter Mudola Mbogoh, Dr. Boniface Muriithi Wanjau, Mr. Tokei Nyitore Loten and Ms. Liz Isomanga Aluvanze were appointed to the Board of Directors with effect from 20<sup>th</sup> April 2023. The term for Capt. Kiki Christopher Robert Onyonka ended on 23<sup>rd</sup> January 2023 while the terms for Eng. Joseph Nakodony Nkadayo, MBS, Ms. Caroline Lillian Anyango Ayugi, Capt. Bootsy Musyoka Mutiso, Mr. David Njuguna Njathi and Eng. Luke Kangogo Kittony, DSM ended on 20<sup>th</sup> April 2023 vide Gazette notice No. 5064.

### Surplus Remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of the financial year. The Authority remitted Kshs 1,634,140,169.55 during the 2022/23 financial year.

### v) Auditors

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

By Order of the Board

George O. Mogaka  
Corporation Secretary

  
.....  
Signature

08/05/2024  
.....  
Date

## **12. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Authority; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, Civil Aviation Act, 2013 (as amended in 2016) 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, 2023, and of the Authority's 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 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 22/09/2023 and signed on its behalf by:



**Brown M. M. Ondego, MBS**  
Chairman of the Board

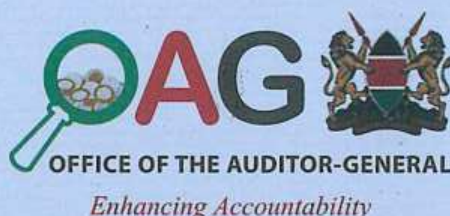


**Emile N. Arao**  
Director General



# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA CIVIL AVIATION AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Civil Aviation Authority set out on pages 1 to 69, which comprise of the statement of financial position as at



30 June, 2023, 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 of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Civil Aviation Authority as at 30 June, 2023, 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 Civil Aviation Act, Cap.394 of the Laws of Kenya and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Variances in Provision for Bad and Doubtful Debts**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,604,786,528 as disclosed in Note 19.23 to the financial statements. The balance comprised of amounts of Kshs.2,131,631,795 and Kshs.526,845,267 as gross receivables from exchange transactions and general and specific provisions for bad and doubtful debts respectively. However, review of records revealed that the computation of provision for bad and doubtful debts for both general and specific provisions were based on the balances in the aged analysis which did not however agree with the amounts in the supporting schedules provided for Foreign Operators and Kenya Revenue Authority receivables as detailed below;

<b>Item</b>	<b>Amount as per Aging Analysis (Kshs.)</b>	<b>Amount as per Supporting Schedule for Provision (Kshs.)</b>	<b>Variance (Kshs.)</b>
Foreign Operators	552,453,716	554,952,732	2,499,016
Kenya Revenue Authority	1,638,699,276	1,321,871,091	316,828,185

In the circumstances, the accuracy of provision for bad and doubtful debts totalling to Kshs.526,845,267 could not be confirmed.

### **2. Unsupported Balance Due from Kenya Revenue Authority**

The statement of financial position, and as disclosed in Note 19.23 to the financial statements, reflects current receivables from exchange transactions balance of Kshs.1,604,786,528 which comprises gross receivables balance of Kshs.2,131,631,795 less provisions of Kshs.526,845,267. The balance of Kshs.2,131,631,795 includes domestic operator's balance of Kshs.1,559,006,288 which further includes a balance of Kshs.1,321,871,092 receivable from Kenya Revenue Authority (KRA), being unremitted



revenue collected by KRA on behalf of the Authority. Review of the supporting age analysis indicated that part of the latter balance had been outstanding for more than one year. It is not clear why KRA did not remit the balance to the Authority upon collection.

Further, as indicated previously, the supporting schedule of the balance of Kshs.1,321,871,092 due from KRA includes an opening balance of Kshs.1,196,111,022 which is net of a negative adjustment of Kshs.2,110,419,203 made in the previous year. Management explained that the adjustment is related to unallocated revenue receipts from Kenya Revenue Authority and that the reconciliation to identify and allocate the specific revenue components was in progress. However, as the time of the audit the details of the revenue receipts, dates received and revenue component they related to, had not been provided for audit.

In the circumstances, accuracy of the balance due from KRA of Kshs.1,321,871,092 could not be confirmed.

### **3. Unconfirmed Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.18,181,928,315 as disclosed in Note 19.26 to the financial statements. However, as previously reported, the Authority did not have ownership documents for various assets with a total value of Kshs.10,661,950,000. Management explained that various measures are still being pursued through National Land Commission, Ethics and Anti-Corruption Commission and the Courts of Law to ensure that the parcels of land in contention are reverted to the Authority for their title deeds to be processed.

Further, review of land records revealed that four (4) parcels of land belonging to the Authority have been allocated and registered in the name of third parties as shown below:

<b>Property</b>	<b>Acreage</b>
Mtito-Andei-Ngai Ndeithya Settlement Scheme/161	13 Acres
Bamburi Staff Housing	Unknown
Central Stores in Nairobi	0.77 Hectares
East African School of Aviation	37 Acres

The Public Investment Committee in its 19th report had recommended that the National Land Commission revokes the titles and revert them to the Authority and register all owned parcels of land in its name. In addition, the Committee had previously recommended that the National Land Commission investigates circumstances under which a plot in Nairobi County was transferred from public to private ownership. Management has indicated that the Authority is pursuing a number of the matters in Court and has made progress in recovering six (6) out of seventeen (17) parcels of land.

In the circumstances, the valuation and ownership of the parcels of land could not be confirmed.

### **4. Variances in the Trade and Other Payables Balance**

The statement of financial position reflects a balance of Kshs.884,439,088 in respect of trade and other payables as disclosed in Note 19.28 of the financial statements.

However, review of the ageing analysis of local and foreign payables which reflects amounts denominated in Kenya Shillings (KES) and US Dollars, revealed that there were variances between financial statements balances and the ageing analysis due to the exchange rate ruling as at 30 June, 2023 as detailed in the table below:

Description	Financial Statements (Kshs.)	Amount after Application of the Exchange Rate as at 30.6.2023 of Kshs.140.52 to the US Dollar	Variance (Kshs.)
Trade Creditors-Local	616,785,205	USD.333,727.70*140.52=Kshs.46,895,416.4 +Kshs.570,638,069.94 = <b>Kshs.617,533,486.3</b>	748,281
Trade Creditors-Foreign	148,735,693	USD.236,361.03*140.52=Kshs.33,213,451.94 + Kshs.114,394,522.45= <b>Kshs.147,607,974.4</b>	1,127,718
<b>Total</b>			<b>1,875,999</b>

Although Management has explained that the Authority has engaged the vendor of the ERP system to determine the cause of the variance, no explanation or reconciliation was provided for the variance of Kshs.1,875,999.

Further, trade and other payables includes an amount of Kshs.208,722,780 in respect of payables that were due for over one (1) year. Although Management explained that the balance relates to projects that have warranty payments that can only be paid after expiry of the respective project periods, details of the specific projects against which the warranties related were not provided for audit.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.884,439,088 could not be confirmed.

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

## Emphasis of Matter

### 1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.8,088,473,535 and Kshs.10,147,689,576 respectively, resulting in over-collection of Kshs.2,059,216,041 or 25% of the budget. Similarly, the Authority spent an amount of Kshs.7,162,353,528 against an approved budget of Kshs.8,088,473,535 resulting in an under expenditure of Kshs.926,120,007 or 11% of the budget.

The under-expenditure affected the planned activities of the Authority and may have impacted negatively on service delivery to the public.



## **2. Current Receivables from Exchange Transactions**

The statement of financial position reflects current receivables from exchange transactions balance of Kshs.1,604,786,528 which as disclosed in Note 19.23 to the financial statements includes an amount of Kshs.1,559,006,288 in respect of domestic operators. Review of records provided revealed the following;

### **2.1 Balance Due from Kenya Airports Authority**

Included in the domestic operator's balance is an amount of Kshs.23,827,113 due from Kenya Airports Authority (KAA). However, records at KAA indicated that a balance of Kshs.1,057,046,038 was owed to Kenya Civil Aviation Authority as at 30 June, 2023 resulting in an unexplained variance of Kshs.1,033,218,925. Failure to reconcile the amounts owed by KAA with the Authority's records may lead to wrong balances reported in the financial statements and the possibility of loss of funds.

### **2.2 Debt Owed by the National Carrier (Kenya Airways)**

Included in domestic operations balance of Kshs.1,559,006,288 is an amount of Kshs.112,327,035 representing 7% of the receivables for the year which was due from Kenya Airways PLC between 01 June, 2023 and 30 June, 2023. Further, the balance of Kshs.1,559,006,288 includes an amount of Kshs.1,321,871,092 owed by Kenya Revenue Authority which further includes an amount of Kshs.592,290,184 which was owed by Kenya Airways PLC through KRA (revenue collecting agent) as at 31 May, 2023. The latter amount represents amounts that were owing for a long period of time. The recoverability of the current receivables from exchange transactions amount of Kshs.592,290,184 representing 38% of total domestic operators' receivable could not be confirmed.

## **3. Employee Benefit Obligation - Provision of Leave for the Authority's Staff**

The statement of financial position reflects a balance of Kshs.207,488,703 in respect of employee benefits obligations which as disclosed in Note 19.30 of the financial statements includes leave provision amount of Kshs.128,418,051. However, review of records revealed that the computation of leave provision for the year indicated an amount of Kshs.63,322,665 which relates to provision of leave days for officers who had carried forward leave days of more than half of their entitlement for the year. This is contrary to Section 3 of the Authority's Human Resource Manual for Staff Regulations and Administration. Management explained that this situation arose due to the unique operation environment of the Authority and the shortage of critical and technical staff which affected the year's plan for various staff to take their leave as and when it was due.

My opinion is not modified in respect of these matters.

### **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 Matters**

In the audit report for the previous year, several issues were raised under the Report on financial statements. However, review of the Auditor's Recommendations and the implementation status report revealed that most of the issues remained unresolved as at 30 June, 2023. No satisfactory reasons were provided for not resolving the prior year's audit issues.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Non-Remittance of Statutory Deductions**

The statement of financial position reflects a balance of Kshs.207,488,703 as employee benefits obligations which as disclosed in Note 19.30 to the financial statements includes various payroll deductions amounting to Kshs.1,068,179 which had not been remitted to the respective beneficiaries as at 30 June, 2023. The unremitted statutory deductions include amounts of Kshs.488,010, Kshs.113,267 and Kshs.466,902 in respect of PAYE – staff, payroll deductions – cheques and payroll deductions – EFT. Management explained that the process of paying the beneficiary organizations is ongoing.

In the circumstances, the Authority risks incurring avoidable costs of legal fees, interest and penalties due to non-remittance of the statutory deductions.

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, Risk Management and Governance 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**

### **Long Outstanding Receivables**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,604,786,528 as disclosed in Note 19.23 to the financial statements. The balance comprised of amounts of Kshs.2,131,631,795 being gross receivables from exchange transactions with a net of Kshs.526,845,267 as general and specific provisions for bad and doubtful debts. However, the ageing analysis indicates that a gross amount of Kshs.1,120,111,060 or 53% was outstanding for more than one (1) year. Further, the receivables from exchange transactions amount of Kshs.1,604,786,528 increased by 100% from the previous year's balance of Kshs.802,505,014. Although Management has demonstrated some efforts including sending demand letters to the various debtors, it has not explained why the outstanding amounts doubled during the year under review.

In addition, the statement reflects receivables from non-exchange transactions balance of Kshs.725,869,323 as disclosed in Note 19.24 to the financial statements. The balance includes staff imprests, station imprest and staff mortgage receivable amounting to Kshs.1,999,894, Kshs.2,187,115 and Kshs.510,571,713 respectively. The ageing analysis in the financial statements indicates that an amount of Kshs.514,959,768 or 71% of the total gross amount of Kshs.725,869,323 was outstanding for more than one (1) year.

In the circumstances, the internal controls related to the recoverability of the receivables from exchange and non-exchange transactions balances of Kshs.1,604,786,528 and Kshs.725,869,323 respectively could not be confirmed.

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 controls, risk management and 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 terminate 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 Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 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 sustain 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.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

15 May, 2024



## Appendix 1 - Properties Without Ownership Documents


S/No.	Property	Value (Kshs.)
1	39/1/R: East African School of Aviation	3,045,000,000.00
2	Moi International Airport Station - Mombasa	50,000,000.00
3	Receiver Station - Mombasa	5,000,000.00
4	Transmitting Station - Mombasa	561,000,000.00
5	MV/V/538-Miritini Staff Housing Estate	81,500,000.00
6	Bamburi Staff Housing Estate	160,000,000.00
7	MN/II/2395 & 6230 Nyali Staff Housing Estate	370,000,000.00
8	Malindi Station	5,000,000.00
9	Malindi VOR/DME	15,000,000.00
10	Lokichogio Station	8,500,000.00
11	Wajir Radar Station	4,000,000.00
12	Mombasa Radar Station	18,500,000.00
13	JKIA Station	320,000,000.00
14	JKIA Radar Station	70,000,000.00
15	Lanet Station	100,000,000.00
16	Poror Radar Station	500,000.00
17	11933-Central Transmitting Station	3,300,000,000.00
18	Embakasi Village Staff Housing Estate	350,000,000.00
21	Eldoret Radar Station	173,000,000.00
22	Eldoret Main Station	40,000,000.00
23	Eldoret VOR/DME Station	10,000,000.00
24	Wilson Airport Station	90,000,000.00
25	JKIA Receiver Station	1,800,000,000.00
26	Ngai Ndeithya Settlement Scheme Plot 161	650,000.00
27	Garissa DVOR/DME Station	12,000,000.00
28	Kisumu Main Station	30,000,000.00
29	Kisumu DVOR/DME Station	42,300,000.00
<b>Grand Total</b>		<b>10,661,950,000.00</b>




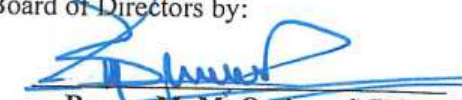
**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023	2022
Revenue from Non-Exchange Transactions		Kshs	Kshs
Licenses and Permits	19.6	491,922,811	443,801,837
Air Passenger Service Charge	19.7	3,278,825,060	1,948,615,345
<b>Sub-Total</b>		<b>3,770,747,871</b>	<b>2,392,417,183</b>
Revenue from Exchange Transactions			
Rendering of Services	19.8	6,246,376,042	4,479,507,553
Rental Revenue	19.9	36,116,675	36,496,093
Finance Income	19.10	92,971,318	35,971,479
Other Revenue	19.11	1,477,670	8,617,793
<b>Sub-Total</b>		<b>6,376,941,705</b>	<b>4,560,592,919</b>
<b>Total Revenue</b>		<b>10,147,689,576</b>	<b>6,953,010,101</b>
Expenses			
Use of Goods & Services	19.12	1,394,624,038	1,196,862,903
Employee Costs	19.13	3,134,767,628	2,597,650,906
Board Expenses	19.14	40,239,071	26,728,902
Depreciation & Amortization Expense	19.15	774,562,249	785,773,120
Repairs and Maintenance	19.16	386,824,525	450,613,188
Contracted Services	19.17	214,456,269	171,036,043
Finance Costs	19.18	67,172,851	74,341,569
<b>Total Expenses</b>		<b>6,012,646,631</b>	<b>5,303,006,631</b>
<b>Sub-Total</b>		<b>4,135,042,945</b>	<b>1,650,003,470</b>
Other Gains/(Losses)			
Gain on Sale of Assets	19.19(a)	1,162,177	5,057,717
Loss on Sale of Assets	19.19(b)	(220,730)	(1,673,363)
Gain on Foreign Exchange	19.19(c)	947,135,359	243,825,329
Loss on Foreign Exchange	19.19(d)	(394,217,684)	(87,123,631)
Amortization of Capital Grant	19.20(a)	3,420,000	3,420,000
Increase in Accrued Leave Days	19.20(b)	(41,353,557)	(3,814,091)
Amortization of Debtors	19.20(c)	265,352,814	2,986,723
<b>Surplus(Deficit) for the Year</b>		<b>4,916,321,324</b>	<b>1,812,682,154</b>
Remission to the National Treasury	19.21	(4,424,689,191)	(1,631,413,938)
<b>Net Surplus (Deficit) for the Year</b>		<b>491,632,132</b>	<b>181,268,215</b>

The notes set out on pages 8 to 49 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
Emile N. Aro  
Director General

  
CPA Joseph K. Chebungei  
Director Corporate Services  
ICPAK Member No: 4023  
Date.....08/05/2024

  
Brown M. M. Ondego, MBS  
Chairman of the Board  
Date.....08/05/2024




**15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**


	Note	2023 Kshs	2022 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	19.22	4,528,199,103	3,163,103,316
Receivables from Exchange Transactions	19.23	1,604,786,527	802,505,014
Receivables from Non-Exchange Transactions	19.24	725,869,323	682,771,617
Inventories	19.25	20,000,375	21,870,386
<b>Total Current Assets</b>		<b>6,878,855,328</b>	<b>4,670,250,331</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	19.26	18,181,928,315	17,803,708,412
Intangible Assets	19.27	22,180,150	22,595,017
<b>Total Non-Current Assets</b>		<b>18,204,108,465</b>	<b>17,826,303,428</b>
<b>Total Assets</b>		<b>25,082,963,793</b>	<b>22,496,553,759</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	19.28	884,439,088	851,136,170
Refundable Deposits from Customers	19.29	14,105,343	14,105,343
Employee Benefit Obligation	19.30	207,488,703	207,154,261
Current Portion of Borrowings	19.31	182,324,356	182,324,356
Current Provisions	19.32	4,688,772,241	2,150,542,402
<b>Total Current Liabilities</b>		<b>5,977,129,731</b>	<b>3,405,262,531</b>
<b>Non-Current Liabilities</b>			
Borrowings	19.33	1,482,051,891	1,664,376,246
<b>Total Non-Current Liabilities</b>		<b>1,482,051,891</b>	<b>1,664,376,246</b>
<b>Total Liabilities</b>		<b>7,459,181,622</b>	<b>5,069,638,777</b>
<b>Net Assets</b>			
Revaluation Reserves	19.34	8,326,882,978	8,318,582,978
Capital Fund - Govt Grant	19.35	129,960,000	133,380,000
Accumulated Surplus	19.36	9,166,939,194	8,974,952,004
<b>Total Net Assets</b>		<b>17,623,782,172</b>	<b>17,426,914,982</b>
<b>Total Net Assets and Liabilities</b>		<b>25,082,963,793</b>	<b>22,496,553,759</b>

The Financial Statements set out on pages 1-6 were signed on behalf of the Board of Directors by:

  
Emile N. Arao  
Director General

Date: 08/05/2024

  
CPA Joseph K. Chebungei  
Director Corporate Services  
ICPAK Member No: 4023  
Date: 08/05/2024

  
Brown M. M. Ondego, MBS  
Chairman of the Board  
Date: 08/05/2024

16. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Revaluation Reserve	Retained Earnings	Capital / Development Grants / Fund	Total
		Kshs	Kshs	Kshs	Kshs
<b>Balance as at 1st July 2021</b>		<b>8,308,682,978</b>	<b>9,255,519,247</b>	<b>136,800,000</b>	<b>17,701,002,225</b>
Revaluation Reserve Adjustment	19.34	9,900,000	-	-	9,900,000
Amortization of Govt Grant	19.35	-	(461,835,458)	(3,420,000)	(3,420,000)
Accumulated Surplus Adjustment	19.36		(461,835,458)		(461,835,458)
Surplus for the Period	19.21	-	181,268,215	-	181,268,215
<b>Balance as at 30 June 2022</b>		<b>8,318,582,978</b>	<b>8,974,952,004</b>	<b>133,380,000</b>	<b>17,426,914,982</b>
Revaluation Reserve Adjustment	19.34	8,300,000	-	-	8,300,000
Amortization of Govt Grant	19.35	-	-	(3,420,000)	(3,420,000)
Accumulated Surplus Adjustment	19.37		(299,644,942)		(299,644,942)
Net Surplus for the Period	19.21	-	491,632,132	-	491,632,132
<b>Balance as at 30th June 2023</b>		<b>8,324,082,978</b>	<b>9,166,939,194</b>	<b>129,960,000</b>	<b>17,623,782,172</b>


17. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2023

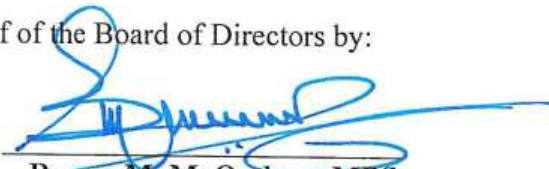
	Note	2023 Kshs	2022 (Restated) Kshs
<b>Cash from Operating Activities</b>			
Net Surplus from Operations	19.21	491,632,132	181,268,215
Finance Cost	19.18	67,172,851	74,341,569
Interest Income on Bank Balances	19.10	(92,971,318)	(35,971,479)
<b>Adjusted for :</b>			
Increase in Provision for Doubtful Debts	19.23	(228,187,995)	198,492,410
Depreciation of Property, Plant & Equipment	19.15	757,278,368	710,621,325
Amortization of Intangible Assets	19.15	17,283,881	75,151,795
Amortization of Capital Grant	19.20(a)	(3,420,000)	(3,420,000)
Gain on Sale of Assets	19.19(a)	(1,162,177)	(5,057,717)
Loss on Sale of Assets	19.19(b)	220,730	1,673,363
<b>Operating profit before working Capital changes</b>		<b>1,007,846,474</b>	<b>1,197,099,481</b>
Increase in Receivables (Exchange Transactions)	19.23	(574,093,519)	(506,697,745)
Increase in Receivables (Non-Exchange Transactions)	19.24	(43,097,706)	(110,519,718)
(Increase)/ Decrease in Inventories	19.25	1,870,011	2,541,377
Increase/ (Decrease) in trade and other Payables	19.28	33,302,918	(11,281,859)
Increase/(Decrease) in Employee Benefits Obligations	19.30	334,442	50,058,518
Increase/(Decrease) in Current Provisions	19.32	2,538,229,840	1,891,866,182
<b>Net Cash from Operating Activities</b>		<b>2,964,392,458</b>	<b>2,513,066,236</b>
<b>Cash used in Investing Activities</b>			
Purchase of Property, Plant and Equipment	19.26	(1,132,837,882)	(429,990,906)
Purchase of Intangible Assets	19.27	(16,869,015)	(26,418,496)
Proceeds on Disposal of Assets	19.19	6,581,057	8,977,133
Interest Income on Bank Balances	19.10	92,971,318	35,971,479
<b>Total Cash used in Investing Activities</b>		<b>(1,050,154,522)</b>	<b>(411,460,791)</b>
<b>Cash flow from Financing Activities</b>			
Loans Repayment	19.31	(182,324,356)	(182,324,356)
Finance Cost	19.18	(67,172,851)	(74,341,569)
Accumulated Surplus (Retained Earnings) Adjustments	19.37	(299,644,942)	(454,765,073)
<b>Net Cash flow from Financing Activities</b>		<b>(549,142,149)</b>	<b>(711,430,998)</b>
Increase / (Decrease) in Cash & Cash Equivalents		1,365,095,787	1,390,174,448
Cash & Cash Equivalents at the Start of the Year	19.22	3,163,103,316	1,772,928,868
<b>Cash &amp; Cash Equivalents at the End of the Year</b>		<b>4,528,199,103</b>	<b>3,163,103,316</b>

The Financial Statements set out on pages 1-6 were signed on behalf of the Board of Directors by:

  
Emile N. Arao  
Director General

Date... 08/05/2024

  
CPA Joseph K. Chebungei  
Director Corporate Services  
ICPAK Member No: 4023  
Date... 08/05/2024

  
Brown M. M. Ondego, MBS  
Chairman of the Board  
Date... 08/05/2024



18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

Description	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Change	Note
Revenue	2023	2023	2023	2023	2023		
Licenses and Permits	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Air Passenger Service Charge	410,392,743	40,302,747	450,695,489	491,922,811	41,227,322	9%	a
Rendering of Services	1,244,887,944	-	1,244,887,944	3,278,825,060	2,033,937,116	163%	b
Rental Revenue	5,576,979,416	7,600,000	5,584,579,416	6,246,376,042	661,796,626	12%	c
Finance Income	34,419,277	2,068,700.00	36,487,977	36,116,675	(371,302)	-1%	
Other Income	46,655,157	-	46,655,157	92,971,318	46,316,161	99%	d
Total Revenue	1,671,308	2,520,033	4,191,341	1,477,670	(2,713,671)	-65%	e
Other Sources	7,315,005,845	52,491,480	7,367,497,325	10,147,689,576	2,780,192,251	38%	
Cash Reserves	206,631,118	514,345,092	720,976,210	-	(720,976,210)	-100%	f
Grand Total Revenue	7,521,636,963	566,836,572	8,088,473,535	10,147,689,576	3,501,168,462	43%	
Expenses							
Use of Goods & Services	1,355,977,710	132,971,065	1,488,948,775	1,394,624,038	94,324,737	6%	
Employee Costs	3,110,632,832	438,441,182	3,549,074,015	3,134,767,628	414,306,387	12%	g
Remuneration of Directors	30,000,000	10,000,000.00	40,000,000	40,239,071	(239,071)	-1%	
Depreciation and Amortization	1,084,757,318	(227,772,851)	856,984,467	774,562,249	82,422,218	10%	h
Repairs and Maintenance	597,165,372	30,336,988	627,502,360	386,824,525	240,677,835	38%	i
Contracted Services	248,450,002	3,607,667	252,057,669	214,456,269	37,601,400	15%	j
Finance Costs	67,172,851	-	67,172,851	67,172,851	-	0%	

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Total Recurrent Expenditure	6,494,156,085	387,584,051	6,881,740,137	6,012,646,631	869,093,506	
Other Gains/Losses	-	-	-	781,278,379	(781,278,379)	-100%
Capital Expenditure						
Other Payments-Capital Expenditure	727,350,878	479,382,521	1,206,733,398	1,149,706,897	57,026,501	5%
Total Expenditure	7,221,506,963	866,966,572	8,088,473,535	7,162,353,528	926,120,007	
Surplus for the Period	300,130,000	(300,130,000)	-	4,916,321,324	-	

#### **EXPLANATION OF MATERIAL DIFFERENCES**

- a) **Licenses & Permits (9% Favourable Change):** Improved performances on a number of lines such as inspection of masts and Obstacles. Duty exemption processing fees, certificate of airworthiness and Grant and renewal of AMO Licence.
- b) **Air Passenger Service Charge (163% Positive Change):** These are actual remittances in the course of the year which includes previous years remittances.
- c) **Rendering of Services (12% Positive Change):** Air Navigation Service charge improvement as the industry recovers from effects of Covid19. EASA also had improved student enrolment.
- d) **Finance Income (99% Positive Change):** The increase attributed to deposits from improved revenue performance and interest in the Staff Mortgage Account.
- e) **Other Income (65% Negative Change):** Decrease attributable to fees on skills development levy exchange and technical support as well as other miscellaneous fees that did not get to the projected levels.
- f) **Cash Reserves (100% Negative Change):** The projected utilizations of cash and bank balances reserves to fund the capital expenditure was limited due to improved revenue performance.
- g) **Employee Costs (12% Positive):** The Authority was within the approved budget on Employee costs and hence the savings therein due to the non – filling of vacant positions in time during the year.
- h) **Depreciation and Amortization (10% Positive):** A couple of projects that were earmarked for completion are still ongoing hence could not be capitalized during the financial year.
- i) **Repairs and Maintenance (38% Positive).** Projected maintenance works did not fall due and were not entirely carried out in the course of the financial year.
- j) **Contracted Services (15% Favourable Change):** Reduced activity levels due to on-going contracts and engagement.
- k) **Other Gains/Losses (100% Negative Change):** This is a book entry with regard to changes in foreign exchange gains/losses, disposals and amortizations during the financial year.



## 19. NOTES TO THE FINANCIAL STATEMENTS

### 19.1 GENERAL INFORMATION

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

### 19.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

#### 1. ADOPTION OF NEW AND REVISED STANDARDS

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1 <sup>st</sup> January 2023:  The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<b>IPSAS 42: Social Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2023</b> <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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>
<b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b>	<b>Applicable: 1st January 2023:</b> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.***

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>



Standard	Effective date and impact:
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1<sup>st</sup> January 2025</i>  The Standard requires,  Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:  Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. *Early adoption of standards*

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

### **19.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Revenue recognition**

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

###### **Licences and Permits**

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

###### **Transfers from other government entities**

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

##### **ii) Revenue from exchange transactions**

###### **Rendering of services**

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

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

###### **Interest income**

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

## **Rental income**

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

## **b) Budget Information**

The original budget for FY 2022-23 was approved by the KCAA Board of Directors on 21<sup>st</sup> December 2021 and forwarded to the National Treasury through the State Department of Transport. It was approved by the Government on 4<sup>th</sup> August 2022. The approved budget was subsequently rationalised on the advice of the National Treasury. The rationalised budget was approved by the Board of Directors on 30<sup>th</sup> January 2023 and approved by the Government on 28<sup>th</sup> March 2023. Subsequent revisions were made to the approved rationalised budget. The revised rationalised budget was 30<sup>th</sup> January 2023. It was approved by the Government on 19<sup>th</sup> May 2023.

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 pages 5 -6 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.



**d) Property, Plant and Equipment**

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

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

	%
Buildings	2.5
Air Navigation Equipment	10
Plant & Other Equipment	20
Computers, copiers and faxes	33.33
Motor vehicles	20
Furniture and fittings	20
Freehold land	Nil

Depreciation is charged in full to all the assets during the year of acquisition, while none is charged during the year of disposal.

**e) Leases**

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

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

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

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

**f) Intangible Assets**

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

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

**g) Research and development costs**

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

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

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

**h) Financial Instruments**

**i) Financial Assets**

**Initial Recognition and Measurement**

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

**Loans and receivables**

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

### **Impairment of financial assets**

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

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

### **iii) Financial liabilities**

#### **Initial Recognition and Measurement**

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

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

#### **Loans and borrowing**

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

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

### **i) Inventories**

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

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



nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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

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

**j) Provisions**

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

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

**k) Contingent liabilities**

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

**l) Contingent assets**

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

**m) Nature and Purpose of Reserves**

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

**n) 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.

**o) Employee Benefits**

**Retirement Benefit Plans**

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

**p) 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.

**q) 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.

**r) Related Parties**

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

**s) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the various commercial banks at the end of the financial year.

**t) Comparative Figures**

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

**u) Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

**19.4 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and Assumptions**

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

**Useful lives and residual values**

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

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



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note no. 23 and Note no. 33.

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

**Provisions for Doubtful Debts**

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

**Provision for Obsolete, Defective and Slow-moving Stocks**

Management reviews its stocks periodically to assess the likelihood of impairment.

**19.5. Transfers from Ministries, Departments and Agencies (MDAs)**

Name of the Entity Sending The Grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised Accumulated Surplus	Total transfers 2022-23	Prior year 2021-2022
			KShs	KShs	KShs
Kenya Airports Authority	3,278,825,060	-	-	3,278,825,060	1,948,615,345
<b>Total</b>	<b>3,278,825,060</b>	<b>-</b>	<b>-</b>	<b>3,278,825,060</b>	<b>1,948,615,345</b>

(The details of the reconciliation have been included under Appendix (III))

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

<b>19.6 Licenses, Permits, Fines &amp; Clearances</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Licence Ratings & Certificates	21,599,500	21,568,298
Technical Ground Examinations	35,558,200	31,576,626
AMEL Licences & Ratings	12,211,028	11,807,880
Aircraft Certificate of Registration	4,736,500	5,328,500
Certificate of Airworthiness	87,191,899	85,139,292
Grant & Renewal of AMO License	92,980,053	82,487,799
Grant & Renewal of AOC Certs	5,778,944	5,168,440
Certification of Aerodromes	4,631,700	1,881,900
Duty Exemption Processing Fees	41,821,689	29,727,524
Grant & Renewal of Air Service Licences	47,051,564	39,959,757
Adhoc /Permit Clearances	41,099,659	22,832,668
Approval of Manuals	240,500	200,000
Inspection of Masts & Obstacles	35,899,200	45,008,200
Issue of SSR Transponder Codes	421,827	303,496
AVSEC Fees/ Regulated Agent/Screeners Fees	5,007,000	6,497,000
Grant & Renewal of ATO Licences	900,000	1,020,000
Approval of Commercial Operations - (FOC)	33,230,972	27,453,497
Infringement Notices Fee	1,280,000	12,400,000
Approval of Leases	4,276,820	3,610,462
Approval of Security Programmes	865,000	1,075,000
UAS Import & Registration	2,201,756	2,145,000
Remote Air Operator Certificate	1,507,000	898,000
UAS Training Organization Approval & Certification	920,000	450,000
Certification of UAS Resalers & Distributors	835,000	420,000
UAS Authorizations	7,599,000	3,157,500
UAS Licensing	2,078,000	1,685,000
<b>Total Licenses, Permits, Fines &amp; Clearances</b>	<b>491,922,811</b>	<b>443,801,837</b>

This revenue stream covers the regulatory function of the Authority in air worthiness, flight operations, personnel licensing, certifications and ground operations

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

<b>19.7 Air Passenger Service Charge</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Air Passenger Service Charge	3,278,825,060	1,948,615,345
<b>Total Air Passenger Service Charge</b>	<b>3,278,825,060</b>	<b>1,948,615,345</b>

Entails the Authority's share together with Kenya Airports Authority and the Tourism Fund as per the Air Passenger Service Charge (APSC) Act and APSC Legal Notice 143 of 14<sup>th</sup> June 2018.

<b>19.8 Rendering of Services</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Air Navigation Service Charges	5,931,001,757	4,268,607,068
Sale of AIPS & Publications	1,101,732	1,776,450
EASA Revenue	314,272,553	209,124,035
<b>Total Revenue from the Rendering of Services</b>	<b>6,246,376,042</b>	<b>4,479,507,553</b>

Besides regulatory function, the Authority's other mandates entails provision of air navigation service and training of aviation personnel, at the East African School of Aviation (EASA) whose revenue is captured here. EASA also offers hospitality services.

<b>19.9 Rental Revenue</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
EASA House Rent	22,351,034	21,990,700
Embakasi House Rent	923,893	940,000
Miritini House Rent	2,478,000	3,952,500
Bamburi House Rent	1,530,000	1,160,000
Nyali House Rent	3,609,226	3,690,000
Water Recovery - Payroll	797,100	719,955
Commercial Rent, Water & Electricity	1,718,923	1,426,013
Non-Staff Rent	2,708,500	2,616,926
<b>Total Rentals</b>	<b>36,116,675</b>	<b>36,496,093</b>

The Authority has institutional houses that accommodate its officers in the Nairobi and Mombasa Stations. It also has a lease arrangement for a restaurant facility in its Aviation House Headquarters.

<b>19.10 Finance Income</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest Income - Current Bank Accounts	85,563,667	29,096,299
Interest Income - Staff Mortgage Bank Account	7,407,651	6,875,180
<b>Total Finance Income - External Investments</b>	<b>92,971,318</b>	<b>35,971,479</b>



*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

This entails interest from current bank accounts and from a mortgage bank facility.

<b>19.11 Other Income</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Salary Advances	20,196	66,871
Commission on Payroll Deductions	670,546	644,057
Miscellaneous Receipts	711,848	4,865,505
Skills Development Levy	75,080	1,251,360
Exchange Programme/Technical Support & Reports	-	1,790,000
<b>Total Other Income</b>	<b>1,477,670</b>	<b>8,617,793</b>
<b>Total Revenue</b>	<b>10,147,689,576</b>	<b>6,953,010,101</b>

These relates to receipts from non-core functional areas and other miscellaneous related revenues notably for capacity building (interns, attachees, regional sister bodies and reports).

<b>19.12 Use of Goods &amp; Services</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Electricity Expenses	51,835,935	47,240,461
Water & Sewerage Expense	8,829,264	6,337,056
Security Services	62,337,771	67,556,380
Subscription to International Organisations	72,044,795	59,800,239
Subscription to Professional Bodies	1,969,916	2,404,354
Subscription to Publications	4,004,252	3,847,082
General Training	113,567,543	53,099,458
Training Levy	180,248	456,500
Workshops, Conferences & Evaluations	27,767,552	28,972,026
Local Travel	62,297,895	47,399,420
International Travel	82,857,209	42,288,592
Secondments & Knowledge Management Programmes	32,119,380	14,960,078
EAC & Other Aviation Bodies Activities	26,532,230	16,709,269
Deployment ICAO Mission of the Republic of Kenya	23,822,926	45,282,754
Environment & CORSIA Programme	2,093,542	2,188,605
Certification of Aerodromes & ANS Facilities	6,353,723	5,808,477
Continuous Oversight Surveillance & Regulations	59,308,110	22,601,985
ICAO Universal Safety Oversight Audit Programme	4,130,294	5,356,952
Accident Investigation, Search & Rescue	2,970,661	4,373,528
HIV/AIDS, Drug Abuse, Gender & Disability	6,456,598	3,622,049

***Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023***

Integrity & National Values Programmes	3,376,003	3,105,820
Implementation of Safety Management System	3,076,597	3,096,851
Implementation of State Safety Programme	4,129,694	2,336,164
ISO Related Activities	5,945,437	4,757,390
Implementation of Risk Mgt Framework	5,816,798	5,514,008
Corporate Social Responsibility	10,983,977	14,370,441
ICAO Universal Security Audit Programme	3,580,271	2,923,682
Unmanned Aircraft Systems (UAS) -RPAS Oversight	3,019,241	2,637,981
Occupational Safety (OSHA) & Road Safety Mainstreaming	2,285,939	-
Innovation, Research and Devt Activities	2,719,995	-
Funeral Expenses	387,955	330,450
Staff Welfare	27,487,115	25,186,962
Official Entertainment	3,020,486	1,676,660
Group Life Insurance	43,348,010	35,526,185
Aviation Staff Insurance	27,664,225	26,060,265
Office Equipment Insurance	10,547,437	6,439,352
Motor Vehicle Insurance	3,601,324	4,660,276
Work Injury Benefit Act (WIBA) Insurance	4,929,616	4,946,931
Hire of Transport, Plant & Machinery	1,388,693	-
Uniform and Clothing	4,585,055	243,710
Sports Expenses	21,513,416	3,166,241
Telephone Expenses	17,992,916	13,439,466
Cooking Gas & Fuel	2,819,214	1,623,188
Postal, EMS & Courier Services	1,377,257	1,348,777
Rents & Rates	12,547,605	-
Cleaning Services	39,703,196	37,283,845
Drugs & Dressings (Medicines & First Aid Kits)	213,416	72,083
Fungicides & Spray (Pest Control)	1,008,156	78,804
Library Expenses	2,376,547	3,164,672
Internet Related Expenses	17,598,793	20,568,745
Dedicated Leased Lines & Communication Frequencies	-	5,836,832
Legal Expenses	59,428,337	29,126,443
External Audit Expenses	1,500,000	1,500,000
Advertisement Publicity & Photography	39,514,184	29,314,150
Public Relations / Show Expenses	9,612,460	8,854,314

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Events & Anniversaries	13,193,974	2,600,377
KRA Agency Collection Costs (Fees)	136,103,823	93,549,639
Bank Charges - Fees and Commissions	2,091,354	1,865,064
General Provision- Doubtful Debts	37,164,819	-
Specific Provision - Doubtful Debts	-	201,479,133
Consumables	36,724,150	25,752,115
Publishing and Printing	11,909,342	6,342,644
Office Stationery	20,368,907	14,481,383
Food & Rations	54,794,060	46,811,889
Fuel Expenses	18,281,199	12,578,267
Student Academic Activities	1	2,975,969
Curriculum Design & Development	5,527,520	4,986,871
Hostel & Conference	4,003,516	1,367,568
Graduation Expenses	2,844,241	2,042,305
Students Welfare (Laboratory, Dispensary)	1,037,923	533,727
<b>Total Use of Goods &amp; Services</b>	<b>1,394,624,038</b>	<b>1,196,862,903</b>

- Kshs 35,526,185 for Group Life Expense that was previously (2021/22FY) reported under Employee Cost (Note 19.13) has been restated under Use of Goods & Services as per the reporting template for the year ended 30<sup>th</sup> June 2023.
- Growth in expenditure is attributed to capacity building for staff in training and secondments, expanded oversight activities and service provision at EASA

**19.13 Employee Costs**

	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries & Wages	2,383,940,619	1,919,472,370
Employer Contributions to Health Insurance Schemes	166,214,992	167,905,267
Employer Contributions to Pension Schemes	209,286,232	159,364,297
Housing and Other Benefits	322,459,306	249,896,564
Performance and Other Bonuses	457,121	58,737,043
Service Gratuity	50,095,864	38,563,952
Ex-Gratia Expenses	2,313,494	3,711,413
<b>Total Employee Costs</b>	<b>3,134,767,628</b>	<b>2,597,650,906</b>

- Kshs 35,526,185 for Group Life Expense that was previously (2021/22FY) reported under Employee Cost (Note 19.13) has been restated under Use of Goods & Services as per the reporting template for the year ended 30<sup>th</sup> June 2023.
- Increase in Employee Cost for 2022/23FY period is attributable to harmonization of the Authority's previously 14 scale salary structure to the newly approved 10 scale salary structure.



*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

19.14 Board Expenses	2023	2022
	Kshs	Kshs
Chairman's Honoraria	960,000	1,040,000
Board of Directors' Expenses	39,279,071	25,688,902
<b>Total Board Remuneration</b>	<b>40,239,071</b>	<b>26,728,902</b>

Variation from previous financial year relates to board transition that led to increase in induction, training costs, travelling and sitting allowances costs.

19.15 Depreciation & Amortization Expenses	2023	2022
	Kshs	Kshs
Property, Plant and Equipment	757,278,368	710,621,325
Intangible Assets	17,283,881	75,151,795
<b>Total Depreciation and Amortization</b>	<b>774,562,249</b>	<b>785,773,120</b>

A couple of the Authority's assets are fully depreciated/ amortized. The Authority has embarked on a revaluation exercise that will be concluded in the course of 2023/24 financial year.

19.16 Repairs & Maintenance	2023	2022
	Kshs	Kshs
Property & Staff Houses	37,307,859	36,474,255
Equipment and Machinery	293,723,585	315,344,986
Motor Vehicles	9,333,491	8,518,507
Computers, Accessories and ICT Infrastructure	45,133,040	78,347,841
Others (Roads, Water & Sewerage)	1,326,550	11,927,600
<b>Total Repairs and Maintenance</b>	<b>386,824,525</b>	<b>450,613,188</b>

Increase in current period is because of maintenance of air navigation services provision equipment across all stations of the Authority.

19.17 Contracted Services	2023	2022
	Kshs	Kshs
Hire of Resource Persons	77,435,984	56,097,736
Hire of Satellite Links	19,475,846	19,863,001
Contracted Professional Services	63,284,414	72,797,993
Flight Calibration	54,260,025	22,277,313
<b>Total Contracted Services</b>	<b>214,456,269</b>	<b>171,036,043</b>

The Authority spent slightly more to hire resource persons at EASA due to higher demand for its courses and there was expanded scope for calibration of various equipment in various major airports.

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

<b>19.18 Finance Costs</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Long-term Loans (NCTIP)	13,778,894	16,403,445
Interest on Long-term Loans (KTSSP)	53,393,957	57,938,124
<b>Total Finance Costs</b>	<b>67,172,851</b>	<b>74,341,569</b>

The reduction in finance costs is consistent with the loan interest terms which are premised on reducing balance. The Loan Repayment is also being undertaken simultaneously.

<b>19.19 (a) Gain on Sale of assets</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, Plant & Equipment	1,162,177	5,057,717
<b>Total Gain on Sale of Assets</b>	<b>1,162,177</b>	<b>5,057,717</b>

Few assets were disposed in 2022/23 financial year as compared to previous period. The disposals carried out was for motor vehicles and laptops.

<b>19.19 (b) Loss on Sale of assets</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, Plant & Equipment	220,730	1,673,363
<b>Total Gain on Sale of Assets</b>	<b>220,730</b>	<b>1,673,363</b>

<b>19.19 (c) Gain Foreign Exchange Transactions</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Foreign Exchange Gain	947,135,359	243,825,329
	<b>947,135,359</b>	<b>243,825,329</b>

Increase attributable to the dollar rate fluctuations. These affects creditors, debtors and cash books that are US Dollar denominated.

<b>19.19 (d) Loss on Foreign Exchange Transactions</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Foreign Exchange Loss	394,217,684	87,123,631
	<b>394,217,684</b>	<b>87,123,631</b>

Increase attributable to the dollar rate fluctuations. These affects creditors, debtors and cash books that are US Dollar denominated.

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

19.20 (a) Amortization of Capital Grant	2023	2022
	Kshs	Kshs
Amortization of Capital Grant	3,420,000	3,420,000
	<b>3,420,000</b>	<b>3,420,000</b>

The Authority was given a grant of Kshs. 136.8 million to construct the Regional Centre of Aviation Medicine. This was completed and capitalized in the financial year 2021/22.

19.20 (b) Increase in Accrued Leave Days	2023	2022
	Kshs	Kshs
Increase in Accrued Leave Days	41,353,557	3,814,091
	<b>41,353,557</b>	<b>3,814,091</b>

The harmonization of the Authority's structure from a 14 tier to 10 tier saw the corresponding increase in the liability for the leave days.

19.20(c) Amortization of Debtors	2023	2022
	Kshs	Kshs
Amortization of Debtors - General		2,986,723
Amortization of Debtors - Specific	265,352,813.69	
	<b>265,352,814</b>	<b>2,986,723</b>

## 19.21 Surplus Remission

In accordance with section 219 (c ) and 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. In line with this legal requirement the Authority remitted Kshs 1,634,140,169.56. The Surplus Remission has been computed as follows:

Description	2023	2022
	Kshs	Kshs
Surplus for the Period	4,916,321,324	1,812,682,153
Less: Allowable Deductions by National Treasury	-	-
Surplus before Remission to National Treasury	4,916,321,324	1,812,682,153
90% Computation (Included in Statement of Financial Performance)	(4,424,689,191)	(1,631,413,938)
Transfer to Retained Earnings	<b>491,632,132</b>	<b>181,268,215</b>



**Surplus Remission Payable**

Description	2023	2022
	Kshs	Kshs
Payable at the Beginning of the year	1,631,413,938	-
Paid during the year	(1,634,140,170)	-
Payable at the end of the year	(2,726,231)	-

The 2022/23 financial year remittance was based on the unaudited financial statements.

19.22 Cash & Cash Equivalents	2023	2022
	Kshs	Kshs
Current Account	4,330,311,218	2,954,773,445
Staff Mortgage	186,223,003	204,909,157
Others (M-Pesa, Station Cash& Bank)	11,664,882	3,420,714
<b>Total Cash and Cash Equivalents</b>	<b>4,528,199,103</b>	<b>3,163,103,316</b>

Increase here is attributable to improved revenue performance during the period and collection of outstanding debts for the previous periods.

**19.22 (a) Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution & Account Number	2023	2022
i) Current Account	Kshs	Kshs
Kenya Commercial Bank - A/C No. 1210005522	5,842,160	1,789,779
KCB Call A/C No. 1210001942	68,745,065	13,356,359
EASA KCB Expenditure A/C No. 1216797889	5,070,450	6,829,556
EASA KCB Call A/C No. 1216797714	1,602,606	99,177
CfC Stanbic -A/C No. 0100000351727	111,353,207	91,531,993
CFC Stanbic Call No. 0100000316347	399,293,513	1,717,437
CFC Stanbic Dollar - No. 0100001937639	2,437,330,010	2,003,116,283
Stanchart A/C, No. 0108098898400	235,230,024	35,893,411
Commercial Bank of Africa Dollar A/C No. 6514690019	924,105,094	641,567,174
EASA Dollar A/C - Equity No. 0180299978478	77,597,909	90,063,038
EASA KES A/C - Equity No. 0180263498882	2,319,907	6,545,512
KTSSP-National Bank of Kenya No. 01001084895000	4,883,561	4,848,043
Expenditure Account- NBK No. 01003058447500	21,660,996	21,660,996
Revenue Account-NBK, No. 01003058447600	34,238,505	34,238,505
EASA Expenditure A/C- NBK No. 010058420600	398,281	452,701

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

EASA Revenue, NBK No.010058710400	639,930	1,063,479
<b>Sub-Total Current Account</b>	<b>4,330,311,218</b>	<b>2,954,773,444</b>

**ii) Staff Mortgage**

Kenya Commercial Bank A/C No. 1159226555	186,223,003	204,909,157
<b>Sub-Total Staff Mortgage</b>	<b>186,223,003</b>	<b>204,909,157</b>

**iii) Others**

Stations Cash & Bank	3,226,696	2,415,339
EASA M-Pesa A/C PayBill No 754206	8,438,186	1,005,375
<b>Sub-Total Others</b>	<b>11,664,882</b>	<b>3,420,714</b>
	<b>4,528,199,103</b>	<b>3,163,103,315</b>

**19.23 Receivables from Exchange Transactions**

	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Domestic Operators	1,559,006,288	1,367,325,370
Foreign Operators	544,709,225	163,644,664
Student Debtors	27,916,281	26,568,241
<b>Total Gross Current Receivables</b>	<b>2,131,631,795</b>	<b>1,557,538,275</b>
Less: General Provision for Bad and Doubtful Debt	(129,042,261)	(91,877,442)
Less: Specific Provisions for Bad and Doubtful Debt	(397,803,006)	(663,155,820)
<b>Total Net Current Receivables</b>	<b>1,604,786,528</b>	<b>802,505,014</b>

In light of the increase in revenue during the period, there was an increase in the receivables from exchange transactions and the subsequent increase in provisions for bad debts.

**19.23(a) Ageing Analysis for Receivables from Exchange transactions**

	<b>2023</b>	
	<b>Kshs</b>	<b>Kshs</b>
	<b>Amount</b>	<b>% of the total</b>
Less than 1 Year	1,011,520,735	47%
Between 1-2 Years	722,308,054	34%
Between 2-3 Years	159,682,906	7%
Over 3 Years	238,120,100	12%
<b>Total Net Current Receivables</b>	<b>2,131,631,795</b>	<b>100%</b>

**19.24 Receivables from Non - Exchange Transactions**

	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Prepayments	208,730,763	189,725,843
Staff Imprest	1,999,894	383,557

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Salary Advance	105,999	511,107
Medical Excess	1,791,573	4,294,670
Rent Receivable	72,899	720,114
Staff Surcharge	304,366	445,237
Station Imprest	2,187,115	2,187,115
Staff Mortgage Receivable	510,571,713	484,478,974
Non-Staff Rent	105,000	25,000
<b>Total</b>	<b>725,869,323</b>	<b>682,771,617</b>

**19.24(a) Ageing Analysis for Receivables from Non Exchange Transactions**

	<b>2023</b>	
	<b>Kshs</b>	<b>Kshs</b>
	<b>Amount</b>	<b>% of the total</b>
Less than 1 Year	210,909,555	29%
Between 1-2 Years	266,486,562	37%
Over 3 Years	248,473,206	34%
<b>Total</b>	<b>725,869,323</b>	<b>100%</b>

**19.25 Inventories**

	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumables	10,063,113	6,435,263
Publishing and Printing	2,995,251	5,918,841
Office Stationery	4,904,552	5,596,889
Food & Rations	1,521,850	2,054,465
Fuel	515,609	1,864,928
<b>Total inventories</b>	<b>20,000,375</b>	<b>21,870,386</b>

These are consumables items that are kept in the various storage facilities for the Authority in order to facilitate service delivery.



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**19.26 PROPERTY, PLANT & EQUIPMENT (PPE) MOVEMENT SCHEDULE**

	Air Navigation Equipment	Land	Buildings	Motor Vehicles	Plant & Other Equipment	Computer Hardware	Furniture & Fittings	WIP	Grand Total
Cost/Revaluation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2021	3,434,747,248	11,497,950,000	3,286,885,180	245,446,259	453,823,839	338,725,676	206,955,794	511,683,964	19,976,217,959
Additions	154,313,119	-	2,300,000	24,381,880	18,291,745	60,615,313	47,586,799	122,502,050	429,990,906
Transfers Adjustments	245,518,772	-	244,734,682	-	-	-	-	(490,253,454)	-
Disposals	(2,452,000)	-	-	(8,200,000)	(651,000)	(6,441,963)	(757,830)	-	(18,502,793)
Valuations				9,900,000					9,900,000
As at 30th June 2022	3,832,127,139	11,497,950,000	3,533,919,862	271,528,139	471,464,584	392,899,026	253,784,763	143,932,560	20,397,606,072
Additions	143,291,545		33,737,584	6,840,000	43,066,215	82,781,891	1,395,200	821,725,447	1,132,837,884
Transfers Adjustments	52,284,411		31,804,126	-	-			(84,088,537)	-
Disposals	(4,154,902)			(6,100,000)		(2,040,567)			(12,295,469)
Valuations				8,300,000					8,300,000
As at 30th June 2023	4,023,548,192	11,497,950,000	3,599,461,572	280,568,139	514,530,799	473,640,350	255,179,963	881,569,470	21,526,448,485
Depreciation & Impairment							-		
At 1st July 2021	913,440,080	-	222,661,833	143,614,841	189,729,566	311,948,794	114,791,236	-	1,896,186,350
Depreciation	383,212,714	-	88,347,997	54,305,628	94,292,914	39,705,119	50,756,954		710,621,325
Disposals	(735,600)	-	-	(4,920,000)	(390,600)	(6,410,463)	(453,352)	-	(12,910,015)
As at 30th June 2022	1,295,917,194	-	311,009,829	193,000,469	283,631,880	345,243,450	165,094,838	-	2,593,897,660
Depreciation	402,354,819		89,986,539	56,113,628	102,906,160	54,881,228	51,035,993		757,278,368
Disposals				(4,880,000)		(1,775,859)		-	(6,655,859)
At 30th June 2023	1,698,272,013	-	400,996,369	244,234,097	386,538,040	398,348,820	216,130,831	-	3,344,520,169
NET BOOK VALUE									
As at 30th June 2023	2,325,276,179	11,497,950,000	3,198,465,203	36,334,042	127,992,759	75,291,530	39,049,132	881,569,470	18,181,928,315
As at 30th June 2022	2,536,209,945	11,497,950,000	3,222,910,033	78,527,670	187,832,704	47,655,576	88,689,925	143,932,560	17,803,708,412

As at 30<sup>th</sup> June 2023, fully depreciated Property, Plant and Equipment amounted to Kshs 883,378,746 based on the cost / revaluation figures of various individual assets.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**19.26(a). WORK IN PROGRESS-PPE**

	Project Description	Supplier/Vendor	2023	2022
			Kshs	Kshs
01	Power Supply System & Air Conditioning System-AC& DRC	Encapsulated East Africa Ltd	33,649,608	-
02	Very High Frequency Direction Finder	Silchip International Ltd	4,245,732	-
03	VHF Radio Equipment-AC&DRC	Leornado Technologies & Services Ltd	8,411,798	-
04	Extended ATS Message Handling System	Indra Ltd	30,627,844	-
05	ATM System Synchronized Data & Voice Recorder System	Indra Ltd	390,787,883	-
06	Lokichoggio & Wajir VCCS	Datacore Ltd	29,953,626	-
07	Digital Aerodrome Traffic Information System (D-ATIS)- JKIA, MIA, ELD & KIA Airports	Broadband Communication Network Ltd	42,624,423	-
08	Extension of VCCS System - JKIA	Sitti SPA	33,197,784	-
09	Overhaul of Pulse Secondary Surveillance Radar	Leornado Technologies & Services Ltd	83,199,475	
10	Aeronautical Information Management System Upgrade	Ids Air Nav	13,947,166	13,947,166
11	Very High Frequency OMNI Range Equipment	Agoma Group Ltd	24,494,710	11,933,320
12	Instrument Landing System	Agoma Group Ltd	22,217,906	10,824,108
13	Distance Measuring Equipment	Leornado Technologies & Services Ltd	-	11,524,252
14	ANS Safety Tool	Projemics Systems Ltd	-	16,413,719
15	Performance Based Navigation Equipment-DME	Leornado Technologies & Services Ltd	-	24,346,440

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

16	Wajir Staff Houses Perimeter Wall	Dela Construction	-	24,539,174
17	EASA Metallic Water Tanks	Aquawetts Ltd	-	3,711,752
18	Construction of ANS Perimeter wall	Tebik Trading Company	-	3,553,200
19	Construction of Malindi VOR Perimeter wall	Cosmo-Mint Company	1,708,920	1,708,920
20	EASA Executive Hostel & Conferencing Centre	Tectura International	10,551,360	10,551,360
21	EASA Executive Hostel & Conferencing Centre	Ernst & Young	9,494,600	9,494,600
22	EASA Executive Hostel & Conferencing Centre	Nairobi City County	1,384,550	1,384,550
23	Kisumu International Airport Air Traffic Control Tower	Polish Contractors Co Ltd & Dama Services Ltd	71,759,257	-
24	Mwakirunge Security House	Tames Logistics Co Ltd	2,526,880	-
25	Extension of EASA Perimeter Wall	Fossils Agencies Ltd	3,674,650	-
26	Perimeter Wall at Central Transmission Station (CTX)	Almadaar Trading Company Ltd	10,856,514	-
27	Upgraded ICT Security Infrastructure	Comztech Ltd	22,254,785	-
28	Virtual Infrastructure- HQs Datacentre	Sybyl Kenya Ltd	30,000,000	-
	<b>Total</b>		<b>881,569,470</b>	<b>143,932,561</b>



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

<b>19.27 NON-PPE MOVEMENT SCHEDULE</b>			
<b>Description</b>	<b>2023</b>		<b>2022</b>
	<b>Kshs</b>		<b>Kshs</b>
<b>Cost</b>			
<b>At the Beginning of the Year</b>	384,431,208		358,012,712
Transfer Adjustments	(2,429,857)		(4,626,000)
Additions During the Year	16,869,015		25,621,740
Capitalization of Work In Progress	2,429,857		4,626,000
<b>At the End of the Year</b>	<b>401,300,223</b>		<b>383,634,452</b>
Additions - Internal Development	-		796,756
Additions - Work In Progress	-		-
<b>At the End of the Year</b>	<b>401,300,223</b>		<b>384,431,208</b>
<b>Amortizations &amp; Impairment</b>			
<b>At the Beginning of the Year</b>	361,836,191		286,684,396
Amortization	17,283,881		75,151,795
<b>At the End of the Year</b>	<b>379,120,072</b>		<b>361,836,191</b>
Impairment Loss	-		-
<b>At the End of the Year</b>	<b>379,120,072</b>		<b>361,836,191</b>
<b>NBV</b>	<b>22,180,150</b>		<b>22,595,017</b>

As at 30<sup>th</sup> June 2023, a total of Kshs 352,906,127.15 Non-Property, Plant & Equipment were fully amortized.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**19.28 Trade & Other Payables**

	2023	2022
	Kshs	Kshs
Trade Creditors - Local	616,785,205	567,265,562
Trade Creditors - Foreign	148,735,693	222,605,110
Third Party Claims	30,945,676	15,121,194
Stale and Unpaid Cheques	4,811,531	5,385,911
Collaboration Fees	6,274,640	4,236,150
Student Association Fees	568,137	591,202
External Examination Fees	3,125,525	2,308,815
Student Excursions	9,134,649	9,419,451
Caution Money	2,085,119	1,491,203
KUCCPS Placement Fees	825,000	594,000
Student Industrial Attachment	5,582,670	4,911,270
VAT Output	(1,042,951)	(1,349,390)
VAT Withheld A/C	43,348,145	26,733,017
Withholding Tax	13,260,048	(8,177,327)
<b>Total Trade and Other Payables</b>	<b>884,439,088</b>	<b>851,136,170</b>

**19.28(a) Ageing Analysis for Trade and Other Payables**

	2023		2022	
	Kshs	Kshs	Kshs	% of the total
	Amount	% of the total	Amount	% of the total
Under one Year	675,716,308	76%	659,498,081	77%
1-2 Years	92,599,478	10%	80,093,343	9%

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

2-3 Years	66,035,995	7%	70,619,260	8%
Over 3 Years	50,087,307	6%	40,925,486	5%
<b>Total</b>	<b>884,439,088</b>	<b>100%</b>	<b>851,136,170</b>	<b>100%</b>

**19.29 Refundable Deposits from Customers**

Consumer Deposits

**Total Refundable Deposits**

	2023	2022
	Kshs	Kshs
	14,105,343	14,105,343
<b>Total</b>	<b>14,105,343</b>	<b>14,105,343</b>

**19.29 (a) Ageing Analysis: Refundable Deposits**

	2023		2022	
	Kshs	% of the total	Kshs	% of the total
Under 1 Year	-	0	-	0%
1-2 Years	-	0%	163,000	1%
2-3 Years	163,000	1%	-	0%
Over 3 Years	13,942,343	99%	13,942,343	99%
<b>Total</b>	<b>14,105,343</b>	<b>100%</b>	<b>14,105,343</b>	<b>100%</b>



*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

<b>19.30 Employee Benefits Obligations</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Net Salary	4,280,011	3,062,709
PAYE Staff	488,010	479,303
Payroll Deductions-Cheques	113,267	527,182
Payroll Deductions EFT	466,902	47,476,991
Staff Claims	900,190	731,060
Board Liability	998,500	-
PAYE Board of Directors	18,000	2,535,299
EASA Lecturers Net Pay	-	(48,150)
EASA NHIF	-	400
EASA NSSF	75,600	-
EASA Bank Loans	-	18,500
EASA PAYE Liability	(20,021)	91,807
Service Gratuity Liability	71,742,123	65,087,465
Leave Provision	128,418,051	87,064,495
Others: PAYE Others	8,069	127,200
<b>Total Employees Benefits Obligation</b>	<b>207,488,703</b>	<b>207,154,261</b>

<b>19.31 Current Portion of Borrowing</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
NCTIP	52,491,025	52,491,025
KTSSP	129,833,330	129,833,330
<b>Balance at End of Period</b>	<b>182,324,356</b>	<b>182,324,356</b>

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

**19.32 Current Provisions**

<b>Description</b>	<b>National Treasury</b>	<b>Ex- Staff</b>	<b>Total</b>
Balance as at 1st July 2021	-	258,676,220	258,676,220
Additional Provisions during the year	1,631,413,938	-	1,631,413,938
Domestic Air Navigation Service Charge VAT Assessment Liability	325,565,305		325,565,305
Payments during the year	(65,113,061)	-	(65,113,061)
<b>Balance as at 30th June 2022</b>	<b>1,891,866,182</b>	<b>258,676,220</b>	<b>2,150,542,402</b>
Balance as at 1st July 2022	1,891,866,182	258,676,220	2,150,542,402
Additional Provisions during the year	4,424,689,191	-	4,424,689,191
Domestic Air Navigation Service Charge VAT Assessment Liability	(255,045,414)		(255,045,414)
Surplus Payments during the year	(1,631,413,938)	-	(1,631,413,938)
<b>Balance as at 30th June 2023</b>	<b>4,430,096,021</b>	<b>258,676,220</b>	<b>4,688,772,241</b>

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

**19.33 Borrowings**

**External Borrowing**

	2023	2022
	Kshs	Kshs
Balance at the Beginning of the Period	1,664,376,246	1,846,700,602
Repayments of External Borrowing During the Period	(182,324,356)	(182,324,356)
<b>Balance at the End of the Period</b>	<b>1,482,051,891</b>	<b>1,664,376,246</b>

**19.34 Revaluation Reserve**

**Opening Balance**

**Add: Adjustments During the Period**

**Total Revaluation Reserves**

	2023	2022
	Kshs	Kshs
Opening Balance	8,318,582,978	8,308,682,978
Add: Adjustments During the Period	8,300,000	9,900,000
<b>Total Revaluation Reserves</b>	<b>8,326,882,978</b>	<b>8,318,582,978</b>

**19.35 Govt Grants**

**Opening Balance**

**Less: Amount Amortised During the Year**

**Total Govt Grants**

	2023	2022
	Kshs	Kshs
Opening Balance	133,380,000	136,800,000
Less: Amount Amortised During the Year	(3,420,000)	(3,420,000)
<b>Total Govt Grants</b>	<b>129,960,000</b>	<b>133,380,000</b>

**19.36 Accumulated Surplus**

**Opening Balance**

**Add: Surplus for the period**

**Add; Refund from OAG**

**Less: Surplus (Excess) Paid During the Period**

**Less: Rationalized Budget Recall by TNT**

**Tax Recoverable Adjustment**

**Domestic Air Navigation Service Charge VAT 2011-2015 Liability**

**Domestic Air Navigation Service Charge VAT Assessment Liability**

**Total Accumulated Surplus at the End of the Period**

	2023	2022
	Kshs	Kshs
Opening Balance	8,974,952,004	9,255,519,247
Add: Surplus for the period	491,632,132	181,268,215
Add; Refund from OAG	3,211,290	-
Less: Surplus (Excess) Paid During the Period	(2,726,232)	-
Less: Rationalized Budget Recall by TNT	(300,130,000)	-
Tax Recoverable Adjustment	-	(7,070,385)
Domestic Air Navigation Service Charge VAT 2011-2015 Liability	-	(129,199,768)
Domestic Air Navigation Service Charge VAT Assessment Liability	-	(325,565,305)
<b>Total Accumulated Surplus at the End of the Period</b>	<b>9,166,939,194</b>	<b>8,974,952,004</b>



*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

<b>19.37 Accumulated Surplus (Retained Earnings)</b>	<b>2023</b>	<b>2022</b>
<b>Adjustments</b>	<b>Kshs</b>	<b>Kshs</b>
Refund from OAG	3,211,290	-
Surplus (Excess) Paid During the Period	(2,726,232)	-
Rationalized Budget Recall by TNT	(300,130,000)	-
Domestic Air Navigation Service Charge VAT 2011-2015 Liability	-	(129,199,768)
Domestic Air Navigation Service Charge VAT Assessment Liability	-	(325,565,305)
<b>Total Accumulated Surplus (Retained Earnings)</b>	<b>(299,644,942)</b>	<b>(454,765,073)</b>
<b>Adjustments</b>		

### 19.38. FINANCIAL RISK MANAGEMENT

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

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

#### (i) Credit Risk

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

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

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

	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	
<b>As at 30 June 2023</b>				
Receivables from Exchange Transactions	2,131,631,795	1,733,828,789	397,803,006	-
Receivables from Non-Exchange Transactions	725,869,323	723,675,208	2,187,115	-
Bank Balances	4,528,199,103	4,528,199,103	-	-
<b>Totals</b>	<b>7,385,700,221</b>	<b>6,985,710,100</b>	<b>399,990,121</b>	<b>-</b>
<b>As at 30 June 2022</b>				
Receivables from Exchange Transactions	1,557,538,275	1,011,625,511	545,912,764	-
Receivables from Non-Exchange Transactions	682,771,617	680,584,502	2,187,115	-
Bank Balances	3,163,103,315	3,163,103,315	-	-
	<b>5,403,413,207</b>	<b>4,855,313,328</b>	<b>548,099,879</b>	<b>-</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 and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Authority's has significant concentration of credit risk on amounts due from Kenya Airways Plc. The Board of Directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

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

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

Description	Less than 1 Month	Between 1-3 months	Over 5 Months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2023</b>				
Trade Payables	192,697,349	390,275,308	301,466,431	884,439,088
Current Portion of borrowings			182,324,356	182,324,356
Provisions			4,688,454,450	4,688,454,450
Employee Benefit Obligation			207,488,703	207,488,703
<b>Total</b>	<b>192,697,349</b>	<b>390,275,308</b>	<b>5,379,733,940</b>	<b>5,962,706,597</b>
<b>As at 30 June 2022</b>				
Trade Payables	186,958,185	368,897,361	295,280,624	851,136,170
Current Portion of borrowings	-	-	182,324,356	182,324,356
Provisions	-	-	2,150,542,402	2,150,542,402
Employee Benefit Obligation	-	-	207,154,261	207,154,261
<b>Total</b>	<b>186,958,185</b>	<b>368,897,361</b>	<b>2,835,301,643</b>	<b>3,391,157,189</b>



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**(iii) Market risk**

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

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

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

**Foreign Currency risk**

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

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

Description	In Kshs Kshs	Other Currencies Kshs	Total Kshs
<b>As at 30 June 2023</b>			
<b>Financial Assets</b>			
Investments	-	-	-
Cash	1,089,166,090	3,439,033,014	4,528,199,103
Debtors	1,579,104,693	552,527,102	2,131,631,795
<b>Total Financial Assets</b>	<b>2,668,270,783</b>	<b>3,991,560,116</b>	<b>6,659,830,898</b>
<b>Financial Liabilities</b>			
Trade & Other Payables	735,703,394	148,735,693	884,439,088
Borrowings	1,664,376,246	-	1,664,376,246
<b>Total Financial Liabilities</b>	<b>2,400,079,640</b>	<b>148,735,693</b>	<b>2,548,815,334</b>

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Net Foreign Currency Asset/(Liability)	268,191,142	3,842,824,422	4,111,015,564
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Description	In Kshs	Other Currencies	Total
	Kshs	Kshs	Kshs

As at 30 June 2022

**Financial Assets**

Investments	-	-	-
Cash	426,610,748	2,736,492,567	3,163,103,315
Debtors	1,393,893,612	163,644,664	1,557,538,276
<b>Total Financial Assets</b>	<b>1,820,504,360</b>	<b>2,900,137,231</b>	<b>4,720,641,591</b>

**Financial Liabilities**

Trade & Other Payables	628,531,060	222,605,110	851,136,170
Borrowings	1,846,700,602	-	1,846,700,602
<b>Total Financial Liabilities</b>	<b>2,475,231,662</b>	<b>222,605,110</b>	<b>2,697,836,772</b>
<b>Net Foreign Currency Asset/(Liability)</b>	<b>(654,727,302)</b>	<b>2,677,532,121</b>	<b>2,022,804,819</b>

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

**Foreign Currency Sensitivity Analysis**

Description	Change in Currency Rate	Effect on Profit before tax	Effect on Equity/ Net Assets
	Kshs	Kshs	Kshs
<b>2023</b>			
Euro	10%	-	-
USD	10%	17,088,455	54,421,832
<b>2022</b>			
Euro	10%	-	-
USD	10%	15,677,482	42,187,467

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

## **Interest rate risk**

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

### **Management of interest rate risk**

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

### **Sensitivity analysis**

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

## **Capital Risk Management**

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

<b>Description</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation Reserve	8,326,882,978	8,318,582,978
Retained Earnings	9,166,903,884	8,974,952,004
Capital Reserve	129,960,000	133,380,000
<b>Total Funds</b>	<b>17,623,746,862</b>	<b>17,426,914,982</b>
Total Borrowings	1,664,376,246	1,846,700,602
Less: Cash and Bank Balances	4,528,199,103	3,163,103,315
Net Debt/(Excess Cash and Cash Equivalents)	(2,863,540,560)	(1,316,402,713)
<b>Gearing</b>	<b>-16%</b>	<b>-8%</b>



## 19.39. RELATED PARTY DISCLOSURES

### Nature of Related Party Relationship

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

### Government of Kenya

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

### Transactions with Related Parties

Description	2023	2022
	Kshs	Kshs
<b>Transactions with Related Parties</b>		
<b>Sales to Related Parties</b>		
Certification of Aerodromes & Staff Certification-Kenya Airports Authority	1,666,000	2,676,000
<b>Totals</b>	<b>1,666,000</b>	<b>2,676,000</b>
<b>Purchase from Related Parties</b>		
Purchase of Power from Kenya Power & Lighting Company Ltd	51,835,935	47,240,461
Purchase of Diesel and Petrol of National Oil	3,641,200	8,723,782
Training and Conferences Fees paid to Kenya School of Government	7,229,200	6,186,754
<b>Totals</b>	<b>62,706,335</b>	<b>62,150,997</b>
<b>Key Management Compensation</b>		
Directors' Emoluments	39,240,571	26,728,902
Compensation to Key Management	11,004,524	71,679,631
<b>Totals</b>	<b>50,245,095</b>	<b>98,408,533</b>

#### **19.40. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

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

**Potential Receipts from Kenya Airports Authority:**

With reference to the Statute Law (Miscellaneous Amendments) Act, 2014 that came into effect on the 8<sup>th</sup> December 2014, the Authority has been pursuing up the arrears that may not have been remitted by the KAA over the period since the law came into effect and in addition to changes that were effected in light of the Legal Notice No. 143 dated 14<sup>th</sup> June 2018. As such, the Authority has been undertaking a reconciliation with the KAA and a team from Kenya Revenue Authority (KRA), with an aim to determine the amounts receivable from the KAA. The Authority has made efforts to follow up the amounts due from the KAA.

**(ii) Pending Fraud Case:**

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

**(b) Contingent Liabilities:**

**Potential Debts/Claims owed to Suppliers Totalling Ksh 40.32 Million:**

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

**Potential claims arising from dismissed staff:**

This is a case involving 68 former employees of the Directorate of Civil Aviation (the predecessor of KCAA) emanating from alleged dismissal of the said employees from public service and malicious prosecution. The case was ruled in favour of the Plaintiffs. KCAA appealed against the judgment and the appeal proceeded for hearing on 7th January, 2014. The Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to High Court for assessment of total damages. The High Court delivered the ruling on assessment for 40 plaintiffs out of 67 plaintiffs. The judgment amount in total is Kshs 154,841,140. The Claimants' sought a review. The application for review sought an additional Kshs. 103,835,080. To this extent, the Authority has made a provision of Kshs 258, 676,220 in its financial statements for the period ended 30<sup>th</sup> June 2021. KCAA made a review application to review the Court orders to run up to the date when judgment was delivered. This application will be mentioned on 20<sup>th</sup> September 2022.

#### **Other Claims from former staff**

The Authority is facing employee related disputes which are at different stages of litigation. The outcome of this disputes may occasion potential liability to the Authority.

#### **Computation of VAT for the period July 2021 to May 2023**

On 29<sup>th</sup> June, 2023, the Authority was served with a Tax Demand notice amounting to Kshs 157,126,760.10 regarding VAT on Air Navigation Services for the period July 2021 to May 2023. The Authority has engaged Kenya Revenue Authority on this matter and a reconciliation process is underway.

#### **19.41 CAPITAL COMMITMENTS**

<b>Capital Commitments</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised for	-	-
Authorised and contracted for	893,086,187	690,376,557
<b>Total</b>	<b>893,086,187</b>	<b>690,376,557</b>

#### **19.42 EVENTS AFTER THE REPORTING PERIOD**

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

#### **19.43 ULTIMATE AND HOLDING ENTITY**

The Authority is a State Corporation under the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. Its ultimate parent is the Government of Kenya.

#### **19.44 CURRENCY**

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



*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

**APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
<b>1.0</b>	<b>Inaccurate Air Passenger Service Charge</b>				
	The statement of financial performance reflects air passenger service charge revenue of Kshs 1,948,615,345 which, as was disclosed in note 18.8 to the financial statements. Comprises Kshs 953,040,170 earned in the earlier years, but received in the year under review and Kshs 995,575,175 earned and received in the year under review. No satisfactory	- Air passenger Service Charge (APSC) is reported on cash basis due to the fact that it is collected by Kenya Revenue Authority (KRA) and remitted via Kenya Airports Authority (KAA). The remittance is unpredictable and if the Authority was to report it on accrual basis in will have a cash flow challenge in remitting 90% Surplus Funds to the National Treasury due to APSC collections not yet remitted to the Authority. Management is working towards an amendment of the Air	Director General	Not Resolved	This a work in progress that is systematically being addressed . Update on progress to be given during the 2023/24 reporting.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>explanation was provided for recognizing this category of revenue on cash basis. Further, the revenue of Kshs 995,575,175 differs with an amount of Kshs 2,599,885,633 calculated below using data presented in table 1 on passenger and freight traffic, under management discussion and analysis, resulting in an unexplained variance of Kshs 1,604,310,458.</p> <p>In addition, the schedule of air passenger charge provided for audit verification did not reflect details of the months the revenue relates to, thus casting doubt</p>	<p>Passenger Service Charge Act to allow the Authority receive its share of APSC directly from KRA and not through KAA.</p>			

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	on the completeness of the amounts.  In the circumstances, the accuracy and completeness of air passenger service charge of Kshs 1,948,615,345 could not be confirmed.				
<b>2.0</b>	<b>Unsupported Rental Revenue</b>				
	The statement of financial performance reflects rental revenue amount of Kshs 36,469,093, which, as disclosed in Note 18.10 to the financial statements, includes Kshs 33,190,126 earned in five (5) stations. However, the supporting	Management is reviewing this matter to ensure an adequate reconciliation is carried out between the posted/invoiced amounts in the various houses it has and the rates applicable in those respective houses.	Director General	Not Resolved	Update on progress to be given during the 2023/24 reporting.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
	rental revenue schedules for the five stations show revenue amounting to Kshs 31,587,326 resulting in an unexplained variance of Kshs 2,008,948. In the circumstances, the accuracy and completeness of rental revenue of Kshs 36,496,093 could not be confirmed.				
3.0	<b>Inaccuracy of Employee Costs</b>				



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The statement of financial performance reflects employee costs amount of Kshs 2,633,177,091, an increase by Kshs 102,288,490 from the Kshs 2,530,888,601 reported in previous year. However, figure 8 on staff statistics trend, under management discussion and analysis, indicates that the overall increase of staff was by 7 employees (782 in June 2022 and 775 in June 2021), while staff list provided in support of staff statistics indicated there was an increase of 47 employees.</p>	<p>Management has reconciled the staff numbers.</p>	<p>Director General</p>	<p>Resolved</p>	

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the accuracy and completeness of the employee costs amount of Kshs 2,633,177,091 could not be confirmed.				
<b>4.0</b>	<b>Remuneration of Board of Directors</b>				
	The statement of financial performance reflects remuneration of directors amount of Kshs 26,728,902 compared to 13,582,587 in the previous year. The expenditure includes an amount of Kshs 53,625 being	The expenditure was an inadvertently captured into the 2021/22 financial year and this is regrettable. The Management shall ensure such does not happen going forward. The 2022/23 budget for Board expenses was exhausted and it was not possible to charge this expenditure in FY 2022/2023.	Director General	Not Resolved	The Management shall ensure such does not happen going forward.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>tickets cancellations charges which is nugatory expenditure to the Authority and Kshs 1,645,318 paid to two board members for an overseas seminar that was to be held between 18 July, 2022 and 22 July, 2022 which is outside the year under review. Management did not explain why the latter expenditure was accrued in the financial statements yet the same had not been incurred.</p> <p>In the circumstances, the accuracy and propriety of remuneration of directors' expenditure of</p>				

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs 26,728,902 could not be confirmed.				
<b>5.0</b>	<b>Current Receivables from Exchange Transactions</b>				
<b>5.1</b>	The gross balance of Kshs 1,557,538,275 includes domestic operator's balance of Kshs 1,367,325,370 which further includes a balance of Kshs 1,196,111,022 receivable from Kenya Revenue Authority (KRA), being unremitted revenue collected by KRA on behalf of the Authority. Review of the supporting aged analysis indicated that part of the latter balance had been outstanding for more than one year. It is not clear why KRA did not	The Authority undertakes periodic reconciliations with KRA from time to time and any amount an operator has paid is usually remitted to the Authority. The amount outstanding under KRA may not have been fully received by them since under normal circumstances not all operators pay the amount outstanding as and when it falls due.	Director General	Not Resolved	Progress update to be given in the 2023/24 reports



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>remit the balance to the Authority upon collection.</p> <p>Further, and as indicated in the supporting schedule, the balance of Kshs 1,196,111,022 due from KRA is net of the unsupported and unexplained negative adjustment of Kshs 2,110,419,203.</p> <p>In the circumstances, the accuracy and validity of balance due from KRA of Kshs 1,196,111,022 could not be confirmed.</p>				

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
5.2	<p>Included under domestic operators' balance of Kshs 1,367,325,370 is a balance of Kshs 20,955,240 due from Kenya Airports Authority. However, records at Kenya Airports Authority indicate that a balance of Kshs 980,066,777 was owed to Kenya Civil Aviation Authority as at 30 June, 2022, resulting in an unexplained variance of Kshs 959,111,537.</p> <p>In the circumstances, the accuracy and completeness of the balance of Kshs 20,955,240 due from Kenya Airports Authority</p>	<p>The Authority offers Kenya Airports Authority (KAA) a couple of services such as certification of aerodromes, screeners cortication's, conferencing facilities, catering services among others. In its books of account, the Authority will invoice and expedite other related financial transactions and postings for the services it offers KAA. It is also expected that KAA will have corresponding transactions reported appropriately in its books of account.</p> <p>On the other hand, KAA remits Air Passenger Service Charge (APSC) to the Authority after receiving the amounts from Kenya Revenue Authority (KRA). The APSC Act has set out the criteria on how the APSC is shared. The</p>	Director General	Not Resolved	Progress update to be given in the 2023/24 report.

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	could not be confirmed.	<p>Authority does not raise invoices directly to KAA nor does it in any way accrue the outstanding amounts regarding the APSC given the challenges that arises when accounting and remitting surplus requirements to the National Treasury &amp; Economic Planning.</p> <p>As such, the records in the Authority's books and that of KAA might not agree on a number of aspects due to the legal, operational and financial frameworks that determine how among others the APSC issue is handled in the two entities.</p>			

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
5.3	<p>In the Audit report of the previous year, it was reported that a balance of Kshs 218,866,028 owed by the National Carrier – Kenya Airways representing 21% of the receivables for that year had been outstanding for a long period. The amount has however not been included in the current year balances.</p> <p>Management has not provided supporting documentation on how the debt was cleared from the Authority's records as the balance could not be traced in the supporting schedule for domestic</p>	<p>The Authority receives remittances Kenya Airways in light of the services that the operators gets. A detailed review of the ledger for Kenya Airways will show the movement from Kshs. 218,866,028 to the current balance.</p>	Director General	Not Resolved	Progress update to be given in the 2023/24 report.



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>operators as at 30<sup>th</sup> June, 2022.</p> <p>In the circumstances, the accuracy and completeness of current receivables from exchange transactions could not be confirmed.</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
5.4	Review of the receivables aged analysis indicates that receivables gross balance of Kshs 1,557,538,275 includes receivables totaling to Kshs 1,404,943,062 that had been outstanding for more than three (3) years. However, and as indicated at Note 18.24 to the financial statements, an allowance for bad debts provision totaling to Kshs 755,033,262, which was an increase of Kshs 198,492,410 from the previous year, was made against current receivables from exchange transactions. The	The Authority premises the provisions of bad debts on its policy framework in place. Based on the workings shared, the Authority is of the opinion that it has made adequate provisions for the bad and doubtful debts.	Director General	Not Resolved	Progress update to be given in the 2023/24 report.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>provision allowance is therefore inadequate.</p> <p>In the circumstances, the accuracy and recoverability of current receivables from exchange transactions net balance of Kshs 802,505,014 could not be confirmed.</p>				
<b>6.0</b>	<b>Plant, Property and Equipment</b>				
<b>6.1</b>	Motor Vehicles Excluded from Property, Plant and Equipment	<p>The two vehicles are indeed not in the register for they were omitted from the revaluation exercise that was undertaken in the 2018/19 financial year. There was a chance to use insurance valuation to bring them into the register but this was not done given the oversight ab initio. In 2022/23, the</p>	Director General	Not Resolved	Progress update to be given in the 2023/24 report.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		two vehicles shall be introduced into the Authority's books using the 2022/23 insurance values. The revaluation exercise earmarked for early 2023/24 will help bring this matter to a close.			
6.2	Lack of Ownership Documents for Land and Buildings	The Authority has kept engaging the relevant stage agencies in its efforts to get hold of the ownership documents for the properties it owns.	Director General	Not Resolved	This a work in progress that is systematically being addressed . Update on progress to be given during the 2023/24 reporting.
6.3	Properties Allocated to Third Parties	This is a historical finding whose closure can only happen once the properties are repossessed and	Director General	Not Resolved	This a work in progress that is systematic



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		ownership documents processed accordingly.			cally being addressed . Update on progress to be given during the 2023/24 reporting.
<b>7.0</b>	<b>Unsupported Gain on Sale of Assets</b>				
	The statement of financial performance reflects gain on sale of assets amounting to Kshs 3,384,354 which, as disclosed in Note 18.20 of the financial statements, gain on sale of assets amount of Kshs 5,057,717 and loss on sale of assets amount of Kshs 1,673,363. The schedule provided in support of the amount of Kshs 5,057,717 shows a	Management explained this matter to the auditors.	Director General	Not Resolved	Progress update to be given in the 2023/24 report.

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>gain of Kshs.602,969 Toyota Hilux-D/Cab. However, no cost, accumulated depreciation and net book value provided in the schedule and therefore we could not confirm how the amount of gain of Kshs 602,969 was arrive at.</p> <p>In the circumstances, the accuracy of the amount of Kshs 602,969 could not be confirmed.</p>				
<b>8.0</b>	<b>Nugatory and Irregular Expenditure on Local and International Travel</b>				
	<p>The statement of financial performance reflects use of goods and services balance of Kshs 1,161,336,718 which, as disclosed in Note 18.13 to the financial statements, includes local</p>	<p>Management explained to the auditor the circumstances which led to the audit observations.</p>	<p>Director General</p>	<p>Not Resolved</p>	<p>Progress update to be given in the 2023/24 report.</p>

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>travel amount of Kshs 47,399,420 which further includes tickets cancellations charges amount of Kshs 144,765 that was, therefore, a nugatory charge to the Authority. The balance also includes international travel amount of Kshs 42,288,592 which further includes tickets cancellation charges amount of Kshs 246,740 that was therefore nugatory charge to the Authority. Further, the international travel amount includes claims lodged by staff totaling to Kshs 4,625,811, an indication that staff were not issued with imprests, but were instead allowed to claim for the expenditure. It</p>				

**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>was not explained why staff were allowed to finance the expenses yet they were on official assignments.</p> <p>In the circumstances, the propriety of expenditure Kshs 5,017,316 could not be confirmed.</p>				
<b>9.0</b>	<b>Inaccuracies in the Statement of Cash Flow</b>				
	Inaccuracies were noted in the Statement of Cash Flow. In the circumstances, the accuracy of the statement of cash flow could not be ascertained.	This matter has been addressed.	Director General	Resolved.	



**Emile N. Arao**  
**Director General**

Date... 08/05/2024...



**Kenya Civil Aviation Authority**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**Appendix II: Projects implemented by the Authority**

Projects implemented by the Kenya Civil Aviation funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment (Kshs million)	Separate donor reporting and/or performance agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Centre for Aviation Medicine	N/A	GoK	2020/2021 to 2021/2022	136.8	No	Yes

**Status of Projects completion**

	Project	Total project Cost (Kshs million)	Total expended to date (Kshs million)	Completion % to date	Budget (Kshs million)	Actual (Kshs million)	Sources of funds
1.	Centre for Aviation Medicine	247.03	247.03	100	247.06	247.03	GoK/AIA

APPENDIX III: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date Received as Per Bank Statement	Nature: Recurrent/ Development/ Others	Total Amount		Statement of Financial Performance		Capital Fund		Deferred Income		Receivables		Others	Total Transfers during the Year
			Kshs	Kshs	Kshs	Kshs								Kshs
Kenya Airports Authority	23-09-22	Recurrent	174,826,970	174,826,970	174,826,970	-	-	-	-	-	-	-	-	174,826,970
Kenya Airports Authority	28-09-22	Recurrent	288,279,814	288,279,814	288,279,814	-	-	-	-	-	-	-	-	288,279,814
Kenya Airports Authority	08-02-23	Recurrent	216,260,009	216,260,009	216,260,009	-	-	-	-	-	-	-	-	216,260,009
Kenya Airports Authority	19-05-23	Recurrent	226,229,091	226,229,091	226,229,091	-	-	-	-	-	-	-	-	226,229,091
Kenya Airports Authority	19-05-23	Recurrent	365,113,820	365,113,820	365,113,820	-	-	-	-	-	-	-	-	365,113,820
Kenya Airports Authority	09-06-23	Recurrent	120,870,816	120,870,816	120,870,816	-	-	-	-	-	-	-	-	120,870,816
Kenya Airports Authority	09-06-23	Recurrent	447,595,324	447,595,324	447,595,324	-	-	-	-	-	-	-	-	447,595,324
Kenya Airports Authority	09-06-23	Recurrent	218,550,143	218,550,143	218,550,143	-	-	-	-	-	-	-	-	218,550,143
Kenya Airports Authority	09-06-23	Recurrent	371,087,088	371,087,088	371,087,088	-	-	-	-	-	-	-	-	371,087,088
Kenya Airports Authority	15-06-23	Recurrent	416,542,877	416,542,877	416,542,877	-	-	-	-	-	-	-	-	416,542,877
Kenya Airports Authority	21-06-23	Recurrent	433,469,107	433,469,107	433,469,107	-	-	-	-	-	-	-	-	433,469,107
<b>Total</b>			<b>3,278,825,060</b>	<b>3,278,825,060</b>	<b>3,278,825,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,278,825,060</b>

## Appendix IV: Reporting of Climate Relevant Expenditures

Kenya Civil Aviation Authority  
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Mr. Emile N. Arao

Name and contact details of contact person (in case of any clarifications) Mr. Winston Gicheru; Tel. (254) 20 6827470-5; Email: wgicheru@kcaa.or.ke

Project Name	Project Description	Project Objective	Project Activities	Source Of Funds	Implementing Partner
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The Authority is working together with the global civil aviation community towards reductions of aircraft emissions. In a bid to support global efforts on carbon reduction, the Authority participated in the Conference of Parties (COP 27) of the UN Framework Convention on Climate Change (UNFCCC) held in November 2022 in Egypt that aimed to come up with mitigation measures, provide financial support opportunities and promote collaboration among states. Kenya has been participating in the Carbon Offsetting and reduction Scheme for International Aviation (CORSIA) in the pilot phase since 2021. The scheme aims at contributing to the global aspirations of keeping the global net Carbon Dioxide emissions from international aviation neutral from 2020 at the same level and attain a target of Net Zero carbon emissions for air transport industry by 2050. This implies that aircraft will increasingly use efficient fuels and Air Navigation Service providers will design routes that do not contribute to increased aircraft emissions.

The Authority also monitored Carbon emissions from aircrafts and reported the status of the emissions to ICAO annual reporting of CO2 offsetting reduction scheme for international aviation through the CORSIA Central Registry (CCR) system. In order to proactively implement the necessary mitigation measures, the Authority together with relevant stakeholders developed and submitted the third Kenya's Action Plan for the Reduction of Carbon Dioxide (CO2) Gas Emissions from Aviation. The mitigation outlined includes the use of CORSIA, improvement of aviation operations, utilisation of Sustainable aviation fuel among others. This provided a platform for the state to also continue to monitor the pilot project that was implemented at Moi International Airport, Mombasa, Kenya with support from the International Civil Aviation Organisation (ICAO). This project was implemented by the Kenya Civil Aviation Authority (KCAA) and the Kenya Airport Authority (KAA). It was funded by the European Union and the Government of Kenya at a cost of 1,501,132.22 USD which was part of the €6.5 million initiative, entitled "Capacity Building for CO2 Mitigation from International Aviation". It consisted of a ground-mounted photovoltaic system of 507kW solar power generation facility and mobile airport gate electric equipment. The solar facility has generated 737,014.86kWh annually on average with a total power generation of around 3,200,000kWh as of June 2023. Thus, it has reduced on average 700 tonnes of CO<sub>2</sub> annually. Therefore, demonstrating a concrete solution to reduce aviation carbon dioxide emissions.

*Kenya Civil Aviation Authority  
Annual Report and Financial Statements  
For the year ended June 30, 2023*

Kenya was supported by ICAO and EU to undertake a feasibility study for Sustainable Aviation Fuel (SAF) production in Kenya. In August 2022, the Authority in collaboration with GIZ, hosted a stakeholder's workshop to disseminate the findings and derive key policy decisions. The workshop discussed future technologies of SAF and the outcome of the feasibility study of SAF. Kenya is supporting this initiative, and, through the Kenya-UK ACT-CORSIA programme, the Authority hosted the Capacity building and Training for Carbon Offsetting and Reduction Scheme for International Aviation (ACT-CORSIA) for Southern Sudan at the East African School of Aviation (EASA). The training was also offered to stakeholders in the aviation industry.



